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绍兴市城市建设投资集团有限公司
SHAOXING CITY INVESTMENT GROUP LIMITED

SHAOXING CITY INVESTMENT GROUP LIMITED
(紹興市城市建設投資集團有限公司)

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

U.S.\$700,000,000 2.5 per cent. Bonds due 2026 (the “**Bonds**”)
(**Stock Code: 40807**)

PUBLICATION OF THE OFFERING CIRCULAR

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 12 August 2021 (the “**Offering Circular**”) appended herein in relation to the issuance of the Bonds. As disclosed in the Offering Circular, the Bonds are intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) (“**Professional Investors**”) only and have been listed on the Hong Kong Stock Exchange on that basis.

Notice to Hong Kong Investors: Shaoxing City Investment Group Limited (紹興市城市建設投資集團有限公司) (the “**Issuer**”) confirms that the Bonds are intended for purchase by Professional Investors only and have been listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer confirms that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

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

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

Hong Kong, 20 August 2021

As at the date of this announcement, the directors of the Issuer are Mr. Zhu Zhixiang (朱志祥), Mr. Fang Weijiong (方維炯), Mr. Zhao Jinhu (趙金虎), Mr. Guo Jian (郭建), Mr. Mao Jiecheng (毛節程) and Mr. Xuan Xiaoxin (宣曉鑫).

IMPORTANT NOTICE

NOT FOR DISTRIBUTION DIRECTLY OR INDIRECTLY INTO THE UNITED STATES. THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE ADDRESSEES OUTSIDE OF THE UNITED STATES.

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

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

THE BONDS (THE “SECURITIES”) DESCRIBED IN THE OFFERING CIRCULAR HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THIS OFFERING IS MADE SOLELY IN OFFSHORE TRANSACTIONS PURSUANT TO REGULATION S UNDER THE SECURITIES ACT.

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

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

Confirmation of Your Representation:

By accepting the e-mail and accessing the attached Offering Circular, you shall be deemed to have represented to the Issuer and the Joint Lead Managers (as defined in the Offering Circular) (1) that you and any customers you represent are not, and that the electronic mail address that you gave the Issuer and to which this e-mail has been delivered is not, located in the United States, its territories or possessions, (2) that you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission, and (3) to the extent you purchase the Securities, you will be doing so in an offshore transaction as defined in regulations under the Securities Act in compliance with Regulation S thereunder.

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

Nothing in this electronic transmission constitutes, or may be used in connection with, an offer or an invitation by or on behalf of any of the Issuer, the Joint Lead Managers, the Trustee (as defined in the Offering Circular) or the Agents (as defined in the Offering Circular) to subscribe or purchase any of the Securities, 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). If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Lead Managers or any affiliate of any of the Joint Lead Manager is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Joint Lead Manager or such affiliate on behalf of the Issuer in such jurisdiction. Any Securities to be issued in respect thereof will not be registered under the Securities Act and may not be offered or sold in the United States unless registered under the Securities Act or pursuant to an exemption from such registration. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the Securities.

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Joint Lead Managers nor any of their affiliates, directors, officers, employees, representatives, agents and each person who controls any of them accepts any liability or responsibility whatsoever in respect of any such alteration or change to the Offering Circular distributed to you in electronic format or any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.

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

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

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

OFFERING CIRCULAR

STRICTLY CONFIDENTIAL



绍兴市城市建设投资集团有限公司
SHAOXING CITY INVESTMENT GROUP LIMITED

— 越城市·越美好 —

SHAOXING CITY INVESTMENT GROUP LIMITED

(紹興市城市建設投資集團有限公司)

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

U.S.\$700,000,000 2.5 PER CENT. BONDS DUE 2026

ISSUE PRICE: 100.0 per cent.

The U.S.\$700,000,000 in aggregate principal amount of 2.5 per cent. Bonds due 2026 (the "Bonds") will be issued by Shaoxing City Investment Group Limited (紹興市城市建設投資集團有限公司) (the "Issuer"), a company incorporated in the People's Republic of China (the "PRC") with limited liability.

The Bonds will constitute direct, unsubordinated, unconditional and (subject to Condition 4(a) of the terms and conditions of the Bonds (the "Terms and Conditions")) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable law and subject to Condition 4(a) of the Terms and Conditions, at all times rank at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations. The PRC government (as defined below) (including Shaoxing SASAC (as defined below)) is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Bonds in lieu of the Issuer – See "Risk Factors – Risks relating to the Bonds – The PRC government, Shaoxing SASAC or any other PRC governmental entity does not have any payment, guarantee or other obligations under the Bonds or the Trust Deed".

The Bonds will bear interest on their outstanding principal amount from and including 19 August 2021 (the "Issue Date") at the rate of 2.5 per cent. per annum. Interest on the Bonds is payable semi-annually in arrears in equal instalments on 19 February and 19 August in each year, commencing on 19 February 2022. Payments on the Bonds will be made without set-off or counterclaim, and free and clear of, and without withholding or deduction for, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the PRC or any authority therein or thereof having power to tax to the extent described under "Terms and Conditions of the Bonds – Taxation".

The Issuer undertakes that it will (i) within 15 Registration Business Days (as defined in the Terms and Conditions) after the Issue Date, submit or cause to be submitted an application for the registration of the Bonds with the State Administration of Foreign Exchange of the PRC ("SAFE") pursuant to the Administrative Measures for Foreign Debt Registration (外債登記管理辦法) and its operating guidelines, effective as of 13 May 2013 and other applicable rules issued by SAFE and the People's Bank of China ("PBOC") from time to time, (ii) file or cause to be filed with SAFE the Bonds within the time frame prescribed in the Circular of the People's Bank of China on Implementing Overall Macro Prudential Management System for 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) issued by PBOC which came into effect on 12 January 2017 and any implementation rules as issued by PBOC from time to time (the "Cross Border Financing Circular") (i) and (ii) together, the "Foreign Debt Registration"), (iii) use its best endeavours to complete the Foreign Debt Registration and obtain a registration or filing evidence from SAFE on or before the Registration Deadline (as defined in the Terms and Conditions) and (iv) comply with all applicable PRC laws and regulations in relation to the Bonds, including but not limited to, the Cross Border Financing Circular and any implementation measures promulgated thereunder from time to time.

Pursuant to the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) (the "NDRC Circular") issued by the National Development and Reform Commission of the PRC ("NDRC") on 14 September 2015 which came into effect on the same day and any implementation rules or applicable policies as issued by NDRC from time to time, the Issuer has registered the issuance of the Bonds with NDRC and obtained a certificate from NDRC on 29 April 2021 evidencing such registration and has undertaken to provide the requisite information on the issuance of the Bonds to NDRC within 10 Registration Business Days after the Issue Date.

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 19 August 2026 (the "Maturity Date"). The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to each holder of the Bonds (each a "Bondholder") (which notice shall be irrevocable) and in writing to the Trustee (as defined below) and the Principal Paying Agent (as defined in the Terms and Conditions), at their principal amount together with interest accrued to (but excluding) the date fixed for redemption, if the Issuer satisfies the Trustee immediately prior to the giving of such notice that: (i) the Issuer has or will become obliged to pay Additional Tax Amounts (as defined in the Terms and Conditions) as provided or referred to in Condition 8 of the Terms and Conditions as a result of any change in, or amendment to, the laws or regulations of Hong Kong, the PRC, or any other jurisdiction to which the Issuer becomes subject in respect of payments made by it of principal, premium (if any) and interest on the Bonds, and, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 12 August 2021, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it. See "Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Taxation Reasons".

The Issuer may at any time on or after 19 May 2026 (being three months before the Maturity Date) redeem the Bonds, in whole, but not in part, at their principal amount, plus unpaid interest, if any, accrued to but excluding the date specified for redemption.

At any time following the occurrence of a Relevant Event (as defined in the Terms and Conditions), the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all, but not some only, of that holder's Bonds on the Put Settlement Date (as defined in the Terms and Conditions) at 101 percent. (in the case of a redemption for a Change of Control (as defined in the Terms and Conditions)) or 100 per cent. (in the case of a redemption for a No Registration Event (as defined in the Terms and Conditions)) of their principal amount, together in each case with accrued interest up to (but excluding) the Put Settlement Date. See "Terms and Conditions – Redemption and Purchase".

The Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Bonds are being offered and sold only outside the United States in offshore transactions in compliance with Regulation S under the Securities Act ("Regulation S"). For a description of these and certain further restrictions on offers and sales of the Bonds and the distribution of this Offering Circular, see the section entitled "Subscription and Sale" on page 108.

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

Investing in the Bonds involves risks. See "Risk Factors" beginning on page 13 for a discussion of certain factors to be considered in connection with an investment in the Bonds.

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

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

The Hong Kong Stock Exchange has not reviewed the contents of this Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Offering Circular to Professional Investors only, have been reproduced in this Offering Circular. Listing of the Bonds on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Bonds or the Issuer or the Group (as defined herein) or quality of disclosure in this Offering Circular. 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 this Offering Circular before investing. If in doubt, investors should consult their advisers.

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

The Issuer has been assigned a corporate credit rating of "BBB+" with a stable outlook by Fitch Ratings Ltd. ("Fitch") and "A-" with a stable outlook by Lianhe Ratings Global Limited ("Lianhe Global"). The Bonds are expected to be rated "BBB+" by Fitch and "A-" by Lianhe Global. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revisions, qualification, suspension, reduction or withdrawal at any time by the assigning rating agency. Such ratings should be evaluated independently of any other rating of the other securities of the Issuer.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

China International Capital Corporation	Orient Securities (Hong Kong)	Guosen Securities (HK)	CNCB Capital	ICBC International
BOCOM International	CCB International	CMBC Capital	HSBC	DBS Bank Ltd.

Joint Bookrunners and Joint Lead Managers

ABC International	Bank of China	Bank of Communications	CEB International	China Everbright Bank Hong Kong Branch
China Industrial Securities International	China Minsheng Banking Corp., Ltd., Hong Kong Branch	China Zheshang Bank Co., Ltd. (Hong Kong Branch)	CMB Wing Lung Bank Limited	Haitong International
Luso International Banking Limited	OCI International	Shanghai Pudong Development Bank Hong Kong Branch	SPDB International	

Offering Circular dated 12 August 2021

IMPORTANT NOTICE

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

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer and the Group (as defined below). The Issuer 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.

The Issuer accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that (i) this Offering Circular contains all information with respect to the Issuer and its subsidiaries as a whole (the “**Group**”) and the Bonds which is material in the context of the issue and offering of the Bonds (including all information required by applicable laws and the information which, according to the particular nature of the Issuer and the Bonds, is necessary to enable investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer and the Group and of the rights attaching to the Bonds); (ii) this Offering Circular does not include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; (iii) all statements of fact contained in this Offering Circular relating to the Issuer and the Group are, true and accurate in all material respects and not misleading; (iv) the opinions and intentions expressed in this Offering Circular with regard to the Issuer and the Group are, honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (v) that there are no other facts in relation to the Issuer, the Group or the Bonds, the omission of which would, in the context of the issue and the offering of the Bonds, make any statement in this Offering Circular misleading; (vi) all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements in this Offering Circular; and (vii) the statistical, industry and market-related data in this Offering Circular were accurately extracted from publicly available sources which the Issuer believes to be accurate and reliable.

This Offering Circular has been prepared by the Issuer solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of, China International Capital Corporation Hong Kong Securities Limited, Orient Securities (Hong Kong) Limited, Guosen Securities (HK) Brokerage Company, Limited, CNCB (Hong Kong) Capital Limited, ICBC International Securities Limited, BOCOM International Securities Limited, CCB International Capital Limited, CMBC Securities Company Limited, The Hongkong and Shanghai Banking Corporation Limited, DBS Bank Ltd., ABCI Capital Limited, Bank of China Limited, Singapore Branch, Bank of Communications Co., Ltd. Hong Kong Branch, CEB International Capital Corporation Limited, China Everbright Bank Co., Ltd., Hong Kong Branch, China Industrial Securities International Brokerage Limited, China Minsheng Banking Corp., Ltd., Hong Kong Branch, China Zheshang Bank Co., Ltd. (Hong Kong Branch), CMB Wing Lung Bank Limited, Haitong International Securities Company Limited, Luso International Banking Limited, OCI Asset Management Company Limited, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch and SPDB International Capital Limited (together and acting in their various capacities, the “**Joint Lead Managers**”) or the Issuer to subscribe for or purchase any of the Bonds in any jurisdiction in which such offer or invitation would be unlawful. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the possession or distribution of this Offering Circular or any offering or publicity material relating to the Bonds in any

jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds, and the circulation of documents relating thereto, in certain jurisdictions including the United States, the United Kingdom, Hong Kong, the PRC, Singapore and Japan and to persons connected therewith. For a description of certain further restrictions on offers and sales of the Bonds, and distribution of this Offering Circular, see “*Subscription and Sale*”. By purchasing the Bonds, investors represent and agree to all of those provisions contained in that section of this Offering Circular. This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for, or otherwise acquire, the Bonds.

Distribution of this Offering Circular to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised. Each prospective investor, by accepting delivery of this Offering Circular, agrees to the foregoing and to make no photocopies of this Offering Circular or any documents referred to in this Offering Circular.

No person has been or is authorised to give any information or to make any representation concerning the Issuer, the Group or the Bonds other than as contained in this Offering Circular and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Joint Lead Managers, the Trustee or the Agents (as defined in the Terms and Conditions) or their respective affiliates, directors, officers, agents, employees, representatives or advisers or any person who controls any of them. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer or the Group since the date hereof or create any implication that the information contained herein is correct as of any date subsequent to the date hereof.

None of the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, agents, employees, representatives or advisers or any person who controls any of them has independently verified the information contained in this Offering Circular. Accordingly, none of the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, agents, employees, representatives or advisers or any person who controls any of them makes any representation, warranty or undertaking, express or implied, is made or accepts any responsibility or liability with respect to the accuracy, completeness or sufficiency of the information contained in this Offering Circular or any other information supplied in connection with the Bonds. Nothing contained in this Offering Circular is, or shall be relied upon as a promise, representation or warranty by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, agents, employees, representatives or advisers or any person who controls any of them. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the Issuer, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, agents, employees, representatives or advisers or any person who controls any of them that any recipient of this Offering Circular should purchase the Bonds. Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, directors, officers, agents, employees, representatives or advisers or any person who controls any of them in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Issuer and the merits and risks involved in investing in the Bonds. See “*Risk Factors*” for a discussion of certain factors to be considered in connection with an investment in the Bonds.

To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, agents, employees, representatives or advisers or any person who controls any of them accept any responsibility for the contents of this Offering Circular and assumes no responsibility for the contents, accuracy, completeness or sufficiency of any such information or for any other statement, made or purported to be made by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, agents, employees, representatives or advisers or any person who controls any of them or on their behalf in connection with the Issuer or the issue and offering of the Bonds. Each of the Joint Lead Managers, the Trustee and the Agents and their respective affiliates, directors, officers, agents, employees, representatives and advisers or any person who controls any of them accordingly disclaims all and any liability, whether arising in tort or contract or otherwise, which it might otherwise have in respect of this Offering Circular or any such statement. None of the Joint Lead Managers, the Trustee or the Agents nor any of their respective affiliates, directors,

officers, agents, employees, representatives or advisers or any person who controls any of them undertake to review the results of operations, financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Bonds of any information coming to the attention of the Joint Lead Managers, the Trustee or the Agents or their respective affiliates, directors, officers, agents, employees, representatives or advisers or any person who controls any of them.

IN CONNECTION WITH THE ISSUE OF THE BONDS, THE JOINT LEAD MANAGER(S) AS STABILISATION MANAGER(S) (IF ANY) (OR ANY PERSON ACTING ON BEHALF OF THE STABILISATION MANAGER(S)) MAY OVER-ALLOT BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE OFFER OF BONDS IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS. ANY STABILISATION ACTION OR OVERALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISATION MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

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

Hong Kong Exchanges and Clearing Limited and 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. The Issuer accepts 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.

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

None of the Issuer, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers and advisers or any person who controls any of them are making any representations regarding the legality of an investment in the Bonds under any law or regulation. Prospective investors should not construe anything in this Offering Circular as legal, business or tax advice. Each prospective investor should determine for itself the relevance of the information contained in this Offering Circular and consult its own legal, business and tax advisers as needed to make its investment decision and determine whether it is legally able to purchase the Bonds under applicable laws or regulations.

The Trustee and the Agents shall not be responsible for nor have any liability for the recitals, statements, warranties or representations of any other party contained in the Trust Deed or the Agency Agreement (each as defined in the Terms and Conditions) or any other document entered into by such other parties in connection with the Bonds (and the Trustee and the Agents shall assume the accuracy and correctness thereof), or for the execution, legality, effectiveness, adequacy, genuineness, validity, enforceability or admissibility in evidence of the Trust Deed, the Agency Agreement or any such other agreement or document referred to above.

Warning

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

Industry and Market Data

Market data and certain industry forecasts and statistics used throughout this Offering Circular have been obtained based on internal surveys, market research, public information and industry publications. Although the Issuer believes the information to be reliable, it has not been independently verified by the Issuer, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, advisers or representatives or any person who controls any of them and none of the Issuer, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, advisers or representatives or any person who controls any of them makes any representation as to the accuracy or completeness of such information. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and none of the Issuer, the Joint Lead Managers or their respective affiliates, directors, officers and advisers makes any representation as to the correctness, accuracy or completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified.

Presentation of Financial Information

This Offering Circular contains consolidated financial information of the Issuer as of and for the years ended 31 December 2018, 2019 and 2020, which has been extracted from the audited consolidated financial statements of the Issuer as of and for the years ended 31 December 2019 and 2020, included elsewhere in this Offering Circular. The audited consolidated financial statements of the Issuer as of and for the years ended 31 December 2019 and 2020 were prepared and presented in accordance with the accounting principles generally accepted in the PRC (“**PRC GAAP**”) and have been audited by RSM China CPA LLP (“**RSM**”), the independent accountants of the Issuer in accordance with Auditing Standards for Chinese Certified Public Accountants.

PRC GAAP differs in certain respects from International Financial Reporting Standards (“**IFRS**”). See “*Summary of Certain Differences Between PRC GAAP and IFRS*”. Investors should seek advice from their financial and tax advisors if they have further questions about the differences.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to the “**PRC**” and “**China**” are to the People’s Republic of China (excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan); references to the “**United States**” and “**U.S.**” are to the United States of America; references to “**Hong Kong**” are to the Hong Kong Special Administrative Region of the People’s Republic of China; references to “**Renminbi**” and “**RMB**” are to the lawful currency of the PRC; and references to “**U.S.\$**” and “**U.S. dollars**” are to the lawful currency of the United States of America. Historical amounts translated into Renminbi have been translated at historical rates of exchange. Such translations should not be construed as representations that the amounts referred to herein could have been or could be converted into Renminbi at those rates or any other rate at all.

This Offering Circular contains translations of certain Renminbi amounts into U.S. dollars at a specified rate solely for the convenience of the reader. Unless otherwise specified, where financial information in relation to the Issuer has been translated into U.S. dollars, it has been so translated, for convenience only, at the rate of RMB6.5250 to U.S.\$1.00 (the noon buying rate in New York City on 31 December 2020 as set forth in the weekly H.10 statistical release of the Federal Reserve Board of the Federal Reserve Bank of New York). Further information regarding exchange rate is set forth in “*Exchange Rates*” in this Offering Circular. No representation is made that the Renminbi amounts referred to in this Offering Circular could have been or could be converted into U.S. dollars at any particular rate or at all.

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

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

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

- “**Issuer**” refers to Shaoxing City Investment Group Limited (紹興市城市建設投資集團有限公司);
- “**GDP**” refers to gross domestic product;
- “**GFA**” refers to gross floor area;
- “**Group**” refers to the Issuer and the Issuer’s subsidiaries taken as a whole, unless otherwise specified or the context otherwise requires;
- “**MOF**” refers to the Ministry of Finance of the PRC;
- “**NDRC**” refers to the National Development and Reform Commission of the PRC or its local counterparts;
- “**PBOC**” refers to the People’s Bank of China, the central bank of the PRC;
- “**PRC government**” refers to the central government of the PRC and its political subdivisions, including provincial, municipal and other regional or local government entities, and instrumentalities thereof, or where the context requires, any of them;
- “**RSM**” refers to RSM China CPA LLP;

- **“SAFE”** refers to the State Administration of Foreign Exchange of the PRC or its competent local counterpart;
- **“Shaoxing City Public Utilities”** refers to Shaoxing City Public Utilities Group Co., Ltd. (紹興市公用事業集團有限公司);
- **“Shaoxing Fuel Gas”** refers to Shaoxing Fuel Gas Industry Group Ltd. (紹興市燃氣有限公司);
- **“Shaoxing Municipal Government”** refers to Shaoxing Municipal People’s Government (紹興市人民政府);
- **“Shaoxing SASAC”** refers to the State-owned Assets Supervision and Administration Commission of Shaoxing Municipal Government or its successor;
- **“SCNPC”** refers to the Standing Committee of the National People’s Congress; and
- **“State Council”** refers to the State Council of the PRC.

FORWARD-LOOKING STATEMENTS

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

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

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

- the Group’s ability to successfully implement its business plans and strategies;
- various business opportunities that the Group may pursue;
- the financial condition, performance and business prospects of the Group;
- the Group’s capital expenditure plans;
- access to and cost of capital and financing;
- changes in the competition landscape in the industries where the Group operates;
- changes in the laws, rules and regulations of the PRC government and Shaoxing SASAC (as applicable) and the rules, regulations and policies of the governmental authorities relating to all aspects of the Group’s business;
- general political and economic conditions, including those related to the PRC, Zhejiang Province or Shaoxing;
- 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 Issuer operates;
- fluctuations in prices of and demand for products and services that the Group provides;
- natural disasters, industrial actions, terrorist attacks, epidemics, pandemics and events beyond the Group’s control;
- macroeconomic measures taken by the PRC government to manage economic growth;
- changes in global economic conditions; and
- other factors, including those discussed in “*Risk Factors*”.

The Issuer cautions investors not to place undue reliance on these forward-looking statements which reflect its management’s views only as of the date of this Offering Circular. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur and the actual results of the Issuer or the Group could differ materially from those anticipated in these forward-looking statements.

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SUMMARY

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

OVERVIEW

The Issuer is a state-owned enterprise controlled by Shaoxing SASAC which has diverse business and investments in multiple industries including fuel gas sales, water affairs, and infrastructure construction and operation. Since its establishment in 1999, the Group has been the main constructor of major infrastructure projects and the core operator of municipal resources in Shaoxing and has played an important role in implementing the Shaoxing Municipal Government’s blueprint for urban planning and municipal construction.

As of 31 December 2018, 2019 and 2020, the Group had total assets of RMB57,712.3 million, RMB53,631.8 million, and RMB54,509.7 million, respectively. For the years ended 31 December 2018, 2019 and 2020, the Group recorded revenue of RMB6,631.0 million, RMB8,583.5 million, and RMB7,398.3 million, respectively, and net profit of RMB87.8 million, RMB211.6 million, and RMB244.7 million, respectively. The following summarises the three principal business segments of the Group:

Fuel Gas Sales

The Group’s fuel gas sales business is mainly operated through Shaoxing Fuel Gas and comprises two business lines: natural gas sales and bottled liquefied gas sales. Fuel gas sales business is the largest revenue contributor to the Group’s business for the years ended 31 December 2018, 2019 and 2020. For the years ended 31 December 2018, 2019 and 2020, the fuel gas sales segment recorded revenue of RMB2,855.7 million, RMB3,844.6 million, and RMB3,007.5 million, respectively, accounting for 43.1 per cent., 44.8 per cent., and 40.7 per cent. of the Group’s revenue for the period, respectively.

Water Affairs

The Group commenced its water affairs business in 2018 after Shaoxing City Public Utilities was consolidated into the Group. In August 2018, Shaoxing SASAC transferred its 51 per cent. equity interest in Shaoxing City Public Utilities to the Issuer. Shaoxing City Public Utilities and its subsidiaries that are engaged in the water affairs business (together, the “**Water Affairs Group**”) is mainly responsible for water supply, wastewater treatment and the construction of the related water facilities in Shaoxing. For the years ended 31 December 2018, 2019 and 2020, the water affairs segment recorded revenue of RMB2,178.2, RMB1,867.8 million, and RMB2,277.6 million, respectively, accounting for 32.8 per cent., 21.8 per cent. and 30.8 per cent. of the Group’s revenue for the same periods.

Infrastructure Construction and Operation

The Group’s infrastructure construction and operation business comprises two business lines: infrastructure construction and construction materials trading. The Group’s infrastructure construction business is mainly operated by the Issuer and certain of its subsidiaries, including primarily Shaoxing Infrastructure Construction and Investment Co., Ltd. (紹興市基礎設施建設投資有限公司), Shaoxing City Construction Co., Ltd. (紹興市城投建設開發有限公司) and Shaoxing Affordable Housing Construction Ltd. (紹興市保障房建設有限公司) (“**Shaoxing Affordable Housing**”). Under this business segment, the Group is involved in the construction of affordable housing projects and municipal public interest projects, as well as construction, repair and reconstruction of roads in the urban area of Shaoxing. The Group conducts its construction materials trading business since 2018 primarily through its subsidiary Shaoxing Science and Technology Industry Investment Co., Ltd. (紹興市科技產業投資有限公司) (“**Shaoxing Science and Technology**”). Shaoxing Science and Technology focuses on the trading of asphalt concrete, prefabricated components as well as construction waste recycling materials. For the years ended 31 December 2018, 2019 and 2020, the infrastructure construction and operation segment recorded revenue of RMB90.9 million, RMB714.6 million, and RMB744.5 million, respectively, accounting for 1.4 per cent., 8.3 per cent., and 10.1 per cent. of the Group’s revenue for the period, respectively.

COMPETITIVE STRENGTHS

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

- Well-positioned to capitalise on the economic growth, strategic location and policy environment of Shaoxing
- Unique investment holding company controlled by the Shaoxing Municipal Government with strategic significance to Shaoxing's social and economic development
- Directly controlled by the Shaoxing SASAC with strong government support
- Diversified business portfolio with growing recurring income
- Access to multiple financing channels to obtain sufficient capital for the Group's business development
- Sound and effective corporate governance with experienced management team

BUSINESS STRATEGIES

The Group intends to focus on the following business strategies:

- Providing integrated solutions for city infrastructure construction and operation of public services
- Strengthen financial stability, appropriately control the growth scale, improve the asset quality and reduce financial leverage
- Strengthen management and internal control systems

RECENT DEVELOPMENT

As at 31 March 2021, as compared to the financial information as at 31 December 2020, the Group's cash and cash equivalents increased significantly primarily due to the Group's issuance of domestic corporate bonds and mid-term notes during the first quarter of 2021. See "*Capitalisation and Indebtedness*". The Group's investment property increased significantly primarily because certain construction in progress became investment property. The Group's other current assets increased primarily due to the increase of the Group's prepaid tax. The Group's other non-current assets increased primarily due to the shut-down of certain business and the increase in the number of houses, land and immovable equipment to be disposed of. As a result of the foregoing, the Group's total assets increased as at 31 March 2021 compared to those as at 31 December 2020. In addition, the Group's short-term borrowings, long-term borrowings, bonds payable and long-term payables increased primarily due to the Group's business expansion. As a result of the foregoing, the Group's total liabilities increased as at 31 March 2021 compared to those as at 31 December 2020. Furthermore, for the three months ended 31 March 2021, as compared to the same period in the preceding year, the Group experienced increases in revenue and operating costs, and decreases in gross loss and net loss primarily due to its business recovery from COVID-19.

Such financial information should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or review. Potential investors must exercise caution when using such data to evaluate the Group's financial condition and results of operations. Such financial information for the three months ended 31 March 2021 should not be taken as an indication of the Group's expected financial condition or results of operations for the full financial year ending 31 December 2021. See "*Risk Factors – Risks Relating to the Group and Its Business – Investors should not place any reliance on the financial information which is unreviewed or unaudited and should not place undue reliance on the discussion of material financial trends in relation to the Group's unaudited and unreviewed financial information*".

THE OFFERING

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

Issuer	Shaoxing City Investment Group Limited (紹興市城市建設投資集團有限公司).
The Bonds	U.S.\$700,000,000 2.5 per cent. Bonds due 2026.
Issue Price	100.0 per cent.
Form and Denomination	The Bonds will be issued in registered form in denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.
Issue Date	19 August 2021.
Interest	The Bonds will bear interest on their outstanding principal amount from and including the Issue Date, at the rate of 2.5 per cent. per annum, payable semi-annually in arrear in equal instalments on 19 February and 19 August in each year, commencing on 19 February 2022.
Maturity Date	19 August 2026.
Status of the Bonds	The Bonds will constitute direct, unconditional, unsubordinated and (subject to Condition 4(a) of the Terms and Conditions) unsecured obligations of the Issuer and shall at all times rank <i>pari passu</i> and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable law and subject to Condition 4(a) of the Terms and Conditions, at all times rank at least equally with all the Issuer’s other present and future unsecured and unsubordinated obligations.
Negative Pledge	The Bonds will contain a negative pledge provision as further described in Condition 4(a) of the Terms and Conditions.
Events of Default	Upon the occurrence of certain events described in Condition 9 of the Terms and Conditions, the Trustee at its discretion may, and if so requested by holders of at least 25 per cent. in principal amount of the Bonds then outstanding (as defined in the Trust Deed) or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) shall (provided that in any such case the Trustee shall have first been indemnified and/or secured and/or pre-funded to its satisfaction), give written notice to the Issuer that the Bonds are, and they shall immediately become, due and payable, at their principal amount together (if applicable) with any accrued and unpaid interest.

Taxation All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Bonds shall be made without set-off or counterclaim, and free and clear of, and without withholding or deduction for, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the PRC or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law, as further described in Condition 8 of the Terms and Conditions.

If the Issuer is required to make a withholding or deduction by or within the PRC at a rate of up to and including the Applicable Rate (as defined in the Terms and Conditions), the Issuer shall increase the amounts paid by it to the extent required, so that the net amount received by the Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

If the Issuer is required to make a deduction or withholding in respect of PRC tax in excess of the Applicable Rate, the Issuer shall pay Additional Tax Amounts as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in certain circumstances set out in Condition 8 of the Terms and Conditions. See “*Terms and Conditions of the Bonds – Taxation*”.

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

Redemption for Relevant Events At any time following the occurrence of a Relevant Event, the holder of any Bond will have the right, at such holder’s option, to require the Issuer to redeem all, but not some only, of that holder’s Bonds on the Put Settlement Date at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together in each case with accrued interest up to (but excluding) the Put Settlement Date, as further described in Condition 6(c) of the Terms and Conditions. See “*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Relevant Events*”.

Redemption for Taxation**Reasons**

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders in accordance with Condition 16 of the Terms and Conditions (which notice shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent, at their principal amount together with interest accrued to (but excluding) the date fixed for redemption, if the Issuer satisfies the Trustee immediately prior to the giving of such notice that: (i) the Issuer has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 of the Terms and Conditions as a result of any change in, or amendment to, the laws or regulations of Hong Kong, the PRC or any other jurisdiction to which the Issuer becomes subject in respect of payments made by it of principal, premium (if any) and interest on the Bonds, and, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 12 August 2021, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due, as further described in Condition 6(b) of the Terms and Conditions. See *"Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Taxation Reasons"*.

Redemption at the Option of the Issuer

The Issuer may at any time on or after 19 May 2026 (being three months before the Maturity Date) redeem the Bonds, in whole, but not in part, at their principal amount, plus unpaid interest, if any, accrued to but excluding the date specified for redemption, as further described in Condition 6(d) of the Terms and Conditions. See *"Terms and Conditions of the Bonds – Redemption and Purchase – Redemption at the Option of the Issuer"*.

Further Issues

The Issuer may from time to time without the consent of the Bondholders create and issue further securities either having the same terms and conditions as the Bonds in all respects (or in all material respects except for the issue date, issue price and amount of the first payment of interest on them and the timing for complying with the Registration Conditions and the making of the Foreign Debt Registration and the NDRC Post-issue Filing and for making the consequent notifications to the Trustee and the Bondholders) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Bonds), as further described in Condition 15 of the Terms and Conditions. See *"Terms and Conditions of the Bonds – Further Issues"*.

Trustee

China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司).

Principal Paying Agent	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司).
Transfer Agent and Registrar . . .	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司).
Clearing Systems	The Bonds will be represented by beneficial interests in the Global Certificate, which will be registered in the name of a nominee for, and deposited on the Issue Date with, a common depositary for Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through records maintained by, Euroclear and Clearstream. Except in the limited circumstances described in the Global Certificate, certificates for Bonds will not be issued in exchange for beneficial interests in the Global Certificate.
Selling Restrictions	The Bonds will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See “ <i>Subscription and Sale</i> ”.
Rating	The Issuer has been assigned a corporate credit rating of “BBB+” with a stable outlook by Fitch and “A-” with a stable outlook by Lianhe Global. The Bonds are expected to be rated “BBB+” by Fitch and “A-” by Lianhe Global. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, qualification, suspension, reduction or withdrawal at any time by the assigning rating agency. Prospective investors should evaluate each rating independently of any other rating of the other securities of the Issuer.
Governing Law	The Trust Deed, the Agency Agreement, the Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.
Jurisdiction	The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds, the Trust Deed or the Agency Agreement.
Listing	Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only and such permission is expected to become effective on or about 20 August 2021.
Use of Proceeds	See “ <i>Use of Proceeds</i> ”.
ISIN	XS2364642293.
Common Code	236464229.
Legal Entity Identifier	3003006W7JO7TLFNW68.

SUMMARY FINANCIAL INFORMATION OF THE GROUP

The summary financial information of the Group as of and for the years ended 31 December 2018, 2019 and 2020, as set forth below, has been derived from the Group's audited consolidated financial statements as of and for the years ended 31 December 2019 and 2020, which are included elsewhere in this Offering Circular.

The Group's consolidated financial statements as of and for the years ended 31 December 2019 and 2020 were prepared and presented in accordance with PRC GAAP and have been audited by RSM in accordance with Auditing Standards for Certified Public Accountants in China.

The summary consolidated financial statements as set forth below should be read in conjunction with, and is qualified in their entirety by reference to, the relevant consolidated financial statements of the Group and the notes thereto included elsewhere in this Offering Circular. Historical results of the Group are not necessarily indicative of results that may be achieved for any future period. Potential investors must exercise caution when using such data to evaluate the Group's financial condition and results of operations.

*On 30 April 2019, the Ministry of Finance of the PRC promulgated the Notice of Modifying and Publishing the Format of Financial Statements of General Businesses in 2019 (Caikuai [2019] No. 6) (the “**2019 New Accounting Standards and Requirements**”), which repealed the 2018 New Accounting Standards and Requirements and further amended the format of general corporate financial statements. In accordance with the 2019 New Accounting Standards and Requirements, the Issuer's comparative consolidated financial statements as of and for the year ended 31 December 2018 were readjusted under which the line item “notes receivable and accounts receivable” was divided into two separate line items: “notes receivable” and “accounts receivable”, and “notes payable and accounts payable” was divided into two separate line items: “notes payable” and “accounts payable”. For details of the 2019 New Accounting Standards and Requirements and its impact on the Issuer's audited consolidated financial statements as of and for the year ended 31 December 2019, please see “Notes to Financial Statements – 3. Significant accounting policies and accounting estimates – 3.30. Changes in Significant Accounting Policies and Accounting Estimates” of the Issuer's audited consolidated financial statements as of and for the year ended 31 December 2019 and “Risk Factors – Risk Relating to the Group's Business – Historical consolidated financial information of the Group is not indicative of its current or future results of operations”.*

SUMMARY CONSOLIDATED INCOME STATEMENT DATA

	For the year ended 31 December			
	2018	2019	2020	
	(RMB)	(RMB)	(RMB)	(USD)
	(audited)	(audited)	(audited)	(unaudited)
	(in thousands)			
Revenue	6,630,956.5	8,583,455.6	7,398,252.2	1,133,831.8
Operating income	6,630,956.5	8,583,455.6	7,398,252.2	1,133,831.8
Total operating cost	8,068,351.3	9,851,814.0	8,381,000.9	1,284,444.6
Operating costs	6,070,626.3	7,665,163.1	6,384,667.3	978,493.1
Taxes and surcharges	111,071.8	135,247.9	151,970.8	23,290.5
Sales expenses	70,204.0	48,575.1	44,009.8	6,744.8
Administration expenses	698,101.0	755,090.5	839,567.9	128,669.4
Research and development expenses	3,865.6	15,031.1	20,695.2	3,171.7
Financial expenses	1,114,482.6	1,232,706.3	940,089.8	144,075.1
Other income	1,469,005.4	1,430,616.8	1,521,349.5	233,157.0
Investment income	78,899.2	232,989.0	127,356.0	19,518.2
Including: Investment income from				
associates and joint ventures	27,076.0	(128,618.6)	71,177.4	10,908.4
Income on changes in fair value	15,747.6	(64,156.7)	(9,915.1)	(1,519.6)
Loss on asset impairment	(101,406.3)	(22,861.4)	(93,213.9)	(14,285.7)
Income from disposal of assets	(10,133.3)	9,139.8	13,326.2	2,042.3
Operating profit	14,717.7	317,369.2	576,154.0	88,299.5
Non-operating income	288,043.9	22,030.6	22,047.7	3,379.0
Non-operating expenses	31,937.2	20,445.5	224,455.1	34,399.2
Profit before tax	270,824.3	318,954.3	373,746.7	57,279.2
Income tax expenses	183,045.6	107,394.5	129,019.9	19,773.2
Net profit	<u>87,778.7</u>	<u>211,559.8</u>	<u>244,726.8</u>	<u>37,506.0</u>
(A) Classification by business continuity				
Profit and loss from going concern	87,778.7	211,559.8	244,726.8	37,506.0
(B) Classification by ownership				
Net profit attributable to parent company	305,880.2	203,212.9	151,487.2	23,216.4
Profit/loss attributable to minority equity holders	(218,101.5)	8,346.9	93,239.5	14,289.6
Net after-tax amount of other comprehensive income	<u>2,078.1</u>	<u>757.1</u>	<u>(1,287.0)</u>	<u>(197.2)</u>
Net after-tax amount of other comprehensive income attributable to owners of the parent company	2,078.1	757.1	(1,287.0)	(197.2)
Total comprehensive income	<u>89,856.8</u>	<u>212,316.9</u>	<u>243,439.7</u>	<u>37,308.8</u>
Total comprehensive income attributable to owners of the parent company	307,958.3	203,970.0	150,200.2	23,019.2
Total comprehensive income attributable to minority interests	(218,101.5)	8,346.9	93,239.5	14,289.6

SUMMARY CONSOLIDATED BALANCE SHEET DATA

	As of 31 December			
	2018	2019	2020	
	(RMB)	(RMB)	(RMB)	(USD)
	(audited)	(audited)	(audited)	(unaudited)
	(in thousands)			
Current assets				
Cash and cash equivalents	8,937,046.9	4,721,850.9	2,597,695.9	398,114.3
Financial assets at fair value through profit or loss	149,747.5	85,590.9	75,675.7	11,597.8
Notes receivable	9,108.5	21,289.5	16,381.6	2,510.6
Accounts receivable	326,750.2	596,308.4	828,686.0	127,001.7
Accounts prepaid	762,772.3	802,319.6	1,057,370.8	162,049.2
Other receivables	1,306,421.9	1,926,779.7	3,752,454.2	575,088.8
Inventories	11,400,830.2	12,298,199.4	10,662,518.9	1,634,102.5
Held-for-sale assets	–	6,727.3	6,727.3	1,031.0
Other current assets	4,000,218.6	138,003.6	101,670.5	15,581.7
Total current assets	<u>26,892,896.3</u>	<u>20,597,069.3</u>	<u>19,099,180.8</u>	<u>2,927,077.5</u>
Non-current assets				
Available-for-sale financial assets	48,462.0	680,580.7	1,134,029.8	173,797.7
Long-term receivables	8,000.0	47,500.0	–	–
Long-term equity investments	185,123.5	1,080,886.2	1,466,463.0	224,745.3
Investment property	689,451.9	723,376.0	942,294.5	144,413.0
Fixed assets	15,433,046.3	16,211,242.4	16,406,895.2	2,514,466.7
Construction in progress	12,462,510.0	12,264,708.6	13,313,871.0	2,040,440.0
Intangible assets	1,574,115.1	1,632,436.3	1,725,556.2	264,453.1
Goodwill	5,282.4	5,282.4	27,782.0	4,257.8
Long-term deferred expenses	55,886.9	39,671.0	38,102.5	5,839.5
Deferred income tax assets	36,615.9	28,246.4	41,676.3	6,387.2
Other non-current assets	320,924.0	320,821.5	313,863.0	48,101.6
Total non-current assets	<u>30,819,417.9</u>	<u>33,034,751.4</u>	<u>35,410,533.6</u>	<u>5,426,901.7</u>
Total assets	<u><u>57,712,314.2</u></u>	<u><u>53,631,820.7</u></u>	<u><u>54,509,714.3</u></u>	<u><u>8,353,979.2</u></u>
Current liabilities				
Short-term borrowings	3,141,190.0	1,023,100.0	1,486,710.4	227,848.3
Notes payable	14,716.4	136,312.0	65,562.8	10,047.9
Accounts payable	1,538,143.5	1,275,839.3	1,932,268.3	296,133.1
Advance from customers	1,280,939.7	613,479.0	630,619.0	96,646.6
Employee compensation payable	81,671.8	49,362.0	49,922.1	7,650.9
Taxes payable	124,346.0	180,776.8	244,543.2	37,477.9
Other payables	2,161,409.7	2,046,981.0	2,488,954.3	381,448.9
Non-current liabilities due within one year . .	4,298,545.8	2,202,857.3	6,607,849.1	1,012,697.2
Other current liabilities	604,547.3	585,962.4	558,650.1	85,616.9
Total current liabilities	<u>13,245,510.2</u>	<u>8,114,669.7</u>	<u>14,065,079.3</u>	<u>2,155,567.7</u>

	As of 31 December			
	2018	2019	2020	
	(RMB)	(RMB)	(RMB)	(USD)
	(audited)	(audited)	(audited)	(unaudited)
	(in thousands)			
Non-current liabilities				
Long-term borrowings	7,100,801.5	5,377,357.3	6,162,179.7	944,395.4
Bonds payable	12,175,634.8	13,623,436.4	10,063,187.6	1,542,251.0
Long-term payables	1,959,219.5	3,313,474.7	1,248,381.9	191,322.9
Deferred income	184,971.3	147,660.8	138,469.2	21,221.3
Deferred income tax liabilities	18,404.8	17,911.8	30,325.2	4,647.5
Other non-current liabilities	—	43,617.4	61,259.7	9,388.5
Total non-current liabilities	21,439,031.9	22,523,458.3	17,703,803.2	2,713,226.5
Total liabilities	34,684,542.2	30,638,128.1	31,768,882.5	4,868,794.3
Owner's equity				
Paid-in capital (or share capital)	3,300,000.0	3,300,000.0	3,300,000.0	505,747.1
Capital reserve	10,834,051.7	11,022,988.5	9,723,791.2	1,490,236.2
Other comprehensive income	2,064.4	2,821.5	1,534.5	235.2
Special reserve	55,926.6	95,334.2	109,311.2	16,752.7
Surplus reserve	218,346.6	218,346.6	237,401.8	36,383.4
Retained earnings	3,292,926.4	3,496,139.4	3,586,215.9	549,611.6
Total owner's equity attributable to parent company	17,703,315.7	18,135,630.1	16,958,254.6	2,598,966.2
Minority interests	5,324,456.2	4,858,062.6	5,782,577.3	886,218.7
Total owner's equity	23,027,772.0	22,993,692.6	22,740,831.8	3,485,185.0
Total liabilities and owner's equity	57,712,314.2	53,631,820.7	54,509,714.3	8,353,979.2

SUMMARY CONSOLIDATED CASH FLOW STATEMENT DATA

	For the year ended 31 December			
	2018	2019	2020	
	(RMB)	(RMB)	(RMB)	(USD)
	(audited)	(audited)	(audited)	(unaudited)
	(in thousands)			
Net cash flows from operating activities	1,313,530.4	953,405.6	1,805,856.5	276,759.6
Net cash flows from investing activities	(3,351,416.3)	(4,679,765.8)	(7,313,093.2)	(1,120,780.6)
Net cash flows from financing activities	7,434,022.9	(488,486.8)	3,409,021.3	522,455.4
Effect of foreign exchange rate changes on cash and cash equivalents	83,668.4	(19,083.4)	(22,115.4)	(3,389.3)
Net increase/(decrease) in cash and cash equivalents	5,479,805.3	(4,233,930.4)	(2,120,330.8)	(324,954.9)
Cash and cash equivalents at beginning of year	3,407,706.8	8,887,512.1	4,653,581.7	713,192.6
Cash and cash equivalents at end of year . .	8,887,512.1	4,653,581.7	2,533,250.9	388,237.7

OTHER FINANCIAL DATA

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

	As of and for the year ended 31 December		
	2018	2019	2020
EBITDA ⁽¹⁾ (RMB in millions)	2,420.8	2,525.4	2,588.0
EBITDA margin ⁽²⁾ (%)	36.5	29.4	35.0
Total debt ⁽³⁾ (RMB in millions)	27,408.3	23,345.8	24,439.1
Total debt to total assets (%)	47.5	43.5	44.8
EBITDA to total debt	0.1	0.1	0.1
EBITDA to interest expense	1.7	2.0	2.1

Notes:

- (1) EBITDA for any period is calculated as net profit, adding back interest expense, income tax expenses, depreciation of fixed assets, oil and fuel gas assets and productive biological assets, and amortization of intangible assets and long-term deferred expenses. EBITDA is not a standard measure under PRC GAAP or IFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, profit 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. EBITDA does not account for financial expense, impairment on assets or other non-operating cash expenses. In evaluating EBITDA, the Issuer believes that investors should consider, among other things, the components of EBITDA such as selling and distribution costs and the amount by which EBITDA exceeds capital expenditures and other charges. EBITDA has been included because the Issuer believes it is a useful supplement to cash flow data as a measure of the Group's performance and the Group's ability to generate cash flow from operations to service debt and pay taxes. EBITDA presented in this Offering Circular 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.
- (2) EBITDA margin is calculated by dividing EBITDA by revenue. Investors should not compare the Group's EBITDA margin to EBITDA margin presented by other companies because not all companies use the same definition.
- (3) Total debt consists of short-term borrowings, non-current liabilities due within one year, long-term borrowings, bonds payable and long-term payables (financial lease payable). Investors should not compare the Group's total debt to total debt presented by other companies because not all companies use the same definition.

RISK FACTORS

An investment in the Bonds is subject to a number of risks. Investors should carefully consider all of the information in this Offering Circular and, in particular, the risks described below, before deciding to invest in the Bonds. The following describes some of the significant risks relating to the Issuer, the Group, the Group's business and the market in which the Group operates and the value of Bonds. Some risks may be unknown to the Issuer and other risks, currently believed to be immaterial, could in fact be material. Any of these could materially and adversely affect the business, financial condition, results of operations or prospects of the Issuer and the Group or the value of the Bonds. The Issuer believes that the risk factors described below represent the principal risks inherent in investing in the Bonds, but the ability of the Issuer to pay interest, principal or other amounts on or in connection with any Bonds may be affected by some factors that may not be considered as significant risks by the Issuer on information currently available to them or which they are currently unable to anticipate. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The actual results of the Group could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this Offering Circular.

The Issuer or the Group does not represent that the statements below regarding the risk factors of holding any Bonds are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

Risks Relating to the Group's Businesses

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

The Group primarily engages in (i) fuel gas sales; (ii) water affairs; and (iii) infrastructure construction and operation in the PRC, and the Group's revenue is substantially derived from its operating activities in the PRC, particularly Shaoxing. Therefore, the performance of the PRC economy and particularly the Shaoxing economy affects, to a significant degree, the Group's business, prospects, financial condition and results of operations.

The economy of the PRC experienced rapid growth in the past 40 years. There has been a slowdown in the growth of the PRC's GDP since the second half of 2013 and this has raised market concerns that the historic rapid growth of the economy of the PRC may not be sustainable. Although the PRC government has recently taken measures to increase investor confidence in the PRC economy, there can be no assurance that such measures will be effective. There can be no assurance that the PRC government will not implement reforms which may conflict with such targeted growth. The Group's business, financial conditions and results of operations could be adversely affected by the PRC government's inability to effect timely economic reforms.

Any slowdown in the PRC economy may increase the Group's exposure to material losses from its investments, decrease 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 Group's business is heavily dependent on the PRC government's policies relating to Shaoxing.

The Group's business, which is targeted at and highly concentrated in Shaoxing, is closely intertwined with the development of the area. In particular, the PRC government's policies regarding Shaoxing have given rise to unique business opportunities for the Group. Key factors affecting the development of Shaoxing include the PRC central government's policies and priority relating to the development of different regions across the country, and the economic conditions in the PRC generally and in Shaoxing. There can be no assurance that the level of economic activity in Shaoxing will continue to grow at the same pace as 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.

In addition, there can be no assurance that the industries in which the Group operates would continue to develop at the same pace or at all. As of 31 December 2020, the fuel gas sales business of the Group accounted for 40.7 per cent. of the Group's revenue. If the gas and natural gas industry in which the Group has invested substantial amounts does not continue to develop, at all or at the expected rate, the business and revenue of the Group's business may be adversely affected.

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

The Group's business may be affected by natural disasters, epidemics and other acts of God which are beyond the Group's control. The occurrences of epidemics, such as the recent outbreak of COVID-19 or the past occurrence of Middle East Respiratory Syndrome (MERS), Severe Acute Respiratory Syndrome (SARS), H5N1 avian flu, human swine flu (also known as Influenza A or H1N1) or H7N9 avian flu have caused and may continue to cause varying degrees of damage to the national and local economies in the PRC.

In particular, the outbreak of COVID-19 in 2020 caused delays in the resumption of local business in the PRC after the 2020 Chinese New Year holiday and, as the outbreak extended, the COVID-19 pandemic has spread with the number of reported cases and related deaths increasing daily and, in many countries, exponentially. The COVID-19 was declared as a pandemic on 11 March 2020 by the World Health Organisation and has spread all over the world. The global outbreak of COVID-19 has brought negative economic impact and increased volatility in the PRC and global markets, which could have a material adverse effect on the Group.

The restrictions implemented by governments in the PRC and other countries to control the spread of COVID-19, including, among others, restrictions on international and local travel, and the closure of manufacturing and other facilities may have a material adverse impact on the Group's business. Development and construction projects may be temporarily shut down, which could materially and adversely affect the profitability and cash flows of the Group. A decrease in demand for the Group's services and products by its customers driven by an economic slowdown or recession as a result of the COVID-19 pandemic could lead to a substantial decrease in the Group's business volume, revenue and cash flows, which could, in turn, materially and adversely affect its results of operations, financial condition and prospects.

In addition, if any of the employees of the Group are affected by any severe communicable disease, including COVID-19, it may cause a temporary closure of the facilities or construction sites of the Group to prevent the spread of the disease, which could materially and adversely affect the business, results of operations and financial condition of the Group. The spread of any severe communicable disease in Shaoxing or the PRC may also affect the operations of the suppliers of the Group, which could, in turn, materially and adversely affect the business, results of operations, financial condition and prospects of the Group.

Moreover, the PRC has experienced natural disasters such as earthquakes, floods and droughts in the past few years. For example, in June and July 2020, weeks of torrential rain flooded provinces throughout southern China, causing landslides, bursting dikes, forcing the evacuation of local residents and resulting in heavy economic losses. In May 2008 and April 2010, the PRC experienced earthquakes in Sichuan Province and Qinghai Province, respectively, resulting in the death of tens of thousands of people and significant economic losses. In 2010, severe droughts occurred in south-western China, resulting in significant economic losses in these areas. Any future occurrence of severe natural disasters in the PRC may adversely affect its economy and, in turn, the Group's business, financial condition, and results of operations.

The Group is involved in multiple businesses through a large number of portfolio companies, and this business structure exposes the Group to challenges not faced by companies with a single or small number of businesses.

The Group has a large number of portfolio companies operating in multiple industries. As of 31 December 2020, the Issuer had 69 subsidiaries whose financial statements were consolidated into the Group's financial statements in accordance with PRC GAAP and some of these subsidiaries in turn operated or invested in a large number of subsidiaries and associated companies. Through the Issuer and its subsidiaries and associated companies, the Group is involved in three main business segments covering a wide range of industries: (i) fuel gas sales; (ii) water affairs; and (iii) infrastructure construction and operation. As such, the Group is exposed to risks associated with multiple businesses. For example,

- the Group is exposed to business, market and regulatory risks relating to different industries and markets. Such diverse operations require the Group to devote substantial resources to remaining familiar with, and monitoring changes in, different operating environments so that it can succeed in its businesses;
- due to the large number of the Group's portfolio companies, the successful operation of the Group requires an effective management system and relevant management experience in the different industries where the Group operates its businesses. As the Group continues to grow its businesses, the Group's operations may become more complex which would increase the difficulty in implementing its management system and acquiring the relevant management experience; and
- the Group provides shareholder loans to, or acts as a guarantor for the borrowings of, certain portfolio companies. If a portfolio company defaults on any borrowings lent or guaranteed by the Group, the Group will not receive the repayment as planned or the relevant lender may exercise its right under the guarantee to demand repayment from the Group. The occurrence of either of these types of events may result in a funding shortage at the Group level and adversely affect the Group's ability to provide financial support to its other portfolio companies. If the Group's financial or non-financial support ceases or diminishes for any reason, the operations of the relevant portfolio companies may be materially and adversely affected, which in turn may have a material and adverse impact on the Group's business, results of operations and financial condition.

In addition, the Group may from time to time expand its businesses to new industries and markets in which it has limited operating experience. Such expansion will face all the risks detailed above as well as other unforeseen risks associated with such new industries and markets. There can be no assurance that the costs of such expansion will not have a material adverse effect on the Group's business, financial condition and results of operations.

The Shaoxing Municipal Government or Shaoxing SASAC may exert significant influence on the Group and may not act in the best interests of the Group.

As of the date of this Offering Circular, the Issuer is controlled by Shaoxing SASAC, a government organ of the Shaoxing Municipal Government. As a result, Shaoxing SASAC and the Shaoxing Municipal Government have a significant influence on the Group's business, major investment decisions, development strategies, management and financial condition. Shaoxing SASAC and the Shaoxing Municipal Government may take actions that are not in the Group's best commercial interests when they carry out their administrative functions and implement the PRC government's policies. Those actions, which may be beneficial to Shaoxing or Zhejiang Province as a whole, could have an adverse impact on the Group's business, financial condition, results of operations and prospects.

The Group's business, results of operations and financial condition may also be affected by the Shaoxing Municipal Government's ability to perform its contractual obligations relating to the Group's infrastructure construction and operation business. A large number of the Group's business activities, in particular those related to infrastructure construction and operation, involve contracts with the Shaoxing Municipal Government or its controlled entities. The ability of the Shaoxing Municipal Government or its

controlled entities to satisfy their payment obligations are heavily dependent on their financial health and stability, which are in turn affected by a large number of factors beyond the Group's control. Failure of the Shaoxing Municipal Government or its controlled entities to pay the Group amounts owed under service contracts could have a material adverse impact on the Group's operating revenue, cash flow and its ability to serve its outstanding indebtedness.

The Group may receive fewer benefits and preferential policy treatment from the PRC government, which could reduce the Group's profits.

The Issuer is a state-owned enterprise controlled by Shaoxing SASAC. Since the establishment of the Issuer, it has been receiving benefits and preferential policy treatment from the PRC government, including fund allocation, capital and asset injection, beneficial tax treatment, and preferential policy treatment. For the years ended 31 December 2018, 2019 and 2020, the Group received government subsidies of RMB1,469.0 million, RMB1,430.6 million, and RMB1,521.3 million, respectively, mainly comprised of special subsidies for infrastructure construction. However, there can be no assurance that the Group will continue to receive the same fund allocation, capital and asset injection, beneficial tax treatment, and preferential policy treatment, and there is no assurance that current government policies favourable to the Group will not change in the future. Any loss or reduction in fund allocation, capital and asset injection, beneficial tax treatment, and preferential policy treatment could have an adverse effect on the Group's results of operations, prospects and financial position.

The Group provides a significant level of external guarantees.

As of 31 December 2020, external guarantees provided by the Group amounted to RMB6.7 billion, which amounted to approximately 29.2 per cent. of the total net assets of the Group as of the same date. Such external guarantees were primarily provided to other state-owned enterprises in Shaoxing which have sound credit histories. The Group has adopted specific measures to manage its external guarantees in order to contain the relevant risks. However, there is no assurance that the companies whose payments the Group has guaranteed will not default under the relevant financing agreements. If a company defaults on any of its indebtedness guaranteed by the Group, the relevant lender may exercise its right under the guarantee to demand payment from the Group, which could have a material adverse effect on the Group's financial condition and results of operations.

Certain business operations of the Group are subject to extensive regulation in the PRC.

Certain business operations of the Group are subject to extensive regulation in the PRC. To maintain the current operations and to commence a new business, the Group needs to obtain and maintain necessary government authorisations, including permits, licences and certificates. For instance, the Group's fuel gas sales business is subject to extensive regulation and supervision by national, provincial and local government authorities with regard to the daily operations, pricing and safety measures of the Group's subsidiaries in this segment. These laws, regulations, rules, policies and measures applicable to the Group's fuel gas sales business are issued by different central, provincial and local government authorities.

Government authorities also have broad discretion in implementing and enforcing applicable laws and regulations. As a result, there are significant uncertainties in the interpretation and implementation of these laws, regulations, rules, policies and measures which may increase the Group's compliance burden and may potentially restrain the Group's ability and flexibility in conducting fuel gas sales business, including the expansion into new markets.

Governmental authorities may adjust existing regulations or promulgate new regulations from time to time. The Group may encounter problems in obtaining or renewing the permits, licences, certificates and government authorisations necessary to conduct its businesses. The Group may be unable to comply with new laws, regulations or policies that may come into effect from time to time with respect to relevant industries in general or the particular processes with respect to the granting of approvals, permits, licences or certificates. In addition, to ensure the restrictions and conditions of relevant business permits, licences and certificates are fulfilled, governmental authorities normally conduct regular or special inspections,

investigations and inquiries. If any significant non-compliance is found by the government authorities, the Group's permits, licences and certificates may be suspended or revoked, and the Group may receive fines or other penalties, which could have a material adverse effect on its relevant businesses, financial condition, results of operations, prospects and reputation.

The Group's risk management, internal control and quality control systems may be ineffective or inadequate for managing complex operational, regulatory and other risks of various industries.

The Group has established risk management and internal control systems and procedures to manage potential risks associated with the broad range of industries it invests or is involved in. The risk management and internal control system may require constant monitoring, maintenance and continual improvements by its senior management and staff. If the Group's efforts to maintain these systems are ineffective or inadequate, the Group may face operational, regulatory and other risks. Deficiencies in the Group's risk management and internal control systems and procedures may affect its ability to record, process, summarise and report financial and other data in an accurate and timely manner, as well as impact its ability to identify any reporting errors and non-compliance with rules and regulations.

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

The Group's business requires significant capital expenditures and the Group has incurred substantial indebtedness in the past.

Some of the Group's businesses, especially its infrastructure construction and operation business, require substantial capital investment. As a result, the Group has incurred substantial indebtedness. As of 31 December 2018, 2019 and 2020, the Group had a total debt to total asset ratio of 47.5 per cent., 43.5 per cent. and 44.8 per cent., respectively. 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.

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

The Group made substantial capital expenditures for ongoing projects which are subject to delays and cost overruns inherent in the infrastructure construction and operation business. As of 31 December 2018, 2019 and 2020, the Group's construction in progress amounted to RMB12.5 billion, RMB12.3 billion, and RMB13.3 billion, respectively. As of the date of the Offering Circular, no delays or cost overruns 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.

Furthermore, the Group may also incur substantial indebtedness in the future, including the issuance of debt securities or entering into banking or other loan arrangements. The substantial level of indebtedness and incurrence of additional indebtedness could have significant consequences to the Group's business, including:

- limiting the Group's ability to satisfy its debt obligations;
- increasing cost of additional financing;
- increasing the Group's vulnerability to general adverse economic and industry conditions;
- impairing the Group's ability to obtain additional financing in the future for capital expenditure or general corporate purposes;
- increasing the Group's finance cost, thus affecting the overall profitability of the Group;
- requiring the Group to dedicate a substantial portion of its cash flow from operations to the payment of its indebtedness, which would reduce the funds available for its operations;
- limiting the Group's flexibility in planning for, or reacting to, changes in its businesses and the industry in which it operates, any changing circumstances, new opportunities or unforeseen contingencies; and
- placing the Group at a competitive disadvantage compared to its competitors that have less debt.

There is further no assurance that the Group can maintain the same level of indebtedness or secure credit facilities at all or on the same economic terms.

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

Some of the Group's 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, among other channels. 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's confidence in the Group and 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 Group engages in public interest projects for which it may not fully recover its investment and which may not be profitable.

The Issuer is controlled by Shaoxing SASAC. As a state-owned enterprise, it engages and participates in projects which are motivated by public interest and social welfare development. Such projects may not be profitable and the Group may not recover its investment or achieve financial returns on commercially desirable terms, or at all. The Group has previously received benefits or preferential treatments, such as capital injections, cash or other assets, from the government for government-sponsored projects, and may continue to receive such benefits or preferential treatments. However, such benefits or preferential treatments may not always be available due to liquidity, budgeting priorities and/or other considerations of the government entities providing such benefits or preferential treatments. In addition, such benefits or preferential treatments may not be sufficient to cover the Group's investment in public interest projects. Furthermore, the Group has limited resources, and engagement in such projects may reduce its ability to participate in other profit-generating projects. There can be no assurance that the Group's business, financial condition and results of operations will not be adversely affected as a result.

The Group's business may be affected by factors beyond the Group's control.

Certain of the Group's businesses may be affected by factors beyond its 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 in the Group's businesses or operations. The extent of any impact on the Group's business or operations and the timeframes over which such impact may occur are subject to high degree of uncertainty.

The Group's fuel gas sales business is subject to concentration risks.

The Group's fuel gas sales business relies on two suppliers, Zhejiang Natural Gas Development Co., Ltd. (浙江省天然氣開發有限公司) and Xinneng (Zhejiang) Energy Trading Co., Ltd. (新能(浙江)能源貿易有限公司), which result in the Group having higher business concentration risks. Such concentrations are caused by the traditional cooperation paradigms between the Group and such suppliers. Due to the concentration risks, the Group's fuel gas sales business may be significantly impacted if its suppliers are no longer able to provide sufficient raw material or cease their cooperation with the Group, which may have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is subject to price controls in certain markets, which limit its flexibility to raise or set prices and pass along cost increases.

The Group is subject to government price controls in certain markets. For example, fees charged by the Group for piped gas to customers must follow the pricing guidance set by local pricing bureaus. Shaoxing Municipal Commission of Development and Reform ("**Shaoxing CDR**") has promulgated a number of notices on the pricing of piped natural gas sold to both residential and non-residential users. According to such notices, the Group must charge residential users the prices set by Shaoxing CDR under a graduated gas tariff system and for non-residential users the Group can only set the price within a 20 per cent. range lower than the price cap set by Shaoxing CDR. Currently, the benchmark price set by Shaoxing CDR for residential users is RMB2.9/m³ for the first level of gas consumption and for non-residential users, the price cap is RMB3.39/m³. The local pricing bureaus takes into account a number of factors when setting the benchmark prices, such as the upstream gas price and the city gate price, and historically they would adjust the benchmark prices in response to changes in the upstream gas prices. There are also price controls for the sale of water to end-users. Please see "*Description of the Group – Water Affairs*" for further information.

There can be no assurance that the relevant price control authorities will increase the relevant tariffs or fares to take into account of any future increase in the operating costs such as the upstream gas price or raw water, or that the price control authorities will not lower the existing tariffs or fares. If the Group is not able to pass on its increased operating costs or the impact of any price adjustments to its customers in a timely manner, the Group's business, financial condition and results of operations may be materially and adversely affected.

The continuation of the Group's fuel gas sales business depends on its ability to maintain licences.

The Group conducts its fuel gas sales business pursuant to licences from the PRC government, which authorise the Group to provide fuel gas supply and sales services. The PRC government may revoke such licences in certain circumstances based on the recommendation of the governmental bodies charged with the regulation of the transportation, distribution, marketing and storage of gas. The reasons for which any of such licences in the PRC may be revoked include:

- repeated failure to comply with the obligations under such licences and failure to remedy a significant breach of obligation in accordance with specified procedures;
- total or partial interruption of service for reasons attributable to the Group;
- sale, assignment or transfer of the Group's essential assets or the placing of encumbrances thereon without prior authorisation, unless such encumbrances serve to finance extensions and improvements to the gas pipeline system;
- bankruptcy, dissolution or liquidation;
- gas supplied failing to meet the national standards, and if such failure persists in spite of warnings of relevant regulatory agencies and beyond grace periods, if any;
- ceasing and abandoning the provision of the licensed service, attempting to assign or unilaterally transfer the Group's licences in full or in part without prior authorisation, or giving up such licences, other than in the cases permitted therein; and
- delegation of the functions granted in such licences without the prior regulatory authorisation.

If any of the Group's licences are revoked, the Group would be required to cease providing natural gas distribution and transmission services. The loss of some or all of such licences on the Group's business, financial condition and results of operations may be material and adverse.

The construction and upgrade of the gas transmission networks are subject to obtaining relevant government approvals and procuring services by external contractors.

The Group makes significant investments to construct and upgrade its gas transmission networks. To carry out construction projects, the Group is required by PRC law to obtain certain government approvals and permits. For example, for construction projects in Shaoxing, the Group needs to obtain fuel gas business licences pursuant to the Regulations on the Administration of Fuel Gas in Urban Areas (城鎮燃氣管理條例) issued by the State Council on 19 October 2010 and amended on 6 February 2016.

While the Group will apply for and expect to obtain relevant government approvals and permits for its construction projects in due course, there is no assurance that it will obtain all of such approvals and permits in time, or at all. A failure to obtain an approval or permit may delay the construction timetable, subject the Group to government fines and other penalties, or otherwise lead to a material adverse effect on the Group's business, financial condition and results of operations.

Many of the Group's projects are dependent on the availability of competent external contractors for the construction, delivery and commissioning, as well as the supply and testing, of equipment. There can be no assurance that the Group will always be able to award its projects to competent contractors on a timely basis on terms satisfactory to the Group, or that performance of external contractors will always meet the Group's terms and conditions or performance parameters. If the performance of external contractors does not meet the Group's expectations or requirements, this could result in incremental cost and time overruns which in turn could adversely affect the Group's new projects. Any of these factors may lead to delays in, or prevent the completion of, the Group's projects, which may in turn have a material adverse effect on the Group's business, financial condition and results of operations.

Natural gas as an energy source faces competition from alternative energy sources, which may in turn impact the demand for the Group's products and services.

Natural gas faces competition from energy substitutes such as coal gas, liquefied petroleum gas and electricity. Fuel consumers consider factors such as connection fees, usage charges, energy content, reliability, convenience and safety when choosing a particular type of fuel. Most major appliances, such as cooking stoves or hot water units, can only run on a single fuel such as natural gas, liquefied petroleum gas or electricity. There is no assurance that the Group's existing customers for its fuel gas sales business will continue to choose natural gas.

The Group's success in its fuel gas sales business depends on its ability to compete effectively with the existing and new energy substitutes in the PRC. Intensified competition among energy sources may result in increased costs and downward pressure on prices, all of which may adversely affect the Group's business and financial condition. There is no assurance that the Group will be able to compete successfully against existing and potential energy substitutes or that increased competition within the energy industry will not have an adverse effect on the Group's business and financial condition. Any material decrease in the usage of natural gas by the Group's customers may materially and adversely affect the Group's financial condition and results of operations.

Water shortages and restrictions on the use or supply of water could adversely affect the Group's business.

In the event of water shortages, additional costs may be incurred to provide emergency reinforcement to supplies in areas of shortage. This may adversely affect the Group's business, financial condition and results of operations. In addition, restrictions on the use or supply of water may adversely affect the Group's operating revenue and, in very extreme circumstances, may lead to significant compensation due to customers because of supply interruptions, both of which could adversely affect the Group's business, results of operations, profitability or financial condition.

Excessive pollution of the sewage or raw water supplied to the Group's treatment plants could adversely affect the Group's business.

The Group's wastewater treatment and water supply facilities are built to treat sewage or raw water that falls within certain water quality specifications. In the event that the pollution level of the sewage or raw water is higher than the specifications of the Group's treatment facilities, and depending on the extent of such deviation, it may not be possible for the sewage or raw water to be treated, or to be treated to attain the water quality standards provided under the Group's agreements with its customers, within the cost structure contemplated by such agreements, or to meet governmental requirements. For example, the raw water could be polluted by contaminants, and the sewage may contain pollutants beyond the types and quantity as contemplated, due to industrial accidents, excessive discharge, oil spills or other events. An excessive pollution of the sewage or raw water supplied to the Group's water treatment plants may cause a temporary suspension of operation of the Group's facilities, which will in turn adversely affect the operating costs and earnings of such plants due to the higher costs of treating the sewage or raw water to attain the quality standard specified in the agreements with the local government or the Group's customers or due to lower turnover from a reduction in water output. Any failure to meet the applicable governmental standards may subject the Group to governmental sanctions. Such excessive pollution could also damage the Group's wastewater treatment and water supply facilities.

Extensive regulations may adversely affect the Group's water affairs business.

Revenue from the Group's water affairs business is largely contributed by the Group's water supply business and is linked to the water sales price and wastewater treatment fee. Adjustments to the water sales price or the wastewater treatment fee are subject to approvals by the relevant government authorities in the PRC and the Group's applications for upward adjustments to the water sales price may usually be made in the case of increases in key operation costs. There can be no assurance that in the event that there is any increase in such key operation costs, the relevant government authorities will approve the Group's

applications for increasing the water sales price to reflect such increase in costs. Furthermore, even if the relevant government authorities agree to increase the water sales price, there can be no assurance that such increase will fully reflect the increase in the Group's actual costs. This will have an effect on the Group's overall profit margin and may materially and adversely affect the Group's business, financial condition and results of operations.

The Group's revenue and results of operations may fluctuate significantly from period to period.

The Group's operating income and results of operations have fluctuated and may continue to fluctuate from period to period as a result of a number of factors, such as general economic conditions, local market conditions and demand, government policies and incentive measures in industries where the Group operates, adjustment of the Group's primary business activities, the Group's ability to develop and complete projects on time, as well as its accounting policies for revenue recognition.

The Group does not determine the timing or frequency of the sale of land use rights for the Group's primary land development projects as this is determined by the relevant government authority in its sole discretion. In addition, the Group typically does not recognise operating revenue for certain businesses and does not receive government subsidies until the fourth quarter of each year. As a result, the Group's results of operations for any period may not be directly comparable with other periods and therefore may not be a useful indicator of the Group's business performance going forward. Suspensions or delays in sales of land use rights, as a result of government policies or decisions, macroeconomic conditions or otherwise, will also have a material adverse impact on the Group's business, financial condition and results of operations.

The Group is subject to risks associated with technological changes.

The Group is involved in the construction and installation of water supply facilities. The Group must ensure that it is able to continually provide effective solutions to its customers that meet their needs in order to maintain its market share. However, there have been rapid technological changes and improvements in water treatment technology and equipment. The Group's products and technologies must pass rigorous testing and field trials, which can be time-consuming and expensive. The commencement and completion of the tests and field trials are subject to many factors such as delays in producing or failure to produce test results, data or analysis, inadequate or inconclusive results, changes in regulatory policies or industry standards or delays by government or regulatory authorities. Changes in regulations or standards for water treatment may also necessitate the use of new technologies or the improvement of its existing technologies.

The Ministry of Health of the PRC ("MOH", now reorganised into the National Health Commission of the PRC) and the Standardisation Administration of the PRC jointly promulgated the Standards for Drinking Water Quality (生活飲用水衛生標準) on 29 December 2006 which became effective on 1 July 2007, which provides a total of more than 100 water quality indexes for drinking water with which the Group is required to comply. The Group has developed new technologies or upgraded existing technologies or facilities to meet the standards imposed by the MOH or other regulatory authorities. However, in the event that the Group is unable to develop or source new and enhanced water treatment solutions to keep up with such technological changes or changes in regulatory requirements in the future, its market share, results of operations and profitability may be materially and adversely affected.

Certain lands held by the subsidiaries of the Group are allocated for approved purposes and shall not be transferred, mortgaged or leased without prior approval of competent governments.

Pursuant to the Land Administration Law of the People's Republic of China (中華人民共和國土地管理法) amended on 26 August 2019 and being effective on 1 January 2020, there are two methods of obtaining construction land: (1) granting and (2) allocation. Granted land is usually obtained through auction, tendering, listing or by agreement, and land user shall pay the land-use fees. In addition, the following land could be allocated without paying any land-use fees after obtaining prior approval of competent governments: (i) land used by government institutions and the military; (ii) land used for urban infrastructure and public utilities; (iii) land used for energy, transportation, water conservancy facilities and other infrastructure projects supported by the state; (iv) land used for other purposes stipulated by the PRC laws and regulations.

Pursuant to the Interim Regulations of the People's Republic of China Concerning the Assignment and Transfer of Urban State-owned Land Use Right (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例) promulgated and being effective on 19 May 1990, as amended and effective on 29 November 2020, allocated land shall not be transferred, mortgaged or leased without prior approval of competent governments and payment of land-use fees.

Certain lands held by the subsidiaries of the Group are allocated for the use of public utility, public infrastructure and real estate development and those allocated lands shall not be transferred, mortgaged or leased without prior approval of competent governments and payment of land-use fees.

The PRC government may adopt various restrictive measures regarding construction plans and development timeframes for land granted to property developers which may affect the Group's property development.

PRC laws and regulations contain restrictions regarding construction plans and development timeframes for land granted to property developers. On 3 January 2008, the State Council issued the Notice on Promoting the Saving and Intensive Use of Land (國務院關於促進節約集約用地的通知). This notice strictly enforces the policies for dealing with idle land. If a piece of land has been idle for two years or more, it must be taken back free of charge and reassigned for other uses; if the land does not meet the statutory conditions for taking back, it must be dealt with timely and fully utilised by changing its use, replacement by parity value, temporary use or incorporation into government reserves. If a piece of land has been idle for more than one year but less than two years, the idle land surcharge must be collected at 20 per cent. of the land grant premium. If the land premium has not been completely paid off in accordance with the contract, no land certificate may be granted. Furthermore, it is prohibited to grant the land certificate by dividing the land based on the proportion of the paid land grant fee. In August 2009, the Ministry of Land and Resources of the PRC ("MLR"), now reorganised into the Ministry of Natural Resources of the PRC, issued a Notice on Restricting the Administration of Construction Land and Promoting the Use of Approved Land (關於嚴格建設用地管理促進批而未用土地利用的通知) which reiterated the applicable rules on idle land management. In September 2010, the MLR and the Ministry of Housing and Urban-Rural Development of the PRC ("MOHURD") jointly issued the Notice On Further Strengthening the Administration and Control of Real Estate Land and Construction (關於進一步加強房地產用地和建設管理調控的通知), which provides that a property developer and its controlling shareholders will be prohibited from participating in land bidding before certain illegal behaviours in which it engages, such as land idle for more than one year on its own reasons, have been completely rectified.

According to the Measures on Disposing Idle Land (閒置土地處置辦法) promulgated by the MLR and effective as of 28 April 1999, as amended in June 2012 and effective in July 2012, with regard to the land for a property project which is obtained by grant and is within the scope of city planning, if the construction work has not commenced within one year of the commencement date as specified in the land use rights grant contract, or the construction and development has been started but the area of land that is under construction and development is less than one-third of the total area of land that should have been under construction and development, or the invested amount is less than 25 per cent. of the total investment, and the construction and development of which has been suspended for more than one year, a surcharge on idle land equivalent to 20 per cent. of the land grant fee may be levied. If the construction work has not been commenced within two years, the land can be confiscated without any compensation, unless the delay is caused by force majeure, or the acts of government or acts of other relevant departments under the government, or by delay in essential preliminary work.

The Emergency Notice on Further Tightening the Administration on Real Estate Land Use and Reinforcing the Results of Real Estate Market Control (關於進一步嚴格房地產用地管理鞏固房地產市場調控成果的緊急通知) (the "Emergency Notice") promulgated on 19 July 2012, further emphasised the strict enforcement of current regulations on land grants. The Emergency Notice further requires that the Measures on Disposing Idle Land shall be strictly implemented, and the land administration authority shall dispose of idle land on a case-by-case basis and publish related information on the website designated by the MLR. With regard to land users who have committed acts such as failing to make payments for land grants, leaving land idle, hoarding land, land speculation, developing land in excess of its actual development capacity, or failing to fulfil the land use contract, they may be prohibited by the land

authority from participating in land auctions for a certain period of time. On 26 February 2013, the General Office of the State Council issued the Notice on the Continuous Effective Regulation of the Real Estate Market (國務院辦公廳關於繼續做好房地產市場調控工作的通知), which provides that land developers that commit violations such as holding idle land, speculative land trading, being reluctant to sell housing and forcing up the price, shall be prohibited from participating in land bidding, acquiring loans from commercial banks, obtaining relevant approvals from the China Securities Regulatory Commission (CSRC) for public listings, refinancing and major assets restructuring and relevant approvals from the banking regulatory authorities for trust financing.

The various restrictive regulations applicable to property developers on idle land resulted in some companies having their land forfeited and idle land fees or penalties being imposed. The rule adversely impacts upon the Group's commercial property development projects in the future, so far as it limits the flexibility in terms of the timing of development. There is no assurance that the PRC government will not adopt additional or even tighter enforcement measures for forfeiture of idle land or impose any fees or penalties for idle land, which may further potentially adversely affect the Group's flexibility in determining the pace of the Group's commercial property development projects. If the Group is required to forfeit land, it will not be able to continue its property development on the forfeited land or recover the costs incurred for the initial acquisition of the forfeited land or recover development costs incurred up to the date of forfeiture.

In the event that the total GFA of any of the Group's property developments were to exceed the original authorised area, the excess GFA would be subject to governmental approval and payment of additional land premium.

When the PRC government grants land use rights for a piece of land, it specifies in the land grant contract the permitted use of the land and the total GFA that the developer may develop on the land. The actual GFA constructed, however, might have exceeded the total GFA authorised in the land grant contract, due to factors such as subsequent planning and design adjustments. The amount of GFA in excess of the authorised amount is subject to approval when the relevant authorities inspect the properties after their completion and the developer may be required to pay an additional land premium and a penalty in respect of this excess GFA. If the Group fails to obtain the completion certificate due to such excess GFA, the Group will not be allowed to deliver the relevant properties or recognise revenue from the relevant pre-sold properties and may also be subject to liabilities under the pre-sale contracts. There is no assurance that the total constructed GFA of the Group's existing projects under development or any future property developments will not exceed the relevant authorised GFA upon completion or that the Group will be able to pay the additional land premium and the penalty and obtain the completion certificate on a timely basis.

The Group's infrastructure construction and operation business is subject to various operational risks which may adversely affect the Group's operations.

Under its infrastructure construction and operation business segment, the Group provides property management and operation services to certain of the properties that it has built. The Group's results relating to its infrastructure construction and operation are affected by its ability to manage costs (including increases in labour costs), which could be adversely impacted by increases in energy, healthcare, insurance and other operating expenses, resulting in lower operating margins.

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

Some of the infrastructure construction projects developed by the Group had involved and in the future may continue to involve relocation of residents and businesses. If any resident or business is dissatisfied with the relocation compensation and refuses to move, the relevant entity of the local government will seek to resolve the dispute by negotiating with the relevant resident or business to reach a mutually acceptable relocation compensation arrangement, or apply to the relevant land authority for its determination on whether the relocation compensation and relocation timetable is in compliance with PRC law. The relevant land authority will then make a decision as to the proper relocation compensation and timetable. There can

be no assurance that the relocation of such residents or businesses will proceed smoothly or that the residents or businesses will agree to the relocation compensation. In addition, the amount of compensation to be paid is subject to PRC governmental regulation and can be changed at any time. Any delays affecting such relocations of these incumbent residents or businesses may result in delays in the Group's development schedules and/or increases in its development costs, any of which could have a material adverse effect on its business, financial condition and results of operations.

The Group's business operations are heavily influenced by governmental decisions and actions at various levels over which the Group has no control.

The Group collaborates with the PRC government and its affiliates, in particular the local government in Shaoxing, especially in its infrastructure construction projects and civil projects. Many aspects of the Group's business are heavily influenced by government decisions and actions at various levels. For example, the Shaoxing Municipal Government determines the appropriate budget set for each construction project and the tender procedures for contractors to secure such project work. The Group has no control over the decision-making process of the relevant governmental authorities, and certain decisions they make or actions they take may not be in line with the Group's business or financial interests. Depending on the decisions and actions taken by the governmental authorities, the Group's business and results of operations could fluctuate significantly from year to year and may be materially and adversely impacted.

The Group is exposed to fluctuations in prices of construction materials.

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

A significant downturn in the price of construction materials generally results in a decline in the Group's profitability during such a period and could potentially result in a devaluation of inventories and impairments. Although the impact of a downturn in prices of construction materials has relatively limited influence on the Group's construction materials trading business, as the Group principally operates in a "demand-driven" business model, it could have greater influence on the Group's future business. If the Group does not engage in meaningful hedging against declines in prices of construction materials, its business and results of operations could also be impacted by volatility in prices of construction materials.

Retention of existing senior management and other key personnel is critical to the Group's business operations and financial performance.

The Group's future success depends heavily upon the continuing services of the members of the Group's senior management team. If one or more of the Group's senior executives or other key personnel are unable or unwilling to continue in their present position, the Group may not be able to replace them easily or at all, and its business may be disrupted and its financial condition and results of operations may be materially and adversely affected. As competition in China for quality, experienced senior management and key personnel is intense, and the pool of qualified candidates is very limited, the Group may not be able to retain the services of its senior executives or key personnel, or attract and retain quality senior executives or key personnel in the future. In addition, if any member of its senior management team or key personnel joins a competitor or carries on a competing business, the Group may lose customers and other key staff members.

The Group is subject to joint venture risks.

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

In connection with the implementation of its business growth strategy, the Group's strategy will, to some extent, depend on the identification and successful tendering of mandates 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, to reach agreements with potential joint venture partners on commercial and technical terms satisfactory to the Group, to enter into binding contracts with such parties, and to obtain sufficient project 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. 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's operations are exposed to environmental risks and subject to various environmental regulations.

The Group's businesses are exposed to environmental risks and subject to a variety of laws and regulations promulgated by the national and local governments of the PRC. For example, the Group's fuel gas sales business can present environmental risks and hazards in all phases of its operation and is regulated by a number of environmental legislations which provides for, among other things, restrictions and prohibitions on releases or emissions of various substances produced in association with natural gas operations. Such legislations also require that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities.

The environmental laws and regulations affecting the Group's businesses also govern the level of fees payable to governmental entities providing environmental services and prescribe the standards for the use, storage, discharge and disposal of waste gases, chemical by-products of, and water used in, its manufacturing processes. Ongoing international negotiations or national policy frameworks which seek to reduce greenhouse gases may also result in introduction of regulations that are applicable to the Group. 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. In light of recent events, there is no assurance that the government would not introduce regulations to further regulate the discharge of hazardous substances, which could affect the Group's operations.

The Group may not have sufficient insurance coverage for the risks associated with the operation of its business.

The Group's operations involve certain risks. For instance, the Group's fuel gas sales business is subject to a number of risks generally associated with the transmission of gas. These risks include explosions, fires, earthquakes and other natural disasters, breakdowns, failures or substandard performance of equipment, improper installation or operation of equipment, accidents, acts of terrorism, operational problems, transportation interruptions and labour disturbances. These risks can cause personal injury and loss of life and damage to, or the destruction of, property and equipment, and may result in the limitation or interruption of the Group's business operations and the imposition of civil or criminal liabilities. The Group may also face civil liabilities or fines in the ordinary course of business as a result of damages suffered by third parties, which may require the Group to make indemnification payments in accordance with applicable laws. In addition, the Group's gas pipeline network includes pipelines both underground and above ground, which may be impacted by geological or weather contingencies.

There is no guarantee that full insurance coverage is always available or available on commercially reasonable terms. In addition, the severity and frequency of various events, such as accidents and other mishaps, business interruptions, environmental damage, personal injuries and fatalities, or damage to the Group's facilities, property and equipment caused by inclement weather, human error, pollution, labour disputes and acts of God, as well as risks relating to the Group's provision of services or products to customers, may result in losses or expose it to liabilities in excess of its insurance coverage or significantly impair its reputation. There cannot be assurance that the Group's insurance coverage will be sufficient to cover the loss arising from any or all such events or that the Group will be able to renew existing insurance coverage on commercially reasonable terms, if at all.

Should an incident occur in relation to which the Group has no insurance coverage or inadequate insurance coverage, it could lose the capital invested in, and anticipated future revenues relating to, any property that is damaged or destroyed or business that is adversely affected and, in certain cases, the Group may remain liable for financial obligations related to the impacted property or business. Similarly, in the event that any assessments are made against the Group in excess of any related insurance coverage that it may maintain, the Group's assets could be subject to attachment, confiscation or restraint under various judicial procedures. Any of these occurrences could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group faces litigation risks in the course of its business.

The Group's business is subject to the risk of litigation by customers, suppliers, intellectual property rights holders, government agencies and others through private actions, administrative proceedings, regulatory actions or other litigation. The outcome of litigation can be difficult to assess or quantify. Plaintiffs in such lawsuits may seek recovery of large or indeterminate amounts, and the magnitude of potential losses relating to such lawsuits may remain unknown for substantial periods of time. The cost of defending future litigation may be significant and could negatively affect the Group's operating results if changes to its business operations are required. There could also be negative publicity associated with litigation regardless of whether the allegations are valid or whether the Group is ultimately found liable. As a result, any significant litigation could adversely affect the Group's business, financial condition, results of operations or liquidity.

The Group is reliant on independent contractors, sub-contractors and other service providers.

The Group engages independent third-party contractors and sub-contractors and other service providers to provide various services including construction, transportation, storage and other services. There is no assurance that such independent third-party contractors or sub-contractors will perform their obligations under the respective contracts. Failure by such third-party contractors, sub-contractors or other service providers to perform such obligation may result in material disruption to the Group's operations and significant losses of revenue and increases in costs to the Group. Furthermore, there is no assurance that the services rendered by such service providers engaged by the Group will be satisfactory. The Group is

also exposed to the risk that such service providers may require additional capital to complete an engagement in excess of the price originally tendered and the Group may have to bear additional costs as a result. Furthermore, there is a risk that the Group's service providers may experience financial or other difficulties which may affect their abilities to discharge their obligations, thus delaying the completion of the Group's projects, impacting the operation of certain businesses or resulting in additional costs for the Group. The timely performance by these service providers may also be affected by natural and human factors such as natural disasters, strikes and other industrial or labour disturbances, terrorism, restraints of government, civil disturbances, accidents or breakages of machinery or equipment, failure of suppliers, interruption or delays in transportation, all of which are beyond the control of the Group. Any of these factors could materially and adversely affect the business, financial conditions and results of operations of the Group.

There is no assurance that the Group's contractors will not violate any applicable laws and regulations.

The Group undertakes certain of its construction projects, for example, infrastructure projects and gas pipeline projects, through third party contractors. The Group's selection criteria for contractors are primarily based on the contractor's technical experience and financial position, as well as the specific requirements of the projects. Prior to engaging any contractor, the Group endeavours to ensure that their capacity and capability, including their quality control systems, are adequate for contract execution. Although the Group has established internal control procedures in the selection of contractors, there is no assurance that the contractors will not violate any applicable laws or regulations in their provision of services. If the Group becomes aware that any of its contractors is involved in any material breach of applicable laws and regulations, the Group will terminate the relevant contracting agreement with such contractor immediately. However, if the Group fails to do so, there is a risk that it may be held liable for the illegal actions of its contractors, in which event the Group's business operations or planned projects may be adversely affected.

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

The Group may be exposed to unlawful acts, 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, which will in turn affect its reputation. These misconducts 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 offering bribes to counterparties in return for any type of benefit or gain;
- 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 non-compliance or suspicious transactions in a timely manner if at all. Furthermore, it is not always possible to detect and/or prevent fraud and other misconduct, and the precautions the Group takes to prevent and detect such activities may not be effective in all cases. There is no assurance that fraud or other misconduct will not occur in the future. If such fraud or other misconduct does occur, it may cause negative publicity and damage to the public image of the Group.

Historical consolidated financial information of the Group is not indicative of its current or future results of operations.

The historical financial information of the Group included in this Offering Circular is not indicative of its future financial results. Such financial information is not intended to represent or predict the Group's results of operations of any future periods. The Group's future results of operations may change materially if its future growth deviates from the historical trends for various reasons, including factors beyond its control, such as changes in economic environment, PRC environmental rules and regulations and the competitive landscape of the industries in which the Group operates its businesses. The Group may also acquire businesses or companies or dispose of its subsidiaries or assets from time to time in accordance with the Group's business objectives. Period-to-period comparisons of the Group's historical operating results must be evaluated in light of the impact of any such transactions.

In addition, the historical financial information of the Group is sometimes adjusted or restated to address subsequent changes in accounting standards, accounting policies and/or applicable laws and regulations with retrospective impact on the Group's financial reporting or to reflect the comments provided by the Group's independent auditors during the course of their audit or review in subsequent financial periods. Such adjustment or restatement may cause discrepancies between the financial information with respect to a particular period or date contained in the Group's historical financial statements and that contained in its future financial statements.

RSM, the Group's independent auditor, has previously been investigated, censured or penalised by relevant regulatory authorities.

RSM, the Group's independent auditor, is a registered accounting firm in the PRC supervised by the relevant PRC regulatory authorities. RSM, together with its auditors, have been investigated, censured or penalised by relevant regulatory authorities in relation to its audit work for companies unrelated to the Group. In February 2021, CSRC issued a warning letter against RSM and 11 auditors of RSM. The administrative action on RSM and specific accounting personnel involved in the relevant audit work, mainly focusing on the internal governance, quality control systems, independence management and quality of the audit work.

RSM has confirmed to the Issuer that the companies involved in the regulatory warning above was all unrelated to the Group and that the auditing personnel who participate in the audit and review of the Group's financial statements were not the subject of, or involved in, the regulatory warning above and are qualified to provide audit services under applicable PRC laws, rules and guidelines. RSM has further confirmed that it has taken the required rectification measures for the above matter cited. RSM has further confirmed that its audit work for the Group, including in respect of the financial statements included elsewhere in this Offering Circular, its registration as an accounting firm, its ability to provide comfort letters and the qualification of the auditors participating in the offering of the Bonds are not affected. According to RSM, the abovementioned administrative sanction is not related to RSM team serving as the Group's current auditor. The abovementioned administrative sanction imposed by CSRC does not (i) disqualify RSM from participating in the offering of the Bonds as the auditor of the Issuer, (ii) have any impact on RSM's audit opinions for the Group's financial statements as of and for the years ended 31 December 2018, 2019 and 2020, or (iii) have any impact on RSM in continuing to provide audit services to the Issuer.

However, there can be no assurance that the relevant PRC regulatory agencies would not carry out any review of RSM's past audit or other assurance work in relation to other companies or even in relation to the Group. There can be no assurance that there will not be prolonged or broadened investigations conducted by the CSRC against RSM, nor can there be any assurance that further negative news about RSM would not have a material and adverse effect on the Group.

Certain facts and statistics in this Offering Circular are derived from publications not independently verified by the Issuer, the Joint Lead Managers, the Trustee, the Agents or their respective advisers.

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

Risks Relating to the PRC

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.

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

The economy of the PRC experienced rapid growth in the past 40 years. There has been a slowdown in the growth of the PRC's GDP since the second half of 2013 and this has raised market concerns that the historic rapid growth of the economy of the PRC may not be sustainable. According to the National Bureau of Statistics of the PRC, the annual growth rate of China's GDP in 2019 slowed down to 6.1 per cent. on a year-on-year basis compared to 6.6 per cent. in 2018, and it further decreased to 2.3 per cent. in 2020 on a year-on-year basis. In March 2016, Moody's and S&P changed China's credit rating outlook to "negative" from "stable", which highlighted the country's surging debt burden and questioned the government's ability to enact reforms. On 24 May 2017, Moody's downgraded China's long-term local currency and foreign currency issuer ratings to A1 from Aa3 and changed the outlook to stable from negative. On 4 July 2019 and 14 September 2020 respectively, Moody's affirmed China's A1 long-term local currency and foreign currency issuer rating with the outlook remaining stable. On 21 September 2017, S&P's rating services downgraded China's sovereign credit rating by one notch from AA- to A+. On 30 September 2019 and 6 July 2020 respectively, S&P's rating services affirmed China's sovereign credit ratings at A+/A-1. These highlight the country's surging debt burden and questioned the government's ability to enact reforms.

The future performance of the PRC's economy is not only affected by the economic and monetary policies of the PRC government, but it is also exposed to material changes in global economic and political environments as well as the performance of certain major developed economies in the world. For example, the international trade environment and various governments' trade and economic policies, particularly the recent trade conflicts between the PRC and the United States, may cause uncertainties to the PRC's economy and financial, foreign exchange and capital markets. In addition, the United Kingdom's exit from the European Union took place on 31 January 2020, where the United Kingdom legally revoked its membership in the 28-nation European Union. The United Kingdom then entered into the transition period which was agreed between the British government and the European Union. There is also substantial uncertainty relating to the impact of the United Kingdom's withdrawal from the European Union on the economic conditions of other part of the world, such as the PRC's, including but not limited to further decreases in global stock exchange indices, increased foreign exchange volatility (in particular a further weakening of the pound sterling and euro against other leading currencies) and a possible economic recession involving more countries and areas. Further, the COVID-19 pandemic has resulted in a number of countries declaring a state of emergency and a number of countries, including the PRC, Japan, the United States, members of the European Union and the United Kingdom, imposing extensive business and travel restrictions with a view to containing the pandemic. Widespread reductions in consumption, industrial production and business activities arising from the COVID-19 pandemic will significantly disrupt the global economy and global markets and is likely to result in a global economic recession. In addition, COVID-19 has led to significant volatility in the global markets across all asset classes, including stocks, bonds, oil and other commodities and this volatility may persist for some time.

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

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

In September 2014, the State Council of the PRC released the Opinion on Enhancing the Administration of Fiscal Debts of Local Governments (關於加強地方政府性債務管理的意見) (“**Circular 43**”). In accordance with Circular 43, financing platform companies shall no longer function as a financing vehicle of the local government or incur new government debts. New public interest projects of a local government that are not for profit earning, such as infrastructure construction and primary land development, should not be financed by the investment vehicles of the local government in the form of corporate bond issuances. Instead, local governments should finance the development of such public interest projects by issuance of government bonds. Public interest projects that are profit earning, such as the construction of a non-toll free highway, may be developed either by private investors independently or by a special purpose company jointly set up by the local government and private investors. Such private investors and special purpose companies shall invest in accordance with market-oriented principles and development of the projects may be financed by bank loans, corporate bonds, project revenue bonds and asset-backed securitisation. Furthermore, private investors and the special purpose companies shall bear the obligation to repay their debts and the local government shall not be liable for any of the private investors' or the special purpose companies' debts. There are a few stray cases where certain debts of the local financing platforms were classified as non-government debts since the release of Circular 43. However, whether the factual basis for such individual cases are comparable or relevant to other local governments' financing platforms or not is unclear, and different local governments' interpretation and application of Circular 43 may vary from one another. It is unclear what impact Circular 43 has on the existing government debts of the local financing platforms in the PRC.

In addition, on 23 October 2014, MOF promulgated the Methods to Clear up and Clarify the Existing Fiscal Debt of Local Governments and Integrate it into Budgetary Management (地方政府存量債務納入預算管理清理甄別辦法) (“**Circular 351**”) based on Circular 43. Circular 351 further requires local governments to clear up the existing debts of the financing platforms of the local governments (Financial Platform) and classify such existing fiscal debts of the local governments into government debts and non-government debts. On 9 November 2016, MOF promulgated the Circular on Local Government General Debt Budget Management (地方政府一般債務預算管理辦法) (“**Circular 154**”) and the Circular on Local Government Special Debt Budget Management (地方政府專項債務預算管理辦法) (“**Circular 155**”), which aim to realise the monitoring of the entire process of borrowing, using, and repaying local governments debts, enhance the transparency of local government debts, and strengthen the supervision of local government debt management by central government. Circular 154 and Circular 155 clarify the roof of local government debt, budget preparation and approval process, and provide that debts that are not in the form of government bonds shall be included in budget management.

On 11 May 2015, Opinion on the Proper Solution of the Follow-up Financing Issues for Projects under Construction of Financing Platform of Local Governments issued jointly by MOF, the PBOC and the China Banking Regulatory Commission (the “**CBRC**”, now reorganised into the China Banking and Insurance Regulatory Commission) (財政部人民銀行銀監會關於妥善解決地方政府融資平台公司在建項目後續融資問題意見) (“**Circular 40**”) was promulgated by the General Office of the State Council of the PRC. In accordance with Circular 40, local governments at all levels and banking financial institutions shall properly deal with follow-up financing issues for projects under construction of financing platform companies. Projects under construction refer to projects that have started construction upon the completion of examination, approval or filing procedures in accordance with relevant regulations manuscript by competent investment authorities before the date when Circular 43 was promulgated.

On 13 September 2018, the Guiding Opinions on Strengthening Asset-Liability Constraints on State-owned Enterprises (關於加強國有企業資產負債約束的指導意見) (the “**Guiding Opinions**”) was promulgated by the General Office of the CPC Central Committee and the General Office of the State Council and became effective on the same date. Pursuant to the Guiding Opinions, by the end of 2020 the average debt ratio of state-owned enterprises shall decrease by about two percentage points from the end of 2017, and thereupon the debt ratios of state-owned enterprises shall be maintained basically at the average level of enterprises of the same size in the same industry. The Guiding Opinions also sets forth the basic principles and indicator standards of constraining the debt ratio of the state-owned enterprises.

On 6 June 2019, the Circular on Filing Requirements with respect to Application for Foreign Debt Issuance by Local State-owned Enterprises (關於對地方國有企業發行外債申請備案登記有關要求的通知(發改辦外資[2019]666號)) (“**Circular 666**”) was issued by the General Office of NDRC. Pursuant to Circular 666, the proceeds of the issue of foreign debts from the financing vehicles of local governments shall be used for repayment of existing middle-term or long-term debts.

On 10 June 2019, the Notice on Local Government Special Bond Issuance and Project Supporting Financing Work (關於做好地方政府專項債券發行及專案配套融資工作的通知) (the “**Notice**”) was promulgated by the General Office of the CPC Central Committee and the General Office of the State Council and became effective on the same date. Pursuant to the Notice, the major projects which have certain income and all the income belongs to government-managed funds shall be financed by issuance of the local government special bonds, and provided that the major projects with a combination of revenue from government-managed funds and other special operating income, and with residual special operating income after repayment of the principal and interest of the special bonds, the relevant enterprises may obtain market-based financing from financial institutions based on the residual operating special income. The Notice also sets forth other principles and measures to improve the issuance and management of local government special bonds.

The PRC government may continue to release new policies or amend existing regulations to control the increase in local governmental debts in the PRC. There is no assurance that the Group’s business model and sources of financing will not be materially affected by future changes in the regulations on the administration of fiscal debts of local governments.

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. 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 Group 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.

The operations of the Group may be affected by inflation or deflation within the PRC.

Economic growth in the PRC has historically been accompanied by periods of high inflation. Increasing inflation rates were caused by many factors beyond the Group's control, such as rising production and labour costs, high lending levels, changes in national and foreign governmental policies and regulations as well as movements in exchange rates and interest rates. It is impossible to accurately predict future inflationary trends. If inflation rates rise beyond the Group's expectations, the Group may be unable to increase the price of its services and products in amounts that are sufficient to cover its increasing operating costs. Further inflationary pressures within the PRC may have a material adverse effect on the Group's business, financial condition or results of operations.

Recently, concerns have arisen over deflationary pressures in the PRC as a result of weak domestic demand and a slowing economy. Inflation rates within the PRC have been on a downward trend in recent years. A prolonged period of deflation may result in falling profits and shrinking employment and incomes by companies and individuals, any of which could adversely affect the Group's business, financial condition or results of operations.

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

Substantially all of the Group's assets are located within the PRC. In addition, 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 the Group's directors and senior management, including for matters arising under applicable securities law. The PRC has not entered into treaties or arrangements providing for the recognition of judgment made by courts of most other jurisdictions. On 14 July 2006, the Supreme People's Court of the PRC and the Government of Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the **"Choice of Court Arrangement"**), pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a "choice of court" agreement in writing may apply for recognition and enforcement of the judgment in the PRC. Similarly, a party with a final court judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a "choice of court" agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A "choice of court" agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Choice of Court Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute do not enter into a "choice of court" agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against the Issuer or the Issuer's directors or members of its senior management in the PRC and/or to seek recognition and enforcement for foreign judgments in the PRC. On 18 January 2019, the Supreme People's Court of the PRC and the Government of Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters between the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the **"2019 Arrangement"**), which seeks to establish a bilateral legal mechanism with greater clarity and certainty for recognition and enforcement of judgments in a wider range of civil and commercial matters between the courts of Hong Kong and the PRC. The 2019 Arrangement will be implemented by local legislation in Hong Kong and will take effect after both Hong Kong and the PRC have completed the necessary procedures to enable implementation and shall apply to judgments made by the courts of Hong Kong and the PRC on or after the date of the commencement of the 2019 Arrangement. Upon commencement of the 2019 Arrangement, the Choice of Court Arrangement shall be terminated, except for "choice of court" agreements in writing made between parties before the commencement of the 2019 Arrangement, in which case the Choice of Court Arrangement shall continue to apply. However, the recognition and enforcement of judgments rendered by a Hong Kong court in the PRC are subject to the provisions, limits, procedures and other terms and requirements of the 2019 Arrangement. There can be no assurance that investors can successfully effect service of process against the Issuer or the Issuer's directors or members of its senior management in the PRC and/or to seek recognition and enforcement for judgments rendered by a Hong Kong court in the PRC. Furthermore, the PRC does not have treaties or agreements providing for the reciprocal recognition and enforcement of judgments awarded by courts of the United States, United Kingdom, or some other European countries or Japan. Hence, the recognition and enforcement in the PRC of judgment of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

The Group is subject to restrictions on the remittance of Renminbi into and out of the PRC and governmental controls on currency conversion and may be affected by the risks relating to fluctuations in exchange rates in the future.

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and the remittance of currency out of the PRC. Substantially all of the Group's revenue is denominated in Renminbi, a portion of which may need to be converted into other currencies in order to meet the Group's foreign currency obligations, such as payments of principal and interests under the Bonds or other foreign currency denominated debt, if any. Under existing PRC laws and regulations on foreign exchange, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE provided that certain procedural requirements are complied with. Approval from, or registration with, competent government authorities is required where Renminbi is to be converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of loans denominated in foreign currencies. More restrictions and extensive vetting processes have been put in place by SAFE to regulate cross-border transactions under the capital account, such as the Notice of the SAFE 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). The PRC government may, at its discretion, take measures to restrict access to foreign currencies for current account and capital account transactions under certain circumstances. If the foreign exchange control system prevents the Group from obtaining sufficient foreign currencies to satisfy the Group's foreign currency demands, the Group may not be able to make interest payments and/or principal repayment to the Bondholders or holders of other foreign currency denominated debt, if any. In addition, there can be no assurance that new laws or regulations will not be promulgated in the future that would have the effect of further restricting the remittance of Renminbi into or out of the PRC.

The proceeds from the offering of the Bonds will be received in U.S. dollars. As a result, any appreciation of Renminbi against the U.S. dollar or any other foreign currencies may result in the decrease in the value of the Group's foreign currency-denominated assets and the Group's proceeds from the offering of the Bonds. Conversely, any depreciation of Renminbi may adversely affect the Group's ability to service the Bonds.

The value of Renminbi against the U.S. dollar and other foreign currencies is subject to changes in the PRC's policies, as well as international economic and political developments. On 21 July 2005, the PRC government adopted a more flexible managed floating exchange rate system to allow the value of Renminbi to fluctuate within a regulated band that is based on market supply and demand with reference to a basket of currencies. From 21 July 2005 to 17 March 2014, the floating band of interbank spot foreign exchange market trading price of Renminbi against the U.S. dollar was gradually widened from 0.3 per cent. to 2 per cent. On 11 August 2015, the PBOC adjusted the mechanism for market makers to form the central parity rate by requiring them to consider the closing exchange rate of the last trading date, the supply and demand of foreign exchange and the rate change at primary international currencies.

On 11 December 2015, the China Foreign Exchange Trade System ("CFETS"), a sub-institutional organisation of PBOC, published the CFETS Renminbi exchange rate index for the first time, which weighs Renminbi based on 13 currencies, to guide the market in order to measure the Renminbi exchange rate from a new perspective. The PBOC has further authorised the CFETS to announce its central parity rate for Renminbi against the U.S. dollar through a weighted averaging of the quotes from the market makers after removing the highest quote and the lowest quote. In January and February 2016, the Renminbi experienced further fluctuations in value against the U.S. dollar. From 1 January 2017, according to the sampling rule of "CNY versus FX currency pair listed on CFETS", CFETS will add 11 currencies newly listed on CFETS in 2016, and the number of basket currencies will increase from 13 to 24. The International Monetary Fund announced on 30 September 2016 that, effective on 1 October 2016, the Renminbi was added to its Special Drawing Rights currency basket.

On 5 August 2019, the PBOC set the Renminbi's daily reference rate above RMB7 per U.S. dollar for the first time in over a decade amidst an uncertain trade and global economic climate. With the development of the foreign exchange market and progress towards interest rate liberalisation and Renminbi internationalisation, the PRC government may in the future announce further changes to the exchange rate system. There can be no assurance that Renminbi will not experience significant depreciation or appreciation against the U.S. dollar or against any other currency in the future. There remains significant international pressure on the PRC government to adopt more flexible currency policies. In the event of material fluctuations in the exchange rates of the U.S. dollar against Renminbi, the Group's ability to pay dividends in foreign currencies may be materially and adversely affected. Such fluctuations may also cause the Group to incur foreign exchange losses and affect the relative value of any dividends distributed by its PRC subsidiaries. In addition, appreciation or depreciation in the value of Renminbi relative to the U.S. dollar may affect the Group's financial results in U.S. dollars without giving effect to any underlying change in its businesses or results of operations. Fluctuations in the value of the Renminbi could adversely affect the value of the Group's foreign currency-denominated transactions along with the value of the cash flow generated from its foreign currency-denominated operations, thereby adversely affecting its profitability and results of operations. This may also have an adverse effect on the Group's plans to expand its international operations.

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

PRC laws require that dividends be paid only out of net profit, calculated according to PRC accounting principles and financial regulations in the PRC, which differ from generally accepted accounting principles in other jurisdictions. In addition, PRC law requires enterprises set aside part of their net profit as statutory reserves before distributing the net profit for the current financial year. These statutory reserves are not available for distribution as cash dividends. Since the availability of funds to fund the Issuer's operations and to service its indebtedness depends upon dividends received from these subsidiaries, any legal restrictions on the availability and usage of dividend payments from the Issuer's subsidiaries may impact the Issuer's ability to fund its operations and to service its indebtedness.

Uncertainty with respect to the PRC legal system, lack of uniform interpretation and effective enforcement may cause significant uncertainties to the Group's operations.

As substantially all of the Group's businesses are conducted in the PRC, and substantially all of the Group's assets are located in the PRC, its 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, the PRC has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in the PRC. In particular, because these laws and regulations (including 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 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 took effect on the same day) 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 its violation of these policies and rules until sometime after the violation. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management attention.

The Group's labour costs may increase for various reasons including 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 and became effective on 1 July 2013. 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 a 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 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 12 months prior to such employee's departure 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 5 to 15 days, depending on the length of the employees' service. Employees who consent to waive such annual leave at the request of employers shall be compensated an amount equal to three times their normal daily salaries for each 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, regulations on paid annual leave of employees shall have been implemented on a general basis 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 products, which may then affect the demand of such products and thereby adversely affect the Group's sales and financial condition. Increase in costs of other components required for production of the products may cause similar adverse effects, particularly if the Group is unable to identify and employ other appropriate means to reduce the costs of production. 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. According to the National Bureau of Statistics of the PRC, consumer price inflation in the PRC was 2.1 per cent., 2.9 per cent. and 2.4 per cent. in 2018, 2019 and 2020, respectively. 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.

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

This Offering Circular contains certain discussion of material financial information as at and for the three months ended 31 March 2021 and certain material trends in the Group's financial results. Such unaudited and unreviewed financial information is not included in, and does not form a part of, this Offering Circular. Such unaudited and unreviewed financial information has not been audited or reviewed by RSM. Such financial information and the discussion of material financial trends in relation to such financial information should not be relied upon by investors to provide the same quality of information associated with audited or reviewed financial information. Potential investors must exercise caution when considering such material financial information and trends and evaluating the Group's financial condition and results of operations.

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

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

Risks Relating to the Bonds

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

Any failure to complete the relevant filings under the NDRC Circular and the relevant registration with SAFE within the prescribed time frames following the completion of the issue of the Bonds may have adverse consequences for the Issuer and/or the investors of the Bonds. NDRC issued the NDRC Circular on 14 September 2015, which came into effect on the same day. According to the NDRC Circular, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities issued outside the PRC with NDRC prior to the issue of the securities and notify the particulars of the relevant issues within 10 working days after the completion of the issue of the securities (the “**NDRC post-issue notification requirement**”). The Issuer obtained the NDRC pre-issuance registration on 29 April 2021. The NDRC Circular is silent on the legal consequences of non-compliance with the NDRC post-issue notification requirement.

On 18 December 2015, NDRC issued the Guidelines on Overseas Corporate Bond Issuance (企業境外發行債券指引) (the “**Guidelines**”), which further strengthened the compliance of registration requirements under the NDRC Circular. The Guidelines provide that companies, underwriters, law firms and other intermediary institutions who fail to comply with registration requirements and commit to maliciously

report foreign debt scale and provide fake information might be put on the blacklist of dishonest persons and sanctioned by the PRC government. However, the Guidelines do not provide details as to the form such blacklist and sanctions might take. In the worst case scenario, such non-compliance with the NDRC post-issue notification requirement could result in it being unlawful for the Issuer to perform or comply with any of its obligations under the Bonds and the Bonds might be subject to enforcement as provided in Condition 9 (*Events of Default*) of the Terms and Conditions. Potential investors of the Bonds are advised to exercise due caution when making their investment decisions. The Issuer has undertaken to notify NDRC of the particulars of the issue of the Bonds within 10 Registration Business Days after the Issue Date.

In accordance with the Administrative Measures for Foreign Debt Registration (外債登記管理辦法) (the “**Foreign Debt Registration Measures**”) issued by SAFE on 28 April 2013, which came into effect on 13 May 2013 and Notice of the State Administration of Foreign Exchange on Repealing and Amending Relevant Regulatory Documents Involving the Reform of the Registration System for Registered Capital issued by SAFE on 4 May 2015, an issuer of foreign debts shall complete the foreign debt registration in respect of its issue of foreign debts with the local branch of SAFE in accordance with applicable laws and regulations. According to the Operation Guidelines for Administration of Foreign Debt Registration (外債登記管理操作指引) promulgated together with the Foreign Debt Registration Measures, the Issuer is required to register its foreign debt issue within 15 working days after the signing of the relevant Transaction Documents. Pursuant to the Terms and Conditions, the Issuer has undertaken to use its best endeavours to complete such registration in accordance with the Foreign Debt Registration Measures within 90 Registration Business Days (as defined in the Terms and Conditions) of the Issue Date.

In accordance with the Cross Border Financing Circular promulgated by PBOC on 11 January 2017 and any implementation rules, reports, certificates or guidelines as issued by PBOC, the Issuer is required to register its foreign debt issue with the local branch of SAFE after signing of Transaction Documents but not later than three working days before withdrawing the proceeds.

It is uncertain whether the Issuer is still required to comply with the registration requirements under the Foreign Debt Registration Measures and the Operation Guidelines for Administration of Foreign Debt Registration if the Issuer has completed the registration of the issue of the Bonds in accordance with the Cross Border Financing Circular. If the Issuer is required to comply with the registration requirements under Foreign Debt Registration Measures and the Operation Guidelines for Administration of Foreign Debt Registration, and the Issuer fails to complete such registration, the Issuer may have difficulty in remitting funds offshore to service payments in respect of the Bonds and investors may encounter difficulties in enforcing judgements obtained in the Hong Kong courts with respect to the Bonds and the Trust Deed in the PRC.

The PRC government, Shaoxing SASAC or any other PRC governmental entity does not have any payment, guarantee or other obligations under the Bonds or the Trust Deed.

The Issuer is beneficially controlled and owned by Shaoxing SASAC. Shaoxing SASAC as the ultimate beneficial owner of the Issuer only has limited liability in the form of its equity contribution in the Issuer. As such, the PRC government (including Shaoxing SASAC) or any other PRC governmental entity is not an obligor and shall under no circumstances have any payment or other obligations under the Bonds or the Trust Deed and do not and will not provide guarantee of any kind in respect of the Bonds. The obligations under the Bonds and/or the Trust Deed shall solely be fulfilled by the Issuer as an independent legal person and the Bondholders shall have no recourse to Shaoxing SASAC or any other PRC governmental entity in respect of any obligation arising out of or in connection with the Bonds or the Trust Deed. This position has been reinforced by the MOF Circular and the Joint Circular.

According to the MOF Circular, (i) state-owned financial enterprises are prohibited from providing financing in any form for local governments and their departments directly or through local state-owned enterprises (“**SOEs**”) and public institutions and other indirect channels or increasing loans provided to local government financing platform companies (“**LGFV**”) in violation of regulations that include the New Budget Law (as defined in “*PRC Regulations – Major Laws and Regulations – Regulations on Fiscal Debts of Local Governments*”), and Circular 43, except in the case of purchasing local government debt; (ii) state-owned financial enterprises shall ensure that the capital raised for financing SOEs, LGFV or public-private partnership construction projects is lawfully sourced and that the financing satisfies all required capital ratios; (iii) state-owned financial enterprises when providing agency services to local SOEs are obliged to evaluate the financial capabilities of the entity seeking to raise capital and the source of the funds such as when a local SOE issues domestic or overseas bonds. As for the sources of income from debt-issuing enterprises involved in the arrangement of financial funds, state-owned financial enterprises shall carry out due-diligence investigations and carefully verify that the arrangement complies with all applicable laws and regulations; and (iv) documents including offering circulars shall not disclose information that can implicitly or explicitly indicate the government’s endorsement of the local SOE’s capital-raising, such as local financial revenues and expenditures and government debt information, or conduct misleading publicity that implies an association with the government’s credit. According to the Joint Circular, any enterprise that intends to issue medium and long-term debt outside the PRC is prohibited from doing so for the purpose of funding public schools, public hospitals, public cultural facilities, parks, public squares, office buildings of government departments and public institutions, municipal roads, non-toll roads, non-operating water conservancy facilities, not-charged pipe network facilities and other public assets.

The Joint Circular also reaffirms the restrictions in the MOF Circular that offering circulars shall not disclose information that can implicitly or explicitly indicate the government’s endorsement of the new debt or conduct misleading publicity that implies an association with the government’s credit. Both of the Circulars do not, however, prohibit the PRC government from providing support (in various forms such as capital injection and subsidies, but excluding injecting all kinds of public assets and land reserves) to the Group during its ordinary course of business in compliance with PRC laws and regulations.

Therefore, investors should base their investment decision only on the financial condition of the Issuer and the Group and any perceived credit risk associated with an investment in the Bonds based only on the Group’s own financial information reflected in its financial statements. The PRC government, Shaoxing SASAC and any other PRC governmental entity have no obligation to pay any amount under the Bonds. Investments in the Bonds are relying on the credit risk of the Issuer. In the event the Issuer does not fulfil its obligations under the Bonds, investors will only be able to claim as an unsecured creditor against the Issuer and its assets, and not any other person including the PRC government, Shaoxing SASAC or any other PRC governmental entity. In addition, the controlling relationship between the Group and its ultimate beneficial owner, namely Shaoxing SASAC, which is under the administration of the Shaoxing Municipal Government, does not necessarily correlate to, or provide any assurance as to the Issuer’s and the Group’s financial conditions. The repayment obligations under the Bonds remain the sole obligations of the Issuer and/or the Group. As the MOF Circular and the Joint Circular are relatively new and given the limited volume of published decisions related to these circulars, the interpretation and enforcement of these laws and regulations involve uncertainties.

The Bonds are unsecured obligations.

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

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

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

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

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

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

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in this Offering Circular or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds;
- (iv) understand thoroughly the terms of the Bonds 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.

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

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

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

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

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

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

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

On certain dates, including but not limited to the occurrence of a Change of Control (as defined in the Terms and Conditions), a No Registration Event (as defined in the Terms and Conditions) and at maturity of the Bonds, the Issuer may and at maturity will, be required to redeem all of the Bonds. If any such an event were to occur, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The Issuer's ability to redeem the Bonds upon the occurrence of such event may also be limited by the terms of other debt instruments. The Issuer's failure to repay or redeem tendered Bonds could constitute an event of default under the Bonds, which may also constitute a default under the terms of the Issuer's or the Group's other indebtedness.

An active trading market for the Bonds may not develop.

The Bonds are a new issue of securities for which there is currently no trading market. There can be no assurance as to the liquidity of the Bonds or that an active trading market will develop. If such a market were to develop, the Bonds could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Group's operations and the market for similar securities. Although application will be made for the listing of the Bonds on the Hong Kong Stock Exchange, such listing can give no assurance as to the liquidity of, or trading market for, the Bonds. None of the Joint Lead Managers are obligated to make a market in the Bonds, and if any Joint Lead Manager does so it may discontinue such market-making activity at any time without notice. Further, the Bonds may be allocated to a limited number of investors, in which case liquidity may be limited. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, the holders of the Bonds will only be able to resell the Bonds in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act.

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

The Bondholders may suffer unforeseen losses due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in the prices of the Bonds, resulting in a capital loss for the Bondholders. However, the Bondholders may reinvest the interest payments at higher prevailing interest rates. Conversely, when interest rates fall, the prices of the Bonds may rise. The Bondholders may enjoy a capital gain but interest payments received may be reinvested at lower prevailing interest rates.

Investment in the Bonds is subject to exchange rate risks.

Investment in the Bonds is subject to exchange rate risks. The value of the U.S. dollar against the Renminbi and other foreign currencies fluctuates and is affected by changes in the United States and international political and economic conditions and by many other factors. All payments of interest and principal with respect to the Bonds will be made in U.S. dollars. As a result, the value of these U.S. dollar payments may vary with the prevailing exchange rates in the marketplace. If the value of the U.S. dollar depreciates against the Renminbi or other foreign currencies, the value of a Bondholder's investment in Renminbi or other applicable foreign currency terms will decline.

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

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

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

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

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

As the Issuer is incorporated under the laws of the PRC, any insolvency proceeding relating to the Issuer, even if brought in other jurisdictions, would likely involve PRC insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Bonds are familiar.

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

No assurance can be made by the Issuer as to whether or not payments on the Bonds may be made without withholding taxes or deductions applying from the Issue Date on account of any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the PRC or any subdivision or authority therein or thereof having power to tax. Although pursuant to the Terms and Conditions, the Issuer is required to gross up payments on account of any such withholding taxes or deductions, the Issuer also has the right to redeem the Bonds at any time in the event it has or will become obliged to pay additional amounts on account of any existing or future withholding or

deduction for any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the PRC or any political subdivision thereof or any authority therein or thereof having power to tax as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority therein or thereof having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of this Offering Circular.

The Issuer may issue additional Bonds in the future.

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

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

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

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

The Trust Deed contains provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including those Bondholders who did not attend and vote at the relevant meeting and those Bondholders who voted in a manner contrary to the majority. There are corresponding provisions for written resolutions of the Bondholders and for passing of resolutions by electronic consent, which also permit defined majorities to bind all Bondholders including those Bondholders who did not participate and those who opposed the resolution. There is a risk that the decision of the majority of Bondholders may be adverse to the interests of individual Bondholders.

Modifications and waivers may be made in respect of the Terms and Conditions and the Trust Deed by the Trustee or less than all of the holders of the Bonds.

The Terms and Conditions and the Trust Deed provide that the Trustee may (but shall not be obliged to), without the consent of the Bondholders, agree to any modification to the Trust Deed, the Terms and Conditions and/or the Agency Agreement (other than in respect of a Reserved Matter (as defined in the Trust Deed)) which in the opinion of the Trustee will not be materially prejudicial to the general interests of the Bondholders as a class (and to any modification of the Terms and Conditions, the Trust Deed or the Agency Agreement which in the opinion of the Trustee is of a formal, minor or technical nature or is to correct a manifest error or to comply with any mandatory provision of applicable law) but the Trustee shall not have regard to any interest arising from circumstances particular to individual Bondholders (whatever their number).

The Trustee is not responsible nor shall have any liability for the legality, effectiveness, validity, enforceability or admissibility in evidence of the Trust Deed, the Agency Agreement or the Bonds or any related documents, save in relation to its own gross negligence, wilful default or fraud as further provided in the Trust Deed.

In addition, the Trustee may (but shall not be obliged to), without the consent of the Bondholders, authorise or waive any proposed breach or breach of the Terms and Conditions, the Trust Deed or the Agency Agreement if, in the opinion of the Trustee, the interests of the Bondholders will not be materially prejudiced thereby but the Trustee shall not have regard to any interest arising from circumstances particular to individual Bondholders (whatever their number). See “*Terms and Conditions of the Bonds – Meetings of Bondholders, Modification and Waiver*”.

The Bonds will initially be evidenced by the Global Certificate and holders of a beneficial interest in the Global Certificate must rely on the procedures of the relevant Clearing System.

The Bonds will be evidenced by the Global Certificate except in certain limited circumstances described in the Global Certificate. The Global Certificate will be registered in the name of a nominee for, and deposited with, a common depository for Euroclear and Clearstream. Individual Certificates evidencing holdings of Bonds will only be available in certain limited circumstances. Euroclear and Clearstream will maintain records of the beneficial interests in the Global Certificate. While the Bonds are evidenced by the Global Certificate, investors will be able to trade their beneficial interests only through Euroclear and Clearstream.

The Issuer will discharge its payment obligations under the Bonds by making payments to or to the order of the common depository for Euroclear and Clearstream for distribution to their account holders. A holder of a beneficial interest in the Global Certificate must rely on the procedures of Euroclear and Clearstream to receive payments under the Bonds. The Issuer does not have any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

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

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

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

The ratings of the Bonds may be downgraded or withdrawn and may adversely affect the market price of the Bonds.

The Issuer has been assigned a corporate credit rating of “BBB+” with a stable outlook by Fitch and “A-” with a stable outlook by Lianhe Global. The Bonds are expected to be rated “BBB+” by Fitch and “A-” by Lianhe Global, upon issuance. The ratings represent opinions of the rating agencies and their assessment of the ability of the Issuer to perform its obligations under the Bonds and credit risks in determining the likelihood that payments will be made when due under the Bonds. A rating is not a recommendation to buy, sell or hold the Bonds. The ratings can be lowered or withdrawn at any time. No

assurance can be given that a rating will remain in effect for any given period of time or that a rating will not be lowered or withdrawn entirely by an assigning rating agency. Any decline in the financial position of the Issuer or any of its subsidiaries may impair the ability of the Issuer to make payments to the Bondholders under the Bonds and/or result in the rating of the Bonds being lowered, suspended or withdrawn entirely. If the rating initially assigned to the Bonds is subsequently lowered or withdrawn for any reason, no person or entity will be obliged to provide any additional credit enhancement with respect to the Bonds. The Issuer is not obliged to inform the holders of the Bonds if the ratings are lowered or withdrawn. A reduction or withdrawal of the ratings may adversely affect the market price of the Bonds and the Issuer's ability to access debt capital markets.

Any downgrading of the Issuer's corporate ratings by rating agencies could adversely affect the Group's business and the Group's liquidity.

Any adverse revision to the Issuer's corporate ratings for domestic and international debt by rating agencies such as Fitch may adversely affect the Group's business, its financial performance and the trading price of the Bonds. Further, the Group's ability to obtain financing or to access to capital markets may also be limited, thereby lowering its liquidity.

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

Under the Enterprise Income Tax Law of the PRC (the “**EIT Law**”) which took effect on 1 January 2008 and was amended on 24 February 2017 and 29 December 2018, respectively and its implementation rules, any gains realised on the transfer of the Bonds by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. Under the EIT Law, a “non-resident enterprise” means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. There remains uncertainty as to whether gains realised on transfers of the Bonds by non-resident enterprise Bondholders would be treated as income derived from sources within the PRC and be subject to PRC enterprise income tax. In addition, under the Individual Income Tax Law of the PRC (the “**IIT Law**”) as last amended on 31 August 2018, any individual who has no domicile and does not live within the territory of the PRC or who has no domicile but has lived within the territory of China for less than 183 days cumulatively within a tax year shall pay individual income tax for any income obtained within the PRC. There is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income.

According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) (the “**Arrangement**”) which was promulgated on 21 August 2006, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds if such capital gains are not connected with an office or establishment that the Bondholders have in the PRC and all the other relevant conditions are satisfied.

On 23 March 2016, MOF and the State Administration of Taxation issued the Circular of Full Implementation of Replacing Business Tax with Value-Added Tax Reform (關於全面推開營業稅改徵增值稅試點的通知) (Caishui [2016] No. 36) (“**Circular 36**”), which introduced a new value-added tax (“**VAT**”) from 1 May 2016. Under Circular 36, VAT is applicable where the entities or individuals provide services within the PRC. The Issuer will be obliged to withhold VAT of 6 per cent. and certain surcharges on

payments of interest and certain other amounts on the Bonds paid by the Issuer to Bondholders that are non-resident enterprises or individuals. VAT is unlikely to be applicable to any transfer of Bonds between entities or individuals located outside the PRC and therefore unlikely to be applicable to gains realised upon such transfers of Bonds, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC. Circular 36 together with other laws and regulations pertaining to VAT are relatively new, and the interpretation and enforcement of such laws and regulations involve uncertainties.

If a Bondholder, being a non-resident enterprise or non-resident individual, is required to pay any PRC income tax or VAT on gains on the transfer of the Bonds, the value of the relevant Bondholder's investment in the Bonds may be materially and adversely affected.

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

The Terms and Conditions are governed by English law. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practise after the date of issue of the Bonds and any such change could materially and adversely impact the value of any Bonds affected by it.

Additional procedures may be required to bring matters or disputes governed by English law to the Hong Kong courts, and the PRC courts may not recognise and enforce all judgments of the Hong Kong courts.

The Terms and Conditions and the Trust Deed are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear matters or disputes governed by English law, Hong Kong courts may require certain additional procedures to be taken.

Furthermore, under the Choice of Court Arrangement, the 2019 Arrangement and the applicable provisions of the Civil Procedure Law of the PRC, the recognition and enforcement of a final judgment of a Hong Kong court under an exclusive jurisdiction clause may be rejected by a PRC court if such court determines that the enforcement of such judgment is contrary to the basic principles of PRC Laws or violates state sovereignty, security or the social and public interest.

While it is expected that the PRC courts will recognise and enforce a judgment given by a Hong Kong court on a matter governed by English law, there can be no assurance that the PRC courts will do so for all such judgments. As compared to other similar debt securities issuances where the relevant security holders would not typically be required to submit to resolve disputes in an exclusive jurisdiction, the Bondholders will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the holder's ability to initiate a claim outside of Hong Kong will be limited.

EXCHANGE RATES

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

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

Period	Renminbi per U.S. Dollar Noon Buying Rate ⁽¹⁾			
	Period End	Average ⁽²⁾	High	Low
	<i>(RMB per U.S.\$1.00)</i>			
2015	6.4778	6.2827	6.4896	6.1870
2016	6.9430	6.6400	6.9580	6.4480
2017	6.5063	6.7350	6.9575	6.4773
2018	6.8755	6.6090	6.9737	6.2649
2019	6.9618	6.9014	7.1786	6.6822
2020	6.5250	6.9042	7.1681	6.5208
December	6.5250	6.5393	6.5705	6.5208
2021				
January	6.4282	6.4672	6.4822	6.4282
February	6.4730	6.4601	6.4869	6.4344
March	6.5518	6.5109	6.5716	6.4648
April	6.4749	6.5186	6.5649	6.4710
May	6.3674	6.4321	6.4749	6.3674
June	6.4566	6.4250	6.4811	6.3796
July	6.4609	6.4763	6.5104	6.4679

Notes:

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

TERMS AND CONDITIONS OF THE BONDS

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

The issue of the U.S.\$700,000,000 in aggregate principal amount of 2.5 per cent. bonds due 2026 (the “**Bonds**” which term shall include, unless the context requires otherwise, any further bonds issued in accordance with Condition 15 and consolidated and forming a single series therewith) was authorised by a resolution of the board of directors of Shaoxing City Investment Group Limited (紹興市城市建設投資集團有限公司) (the “**Issuer**”) passed on 30 November 2020 and by a resolution of the shareholders of the Issuer passed on 4 March 2021. The Bonds are constituted by a Trust Deed dated 19 August 2021 (the “**Issue Date**”) (as amended, restated or supplemented from time to time, the “**Trust Deed**”) between the Issuer and China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) (the “**Trustee**”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for itself and the holders of the Bonds. The Bonds are the subject of an agency agreement dated the Issue Date (as amended, restated or supplemented from time to time, the “**Agency Agreement**”) between the Issuer, the Trustee, China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as principal paying agent (in such capacity, the “**Principal Paying Agent**”, which expression shall include any successor principal paying agent appointed from time to time in connection with the Bonds), as registrar (in such capacity, the “**Registrar**”, which expression shall include any successor registrar appointed from time to time in connection with the Bonds), as transfer agent (in such capacity, the “**Transfer Agent**”, which expression shall include any successor transfer agent appointed from time to time in connection with the Bonds) and any other agents named in it. References herein to “**Paying Agents**” includes the Principal Paying Agent together with any additional or successor paying agent appointed in connection with the Bonds, and “**Agents**” means the Principal Paying Agent, the Registrar, the Transfer Agents and any other agent or agents appointed from time to time pursuant to the Agency Agreement with respect to the Bonds.

The Bondholders are entitled to the benefit of, are bound by, and (i) are deemed to have notice of, all the provisions of the Trust Deed, and (ii) are deemed to have notice of those provisions applicable to them of the Agency Agreement. 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 certificates evidencing the Bonds) and the Agency Agreement.

Copies of the Trust Deed and the Agency Agreement are available for inspection upon prior written request and satisfactory proof of holding and identity by Bondholders at all reasonable times during usual business hours (being 9:00 a.m. to 3:00 p.m. Monday to Friday, except for public holidays) at the principal office for the time being of the Trustee (being at the Issue Date at 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong) and at the specified office for the time being of the Principal Paying Agent.

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

1 FORM, SPECIFIED DENOMINATION AND TITLE

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

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

Title to the Bonds shall pass by transfer and registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Bond shall be deemed to be and 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 the Certificate representing it or the actual or alleged theft, loss or destruction of such Certificate (other than the endorsed form of transfer, duly completed) and no person shall be liable for so treating such holder.

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

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

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

2 TRANSFERS OF BONDS AND DELIVERY OF NEW CERTIFICATES

(a) Transfer

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

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

(b) Delivery of New Certificates

Each new Certificate to be issued pursuant to Condition 2(a) shall be available for delivery within seven business days of receipt by the Registrar or the relevant Transfer Agent of a duly completed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer and Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests in writing otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(b), “**business day**” means a day, other than a Saturday, a Sunday or a public holiday, on which commercial banks are generally open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be) with whom a Certificate is deposited in connection with a transfer is located. No transfer of title to a Bond will be valid unless and until entered on the Register.

(c) Transfer or Exercise Free of Charge

Certificates, on transfer, shall be issued and registered without charge to the relevant Bondholder by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon (i) payment by the relevant Bondholder of any tax, duty, assessment or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or pre-funding as the Registrar or the relevant Transfer Agent may require), (ii) the Registrar or the relevant Transfer Agent (as the case may be) being satisfied in its absolute discretion with the documents of title or identity of the person making the application and (iii) the Registrar or the relevant Transfer Agent (as the case may be) being satisfied that the Regulations have been complied with.

(d) Closed Periods

No Bondholder may require the transfer of a Bond to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of that Bond, (ii) after any such Bond has been put for redemption pursuant to Condition 6(c), or (iii) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(a)).

(e) Regulations

All transfers of Bonds and entries on the Register will be made subject to detailed regulations concerning transfer and registration of Bonds (the “**Regulations**”), the initial form of which is scheduled to the Agency Agreement. The Regulations may be changed from time to time by the Issuer, with the prior written approval of the Registrar and the Trustee, or by the Registrar, with the prior written approval of the Trustee. A copy of the current Regulations will be made available (free of charge to the Bondholders and at the Issuer’s expense) for inspection upon prior written request and satisfactory proof of holding and identity during usual business hours at the specified office of the Registrar.

3 STATUS OF THE BONDS

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

4 NEGATIVE PLEDGE AND OTHER COVENANTS

(a) Negative Pledge

So long as any Bond remains outstanding (as defined in the Trust Deed), the Issuer will not, and will ensure that none of its Subsidiaries will, create or, have outstanding, any 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 issued or incurred outside the PRC, or any guarantee or indemnity in respect of any Relevant Indebtedness issued or incurred outside the PRC, without at the same time or prior thereto according to the Bonds (A) the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity, or (B) such other security as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.

(b) Undertakings relating to the Foreign Debt Registration

The Issuer undertakes that it will (i) within 15 Registration Business Days after the Issue Date, submit or cause to be submitted an application for the registration of the Bonds with SAFE pursuant to the Administrative Measures for Foreign Debt Registration (外債登記管理辦法) and its operating guidelines, effective as of 13 May 2013 and other applicable rules issued by SAFE or PBOC from

time to time, (ii) file or cause to be filed with SAFE the Bonds within the time frame prescribed in the Circular of the People's Bank of China on Implementing Overall Macro Prudential Management System for 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) issued by PBOC which came into effect on 12 January 2017 and any implementation rules as issued by PBOC from time to time (the “**Cross Border Financing Circular**”) ((i) and (ii) of this Condition 4(b) together, the “**Foreign Debt Registration**”), (iii) use its best endeavours to complete the Foreign Debt Registration and obtain a registration or filing evidence from SAFE on or before the Registration Deadline and (iv) comply with all applicable PRC laws and regulations in relation to the Bonds, including but not limited to, the Cross Border Financing Circular and any implementation measures promulgated thereunder from time to time.

(c) Undertakings relating to the NDRC Post-issue Filing

The Issuer undertakes that it will (i) within 10 Registration Business Days after the Issue Date file or cause to be filed with NDRC the requisite issuance information and documents in accordance with 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)) issued by NDRC and effective as of 14 September 2015 and any implementation rules or applicable policies as issued by NDRC from time to time (the “**NDRC Post-issue Filing**”) and (ii) comply with all applicable PRC laws and regulations in relation to the NDRC Post-issue Filing.

(d) Notification of Completion of the Foreign Debt Registration and the NDRC Post-issue Filing

The Issuer shall within seven Registration Business Days after the later of: (x) submission of the NDRC Post-issue Filing and (y) receipt of the registration record of the Foreign Debt Registration from SAFE (or any other document evidencing the completion of registration issued by SAFE), provide the Trustee with (i) a certificate in English signed by an Authorised Signatory (as defined in the Trust Deed) confirming (A) the completion of the NDRC Post-issue Filing and the Foreign Debt Registration and (B) no Change of Control (as defined in Condition 6(c)), Event of Default (as defined in Condition 9) or any Potential Event of Default has occurred; and (ii) copies of the relevant documents evidencing the NDRC Post-issue Filing and the Foreign Debt Registration, each certified in English by an Authorised Signatory as a true and complete copy of the original (the items specified in (i) and (ii) together, the “**Registration Documents**”). In addition, the Issuer shall within five Registration Business Days after the documents specified in (i) and (ii) of this Condition 4(d) are delivered to the Trustee in accordance with this Condition 4(d), give notice to the Bondholders (in accordance with Condition 16) confirming the completion of the NDRC Post-issue Filing and the Foreign Debt Registration.

The Trustee may rely conclusively on the Registration Documents and shall have no obligation or duty to monitor or ensure the Foreign Debt Registration is completed as required by Condition 4(b) or the NDRC Post-issue Filing is made as required by Condition 4(c), to assist with the Foreign Debt Registration or the NDRC Post-issue Filing, to verify the accuracy, validity and/or genuineness of any Registration Documents or to give notice to the Bondholders confirming the completion of the Foreign Debt Registration or the NDRC Post-issue Filing, and shall not be liable to Bondholders or any other person for not doing so.

(e) Financial Statements

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

- (i) copies of the Audited Financial Reports as soon as they are available, but in any event within 150 days after the end of each Relevant Period, and if such statements shall be in the Chinese language, together with an English translation of the same translated by (aa) a nationally or internationally recognised firm of independent accountants or (bb) a professional translation service provider, together with a certificate signed by an Authorised Signatory certifying that such translation is complete and accurate; and

- (ii) copies of the Unaudited Financial Reports as soon as they are available, but in any event within 120 days after the end of each Relevant Period,

provided that, if at any time the capital stock of the Issuer is listed for trading on a recognised stock exchange, the Issuer shall furnish the Trustee, as soon as they are available but in any event not more than 14 days after any financial or other reports of the Issuer are filed with the stock exchange on which the Issuer's capital stock is at such time listed for trading, true and correct copies of any financial or other report filed with such exchange in lieu of the reports identified above (and if such financial or other reports in lieu of the reports identified above shall be in the Chinese language, together with an English translation of the same translated by (aa) a nationally or internationally recognised firm of independent accountants or (bb) a professional translation service provider, together with a certificate signed by an Authorised Signatory certifying that such translation is complete and accurate).

The Trustee is under no obligation or duty to monitor compliance by the Issuer with this Condition 4(e) and shall not be responsible or liable to any Bondholder or any other person for not doing so. The Trustee shall not be required to review the relevant Audited Financial Reports or the Unaudited Financial Reports or any other financial report furnished or delivered to it as contemplated in this Condition 4(e) and, if the same shall not be in the English language, shall not be required to request or obtain or arrange for an English translation of the same, and the Trustee shall not be liable to any Bondholder or any other person for not doing so.

(f) Compliance Certificate

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

(g) Definitions:

In these Conditions:

“Audited Financial Reports” means annual audited financial statements (on a consolidated basis and audited by a nationally or internationally recognised firm of independent accountants) of the Issuer prepared in accordance with PRC GAAP, including a statement of comprehensive income, balance sheet, cash flow statement and statement of changes in owners' equity, together with any statements, reports (including any directors' and auditors' reports) and notes attached to or intended to be read with any of them;

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

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

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

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

“**PBOC**” means the People’s Bank of China or its competent local branches;

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

“**PRC**” means the People’s Republic of China (for the purposes hereof not including Hong Kong or Macau Special Administrative Region of the People’s Republic of China or Taiwan);

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

“**Rating Agencies**” means Moody’s Investors Service, Inc., Fitch Ratings Ltd., S&P Global Ratings, a division of S&P Global, Inc., or their respective successors;

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

“**Registration Deadline**” means the day falling 90 Registration Business Days after the Issue Date;

“**Relevant Indebtedness**” means any present or future indebtedness which (1) is in the form of, or represented or evidenced by, any bonds, notes, debentures, debenture stock, loan stock or other securities, and which (2) for the time being is, or is intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market;

“**Relevant Period**” means, in relation to the Audited Financial Reports, each period of 12 months ending on the last day of the Issuer’s financial year (which, unless otherwise notified to the Trustee and to the Bondholders in accordance with Condition 16, shall be 31 December of that financial year) and, in relation to the Unaudited Financial Reports, each period of six months ending on the last day of the Issuer’s first semi-annual period (which, unless otherwise notified to the Trustee and to the Bondholders in accordance with Condition 16, shall be 30 June of that financial year);

“**SAFE**” means the State Administration of Foreign Exchange or its competent local branches;

“**Security Interest**” means any mortgage, charge, lien, pledge, encumbrance or other security interest of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, charge, lien, pledge, security interest, easement or encumbrance of any kind);

a “**Subsidiary**” of any person means (a) any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of 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; and

“**Unaudited Financial Reports**” means semi-annual (or any other interim reporting period required by applicable law or regulations) unaudited financial statements (on a consolidated basis) of the Issuer, including a statement of comprehensive income, balance sheet, cash flow statement and statement of changes in owners’ equity, prepared on a basis consistent with the Audited Financial Reports;

5 INTEREST

The Bonds bear interest on their outstanding principal amount from and including 19 August 2021 at the rate of 2.5 per cent. per annum (the “**Rate of Interest**”), payable semi-annually in arrear in equal instalments on 19 February and 19 August in each year (each an “**Interest Payment Date**”) commencing on 19 February 2022. Each Bond will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Bond, payment of principal is improperly withheld or refused. In such event, it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder, and (b) the day falling seven days after the Trustee or the Principal Paying Agent has notified Bondholders (in accordance with Condition 16) of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant Bondholder under these Conditions).

In these Conditions, the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an “**Interest Period**”. If interest is required to be calculated for a period of less than a complete Interest Period, the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed (the “**Day-count Fraction**”).

Interest in respect of any Bond shall be calculated per U.S.\$1,000 in principal amount of the Bonds (the “**Calculation Amount**”). The amount of interest payable per Calculation Amount shall, save as provided above in relation to equal instalments, be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

6 REDEMPTION AND PURCHASE

(a) Final Redemption

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 19 August 2026 (the “**Maturity Date**”). The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.

(b) Redemption for Taxation Reasons

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice to the Bondholders in accordance with Condition 16 (which notice shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent, at their principal amount together with interest accrued to (but excluding) the date fixed for redemption, if the Issuer satisfies the Trustee immediately prior to the giving of such notice that:

- (i) the Issuer has or will become obliged to pay Additional Tax Amounts (as defined in Condition 8) as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of Hong Kong, the PRC, or any other jurisdiction to which the Issuer becomes subject in respect of payments made by it of principal, premium (if any) and interest on the Bonds, and, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 12 August 2021; and
- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due.

Prior to the giving of any notice of redemption pursuant to this Condition 6(b), the Issuer shall deliver to the Trustee (A) a certificate in English signed by an Authorised Signatory stating that the obligation referred to in (i) above of this Condition 6(b) cannot be avoided by the Issuer taking reasonable measures available to it and (B) an opinion from independent tax or legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. The Trustee shall be entitled (but shall not be obliged) to accept and rely conclusively upon such certificate and opinion (without further investigation or enquiry and without liability to the Bondholders or any other person) as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above of this Condition 6(b), in which event it shall be conclusive and binding on the Bondholders.

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

(c) Redemption for Relevant Events

At any time following the occurrence of a Relevant Event, the holder of any Bond will have the right (the **“Relevant Event Put Right”**), at such holder’s option, to require the Issuer to redeem all, but not some only, of that holder’s Bonds on the Put Settlement Date at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together in each case with accrued interest up to (but excluding) the Put Settlement Date. To exercise such right, the holder of the relevant Bond must deposit at the specified office of the Principal Paying Agent or any other Paying Agent a duly completed and signed notice of redemption, initially in the form scheduled to the Agency Agreement, obtainable from the specified office of any Paying Agent (a **“Put Exercise Notice”**), together with the Certificate evidencing the Bonds to be redeemed, by (i) not later than 30 days following a Relevant Event (the **“Initial Exercise Period”**), or (ii) if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 16 (the **“Substituted Exercise Period”**).

The **“Put Settlement Date”** in respect of any Bond for which such option is exercised shall be the fourteenth day (in the case of a redemption for a Change of Control) or the tenth day (in the case of a redemption for a No Registration Event) after the expiry of (i) the Initial Exercise Period where the option is exercised during the Initial Exercise Period and the Substituted Exercise Period does not commence before expiry of the Initial Exercise Period or (ii) in all other circumstances, the Substituted Exercise Period.

A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds the subject of the Put Exercise Notices delivered as aforesaid on the Put Settlement Date. If the Bonds become due and repayable due to the occurrence of an Event of Default following the delivery of a Put Exercise Notice but prior to the occurrence of the relevant Put Settlement Date, such Put Exercise Notice shall be deemed to be void.

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

- (i) the Put Settlement Date;
- (ii) the date of the Relevant Event and, briefly, the details of the Change of Control or No Registration Event (as applicable);

- (iii) the date by which the Put Exercise Notice must be given;
- (iv) the redemption amount and the method by which such amount will be paid;
- (v) the names and addresses of all Paying Agents;
- (vi) the procedures that holders must follow and the requirements that holders must satisfy in order to exercise the Relevant Event Put Right; and
- (vii) that a Put Exercise Notice, once validly given, may not be withdrawn.

Neither the Agents nor the Trustee shall be required to monitor or to take any steps to ascertain whether a Relevant Event or any event which could lead to a Relevant Event has occurred or may occur and none of them shall have any obligation or duty to verify the accuracy, validity and/or genuineness of any documents in relation to or connection with the Relevant Event, and none of them shall be liable to holders, the Issuer or any other person for not doing so.

For the purposes of these Conditions:

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

- (i) (x) the Shaoxing SASAC, (y) the provincial government of Zhejiang Province or any local government within Zhejiang Province and (z) any other person directly Controlled by the central government of the PRC (such person, the provincial government of Zhejiang Province, any local government within Zhejiang Province and the Shaoxing SASAC, a **“PRC Government Person”**), together cease to directly or indirectly hold or own 100 per cent. of the issued share capital of the Issuer; or
- (ii) the Issuer consolidates with or merges into or sells or transfers all or substantially all of the Issuer’s assets to any other person or persons, acting together, except where such person(s) (in the case of asset transfer) or the surviving entity (in the case of consolidation or merger) is/are Controlled by a PRC Government Person;

“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 term **“Controlled”** has a meaning correlative to the foregoing;

a **“No Registration Event”** occurs when the Registration Conditions are not satisfied on or before the Registration Deadline;

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

- (i) the Issuer’s board of directors or any other governing board; and
- (ii) the Issuer’s direct or indirect wholly-owned subsidiaries;

“Registration Conditions” means the receipt by the Trustee of the Registration Documents relating to the Foreign Debt Registration as set forth in Condition 4(d);

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

- (i) there is a No Registration Event; or
- (ii) there is a Change of Control; and

“Shaoxing SASAC” means the State-owned Assets Supervision and Administration Commission of Shaoxing Municipal Government or its successor.

So long as the Bonds are represented by a Global Certificate, a right of a Bondholder to redemption of the Bonds following the occurrence of a Change of Control or No Registration Event will be effected in accordance with the rules of the relevant clearing systems.

(d) Redemption at the Option of the Issuer

On giving not less than 30 nor more than 60 days’ notice (an **“Optional Redemption Notice”**) to the Bondholders in accordance with Condition 16, the Issuer may at any time on or after 19 May 2026 (being three months before the Maturity Date) redeem the Bonds, in whole but not in part, at their principal amount, plus unpaid interest, if any, accrued to but excluding the date specified for redemption in the Optional Redemption Notice (the **“Optional Redemption Date”**), *provided that* the Optional Redemption Date shall be a date prior to the Maturity Date.

(e) Notices of Redemption

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

(f) Purchase

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

(g) Cancellation

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

(h) No Duty to Monitor

Neither the Trustee nor any of the Agents shall be obliged to monitor compliance with the provisions of the Trust Deed, the Agency Agreement or these Conditions, or to take any steps to ascertain whether a No Registration Event, Change of Control or Event of Default has occurred or to monitor the occurrence of any No Registration Event, Change of Control or Event of Default, and shall not be liable to the Bondholders or any other person for not doing so.

(i) No Duty to Calculate

Neither the Trustee nor the Agents shall be responsible for calculating or verifying any calculations of any amounts payable under any redemption or Put Exercise Notice and shall not be liable to be the Issuer, the Bondholders or any other person for not doing so.

7 PAYMENTS

(a) Method of Payment

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

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

(b) Payments Subject to Fiscal Laws

All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 8, and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Bondholders in respect of such payments.

(c) Payment Initiation

Payment instructions (for value the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated on the due date for payment or, in the case of payments of principal where the relevant Certificate has not been surrendered at the specified office of any Paying Agent, on a Payment Business Day on which the Principal Paying Agent is open for business and on which the relevant Certificate is surrendered.

(d) Appointment of Agents

The Principal Paying Agent, the Registrar and the Transfer Agent initially appointed by the Issuer and their respective specified offices are listed below. The Agents act solely as agents of the Issuer (or, in the limited circumstances specified in the Trust Deed and the Agency Agreement, the Trustee) and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer reserves the right at any time with the prior written approval of the Trustee to vary or

terminate the appointment of the Principal Paying Agent, the Registrar, the Transfer Agent or any of the other Agents and to appoint additional or other Agents, provided that the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, (iii) a Transfer Agent, and (iv) such other agents as may be required by any stock exchange on which the Bonds may be listed, in each case, as approved by the Trustee.

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

(e) Delay in Payment

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a Payment Business Day, if the holder's account is not open for receipt of transfers, if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so) or if a transfer made in accordance with this Condition 7 reaches the Bondholder's account after the due date for payment.

(f) Payment Business Days

In this Condition 7, "**Payment Business Day**" means a day (other than a Saturday, Sunday or a public holiday) on which banks and foreign exchange markets are generally open for business in New York City, Hong Kong and the place in which the specified office of the Principal Paying Agent is located.

8 TAXATION

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

Where such withholding or deduction is made by or within the PRC at a rate of up to and including the aggregate rate applicable on 12 August 2021 (the "**Applicable Rate**"), the Issuer will increase the amounts paid by it to the extent required, so that the net amount received by the Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

If the Issuer is required to make a deduction or withholding in respect of PRC tax in excess of the Applicable Rate, the Issuer shall pay such additional amounts ("**Additional Tax Amounts**") as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Bond:

- (i) held by a Bondholder which is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of its having some connection with the PRC other than the mere holding of the Bond; or
- (ii) where (in the case of a payment of principal, premium or interest on redemption) the relevant Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Bondholder would have been entitled to such Additional Amounts if it had surrendered the relevant Certificate on the last day of such period of 30 days assuming (whether or not such is in fact the case) that day to have been a Business Day.

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

For the avoidance of doubt, the obligation of the Issuer to pay Additional Tax Amounts in respect of taxes, duties, assessments and other governmental charges will not apply to (a) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, duty, assessment or other governmental charge or (b) any tax, duty, assessment or other governmental charge which is payable otherwise than by deduction or withholding from payments of principal of, or interest on, the Bonds.

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

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, assessment, governmental charge, withholding, deduction or other payment referred to in this Condition 8 or for determining whether such amounts are payable or the amount thereof, and shall not be responsible or liable for any failure by the Issuer or the Bondholders or any other person to pay such tax, duty, charges, assessments, governmental charges, withholding, deduction or other payment in any jurisdiction or be responsible to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Bonds without deduction or withholding for or on account of any taxes, duties, assessments, governmental charges, withholding, deduction or other payment imposed by or in any jurisdiction.

9 EVENTS OF DEFAULT

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

- (a) **Non-Payment:** there is a failure to pay the principal of or any premium (if any) or interest on any of the Bonds when due and, in the case of interest, such failure continues for a period of seven days; or
- (b) **Breach of Other Obligations:** the Issuer does not perform or comply with any one or more of its other obligations under the Bonds or the Trust Deed (other than those referred to in Condition 9(a) or where such default gives rise to a right of redemption pursuant to Condition 6(c)), which default is incapable of remedy or, if such default is capable of remedy, such default is not remedied within 30 days after notice of such default shall have been given to the Issuer by the Trustee; or
- (c) **Cross-Default:** (i) any other present or future indebtedness of the Issuer or any of its Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 9(c) have occurred equals or exceeds U.S.\$25,000,000 or its equivalent in any other currency (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this Condition 9(c) operates); or

- (d) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against the whole or any material part of the property, assets or revenues of the Issuer or any Principal Subsidiary and is not discharged or stayed within 45 days; or
- (e) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any Principal Subsidiary over the whole or any material part of the assets of the Issuer or any Principal Subsidiary, 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:** the Issuer or any Principal Subsidiary 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 commences a voluntary case or proceeding under any applicable bankruptcy law, consents to the entry of judgment, decree or order for relief against it in an involuntary case or proceeding under any applicable bankruptcy law, consents to the appointment of receiver of it or for any material part of its property and assets, consents to or acquiesces in the institution of a bankruptcy or an insolvency proceeding against it, or takes any corporate action to authorise or effect any of the foregoing, or a moratorium is agreed or declared in respect of or affecting all or any part of the debts of the Issuer or any Principal Subsidiary; or
- (g) **Winding-up:** (i) an administrator is appointed, an order is made or an effective resolution passed for the winding-up or dissolution of the Issuer or any Principal Subsidiary, or (ii) the Issuer or any Principal Subsidiary ceases or threatens to cease to carry on all or substantially all of its business or operations, except in the cases of (i) and (ii) above (A) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution of the Bondholders; or (B) in the case of a Principal Subsidiary, whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer or any of its Subsidiaries; or (C) in the case of a disposal of a Principal Subsidiary on an arm's length basis, whereby the proceeds from such disposal are transferred to or otherwise vested in the Issuer or any of its Subsidiaries; or
- (h) **Nationalisation:** (i) 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 Issuer or any Principal Subsidiary or (ii) the Issuer or any Principal Subsidiary is prevented by any such person from exercising normal control over all or a material part of its assets; or
- (i) **Authorisation and Consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Bonds and the Trust Deed; (ii) to ensure that those obligations referred to in (i) are legally binding and enforceable and (iii) to make the Certificates, the Register and the Trust Deed admissible in evidence in the courts of Hong Kong, is not taken, fulfilled or done; or
- (j) **Illegality:** it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Bonds, the Trust Deed and the Agency Agreement; or
- (k) **Analogous Events:** any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 9(a) to 9(h) (both inclusive).

In these Conditions, “**Principal Subsidiary**” means any Subsidiary of the Issuer:

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

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

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

A certificate signed by an Authorised Signatory, whether or not addressed to the Trustee, that in their opinion a Subsidiary of the Issuer is or is not or was or was not at any particular time or throughout any specified period a Principal Subsidiary may be relied upon by the Trustee without further enquiry or evidence and, if relied upon by the Trustee, shall (in the absence of manifest error), be conclusive and binding on all parties.

10 PRESCRIPTION

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

11 REPLACEMENT OF CERTIFICATES

If any Certificate is lost, stolen, mutilated, defaced or destroyed or is alleged to have been lost, stolen or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or such other Transfer Agent as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to Bondholders (in accordance with Condition 16) and in writing to the Trustee, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity, pre-funding and otherwise as the Issuer, the Registrar or the relevant Transfer Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12 MEETINGS OF BONDHOLDERS, MODIFICATION, WAIVER AND AUTHORISATION

(a) Meetings of Bondholders

The Trust Deed contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed or the Agency Agreement. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Trustee if requested to do so by Bondholders in writing holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding (as defined in the Trust Deed) and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than fifty per cent. in principal amount of the Bonds for the time being outstanding (as defined in the Trust Deed), or at any adjourned meeting two or more persons being or representing Bondholders whatever the aggregate principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals (each a “**Reserved Matter**”), inter alia, (i) to modify the maturity of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, any premium payable on redemption of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds, or (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be two or more persons holding or representing not less than 66 2/3 per cent., or at any adjourned meeting not less than 33 1/3 per cent., in principal amount of the Bonds for the time being outstanding (as defined in the Trust Deed). Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed or, as the case may be, whether or not they signed the Written Resolution).

The Trust Deed provides that a resolution passed (i) by way of Electronic Consent through the relevant clearing system from or on behalf of Bondholders holding not less than 90 per cent. in aggregate principal amount of the Bonds for the time being outstanding (as defined in the Trust Deed) in accordance with the Trust Deed; or (ii) in writing signed by or on behalf of the holders of not less than 90 per cent. in principal amount of the Bonds for the time being outstanding (as defined in the Trust Deed), shall, in each case, for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

(b) Modification, Waiver and Authorisation

The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (i) any modification of any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement, that is in its opinion of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of law, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach (other than in relation to a Reserved Matter) of any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement that is in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders. Any such modification, authorisation or waiver may be subject to such terms and conditions (if any) as the Trustee may determine and shall be binding on the Bondholders and, unless the Trustee otherwise agrees, such modification, authorisation or waiver shall be notified by the Issuer to the Bondholders as soon as practicable in accordance with Condition 16.

(c) Entitlement of the Trustee

In connection with the exercise of its functions, duties, rights, powers, authorities and discretions (including but not limited to those referred to in this Condition 12) the Trustee shall have regard to the general interests of the Bondholders as a class but shall not have regard to any interests arising from circumstances particular to individual Bondholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of such exercise for individual Bondholders (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 on behalf of any Bondholder, nor shall any Bondholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

13 ENFORCEMENT

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

14 INDEMNIFICATION OF THE TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including (i) provisions relieving it from taking proceedings to enforce payment unless first indemnified and/or secured and/or pre-funded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer and/or any of the Issuer's Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of the Issuer's Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Bondholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

The Trustee and the Agents may rely without liability to Bondholders, the Issuer or any other person on any report, confirmation or certificate or any advice or opinion of any legal counsel, accountants, financial advisers, financial institution or any other expert, whether or not obtained by or addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee, any Agent or any other person in any other manner) by

reference to a monetary cap, methodology or otherwise. The Trustee or any Agent may accept and shall be entitled to rely on any such report, confirmation, certificate, advice or opinion, and if accepted by the Trustee such report, confirmation, certificate, advice or opinion shall be binding on the Issuer and the Bondholders.

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

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer and any other person appointed by the Issuer in relation to the Bonds of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the Issuer to the contrary, the Trustee and each Agent shall assume that the same are being duly performed. None of the Trustee or any Agent shall be liable to any Bondholder, the Issuer or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Bondholders or the Issuer. The Trustee shall be entitled to rely on any direction, request or resolution of Bondholders given by holders of the requisite principal amount of Bonds outstanding (as defined in the Trust Deed) or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed. Neither the Trustee nor any of the Agents shall be under any obligation to ascertain whether any Event of Default or Potential Event of Default or Relevant Event has occurred or monitor compliance by the Issuer with the provisions of the Trust Deed, the Agency Agreement or these Conditions.

15 FURTHER ISSUES

The Issuer may from time to time without the consent of the Bondholders create and issue further securities either having the same terms and conditions as the Bonds in all material respects (or in all material respects except for the issue date, issue price and amount of the first payment of interest on them and the timing for complying with the Registration Conditions and the making of the Foreign Debt Registration and the NDRC Post-issue Filing and for making the consequent notifications to the Trustee and the Bondholders) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Bonds) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Bonds include (unless the context requires otherwise) any other securities issued pursuant to this Condition 15 and forming a single series with the Bonds. Any such further securities forming a single series with the outstanding securities of any series (including the Bonds) 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 Bondholders and the holders of securities of other series in certain circumstances where the Trustee so decides.

16 NOTICES

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

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear Bank SA/NV and/or Clearstream Banking S.A. and/or any Alternative Clearing System (as defined in the Global Certificate), any notice to the holders of the Bonds shall be validly given by the delivery of the relevant notice to Euroclear Bank SA/NV and/or Clearstream Banking S.A. and/or any Alternative Clearing System, 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 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999, except and to the extent (if any) that it is expressly provided in these Conditions or in the Trust Deed for the Act to apply to any of the terms herein or in the Trust Deed, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

18 GOVERNING LAW AND JURISDICTION

(a) Governing Law

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

(b) Jurisdiction

The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds, the Trust Deed or the Agency Agreement and accordingly any legal action or proceedings arising out of or in connection with any Bonds, the Trust Deed or the Agency Agreement (“**Proceedings**”) may be brought in such courts. Pursuant to the Trust Deed, the Issuer has irrevocably submitted to the exclusive jurisdiction of the courts of Hong Kong.

(c) Service of Process

The Issuer has irrevocably appointed Shaoxing City Investment (HK) Limited at its registered office, currently at 21/F., Tai Yau Building, 181 Johnston Road, Wanchai, Hong Kong, to receive service of process in any Proceedings in Hong Kong. Such service shall be deemed completed on delivery to such agent (whether or not, it is forwarded to and received by the Issuer). If for any reason such agent ceases to be able to act as such or no longer has an address in Hong Kong, the Issuer irrevocably agrees to forthwith appoint a substitute process agent in Hong Kong and deliver to the Trustee a copy of the agent’s acceptance of that appointment within 30 days of such cessation, failing which the Trustee shall be entitled to appoint (at the expense of the Issuer) such an agent by written notice to the Issuer. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing shall affect the right to serve process in any manner permitted by law.

(d) Waiver of Immunity

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

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

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

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

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

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

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

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

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

PAYMENT

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

CALCULATION OF INTEREST

So long as the Bonds are represented by a Global Certificate and such Global Certificate is held on behalf of a clearing system, the Issuer has promised, inter alia, to pay interest in respect of such Bonds from the Issue Date in arrear at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the Terms and Conditions, save that the calculation is made in respect of the total aggregate amount of the Bonds represented by such Global Certificate.

NOTICES

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

MEETINGS

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

BONDHOLDER'S REDEMPTION

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

ISSUER'S REDEMPTION

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

TRANSFERS

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

CANCELLATION

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

TRUSTEE'S POWERS

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

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

USE OF PROCEEDS

The net proceeds from the offering of the Bonds (representing the gross proceeds minus underwriting commissions and other estimated expenses payable in connection with the offering of the Bonds) is expected to be approximately U.S.\$696.1 million. The Issuer intends to use the net proceeds from the offering of the Bonds for refinancing existing offshore indebtedness, construction of onshore projects and replenishment of working capital.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the Issuer's consolidated capitalisation and indebtedness as of 31 December 2020 and as adjusted to give effect to the issuance of the Bonds (before deducting the fees and commissions and other estimated transaction expenses payable). The following table should be read in conjunction with "Use of Proceeds", "Summary Consolidated Financial Information" and the Issuer's financial statements and related notes included elsewhere in this Offering Circular.

	As of 31 December 2020			
	Actual		As adjusted	
	(RMB)	(U.S.\$) ⁽¹⁾	(RMB)	(U.S.\$) ⁽¹⁾
	(in thousands)			
Current indebtedness:				
Short-term borrowings	1,486,710.4	227,848.3	1,486,710.4	227,848.3
Non-current liabilities due within one year . .	6,607,849.1	1,012,697.2	6,607,849.1	1,012,697.2
Total current indebtedness	8,094,559.5	1,240,545.5	8,094,559.5	1,240,545.5
Non-current indebtedness:				
Long-term borrowings	6,162,179.7	944,395.4	6,162,179.7	944,395.4
Bonds payable	10,063,187.6	1,542,251.0	10,063,187.6	1,542,251.0
Financial lease payable	119,148.0	18,260.2	119,148.0	18,260.2
Bonds to be issued ⁽²⁾	—	—	4,567,500.0	700,000.0
Total non-current indebtedness	16,344,515.3	2,504,906.6	20,912,015.3	3,204,906.6
Total indebtedness⁽³⁾	24,439,074.8	3,745,452.1	29,006,574.8	4,445,452.1
Total equity	22,740,831.8	3,485,185.0	22,740,831.8	3,485,185.0
Total capitalisation⁽⁴⁾	39,085,347.1	5,990,091.6	43,652,847.1	6,690,091.6

Notes:

- (1) U.S. dollar translations are provided for indicative purposes only and are unaudited. These translations were calculated based on an exchange rate of RMB6.5250 to US\$1.00 on 31 December 2020 as set forth in the H.10 statistical release of the Federal Reserve Board.
- (2) This amount represents the aggregate principal amount of the Bonds to be issued, before deducting commissions and other estimated expenses payable in connection with the offering of the Bonds.
- (3) Total indebtedness equals the sum of current indebtedness and non-current indebtedness.
- (4) Total capitalisation represents the sum of non-current indebtedness and total equity.

Since 31 December 2020, the Group has incurred additional indebtedness to satisfy its capital needs for its business expansion. For example, in January 2021, the Group issued three-year medium term notes with a principal amount of RMB500,000,000 and a coupon rate of 3.74 per cent. In the same month, the Group also issued super and short-term commercial paper with a principal amount of RMB500,000,000 and a coupon rate of 2.88 per cent. In February 2021, the Group issued five-year private corporate bonds with a principal amount of RMB700,000,000 and a coupon rate of 4.45 per cent. In March 2021, the Group issued five-year medium term notes with a principal amount of RMB1,000,000,000 and a coupon rate of 4.17 per cent. In April 2021, the Group issued five-year private corporate bonds with a principal amount of RMB500,000,000 and a coupon rate of 4.27 per cent, seven-year corporate bonds with a principal amount of RMB800,000,000 and a coupon rate of 4.39 per cent, and five-year medium term notes with a principal amount of RMB1,000,000,000 and a coupon rate of 3.99 per cent.

Except as otherwise disclosed above, there has been no material change to the Issuer's capitalisation or indebtedness since 31 December 2020.

DESCRIPTION OF THE GROUP

OVERVIEW

The Issuer is a state-owned enterprise controlled by Shaoxing SASAC which has diverse business and investments in multiple industries including fuel gas sales, water affairs, and infrastructure construction and operation. Since its establishment in 1999, the Group has been the main constructor of major infrastructure projects and the core operator of municipal resources in Shaoxing and has played an important role in implementing the Shaoxing Municipal Government's blueprint for urban planning and municipal construction.

As of 31 December 2018, 2019 and 2020, the Group had total assets of RMB57,712.3 million, RMB53,631.8 million, and RMB54,509.7 million, respectively. For the years ended 31 December 2018, 2019 and 2020, the Group recorded revenue of RMB6,631.0 million, RMB8,583.5 million, and RMB7,398.3 million, respectively, and net profit of RMB87.8 million, RMB211.6 million, and RMB244.7 million, respectively. The following summarises the three principal business segments of the Group:

Fuel Gas Sales

The Group's fuel gas sales business is mainly operated through Shaoxing Fuel Gas and comprises two business lines: natural gas sales and bottled liquefied gas sales. Fuel gas sales business is the largest revenue contributor to the Group's business for the years ended 31 December 2018, 2019 and 2020. For the years ended 31 December 2018, 2019 and 2020, the fuel gas sales segment recorded revenue of RMB2,855.7 million, RMB3,844.6 million, and RMB3,007.5 million, respectively, accounting for 43.1 per cent., 44.8 per cent., and 40.7 per cent. of the Group's revenue for the period, respectively. See *"Description of the Group – Fuel gas sales"*.

Water Affairs

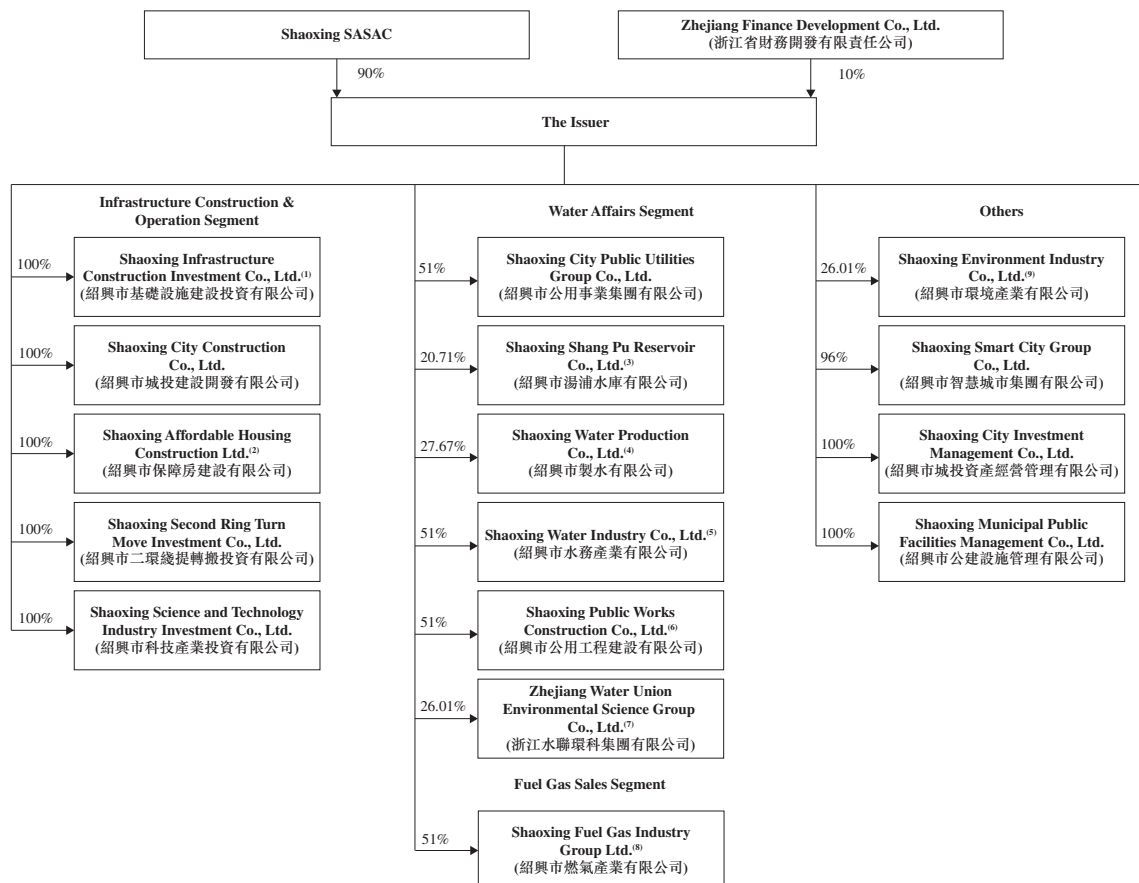
The Group commenced its water affairs business in 2018 after Shaoxing City Public Utilities was consolidated into the Group. In August 2018, Shaoxing SASAC transferred its 51 per cent. equity interest in Shaoxing City Public Utilities to the Issuer. The Water Affairs Group is mainly responsible for water supply, wastewater treatment and the construction of the related water facilities in Shaoxing. For the years ended 31 December 2018, 2019 and 2020, the water affairs segment recorded revenue of RMB2,178.2, RMB1,867.8 million, and RMB2,277.6 million, respectively, accounting for 32.8 per cent., 21.8 per cent. and 30.8 per cent. of the Group's revenue for the same periods. See *"Description of the Group – Water affairs"*.

Infrastructure Construction and Operation

The Group's infrastructure construction and operation business comprises two business lines: infrastructure construction and construction materials trading. The Group's infrastructure construction business is mainly operated by the Issuer and certain of its subsidiaries, including primarily Shaoxing Infrastructure Construction and Investment Co., Ltd. (紹興市基礎設施建設投資有限公司), Shaoxing City Construction Co., Ltd. (紹興市城投建設開發有限公司) and Shaoxing Affordable Housing. Under this business segment, the Group is involved in the construction of affordable housing projects and municipal public interest projects, as well as construction, repair and reconstruction of roads in the urban area of Shaoxing. The Group conducts its construction materials trading business since 2018 primarily through its subsidiary Shaoxing Science and Technology. Shaoxing Science and Technology focuses on the trading of asphalt concrete, prefabricated components as well as construction waste recycling materials. For the years ended 31 December 2018, 2019 and 2020, the infrastructure construction and operation segment recorded revenue of RMB90.9 million, RMB714.6 million, and RMB744.5 million, respectively, accounting for 1.4 per cent., 8.3 per cent., and 10.1 per cent. of the Group's revenue for the period, respectively. See *"Description of the Group – Infrastructure Construction and Operation"*.

Corporate Structure

The chart below illustrates the simplified corporate structure of the Group, which shows its shareholders, the Issuer, as well as the major subsidiaries operating in the various business segments of the Group. The chart also indicates the respective equity interest holdings of each entity as of 31 December 2020:



Notes:

- (1) 4 per cent. of the equity interest of Shaoxing Infrastructure Construction Investment Co., Ltd. was indirectly owned by the Issuer through another subsidiary of the Issuer.
- (2) 10 per cent. of the equity interest of Shaoxing Affordable Housing was indirectly owned by the Issuer through another subsidiary of the Issuer.
- (3) Approximately 20.71 per cent of the equity interest of Shaoxing Shang Pu Reservoir Co., Ltd. was indirectly owned by the Issuer through Shaoxing City Public Utilities Group Co., Ltd.
- (4) Approximately 27.67 per cent of the equity interest of Shaoxing Water Production Co., Ltd. was indirectly owned by the Issuer through Shaoxing City Public Utilities Group Co., Ltd.
- (5) 51 per cent of the equity interest of Shaoxing Water Industry Co., Ltd. was indirectly owned by the Issuer through Shaoxing City Public Utilities Group Co., Ltd.
- (6) 51 per cent of the equity interest of Shaoxing Public Works Construction Co., Ltd. was indirectly owned by the Issuer through Shaoxing City Public Utilities Group Co., Ltd.
- (7) 26.01 per cent of the equity interest of Zhejiang Water Union Environmental Science Group Co., Ltd. was indirectly owned by the Issuer through Shaoxing City Public Utilities Group Co., Ltd.
- (8) 51 per cent. of the equity interest of Shaoxing Fuel Gas Industry Group Ltd. was indirectly owned by the Issuer through Shaoxing City Public Utilities Group Co., Ltd.
- (9) 26.01 per cent of the equity interest of Shaoxing Environment Industry Co., Ltd. was indirectly owned by the Issuer through Shaoxing City Public Utilities Group Co., Ltd.

HISTORY AND DEVELOPMENT

The Issuer is a state-owned enterprise controlled by Shaoxing SASAC. The Group was established mainly to undertake public services for the Shaoxing Municipal Government.

The Issuer was incorporated in 1999 with an initial registered capital of RMB220.0 million under the name of Shaoxing City Construction Investment Development Co., Ltd. (紹興市城市建設投資發展有限公司). The Issuer's name was subsequently changed to Shaoxing City Investment Group Limited (紹興市城市建設投資集團有限公司) in October 2011. Since its incorporation, the Shaoxing Municipal Government has injected new capital into the Group several times. As of the date of this Offering Circular, the Group has a registered capital of RMB3.3 billion.

The following are a number of the key milestones of the Issuer and its subsidiaries:

1999.	The Issuer was incorporated in November 1999 by Shaoxing SASAC (formerly known as State-owned Asset Administration Bureau of Shaoxing (紹興市國有資本管理局). Shaoxing SASAC was the sole shareholder of the Issuer.
2003.	In August, the Issuer's registered capital was increased to RMB500.0 million through capital injection by Shaoxing SASAC.
2009.	In November, the Issuer's registered capital was further increased to RMB643,382,351 through capital injection by Shaoxing SASAC. In December, the Issuer's registered capital was further increased to RMB800.0 million through capital injection by Shaoxing SASAC.
2011.	In October, the Issuer's name was changed to Shaoxing City Investment Group Limited (紹興市城市建設投資集團有限公司).
2014.	In February, the Issuer's registered capital was further increased to RMB3.3 billion through capital injection by Shaoxing SASAC.
2015.	In July, the Issuer was awarded the international credit rating of "BBB+" by Fitch. In October, the Sports Exhibition Hall of the Shaoxing Olympic Stadium Project and the Shaoxing Olympic Stadium Swimming Pool Project, which were constructed by the Group, won the highest award for the Zhejiang Provincial Construction Project Quality in 2015, the "Qianjiang Cup" Quality Engineering Award, which was the first time that the Group received such award. In November, the Shaoxing Science, Technology and Cultural Centre Project, which was constructed by the Group, won the "Luban Award", the highest national construction project award in China.
2018.	In August, Shaoxing SASAC transferred its 51 per cent. equity interest in Shaoxing City Public Utilities to the Issuer. In December, the Issuer issued offshore bonds due 2021 with an aggregated amount of U.S.\$350,000,000.
2019.	In July, the Company was awarded the credit rating of "AAA" by China Lianhe Credit Rating Co., Ltd. (聯合資信評估股份有限公司).
2020.	In September, 10 per cent. equity interest held by Shaoxing SASAC in the Issuer was transferred to Zhejiang Finance Development Co., Ltd. (浙江省財務開發有限責任公司). Accordingly, Shaoxing SASAC and Zhejiang Finance Development Co., Ltd. hold 90 per cent. and 10 per cent. of the Issuer's equity interest, respectively.

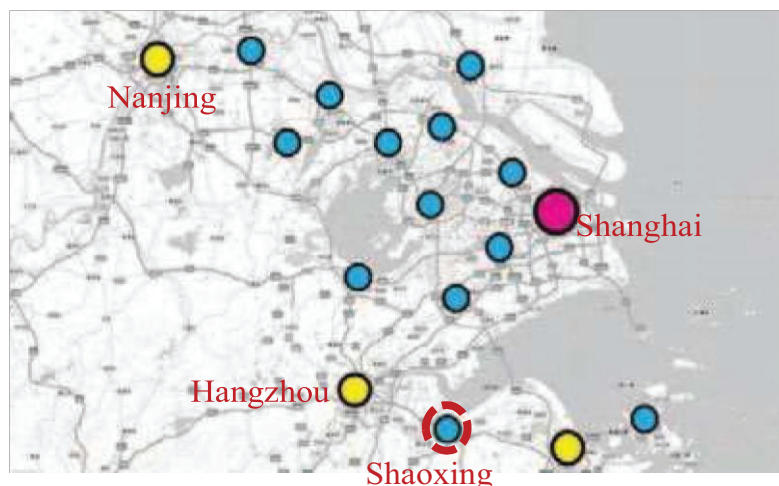
COMPETITIVE STRENGTHS

The Group believes that the following represent the Group's key competitive strengths:

Well-positioned to capitalise on the economic growth, strategic location and policy environment of Shaoxing

The Group operates its business primarily in Shaoxing and its assets and customers are highly concentrated in Shaoxing. Shaoxing is located in Zhejiang Province and is one of the key cities in the Yangtze River Delta city cluster and the Zhejiang Greater Bay Area. It has special strategic importance to the regional economic development.

Shaoxing connects Hangzhou and Ningbo, which are among the most economically vigorous cities in the Yangtze River Delta Economic Circle. Zhejiang Greater Bay Area as an economic development platform has provided Shaoxing with enormous opportunities to participate in the development of and deeply integrate into the Yangtze River Delta Economic Circle. For example, according to the Greater Bay Area Construction Action Outline, Shaoxing has also been designated as an advanced intellectual manufacture base in the Zhejiang Greater Bay Area. The following illustrates the strategic geographical location of Shaoxing in the Yangtze River Delta Economic Circle:



In 2013, China unveiled its “One Belt, One Road” development strategy, which plans to connect China with over 60 countries in Asia, Africa and Europe through the Silk Road Economic Belt and the 21st Century Maritime Silk Road. This initiative aims to promote trade and commerce between China and the countries along land and sea trade routes. Countries along the “One Belt, One Road” initiative are mainly emerging market nations at the early stages of economic development which offer investment opportunities in the areas of infrastructure, machinery and energy to Chinese companies. Shaoxing is strategically located adjacent to the Sea Silk Road and has access to a number of international harbours in cities including Shanghai, Ningbo and Zhoushan. A number of industries and sectors in Shaoxing are expected to benefit substantially from the “One Belt, One Road” initiative, particularly infrastructure construction and textile industry. The Group is also expected to benefit from the growth opportunities presented by the strategic location of Shaoxing.

The Group's growth strategy is decided by the Shaoxing Municipal Government and approved by Shaoxing SASAC. Leveraging on its strong footing in Shaoxing and extensive experience in infrastructure construction and public services, the Group offers professional services with industry-leading standards, concepts, technologies and management and provides integrated solutions in infrastructure construction and public service. The Group will continue to be responsible for infrastructure construction and regional development projects and achieve continuous growth in the future.

Unique investment holding company controlled by the Shaoxing Municipal Government with strategic significance to Shaoxing's social and economic development

The Issuer is a unique investment holding company controlled by the Shaoxing Municipal Government through Shaoxing SASAC. Due to its special background, the Group receives strategic guidance and close supervision for its development from the Shaoxing Municipal Government. The Group has been tasked to perform substantial and critical functions in the area of urban construction and municipal development, gas supply and water supply. As such, the Group is of strategic significance to Shaoxing's social and economic development. Specifically, the Group has undertaken the following functions:

- assisting the construction of key infrastructure projects. One of the Group's missions is to assist the Shaoxing Municipal Government to develop public and other municipal infrastructure in the urban and rural areas to accelerate the urbanisation in Shaoxing. Since its establishment, the Group has participated in more than 240 infrastructure projects as the key developer and operator of municipal resources and public utilities. These projects were primarily relating to public transportation, affordable housing, water supply and wastewater treatment, gas supply, public hospitals and medical infrastructure and other public facilities;
- undertaking gas supply in Shaoxing. On 28 October 2011, the Issuer's subsidiary, Shaoxing Fuel Gas, was granted the franchise right for natural gas sales in Shaoxing for 15 years until 27 October 2026 by Shaoxing Housing and Urban-Rural Development Bureau (紹興市住房和城鄉建設局), through which the Group became the sole supplier of natural gas for all nine districts of Shaoxing. Currently, Shaoxing Fuel Gas owns two gas gate stations, two high pressure to sub-high pressure regulator stations, 11 high pressure to medium pressure regulator stations, two liquefied petroleum gas supply centre and 3,396.3 kilometres of natural gas pipelines. The Group believes the construction of gas-related infrastructure provides a solid foundation for fulfilling its government mandate to supply gas to residential, industrial and commercial users;
- undertaking water supply in Shaoxing. In August 2018, Shaoxing SASAC transferred its 51 per cent. equity interest in Shaoxing City Public Utilities to the Issuer. After the consolidation of the Water Affairs Group to the Group, the Group became the sole tap water supplier and wastewater treatment service provider in Shaoxing and areas including Shangyu City and Cixi City and owns and operates one water reservoir, three purified water plants, three tap water plants and one wastewater treatment plants. The Group supplies various types of water for both residential and industrial use. It also undertakes a number of water facilities construction projects for the Shaoxing Municipal Government.

Directly controlled by the Shaoxing SASAC with strong government support

The Company is directly controlled by the Shaoxing SASAC, which is under direct administration of the Shaoxing Municipal Government. As a leading state-owned company based in Shaoxing, the Group maintains close ties with the Shaoxing Municipal Government and the Shaoxing SASAC in various aspects. For instance, the Group has received various policy, financial, capital and other support from the PRC government (which, for the removal of doubt, does not include credit support). For example, Shaoxing Municipal Government transferred to the Group properties with a total GFA of 600,000 sq.m. and book value of approximately RMB7,019 million during the five years from 2011 to 2015. Shaoxing Municipal Government also transferred to the Group properties with a total GFA of 254,200 sq.m. and book value of approximately RMB2,433 million, and properties with a total GFA of 12,800 sq.m. and book value of approximately RMB88 million in 2016 and 2019, respectively. In addition, for the years ended 31 December 2018, 2019 and 2020, the Group received government subsidies of RMB1,469.0 million, RMB1,430.6 million, and RMB1,521.3 million, respectively. The Group believes that these favourable policies have brought significant business opportunities for the Group.

Diversified business portfolio with growing recurring income

The Group has a well-diversified business portfolio which generates stable and recurring income, including modern logistics, city infrastructure, financial services and investment and real estate. For the year ended 31 December 2020, the fuel gas sales segment, water affairs segment, and infrastructure construction and operation segment accounted for 40.7 per cent., 30.8 per cent., and 10.1 per cent. of the Group's revenue, respectively. On the one hand, the Group's pivotal role in Shaoxing's infrastructure construction and operation gives the Group more opportunities in related business segments, such as secondary land development which includes development of affordable housing and infrastructure development. On the other hand, the Group's engagement in Shaoxing's gas supply, water supply and other major urban development projects provides the Group firsthand knowledge of the city's rapid expansion and provides the Group with access to more information and opportunities for subsequent development. The Group believes that the Group's diversification across various business segments enables the Group to reduce the risks associated with reliance on any one particular market and also allows it to mitigate any adverse impact resulting from price volatility affecting any single market.

In addition, the Group relies on its subsidiary Shaoxing Smart City Group Co., Ltd. (紹興市智慧城市集團有限公司) ("**Shaoxing Smart City**") to implement its strategy to promote digital reform of its business operation and establish a digital city investment digital industrial park. The Group is also dedicated to establishing a "1+4" industrial system comprising of five core companies to promote the digital development of Shaoxing. The five companies include Shaoxing Smart City and three companies it has invested in, being Shaoxing Industrial Internet Innovation Development Co., Ltd. (紹興市工業互聯網創新發展有限公司), Shaoxing Smart City Research Institute Co., Ltd. (紹興智慧城市研究院有限公司), Shaoxing Big Data Operation Co., Ltd. (紹興市大數據運營有限公司), as well as a fifth company which is not yet established as at the date of the Offering Circular.

The strategies of the Group to develop its digital business include:

- promoting projects such as Smart Future Community (智慧未來社區), Smart Public Security (智慧公安), Waste-Free City (無廢城市), Digital City Management (數字城管) and Smart Parking (智慧停車) and taking good advantage of Shaoxing's city brain, government cloud and big data platforms;
- expanding the cloud platform for leasing business;
- cooperating with Fudan Science and Technology Park to promote the Group's digital development;
- expanding business to new industries, such as IT application innovation, applying for confidential information qualification, participating in the construction of Shaoxing IT Application Innovation (Anke) Cloud Project, participating in the R&D of domestic hardware devices and promoting innovations of domestic hardware technologies, cooperating with a leading company in the technology industry to establish a 5G innovation centre;
- cooperating with Zhejiang Lanzhuo Industrial Internet Information Technology Co., Ltd. (浙江藍卓工業互聯網信息技術有限公司) ("**Lanzhuo**") to establish Shaoxing Industrial Internet Renovation Development Co., Ltd. (紹興市工業互聯網創新發展有限公司), and leveraging Lanzhuo's supOS platform and ecosystem to establish the first digital industrial Internet platform which will provide services to small and medium-sized enterprises focusing on metal processing, textile printing and dyeing, green chemical industries in Zhejiang Province; and
- cooperating with a leading company in the technology industry to build the first intelligent expressway which will support high-level autonomous vehicle-infrastructure coordination in China, and cooperating with such company and Shaoxing College of Arts and Science to establish the "Autonomous Vehicle-Infrastructure Coordination (Shaoxing) Innovation Demonstration Centre".

Access to multiple financing channels to obtain sufficient capital for the Group's business development

The Group has access to extensive financing sources, including bank loans, mid-term notes and short-term notes, ultra-short term notes, special purpose notes and perpetual securities. The Group is able to obtain various forms of financing on various levels in the Group. As of 31 December 2020, the Group had issued domestic bonds with an aggregate amount of approximately RMB10.1 billion, and had an approved bond issuance quota of RMB13.9 billion not yet utilised. The Group maintains a diversified maturity profile in relation to its indebtedness. As of 31 December 2020, within its total indebtedness of approximately RMB24.4 billion, approximately 33.1 per cent. was due within one year, approximately 42.3 per cent. was due within one to three years, approximately 18.5 per cent. was due within three to five years and approximately 6.1 per cent. was due within more than five years.

The Group maintains long-term stable working relationship with a number of major PRC and overseas financial institutions, including but limited to Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, China Construction Bank, Bank of Communications, China Minsheng Banking Corp., Ltd., SPD Bank, China Everbright Bank, Bank of Beijing, China Bohai Bank, China CITIC Bank, China Guangfa Bank, China Merchants Bank, Hua Xia Bank, Bank of Hangzhou, Bank of Ningbo, Industrial Bank Co., Ltd., China Zheshang Bank Co., Ltd., Guosen Securities and Zheshang Securities. As of 31 March 2021, the Group's credit facilities from the major financial institutions amounted to approximately RMB12.5 billion, of which approximately RMB4.6 billion had not been utilised.

With well-established operations in various business segments, the Group has a good track record of servicing its debts. As a result, its strong credit-worthiness has been recognised by the domestic rating agency. The Group has maintained the credit rating of "AAA" by China Lianhe Credit Rating Co., Ltd. (聯合資信評估股份有限公司) in China since 2019.

The Group has been able to obtain stable long-term financing in various channels. With its diverse sources of funding, the Group believes that it will continue to have access to sufficient capital to support its business operations and expansion.

Sound and effective corporate governance with experienced management team

The Issuer has established a sound and effective corporate governance structure which is in line with modern corporate practice. The board of directors is at the centre of decision-making while the board of supervisors is responsible for supervision and evaluation. The management is responsible for the daily operations of the Group and is the executor of decisions. At the operational level, the Issuer has set up nine departments (namely the General Management Department, Party Committee Office, Engineering Construction Department, Financial Planning Department, Finance Department, Internal Audit and Supervision Office, Asset Management Department, Legal and Audit Department and Tender Management Department) and a number of special committees (such as the Budget Management Committee, Investment Management Committee, among other committees) to oversee different aspects of the Group's daily operations.

The Issuer has an experienced senior management team with over 10 years of experience on average in the management of large state-owned enterprises and companies operate in the same business sectors as the Group. See *"Directors, Supervisors and Senior Management of the Issuer"*. Under the sound leadership of its management team and leveraging on their past experience, the Group has successfully achieved its missions over the years and distinguished itself from its competitors.

STRATEGIES

On the one hand, the Group aims to maintain its leading position in implementing the Shaoxing Municipal Government's blueprint of urban planning, municipal construction and rural development in Shaoxing. On the other hand, the Group aims to enhance its financial stability and to further strengthen its management and internal control systems. The Group believes it will be able to maintain sustainable growth by successfully implementing the following business strategies:

Providing integrated solutions for city infrastructure construction and operation of public services

The Group aims to leverage its extensive experiences gained in the infrastructure and public services sector to develop integrated solutions for its projects. In particular, the Water Affairs Group has been merged into the Group since September 2018. With the expertise of the Water Affairs Group in water facilities infrastructure construction and operation, the Group could further expand and provide more comprehensive service solutions to support the regional development of Shaoxing.

With its primary focus on servicing Shaoxing, the Group intends to build professional expertise in providing integrated solutions for city infrastructure construction and operation of public services. The Group will focus on developing the capabilities to (i) formulate strategies and plans, (ii) manage investment and finance models, (iii) systematically manage and operate projects in the full construction and operation cycle of the projects, (iv) set industry leading standard, methods and technologies, and (v) provide high standard and cost efficient professional services to the market.

Strengthen financial stability, appropriately control the growth scale, improve the asset quality and reduce financial leverage

The Group plans to focus on areas that can create synergies with the Group to reduce financial risks and to maintain its financial assets at a healthy scale, and optimise asset quality. For example, the Group intends to explore synergies among its gas supply, water affairs and infrastructure construction and operation business segments. The Group also plans to adhere to prudent financial policy with stringent risk control and enhanced financial management to keep its financial stability. The Group has established standardised capital management mechanism to monitor capital, capital efficiency and capital risks, thereby effectively enhancing the results and efficiency of the overall management. For financial management, the Group focuses on financial risk control, company growth, value creation, implementation of budget management and establishment of information platforms in order to encourage communications and interactions between business operation and financial management, contribute to the sustainable and healthy development of the Issuer and provide financial stability. For interest rate risks, the Group will adjust its composition of onshore and offshore debt as well as its direct and indirect financing structure in accordance with credit policies and market changes. It will also continue to strengthen cooperation with banks, seek alternative sources of financing and maintain a balanced indebtedness structure consisting of short-term, medium-term and long-term credit facilities. The Group strives to prudently manage its financials while fulfilling investment and development needs to drive its profitability.

Strengthen management and internal control systems

The Group will continue to improve and streamline its management structure and internal control systems, so as to increase its capability in terms of safety and quality control. In addition, the Group considers effective project management to be critical to enhancing its overall operational efficiency. Mechanisms will be put in place to gradually implement the coordination of tendering and bidding management among various operational units, for example, to avoid two subsidiaries competing against each other for the same project. The Group will also allocate more resources to the Group's research and development for construction, new technologies and products, and project and operation management, while gradually implementing a centralised management system over its fixed assets, such as key technical equipment.

RECENT DEVELOPMENT

As at 31 March 2021, as compared to the financial information as at 31 December 2020, the Group's cash and cash equivalents increased significantly primarily due to the Group's issuance of domestic corporate bonds and mid-term notes during the first quarter of 2021. See “*Capitalisation and Indebtedness*”. The Group's investment property increased significantly primarily because certain construction in progress became investment property. The Group's other current assets increased primarily due to the increase of the Group's prepaid tax. The Group's other non-current assets increased primarily due to the shut-down of certain business and the increase in the number of houses, land and immovable equipment to be disposed of. As a result of the foregoing, the Group's total assets increased as at 31 March 2021 compared to those as at 31 December 2020. In addition, the Group's short-term borrowings, long-term borrowings, bonds payable and long-term payables increased primarily due to the Group's business expansion. As a result of the foregoing, the Group's total liabilities increased as at 31 March 2021 compared to those as at 31 December 2020. Furthermore, for the three months ended 31 March 2021, as compared to the same period in the preceding year, the Group experienced increases in revenue and operating costs, and decreases in gross loss and net loss primarily due to its business recovery from COVID-19.

Such financial information should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or review. Potential investors must exercise caution when using such data to evaluate the Group's financial condition and results of operations. Such financial information for the three months ended 31 March 2021 should not be taken as an indication of the Group's expected financial condition or results of operations for the full financial year ending 31 December 2021. See “*Risk Factors – Risks Relating to the Group and Its Business – Investors should not place any reliance on the financial information which is unreviewed or unaudited and should not place undue reliance on the discussion of material financial trends in relation to the Group's unaudited and unreviewed financial information*”.

BUSINESS

The Issuer was established in 1999 as a state-owned enterprise in order to provide public services in Shaoxing. Shaoxing SASAC is the controlling shareholder of the Issuer and has exercised its control by appointing six directors of the Issuer.

The Group undertakes various major investment projects in Shaoxing. As of the date of this Offering Circular, the Group has a registered capital of RMB3.3 billion. As of 31 December 2018, 2019 and 2020, the Group had total assets of RMB57,712.3 million, RMB53,631.8 million, and RMB54,509.7 million, respectively. For the years ended 31 December 2018, 2019 and 2020, the Group recorded revenue of RMB6,631.0 million, RMB8,583.5 million, and RMB7,398.3 million, respectively, and net profit of RMB87.8 million, RMB211.6 million, and RMB244.7 million, respectively.

The following table sets forth the Group's revenue by business segments for the years ended 31 December 2018, 2019 and 2020.

	Year ended 31 December					
	2018		2019		2020	
	Amount	Proportion of Revenue	Amount	Proportion of Revenue	Amount	Proportion of Revenue
	(RMB millions)	%	(RMB millions)	%	(RMB millions)	%
Fuel Gas Sales	2,855.7	43.1	3,844.6	44.8	3,007.5	40.7
Water Affairs	2,178.2	32.8	1,867.8	21.8	2,277.6	30.8
Infrastructure Construction and Operation ⁽¹⁾	90.9	1.4	714.6	8.3	744.5	10.1
Other ⁽²⁾	1,506.2	22.7	2,156.5	25.1	1,368.7	18.5
Total	6,631.0	100.0	8,583.5	100.0	7,398.3	100.0

Notes:

- (1) In August 2020, 100 per cent. equity interest of Shaoxing Rail Transit Group Co., Ltd. (紹興市軌道交通集團有限公司) (“**Shaoxing Rail Transit**”) held by the Issuer was transferred to Shaoxing SASAC for a consideration of approximately RMB1.9 billion. Accordingly, Shaoxing Rail Transit ceased to be a subsidiary of the Issuer and the assets, liabilities and the financial results of Shaoxing Rail Transit were no longer consolidated into the consolidated financial statements of the Group for the year ended 31 December 2020.
- (2) For the years ended 31 December 2018, 2019 and 2020, revenue from the Group’s other business mainly included income from nonferrous metal sales, demolition work, sale of affordable housing properties, sale of commercial housing properties, administration fees for certain real properties and income from certain ancillary water affairs businesses. In July 2020, the Group’s nonferrous metal sales business was discontinued. Such business was previously carried out by Shaoxing Ping Tong (Group) Ltd. (紹興平銅(集團)有限公司).

Fuel Gas Sales

The Group’s fuel gas sales business is mainly operated through the Issuer’s subsidiary, Shaoxing Fuel Gas and comprises two business lines: natural gas sales and bottled liquefied gas sales. Fuel gas sales business was the largest revenue contributor to the Group’s business for the years ended 31 December 2018, 2019 and 2020. Shaoxing Fuel is primarily engaged in the development of fuel gas resources, planning and management of the construction and operation of gas supply facilities and urban gas supply and is the only entity that undertakes the construction, operation of gas facilities and management of gas supply in the urban area of Shaoxing.

For the years ended 31 December 2018, 2019 and 2020, the fuel gas sales segment recorded revenue of RMB2,855.7 million, RMB3,844.6 million, and RMB3,007.5 million, respectively, accounting for 43.1 per cent., 44.8 per cent., and 40.7 per cent. of the Group’s revenue for the period, respectively.

Natural Gas Sales

On 28 October 2011, Shaoxing Housing and Urban-Rural Development Bureau granted Shaoxing Fuel Gas the franchise right for the natural gas sales in Shaoxing for 15 years until 27 October 2026. Pursuant to such franchise right, Shaoxing Fuel Gas is the sole operator of the natural gas sales business in Shaoxing’s nine major districts, including Yuecheng District, Jinghu New District, Binhai New City, Paojiang Economic Development Zone, Municipal Ecological Park, Municipal Economic Development Zone, Shaoxing County Pingshui Vice City, Shaoxing County Keqiao Town and Shaoxing County Lanting Town.

The Group enters into procurement contracts on an annual basis with suppliers for the Group’s natural gas business. The following table sets forth the Group’s natural gas purchases for the years ended 31 December 2018, 2019 and 2020:

	Year ended 31 December		
	2018	2019	2020
Purchase amount (million m ³)	1,132	1,332	1,227
Average purchase price (RMB/m ³)	2.13	2.43	2.17
Total (RMB million)	2,411	3,237	2,663

Currently, Shaoxing Fuel Gas owns two gas gate stations, two high pressure to sub-high pressure regulator stations, 11 high pressure to medium pressure regulator stations, two liquefied petroleum gas supply centre and 3,396.3 kilometres of natural gas pipelines. Shaoxing Fuel Gas constructs and operates two main types of natural gas pipelines. The first type is high pressure a natural gas pipeline network for urban areas, which is mainly used for transporting bulk purchased natural gas. As of 31 December 2020, approximately 97.09 kilometres of the pipeline had been completed and put into operation. The second type is an urban medium and low pressure pipeline network, which is mainly used to supply natural gas to end users in urban areas. As of 31 December 2020, approximately 3,280.4 kilometres of the medium and low pressure pipeline had been completed and put into operation.

The Group supplies gas to residential users, as well as industrial and commercial users. As of 31 December 2020, Shaoxing Fuel Gas had 415,700 users, including 412,800 residential users, and 2,900 industrial and commercial users. The following table sets forth the key sales figures of the natural gas sales business of the Group (excluding related ancillary business, such as natural gas pipeline embedment) for the years ended 31 December 2018, 2019 and 2020:

	Year ended 31 December		
	2018	2019	2020
Sales amount (million m ³)	1,122	1,322	1,217
Average sales price (RMB/m ³)	2.58	2.74	2.40
Accumulated pipeline gas users (units in thousands) . .	366.6	394.4	410.0
Residential users (units in thousands)	364.2	391.8	407.2
Industrial and commercial users (units in thousands) . .	2.3	2.5	2.8

Bottled Liquefied Gas Sales

The Group operates its bottled liquefied gas sales business in Shaoxing as one of multiple entities licensed by Shaoxing Housing and Urban-Rural Development Bureau to conduct such business in Shaoxing. According to the licence currently granted to the Group, the Group is permitted to engage in the comprehensive operation of bottled liquefied gas business, which includes the storage, filling and supply of bottled liquefied gas and automobile gas refuelling. Currently, Shaoxing Fuel Gas owns two liquefied gas stations, namely Jiuli Station (九里站) and Chengdong Station (城東站), with a market share of approximately 30 per cent. in Shaoxing. The remaining approximately 70 per cent. of market share is primarily operated by private companies in Shaoxing that have licences for bottled liquefied gas sales. Ningbo Minggang Liquefied Gas Co., Ltd. (寧波明港液化氣有限公司) and Ningbo Baidi Nian Liquefied Gas Co., Ltd. (寧波百地年液化氣有限公司) are the major suppliers for the Group's bottled liquefied gas sales business.

The following table sets forth the key operating data of Shaoxing Fuel Gas for purchasing bottled liquefied gas from Ningbo Minggang Liquefied Gas Co., Ltd. and Ningbo Baidi Nian Liquefied Gas Co., Ltd. for the years ended 31 December 2018, 2019 and 2020:

	Year ended 31 December		
	2018	2019	2020
Purchase amount (tonnes)	15,086.28	14,724.04	14,782.27
Average purchase (RMB/tonne)	4,075.42	3,610.5	3,056.22
Total (RMB in millions)	61.48	53.16	45.18

Water Affairs

The Group commenced its water affairs business in 2018 after Shaoxing City Public Utilities was consolidated into the Group. In August 2018, pursuant to the Notification Regarding the Transfer of State-owned Equity Interest by Shaoxing SASAC for Nil Consideration dated 31 August 2018, Shaoxing SASAC transferred its 51 per cent. equity interest in Shaoxing City Public Utilities to the Issuer. The Water Affairs Group is mainly responsible for the water supply, wastewater treatment and the construction of the related water facilities in Shaoxing. For the years ended 31 December 2018, 2019 and 2020, the water affairs segment recorded revenue of RMB2,178.2, RMB1,867.8 million, and RMB2,277.6 million, respectively, accounting for 32.8 per cent., 21.8 per cent. and 30.8 per cent. of the Group's revenue for the same periods.

The following table sets out the revenue of the sub-segments within the Group’s water affairs business:

	2018		2019		2020	
	Amount	Proportion of Revenue	Amount	Proportion of Revenue	Amount	Proportion of Revenue
	(RMB millions)	%	(RMB millions)	%	(RMB millions)	%
Water supply	493.5	22.7	591.5	31.7	684.4	30.0
Wastewater treatment	568.5	26.1	360.6	19.3	328.7	14.4
Water facilities construction	1,116.1	51.2	915.7	49.0	1,264.4	55.5
Total	2,178.2	100.0	1,867.8	100.0	2,277.6	100.0

Water Supply

The Group’s water supply business includes supply of reservoir water, purified water and tap water for Shaoxing. It is the sole tap water supplier and wastewater treatment service provider in Shaoxing and areas including Shangyu City and Cixi City. The Water Affairs Group has been awarded the first “Modernised Water Plant” and the first “Modernised Business Office” in Zhejiang Province by Zhejiang Municipal Water Industry Association. The water quality testing lab of the Water Affairs Group is qualified to conduct testing for all items listed under the “Standards of Urban Water Supply and Use” and “Sanitary Standard for Drinking Water” promulgated by MOH and has been recognised by China National Accreditation Service for Conformity Assessment as a third party lab specialised in water quality testing. For the years ended 31 December 2018, 2019 and 2020, the Group’s water supply business recorded revenue of RMB493.5 million, RMB591.5 million and RMB684.4 million, respectively, accounting for 22.7 per cent., 31.7 per cent. and 30.0 per cent. of the Group’s revenue from the water affairs segment for the same periods.

Reservoir Water Supply

The Group’s reservoir water supply business is carried out by Shaoxing Shang Pu Reservoir Co., Ltd. (紹興市湯浦水庫有限公司) (“**Shaoxing Shang Pu**”). Shaoxing Shang Pu operates and owns the Shang Pu reservoir (湯浦水庫) which is located at the border of Shangyu District, Shaoxing District and Shengzhou City. It occupies a total GFA of 55 square kilometres and total reservoir storage of 235 million tons with a designed daily raw water supply capacity of one million tons. The Shang Pu reservoir supplies raw water to users within an area of approximately 1,470 square kilometres which includes Shaoxing and part of Cixi City.

The Group sells the raw water to Shaoxing Water Production Co., Ltd. (紹興市製水有限公司) (“**Shaoxing Water Production**”, a subsidiary of Shaoxing City Public Utilities), Shangyu City Tap Water Co., Ltd., and Cixi City Tap Water Co., Ltd. For the years ended 31 December 2018, 2019 and 2020, the total sales amount of raw water was 296.1 million tons, 303.2 million tons and 303.7 million tons, respectively.

Purified Water Supply

The Group’s reservoir water supply business is carried out by Shaoxing Water Production. Shaoxing Water Production currently owns and operates three water plants. Currently, the total daily water purifying capacity for the three water plants is 1.15 million tons. The Group supplies purified water mainly to the urban area of Shaoxing. The Group’s water plants generally purchase raw water from upstream suppliers which include Shaoxing Shang Pu. For the years ended 31 December 2018, 2019 and 2020, the total sales amount of purified water was 200.2 million tons, 204.6 million tons and 209.4 million tons, respectively.

Tap Water Supply

The Group's tap water supply business is carried out by Shaoxing Water Industry Co., Ltd. (紹興市水務產業有限公司) ("**Shaoxing Water Industry**") which is responsible for the tap water sales, water supply network construction and maintenance and related customer services in the urban area of Shaoxing. The Group currently operates three tap water plants and has achieved approximately 90 per cent. market share of tap water supply in the urban area of Shaoxing (Keqiao District and Yuecheng District). For the years ended 31 December 2018, 2019 and 2020, the total sales amount of tap water was 81.3 million tons, 83.7 million tons and 88.0 million tons, respectively.

The sales prices of raw water, purified water and tap water are set by the Shaoxing Municipal Government. The following table sets forth the current prices of the various water products of the Group:

Type of water products	RMB/ton
Raw water	0.66
Purified water.	1.44
Residential tap water	1.8
Operational tap water	2.7
Non-operational tap water	2.7
Tap water for special use	5.5

Wastewater Treatment

The wastewater treatment business comprises two steps, which are wastewater collection and wastewater process and discharge. The Issuer's subsidiary Shaoxing Water Industry is responsible for collecting wastewater and charging wastewater treatment fees. Currently, the Group operates one wastewater treatment plant and its daily wastewater process capacity is 900 thousand tons which is sufficient for processing the daily wastewater in Shaoxing. The wastewater collected by Shaoxing Water Industry will then be processed and discharged by Shaoxing Water Treatment Development Co., Ltd. (紹興市水處理發展有限公司) ("**Shaoxing Water Treatment**") whereby Shaoxing Water Treatment charges Shaoxing Water Industry a wastewater treatment fee. For the years ended 2018, 2019 and 2020, the Group's wastewater treatment business recorded revenue of RMB568.5 million, RMB360.6 million and RMB328.7 million, respectively, accounting for 26.1 per cent., 19.3 per cent. and 14.4 per cent. of the Group's revenue from the water affairs segment for the same periods.

For the years ended 2018, 2019 and 2020, the Group collected and processed 95.1 million tons, 96.5 million tons, and 90.8 million tons of wastewater, respectively. The wastewater treatment fees are set by the Shaoxing Municipal Government. The table below sets forth the current prices of various wastewater treatments services provided by the Group:

Type of water products	RMB/ton
Domestic wastewater	0.95
Industrial wastewater (normally polluted).	2.40
Industrial wastewater (heavily polluted).	3.50
Non-industrial wastewater (operational).	2.40
Non-industrial wastewater (non-operational).	1.80
Special wastewater	2.40

Water Facilities Construction

The Group's water facilities construction business mainly comprises water facilities construction and maintenance, as well as sale of water facilities construction material. For the year ended 31 December 2018, 2019 and 2020, the Group's water facilities construction business recorded revenue of RMB1,116.1 million, RMB915.7 million and RMB1,264.4 million, respectively, accounting for 51.2 per cent., 49.0 per cent. and 55.5 per cent. of the Group's revenue from the water affairs segment for the same periods.

Water Facilities Construction and Maintenance

The Group's water facilities construction and maintenance business is mainly carried out through the Issuer's subsidiary, Shaoxing Public Works Construction Co., Ltd. (紹興市公用工程建設有限公司) ("**Shaoxing Public Works**"). Since its establishment, Shaoxing Public Works undertook a number of major water facilities construction works in Shaoxing and its surrounding areas. It normally acts as the general contractor to enter into the engineering contract with the project owner. Depending on various situations, Shaoxing Public Works charges a down payment of 5 per cent. to 15 per cent. of the contract price. Upon completion of construction, it charges 85 per cent. to 90 per cent. of the contract price. Shaoxing Public Works also provides a performance bond amounting to 5 per cent. to 10 per cent. of the contract price pursuant to the relevant regulations. The Group has formulated a strict management system on accounts receivables to ensure timely payment of construction money.

Sale of Water Facilities Construction Material

The Group's sale of water facilities construction material business is mainly carried out by the Issuer's subsidiary, Zhejiang Water Union Environmental Science Group Co., Ltd. (浙江水聯環科集團有限責任公司) ("**Zhejiang Water Union**"). It is one of the most competitive enterprises in the water supply and drainage material industry in Zhejiang Province. In operating this business, Zhejiang Water Union usually cooperates with the construction material manufacturers under an agency sales business model. It has entered into long-term strategic cooperation relationships with a number of tap water companies and wastewater processing plants.

INFRASTRUCTURE CONSTRUCTION AND OPERATION

The Group's infrastructure construction and operation business comprises two business lines: infrastructure construction and construction materials trading. For the years ended 31 December 2018, 2019 and 2020, the infrastructure construction and operation segment recorded revenue of RMB90.9 million, RMB714.6 million, and RMB744.5 million, respectively, accounting for 1.4 per cent., 8.3 per cent., and 10.1 per cent. of the Group's revenue for the period, respectively.

Infrastructure Construction

The Group's infrastructure construction business is mainly operated by the Issuer and certain of its subsidiaries, including primarily Shaoxing Infrastructure Construction and Investment Co., Ltd. (紹興市基礎設施建設投資有限公司), Shaoxing City Construction Co., Ltd. (紹興市城投建設開發有限公司) and Shaoxing Affordable Housing. Under this business segment, the Group is involved in the construction of affordable housing projects and municipal public interest projects, as well as construction, repair and reconstruction of roads in the urban area of Shaoxing. Since the Group's establishment, it has undertaken a substantial majority of Shaoxing's infrastructure construction projects with a total number of more than 240 and a total investment amount of more than RMB35 billion. For the years ended 31 December 2018, 2019 and 2020, the infrastructure construction segment recorded revenue of RMB35.9 million, RMB416.0 million, and RMB44.9 million, respectively, accounting for 0.5 per cent., 4.8 per cent., and 0.6 per cent. of the Group's revenue for the period, respectively.

The Group primarily carries on its infrastructure construction business through either the agency construction model or the self-operated model, although a small number of projects are conducted through the BT model.

Agency Construction Model

The agency construction model is typically applied in the case where the Group undertakes the construction of buildings for the local government or public utility service units. The local government usually works as sponsors of such projects. Under this model, the Group usually enters into an agency construction contract with the client.

Under this model, the Group is only responsible for supervising the progress and quality of the project. While it does not directly carry out the construction work of the project, the Group usually sub-contracts the project to qualified professional construction firms through bidding process. The Group then supervises and manages the entire construction process and the acceptance of the project upon completion. For each project, the Group typically charges an agency management fee for 1.16 per cent. to 4.06 per cent. of the total investment amount of the project and such fee is usually deducted from the assets swapped by the client to the Group or paid directly by the client.

The following table sets forth the Group's major ongoing projects under the agency construction model as of 31 December 2020:

No.	Project Name	Total Estimated Investment ⁽¹⁾ <i>(RMB in millions)</i>
1.	Shaoxing City Hospital Renovation and Expansion Project (紹興市立院改擴建項目)	1,250.0
2.	Shaoxing Industry and Commerce (Third Centre) (工商(三中心)).	134.4
3.	Agricultural Product Promotion Centre (農產品推廣中心)	97.0
4.	Landscape Enhancement Project – Old City East Road and Greening Improvement Project (景觀提升工程—古城東片道路和綠化整治專案)	83.2
5.	Zhongxin Tower Project (中信大廈項目)	246.0
6.	Shaoxing City Hospital of Traditional Chinese Medicine Renovation And Expansion Project (紹興市中醫院改擴建工程).	1,206.3
7.	Shaoxing Institute of Technology (Under Preparation) (Shaoxing City Vocational Education Centre) Relocation Construction Project (紹興技師學院(籌)(紹興市職業教育中心)易地新建工程)	949.6
8.	Shaoxing College Expansion Project (紹興中專擴建工程)	150.0
9.	Shaoxing School for the Deaf Relocation Construction Project (紹興市聾啞學校易地新建工程)	110.0
10.	Shaoxing Public Security Bureau Technology Office Relocation Construction Project (紹興市公安局業務技術用房遷建項目)	554.2
11.	Shaoxing Compulsory Isolation and Drug Rehabilitation Centre Project (紹興市強制隔離戒毒所新建項目)	163.5
12.	Shaoxing Children's Welfare Institute Relocation Project (紹興市兒童福利院遷建工程)	137.0
13.	Shaoxing New Cemetery (紹興市新公墓)	239.2

Note:

- (1) Represents the estimated total cost that the Group would incur for the projects based on the Group's internal records. The actual cost incurred upon completion may differ from such estimations.

Self-operated Construction Model

Under the self-operated construction model, the Group invests in the construction of infrastructure projects which are to be operated and maintained by the Group after completion of the projects, upon authorisation of the local government. The Group has full ownership of the projects constructed under this model and is entitled to the profit generated from the operation of such projects.

The following table sets forth the Group's major ongoing infrastructure projects under the self-operated construction model as of 31 December 2020:

No.	Project Name	Total Estimated Investment ⁽¹⁾	Amount Invested as of 31 December 2020
		(RMB in millions)	
1.	Olympic Sports Centre (奧體中心)	1,302.8	1,237
2.	Culture Centre (文化中心)	364.1	342
3.	Science and Technology Centre (科技中心)	250.3	258
4.	Science, Technology and Culture Plaza (科技文化廣場)	241.0	204
5.	Investment Business Buildings (城投商務樓項目)	1,049.2	948
6.	Gas Pipeline Network Construction (燃氣產業管網網點建設)	194.2	194
7.	Water Supply Project by Water Production Company (製水公司給水工程)	321.6	322
8.	Er Huan Road Conversion and Relocation Project (二環線轉型搬遷項目)	745.5	754
9.	North Er Huan Road Expansion Project (二環北路拓寬工程)	890.0	575
10.	South Zhongxing Road Phase II (中興南路二期)	377.5	439
11.	South Zhongxing Road Expansion Project (中興南路拓寬工程)	392.0	193
12.	Yu Shan Road Project (玉山路工程)	60.7	100
13.	West Huancheng Road North Extension Project (環城西路北延伸段工程)	168.0	218
14.	Taxation Tower Project (納稅綜合樓項目)	219.0	178
15.	329 National Expressway Reconstruction Project (329國道快速路改造項目)	8,053.6	2,866
16.	West Er Huan Road Smart Expressway Construction Project (二環西路智慧快速路建設項目)	4,776.7	1,234
17.	South Urban Bridge Widening and Renovation Project (城南大橋拓寬改造)	77.0	41
18.	South Er Huan Road Smart Expressway Construction Project (二環南路智慧快速路建設項目)	3,345.8	383

Note:

- (1) Represents the estimated total cost that the Group would incur for the projects based on the Group's internal records. The actual cost incurred upon completion may differ from such estimations.

Upon the completion of the above projects, the Group will be responsible for the subsequent lease, operation and use as public utilities of such projects. The Group will be entitled to the economic benefits in the form of property management income, rental income or operating subsidy income. Such projects will not be operated as public welfare projects.

The following table sets forth the Issuer’s infrastructure projects under the self-operated construction model in the pipeline as of 31 December 2020:

No.	Project Name	Total Estimated Investment ⁽¹⁾	Planned Commencement and Completion Time
		<i>(RMB in millions)</i>	
1.	Lvyun Road (North of West Fenglin Road – 329 National Highway) Smart Expressway Project (綠雲路(鳳林西路以北—329國道)智慧快速路工程)	3,200.0	2021.12-2024.12

Note:

- (1) Represents the estimated total cost that the Group would incur for the projects based on the Group’s internal records. The actual cost incurred upon completion may differ from such estimations.

Construction Materials Trading

The Group commenced its construction materials trading business in 2018. The Group’s construction materials trading business focuses on the trading of asphalt concrete, prefabricated components and construction waste recycling materials. The Group conducts its construction materials trading business primarily through its subsidiary Shaoxing Science and Technology, which serves as a holding company for three investee companies, namely Shaoxing City Investment Engineering Material Technology Co., Ltd. (紹興市城投工程材料科技有限公司) (“**Shaoxing Engineering Material**”), Shaoxing City Investment Construction Industrialisation Manufacturing Co., Ltd. (紹興市城投建築工業化製造有限公司) (“**Shaoxing Construction Industrialisation**”) and Shaoxing City Investment Recycling Resources Co., Ltd. (紹興市城投再生資源有限公司) (“**Shaoxing Recycling Resources**”).

Shaoxing Engineering Material has an annual production capacity of 400,000 tons of high performance asphalt concrete and is the only enterprise in Shaoxing to produce asphalt concrete. Shaoxing Construction Industrialisation has an annual production capacity of 180,000 cubic metres of prefabricated components and is able to produce C80 high-strength concrete (C80高標號商品砼). It also has been recognised as the “Municipal-level Bridge Component Intelligent Manufacturing Technology R&D Centre” and the “National High-Tech Enterprise”. Shaoxing Recycling Resources primarily carries out the slurry disposal business. It has promoted the use of construction waste recycling materials in various projects such as Sunduan Interchange (孫端互通), Dashan Road (大善路) and Shaoxing Sports School (紹興市體校), and an aggregate amount of 150,000 tons of sludge had been recycled as of 31 December 2020.

For the years ended 31 December 2018, 2019 and 2020, revenue generated from the construction materials trading business was approximately RMB54.9 million, RMB298.6 million and RMB699.6 million, respectively, representing 0.8 per cent., 3.5 per cent. and 9.5 per cent., respectively, of the Group’s total revenue for the same periods.

OTHER BUSINESSES

The Group’s other businesses mainly include demolition and sale of affordable housing properties, sale of commercial housing properties, administration of real properties and ancillary water affairs businesses. For the years ended 31 December 2018, 2019 and 2020, the Group’s other businesses recorded revenue of RMB1,506.2 million, RMB2,156.5 million, and RMB1,368.7 million, respectively, accounting for 22.7 per cent., 25.1 per cent., and 18.5 per cent. of the Group’s revenue for the period, respectively.

INSURANCE

The Group's business is covered by insurance policies which primarily cover fire, flood, other material damage to property and public liability. The Group believes that its properties are covered by adequate insurance provided by reputable independent insurance companies in the relevant jurisdictions and with commercially reasonable deductibles and limits on coverage, 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 occurrences 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 of 31 December 2020, the Group had approximately 1,500 employees.

Staff benefits of the Group include insurance, housing provident fund, and enterprise annuities fund. The Group believes that its employees are critical to its success and is committed to investing in the development of its employees through continual education and training, as well as the creation of opportunities for career development. As of the date of this Offering Circular, the Group has not experienced any strikes or disruption due to labour disputes. The Group believes that its relations with employees are good.

SAFETY MANAGEMENT

The Group is exposed to a variety of risks associated with its business activities, especially fuel gas business. In response to such risks, the Group has established a safety management system to strengthen accountability and adopt measures to target root causes rather than symptoms. In accordance with the Group's safety management guideline and strategic goals, the Group closely monitors the whole production process and provides safety management training throughout the entire Group, which covers the whole production process and everyone from management to operators.

ENVIRONMENTAL MATTERS

The Group is subject to various environmental laws. Compliance with such laws has not had, and, to the Group's knowledge, after due inquiry, is not expected to have, a material adverse effect on the Group's capital expenditures, earnings or competitive position.

LEGAL PROCEEDINGS

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE ISSUER

BOARD OF DIRECTORS

The board of directors of the Issuer (the “**Board of Directors**”) is the decision-making body of the Issuer and is responsible for a number of matters, including deciding significant events of the Issuer, development strategies, operational and investment plans, external guarantees, working capital, financing, asset write-off, budget plans, profit distribution plans, internal control, internal rules, registered capital and debt offering as described in the Issuer’s articles of association.

The following table sets out the current members of the Board of Directors, their respective position and year of birth.

Name	Year of Birth	Title
Zhu Zhixiang (朱志祥)	1967	Chairman of Board of Directors, Secretary of Party Committee
Fang Weijiong (方維炯).	1970	Deputy Chairman of Board of Directors, General Manager, Deputy Secretary of Party Committee
Zhao Jinhu (趙金虎)	1964	Director, Deputy Secretary of Party Committee
Guo Jian (郭建)	1961	Director, Deputy General Manager
Mao Jiecheng (毛節程)	1968	Director, Deputy General Manager, Member of Party Committee
Xuan Xiaoxin (宣曉鑫)	1987	Employee Director

Mr. Zhu Zhixiang (朱志祥), aged 54, serves as the chairman of the Board of Directors and secretary of the Party Committee of the Issuer. He is also an adjunct professor of Shaoxing College of Arts and Sciences (紹興文理學院). Mr. Zhu had previously held positions as deputy director of Shaoxing County Transportation Bureau, deputy secretary of Qianqing Town Party Committee, director of Jinghu New District Management Committee Director of the Bureau, deputy director of the Shaoxing Municipal Transportation Bureau, member of the Municipal Government Party Committee, deputy director of the Municipal Supervision Office. He is a qualified economic professional.

Mr. Fang Weijiong (方維炯), aged 51, serves as the deputy chairman of the Board of Directors and the general manager of the Issuer. Mr. Fang had previously held positions as secretary of Youth League branch of Zhuji Tap Water Co., Ltd. (currently known as Huanjiang Tap Water Co., Ltd.), deputy manager, manager, and secretary of the Party Committee of Zhuji Water Industry Construction Engineering Co., Ltd., secretary of the Discipline Inspection Committee and chairman of the Supervisory Board of Zhuji Water Affairs Group Co., Ltd., deputy secretary of the Party Committee of Diankou Town, Zhuji City, deputy secretary of the Party Committee and the Mayor of Paitou Town, Zhuji City, deputy secretary and subsequently secretary of the Party Committee and the Mayor of Diankou Town, Zhuji City, deputy secretary and subsequently secretary of the Management Committee, and secretary of the Party Work Committee of Zhuji Modern Environmental Protection Equipment High-tech Industrial Park, deputy Mayor of Xinchang County, Party Committee member of Xinchang County Government, deputy head and deputy secretary of the Party Committee of Shaoxing Municipal Bureau of Transportation. He has a master degree of business administration.

Mr. Zhao Jinhu (趙金虎), aged 57, serves as a director and deputy secretary of the Party Committee of the Issuer. Mr. Zhao has previously held positions as secretary of the Party Committee of the refinery under Zhejiang Litie Group, deputy director of the Labour Market Office of Shaoxing Automobile Transportation Bureau, deputy director of the Legal and Public Security Division of Shaoxing Public Transportation Bureau, director of the Political Department and member of the Party Committee of Shaoxing Transportation Bureau. He is a senior political science professional.

Mr. Guo Jian (郭建), aged 60, serves as a director and deputy general manager of the Issuer. Mr. Guo had previously held positions as deputy chairman of the Trade Union, deputy director of the People's Armed Forces Department, deputy chief of the Security Department, deputy chief of the Comprehensive Operation Department of Shaoxing Sugar, Tobacco and Wine Company, deputy chief of Enterprise Management Division, Shaoxing Garden Management Bureau, deputy general manager of Shaoxing Yuanlin Company, director and secretary of party branch of Shaoxing Old City Reconstruction and Demolition Office, team leader and secretary of party branch of Shaoxing City Supervision Detachment, deputy director of Shaoxing Planning Management Office, general manager and secretary of party branch of the Street View Comprehensive Development Company Limited. He has held a senior engineer qualification.

Mr. Mao Jiecheng (毛節程), aged 53, serves as a director, deputy general manager and member of the Party Committee of the Issuer. Mr. Mao had previously held positions as manager of Real Estate Development Department of Shaoxing Urban Construction Development Company, deputy general manager, general manager and secretary of the Party Branch of Shaoxing Urban Construction Investment Development Company, manager of the Engineering Management Department of Shaoxing Urban Construction Investment Group Co., Ltd., general manager of Shaoxing Real Estate Comprehensive Development Co., Ltd. and Shaoxing Affordable Housing. He is a professor-level senior engineer.

Mr. Xuan Xiaoxin (宣曉鑫), aged 34, serves as an employee director, manager of the General Management Department and deputy head of the Party Committee Office of the Issuer. Mr. Xuan had previously served as deputy manager of the Asset Management Department of Shaoxing City Construction Investment Group Co., Ltd., and deputy general manager of Shaoxing Smart City Group. He has held an engineer qualification.

BOARD OF SUPERVISORS

According to the articles of association of the Issuer, the supervisors of the Issuer are primarily responsible for inspecting the financials, overseeing instances of any violation of laws, rules, any breach of the memorandum or articles of association by directors or management personnel of the Issuer, rectifying actions by directors or management personnel that may harm the Issuer's interests and proposing the convening of interim board meetings. Supervisors serve three-year terms.

The following table sets out the current members of the board of supervisors, their respective positions and year of birth.

Name	Year of Birth	Title
Sheng Xiumin (盛秀敏)	1992	Supervisor
Shen Yongquan (沈永全)	1962	Employee Supervisor
Zhao Rongfu (趙榮夫)	1963	Employee Supervisor
Sun Guangyu (孫廣雨)	1988	Employee Supervisor
Zhao Weixing (趙偉星)	1969	Employee Supervisor

Ms. Sheng Xiumin (盛秀敏), aged 29, serves as a supervisor of the Issuer. She served as a staff member and deputy general manager of the Asset Management Department of the Issuer. She has held a bachelor's degree.

Mr. Shen Yongquan (沈永全), aged 59, serves as an employee supervisor of the Issuer. He had previously held positions as staff member of Shaoxing Pharmaceutical Factory, staff member and deputy general manager of the Engineering Department of Shaoxing Real Estate Comprehensive Development Co., Ltd., deputy manager of Shaoxing Zhongxing Engineering Construction Supervision Co., Ltd., assistant to general manager of Shaoxing Real Estate Comprehensive Development Co., Ltd. and Shaoxing Affordable Housing, deputy general manager of Shaoxing Mirror Lake Construction and Development Co., Ltd., director of the General Engineering Office (Preliminary Office), general manager of Project Management Department and deputy manager of Engineering Construction Department of the Issuer.

Mr. Zhao Rongfu (趙榮夫), aged 58, serves as an employee supervisor and the head of Compliance and Audit Department of the Issuer. Mr. Zhao served as the lead auditor of the Financial Department of the Issuer. He had previously held positions in Sugar, Tobacco and Wine Company, Shaoxing Overseas Chinese Friendship Company, Shaoxing City Native Product Company, Shaoxing City Agricultural Trade Company and Shaoxing Huaneng Supermarket Co., Ltd. He is a qualified accountant.

Mr. Sun Guangyu (孫廣雨), aged 33, serves as an employee supervisor and a deputy manager (in charge) of the General Management Department of the Issuer. Mr. Sun served as a staff member of the General Management Department of the Issuer. He also had served as the temporary head of Shaoxing Environmental Health Management Office. He has a master's degree.

Mr. Zhao Weixing (趙偉星), aged 52, serves as an employee supervisor and the head of the Discipline Inspection and Supervision Department of the Issuer. Mr. Zhao had previously held positions as assistant to office secretary, deputy secretary of office, deputy general manager of the Supervision and Audit Department of the Issuer. He also held positions as staff member of Shaoxing Elastic Silk Factory, deputy director of the Office and the secretary of the Youth League of Shaoxing Xinghong Chemical Fiber Industry Co., Ltd., staff member, deputy manager of the Preliminary Department, deputy manager and subsequently manager of the Operation Department, assistant to general manager of Shaoxing City Construction Investment Development Co., Ltd., deputy general manager of Shaoxing Real Estate Comprehensive Development Co., Ltd., deputy Secretary of the Party Branch and deputy general manager of Shaoxing Public Construction Facilities Management Co., Ltd. He has a bachelor's degree.

SENIOR MANAGEMENT

The following table sets out current senior management of the Issuer, their respective positions and year of birth.

Name	Year of Birth	Title
Zhu Zhixiang (朱志祥)	1967	Chairman, Secretary of Party Committee
Fang Weijiong (方維炯).	1970	Deputy Chairman of Board of Directors, General Manager, Deputy Secretary of Party Committee
Zhao Jinhu (趙金虎)	1964	Director, Deputy Secretary of Party Committee
Guo Jian (郭建)	1961	Director, Deputy General Manager
Mao Jiecheng (毛節程)	1968	Director, Deputy General Manager
Zhao Yifeng (趙溢峰)	1978	Deputy General Manager

For details regarding **Mr. Zhu Zhixiang (朱志祥)**, see “*Management – Board of Directors*” above.

For details regarding **Mr. Fang Weijiong (方維炯)**, see “*Management – Board of Directors*” above.

For details regarding **Mr. Zhao Jinhu (趙金虎)**, see “*Management – Board of Directors*” above.

For details regarding **Mr. Guo Jian (郭建)**, see “*Management – Board of Directors*” above.

For details regarding **Mr. Mao Jiecheng (毛節程)**, see “*Management – Board of Directors*” above.

Mr. Zhao Yifeng (趙溢峰), aged 43, serves as of a deputy general manager of the Issuer. Mr. Zhao had previously held positions as staff member and the Youth League Secretary of Shaoxing City Water Union Construction Engineering Co., Ltd., staff member, deputy director and subsequently director of the General Office of the Standing Committee of the Shaoxing Municipal People's Congress, director of the Urban Construction and Environmental Protection Division of the Standing Committee of the Shaoxing Municipal People's Congress, secretary of the Discipline Inspection Committee and Party Working Committee member of Shaoxing Expressway Construction Command, deputy secretary of the Shaoxing Municipal Construction Bureau, deputy secretary of the Shaoxing Municipal Housing and Urban-rural Development Bureau (Shaoxing Construction Administration Bureau) and deputy general manager and Party Committee member of Shaoxing City Transportation Investment Group Co., Ltd. He has a master's degree and is a senior economist.

PRC REGULATIONS

This section is a high-level overview of the PRC legal system and a summary of the principal PRC laws and regulations relevant to the issue of the Bonds by the Issuer. As this is a summary, it does not contain a detailed analysis of the PRC laws and regulations.

MAIN REGULATORY AUTHORITIES AND CONTENTS OF SUPERVISION

China's building and construction industry implements a regulatory system with the combination of comprehensive supervision and professional supervision. Government supervision over the building and construction industry mainly includes three aspects: the management on the competency and qualification of market players, the whole process management on the construction projects, and the management on the economic and technical standards of construction projects. The main regulatory authorities include:

- MOHURD (formerly Ministry of Construction of the PRC, the “**MOC**”) and the competent local departments of MOHURD at various levels are responsible for the comprehensive supervision over the construction industry as well as the real estate development qualifications. Such management mainly includes: management on the competency and qualification of market players, approval and verification of the qualifications of various construction enterprises for access to market, examination and approval of occupational qualifications of individuals in the construction industry, supervision over and management on construction projects, and establishment of industrial standards.
- Ministry of Transport of the PRC (the “**MOT**”) and the competent local departments of MOT at various levels are responsible for the construction projects of ports and highways nationwide.
- NDRC and the local development and reform commissions at various levels are responsible for the investment planning, examination and approval of city infrastructure construction projects.
- Ministry of Ecology and Environment of the PRC (former State Environmental Protection Administration, the “**SEPA**”) and the competent local departments of environmental protection at various levels are responsible for the environmental protection management of construction projects.

MAJOR LAWS AND REGULATIONS

Regulations on Fiscal Debts of Local Governments

In accordance with the Guidance on Further Strengthening Adjustment of Credit Structure to Promote Fast and Smooth Development of National Economy (中國人民銀行、中國銀行業監督管理委員會關於進一步加強信貸結構調整促進國民經濟平穩較快發展的指導意見) issued jointly by the PBOC and CBRC on 18 March 2009, local governments are encouraged to establish financing platforms to issue financing instruments such as enterprise notes and medium term notes. In order to strengthen the management of financing platforms and effectively prevent fiscal financial risks, Circular of the State Council on Relevant Issues Concerning Strengthening the Management of Financing Platform Companies of Local Governments (國務院關於加強地方政府融資平台公司管理有關問題的通知) (“**Circular 19**”) and Circular of the General Office of the NDRC on Relevant Issue Concerning Furthering Regulating the Issuance of Bonds of Local Government Investment and Financing Platform Enterprise (國家發展改革委辦公廳關於進一步規範地方政府投融資平台公司發行債券行為有關問題的通知) (“**Circular 2881**”) were separately promulgated on 10 June 2010 and 20 November 2010, respectively. In accordance with Circular 19, all levels of local governments shall clear up the debts of their respective financing platform. In accordance with Circular 2881, indebtedness of local governments will impact financing platform's issuance of enterprise notes.

On 21 September 2014, the Opinion on Enhancing the Administration of Fiscal Debts of Local Governments (國務院關於加強地方政府性債務管理的意見) (“**Circular 43**”) was promulgated by the State Council. Circular 43 aims at regulating financing system of local government and the three channels

are presented. In accordance with Circular 43, financing platforms shall no longer serve the fiscal financing functions nor incur new government debts. Public interest projects may be funded by the government through issuing government notes, since the new Budget Law of the PRC (the “**New Budget Law**”), which took effect on 1 January 2015 and was amended on 29 December 2018, empowers local governments to issue government notes, and public interest projects with income generated, such as city infrastructure construction, may be operated independently by social investors or jointly by the government and social investors through the establishment of special purpose companies. Social investors or such special purpose companies shall invest in accordance with market-oriented principles and may be funded by, among other market-oriented approaches, bank loans, enterprise notes, project revenue notes and asset-backed securitisation. Social investors or the special purpose companies shall bear the obligation to pay off such debts and the government shall not be liable for any of the social investors’ or special purpose companies’ debts. Circular 43 also sets forth the general principles of dealing with existing debts of financing platforms. Based on the auditing results of such debts run by the local governments, the existing debts that should be repaid by the local governments shall be identified, reported to State Council for approval, and then included in the budget plan of local governments.

In addition, on 23 October 2014, the Ministry of Finance promulgated the Methods to Clear up and Clarify the Existing Fiscal Debt of Local Governments and Integrate it into Budgetary Management (地方政府存量債務納入預算管理清理甄別辦法) (“**Circular 351**”) based on Circular 43. Circular 351 further requires local governments to clear up the existing debts of the financing platforms of the local governments and classify such existing fiscal debts of the local governments into government debts and non-government debts. On 9 November 2016, the Ministry of Finance promulgated the Circular on Local Government General Debt Budget Management (地方政府一般債務預算管理辦法) (“**Circular 154**”) and the Circular on Local Government Special Debt Budget Management (地方政府專項債務預算管理辦法) (“**Circular 155**”), which aim to realise the monitoring of the entire process of borrowing, using, and repaying local governments debts, enhance the transparency of local government debts, and strengthen the supervision of local government debt management by central government. Circular 154 and Circular 155 clarifies the roof of local government debt, budget preparation and approval process, and provides that debts that are not in the form of government bonds shall be included in budget management.

On 11 May 2015, Opinion on the Proper Solution of the Follow-up Financing Issues for Projects under Construction of Financing Platform of Local Governments issued jointly by the Ministry of Finance of the PRC, the PBOC and the CBRC (財政部人民銀行銀監會關於妥善解決地方政府融資平台公司在建項目後續融資問題意見) (“**Circular 40**”) was promulgated by the General Office of the State Council of the PRC. In accordance with Circular 40, local governments at all levels and banking financial institutions shall properly deal with follow-up financing issues for projects under construction of financing platform companies. Projects under construction refer to projects that have started construction upon the completion of examination, approval or filing procedures in accordance with relevant regulations manuscript by competent investment authorities before the date when the Circular 43 was promulgated.

The key tasks of local governments and banking financial institutions are as followings:

- *Support stock financing needs for projects under construction.* Local governments at all levels and banking financial institutions shall ensure the orderly development of projects under construction. For the loans to the projects under construction of financing platform companies, if the loan contracts with legal effect have been signed before 31 December 2014 and the loans have been granted but the contracts have not yet expired, banking financial institutions shall, under the premise of fully controlling risks and implementing credit conditions, continue to grant loans as agreed in the contracts, and shall not blindly call in loans in advance, delay or suspend the granting of loans.
- *Regulate increment financing for projects under construction.* Local governments at all levels shall pay close attention to the increment financing needs which are expected to be given fiscal support for the projects under construction of the financing platform companies, and shall, under the premise of compliance with laws and regulations and standard administration, make overall arrangements for various kinds of capitals such as fiscal capital and social capital and ensure the continuation and completion of projects under construction. For the projects under construction of financing platform

companies for which the loan amount in the contracts that have been signed fails to meet the construction needs, if it is suitable for them to adopt government and social capital cooperation mode, they shall prioritise such mode to make up the needs. And if they are in compliance with the relevant state provisions without any other funding sources for construction, but temporarily the government and social capital cooperation mode is not suitable, the increment financing needs shall be incorporated into government budget management and solved through issuing government notes by local governments as required by laws and relevant regulations.

- *Administer in an effective and proper manner follow-up financing for projects under construction.* Banking financial institutions shall carefully check the destinations of the loans, and focus on supporting the projects under construction of financing platform companies in respects such as farmland water conservancy facilities, affordable housing projects and urban railway systems.
- *Improve supporting measures.* Under the premise of ensuring fiscal expenditure needs, in the regions where there are corresponding amount of government notes issuance and where the treasury balances exceed the treasury payment for one and a half months, the local financial departments are allowed to, within the limit of the amount of government notes issuance, make more efforts to effectively use the stock of fiscal funds in the previous years and use the surplus amount of the treasury for capital flow before government bond issuance, so as to address the time difference between the financing for projects under construction and government notes issuance.

Regulations on the Issuance of Foreign Debts

Pursuant to the NDRC Circular, which was promulgated by the NDRC and became effective on 14 September 2015, where domestic enterprises, overseas enterprises controlled by them or their overseas branches issue foreign debts, which are debt instruments of no less than one year of tenor that are denominated in domestic currency or foreign currency with the capital repaid and interest paid as agreed, including notes issued overseas and long and medium-term international commercial loans, the enterprises shall apply to the NDRC for dealing with the formalities of record-filing and registration before issuance. The NDRC shall decide to accept it or not within five working days upon the receipt of the application and provide the Record-filing and Registration Certification of Issuance of Foreign Debts by Enterprises within seven working days after acceptance. The enterprises shall submit the issuance information to the NDRC within 10 working days after the end of issuance each time.

Pursuant to the MOF Circular which was promulgated by MOF and became effective on 28 March 2018, state-owned financial institutions should carefully evaluate the sources and ability of repayment by issuers that are local government financing vehicles, seeking to issue offshore bonds, before they provide financial support to such issuers, especially when the proceeds will be used for infrastructure construction. Where the repayment source made by an issuer involves government investment funds, the state-owned financial institution shall carry out a due diligence investigation and carefully verify the legality, authenticity and validity of such repayment source. By the same token, in bond issuance documents such as bond offering circulars, such enterprise shall not make any statement or disclosure that implicitly or explicitly indicates government endorsement by describing the local or national government's creditworthiness, such as financial information regarding revenue, expenditures and government debt, nor issue any misleading public statement which implies such issuer having a connection or an association with the government's creditworthiness. Moreover, such enterprise shall specify in the relevant bond offering circulars that the local government, as a shareholder, bears only limited liability to the extent of its equity contribution in the issuer, and the debt owed by such enterprise shall be repaid by such enterprise, in the case of a local state-owned enterprise, as an independent legal person.

On 11 May 2018, the NDRC and the MOF promulgated the Joint Circular. Pursuant to the Joint Circular, an enterprise that intends to incur medium and long-term debt in offshore markets shall have established a sound and stable corporate governance structure, management decision-making mechanism and financial management system. Such enterprise shall have existing operations, implement market-based financing in compliance with laws and regulations, and fully demonstrate the necessity, feasibility, economy, and financial sustainability of offering debt in offshore markets, and such enterprise shall form a debt and

interest repayment scheme based on its own credit and indebtedness situations and implement repayment security measures. Moreover, such enterprise is not permitted to request or accept any offer by its local government or a government department to provide guarantees or assume debt repayment obligations for its debt issued in offshore markets. Such enterprise may not count public schools, public hospitals, public cultural facilities, parks, public squares, office buildings of government offices and public institutions, municipal roads, non-toll bridges, non-managed water conservancy facilities, non-chargeable network facilities or any other public assets or the rights to use land reserves, as assets owned by the enterprises for reporting purposes either.

On 6 June 2019, the NDRC released Circular 666. According to Circular 666, local state-owned entities, as independent legal persons, shall bear the responsibility for repaying foreign debts. Local governments shall not directly repay or promise to repay the foreign debts of local state-owned entities with financial funds. Local governments shall not provide guaranty for the foreign debts of local state-owned entities. Circular 666 also sets forth that the proceeds of the issue of foreign debts from the financing vehicles of local governments shall be used for repayment of existing middle-term or long-term debt.

Bidding and Tendering Management

Bidding and tendering of various construction projects have been provided in the Bidding and Tendering Law of the People's Republic of China (中華人民共和國招標投標法) promulgated by SCNPC on 30 August 1999 which became effective on 1 January 2000, as amended on 27 December 2017 and became effective on 28 December 2017, Regulation on the Implementation of the Bidding and Tendering Law of the People's Republic of China (中華人民共和國招標投標法實施條例) promulgated by State Council on 20 December 2011 which became effective on 1 February 2012, as amended on 2 March 2019 and became effective on the same date, Measures for the Construction Bidding and Tendering of Construction Projects (工程建設項目施工招標投標辦法) jointly promulgated by NDRC, MOC, Ministry of Railways of the PRC (the department was dismissed), Ministry of Communications of the PRC (the department was dismissed), Ministry of Information Industry of the PRC (reorganised into the Ministry of Industry and Information Technology of the PRC), Ministry of Water Resources of the PRC, and Civil Aviation Administration of China on 8 March 2003 which became effective on 1 May 2003, as amended on 11 March 2013 and became effective on 1 May 2013, Administrative Measures for the Bidding and Tendering of Design of Construction Projects (建築工程設計招標投標管理辦法) issued by MOHURD on 24 January 2017 which became effective on 1 May 2017, the Provisions on Construction Projects Where a Bidding is Legally Required (必須招標的工程項目規定) promulgated by NDRC, on 27 March 2018, Administrative Measures for the Bidding and Tendering of Housing Construction and Municipal Infrastructure Work (房屋建築和市政基礎設施工程施工招標投標管理辦法) issued by MOC on 1 June 2001 and became effective on the same date, and was amended by the Decision of the Ministry of Housing and Urban-Rural Development on Amending the Measures for the Administration of Bidding of the Construction of the House Building and Municipal Infrastructure Projects (住房城鄉建設部關於修改《房屋建築和市政基礎設施工程施工招標投標管理辦法》) issued by MOHURD on 28 September 2018.

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

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

In accordance with the Bidding and Tendering Law of the People's Republic of China and Measures for the Construction Bidding and Tendering of Construction Projects, if any project that shall undergo bidding as required by law fails to go through the bidding process, or the items subject to bidding are broken up into pieces or the bidding requirement is otherwise evaded, the relevant administrative supervision department shall order rectification within a specified period, and may impose a fine of 0.5 per cent. up to 1 per cent. of the contract amount of the project. For projects using the state-owned funds in whole or in part, the project approval authority may suspend the implementation of the project or suspend the fund appropriation, and impose punishment on the person direct in charge of the entity or other person directly liable. Further, in accordance with the provisions of the Interpretations of the Supreme People's Court on Issues of Law Application during the Trial of Construction Contracts for Building Projects (1) (最高人民法院關於審理建設工程施工合同糾紛案件適用法律問題的解釋(一)) issued by the Supreme People's Court on 29 December 2020 and became effective on 1 January 2021, if any project that is required to undergo a bidding process fails to go through the bidding process or the bid award is invalid, the construction contract for building projects shall become invalid.

Quality Management

Laws and regulations on project quality mainly include Construction Law of the People's Republic of China (中華人民共和國建築法) promulgated by SCNPC on 1 November 1997 which became effective on 1 March 1998, as amended on 23 April 2019 and became effective on the same date, Regulation on Quality Management of Construction Projects (建設工程質量管理條例) issued by the State Council on 30 January 2000 and became effective on the same date, amended on 23 April 2019, Administrative Measures for Quality Management of Construction Project Survey (建設工程勘察質量管理辦法) amended by MOHURD on 1 April 2021 and became effective on the same date, Notice of the Ministry of Housing and Urban-Rural Development and the Ministry of Finance on Issuing the Measures for the Management of Construction Project Quality Deposits (建設工程質量保證金管理辦法) jointly issued by MOHURD and Ministry of Finance on 20 June 2017 and became effective on 1 July 2017, Administrative Measures for Completion Acceptance Record of Building Construction and Municipal Infrastructure Projects (房屋建築和市政基礎設施工程竣工驗收備案管理辦法) issued by MOHURD on 19 October 2009 and became effective on the same date, Measures for Quality Warranty of Building Construction Projects (房屋建築工程質量保修辦法) issued by MOC on 30 June 2000 and became effective on the same date, Provisions on Construction Management of Port Projects (港口工程建設管理規定) amended by MOT on 28 November 2019 and Measures for Completion (Delivery) Acceptance of Highway Works (公路工程竣(交)工驗收辦法) promulgated by Ministry of Communications of the PRC, which has been dismantled now, on 31 March 2004 and became effective on 1 October 2004, and its implementation rules promulgated on 27 January 2010 and became effective on 1 May 2010.

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

Environmental Protection Management

Major laws and regulations on environmental protection during the project construction process include the Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法) amended by SCNPC on 24 April 2014 which became effective on 1 January 2015, Law on Environmental Impact Assessment of the People's Republic of China (中華人民共和國環境影響評價法) promulgated by SCNPC on 28 October 2002 and subsequently amended on 2 July 2016 and 29 December 2018, Administrative Regulations on Environmental Protection of Construction Projects (建設項目環境保護管理條例) issued by State Council on 29 November 1998 and became effective on the same date, amended on 16 July 2017 and became effective on 1 October 2017.

In accordance with the provisions of the Administrative Regulations on Environmental Protection of Construction Projects, the PRC government implements the system of environmental impact assessment on construction projects. After the completion of a construction project, the competent administrative department of environmental protection will undergo environmental protection acceptance process and assess whether the construction project has met the requirements for environmental protection.

Environmental Protection

The Environmental Protection Law (環境保護法), promulgated on 26 December 1989 by the SCNPC, which became effective on 26 December 1989, as amended on 24 April 2014, and became effective on 1 January 2015, establishes the legal framework for environmental protection in the PRC.

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

Air Pollution

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

Water Pollution

The Water Pollution Prevention Law (水污染防治法), amended on 27 June 2017 and became effective on 1 January 2018, establishes the legal framework for water pollution prevention in the PRC. The environmental protection department of the State Council formulates national waste discharge standards. Enterprises that discharge waste into water shall pay a treatment fee. Each of the local environmental protection bureaus is authorised to regulate water pollution within each of their respective jurisdictions by formulating more specific local standards, and may impose penalties for violation, including suspending operations.

Noise Pollution

The Noise Pollution Prevention Law (環境噪聲污染防治法), promulgated by the SCNPC on 29 October 1996, which became effective on 1 March 1997, amended on 29 December 2018 and became effective on the same date, establishes the framework for noise pollution prevention in the PRC. Under the Noise Pollution Prevention Law, any person undertaking a construction, decoration or expansion project which might cause environmental noise pollution, shall prepare and submit an environmental impact report to the environmental protection authority for approval. Facilities for prevention and control of environmental noise pollution shall be designed and approved by the environmental protection authority prior to the commencement of the project, and be built and put into use simultaneously with the project works. Facilities for prevention and control of environmental noise pollution may not be dismantled or suspended without the approval of the environmental protection authority.

Construction Projects

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

Labour

Employment Contracts

The Labour Contract Law (勞動合同法), promulgated by the Standing Committee of the National People's Congress on 29 June 2007, which became effective on 1 January 2008 and was amended on 28 December 2012 and became effective on 1 July 2013, governs the relationship between employers and employees and provides for specific provisions in relation to the terms and conditions of an employee contract. The Labour Contract Law stipulates that employee contracts shall be in writing and signed. It imposes more stringent requirements on employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees. Pursuant to the Labour Contract Law, employment contracts lawfully concluded prior to the implementation of the Labour Contract Law and continuing as of the date of its implementation shall continue to be performed. Where an employment relationship was established prior to the implementation of the Labour Contract Law, but no written employment contract was concluded, a contract shall be concluded within one month after its implementation.

Employee Funds

Under applicable PRC laws, regulations and rules, including the Social Insurance Law (社會保險法), promulgated by the Standing Committee of the National People's Congress on 28 October 2010, which became effective on 1 July 2011, amended on 29 December 2018 and became effective on the same date, the Interim Regulations on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例), promulgated by the State Council on 22 January 1999, which became effective on 22 January 1999, amended on 24 March 2019 and became effective on the same date, and Administrative Regulations on the Housing Provident Fund (住房公積金管理條例), promulgated by the State Council on 3 April 1999, which became effective on 3 April 1999 and as amended on 24 March 2002 and 24 March 2019, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance, and to housing provident funds. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to pay the outstanding amount within a stipulated time period.

REGULATIONS REGARDING OVERSEAS INVESTMENT, FINANCING AND ACQUISITION ACTIVITIES

NDRC Supervision

The Administrative Measures for the Outbound Investment by Enterprises (企業境外投資管理辦法) (the “**Measures**”) was promulgated by the NDRC on 26 December 2017, which became effective on 1 March 2018. According to the Measures, projects subject to approval are sensitive projects to be carried out by investors either directly or through overseas enterprises controlled by them, and the approval authority is NDRC, and projects subject to filing are non-sensitive projects directly carried out by investors, namely the non-sensitive projects involving the direct investment of assets and equities or the provision of financing or guarantees.

Specifically, for a project requiring filing, the authority in charge of filing is (i) NDRC, if the investor is a centrally administered enterprise (a centrally administered financial enterprise or an enterprise directly subordinate to the administration by the State Council or its subordinate organ); (ii) NDRC, if the investor is a local enterprise and the amount of Chinese investment is USD0.3 billion or above; and (iii) the provincial development and reform authority at the place where the investor is registered, if the investor is a local enterprise and the amount of Chinese investment is less than USD0.3 billion.

These Measures apply mutatis mutandis to investments in Hong Kong, Macao or Taiwan made by investors directly or through enterprises under their control.

For a project that falls within the scope of projects subject to approval and filing, the investor shall obtain the approval documents or filing notice for the project prior to the implementation of the project.

Pursuant to the NDRC Circular, which was promulgated by NDRC and became effective on 14 September 2015, where domestic enterprises, overseas enterprises controlled by them or their overseas branches issue foreign debts, which are debt instruments of not less than one year that are denominated in domestic currency or foreign currency with the capital repaid and interest paid as agreed, including bonds issued overseas and long and medium- term international commercial loans, the enterprises shall apply to NDRC for dealing with the formalities of record-filing and registration before issuance. NDRC shall decide to accept it or not within five working days upon the receipt of the application and provide the Record-filing and Registration Certification of Issuance of Foreign Debts by Enterprises within seven working days after acceptance. The enterprises shall submit the issuance information to NDRC within 10 working days of the end of issuance each time.

MOFCOM Supervision

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

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

Other than those overseas investments subject to MOFCOM verification as described above, all other overseas investments are subject to a filing procedure. The investing enterprise shall complete the filing form through the Overseas Investment Management System, an online system maintained by MOFCOM and print out a copy of such filing form for stamping with the company chop, and then submit such stamped filing form together with a copy of its business licence, for filing at MOFCOM (for a central enterprise (中央企業)) or the provincial department of commerce (for a local enterprise) respectively.

MOFCOM or the provincial department of commerce shall accept the filing and issue the Enterprise Overseas Investment Certificate within three working days of receipt of such filing form, if the filing form meets all the relevant requirements.

The investing enterprise must carry out the investment within two years of the date of the relevant Enterprise Overseas Investment Certificate, otherwise such certificate will automatically become invalid and a new filing or verification application has to be made by the investing enterprise. In addition, if any item specified in such certificate is changed, the investing enterprise shall make the change of registration at MOFCOM or the provincial department of commerce (as the case may be).

If an overseas invested company carries out a re-investment activity offshore, the investing enterprise shall report such re-investment activity to MOFCOM or the provincial department of commerce (as the case may be) after the legal process of the investment is completed offshore. The investing enterprise shall complete and print out a copy of the Overseas Chinese-invested Enterprise Re-investment Report Form (境外中資企業再投資報告表) from the Overseas Investment Management System and stamp and submit such form to MOFCOM or the provincial department of commerce.

Foreign Exchange Administration

According to Regulation of the People's Republic of China on Foreign Exchange Administration (中華人民共和國外匯管理條例) and Provisions on the Foreign Exchange Administration of the Overseas Direct Investment of Domestic Institutions (境內機構境外直接投資外匯管理規定), corporations, enterprises or other economic organisations (domestic investors) that have been permitted to make outbound investment shall go through the procedures of registration to the Foreign Exchange Bureau (外匯管理機構). The Foreign Exchange Bureau shall issue the Foreign Exchange Registration Certificate (外匯登記證) for overseas direct investment or an IC card to the domestic institution. The domestic institution shall go through the formalities for outward remittance of funds for overseas direct investment at a designated foreign exchange bank by presenting the approval document issued by the department in charge of overseas direct investment and the Foreign Exchange Registration Certificate for overseas direct investment. The scope of foreign exchange funds for overseas direct investment of domestic institutions includes their own foreign exchange funds, domestic loans in foreign currencies in compliance with relevant provisions, foreign exchange purchased with Renminbi, material objects, intangible assets and other foreign exchange funds approved by the Foreign Exchange Bureaus for overseas direct investment. The profits gained from overseas direct investment of domestic institutions may be deposited in overseas banks and used for overseas direct investment.

According to the Foreign Debt Registration Measures and its operating guidelines, effective as of 13 May 2013, issuers of foreign debts are required to register with SAFE. Issuers other than banks and financial departments of the government shall go through registration or record-filing procedures with the local branch of SAFE within 15 business days of entering into a foreign debt agreement. If the receipt and payment of funds related to the foreign debt of such issuer is not handled through a domestic bank, the issuer shall, in the event of any change in the amount of money withdrawn, principal and interest payable or outstanding debt, go through relevant record-filing procedures with the local branch of SAFE.

On 12 January 2017, PBOC issued the Cross Border Financing Circular, which came into effect on the same day. To further enlarge the space of cross border financing activities, facilitating the using of overseas low-cost capital by domestic enterprises and lowering the financing cost of real economy, the PBOC further improved the framework of policy on the basis of overall assessment on implementation of the macro-prudence management of cross-border financing in full aperture. A one-year transitional period has been set for this pilot program, during which foreign invested enterprise and foreign invested financial institution in the PRC will be required to follow the new Cross Border Financing Circular or the existing Foreign Debt Registration Measures. After the one-year transitional period, the new Cross Border Financing Circular will automatically become applicable for foreign invested financial institution. The PBOC and SAFE will decide the cross border financing management mode applicable to foreign invested enterprise upon the overall assessment on implementation of new Cross Border Financing Circular. The Issuer has been informed by the local branch of SAFE that the Issuer would need to follow the Foreign Debt Registration Measures for the purposes of the Bonds. Neither PBOC nor SAFE has promulgated implementation rules of the Cross Border Financing Circular as of the date of this Offering Circular. The filing process for the aforementioned selection, the interpretation and enforcement of the Cross Border Financing Circular thus involve substantial uncertainties due to its recent promulgation and publication. If following the date of this Offering Circular, the Issuer is required to make any reporting or take other steps to comply with the Cross Border Financing Circular, the Issuer will take the necessary steps to comply with such requirements.

State-owned Assets Supervision

The Interim Measures for Administration of Overseas State-owned Property Rights of Central Enterprises (中央企業境外國有產權管理暫行辦法) and the Interim Measures for the Supervision and Administration of Overseas State-owned Assets of Central Enterprises (中央企業境外國有資產監督管理暫行辦法) also apply to overseas investment projects. Where overseas enterprises wholly-owned or controlled by central enterprises or their subsidiaries at all levels conduct economic activities such as transferring or acquiring properties, making non-monetary contribution, changing the state-owned shareholding in non-listed companies, consolidation, division, dissolution or liquidation, they shall appoint a professional agency with the corresponding qualifications, professional experiences and good reputation to evaluate or assess the subject matters, and the evaluation items or valuation results shall be submitted to SASAC for record-filing or approval (as the case may be).

Pursuant to the Interim Measures for Administration of Overseas State-owned Property Right of Central Enterprises, the central enterprise shall, in a unified way, apply for property right registration with the SASAC, where any of the following events take place in connection with a central enterprise or its subsidiaries at all levels:

- (1) where an overseas enterprise is established by way of investment, division or consolidation, or the property right of an overseas enterprise is obtained for the first time by way of acquisition or equity investment;
- (2) where any change occurs to an overseas enterprise's basic information including its name, registration place, registered capital and the main business scope, or the overseas enterprise's property right information changes due to any changes in the capital contributors, amount of capital contributions and proportions of capital contributions;
- (3) where an overseas enterprise no longer keeps state-owned property right due to dissolution, bankruptcy, or property right transfer and capital reduction; or
- (4) other circumstances in which property right registration needs to be made.

TAXATION

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

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 Bonds) or interest on the Bonds or in respect of any capital gains arising from the sale of the Bonds.

Profits tax

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

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

- (a) interest on the Bonds is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong; or
- (b) interest on the Bonds is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business; or
- (c) interest on the Bonds 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 “IRO”)) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- (d) interest on the Bonds is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Bonds will be subject to 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 (as defined in section 16(3) of the Inland Revenue Ordinance) from the sale, disposal or redemption of the Bonds will be subject to profits tax.

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

Stamp duty

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

PRC

The following summary accurately describes the principal PRC tax consequences of ownership of the Bonds by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes.

These beneficial owners are referred to as non-PRC Bondholders in this “PRC” section. In considering whether to invest in the Bonds, investors should consult their individual tax advisors with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction. Reference is made to PRC taxes from the taxable year beginning on or after 1 January 2008.

Income Tax and Value-Added Tax

Pursuant to the EIT Law, the IIT Law and the implementation rules in relation to both the EIT Law and the IIT Law, PRC income tax at a rate of 10 per cent. or 20 per cent. is normally applicable to PRC source income derived by non-resident enterprises or individuals, respectively, subject to adjustment by applicable treaty. As the Issuer is a PRC resident enterprise for tax purposes, interest paid to non-resident Bondholders may be regarded as PRC-sourced, and therefore subject to PRC income tax at a rate of 10 per cent. for non-resident enterprise Bondholders and at a rate of 20 per cent. for non-resident individual Bondholders (or a lower treaty rate, if any).

Such income tax shall be withheld by the Issuer that is acting as the obligatory withholder, and the Issuer shall withhold the tax amount from each payment. To the extent that the PRC has entered into arrangements relating to the avoidance of double taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified non-resident enterprise or individual Bondholders.

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

holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds if such capital gains are not connected with an office or establishment that the Bondholders have in the PRC and all the other relevant conditions are satisfied.

On 23 March 2016, the MOF and the State Administration of Taxation issued Circular 36, which introduced a new VAT from 1 May 2016. Under Circular 36, VAT is applicable where the entities or individuals provide services within the PRC. The operating revenues generated from the provision of taxable sale of services by entities and individuals, such as financial services, shall be subject to VAT if the seller or purchaser of the services is within the PRC. In the event that foreign entities or individuals do not have a business establishment in the PRC, the purchaser of services shall act as the withholding agent. According to the Explanatory Notes to Sale of Services, Intangible Assets and Real Property attached to Circular 36, financial services refer to the business activities of financial and insurance operation, including loan processing services, financial services of direct charges, insurance services and the transfer of financial instruments, and the VAT rate is 6 per cent. Accordingly, the interest and other interest-like earnings received by a non-PRC resident Bondholder from the Issuer will be subject to PRC VAT at the rate of 6 per cent. The Issuer will be obliged to withhold VAT of 6 per cent. and certain surcharges on payments of interest and certain other amounts on the Bonds paid by the Issuer to Bondholders that are non-resident enterprises or individuals. However, there is uncertainty as to whether gains derived from a sale or exchange of Bonds consummated outside the PRC between non-PRC resident Bondholders will be subject to PRC VAT. VAT is unlikely to be applicable to any transfer of Bonds between entities or individuals located outside the PRC and therefore unlikely to be applicable to gains realised upon such transfers of Bonds, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC. Circular 36 together with other laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties. However, despite the withholding of PRC tax by the Issuer, the Issuer has agreed to pay additional amounts to Bondholders so that Bondholders would receive the full amount of the scheduled payment, as further set out in “*Terms and Conditions*”.

Stamp Duty

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

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 Bonds (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 Bonds 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 FTT proposal remains subject to negotiation between 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 Bondholders are advised to seek their own professional advice in relation to the FTT.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments it makes (“**foreign passthru payments**”) to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, are uncertain and may be subject to change. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Bonds.

SUBSCRIPTION AND SALE

The Issuer has entered into a subscription agreement with the Joint Lead Managers dated 12 August 2021 (the “**Subscription Agreement**”), pursuant to which and subject to certain conditions contained in the Subscription Agreement, the Issuer has agreed to sell to the Joint Lead Managers, and the Joint Lead Managers have agreed severally but not jointly to subscribe and pay for, or to procure subscribers to subscribe and pay for, the aggregate principal amount of the Bonds indicated in the following table.

	Principal amount of the Bonds to be subscribed
	<i>U.S.\$</i>
China International Capital Corporation Hong Kong Securities Limited	70,000,000
Orient Securities (Hong Kong) Limited	70,000,000
Guosen Securities (HK) Brokerage Company, Limited	70,000,000
CNCB (Hong Kong) Capital Limited	30,000,000
ICBC International Securities Limited	30,000,000
BOCOM International Securities Limited	30,000,000
CCB International Capital Limited	30,000,000
CMBC Securities Company Limited	30,000,000
The Hongkong and Shanghai Banking Corporation Limited	30,000,000
DBS Bank Ltd.	30,000,000
ABCI Capital Limited	20,000,000
Bank of China Limited, Singapore Branch	20,000,000
Bank of Communications Co., Ltd. Hong Kong Branch	20,000,000
CEB International Capital Corporation Limited	20,000,000
China Everbright Bank Co., Ltd., Hong Kong Branch	20,000,000
China Industrial Securities International Brokerage Limited	20,000,000
China Minsheng Banking Corp., Ltd., Hong Kong Branch	20,000,000
China Zheshang Bank Co., Ltd. (Hong Kong Branch)	20,000,000
CMB Wing Lung Bank Limited	20,000,000
Haitong International Securities Company Limited	20,000,000
Luso International Banking Limited	20,000,000
OCI Asset Management Company Limited	20,000,000
Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch	20,000,000
SPDB International Capital Limited	20,000,000
Total	<u>700,000,000</u>

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

The Joint Lead Managers and certain of their respective subsidiaries or affiliates have performed certain investment banking and advisory services for, and entered into certain commercial banking transactions with, the Issuer and/or its subsidiaries, from time to time, for which they have received customary fees and expenses. The Joint Lead Managers and their respective subsidiaries or affiliates may, from time to time, engage in transactions with and perform services for the Issuer and/or its subsidiaries in the ordinary course of business.

In connection with the offering of the Bonds, the Joint Lead Managers and/or their respective affiliates may act as an investor for its own account and may take up Bonds in the offering and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Issuer and may offer or sell such securities or other investments otherwise than in connection with the offering. Accordingly, references herein to the Bonds being “offered” should be read as including any offering of the Bonds to the Joint Lead Managers and/or their respective affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so. The Joint Lead Managers or their respective affiliates may purchase the Bonds for its own account or for the accounts of their customers and enter into transactions, including credit derivative, such as asset swaps, repackaging and credit default swaps relating to the Bonds and/or other securities of ours or our subsidiaries or associates at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds).

In connection with the issue of the Bonds, the Joint Lead Manager(s) (if any) appointed and acting in its capacity as the Stabilisation Manager or any person acting on behalf of the Stabilisation Manager(s) may, to the extent permitted by applicable laws and regulations, over-allot the Bonds or effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail, but in so doing, the Stabilisation Manager(s) or any person acting on behalf of the Stabilisation Manager(s) shall act as principal and not as agent of the Issuer. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the offer of the Bonds is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the Issue Date of the Bonds and 60 days after the date of the allotment of the Bonds. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules. Any loss or profit sustained as a consequence of any such over-allotment or stabilisation shall be for the account of the Stabilisation Manager.

GENERAL

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

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

UNITED STATES

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

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

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

UNITED KINGDOM

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

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

HONG KONG

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

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

PRC

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

SINGAPORE

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

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

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

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interests (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person 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;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law; or
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

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

JAPAN

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

SUMMARY OF CERTAIN DIFFERENCES BETWEEN PRC GAAP AND IFRS

The consolidated financial statements of the Issuer included in this Offering Circular have been prepared and presented in accordance with PRC GAAP. PRC GAAP are substantially in line with IFRS, except for certain modifications which reflect China's unique circumstances and environment. The following is a general summary of certain differences between PRC GAAP and IFRS on recognition and presentation as applicable to the Issuer. The Issuer 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 Issuer, other potentially significant accounting and disclosure differences may have been required that are not identified below. Additionally, no attempt has been made to identify possible future differences between PRC GAAP and IFRS as a result of prescribed changes in accounting standards. Regulatory bodies that promulgate PRC GAAP and IFRS have significant ongoing projects that could affect future comparisons or events that may occur in the future.

Accordingly, there is no assurance 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 Issuer, the terms of the offering and other disclosure contained herein. Each investor should consult its own professional advisors for an understanding of the differences between PRC GAAP and IFRS and/or between PRC GAAP and other generally accepted accounting principles, and how those differences might affect the financial information contained herein.

REVERSAL OF AN IMPAIRMENT LOSS

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

REVENUE FROM CONTRACTS WITH CUSTOMERS

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

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

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

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

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

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

Step two: Identify the performance obligations in the contract

Step three: Determine the transaction price

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

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

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

By reviewing the sales contracts which had not been performed as of 1 January 2020, the Issuer estimates that the adoption of the new PRC Revenue Standards does not affect the financial statements of the Issuer significantly, mainly because the transfer of risks and rewards and the realization of the performance obligation of the sales contract are usually synchronous. Besides, generally only one performance obligation is identified in each sales contract of the Issuer. The adoption of the new PRC Revenue Standards has no significant impact on the company's revenue, net profit and shareholders' equity.

LEASES

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

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

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

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

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

Accounting by lessees

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

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

Accounting by lessors

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

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

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

The Issuer estimates that adoption of the new PRC Leases Standards will have an impact on the shareholder's liabilities and the carrying amount of the right-of-use asset at the beginning of 2021. The Issuer is still assessing the full impact of adopting of the new PRC Leases Standards.

LAND USE RIGHTS

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

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

GOVERNMENT GRANT

Under PRC GAAP, an assets-related government grant is only required to be recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset.

Under IFRS, such assets-related government grants are allowed to be presented in the statement of financial position either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

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

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

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

BUSINESS COMBINATIONS UNDER THE COMMON CONTROL

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

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

For the years ended 31 December 2018, 2019 and 2020, the Issuer had no such reversal of impairment losses on assets and business combinations under common control. Therefore, the above technical difference had no substantial impact on the consolidated financial statements of the Issuer included elsewhere in this Offering Circular.

GENERAL INFORMATION

1. **Clearing System:** The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code 236464229 and the ISIN for the Bonds is XS2364642293.
2. **Authorisations:** The issue of the Bonds was authorised by resolutions of the board of directors of the Issuer dated 30 November 2020 and shareholder's approval of the Issuer dated 4 March 2021. The Issuer has obtained all necessary consents, approvals and authorisations and completed all filings and registrations in connection with the issue and performance of its obligations under the Bonds, the Trust Deed and the Agency Agreement except for (i) the submission of the Bonds for registration with the SAFE within 15 Registration Business Days after the Issue Date and (ii) the filing of the requisite information and documents with the NDRC within 10 Registration Business Days after the Issue Date. For consequences of non-registration, see *"Risk Factors – Risks Relating to the Bonds – Any failure to complete the relevant filings under the NDRC Circular and the relevant registration with SAFE within the prescribed time frames following the completion of the issue of the Bonds may have adverse consequences for the Issuer and/or the investors of the Bonds."*
3. **No Material and Adverse Change:** There has not occurred any change (nor any development or event involving a prospective change) in the condition (financial or other), prospects, results of operations or general affairs of the Issuer or the Group, which is material and adverse in the context of the issue and offering of the Bonds since 31 December 2020.
4. **Litigation:** As of the date of this Offering Circular, none of the Issuer or any member of the Group is involved in any litigation or arbitration proceedings which could have a material and adverse effect on their businesses, results of operations and financial condition nor to the best of the Issuer's knowledge (after due and careful enquiry) any such proceedings are pending, threatened or contemplated. The Issuer or any member of the Group may from time to time become a party to various legal or administrative proceedings arising in the ordinary course of its business.
5. **Available Documents:** So long as any Bond is outstanding, copies of the Trust Deed and the Agency Agreement will be available for inspection from the Issue Date upon prior written request and satisfactory proof of holding and identity at the principal office for the time being of the Trustee (being at the Issue Date at 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong) and specified office for the time being of the Principal Paying Agent, at all reasonable times during normal business hours (being 9.00 a.m. to 3.00 p.m. Monday to Friday except public holidays).
6. **Financial Statements:** The consolidated financial statements of the Issuer as of and for the years ended 31 December 2019 and 2020, which are included elsewhere in this Offering Circular, have been audited by RSM as stated in its reports included herein.
7. **Listing of Bonds:** Application will be made to the Hong Kong Stock Exchange for the listing of the Bonds by way of debt issues to Professional Investors only and such permission is expected to become effective on or about 20 August 2021.
8. **Legal Entity Identifier:** The Issuer's Legal Entity Identifier number is 3003006W7JO7TLFNRW68.

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Auditor's Report

Shaoxing City Investment Group Limited

RSM SZ [2021] NO.310Z0681

RSM CHINA CPA LLP

CHINA·BEIJING

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Auditor's Report

RSM SZ [2021] NO.310Z0681

To the Shareholders of Shaoxing City Investment Group Limited:

Opinion

We have audited the financial statements of Shaoxing City Investment Group Limited (hereafter referred to as "Shao City Investment Group"), which comprises the consolidated and the parent company's statement of financial position as at 31 December 2020, the consolidated and the parent company's statement of profit or loss and other comprehensive income, the consolidated and the parent company's statement of cash flows, the consolidated and the parent company's statement of changes in equity for the year then ended, and the notes to the financial statements.

In our opinion, the accompanying Shao City Investment Group's financial statements present fairly, in all material respects, the consolidated and Shao City Investment Group's financial position as at 31 December 2020, and their financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises and China Accounting System for Business Enterprises.

Basis for Opinion

We conducted our audit in accordance with Chinese Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Shao City Investment Group in accordance with the Code of Ethics for Chinese Certified Public Accountants, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management of Shao City Investment Group is responsible for the preparation and fair presentation of the financial statements in accordance with Accounting Standards of Business Enterprises, and for the design, implementation and maintenance of such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Shao City Investment Group's ability to continue as a going concern, disclosing matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Shao City Investment Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Shao City Investment Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our Objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- i) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ii) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- iii) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- iv) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Shao City Investment Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Shao City Investment Group to cease to continue as a going concern.
- v) Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- vi) Obtain sufficient appropriate audit evidence regarding the financial information of

the entities or business activities within Shao City Investment Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

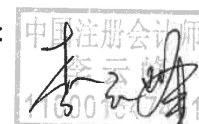
(There is no text below, which is the signature and stamp page of RSM SZ [2021] NO.310Z0681, Shao City Investment Group's audit report.)



[Name of CPA]:



[Name of CPA]:

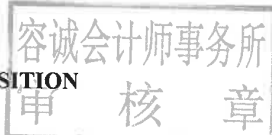


[Date]: 30 April 2021





CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER



Prepared by: Shaoxing City Investment Group Limited

Unit: Yuan Currency: CNY

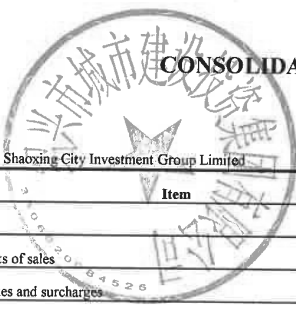
Item	Note	31 Dec 2020	31 Dec 2019	Item	Note	31 Dec 2020	31 Dec 2019
Current assets:				Current liabilities:			
Cash and cash equivalents	5.1	2,597,695,878.10	4,721,850,881.66	Short-term borrowings	5.20	1,486,710,352.04	1,023,100,000.00
Financial assets at fair value through profit or loss	5.2	75,675,732.54	85,590,857.42	Financial liabilities at fair value through profit or loss		-	-
Derivative financial assets		-	-	Derivative financial liabilities		-	-
Notes receivable	5.3	16,381,565.86	21,289,547.21	Notes payable	5.21	65,562,780.80	136,311,976.75
Accounts receivable	5.4	828,685,980.35	596,308,427.41	Accounts payable	5.22	1,932,268,340.02	1,275,839,343.16
Prepayments	5.5	1,057,370,798.29	802,319,592.57	Advance from customers	5.23	630,618,968.84	613,478,969.48
Other receivables	5.6	3,752,454,161.85	1,926,779,726.23	Employee benefits payable	5.24	49,922,063.42	49,361,955.51
Inventories	5.7	10,662,518,872.41	12,298,199,367.46	Taxes payable	5.25	244,543,198.03	180,776,783.75
Assets classified as held for sale		6,727,300.00	6,727,300.00	Other payables	5.26	2,488,954,301.60	2,046,980,973.14
Non-current assets maturing within one year		-	-	Liabilities classified as held for sale		-	-
Current assets	5.8	101,670,476.20	138,003,606.79	Non-current liabilities maturing within one year	5.27	6,607,849,139.36	2,202,857,318.21
Total current assets		19,099,180,765.60	20,597,069,306.75	Other current liabilities	5.28	558,650,110.37	585,962,405.38
				Total current liabilities		14,065,079,254.48	8,114,669,725.38
Available-for-sale financial assets	5.9	1,134,029,797.00	680,580,700.00	Non-current liabilities:			
Held-to-maturity investments		-	-	Long-term borrowings	5.29	6,162,179,680.00	5,377,357,272.70
Long-term receivables	5.10	-	47,500,000.00	Bonds payable	5.30	10,063,187,571.44	13,623,436,447.62
Long-term equity investments	5.11	1,466,463,002.69	1,080,886,181.95	Long-term payables	5.31	1,248,381,922.16	3,313,474,717.51
Investment properties	5.12	942,294,524.16	723,375,986.64	Long-term employee benefits payable		-	-
Property, plant and equipment	5.13	16,406,895,171.00	16,211,242,444.14	Estimated liabilities		-	-
Construction in progress	5.14	13,313,871,044.09	12,264,708,630.63	Deferred income	5.32	138,469,151.15	147,660,759.22
Productive biological assets		-	-	Deferred tax liabilities	5.18	30,325,186.16	17,911,788.42
Oil and gas assets		-	-	Other non-current liabilities		61,259,722.89	43,617,360.13
Intangible assets	5.15	1,725,556,162.74	1,632,436,266.97	Total non-current liabilities		17,703,803,233.80	22,523,458,345.60
Research and development expenditure		-	-	Total liabilities		31,768,882,488.28	30,638,128,070.98
Intangible assets	5.16	27,782,024.01	5,282,373.56	Owners' equity			
Long-term deferred expenses	5.17	38,102,499.36	39,670,961.35	Paid-in capital	5.33	3,300,000,000.00	3,300,000,000.00
Deferred tax assets	5.18	41,676,343.62	28,246,359.93	Other equity instruments		-	-
Other non-current assets	5.19	313,862,989.04	320,821,490.52	Including: Preference shares		-	-
Total non-current assets		35,410,533,557.71	33,034,751,395.69	Perpetual bonds		-	-
				Capital reserves	5.34	9,723,791,232.66	11,022,988,461.51
				Less: Treasury stock		-	-
				Other comprehensive income	5.35	1,534,485.70	2,821,506.80
				Specific reserves	5.36	109,311,167.63	95,334,175.82
				Surplus reserves	5.37	237,401,804.50	218,346,556.66
				Retained earnings	5.38	3,586,215,892.95	3,496,139,354.56
				Total owner's equity attributable to parent company		16,958,254,583.44	18,135,630,055.35
				Non-controlling interests		5,782,577,251.59	4,858,062,576.11
				Total owners' equity		22,740,831,835.03	22,993,692,631.46
Total assets		54,509,714,323.31	53,631,820,702.44	Total liabilities and owners' equity		54,509,714,323.31	53,631,820,702.44

Legal Representative:

Chief Financial Officer:

Finance Manager:





**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER**

谷城会计师事务所
审 核 章

Prepared by: Shaoxing City Investment Group Limited

Unit: Yuan – Currency: CNY

Item	Note	2020	2019
I. Revenue	5.39	7,398,252,212.26	8,583,455,637.28
Less: Costs of sales	5.39	6,384,667,297.83	7,665,163,052.32
Taxes and surcharges	5.40	151,970,795.22	135,247,927.80
Selling and distribution expenses		44,009,795.61	48,575,125.14
General and administrative expenses		839,567,923.26	755,090,452.88
Research and development expenses	5.41	20,695,231.11	15,031,093.59
Finance costs	5.42	940,089,815.08	1,232,706,346.30
Including: Interest expenses		1,229,929,189.77	1,223,788,568.49
Interest income		166,051,364.08	119,667,256.07
Add: Other income	5.43	1,521,349,514.51	1,430,616,778.09
Investment income/(losses)	5.44	127,355,997.85	232,989,037.77
Including: Investment income from associates and joint ventures		71,177,377.75	-128,618,590.61
Gains/(losses) from changes in fair values	5.45	-9,915,124.88	-64,156,690.40
Impairment loss of assets	5.46	-93,213,868.40	-22,861,355.72
Gains/(losses) from disposal of assets	5.47	13,326,163.52	9,139,792.94
II. Profit/(loss) from operations		576,154,036.75	317,369,201.93
Add: Non-operating income	5.48	22,047,699.95	22,030,578.69
Less: Non-operating expenses	5.49	224,455,064.48	20,445,486.23
III. Profit/(loss) before tax		373,746,672.22	318,954,294.39
Less: Income tax expenses	5.50	129,019,909.03	107,394,487.90
IV. Net profit/(loss) for the year		244,726,763.19	211,559,806.49
(I) Net profit/(loss) by continuity			
Net profit/(loss) from continuing operation		244,726,763.19	211,559,806.49
Net profit/(loss) from discontinued operation			
(II) Net profit/(loss) by ownership attribution			
Attributable to owners of the parent		151,487,235.10	203,212,936.46
Attributable to non-controlling interests		93,239,528.08	8,346,870.03
V. Other comprehensive income for the year, after tax		-1,287,021.10	757,070.00
(a) attributable to owners of the parent		-1,287,021.10	757,070.00
(i) Items that will not be reclassified subsequently to profit or loss			
1. Remeasurement of the net defined benefit liability (asset)			
2. Share of the other comprehensive income of the investee accounted for using the equity method which will not be reclassified subsequently to profit and loss			
(ii) Items that may be reclassified subsequently to profit or loss		-1,287,021.10	757,070.00
1. Share of the other comprehensive income of the investee accounted for using the equity method which will be reclassified subsequently to profit or loss		1,786,093.20	
2. Gains/(losses) arising from changes in fair value of available-for-sale financial assets			
3. Gains/(losses) arising from reclassification of held-to-maturity investment as available-for-sale financial assets			
4. The effective portion of the gains /losses on cash flow hedge			
5. Exchange differences on translating foreign operations		-3,073,114.30	757,070.00
6. Others			
(b) Attributable to non-controlling interests			
VI. Total comprehensive income for the year		243,439,742.09	212,316,876.49
Attributable to owners of the parent		150,200,214.00	203,970,006.46
Attributable to non-controlling interests		93,239,528.08	8,346,870.03
VII. Earnings per share:			
Basic earnings per share			
Diluted earnings per share			

Legal Representative:

祥朱
印志

Chief Financial Officer:

新陈
印秋

Finance Manager:

李洋

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER

Prepared by: Shaoxing City Investment Group Limited

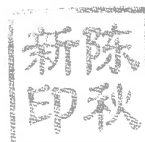
Unit: Yuan Currency: CNY

Items	Note	2020	2019
I. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		7,611,796,346.00	8,256,316,719.24
Refund of tax and levies		15,783,361.34	155,752.22
Other cash received relating to operating activities		2,882,475,345.20	2,356,786,659.55
Sub-total of cash inflows from operating activities		10,510,055,052.54	10,613,259,131.01
Cash paid for received commodities or labor		6,316,138,558.60	8,273,832,390.82
Cash paid to and for employees		608,921,631.99	598,023,188.79
Payments of all types of taxes		376,182,824.72	364,678,470.43
Other cash paid relating to operating activities		1,402,955,519.16	423,319,516.40
Sub-total of cash outflows from operating activities		8,704,198,534.47	9,659,853,566.44
Net cash flows from operating activities		1,805,856,518.07	953,405,564.57
II. Cash flows from investing activities			
Cash received from disposal of investments		58,198,685.60	53,346,227.97
Cash received from returns on investments		40,678,316.74	18,494,888.49
Net cash received from disposals of property, plant and equipment, intangible assets and other long-term assets		161,145,587.13	30,716,638.47
Net cash received from disposals of subsidiaries or other business units		-	8,362,645.10
Other cash received relating to investing activities		540,681,360.08	429,150.22
Sub-total of cash inflows from investing activities		800,703,949.55	111,349,550.25
Cash paid to acquire property, plant and equipment, intangible assets and other long-term assets		4,222,396,498.02	3,067,896,183.07
Cash paid to acquire investments		2,210,137,586.00	1,249,475,000.00
Net cash paid to acquire subsidiaries and other business units		-	-
Other cash payments relating to investing activities		1,681,263,043.91	473,744,128.31
Sub-total of cash outflows from investing activities		8,113,797,127.93	4,791,115,311.38
Net cash flows from investing activities		-7,313,093,178.38	-4,679,765,761.13
III. Cash flows from financing activities			
Cash received from capital contributions		2,720,000.00	145,225,600.00
Including: Cash receipts from minority shareholders' investments absorbed by subsidiaries		2,720,000.00	145,225,600.00
Cash received from borrowings		7,673,615,412.72	10,582,876,447.89
Other cash received relating to financing activities		2,824,126,454.58	2,641,729,409.79
Sub-total of cash inflows from financing activities		10,500,461,867.30	13,369,831,457.68
Cash repayments of amounts borrowed		5,128,503,376.22	11,660,697,076.48
Cash payments for dividends, distribution of profit or interest expenses		1,282,173,814.92	1,342,230,749.03
Including: Cash payments for dividends and distribution of profit to minority shareholders		-	-
Other cash payments relating to financing activities		680,763,404.32	855,390,461.71
Sub-total of cash outflows from financing activities		7,091,440,595.46	13,858,318,287.22
Net cash flows from financing activities		3,409,021,271.84	-488,486,829.54
IV. Effect of foreign exchange rate changes on cash and cash equivalents		-22,115,411.75	-19,083,421.02
V. Net increase / (decrease) in cash and cash equivalents		-2,120,330,800.22	-4,233,930,447.12
Plus: Cash and cash equivalents at the beginning of the period		4,653,581,664.70	8,887,512,111.82
VI. Cash and cash equivalents at the end of the period		2,533,250,864.48	4,653,581,664.70

Legal Representative:

Chief Financial Officer:

Finance Manager:



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER**

Unit: Yuan Currency: CNY

2020													Unit: Yuan	Currency: CNY
Item	Owners' equity attributable to the parent company											Non-controlling interests	Total owners' equity	
	Paid-in capital	Preference shares	Other equity instruments		Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserves	Surplus reserves	Retained earnings	Subtotal			
			Perpetual	Other										
I. Balance at 31 December 2019	3,300,000,000.00	-	-	-	11,022,988,461.51	-	2,821,506.80	95,334,175.82	218,346,556.66	3,496,139,354.56	18,135,630,055.35	4,858,062,576.11	22,993,692,631.46	
Add: Changes in accounting policy	-	-	-	-	-	-	-	-	-	-	-	-	-	
Correction of prior period errors	-	-	-	-	-	-	-	-	-	-	-	-	-	
Business combination under common control	-	-	-	-	-	-	-	-	-	-	-	-	-	
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	
II. Balance at 1 January 2020	3,300,000,000.00	-	-	-	11,022,988,461.51	-	2,821,506.80	95,334,175.82	218,346,556.66	3,496,139,354.56	17,703,315,741.29	4,858,062,576.11	22,993,692,631.46	
III. Changes in equity during the reporting period	-	-	-	-	-1,299,197,228.85	-	-1,287,021.10	13,976,991.81	19,055,247.84	90,076,538.39	-1,177,375,471.91	924,514,875.48	-253,860,796.43	
(i) Total comprehensive income	-	-	-	-	-	-	-1,287,021.10	-	-	151,487,235.10	150,200,214.00	93,239,328.08	243,439,743.09	
(ii) Capital contributions or withdrawals by owners	-	-	-	-	-1,299,197,228.85	-	-	-	-	-	-1,299,197,228.85	817,846,272.91	-481,350,955.94	
1. Ordinary shares contributed by owners	-	-	-	-	-	-	-	-	-	-	-	2,720,000.00	2,720,000.00	
2. Capital contributed by holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	
3. Share-based payments recognised in owners' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	
4. Others	-	-	-	-	-1,299,197,228.85	-	-	-	-	-	-1,299,197,228.85	815,126,272.91	-484,070,955.94	
(iii) Profit distribution	-	-	-	-	-	-	-	-	19,055,247.84	-61,410,696.71	-42,355,448.87	-	-42,355,448.87	
1. Withdrawal of surplus reserves	-	-	-	-	-	-	-	-	19,055,247.84	-19,055,247.84	-	-	-	
2. Profit distribution to investors (or shareholders)	-	-	-	-	-	-	-	-	-	-42,355,448.87	-	-	-42,355,448.87	
3. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	
(iv) Transfer between equity	-	-	-	-	-	-	-	-	-	-	-	-	-	
1. Capital reserves transfer to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	
2. Surplus reserves transfer to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	
3. Surplus reserves used to cover accumulated deficits	-	-	-	-	-	-	-	-	-	-	-	-	-	
4. Defined benefit plan transfer to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	
5. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	
(v) Specific reserves	-	-	-	-	-	-	-	13,976,991.81	-	-	13,976,991.81	13,428,874.48	27,405,866.29	
1. Withdrawal during the reporting period	-	-	-	-	-	-	-	31,346,543.43	-	-	31,346,543.43	30,117,267.21	61,463,810.64	
2. Usage during the reporting period	-	-	-	-	-	-	-	17,369,551.62	-	-	17,369,551.62	16,688,392.73	34,057,944.35	
(vi) Others	-	-	-	-	-	-	-	-	-	-	-	-	-	
IV. Balance at 31 December 2020	3,300,000,000.00	-	-	-	9,723,791,222.66	-	1,534,485.70	109,311,674.63	237,401,804.50	3,586,215,892.96	16,958,254,583.44	5,782,577,251.59	22,740,831,835.03	

Legal Representative:

Chief Financial Officer:

Finance Manager:

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER**

Unit: Yuan Currency: CNY

2019														Unit: Yuan	Currency: CNY
Item	Paid-in capital	Owners' equity attributable to the parent company					Subtotal	Non-controlling interests	Total owners' equity						
		Preference shares	Other equity instruments	Capital reserves	Less: Treasury stock	Other comprehensive income									
I. Balance at 31 December 2018	3,300,000,000.00	-	-	10,834,051,684.78	-	2,064,436.80	55,936,644.95	218,346,556.66	3,292,926,418.10	17,703,315,741.29	5,324,456,237.31	23,027,771,978.60			
Add: Changes in accounting policy	-	-	-	-	-	-	-	-	-	-	-	-			
Correction of prior period errors	-	-	-	-	-	-	-	-	-	-	-	-			
Business combination under common control	-	-	-	-	-	-	-	-	-	-	-	-			
Others	-	-	-	-	-	-	-	-	-	-	-	-			
II. Balance at 1 January 2019	3,300,000,000.00	-	-	10,834,051,684.78	-	2,064,436.80	55,936,644.95	218,346,556.66	3,292,926,418.10	17,703,315,741.29	5,324,456,237.31	23,027,771,978.60			
III. Changes in equity during the reporting period	-	-	-	188,936,776.73	-	757,070.00	39,407,530.87	-	203,212,936.46	432,314,314.06	-466,393,661.20	-34,079,347.14			
(i) Total comprehensive income	-	-	-	-	-	757,070.00	-	-	203,212,936.46	203,970,006.46	8,346,870.03	212,316,876.49			
(ii) Capital contributions or withdrawals by owners	-	-	-	188,936,776.73	-	-	-	-	-	-	-	-			
1. Ordinary shares contributed by owners	-	-	-	-	-	-	-	-	-	-	-	-			
2. Capital contributed by holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-			
3. Share-based payments recognised in owners' equity	-	-	-	-	-	-	-	-	-	-	-	-			
4. Others	-	-	-	188,936,776.73	-	-	-	-	-	188,936,776.73	-512,602,668.73	-323,665,892.00			
(iii) Profit distribution	-	-	-	-	-	-	-	-	-	145,225,600.00	145,225,600.00	-			
1. Withdrawal of surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-			
2. Profit distribution to investors (or shareholders)	-	-	-	-	-	-	-	-	-	-	-	-			
3. Others	-	-	-	-	-	-	-	-	-	-	-	-			
(iv) Transfer between equity	-	-	-	-	-	-	-	-	-	-	-	-			
1. Capital reserves transfer to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-			
2. Surplus reserves transfer to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-			
3. Surplus reserves used to cover accumulated deficits	-	-	-	-	-	-	-	-	-	-	-	-			
4. Defined benefit plan transfer to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-			
5. Others	-	-	-	-	-	-	-	-	-	-	-	-			
(v) Specific reserves	-	-	-	-	-	-	-	-	-	-	-	-			
1. Withdrawal during the reporting period	-	-	-	-	-	-	39,407,530.87	-	-	39,407,530.87	37,862,137.50	77,269,668.37			
2. Usage during the reporting period	-	-	-	-	-	-	64,767,997.75	-	-	64,767,997.75	62,228,076.26	126,996,074.01			
(vi) Others	-	-	-	-	-	-	25,360,466.88	-	-	25,360,466.88	24,365,938.76	49,726,405.64			
V. Balance at 31 December 2019	3,300,000,000.00	-	-	11,022,988,461.51	-	2,821,506.80	95,334,175.82	218,346,556.66	3,496,139,354.56	18,135,630,055.35	4,858,062,576.11	22,993,692,631.46			

Legal Representative:

Chief Financial Officer:

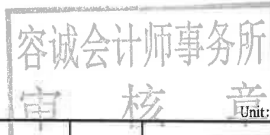
Finance Manager:

祥朱印志

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**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER**



Prepared by: Shaoxing City Investment Group Limited

Unit: Yuan Currency: CNY

Item	Note	31 Dec 2020	31 Dec 2019	Item	Note	31 Dec 2020	31 Dec 2019
Current assets:				Current liabilities:			
Cash and cash equivalents		371,748,158.78	1,862,056,865.56	Short-term borrowings		800,000,000.00	40,000,000.00
Financial assets at fair value through profit or loss		75,675,732.54	85,590,857.42	Financial liabilities at fair value through profit or loss		-	-
Derivative financial assets		-	-	Derivative financial liabilities		-	-
Notes receivable		-	-	Notes payable		-	-
Accounts receivable	15.1	287,192.90	287,192.90	Accounts payable		180,130,141.18	133,188,926.98
Prepayments		214,621,160.35	212,812,932.26	Advance from customers		28,165,201.89	37,490,748.26
Other receivables	15.2	11,707,566,310.41	7,218,447,022.51	Employee benefits payable		10,294.68	10,294.68
Inventories		4,545,055,203.31	5,440,253,538.64	Taxes payable		57,431,377.50	43,908,328.05
Assets classified as held for sale		-	-	Other payables		1,310,204,225.67	1,229,127,422.80
Non-current assets maturing within one year		-	-	Liabilities classified as held for sale		-	-
Other current assets		50,432.00	2,038,795.99	Non-current liabilities maturing within one year		6,289,171,866.66	1,892,739,500.00
Total current assets		16,915,004,190.29	14,821,487,205.28	Other current liabilities		-	-
				Total current liabilities		8,665,113,107.58	3,376,465,220.77
Non-current assets:				Non-current liabilities:			
Available-for-sale financial assets		301,600,000.00	161,600,000.00	Long-term borrowings		2,160,649,500.00	1,630,000,000.00
Held-to-maturity investments		-	-	Bonds payable		8,963,187,571.44	12,523,436,447.62
Long-term receivables		-	-	Long-term payables		42,732,263.00	207,732,263.00
Long-term equity investments	15.3	7,067,255,129.35	5,817,836,610.81	Long-term employee benefits payable		-	-
Investment properties		1,068,809,655.17	407,799,964.82	Estimated liabilities		-	-
Property, plant and equipment		9,508,099,297.75	9,886,104,209.13	Deferred income		-	-
Construction in progress		55,257,616.67	54,063,056.92	Deferred tax liabilities		-	-
Productive biological assets		-	-	Other non-current liabilities		-	-
Oil and gas assets		-	-	Total non-current liabilities		11,166,569,334.44	14,361,168,710.62
Intangible assets		243,357,800.19	252,444,703.14	Total liabilities		19,831,682,442.02	17,737,633,931.39
Research and development expenditure		-	-	Owners' equity:			
Goodwill		-	-	Paid-in capital		3,300,000,000.00	3,300,000,000.00
Long-term deferred expenses		485,833.48	6,315,833.44	Other equity instruments		-	-
Deferred tax assets		7,698,377.65	5,972,387.92	Including: Preference shares		-	-
Other non-current assets		-	-	Perpetual bonds		-	-
Total non-current assets		18,252,563,710.26	16,592,136,766.18	Capital reserves		10,592,239,311.45	8,872,494,257.63
				Less: Treasury stock		-	-
				Other comprehensive income		1,733,231.25	-
				Specific reserves		-	-
				Surplus reserves		212,042,899.72	192,987,651.88
				Retained earnings		1,229,870,016.11	1,310,508,130.56
				Total owner's equity		15,335,885,458.53	13,675,990,040.07
Total assets		35,167,567,900.55	31,413,623,971.46	Total liabilities and owners' equity		35,167,567,900.55	31,413,623,971.46

Legal Representative:

Chief Financial Officer:

Finance Manager:



**STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 31 DECEMBER

Prepared by: Shaoxing City Investment Group Limited

Unit: Yuan Currency: CNY

Item	Note	2020	2019
I. Revenue	15.4	44,393,251.98	534,464,129.38
Less: Costs of sales	15.4	41,204,590.04	343,110,047.73
Taxes and surcharges		49,888,435.52	43,670,387.58
Selling and distribution expenses		237,505.88	1,837,237.00
Administrative expenses		387,981,036.49	375,359,155.69
Research and development expenses		-	-
Finance costs		689,426,194.99	946,802,495.45
Including: Interest expense		914,158,765.67	905,742,778.60
Interest income		98,334,810.99	86,262,181.90
Add: Other income		1,415,610,000.00	1,172,872,716.50
Investment income/(losses)	15.5	52,851,145.07	-2,656,986.98
Including: Investment income from associates and joint ventures		39,386,420.34	-2,025,968.82
Gains/(losses) from changes in fair values		-9,915,124.88	-64,156,690.40
Impairment loss of assets		-194,887,219.43	-7,817,434.17
Gains/(losses) from disposal of assets		11,350,225.16	-322,902.92
II. Profit/(loss) from operations		150,664,514.98	-78,396,492.04
Add: Non-operating income		1,020,574.46	2,836,110.09
Less: Non-operating expenses		214,993,945.78	13,176,953.19
III. Profit/(loss) before tax		-63,308,856.34	-88,737,335.14
Less: Income tax expenses		-1,725,989.73	-1,954,358.54
IV. Net profit/(loss) for the year		-61,582,866.61	-86,782,976.60
Net profit/(loss) from continuing operation		-61,582,866.61	-86,782,976.60
Net profit/(loss) from discontinued operation		-	-
V. Other comprehensive income for the year, after tax		1,733,231.25	-
(i) Items that will not be reclassified subsequently to profit or loss		-	-
1. Remeasurement of the net defined benefit liability (asset)		-	-
2. Share of the other comprehensive income of the investee accounted for using the equity method which will not be reclassified subsequently to profit and loss		-	-
(ii) Items that may be reclassified subsequently to profit or loss		1,733,231.25	-
1. Share of the other comprehensive income of the investee accounted for using the equity method which will be reclassified subsequently to profit or loss		1,733,231.25	-
2. Gains/(losses) arising from changes in fair value of available-for-sale financial assets		-	-
3. Gains/(losses) arising from reclassification of held-to-maturity investment as available-for-sale financial assets		-	-
4. The effective portion of the gains /losses on cash flow hedge		-	-
5. Exchange differences on translating foreign operations		-	-
6. Others		-	-
VI. Total comprehensive income for the year		-59,849,635.36	-86,782,976.60
VII. Earnings per share:		-	-
Basic earnings per share		-	-
Diluted earnings per share		-	-

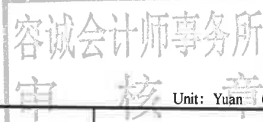
Legal Representative:

Chief Financial Officer:

Finance Manager:



STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER



Prepared by: Shaoxing City Investment Group Limited

Unit: Yuan Currency: CNY

Items	Note	2020	2019
I. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		40,254,290.29	102,040,185.03
Refund of tax and levies		-	-
Other cash received relating to operating activities		2,878,180,330.39	2,203,977,223.75
Sub-total of cash inflows from operating activities		2,918,434,620.68	2,306,017,408.78
Cash paid for received commodities or labor		-262,138,335.04	805,338,934.85
Cash paid to and or employees		17,997,343.44	17,711,104.59
Payments of all types of taxes		39,564,630.71	11,727,454.55
Other cash paid relating to operating activities		3,943,531,498.37	4,298,899,689.26
Sub-total of cash outflows from operating activities		3,738,955,137.48	5,133,677,183.25
Net cash flows from operating activities		-820,520,516.80	-2,827,659,774.47
II. Cash flows from investing activities			
Cash received from disposal of investments		239,142,893.51	34,135,871.54
Cash received from returns on investments		10,820,031.22	1,749,871.73
Net cash received from disposals of property, plant and equipment, intangible assets and other long-term assets		54,950,000.00	7,351,147.06
Net cash received from disposals of subsidiaries or other business units		-	-
Other cash received relating to investing activities		-	-
Sub-total of cash inflows from investing activities		304,912,924.73	43,236,890.33
Cash paid to acquire property, plant and equipment, intangible assets and other long-term assets		38,473,192.86	98,031,690.47
Cash paid to acquire investments		1,747,829,989.00	194,722,173.41
Net cash paid to acquire subsidiaries and other business units		-	-
Other cash payments relating to investing activities		-	-
Sub-total of cash outflows from investing activities		1,786,303,181.86	292,753,863.88
Net cash flows from investing activities		-1,481,390,257.13	-249,516,973.55
III. Cash flows from financing activities			
Cash received from capital contributions		-	-
Cash received from borrowings		6,018,800,000.00	7,677,226,447.89
Other cash received relating to financing activities		60,390,225.52	8,754,846.80
Sub-total of cash inflows from financing activities		6,079,190,225.52	7,685,981,294.69
Cash repayments of amounts borrowed		3,754,090,000.01	6,865,340,380.00
Cash payments for dividends, distribution of profit or interest expenses		883,569,749.80	858,815,931.48
Other cash payments relating to financing activities		610,886,111.11	737,740,712.33
Sub-total of cash outflows from financing activities		5,248,545,860.92	8,461,897,023.81
Net cash flows from financing activities		830,644,364.60	-775,915,729.12
IV. Effect of foreign exchange rate changes on cash and cash equivalents		-19,042,297.45	-19,840,491.02
V. Net increase/(decrease) in cash and cash equivalents		-1,490,308,706.78	-3,872,932,968.16
Plus: Cash and cash equivalents at the beginning of the period		1,862,056,865.56	5,734,989,833.72
VI. Cash and cash equivalents at the end of the period		371,748,158.78	1,862,056,865.56

Legal Representative:

Chief Financial Officer:

Finance Manager:



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER

Prepared by: Shaoxing City Investment Group Limited

Unit: Yuan Currency: CNY

Item	Paid-in capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserves	Surplus reserves	Retained earnings	Total owners' equity
		Preference shares	Perpetual capital securities	Others							
I. Balance at 31 December 2019	3,300,000,000.00	-	-	-	8,872,494,257.63	-	-	-	192,987,651.88	1,310,508,130.56	13,675,990,040.07
Add: Changes in accounting policy	-	-	-	-	-	-	-	-	-	-	-
Correction of prior period errors	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-
II. Balance at 1 January 2020	3,300,000,000.00	-	-	-	8,872,494,257.63	-	-	-	192,987,651.88	1,310,508,130.56	13,675,990,040.07
III. Changes in equity during the reporting period	-	-	-	-	1,719,745,053.82	-	1,733,231.25	-	19,055,247.84	-80,638,114.45	1,659,895,418.46
(i) Total comprehensive income	-	-	-	-	-	-	1,733,231.25	-	-	-61,582,866.61	-59,849,635.36
(ii) Capital contributions or withdrawals by owners	-	-	-	-	1,719,745,053.82	-	-	-	-	-	1,719,745,053.82
1. Ordinary shares contributed by owners	-	-	-	-	-	-	-	-	-	-	-
2. Capital contributed by holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-
3. The amount of share-based payments recorded in owners' equity	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	1,719,745,053.82	-	-	-	-	-	1,719,745,053.82
(iii) Profit distribution	-	-	-	-	-	-	-	-	19,055,247.84	-19,055,247.84	-
1. Withdrawal of surplus reserves	-	-	-	-	-	-	-	-	19,055,247.84	-19,055,247.84	-
2. Profit distribution to investors (or shareholders)	-	-	-	-	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-	-	-	-	-
(iv) Transfer between equity	-	-	-	-	-	-	-	-	-	-	-
1. Capital reserves transfer to paid-in capital	-	-	-	-	-	-	-	-	-	-	-
2. Surplus reserves transfer to paid-in capital	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserves used to cover accumulated deficits	-	-	-	-	-	-	-	-	-	-	-
4. Defined benefit plan transfer to retained earnings	-	-	-	-	-	-	-	-	-	-	-
5. Others	-	-	-	-	-	-	-	-	-	-	-
(v) Specific reserves	-	-	-	-	-	-	-	-	-	-	-
1. Withdrawal during the reporting period	-	-	-	-	-	-	-	-	-	-	-
2. Usage during the reporting period	-	-	-	-	-	-	-	-	-	-	-
(vi) Others	-	-	-	-	-	-	-	-	-	-	-
IV. Balance at 31 December 2020	3,300,000,000.00	-	-	-	10,592,239,311.45	-	1,733,231.25	-	212,042,899.72	1,229,870,016.11	15,335,885,458.53

Legal Representative:

Chief Financial Officer:

Finance Manager:





STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER

Prepared by: Shaoxing City Investment Group Limited

Unit: Yuan Currency: CNY

Item	Paid-in capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserves	Surplus reserves	Retained earnings	Total owners' equity
		Preference shares	Perpetual capital securities	Others							
I. Balance at 31 December 2018	3,300,000,000.00	-	-	-	9,819,128,301.26	-	-	-	192,987,651.88	1,397,291,107.16	14,709,407,060.30
Add: Changes in accounting policy	-	-	-	-	-	-	-	-	-	-	-
Correction of prior period errors	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-
II. Balance at 1 January 2019	3,300,000,000.00	-	-	-	9,819,128,301.26	-	-	-	192,987,651.88	1,397,291,107.16	14,709,407,060.30
III. Changes in equity during the reporting period	-	-	-	-	-946,634,043.63	-	-	-	-	-86,782,976.60	-1,033,417,020.23
(i) Total comprehensive income	-	-	-	-	-	-	-	-	-	-	-
(ii) Capital contributions or withdrawals by owners	-	-	-	-	-946,634,043.63	-	-	-	-	-86,782,976.60	-946,634,043.63
1. Ordinary shares contributed by owners	-	-	-	-	-	-	-	-	-	-	-
2. Capital contributed by holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-
3. The amount of share-based payments recorded in owners' equity	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-946,634,043.63	-	-	-	-	-	-946,634,043.63
(iii) Profit distribution	-	-	-	-	-	-	-	-	-	-	-
1. Withdrawal of surplus reserves	-	-	-	-	-	-	-	-	-	-	-
2. Profit distribution to investors (or shareholders)	-	-	-	-	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-	-	-	-	-
(iv) Transfer between equity	-	-	-	-	-	-	-	-	-	-	-
1. Capital reserves transfer to paid-in capital	-	-	-	-	-	-	-	-	-	-	-
2. Surplus reserves transfer to paid-in capital	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserves used to cover accumulated deficits	-	-	-	-	-	-	-	-	-	-	-
4. Defined benefit plan transfer to retained earnings	-	-	-	-	-	-	-	-	-	-	-
5. Others	-	-	-	-	-	-	-	-	-	-	-
(v) Specific reserves	-	-	-	-	-	-	-	-	-	-	-
1. Withdrawal during the reporting period	-	-	-	-	-	-	-	-	-	-	-
2. Usage during the reporting period	-	-	-	-	-	-	-	-	-	-	-
(vi) Others	-	-	-	-	-	-	-	-	-	-	-
IV. Balance at 31 December 2019	3,300,000,000.00	-	-	-	8,872,494,257.63	-	-	-	192,987,651.88	1,310,508,130.56	13,675,990,040.07

Legal Representative:

Chief Financial Officer:

Finance Manager:



Shaoxing City Investment Group Limited**Notes to the Financial Statements**

For the year ended 31 December 2020

(All amounts are expressed in Chinese Yuan ("CNY") unless otherwise stated)

1. BASIC INFORMATION ABOUT THE COMPANY**1.1 Corporate Information**

Shaoxing City Investment Group Limited (hereinafter referred to as "the Company"), formerly known as Shaoxing City Investment Development Co., Ltd. was a company with limited liability who established in accordance with the Shaoxing Municipal People's Government Shaoxing (1999) No.131 document, and funded by the Shaoxing Municipal People's Government State-owned Assets Supervision and Administration Commission of Capital Contribution on November 25, 1999, and achieved No.330600000082488 business license issued by Shaoxing Administration for Industry and Commerce. The initial registered capital of the Company is CNY220 million. Shaoxing accounting firm has verified this initial registered capital and issued No.220 (1999) capital verification report.

In August 2003, according to the decision of the board of directors of the Company and the approval of Shaoxing Bureau of Finance, the Company increased its registered capital by CNY280 million, after the capital increase, the registered capital was changed to CNY500 million. Shaoxing Datong Certified Public Accountants Co., Ltd. has verified this capital increase and issued No.198 (2003) capital verification report.

In November 2009, according to the Shaoxing Construction Bureau Shaoshi Construction Letter (2009) No.93 document approval, the Company increased its registered capital by CNY143.382351 million, after the capital increase, the registered capital was changed to CNY643.382351 million. Shaoxing Datong Certified Public Accountants Co., Ltd. has verified this capital increase and issued No.042 (2009) capital verification report.

In December 2009, according to the Company shareholders' meeting decision, the modified articles of association, the Company applied for increasing the registered capital by CNY156.617649 million, after the capital increase, the registered capital was changed to CNY800 million, the paid-in capital is CNY779.911232 million. Shaoxing Datong Certified Public Accountants Co., Ltd. has verified this capital increase and issued No.124 (2009) capital verification report.

In July 2011, the capital increased of CNY12.06 million was in place, the registered capital was changed into CNY800 million, and the paid-in capital of was changed into CNY791.971232 million. Shaoxing Datong Certified Public Accountants Co., Ltd. has verified this capital increase and issued No.70 (2011) capital verification report.

In August 2011, the capital increase of CNY8.028768 million was in place, the registered capital was changed into CNY800 million, and the paid-in capital was CNY800 million. Shaoxing Datong Certified Public Accountants Co., Ltd. has verified this capital increase and issued No.78 (2011) capital verification report.

In February 2014, according to the Company shareholders' meeting decision, the modified articles of association, and the Shaoxing Municipal People's Government State-Owned Assets Supervision and Administration Commission (Shaoshi Guozi (2014) No.18) file approval, the Company applied for increasing the registered capital by CNY2.5 billion, after change, the registered capital was CNY3.3 billion, the paid-in capital was CNY3.3 billion. Shaoxing Datong Certified Public Accountants Co., Ltd. has verified this capital increase and issued No.012 (2014) capital verification report.

In September 2020, Shaoxing Municipal People's Government State-Owned Assets Supervision and Administration Commission decision will have the Company's 10% equity (corresponding to the registered capital of CNY330 million) gratuitously transferred to Zhejiang Finance Development Company, after the equity transfer, the Company's latest equity structure is as follows: Shaoxing Municipal People's Government State-Owned Assets Supervision and Administration Commission subscribed CNY2.97 million, accounting for 90% of the registered capital. Zhejiang Finance Development Company subscribed capital of CNY330 million, accounting for 10% of the registered capital.

Enterprise type: limited liability company (State-controlled)

Legal representative: Zhixiang Zhu

Scope of business: industrial investment; Urban infrastructure construction; Land comprehensive development; Road construction; Responsible for the construction of urban landscape and facade renovation; Bear the housing construction; Real estate development; Own rental housing; Design, production, distribution, all kinds of domestic advertising agency (the business scope contains no prohibited, restricted operation activities according to national laws and regulations).

The parent company of the Company is Shaoxing Municipal People's Government State-Owned Assets Supervision and Administration Commission.

The ultimate controlling owners is Shaoxing Municipal People's Government State-Owned Assets Supervision and Administration Commission.

The financial report is permitted to be issued on 30 April 2021 by the Company.

1.2 Scope of Consolidation

(a) Incorporated subsidiaries of the Company

As at 31 December 2020, subsidiaries of the Company are as follows:

Sequence Number	Name of Subsidiaries	Proportion of Ownership Interest (%)		Combination Period
		Direct	Indirect	
1	Shaoxing Second Ring Turn Move Investment Co., Ltd.	100.00		Year 2020
2	Shaoxing City Construction Co., Ltd.	100.00		Year 2020
3	Shaoxing Affordable Housing Construction Co., Ltd.	90.00	10.00	Year 2020
4	Shaoxing City Real Estate Development Co., Ltd.	100.00		Year 2020
5	Shaoxing Infrastructure Construction Investment Co., Ltd.	96.00	4.00	Year 2020
6	Shaoxing Public Buildings Facilities Management Co., Ltd.	100.00		Year 2020
7	Shaoxing Huafeng Property Co., Ltd.	67.00	33.00	Year 2020
8	Shaoxing City Plaza Management Co., Ltd.	90.00		Year 2020
9	Shaoxing Plaza Ad & Decoration Co., Ltd.	75.00	25.00	Year 2020
10	Shaoxing City Investment Advertising Co., Ltd.	100.00		From January to August 2020
11	Shaoxing City Investment Asset Operation Management Co., Ltd.	100.00		Year 2020
12	Shaoxing Smart City Group Co., Ltd.	96.00		Year 2020
13	Shaoxing City Investment (HK) Limited	100.00		Year 2020
14	Shaoxing Chengtou Real Estate Development Co., Ltd.	100.00		Year 2020
15	Shaoxing Science and Technology Industry Investment Co., Ltd.	100.00		Year 2020
16	Shaoxing Guangfeng Real Estate Development Co., Ltd.	100.00		Year 2020
17	Shaoxing Rail Transit Group Co., Ltd.	100.00		From January to August 2020
18	Shaoxing Flat Copper (Group) Co., Ltd.	100.00		Year 2020
19	Shaoxing Public Utilities Group Co., Ltd.	51.00		Year 2020
20	Shaoxing Baocheng Construction Co., Ltd.	49.00		Year 2020
21	Zhejiang Shuangcheng Electric Co., Ltd.	40.00		From 1 Dec to 31 Dec of 2020
22	Shaoxing Howson Construction Co., Ltd.		100.00	Year 2020
23	Shaoxing Yitong Property Service Co., Ltd.		60.00	Year 2020
24	Shaoxing Jinfeng Property Management Co., Ltd.		100.00	Year 2020
25	Shaoxing Chengtou Municipal Gardening Engineering Co., Ltd.		100.00	Year 2020
26	Shaoxing Shuixiang Park Management Co., Ltd.		60.00	Year 2020
27	Shaoxing Plaza Exhibition Center Co., Ltd.		100.00	Year 2020

Sequence Number	Name of Subsidiaries	Proportion of Ownership Interest (%)		Combination Period
		Direct	Indirect	
28	Shaoxing Chengtou Construction Industrialization Manufacturing Co., Ltd.		45.00	Year 2020
29	Shaoxing Chengtou Engineering Material Technology Co., Ltd.		57.00	Year 2020
30	Shaoxing Chengtou Renewable Resources Co., Ltd.		38.00	Year 2020
31	Shaoxing Metro Property Real Estate Co., Ltd.		100.00	From January to August 2020
32	Shaoxing Urban Rail Engineering Wastelands Engineering Transportation Co., Ltd.		40.00	From January to August 2020
33	Shaoxing Tongdu Mining Co., Ltd.		73.47	Year 2020
34	Shaoxing Yueyu Copper Strip Co., Ltd.		100.00	Year 2020
35	Shaoxing Tongdu Copper Material Co., Ltd.		100.00	Year 2020
36	Shaoxing Gas Industry Co., Ltd.		100.00	Year 2020
37	Shaoxing Natural Gas Investment Co., Ltd.		60.00	Year 2020
38	Shaoxing Green Energy Environment Construction Co., Ltd.		100.00	Year 2020
39	Shaoxing Xinyuan City Gas Pipe Network Development Co., Ltd.		100.00	Year 2020
40	Shaoxing Zhongneng Oil and Gas Development Co., Ltd.		50.00	Year 2020
41	Shaoxing Fucheng Gas Co., Ltd.		100.00	Year 2020
42	Shaoxing Keqiao China Light Weaving Mall Pipeline Gas Co., Ltd.		70.00	Year 2020
43	Shaoxing Water Institute for Environmental Science Co., Ltd.		100.00	Year 2020
44	Shaoxing Tashan Culture Square Co., Ltd.		100.00	Year 2020
45	Shaoxing International Logistics Center Co., Ltd.		100.00	Year 2020
46	Shaoxing Water Industry Co., Ltd.		100.00	Year 2020
47	Shaoxing Water Manufacturing Co., Ltd.		54.26	Year 2020
48	Shaoxing Shuilian Environment Service Co., Ltd.		100.00	Year 2020
49	Shaoxing Drainage Management Co., Ltd.		100.00	Year 2020
50	Shaoxing Tangpu Reservoir Co., Ltd.		41.00	Year 2020
51	Shaoxing Riverway Comprehensive Regulation Investment Development Co., Ltd.		100.00	Year 2020
52	Shaoxing Binhai Newcity Water Co., Ltd.		60.00	Year 2020
53	Shaoxing Shuilian Supply and Drainage Water Service Co., Ltd.		75.00	Year 2020

Sequence Number	Name of Subsidiaries	Proportion of Ownership Interest (%)		Combination Period
		Direct	Indirect	
54	Zhejiang Shuilian Environmental Technology Group Co., Ltd.		51.00	Year 2020
55	Zhejiang Lianshui Water Treatment Equipment Co., Ltd.		51.00	Year 2020
56	Shaoxing Shuilian Pipe Industry Co., Ltd.		51.00	Year 2020
57	Shaoxing Information Pipe Network Co., Ltd.		47.06	Year 2020
58	Zhuji Information Pipe Network Co., Ltd.		52.00	Year 2020
59	Shaoxing Public Engineering Construction Co., Ltd.		100.00	Year 2020
60	Shaoxing Shuilian Water Supply and Drainage Design Consulting Co., Ltd.		100.00	Year 2020
61	Shaoxing Qingyuan Investment Co., Ltd.		60.00	Year 2020
62	Shaoxing Qingneng Environmental Protection Co., Ltd.		60.00	Year 2020
63	Shaoxing Environment Industry Co., Ltd.		51.00	Year 2020
64	Shaoxing Renewable Energy Development Co., Ltd.		51.00	Year 2020
65	Shaoxing Environmental Sanitation Qingyun Co., Ltd.		51.00	Year 2020
66	Shaoxing Zhongpian Construction and Engineering Co., Ltd.		51.00	From March to December 2020
67	Shaoxing Public New Energy Industry Co., Ltd.		100.00	Year 2020
68	Shaoxing Baocheng Construction Industrialization Manufacturing Co., Ltd.		100.00	Year 2020
69	Shaoxing Urban Construction Municipal Construction Co., Ltd.		100.00	Year 2020
70	Shaoxing Ecological Environment Construction Co., Ltd.		100.00	From January to May 2020
71	Zhejiang Zhongxia New Building Materials Co., Ltd.		49.00	From January to July 2020

For details of the subsidiaries mentioned above, please refer to *Note 7 INTEREST IN OTHER ENTITIES*

(b) Change of the scope of consolidation

The newly incorporated subsidiaries during the reporting period are as follows:

Sequence Number	Name of Subsidiaries	Reporting period	Reason of incorporation
1	Shaoxing Zhongpian Construction and Engineering Co., Ltd.	From March to December 2020	Business Combination not Under Common control

Sequence Number	Name of Subsidiaries	Reporting period	Reason of incorporation
2	Zhejiang Shuangcheng Electric Co., Ltd.	From 1 Dec to 31 Dec of 2020	The concerted action agreement signed by The Company with another big shareholders Shaoxing Jianyuan Electric Power Group Co., Ltd. which owns 40% equity of Zhejiang Shuangcheng Electric Co., Ltd., according to the agreement, both parties shall take concerted action at the shareholders' meeting. If they have different opinions, they shall vote according to the intention of the Company. The Company can actually control Zhejiang Shuangcheng Electric Co., Ltd., so it shall be included in the scope of consolidation.

The subsidiaries reduced during the reporting period are as follows:

Sequence Number	Name of Subsidiaries	Reporting period	Reason of Reduction
1	Shaoxing Ecological Environment Construction Co., Ltd.	From January to May 2020	The company has cancelled in May 2020.
2	Zhejiang Zhongxia New Building Materials Co., Ltd.	From January to July 2020	In July 2020, the equity auctioned to Shaoxing Industry Development Group Co., Ltd.
3	Shaoxing Rail Transit Group Co., Ltd.	From January to August 2020	In August 2020, the equity transferred to the Shaoxing Municipal People's Government State-Owned Assets Supervision and Administration Commission
4	Shaoxing Metro Property Real Estate Co., Ltd.	From January to August 2020	
5	Shaoxing Urban Rail Engineering Wastelands Engineering Transportation Co., Ltd.	From January to August 2020	
6	Shaoxing Jinfeng Property Management Co., Ltd.	From January to December 2020	In December 2020, Shaoxing Jinfeng Property Management Co., Ltd. was absorbed and merged by Shaoxing Public Buildings Facilities Management Co., Ltd. and then cancelled.
7	Shaoxing City Investment Advertising Co., Ltd.	From January to August 2020	In August 2020, Shaoxing City Investment Advertising Co., Ltd. was absorbed and merged by Shaoxing City Investment Asset Operation Management Co., Ltd. and then cancelled.

For the detail of the change of consolidation scope, please refer to *Note 6 CHANGES IN THE SCOPE OF CONSOLIDATION*.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Basis of Preparation

Based on going concern, according to actually occurred transactions and events, the Company prepares its financial statements in accordance with the *Accounting Standards for Business Enterprises – Basic Standards* and concrete accounting standards, *Accounting Standards for Business Enterprises – Application Guidelines*, *Accounting Standards for Business Enterprises – Interpretations* and other relevant provisions (collectively known as "*Accounting Standards for Business Enterprises*, issued by Ministry of Finance of PRC").

2.2 Going Concern

The Company has evaluated its capacity to continually operate in the next twelve months from the end of the reporting period, and no any matters that may result in doubt on its ability as a going concern were noted. Therefore, it is reasonable for the Company to prepare financial statements on the going concern basis.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The following important accounting policies and accounting estimates of the Company are formulated in accordance with the Accounting Standards for Business Enterprises. Business not mentioned are executed according to the relevant accounting policies in the Accounting Standards for Business Enterprises.

3.1 Statement of Compliance with the Accounting Standards for Business Enterprises

The financial statements prepared by the Company meet the requirements of the Accounting Standards for Business Enterprises and truly and completely reflect the Company's financial position as at 31 December 2020, and its operating results, cash flows and other related information for the year then ended.

3.2 Accounting Period

The accounting year of the Company is from January 1 to December 31 in calendar year. The accounting period of the financial information of the Company's financial statements is from 1 January 2020 to 31 December 2020.

3.3 Operating Cycle

The normal operating cycle of the Company is twelve months.

3.4 Functional Currency

The Company takes Chinese Yuan ("CNY") as the functional currency.

3.5 Accounting Treatment of Business Combinations under and not under Common Control

(a) Business combinations under common control

The assets and liabilities that the Company obtains in a business combination under common control shall be measured at their carrying amount of the acquired entity in the ultimate controller's consolidated financial statements at the combination date. If

the accounting policy adopted by the acquired entity is different from that adopted by the acquiring entity, the acquiring entity shall, according to accounting policy it adopts, adjust the relevant items in the financial statements of the acquired party based on the principal of materiality. As for the difference between the carrying amount of the net assets obtained by the acquiring entity and the carrying amount of the consideration paid by it, the capital reserve shall be adjusted. If the capital reserve is not sufficient to be offset, the surplus reserve and retained earnings shall be adjusted in turn.

(b) Business combinations not under common control

The assets and liabilities that the Company obtains in a business combination not under common control shall be measured at their fair value at the acquisition date. If the accounting policy adopted by the acquired entity is different from that adopted by the acquiring entity, the acquiring entity shall, according to accounting policy it adopts, adjust the relevant items in the financial statements of the acquired entity based on the principal of materiality. The acquiring entity shall recognize the positive balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquired entity as goodwill. The acquiring entity shall, pursuant to the following provisions, treat the negative balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquired entity:

- (i) It shall reexamine the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities it obtains from the acquired entity as well as the combination costs;
- (ii) If, after the reexamination, the combination costs are still less than the fair value of the identifiable net assets it obtains from the acquired entity, the balance shall be recognized in profit or loss of the reporting period.

3.6 Method of Preparing the Consolidated Financial Statements

(a) Scope of consolidation

The scope of consolidated financial statements shall be determined on the basis of control. It not only includes subsidiaries determined based on voting power (or similar) or other arrangement, but also structured entities under one or several contract arrangements.

Control exists when the Company has all the following: power over the investee; exposure, or rights to variable returns from the Company's involvement with the investee; and the ability to use the Company's power over the investee to affect the amount of the investor's returns. Subsidiaries are the entities that the Company has the power to govern (including enterprise, a divisible part of the investee, and structured entity controlled by the enterprise). A structured entity (sometimes called a Special Purpose Entity) is an entity designed not determining its controlling party based on the voting power (or similar).

(b) Method of preparing the consolidated financial statements

The consolidated financial statements shall be prepared by the Company based on the financial statements of the Company and its subsidiaries, and using other related information.

When preparing consolidated financial statements, the Company shall consider the entire group as an accounting entity, adopt uniform accounting policies and apply the requirements of Accounting Standard for Business Enterprises related to recognition, measurement and presentation. The consolidated financial statements shall reflect the overall financial position, operating results and cash flows of the group.

- (i) Combine items of assets, liabilities, owner's equity, income, expenses and cash flows of the Company with those of the Company's subsidiaries.
- (ii) Offset the carrying amount of the Company's long-term equity investment in the subsidiaries and the Company's share of owner's equity of the subsidiaries.
- (iii) Eliminate the impact of intragroup transactions between the Company and the subsidiaries or between subsidiaries, and when intragroup transactions indicate an impairment of related assets, the losses shall be recognized in full.
- (iv) Make adjustments to special transactions from the perspective of the group.

(c) Method of preparation of the consolidated financial statements when subsidiaries are acquired or disposed in the reporting period

- (i) Addition of subsidiaries or business

Addition of subsidiaries or business through business combination under common control

When preparing consolidated statements of financial position, the opening balance of the consolidated balance sheet shall be adjusted. Related items of comparative financial statements shall be adjusted as well, deeming that the combined entity has always existed ever since the ultimate controlling party began to control.

Incomes, expenses and profits of the subsidiary incurred from the beginning of the reporting period to the end of the reporting period shall be included into the consolidated statement of profit or loss and other comprehensive income. Related items of comparative financial statements shall be adjusted as well, deeming that the combined entity has always existed ever since the ultimate controlling party began to control.

Cash flows from the beginning of the reporting period to the end of the reporting period shall be included into the consolidated statement of cash flows. Related items of comparative financial statements shall be adjusted as well, deeming that the combined entity has always existed ever since the ultimate controlling party began to control.

Addition of subsidiaries or business through business combination not under common control

When preparing the consolidated statements of financial position, the opening balance

of the consolidated statements of financial position shall not be adjusted.

Incomes, expenses and profits of the subsidiary incurred from the acquisition date to the end of the reporting period shall be included into the consolidated statement of profit or loss and other comprehensive income.

Cash flows from the acquisition date to the end of the reporting period shall be included into the consolidated statement of cash flows.

(ii) Disposal of subsidiaries or business

When preparing the consolidated statements of financial position, the opening balance of the consolidated statements of financial position shall not be adjusted.

Incomes, expenses and profits incurred from the beginning of the subsidiary to the disposal date shall be included into the consolidated statement of profit or loss and other comprehensive income.

Cash flows from the beginning of the subsidiary to the disposal date shall be included into the consolidated statement of cash flows.

(d) Special consideration in consolidation elimination

- (i) Long-term equity investment held by the subsidiaries to the Company shall be recognized as treasury stock of the Company, which is offset with the owner's equity, represented as "treasury stock" under owner's equity in the statement of financial position.

Investment held by subsidiaries between each other is accounted for taking long-term equity investment held by the Company to its subsidiaries as reference. That is, the long-term equity investment is eliminated with the share of the corresponding subsidiary's equity.

- (ii) Due to not belonging to paid-in capital and capital reserve, and being different from retained earnings and undistributed profit, "Specific reserve" and "General risk provision" shall be recovered at the share of the parent after long-term equity investment to the subsidiaries is eliminated with the subsidiaries' equity.
- (iii) If temporary difference between the book value of the assets and liabilities in the consolidated statement of financial position and their tax basis is generated as a result of unrealized intra-group transaction profit or loss elimination, deferred tax assets or deferred tax liabilities shall be recognized, and adjusting income expense simultaneously, excluding deferred taxes related to transactions or events recognized in owner's equity or business combination.
- (iv) Unrealized intra-group transactions profit or loss generated from the Company selling assets to its subsidiaries shall be eliminated with "net profit attributed to the owners of the parent company" in full. Unrealized intra-group transactions profit or loss generated from the subsidiaries selling assets to the Company shall be eliminated with "net profit attributed to the owners of the parent company" and "non-controlling interests" pursuant to the proportion that the related subsidiaries

distribute to the Company. Unrealized intra-group transactions profit or loss generated from the assets sales between the subsidiaries shall be eliminated with "net profit attributed to the owners of the parent company" and "non-controlling interests" pursuant to the proportion that the selling subsidiaries distribute to the Company.

- (v) If loss attributed to the minority shareholders of a subsidiary in current period is more than the minority shareholders' share of this subsidiary's owner's equity at the beginning of the period, non-controlling interest is still be written down.

(e) Accounting for Special Transactions

(i) Purchasing of non-controlling interests

Where, the Company purchases non-controlling interests of its subsidiary, in the individual financial statements of the Company, the cost of the long-term equity investment obtained in purchasing non-controlling interests is measured at the fair value of the consideration transferred. In the consolidated financial statements, difference between the cost of the long-term equity investment newly obtained in purchasing non-controlling interests and share of the subsidiary's net assets from the purchasing date or combination date continuingly calculated pursuant to the newly acquired shareholding proportion shall be adjusted in capital reserve (capital premium or share premium). If capital reserve is not enough to be offset, surplus reserve and undistributed profit shall be offset in turn.

(ii) Gaining control over the subsidiary in steps through multiple transactions

Business combination under common control in stages through multiple transactions

The Company treats the transactions as one single transaction of gaining control over the subsidiary if the transactions should be classified as "a package deal". In individual financial statements, equity investment is always recognized as long-term equity investment in each transaction prior of the combination date, and the initial cost of the investment is determined according to the share of book value of the acquiree's net assets in the ultimate controlling entity's consolidated financial statements calculated at the corresponding shareholding ratio. The difference between the initial cost of the long-term equity investment and the consideration paid is adjusted in capital reserve (capital premium or share premium). If the capital reserve is not enough to be offset, surplus reserve and undistributed profit shall be offset in turn. Long-term equity investment is subsequently measured at cost, whereas no consolidated financial statements are prepared. At the combination date, initial cost of the long-term equity investment is determined according to the share of book value of the acquiree's net assets in the ultimate controlling entity's consolidated financial statements calculated at the accumulated shareholding ratio. The difference between the initial cost of the long-term equity investment and the carrying amount of the long-term equity investment prior of control is gained plus book value of additional consideration transferred at consolidation date is adjusted in capital reserve (capital

premium or share premium). If the capital reserve is not enough to be offset, surplus reserve and undistributed profit shall be offset in turn. Simultaneously, consolidated financial statements should be prepared at consolidation date, and the Company shall adjust the consolidated financial statements, as if the entities involved in the combination have existed in the current status since the ultimate controlling entity began to control.

If one or more of the following situations exist in trade terms, conditions and economic effect, the multiple transactions are usually accounted for as a package deal:

- These transactions are made at the same time or under the condition of considering the influence of each other.
- These transactions as a whole can achieve a complete business result.
- The occurrence of one transaction depends on occurrence of at least other transaction.
- One transaction is not economic when considered separately, but economic when considered together with other transactions.

If the transactions cannot be classified as "a package deal", a financial asset (financial asset at fair value through profit or loss or available for sale financial assets) or a long-term equity investment on equity method is recognized for each transaction prior of combination date at the fair value of the consideration transferred. At the consolidation date, in individual financial statements of the Company, the initial cost of the investment is determined according to the share of book value of the acquiree's net assets in the ultimate controlling entity's consolidated financial statements calculated at the corresponding share of equity interest. The difference between the initial cost of the long-term equity investment and the carrying amount of the long-term equity investment prior of control is gained plus book value of additional consideration paid at consolidation date is adjusted in capital reserve (capital premium or share premium). If the capital reserve is not enough to be offset, surplus reserve and undistributed profit shall be offset in turn.

The Company shall adjust its consolidated financial statements, as if the entities involved in the combination have existed in the current status since the ultimate controlling entity began to control. When preparing the consolidated financial statements, with the time limit of not earlier than when the acquiring entity and acquired entity were under the control of the ultimate controlling entity, the assets and liabilities of the combined entities are consolidated in the comparative financial statements of the combining entity's consolidated financial statements, and the net assets added in the combination are adjusted in the related items of the owner's equity of the comparative financial statements. If the retained earnings of the combined entity attributable to the combining entity prior of the combination date cannot be recovered completely due to that the capital reserve(capital premium or share premium) is not enough, the Company disclose this situation in the note to the

financial statements, including the amount of retained earnings of the combined entity prior of the consolidation date, the amount attributable to the Company, and the amount of retained earnings not recovered in the consolidated statement of financial position.

If the acquiring entity holds equity investment in the acquired entity prior of the combination date and the equity investment is accounted for on equity method, related profit or loss, other comprehensive income and other equity movement which have been recognized during the period from the later of the date of the Company obtaining original equity interest and both the acquirer and the acquiree being common controlled by the same ultimate controlling entity to combination date should be offset with the retained earnings at the beginning of the period of the comparative financial statements.

Business combination not under common control in stages through multiple transactions

The Company treats the transactions as one single transaction of gaining control over the subsidiary if the transactions should be classified as "a package deal". In individual financial statements, equity investment is always recognized as long-term equity investment in each transaction prior of the combination date, and the initial cost of the investment is determined according to the fair value of the consideration paid. Long-term equity investment is subsequently measured at cost, whereas no consolidated financial statements are prepared. At the combination date, in individual financial statements, initial cost of the long-term equity investment is determined according to the carrying amount of the original long-term equity investment plus newly added cost of the investment (fair value of the consideration paid in order to obtain additional share). In the consolidated financial statements, preliminary investment cost is eliminated with the share of the fair value of the subsidiary's identifiable net assets. The difference is recognized as goodwill or profit or loss of the reporting period.

If the transactions cannot be classified as "a package deal", a financial asset (financial asset at fair value through profit or loss or available for sale financial assets) or a long-term equity investment on equity method is recognized for each transaction prior of combination date at the fair value of the consideration paid. At the consolidation date, in the separate financial statements of the Company, the initial cost of the equity investment which is accounted for on cost method is measured at the carrying amount of the original long-term equity investment (financial assets or long-term equity investment on equity method) plus newly added cost of the investment. In the consolidated financial statements, the share of the acquired entity's equity held prior of the acquisition date shall be re-measured at its fair value at the acquisition date. Difference between the fair value of the equity share and its book value is recognized as investment income. If other comprehensive income was recognized concerning the equity interest held prior of the acquisition date, the other comprehensive income

should be transferred to investment income of reporting period which the acquisition belongs to, excluding other comprehensive income recognized due to the movement of net assets or net liabilities under the circumstances of beneficiary plan being re-defined. The Company shall disclose in the note the fair value at the acquisition date of the equity interest held by it prior of the acquisition date, and the amount of related gains or losses due to re-measurement at fair value.

(iii) Disposing investment in subsidiaries without losing control

For partial disposal of the long-term equity investment in the subsidiaries without control, when the Company prepares consolidated financial statements, difference between consideration received for the disposal and the corresponding subsidiary's net assets continuingly calculated from the acquisition date or combination date shall be adjusted in capital reserve (capital premium or share premium). If the balance of capital reserve is not enough, retained earnings shall be adjusted.

(iv) Disposing investment in subsidiaries with controlling right lost

Disposal through one transaction

For partial disposal of the long-term equity investment in the subsidiaries with controlling right lost, when the Company prepares consolidated financial statements, the remaining equity interest shall be re-measured at its fair value at the date when the controlling right is lost. Consideration received for disposal of the equity interest, plus the fair value of the remaining equity interest, minus share of the former subsidiary's net assets continuingly calculated from the acquisition date or combination date, shall be recognized in investment income of the period when the controlling right is lost, and the goodwill is written off as well (if the original business combination was not under common control and goodwill exists). Other comprehensive income related to the original investment is recognized as investment income of the reporting period.

Moreover, other comprehensive income and other equity movement related to the equity investment in the original subsidiary shall be transferred to investment income of the consolidation date, excluding other comprehensive income recognized due to the movement of net assets or net liabilities under the circumstances of beneficiary plan being re-defined.

Disposal in steps

In business combination, first of all, disposal in stages should be assessed whether they should be classified as "a package deal".

If the disposal in steps should not be classified as "a package deal", transactions prior of the date when controlling right is lost should be accounted for according to related policy in "Disposing investment in subsidiaries without control".

If the disposal in steps should be classified as "a package deal", these transactions should be considered as a single transaction and accounted for according to related policy in "Disposing investment in subsidiaries with controlling right lost". Among them, for transactions prior of the date when controlling right is lost, difference

between consideration received and share of corresponding subsidiary's net assets is recognized as other comprehensive income in the consolidated financial statements, which as a whole, is recognized as profit or loss when the controlling right is lost.

If the terms, conditions and economic impact of various transactions meet one or more of the following conditions, multiple transactions are usually recognized as "a package deal":

- These transactions are signed at the same time or taking into account the mutual influence.
 - Only these transactions as a whole can achieve a complete commercial result.
 - One transaction occurred depends on the occurrence of at least one other transaction.
 - One transaction is not economical when considered alone, but it is economical when considered together with other transactions.
- (v) Diluting equity share of parent company in its subsidiaries due to additional capital injection by the subsidiaries' minority shareholders.

Other shareholders (minority shareholders) of the subsidiaries inject additional capital in the subsidiaries, which resulted in the dilution of equity interest of parent company in these subsidiaries. In the consolidated financial statements, difference between share of the corresponding subsidiaries' net assets calculated based on the parent's equity interest before and after the capital injection shall be adjusted in capital reserve (capital premium and share premium). If the balance of capital reserve is not enough, retained earnings should be adjusted.

3.7 Classification of Joint Arrangements and Accounting for Joint Operation

A joint arrangement is an arrangement of which two or more parties have joint control. A joint arrangement of the Company is classified as either a joint operation or a joint venture.

(a) Joint operation

A joint operation is a joint arrangement whereby the parties have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Company shall recognize the following items in relation to its interest in a joint operation, and account for them in accordance with relevant accounting standards:

- (i) Its assets, including its share of any jointly held assets;
- (ii) Its liabilities, including its share of any jointly incurred liabilities;
- (iii) Its revenue from the sale of its share of the output arising from the joint operation;
- (iv) Its share of the revenue from the sale of the output by the joint operation; and
- (v) Its expenses, including its share of any expenses incurred jointly.

(b) Joint venture

A joint venture is a joint arrangement whereby the parties have joint control of the arrangement have rights to the net assets of the arrangement.

The Company accounts for its investment in the joint venture by using the equity method.

3.8 Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits with banks and other financial institutions. Cash equivalents include short-term (generally within three months of maturity at acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

3.9 Foreign Currency Transactions and Foreign Currency Financial Statements Translation**(a) Selection of foreign exchange rate when foreign currency transactions occur**

Foreign currency transactions are converted into reporting currency at spot exchange rates prevailing on the day when the transactions occur or other approximate exchange rate.

(b) Translation of foreign currency monetary items on the balance sheet date

On the balance sheet date, foreign currency monetary items shall be converted at the spot rates prevailing on the balance sheet date. Foreign exchange difference resulted from the difference of the spot rates prevailing on the balance sheet date and the spot rates prevailing on the day when the transactions occur or the sport rate prevailing on the last balance sheet date is recognized as profit or loss of the reporting period.

(c) Foreign currency financial statements translation

Before translating the financial statements of foreign entities, the accounting period and accounting policy shall be adjusted so as to conform to that of the Company. The adjusted foreign entities' financial statements shall be converted in accordance with the following method:

- (i) The asset and liability items in the statement of financial position shall be converted at the spot exchange rates prevailing on the balance sheet date. The owners' equity items except retained earnings shall be converted at the spot exchange rates on the occurrence date.
- (ii) The income and expense items in the statement of profit and other comprehensive income shall be converted at the spot exchange rates on the occurrence date or other approximate exchange rate.
- (iii) The differences arising from the conversion of financial statements denominated in foreign currency in compliance with the aforesaid principle shall be presented separately as "other comprehensive income" under the owners' equity of the consolidated statement of financial position.

- (iv) Foreign currency cash flows and foreign entity's statement of cash flows shall be converted at the spot exchange rate on the occurrence date or other approximate exchange rate. Effect on cash due to exchange rate fluctuation shall be presented separately in the statement of cash flows as an adjustment item.

3.10 Financial Instruments

(a) Classification of financial assets

(i) Financial assets at fair value through profit or loss

This category comprises financial assets defined as held for trading, or those designated as at fair value through profit or loss. The former mainly includes shares, bonds, funds, and derivative financial instruments investment that are not designated effective hedging instruments that are acquired principally for the purpose of sale in the near future. Such financial assets are initially recognized at fair values when acquired. Relevant transaction expenses are included in the current profit or loss. Cash dividends that have been declared but not distributed and bond interests that have matured but not been drawn included in the consideration paid are recognized as receivables separately. The interests or cash dividends to be received during the holding period are recognized as investment income. On the balance sheet date, this category of financial assets is measured at fair value, and change in fair values is included in the current profit or loss. Difference between the fair value and initial measurement amount is recognized as investment income upon disposal; meanwhile, gains or losses from changes in fair values are written-off.

(ii) Held-to-maturity investments

This category of financial assets comprises non-derivative financial assets with fixed or determinable payments and fixed maturity, other than loans and receivables, for which there is a positive intention and ability to hold to maturity. Held-to-maturity investments are initially measured at fair values plus the related transaction costs when acquired. Bond interests that have matured but not been drawn included in the consideration paid is recognized as a receivable separately. The interest income calculated at amortization cost and effective interest rate during the holding period is recognized as investment income. The difference between the amount received and the book value of the investment is included in the investment profit or loss upon disposal.

(iii) Receivables

Receivables include accounts receivable, other receivables, notes receivable and prepayments, etc. Receivables arise from external sales of goods or rendering of service by the Company. They are recognized initially at the contract price or agreement price receivable from the purchasing party.

(iv) Available-for-sale financial assets

This category of financial assets comprises those financial assets that cannot be classified as financial assets at fair value through profit or loss, held-to-maturity

financial assets, loans and receivables. Available-for-sale financial assets are initially recognized at fair values plus the related transaction costs when acquired. Cash dividends that have been declared but not distributed and bond interests that have matured but not been drawn included in the consideration paid are recognized as receivables separately. The interests or cash dividends to be received during the holding period are recognized as investment income.

If the available-for-sale financial assets are foreign currency monetary financial assets, the exchange gains and losses arising therefrom shall be included in the profits and losses of the current period. Interest on available-for-sale debt instrument investments calculated using the actual interest rate method is included in profit or loss for the current period. The cash dividends of available-for-sale equity instrument investments are included in the current profit or loss when the investee declares the distribution of dividends. It is measured at fair value at the end of the period and change in fair value is included in other comprehensive income at the end of the period. The difference between the amount received and the book value of the financial asset is included in the investment profit or loss upon disposal. Meanwhile, the corresponding accumulated change in fair value recognized in other comprehensive income is transferred into investment income.

(b) Classification of financial liabilities

(i) Financial liabilities at fair value through profit or loss

This category of financial liabilities comprises financial liabilities that are defined as held for trading, or those that are designated as at fair value through profit or loss. This category of financial liabilities is initially measured at fair value. Relevant transaction costs are included in the current profit or loss. On the balance sheet date, change in fair values is included in the current profit or loss.

(ii) Other financial liabilities

Other financial liabilities are those financial liabilities excluding financial liabilities at fair value through profit or loss.

(c) Reclassification of financial assets

An investment will be reclassified as available-for-sale if, as a result of a change in intention or ability, it fails to meet the requirements for classification as held-to-maturity. After the reclassification, it will be subsequently measured at fair value. If the held-to maturity investment is partially disposed, or a large part of it has been reclassified, and not included in the exceptions illustrated in provision 16 of "Enterprise and business accounting standards No.22-Recognition and measurement of financial instruments", as a result of which, the remaining of the investment fails to meet the requirements for classification as held-to-maturity, any remaining held-to-maturity investments should also be reclassified as available-for-sale, and subsequently measured at fair value. However, it is prohibited that the above available-for-sale is reclassified back to held-to-maturity within current fiscal year

and the following two fiscal years.

On the date of reclassification, difference between carrying value of the investment and its fair value is recorded in other comprehensive income, which shall be transferred out and recognized as profit or loss upon incurrence of impairment or de-recognition of the investment.

(d) Classification of financial liabilities and equity instruments

Except for special situation, financial liabilities and equity instrument should be classified in accordance with the following principles:

- (i) If the Company has no unconditional right to avoid delivering cash or another financial instrument to fulfill a contractual obligation, this contractual obligation meets the definition of financial liabilities. Some financial instruments do not comprise terms and conditions related to obligations of delivering cash or another financial instrument explicitly, they may include contractual obligation indirectly through other terms and conditions.
- (ii) If a financial instrument must or may be settled in the entity's own equity instruments, it should be considered that the entity's own equity instruments are alternatives of cash or another financial instrument, or to entitle the holder of the equity instruments to sharing the remaining rights over the net assets of the issuer. If the former is the case, the instrument is a liability of the issuer, otherwise, it is an equity instrument of the issuer. Under some circumstances, it is regulated in the contract that the financial instrument must or may be settled in the entity's own equity instruments, where, amount of contractual rights and obligations are calculated by multiplying the number of the equity instruments to be available or delivered by its fair value upon settlement. Such contracts shall be classified as financial liabilities, regardless that the amount of contractual rights and liabilities is fixed, or fluctuate totally or partially with variables other than market price (such as interest rate, the price of a commodity, or the price of a financial instrument) of the entity's own equity instruments.

(e) Transfer of financial assets

Transfer of financial assets include below situations:

- The contractual rights to receive cash flows from the financial asset are transferred to another entity; or
- The financial assets are totally or partially transferred to another entity, while the rights to receive cash flows from the asset or obligations to pay the received cash flows to one or several payees are retained.

(i) Derecognition of transferred financial assets

The financial assets should be derecognized if the Company has transferred substantially all the risks and rewards of the asset, or the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When judging whether control of the asset has been transferred or not, the Company shall lay emphasis on the transferee's substantial capability to sell the financial asset. If the transferee itself can sell the financial asset as a whole to a third party that has no any relationship with it, without any restrictions on this sale through supplemental terms, it is shown that the control of the asset has been given up.

The principle of substance over form is adopted to determine whether the transfer of a financial asset satisfies the criteria described above for derecognition of a financial asset.

If the entire transfer of financial asset satisfies the criteria for derecognition, the difference between the amounts of the following two items shall be included in the current profit or loss:

- The book value of the transferred financial asset;
- The sum of the consideration received from the transfer and the accumulated amount of the changes in fair value originally and directly included in owners' equity (where the financial asset transferred is an available-for-sale financial asset).

If the partial transfer of financial asset satisfies the criteria for derecognition, the entire book value of the transferred financial asset shall be split into the derecognized and recognized part according to their respective fair value and the difference between the amounts of the following two items shall be included in the current profit or loss:

- The book value of derecognized part;
- The sum of the consideration for the derecognized part and the portion of derecognition corresponding to the accumulated amount of the changes in fair value originally and directly included in owners' equity (where the financial asset transferred is an available-for-sale financial asset).

(ii) Continue to involve in the transferred financial assets

Where neither transfer nor retention of substantially all risks and rewards of ownership of a financial asset and control of the financial asset has not been abandoned, the relevant financial asset shall be recognized in accordance with the degree of its continuous involvement in the transferred financial asset, and the relevant liability shall be recognized accordingly.

The degree of continuous involvement in the transferred financial assets refers to the level of risk that the Company faces when the value of the financial assets' changes.

Continue to confirm the transferred financial assets

If the ownership of the transferred financial asset still retains almost all the risks and rewards, the entire transferred financial asset shall continue to be recognized, and the consideration received will be recognized a financial liability.

The financial assets and the related financial liabilities recognized cannot offset each other. In the subsequent accounting period, the Company should continue to confirm

the income generated by the financial assets and the expenses incurred by the financial liabilities. Where the transferred financial assets are measured at amortized cost, the related liabilities recognized shall not be designated as financial liabilities at fair value through profit or loss.

(f) Derecognition of financial liability

A financial liability shall be totally or partly derecognized if its present obligations are totally or partly dissolved.

If the assets to be used to settle a financial liability is transferred to another institute or establish a trust, where the present obligations still exist, either the financial liability or the assets transferred shall not be derecognized. Where the Company enters into an agreement with a creditor so as to substitute the existing financial liabilities with any new financial liability, and the new financial liability is substantially different from the contractual stipulations regarding the existing financial liability, it shall derecognize the existing financial liability, and shall at the same time recognize a new financial liability.

Where substantial revisions are made to some or all of the contractual stipulations of the existing financial liability, the Company shall derecognize the existing financial liability totally or partly, and at the same time recognize the financial liability with revised contractual stipulations as a new financial liability.

Upon total or partial derecognition of financial liabilities, the difference between the book value of the financial liabilities derecognized and the consideration paid (including non-cash assets surrendered or new financial liabilities assumed) shall be included in the current profit or loss.

(g) Offsetting financial assets and liabilities

Financial assets and liabilities shall be presented separately in the statement of financial position and shall not be offset. However, they shall be presented on a net basis after offset if the following criteria are both satisfied.

- (i) The Company has a legal right to offset the recognized amounts, and the right is executable at present; and
- (ii) The Company has an intention to settle on a net basis or liquidate the asset and settle the liability simultaneously.

Asset transfer that does not satisfy the criteria for derecognition of this asset, the transferor shall not offset the asset and the liability.

(h) Impairment testing and impairment provision of financial assets

- (i) Objective evidence for the impairment of the financial assets
 - The issuer or debtor encounters serious financial difficulties;
 - The debtor violates the terms of contract, for example, it cannot repay the interest or the principal of the loan on schedule;
 - The creditor makes concessions to the debtor in financial difficulties from the

respect of economy or law;

- The creditor is possible to bankrupt or execute other financial restructuring;
- The financial asset is no longer traded in the active market since the issuer encounters significant financial difficulties;
- It is unrecognizable whether cash flows from an asset in one group of financial assets has decreased, however, it is identifiable that the estimated future cash flows of the group of financial assets has decreased and measurable since they are initially recognized through overall assessment on them on the basis of public data;
- The debtor's technological, market, economic or legal environment encounters significant unfavorable change, as a result of which investment cost may not be recovered;
- A serious or prolonged Decline in the fair value of equity instrument; and
- Other objective evidence that indicates impairment of financial assets.

(ii) Impairment provision of the financial assets (excluding receivables)

Impairment provision of held-to-maturity investments

When a held-to maturity investment is impaired, the carrying amount of the held-to maturity investment shall be written down to the present value of its expected future cash flows (excluding future credit loss that have not occurred), the amount written down shall be recognized as impairment loss in current profit or loss.

The present value of the estimated future cash flows is determined by discounting at the original effective rate of the held-to-maturity investment, considering the value of related guaranty (deducting expense incurred for obtaining or selling this guaranty). The original effective rate is the effective rate calculated when the held-to-maturity investment is initially recognized. For held-to-maturity investments with floating interest rates, the current effective interest rate as stipulated in the contract may be used as the discount rate in calculating the present value of future cash flows.

Even if the terms of the contract are renegotiated or modified due to financial difficulties of the debtor or the issuer of financial assets, the impairment loss is still calculated using the original effective interest rate of the financial asset calculated before the revision of the terms.

If, in a subsequent period, the carrying amount of held-to-maturity investment increases and the increase can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment losses are reversed, included in current profit or loss.

Impairment provision of available-for-sale financial assets

On the balance sheet date, the Company analyzes the impairment of available-for-sale financial assets to determine whether the fair value of the financial assets continues to decline. Normally, if the fall-off of the fair value of available-for-sale financial assets

with respect to costs has reached or exceeded 50%, or the continuous decline has reached or exceeded 12 months, after considering various relevant factors in a comprehensive manner, it is expected that the decline trend is non-temporary and it can be determined that the available-for-sale financial assets have been impaired and the impairment loss has been recognized. If the available-for-sale financial assets are impaired, when recognizing impairment loss, the accumulative loss due to decreases in fair value originally recorded in the owner's equity shall be transferred to impairment loss of the assets.

Whether the financial assets available-for-sale debt instruments are impaired can be judged by reference to the above-mentioned available-for-sale equity instruments.

The impairment losses of available-for-sale equity instruments cannot be reversed through profit or loss.

After the financial assets of available-for-sale debt instruments have been impaired, interest income of the instrument is calculated at the discount rate used in discounting the future cash flow when determining impairment provision of the instrument.

For available-for-sale debt instruments for which impairment losses have been recognized, if the fair value has risen during the subsequent accounting period and is objectively related to the items that have occurred after the confirmation of the original impairment losses, the previously recognized impairment losses are reversed and included in the current profit and loss.

(i) Method of determining the fair value of financial assets and financial liabilities

The principal market refers to the market with the largest amount of transactions of related assets or liabilities and the highest degree of trading activity. The most favorable market refers to the market in which the sale of the relevant assets at the highest amount or the transfer of the minimum amount of relevant liabilities after considering transaction costs and transportation costs. The company uses the assumptions that market participants would maximize their economic benefits when pricing the asset or liability.

● Valuation techniques

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available and other information to support. The valuation techniques used mainly include market approach, income approach and cost approach. The company measures fair value using methods consistent with one or more of its valuation techniques. When using various techniques to measure fair value, the Company shall consider the reasonableness of each valuation result and select the most representative the amount of fair value as the fair value.

In the application of valuation techniques, the Company will give priority to the relevant observable inputs and only when the relevant observable inputs cannot be obtained or impracticable to obtain the unobservable inputs can be used. Observable

inputs can be acquired from the market data, which reflect the assumptions used by market participants in pricing the underlying assets or liabilities. Unobservable inputs cannot be acquired from the market data, but it is based on the best available information from market participants on the assumptions used in pricing the underlying asset or liability.

● Fair value hierarchy

The Company divides the input value used for fair value measurement into three levels, first using the first level input value, secondly using the second level input value, and finally using the third level input value:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly;

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable;

3.11 Impairment Provision of Receivables

At the year end, the Company assesses the carrying value of receivables, and impairment loss is provided if objective evidence of impairment exists. Receivables include accounts receivable and other receivables, etc.

(a) Receivable with individually significant balance and recognized provision for bad debts individually

Assessment basis or standard of amount individually significant: The amount of accounts receivable over CNY1 million and other receivables over CNY1 million is assessed individually significant.

Method of provision for bad debts of receivables that are individually significant: After separate impairment test, if there is objective evidence of impairment, the impairment loss of receivables that are individually significant shall be measured at the difference between the individual receivable's carrying amount and the present value of estimated future cash flows, and shall be included in current profit or loss. In contrast, receivables that are not impaired individually, including impairment tests in portfolios of receivables with similar credit risk characteristics. Receivables for which impairment losses have been confirmed in a single test are no longer included in a portfolio of receivables with similar credit risk characteristics for impairment testing.

Where there is a small difference between the estimated future cash flows of the short-term accounts receivable and its present value, the estimated future cash flows may not be discounted when determining the related impairment losses.

(b) Receivables with provision for bad debts recognized on the basis of similar credit risk characteristics

Determine the basis of the portfolio:

Portfolio	Basis of determining the portfolio	Method for provision for bad debts
Portfolio 1	According to the combination of credit risk characteristics after the combination of the smaller risk, a separate test does not indicate a significant impairment in receivables.	Because the possibility of provision for bad debt is very small, no provision for bad debt shall be recognized.
Portfolio 2	Remaining receivables excluding Portfolio 1	Aging analysis method

Proportions of provision for bad debts on the basis of aging analysis in portfolios:

Aging	Proportion of provision for accounts receivable (%)	Proportion of provision for other receivables (%)
Within 1 year (including 1 year)	5.00	5.00
1 to 2 years	10.00	10.00
2 to 3 years	20.00	20.00
3 to 4 years	40.00	40.00
4 to 5 years	40.00	40.00
Over 5 years	80.00	80.00

(c) Receivables that are individually insignificant but with bad debt provided on an individual basis

For receivables that are individually insignificant with objective evidence of impairment, they shall be separated from relevant portfolios and separately assessed for impairment to recognize the impairment losses. Bad debts are provided at the difference between the present value of estimated future cash flows of the receivable and its carrying value.

3.12 Inventories

(a) Classification of inventories

Inventories refer to the finished products or commodities held by the Company in daily activities for sale, materials and materials consumed in the production process, in the production process or in the process of providing labor services, including raw materials, inventory goods, release products, etc.

(b) Measurement method of cost of inventories sold or used

- (i) The cost of inventories used or sold is determined on the weighted average basis.
- (ii) One-off writing off method is adopted in amortization of low-value consumables.

(c) Inventory system

The perpetual inventory system is adopted. The inventories should be counted at least once a year, and surplus and losses of inventory counting shall be included in current year profit and loss.

(d) Provision for impairment of inventory

Inventories are stated at the lower of cost and net realizable value. The excess of cost over net realizable value of the inventories is recognized as provision for impairment of inventory, and recorded in profit or loss.

Net realizable value of the inventory should be determined on the basis of reliable evidence obtained, and factors such as purpose of holding the inventory and events occur after balance sheet date shall be considered.

- (i) In normal operation process, for merchandise inventories for direct sale, including stock commodities and materials for sale, their net realizable values are determined at estimated selling prices less estimated selling expenses and relevant taxes and surcharges; for inventories held to execute sales contract or service contract, their net realizable values are calculated on the basis of contract price. If the quantities of inventories specified in sales contracts are less than the quantities held by the Company, the net realizable value of the excess portion of inventories shall be based on general selling prices.
- (ii) In the course of normal production and operation, the estimated price of the finished product shall be deducted from the estimated cost of the finished product, the estimated sales cost and the amount of the relevant taxes and fees to determine the net realizable value. If the net realizable value of the finished product is higher than the cost, the material is measured at cost. If the decrease of the material price indicates that the net realizable value of the finished product is lower than the cost, the material is measured on the net realizable value and is prepared according to its difference.
- (iii) At the end of the period, provisions for inventory impairment are determined on an individual basis. For inventories with large quantity and low unit price, the provisions for inventory impairment are determined on a category basis. For inventories related to the product portfolios manufactured and sold in the same area, and of which the final usage or purpose is identical or similar thereto, and which is difficult to separate from each other for measurement purpose, provisions for inventory impairment shall be determined on a portfolio basis.
- (iv) If any factor rendering write-downs of the inventories has been eliminated, the amounts written down are recovered and reversed from the inventory impairment, which has been provided for. The reversed amounts are included into the current profit or loss.

(e) Amortization method of low-value consumables

- (i) One-off writing off method is adopted in amortization of low-value consumables.
- (ii) One-off writing off method is adopted in amortization of package items.

3.13 Non-current assets (or disposal groups) as held for sale

(a) Classification of non-current assets (or disposal groups) as held for sale

The Company classifies a non-current asset (or disposal group) as held for sale if the following requirements are met simultaneously:

- (i) The asset or disposal group must be available for immediate sale in its present condition subject only to the terms that are usual and customary for sales of such assets (or disposal group).
- (ii) Its sale must be highly probable, i.e., the Company must be committed to a plan to sell the asset (or disposal group) and obtain definite purchase commitment, and the sale is expected to complete within one year and those regulations that require the approval of the Company's relevant authorities or regulatory authorities before they can be sold have already been approved.

When the Company acquires a non-current asset (or disposal group) exclusively with a view to its subsequent disposal, it shall classify the non-current asset (or disposal group) as held for sale at the acquisition date only if the one-year requirement is met and it is highly probable that any other criteria that are not met at that date will be met within a short period following the acquisition (usually within three months).

The Company that is committed to dispose its equity investment in a subsidiary which will lead to its loss of control of the subsidiary shall classify the investment as held for sale in the separate financial statements of the Company, and classify all the assets and liabilities of that subsidiary as held for sale in the consolidated financial statements of the group, when the above criteria are met, regardless of whether the Company will remain part of equity investment in the subsidiary.

(b) Measurement of non-current assets (or disposal groups) held for sale

The principal of measurement of non-current assets (or disposal groups) held for sale does not apply to the following assets: investment properties that are measured in accordance with the fair value model, biological assets that are measured at fair value less costs to sell, assets arising from employee benefits, deferred tax assets, financial assets within the scope of relevant accounting standards related to financial instruments and contractual rights under insurance contracts as defined in accounting standards related to insurance contracts.

When the non-current assets (or disposal groups) are initially measured or subsequently measured at balance sheet date, if the carrying value of the asset (or disposal group) is higher than the fair value less cost to sell, it shall be written-down to its fair value, and the difference shall be recognized as impairment loss of the reporting period, and provision for asset impairment shall be recognized simultaneously.

When the assets (or disposal groups) ceases to be classified as held for sale or the non-current assets are removed from disposal groups since the criteria for held for sale are no longer met, the assets shall be measured at the lower of:

- (i) its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had the asset (or disposal group) not been classified as held for sale, and;

(ii) its recoverable amount at the date of the subsequent decision not to sell.

(c) Presentation

An entity shall present a non-current asset classified as held for sale and the assets of a disposal group classified as held for sale separately from other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale shall be presented separately from other liabilities in the statement of financial position. Those assets and liabilities shall not be offset and presented as a single amount.

3.14 Long-term Equity Investments

Long-term equity investments refer to equity investments where an investor has control of, or significant influence over, an investee, as well as equity investments in joint ventures. If the Company have significant influence on the investee, the investee is an associate of the Company.

(a) Determination basis of joint control or significant influence over the investee

Joint control is the relevant agreed sharing of control over an arrangement, and the arranged relevant activity must be decided under unanimous consent of the parties sharing control. In determining whether there is a joint control, it is first determined whether all parties or combinations of parties have collective control of the arrangement. If all parties or a group of parties must act in unison to determine the relevant activities of an arrangement, it is considered that all parties or a group of participants collectively control the arrangement. Secondly, it is necessary to decide whether the decision-making related to the arrangement must be unanimously approved by the participants who collectively control the arrangement. If there is a combination of two or more parties that can collectively control an arrangement, it does not constitute a common control. To determine whether there is common control, not to consider the protection of the rights.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but not be able to exercise control or joint control over those policies. When an investing enterprise can exercise significant influences over the investee, the investee shall be its associate.

When the Company directly or indirectly owns more than 20% (including 20%) but less than 50% of the voting shares of the investee, it can be presumed that the investor has significant influence over the investee, unless it can be clearly shown that this is not the case.

(b) Determination of initial investment cost

(b.1) Long-term equity investments generated in business combinations:

- A. For a business combination involving enterprises under common control: if the Company makes payment in cash, transfer non-cash assets or bear debts and issues equity securities as the consideration for the business combination, book value of the owners' equity of the acquiree obtained is recognized as the initial

cost of the long-term equity investment on the combination date. The difference between the initial investment cost and the carrying amount of cash paid, non-cash assets transferred, liabilities assumed and par value of share issued shall be adjusted to the stock premium in the capital reserve; if there is no sufficient premium in the capital reserve for write-downs, the retained earnings shall be adjusted.

- B. For business combination not under common control, the Company recognizes the combination cost determined on the combination date as the initial cost of long-term equity investment. When exercising control over an investee not under common control due to additional investment or other reasons, in separate financial statements, the investor shall change to the cost method and use the carrying amount of the previously held equity investment, together with the additional investment cost, as the initial investment cost under the cost method. The audit, legal, valuation and consulting fees, other intermediary fees, and related administrative fees paid by the acquiring entity or acquirer for the business combination, shall be recognized in profit or loss as incurred.

(b.2) Long-term equity investments acquired by other means

- A. For long-term equity investments acquired by payments in cash, the initial cost is the actually paid purchase cost. The initial investment cost includes expenses directly related to obtaining long-term equity investment, taxes and other necessary expenses.
- B. For long-term equity investments acquired through issuance of equity securities, the initial cost is the fair value of the issued equity securities.
- C. For the long-term equity investments obtained through exchange of non-monetary assets, if the exchange has commercial substance, and the fair values of assets traded out and traded in can be measured reliably, the initial cost of long-term equity investment traded in with non-monetary assets are determined based on the fair values of the assets traded out together with relevant taxes. Difference between fair value and book value of the assets traded out is recorded in profit or loss. If the exchange of non-monetary assets does not meet the above criteria, the book value of the assets traded out and relevant taxes are recognized as the initial cost of long-term equity investment traded in.
- D. For long-term equity investment acquired through debt restructuring, the initial cost is determined based on the fair value of the abandoned creditor's rights and other costs such as taxes that can be directly attributed to the asset, and the difference between the fair value of the abandoned creditor's rights and the book value of the investment is included in the current profit or loss.

(c) Subsequent measurement and recognition of profit or loss

Long-term equity investment to an entity over which the Company has ability of control shall be accounted for at cost method. Long-term equity investment to a joint

venture or an associate shall be accounted for at equity method.

(i) Cost method

For Long-term equity investment at cost method, the cost of the long-term equity investment shall be adjusted when additional amount is invested or a part of it is withdrawn. The Company recognizes its share of cash dividends or profits which have been declared to distribute by the investee as current investment income.

(ii) Equity method

Generally, for long-term equity investment measured at equity method, accounting practice are as following:

If the initial cost of the investment is in excess of the share of the fair value of the net identifiable assets in the investee at the date of investment, the difference shall not be adjusted to the initial cost of long-term equity investment; if the initial cost of the investment is in short of the share of the fair value of the net identifiable assets in the investee at the date investment, the difference shall be included in the current profit or loss and the initial cost of the long-term equity investment shall be adjusted accordingly.

The Company recognizes the share of the investee's net profits or losses, as well as its share of the investee's other comprehensive income, as investment profit or losses and other comprehensive income respectively and adjusts the carrying amount of the investment accordingly. The carrying amount of the investment shall be reduced by the share of any profit or cash dividends declared to distribute by the investee. The investor's share of the investee's owners' equity changes, other than those arising from the investee's net profit or loss, other comprehensive income or profit distribution, would be recognized in the investor's equity, and the carrying amount of the long-term equity investment shall be adjusted accordingly. The Company recognizes its share of the investee's net profits or losses after making appropriate adjustments based on the fair values of the investee's identifiable net assets at the investment date. If the accounting policy and accounting period adopted by the investee is not in consistency with the Company, the financial statements of the investee shall be adjusted according to the Company's accounting policies and accounting period, based on which, investment profit or loss and other comprehensive income, etc., shall be adjusted. The unrealized profits or losses resulting from intra-group transactions between the Company and its associate or joint venture are eliminated in proportion to the Company's equity interest in the investee, based on which investment profit or losses shall be recognized. Any losses resulting from intra-group transactions between the investor and the investee, which are attributable to asset impairment, shall be recognized in full.

If, for reasons such as additional investment, it can exert significant influence on the investee or implement joint control but does not constitute control, the initial investment cost calculated according to the equity investment originally held plus the

sum of the additional investment cost shall be taken as the original investment cost calculated according to the equity method. If the equity investment previously held is classified as a financial asset available for sale, the difference between its fair value and book value, as well as the changes in the accumulated fair value originally included in other comprehensive income, shall be transferred to the current profit and loss calculated according to the equity method.

If the joint control or significant influence on the invested entity is lost due to the disposal of part of the equity investment, the remaining equity after the disposal shall be measured at the fair value, and the difference between the fair value and book value on the day of the loss of joint control or significant influence shall be recorded into the current profit or loss. Other comprehensive income of the original equity investment recognized by the equity method shall be accounted for on the same basis as the direct disposal of related assets or liabilities by the investee when the equity method is terminated.

3.15 Investment Properties

(a) Classification of investment properties

Investment properties are properties to earn rentals or for capital appreciation or both. Examples include:

- (i) land leased out under operating leases.
- (ii) Land held for long-term capital appreciation.
- (iii) Buildings leased out under operating leases.

(b) The measurement model of investment property

The Company adopts the cost model for measurement of investment properties.

The cumulative impairment and net residual value according to depreciation or amortization of investment real estate minus the cost of the Company, the real estate investment category, estimated economic life and the expected net salvage value rate depreciation and depreciation rates were determined as follows:

Categories	Depreciation life (years)	Residual rates (%)	Annual depreciation rates (%)
Buildings and constructions	20 to 40	5.00	2.38 to 4.75

3.16 Property, plant and equipment

Property, plant and equipment refer to the tangible assets held for use in the production or supply of goods or services, for rental to others, or for administrative purpose with expected useful lives exceeding one year.

(a) Recognition criteria of property, plant and equipment

Property, plant and equipment will only be recognized at the actual cost paid when obtaining when all the following criteria are satisfied:

- (i) it is probable that the future economic benefits relating to the property, plant and equipment will flow into the Company;

(ii) the costs of the property, plant and equipment can be measured reliably.

Subsequent expenditure for property, plant and equipment shall be recorded in cost of property, plant and equipment, if above criteria are satisfied, whereas, recorded in current profit or loss if the above criteria cannot be satisfied.

(b) Depreciation methods of property, plant and equipment

From the next month when the property, plant and equipment reaches the expected useable state, the Company shall calculate the depreciation according to the method of straight-line depreciation, and determine the depreciation life and annual depreciation rate according to the categories of property, plant and equipment, estimated economic service life and estimated net salvage value rate as follows:

Categories of property, plant and equipment	Residual rates (%)	Estimated useful life (years)	Annual depreciation rates (%)
Buildings and constructions	0 to 5	20 to 40	2.38 to 5.00
Machinery equipment	0 to 5	5	19.00 to 20.00
Electronic equipment	0 to 5	5	19.00 to 20.00
Vehicle	0 to 5	5	19.00 to 20.00
Electrical equipment	0 to 5	5	19.00 to 20.00
Dedicated equipment	0 to 5	5	19.00 to 20.00
Office equipment	0 to 5	5	19.00 to 20.00
Other equipment	0 to 5	5	19.00 to 20.00

For the property, plant and equipment with impairment provided, the impairment provision should be excluded from the cost before calculating depreciation.

At the end of reporting period, the Company shall review the useful life, estimated net residual value and depreciation method of the fixed assets. Estimated useful life of the property, plant and equipment shall be adjusted if it is changed.

(c) Criteria, valuation and depreciation methods of property, plant and equipment obtained through a finance lease.

If the entire risk and rewards related to the leased assets have been transferred, the lease shall be a finance lease. The cost of the property, plant and equipment obtained through a finance lease is determined at the lower of the present value of the fair value of the leased assets and the minimum lease payment on the day of the lease. The property, plant and equipment obtained by a finance lease are depreciated in the method which is in consistency with the property, plant and equipment owned by the Company itself. For property, plant and equipment obtained through a finance lease, if it is reasonably certain that the ownership of the leased assets will be transferred to the lessee by the end of the lease term, they shall be depreciated over their remaining useful lives; otherwise, the leased assets shall be depreciated over the shorter of the lease terms or their remaining useful lives.

3.17 Construction in Progress

(a) Classification of construction in progress

Construction in progress is measured on an individual project basis.

(b) Criteria and timing of transfer from construction in progress to property, plant and equipment

The initial book values of the property, plant and equipment are stated at total expenditures incurred before they are ready for their intended use, including construction expenses, original value of equipment, other necessary expenditures incurred to bring construction in progress to an intended usable condition, and specific borrowings and general borrowings incurred for the purpose of borrowing money for the project before the asset reaches its intended usable condition. The Company will transfer construction in progress to property, plant and equipment when the project's installation or construction is completed and ready for use. For construction in progress that has been ready for intended use but relevant budgets for the completion of projects have not been completed, the estimated values of project budgets, prices, or actual costs should be included in the costs of relevant property, plant and equipment, and depreciation should be provided according to relevant policies of the Company when the property, plant and equipment are ready for intended use. After the completion of budgets needed for the completion of projects, the estimated values should be substituted by actual costs, but depreciation already provided is not adjusted.

3.18 Borrowing Costs**(a) Recognition criteria for capitalization of borrowing costs and capitalization period**

The borrowing costs incurred by the Company that can be directly attributed to the acquisition, construction or production of assets eligible for capitalization shall be capitalized into the cost of related assets when the following conditions are met simultaneously:

- (i) expenditures are being incurred;
- (ii) borrowing costs are being incurred, and;
- (iii) acquisition, construction or production activities that are necessary to prepare the assets for their intended use or sale have commenced.

Other borrowing interest, discount or premium and exchange difference shall be included in the profits and losses incurred in the current period.

Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally and when the interruption is for a continuous period of more than 3 months, until the acquisition, construction or production is resumed.

Capitalization of such borrowing costs ceases when the qualifying assets being acquired, constructed or produced become ready for their intended use or sale. The

expenditure incurred subsequently shall be recognized as expenses.

(b) Measurement of capitalization rate and capitalized amounts of borrowing costs

Where funds are borrowed specifically for purchase, construction or manufacturing of assets eligible for capitalization, costs eligible for capitalization are the actual costs incurred less any income earned on the temporary investment of such borrowings.

Where funds allocated for purchase, construction or manufacturing of assets eligible for capitalization are part of a general borrowings, the eligible amounts are determined by applying a capitalization rate to the weighted average excess of accumulated capital expenditures over those on specific borrowings. The capitalization rate will be the weighted average of the borrowing costs applicable to the general borrowings.

3.19 Intangible Assets

(a) Measurement method of intangible assets

Intangible assets are stated at actual cost at acquisition.

(b) The useful life and amortization of intangible assets

(i) The estimated useful lives of the intangible assets with limited useful lives are as follows:

Category	Useful life (years)	Basis
Land use right	40, 50, 70	Useful life
Software	10	The service life is determined by reference to the period for the Company to bring economic benefits
Franchise use right	28	The service life is determined by reference to the period for the Company to bring economic benefits

For intangible assets with finite useful life, the estimated useful life and amortization method are reviewed annually at the end of each reporting period and adjusted when necessary. No change incurs in current year in the estimated useful life and amortization method upon review.

(ii) Assets of which economic benefits are unforeseeable are regarded as intangible assets with indefinite useful lives. The Company reassesses the useful lives of those assets at every year end. If the useful lives of those assets are still indefinite, impairment test should be performed on those assets at the balance sheet date.

(iii) Amortization of the intangible assets

For intangible assets with finite useful lives, their useful lives should be determined upon their acquisition. They are amortized on a straight-line basis over the period during which they can bring economic benefits to the Company. The amortization amount is credited to profit or loss for the current period according to the beneficial items. The amount to be amortized is cost deducting residual value. For intangible assets which has impaired, the accumulated impairment provision shall be deducted as

well, with a residual value of nil. There is an exception that a third party promises to purchase the intangible asset at the end of its useful life or obtain estimated residual value information based on an active market, and this market is likely to exist at the end of its useful life.

Intangible assets with indefinite useful lives shall not be amortized. The Company reassesses the useful lives of those assets at every year end. If there is evidence to indicate that the useful lives of those assets become finite, the useful lives shall be estimated, and the intangible assets shall be amortized systematically and reasonably within the estimated useful lives.

(c) Criteria of classifying expenditures on internal research and development projects into research phase and development phase

- (i) The Company shall take the information and related preparatory activities for further development activities as the research stage, and the expenditure of the intangible assets research stage shall be recorded into the current profit and loss when incurred.
- (ii) The development activities that are carried out after the Company has completed the research phase shall be considered as the development phase.

(d) Criteria for capitalization of qualifying expenditures during the development phase

Expenditures arising from development phase on internal research and development projects must be capitalized if the Company can satisfy all of the following criteria:

- (i) there is technical feasibility of completing the intangible assets (so that they will be available for use or sale);
- (ii) there is intention to complete and use or sell the assets;
- (iii) the method that the intangible assets generate economic benefits, including existence of a market for products produced by the intangible assets or for the intangible assets themselves, shall be proved. Or, if to be used internally, the usefulness of the assets shall be proved;
- (iv) adequate technical, financial, and other resources are available to complete the assets, and the Company has the ability to use or sell the assets; and
- (v) the costs of the assets can be measured reliably.

3.20 Impairment of Long-Term Assets

(a) Impairment test and accounting methods of long-term equity investment

The Company examines long-term equity investments on balance sheet date one by one and judges whether there is any indication of impairment in the long-term equity investments based on various changes in the operating policies, legal environment, market demand, industry and profitability of the investee. When the recoverable amount of the long-term equity investment is lower than the book value, the difference between the recoverable amount and the carrying amount of the long-term

equity investment is accrued as the impairment provision of the long-term equity investment. Once the asset impairment loss is confirmed, it will not be reversed in subsequent accounting periods.

(b) Impairment test and accounting methods of investment property

On the balance sheet date, the value of investment property is determined by the lower of the cost and the recoverable amount of the investment property, and if the recoverable amount is lower than the cost, an impairment provision is made based on the difference between the two. If the value of the investment property that has been accrued for impairment is restored, the impairment provision that has been accrued in the previous period cannot be reversed.

(c) Impairment test and accounting methods of property, plant and equipment

On the balance sheet date, the Company makes a judgment on each property, plant and equipment. If there is an evidence of impairment and the estimated recoverable amount is lower than its book value, the book value shall be reduced to the recoverable amount. The amount of write-down shall be recognized as asset impairment loss, included in the current profit and loss, while making provision for the corresponding asset impairment. Once the asset impairment loss is confirmed, it will not be reversed in subsequent accounting periods. When there are any of the following signs, the provision for impairment is fully accrued for each item of property, plant and equipment:

- (i) Long-term idle, will not be reused in the foreseeable future, and have no transfer value of property, plant and equipment.
- (ii) Property, plant and equipment are unable to be used due to technical advances and other reasons.
- (iii) Though they can still be used, a large number of unqualified products could be produced after using them.
- (iv) Property, plant and equipment that have been damaged no longer have use value and transfer value.
- (v) Other property, plant and equipment that can no longer bring economic benefits to the Company.

(d) Impairment test and accounting methods of construction in progress

If there is any indication that the construction in progress may be impaired at the balance sheet date, an impairment test would be implemented. If the result of impairment test indicates the recoverable amounts of the construction in progress are lower than the book value, the difference between the recoverable amounts and book value is recognized as impairment loss included in profit or loss, and provisions for impairment are made. Once the asset impairment loss is confirmed, it will not be reversed in subsequent accounting periods. When there are one or more the following signs exist, impairment test of construction in progress should be performed:

- (i) Construction in progress that has been suspended for a long time and is not expected to restart in the next three years.
- (ii) In terms of performance, or technically backward, projects bring economic benefits to the enterprise with great uncertainty.
- (iii) Other circumstances that can prove that the construction in progress has been impaired have occurred.

(e) Impairment test and accounting methods of intangible assets

When the recoverable amount of an intangible asset is lower than its carrying amount, the carrying amount of the asset is written down to the recoverable amount. The write down amount is recognized as impairment loss of the asset and charged to the current profit or loss, and the corresponding intangible asset is reduced. Once the impairment loss of intangible assets is confirmed, it will not be reversed in subsequent accounting periods. When there are one or more the following signs exist, impairment test of intangible assets should be performed:

- (i) The intangible assets have been replaced by other new technologies, which have a significant adverse effect on the ability of enterprises to create economic benefits.
- (ii) The market price of the intangible assets reduced sharply in the current period and may not rise during the remaining years.
- (iii) Other conditions that indicate that the carrying amount of the intangible asset has exceeded its recoverable amount.

(f) Impairment test and accounting methods of goodwill

Impairment test of goodwill acquired in a business combination shall be performed at least annually. If impairment indication exists in the assets or a group of assets, the impairment test shall be conducted in accordance with the following steps:

Firstly, impairment testing for asset or assets group excluding goodwill shall be conducted. Impairment loss is recognized through comparing the recoverable amount of the assets and assets group with their carrying amount; then, impairment testing for assets or assets group including goodwill shall be conducted. The excess of the carrying amount of the assets or assets group (including goodwill allocated to the assets or assets group) over their recoverable amount is recognized as impairment loss. The impairment loss shall be allocated to reduce the carrying amount of the assets of assets group in the following order:

first, to reduce the carrying amount of any goodwill allocated to the assets or assets group; and

then, to the other assets or assets group pro rata on the basis of the carrying amount of each asset.

The mentioned impairment loss will not be reversed in subsequent accounting period once it had been recognized.

3.21 Long-term Deferred Expenses

Long-term deferred expenses are various expenses already incurred, which shall be amortized over current and subsequent periods with the amortization period exceeding one year.

The Company's long-term deferred expenses are evenly amortized over the beneficial period.

3.22 Employee Benefits

Employee benefits refer to all forms of consideration or compensation given by an enterprise in exchange for service rendered by employees or for the termination of employment relationship. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits. Benefits provided to an employee's spouse, children, dependents, family members of deceased employees, or other beneficiaries are also employee benefits.

(a) Short-term employee benefits

(i) Monetary benefits (Wages, bonuses, allowances, subsidies)

The Company recognizes, in the accounting period in which an employee provides service, actually incurred short-term employee benefits as a liability, with a corresponding charge to current profit or loss or relevant cost of assets.

(ii) Welfare

Welfare incurred are charged to the profits and losses of the current period or the related asset costs, according to the actual amount actually incurred. Employee benefits which are non-monetary benefits are measured at fair value.

(iii) Social insurance contributions such as medical insurance premium, work injury insurance premium, maternity premium, etc., housing funds, and labor union expenditure and employee education funds.

Payments made by the Company of social insurance contributions for employees, such as premiums or contributions on medical insurance, pensions, work injury insurance and maternity insurance, payments of housing funds, and labor union expenditure and employee education funds provided in accordance with relevant requirements, in the accounting period in which employees provide services, is calculated according to prescribed bases and percentages of provision in determining the amount of employee benefits, and recognized related liabilities, then charged to current profit and loss or the cost of related assets.

(iv) Short-term paid absences

The Company shall recognize the related employee benefits arising from accumulating paid absences when the employees render service that increases their entitlement to future paid absences. The Company recognizes employee benefits related to non-cumulative paid absences during the accounting period in which the employee is actually absent.

(v) Short-term profit-sharing schemes

The Company shall recognize the related employee benefits payable under a profit-sharing plan when all of the following conditions are satisfied:

- (i) the Company has a present legal or constructive obligation to make such payments as a result of past events; and
- (ii) a reliable estimate of the amounts of employee benefits obligation arising from the profit-sharing plan can be made.

(b) Post-employment benefits

(i) Defined contribution plans

The Company shall classify post-employment benefits plans as defined contribution plans.

The Company shall recognize, in the accounting period in which an employee provides service, the contribution payable to a defined contribution plan as a liability, with a corresponding charge to the profit or loss for the reporting period or the cost of a relevant asset.

Post-employment benefits falling due for more than 12 months after the end of the reporting period are discounted to their present values, the amount recognized should be discounted, to reflect the time value of money (Determined based on the market rate of return on the government bonds or high-quality corporate bonds in an active market that match the maturity schedule and currency of the defined benefit plan on the balance sheet date).

(ii) Defined benefit plans

Determining the present value of defined benefit plan obligations and current service costs

Based on the expected unit benefit method, the unbiased and mutually consistent actuarial assumptions are used to estimate the relevant demographic variables and financial variables, etc., to measure the obligations arising from the defined benefit plans and to determine the vesting period of the relevant obligations. The Company will set a benefit plan based on the corresponding discount rate (based on the market rate of return of government bonds or high-quality corporate bonds in active markets that match the maturity and currency of the defined benefit plan at the balance sheet date) of the obligation to be discounted to determine the present value of the defined benefit plan obligations and current service costs.

Determine the amount of the net defined benefit liability (asset)

If there is any asset in the defined benefit plan, the Company will recognize the deficit or surplus as a net debt or net asset of the defined benefit plan, which caused from the current value of the defined benefit plan obligations less of the fair value of the defined benefit plan assets.

If there is a surplus in the defined benefit plan, the Company measures the net profit

of the defined benefit plan based on the lower of the surplus of the defined benefit plan and the upper limit of the asset.

Determine amounts to be recognized in profit or loss

Service costs include current service costs, past service costs and gains or losses on settlement of a defined benefit plan. Except for the current service costs that are required or permitted to be included in the cost of an asset by other accounting standards, other service costs are included in the profit or loss for the current period.

Net interest on the net defined benefit liability (asset), including the interest income of the scheme assets, the interest expenses of the defined benefit plan obligations and the interest rates affected by the asset cap, shall be included in the profits and losses of the current period.

Determine amounts to be recognized in other comprehensive income

Changes arising from the remeasurement of net liabilities or net assets of defined benefit plans, including:

- (i) Actuarial gains or losses: the increase or decrease in the present value of the previously defined benefit plan obligations as a result of changes to actuarial assumptions and experience adjustments.
- (ii) Return on plan assets: excluding amounts included in net interest on the net defined benefit liability (asset).
- (iii) Any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

The above changes in the net liabilities or net assets of the re-measured defined benefit plan are directly charged to other comprehensive income and are not permitted to be reversed to profit or loss in subsequent accounting periods, but the Company can transfer these changes in other comprehensive income within the scope of equity.

(c) Termination benefits

The Company providing termination benefits to employees shall recognize an employee benefits liability for termination benefits, with a corresponding charge to the profit or loss of the reporting period, at the earlier of the following dates:

- (i) when the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal.
- (ii) when the Company recognizes costs or expenses related to a restructuring that involves the payment of termination benefits.

Termination benefits falling due for more than 12 months after the end of the reporting period are discounted to their present values (based on the market rate of return of government bonds or high-quality corporate bonds in active markets that match the maturity and currency of the defined benefit plan at the balance sheet date).

(d) Other long-term employee benefits

When other long-term employee benefits provided by the Company to the employees

satisfies the conditions for classifying as a defined contribution plan, those benefits shall be accounted for as a liability at their discounted value, with a corresponding charge to the profit or loss of the reporting period or the cost of a relevant asset.

When other long-term employee benefits provided by the Company to the employees satisfies the conditions for classifying as a defined benefit plan, at the year end, the cost of employee benefits arising from other long-term employee benefits as the following components:

- (i) Service costs
- (ii) Net interest on the other long-term employee benefits liability (asset)
- (iii) Remeasurement of changes in net liabilities or net assets of other long-term employee benefits.

3.23 Estimated Liabilities

(a) Recognition criteria of estimated liabilities

The Company recognizes the estimated liabilities when obligations related to contingencies satisfy all the following conditions:

- (i) that obligation is a present obligation of the Company;
- (ii) it is likely to cause any economic benefit to flow out of the Company as a result of performance of the obligation; and
- (iii) the amount of the obligation can be measured reliably.

(b) Measurement method of estimated liabilities

The estimated liabilities of the Company are initially measured at the best estimate of expenses required for the performance of relevant present obligations. The Company, when determining the best estimate, has had a comprehensive consideration of risks with respect to contingencies, uncertainties and the time value of money. The carrying amount of the estimated liabilities shall be reviewed at the end of every reporting period. If conclusive evidences indicate that the carrying amount fails to be the best estimate of the estimated liabilities, the carrying amount should be adjusted based on the updated best estimate.

3.24 Share-based Payments

(a) Classification of share-based payments

Share-based payments shall consist of equity-settled share-based payments and cash-settled share-based payments.

(b) Determining fair value of equity instruments

- (i) The fair value of shares granted to the employees can be determined by reference to the quotations in the active market, adjusted in accordance with the terms and conditions granted (not including vesting conditions other than market conditions).
- (ii) For share option granted to the employees, it is usually difficult to obtain its

market price. If the share option with similar terms and conditions is not available, the Company estimate what the price of those options using a valuation technique.

(c) Basis of best exercisable equity instruments estimate

Every balance sheet date during the vesting period, the Company makes best estimate according to the most updated number of employees that are eligible to exercise their options and adjusts the quantity of exercisable equity instruments. On vesting dates, the final estimated quantity of exercisable equity instruments is consistent with the actual exercisable quantity.

(d) Accounting for implementation of share-based payment programs

- (i) The cash-settled share-based payment that can be exercised immediately after the grant is included in the related costs or expenses at the fair value of the liability assumed by the Company on the grant date, and liabilities are increased accordingly. The fair value of the liability is remeasured at each balance sheet date and settlement date before settlement, and its changes are recorded in profit or loss.
- (ii) The cash-settled share-based payment that cannot be exercised till services or performance meet the conditions during the vesting period, at every balance sheet date during the vesting period, services received should be recognized in related costs or expenses and liabilities by reference to the best estimate of exercisable equity instruments quantity and the fair value of the liabilities the Company undertakes. At every balance sheet date before the related liabilities are settled and settlement date, the fair value is re-calculated, and the changes are recognized in current profit or loss.
- (iii) The equity-settled share-based payment that can be exercised immediately after the grant is included in the related costs and expenses by reference to the fair value at the granted date and increase capital reserve accordingly.
- (iv) The equity-settled share-based cannot be exercised till services or performance meet the conditions during the vesting period, at every balance sheet date during the vesting period, services received should be recognized in related costs or expenses and capital reserve by reference to the best estimate of the exercisable equity instruments quantity and their fair value at the granted date.

(e) Accounting for modification of share-based payment programs

When the Company modifies terms and conditions of the share-based payment program, if the modification increases the fair value of the equity instruments granted, the increased amount should be recognized for service received accordingly; if the quantity granted of the equity instruments is increased, the increased amount should be recognized for service received accordingly as well. If the modification resulted in the decrease of the fair value of the equity instruments granted, or the modification is made in a way not beneficial to the employees, the service received shall be

accounted for as if the modification has never occurred unless a part or all of the equity instruments are cancelled.

(f) Accounting for termination of share-based payment programs

If a grant of equity instruments is cancelled or settled during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied):

- (i) the Company shall account for the cancellation or settlement as an acceleration of vesting, and shall therefore recognize immediately the amount that otherwise would have been recognized for services received over the remainder of the vesting period.
- (ii) any payment made to the employee on the cancellation or settlement of the grant shall be accounted for as the repurchase of an equity interest. Any such excess shall be recognized as an expense.

If the Company repurchases vested equity instruments, the payment made to the employee shall be accounted for as a deduction from equity, except to the extent that the payment exceeds the fair value of the equity instruments repurchased, measured at the repurchase date. Any such excess shall be recognized as an expense.

3.25 Revenue

(a) Revenue from sale of goods

Revenue from sales of goods shall be recognized if the following criteria are satisfied:

- (i) significant risks and rewards related to ownership of the goods have been transferred to the buyer;
- (ii) the Company retains neither continuous management rights associated with ownership of the goods sold nor effective control over the goods sold;
- (iii) relevant amount of revenue can be measured reliably;
- (iv) it is probable that the economic benefits associated with the transaction will flow into the Company; and
- (v) relevant amount of cost incurred or to be incurred can be measured reliably.

(b) Revenue from rendering of services

When the outcome of rendering of services can be estimated reliably at the balance sheet date, revenue associated with the transaction is recognized using the percentage of completion method. Percentage of completion is determined by using the proportion of services performed to date to the total services that should be performed, or the proportion of cost incurred for rendering of the services to date to the total estimated cost.

The outcome of rendering of services can be estimated reliably when all of the following conditions are satisfied: the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the Company; the percentage of completion of the transaction can be measured reliably; the costs incurred and to be incurred for the transaction can be measured reliably.

The Company shall determine the total income from rendering of services in accordance with the price of the contract or agreement received or receivable, except the price of the contract or agreement received or receivable is unfair. On the balance sheet date, the total amount of labor services provided is multiplied by the progress of completion and deducted the accumulated amount of labor service income confirmed in the previous accounting period to confirm the income from providing labor service. Meanwhile, the carrying amount of labor costs incurred for the current period is calculated by multiplying the estimated total cost of provision of services by the completion progress deducting the accumulated recognized service costs in previous accounting periods.

If the outcome of rendering of services cannot be estimated reliably at the balance sheet date, deal with the following situations:

- (i) If the labor cost incurred is expected to be compensated, the labor service income will be recognized according to the cost of labor service already incurred and the service cost will be carried forward at the same amount.
- (ii) If the cost of the service that has occurred is not expected to be compensated, the cost of the service that has occurred shall be included in the current profits and losses, and the service income shall not be confirmed.

(c) Revenue from alienating the right to use assets

Revenue from alienating of right to use assets consists of interest revenue and royalty revenue. The Company shall recognize the amount of revenue from the alienating of right to use assets based on the following circumstances, respectively:

- (i) interest revenue should be calculated in accordance with the period for which the enterprise's cash is used by others and the effective interest rate; or
- (ii) the amount of royalty revenue should be calculated in accordance with the period and method of charging as stipulated in the relevant contract or agreement.

(d) Construction contracts

Under the circumstances that result of the construction contracts can be estimated reliably, contract revenue and contract cost shall be recognized by using percentage of completion method, which is determined according to the completion stages of the construction contracts. The completion stages of the contracts shall be calculated at the portion of the contract costs incurred to the total estimated contract costs.

Under the circumstances that the result of the construction contracts cannot be estimated reliably, while the estimated contract costs can be recovered, the revenue shall be recognized to the extent of costs incurred that are expected to be recoverable, contract costs shall be recognized as expense upon incurrence. If the estimated contract costs cannot be recovered, they shall be charged in expenses upon incurrence, without any revenue recognized.

If the estimated contract costs exceed estimated contract revenue, the estimated loss shall be recognized as expenses in current period.

(e) The Company's revenue specific confirmation method**(e.1) Real estate revenue:**

The development products have been completed, and qualified after acceptance, the sales contract was signed and the obligations stipulated in the contract were fulfilled, that is, the major risks and rewards of development products are transferred to the buyer, the Company no longer has continuing management and actual control over the projects, the relevant revenue has been received or received evidence of collection, and about the cost of the projects can be measured reliably, the implementation of the sales revenue is confirmed.

Self-used houses sales revenue: the major risks and rewards of self-used houses are transferred to the buyer, the Company no longer has continuing management and actual control over the self-used houses, the relevant revenue has been received or received evidence of collection, and about the cost of the self-used houses can be measured reliably, the implementation of the sales revenue is confirmed.

(e.2) Sale of goods

The main risks and rewards of the goods are transferred to the buyer, and neither the management right normally associated with ownership nor the effective control of the goods sold has been retained, the amount of revenue can be reliably measured, it is probable that the associated economic benefits will flow to the Company, and the costs incurred and to be incurred for the transaction can be measured reliably, the implementation of the sales revenue is confirmed.

(e.3) B.T. construction project revenue

The Company undertakes the construction of infrastructure projects. After the completion of the project, the Company confirms the fixed rate of return according to the project cost and a certain proportion of the project cost and settles the income with the entrusting entity.

(e.4) Other activities revenue

According to the provisions of relevant contracts and agreements, the realization of other business revenue shall be confirmed when the economic benefits related to transactions can flow into the Company and the cost related to revenue can be measured reliably.

3.26 Government Grants**(a) Recognition of government grants**

A government grant shall not be recognized until there is reasonable assurance that:

- (i) the Company will comply with the conditions attaching to them; and
- (ii) the grants will be received.

(b) Measurement of government grants

Monetary grants from the government shall be measured at amount received or receivable, and non-monetary grants from the government shall be measured at their

fair value or at their nominal value when reliable fair value is not available.

(c) Accounting for government grants

(i) Government grants related to assets

Government grants pertinent to assets mean the government grants that are obtained by the Company used for purchase or construction or forming the long-term assets by other ways.

Government grants pertinent to assets shall be recognized as deferred income and should be recognized in profit or loss on a systematic basis over the useful lives of the relevant assets. Grants measured at their nominal value shall be directly recognized in profit or loss of the period when the grants are received. When the relevant assets are sold, transferred, written off or damaged before the assets are terminated, the remaining deferred income shall be transferred into profit or loss of the period of disposing relevant assets.

(ii) Government grants related to income

Government grants other than related to assets are classified as government grants related to income. Government grants related to income are accounted for in accordance with the following principles:

- if the government grants related to income are used to compensate the enterprise's relevant expenses or losses in future periods, such government grants should be recognized as deferred income on acquisition and be recognized in profit or loss in the period of recognizing relevant expenses;
- if the government grants related to income are used to compensate the enterprise's relevant expenses or losses incurred, such government grants are directly recognized in profit or loss of the current period.
- For government grants comprised of part related to assets as well as part related to income, each part is accounted for separately; if it is difficult to identify different part, the government grants are accounted for as government grants related to income as a whole.
- Government grants related to daily operation are recognized in other income in accordance with their nature, and government grants irrelevant to daily operation activities are recognized in non-operating income.

(iii) Discount interest on preferential policy loans

When the finance will disburse the discounted interest funds to the loan bank, and the loan bank will provide the Company with a loan at a preferential policy rate, the actual amount of borrowings received recognized as the book value of the loan, and calculates the relevant borrowing costs based on the principal of the borrowings and the preferential policy interest rate.

Fiscal interest discount funds disbursed directly to the Company, the Company offsets the relevant borrowing costs with the corresponding discount interest.

(iv) Repayment of the government grants

If the confirmed government subsidy needs to be returned, the book value of the relevant assets shall be adjusted if the book value of the assets is deducted during the initial recognition; If there is a balance of relevant deferred income, the book balance of relevant deferred income shall be deducted and the excess part shall be recorded into the current profit and loss; In other cases, it shall be directly recorded into the current profit and loss.

3.27 Deferred Tax Assets and Deferred Tax Liabilities

Temporary differences are differences between the carrying amount of an asset or liability in the statement of financial position and its tax base. The Company recognize the effect of taxable temporary differences and deductible temporary differences on income tax as deferred tax liabilities or deferred tax assets using liability method. Deferred tax assets and deferred tax liabilities shall not be discounted.

(a) Recognition of deferred tax assets

Deferred tax assets should be recognized for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized at the tax rates that are expected to apply to the period when the asset is realized, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- (i) is not a business combination; and
- (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss)

The Company recognize a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint arrangements, to the extent that, and only to the extent that, it is probable that:

- (i) the temporary difference will reverse in the foreseeable future; and
- (ii) taxable profit will be available against which the deductible temporary difference can be utilized.

At the end of each reporting period, if there is sufficient evidence that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized, the Company recognizes a previously unrecognized deferred tax asset.

The carrying amount of a deferred tax asset shall be reviewed at the end of each reporting period. An entity shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

(b) Recognition of deferred tax liabilities

A deferred tax liability shall be recognized for all taxable temporary differences at the tax rate that are expected to apply to the period when the liability is settled, except to the extent that the deferred tax liability arises from:

- (i) the initial recognition of goodwill; or
- (ii) the initial recognition of an asset or liability in a transaction which:
 - is not a business combination; and
 - at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss)

An entity shall recognize a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint arrangements, except to the extent that both of the following conditions are satisfied:

- (i) The Company is able to control the timing of the reversal of the temporary difference; and
- (ii) it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Recognition of deferred tax liabilities or assets involved in special transactions or events

- (i) Deferred tax liabilities or assets related to business combination

For the taxable temporary difference or deductible temporary difference arising from a business combination not under common control, a deferred tax liability or a deferred tax asset shall be recognized, and simultaneously, goodwill recognized in the business combination shall be adjusted.

- (ii) Items directly recognized in equity

Current tax and deferred tax related to items that are recognized directly in equity shall be recognized in equity. Such items include:

- other comprehensive income generated from fair value fluctuation of available for sale investments;
- an adjustment to the opening balance of retained earnings resulting from either a change in accounting policy that is applied retrospectively or the correction of an error;
- amounts arising on initial recognition of the equity component of a compound financial instrument

- (iii) Unused tax losses and unused tax credits

Unused tax losses and unused tax credits generated from daily operation of the Company itself

The criteria for recognizing deferred tax assets arising from the carryforward of unused tax losses and tax credits are the same as the criteria for recognizing deferred

tax assets arising from deductible temporary differences. The Company recognizes a deferred tax asset arising from unused tax losses or tax credits only to the extent that there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilized by the Company. Income taxes in current profit or loss shall be deducted as well.

Unused tax losses and unused tax credits arising from a business combination

The potential benefit of the acquiree's income tax loss carryforwards or other deferred tax assets might not satisfy the criteria for separate recognition when a business combination is initially accounted for but might be realized subsequently. An entity shall recognize acquired deferred tax benefits that it realizes after the business combination as follows:

- Acquired deferred tax benefits recognized within 12 months after acquisition date that result from new information about facts and circumstances that existed at the acquisition date shall be applied to reduce the carrying amount of any goodwill related to that acquisition. If the carrying amount of that goodwill is zero, any remaining deferred tax benefits shall be recognized in profit or loss.
- All other acquired deferred tax benefits realized shall be recognized in profit or loss.

(iv) Temporary difference generated in consolidation elimination

When preparing consolidated financial statements, if temporary difference between carrying value of the assets and liabilities in the consolidated financial statements and their taxable bases is generated from elimination of intra-group unrealized profit or loss, deferred tax assets or deferred tax liabilities shall be recognized in the consolidated financial statements, and income taxes expense in current profit or loss shall be adjusted as well, except for deferred tax related to transactions or events recognized directly in equity and business combination.

(v) Equity-settled share-based payment

If tax authority permits tax deduction that relates to remuneration paid in shares, share options or other equity instruments of the Company, during the period in which a remuneration expense is recognized according to the accounting standards, the Company estimate the tax base in accordance with available information at the end of the accounting period and the temporary difference arising from it. Deferred tax shall be recognized when criteria of recognition are satisfied. If the amount of estimated future tax deduction exceeds the amount of the related cumulative remuneration expense, the excess of the associated current or deferred tax should be recognized directly in equity.

3.28 Operating Leases and Finance Leases

A lease that risks and rewards related to relevant assets' ownership are transferred in substance shall be classified as a finance lease. Others shall be classified as an operating lease.

(a) Accounting for operating leases**(i) The Company as a lessee**

The lease payments should be recognized as expenses of the reporting period over the lease terms (including rent-free periods) on a straight-line basis. If expenses relating to lease which should be borne by the Company are paid by the lessor of the assets, they shall be deducted from the total lease expenses and the balances shall be amortized over the lease terms and charged to expenses of the reporting period.

Initial direct costs relating to lease transactions incurred by the Company shall be recognized as expenses of the reporting period. Contingent rental, if included in the lease contract, shall be recognized as profit or loss upon incurrence.

(ii) The Company as a lessor

Lease income should be recognized over the lease terms (including rent-free periods) on a straight-line basis. If expenses relating to leases which should be borne by the lessee of the assets are paid by the Company, they shall be deducted from the total lease income and the balances shall be amortized over the lease terms by the Company.

Initial direct costs relating to lease transactions incurred by the Company shall be recognized as expenses of the reporting period; if the amounts are material, they shall be capitalized and amortized over the lease terms on the same basis as the recognition of lease income. Contingent rental, if included in the lease contract, shall be recognized as profit or loss upon incurrence.

(b) Accounting for finance leases**(i) The Company as a lessee**

At commencement of the lease, assets obtained through finance leases should be recorded at the lower of their fair values and the present values of the minimum lease payments. The Company shall recognize long-term payables at amounts equal to the minimum lease payments, and shall record the differences between carrying amounts of the leased assets and the long-term payables as unrecognized finance charges. The Company adopts effective interest rate method, which shall be amortized over the lease terms as finance expenses by using effective interest rate method.

Initial direct costs are recorded in the value of the leased assets.

The Company adopts the same depreciation policy for the leased assets as its own property, plant and equipment. Depreciation period is determined according to the lease contract. If it is reasonably certain that the Company will obtain the ownership of the assets when the lease expires, the depreciation period will be the useful lives of the leased assets. If it is difficult to reasonably determine whether the Company can obtain the ownership of the underlying assets when the lease expires, depreciation period is the lower of the lease period and their useful lives.

(ii) The Company as a lessor

At commencement of the lease, rental receivables shall be measured at minimum lease receivables plus initial direct costs relating to lease transactions incurred by the Company. Unguaranteed residual values are recorded simultaneously. The differences between the undiscounted rental receivables plus unguaranteed residual values and their present values shall be recognized as unearned finance income, and shall be amortized over the lease terms as lease income at the effective rate.

3.29 Safety fund and Renovation fund

Safety fund and renovation fund shall be included in the cost or current profit and loss of related products when extracted, and shall also be included in the item of "special reserve".

Where the extracted production safety fund and renovation fund are used within the prescribed scope, if they are expense, the special reserve shall be directly deducted; In case of the formation of fixed assets, the expenses incurred shall be first collected under the item of "Construction in Progress" and shall be recognized as fixed assets when the safety project is completed and reaches the expected usable state; At the same time, according to the cost of the formation of fixed assets special reserves, and recognize the same amount of accumulated depreciation. The fixed assets will not be depreciated in future periods.

3.30 Changes in Significant Accounting Policies and Accounting Estimates

(a) Changes in accounting policies

On December 10, 2019, the Ministry of Finance issued the *Interpretation No.13 of the Accounting Standards for Business Enterprises*. The company implemented this interpretation on 1 January 2020, and does not retrospectively conduct previous years.

(b) Changes in accounting estimates

The Company has no change in accounting estimates for reporting period.

4. TAXATION

4.1 Major Categories of Tax and Tax Rates Applicable to the Company

Categories of tax	Basis of tax assessment	Tax rate(%)
Value added tax (VAT)	Sales of goods or services of taxable value added	3, 5, 6, 13
Urban maintenance and construction tax	Turnover taxes payable	5, 7
Educational surcharge	Turnover taxes payable	3
Local Education and supplementary tax	Turnover taxes payable	2
Enterprise income tax	Taxable income	15, 25

4.2 Tax Preference

According to the 28th provisions of the <Enterprise Income Tax Law>, the enterprise income tax shall be levied at the rate of 15% for the high-tech enterprises that need to be supported by the state. Zhejiang Shuangcheng Electric Co., Ltd., a subsidiary of the Company, is subject to 15% enterprise income tax since 2019 according to the

"High-tech Enterprise Certificate" No.GR201933001167.

According to the 28th provisions of the <Enterprise Income Tax Law>, the enterprise income tax shall be levied at the rate of 15% for the high-tech enterprises that need to be supported by the state. Shaoxing Smart City Group Co., Ltd., a subsidiary of the Company, is subject to 15% enterprise income tax since 2019 according to the "High-tech Enterprise Certificate" No.GR2019330002672.

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.1 Cash and Cash Equivalents

Items	31 Dec 2020	31 Dec 2019
Cash on hand	47,578.30	1,573,826.20
Cash in bank	2,530,317,493.33	4,652,007,838.50
Other monetary funds	67,330,806.47	68,269,216.96
Total	2,597,695,878.10	4,721,850,881.66
Including: The total amount deposited overseas	44,370,240.01	47,394,844.77

Notes: The restricted cash and cash equivalents as at 31 December 2020, please refer to Note 5.52.

5.2 Financial Assets at Fair Value through Profit or Loss

Items	31 Dec 2020	31 Dec 2019
Financial assets designated as at fair value through profit or loss:	75,675,732.54	85,590,857.42
Including: Debt instruments		
Equity instruments	75,675,732.54	85,590,857.42
Others		
Total	75,675,732.54	85,590,857.42

5.3 Notes Receivable

Items	31 Dec 2020	31 Dec 2019
Bank acceptance bills	16,381,565.86	21,289,547.21
Total	16,381,565.86	21,289,547.21

(i) Pledged notes receivable as at 31 December 2020

There is no such item.

(ii) Notes receivable discounted or endorsed to third parties but not yet matured as at 31 December 2020

Items	Amount of derecognition	Amount of recognition
Bank acceptance bills	13,641,565.86	
Total	13,641,565.86	

5.4 Accounts Receivable

(a) Accounts receivable by category

Items	31 Dec 2020				
	Accounts receivable		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with individually significant balance and provision for bad debt recognized individually	25,806,841.51	2.88	25,806,841.51	100.00	
Accounts receivable with bad debt provision recognized collectively by similar credit risk characteristics	867,036,623.99	96.65	38,350,643.64	4.42	828,685,980.35
Portfolio 1	171,736,472.31	19.14			171,736,472.31
Portfolio 2	695,300,151.68	77.51	38,350,643.64	5.52	656,949,508.04
Accounts receivable with individually insignificant balance but provision for bad debt recognized individually	4,232,942.61	0.47	4,232,942.61	100.00	
Total	897,076,408.11	100.00	68,390,427.76	7.62	828,685,980.35

(Continued)

Items	31 Dec 2019				
	Accounts receivable		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with individually significant balance and provision for bad debt recognized individually					
Accounts receivable with bad debt provision recognized collectively by similar credit risk characteristics	631,892,317.56	99.80	35,583,890.15	5.63	596,308,427.41
Portfolio 1	5,016,135.43	0.79			5,016,135.43
Portfolio 2	626,876,182.13	99.01	35,583,890.15	5.68	591,292,291.98
Accounts receivable with individually insignificant balance but provision for bad debt recognized individually	1,270,339.52	0.20	1,270,339.52	100.00	
Total	633,162,657.08	100.00	36,854,229.67	5.82	596,308,427.41

(a.1) Accounts receivable with individually significant balance and provision for bad debt recognized individually:

Entity name	31 Dec 2020			
	Balance at 31 Dec 2020	Provision for bad debt	Proportion of the balance to the total accounts receivable(%)	Reason
Shanghai Liuchuan Metal Co., Ltd.	14,698,648.02	14,698,648.02	100.00	The money is not expected to be collected

Entity name	31 Dec 2020			
	Balance at 31 Dec 2020	Provision for bad debt	Proportion of the balance to the total accounts receivable(%)	Reason
Zhejiang Hongchang Copper Co., Ltd.	3,317,811.48	3,317,811.48	100.00	The money is not expected to be collected
Zhejiang Yihui Copper Co., Ltd.	2,434,741.80	2,434,741.80	100.00	The money is not expected to be collected
Yongkang Haoti Trading Co., Ltd.	2,333,754.77	2,333,754.77	100.00	The money is not expected to be collected
Others	3,021,885.44	3,021,885.44	100.00	The money is not expected to be collected
Total	25,806,841.51	25,806,841.51		

(a.2) In Portfolio 1, the details of accounts receivable which carrying amount is large are as follows:

Entity name	31 Dec 2020		
	Accounts receivable	Provision for bad debt	Proportion ratio (%)
Shaoxing Big Data Assurance Center	44,048,614.40		
State Grid E-commerce Technology Co., Ltd.	39,351,418.14		
State Grid Zhejiang Electric Power Company Shaoxing Power Supply Company	15,106,817.41		
Shengzhou City Guangyu Industry Co., Ltd.	12,015,148.66		
Other sporadic entities	61,214,473.70		
Total	171,736,472.31		

(a.3) In Portfolio 2, accounts receivable with bad debt provision recognized collectively by aging analysis

Aging	31 Dec 2020		
	Accounts receivable	Provision for bad debt	Provision ratio (%)
Within 1 year (including 1 year)	658,651,011.36	32,932,550.57	5.00
1 to 2 years	30,306,710.67	3,030,671.07	10.00
2 to 3 years	3,619,678.30	723,935.66	20.00
3 to 4 years	572,645.00	229,058.00	40.00
4 to 5 years	714,141.85	285,656.74	40.00
Over 5 years	1,435,964.50	1,148,771.60	80.00
Total	695,300,151.68	38,350,643.64	

(b) Provision, recovery or reversal of bad debt

Bad debt provided during the reporting period amounted to CNY37,761,229.98; the reversal of the provision for bad debt during the reporting period amounted to CNY3,206,675.96, the amount of bad debt reserve changed by CNY2,569,872.00 due to the change of the scope of consolidation.

(c) Accounts receivable written-off during the reporting period

The written-off of the provision for bad debt during the reporting period amounted to CNY448,483.93.

(d) Large amount of accounts receivable at closing balance by entity

Entity name	Balance at 31 Dec 2020	Proportion of the balance to the total accounts receivable (%)	Provision for bad debt
Shaoxing Big Data Assurance Center	44,048,614.40	4.91	
Shaoxing Shangyu District Water Materials Trade Co., Ltd.	42,434,333.20	4.73	2,121,716.66
Shanghai Urban Construction Municipal Construction (Group) Co., Ltd.	40,764,285.05	4.54	2,038,214.25
State Grid E-commerce Technology Co., Ltd.	39,351,418.14	4.39	
Shaoxing Jinteng Transportation Construction Co., Ltd.	35,550,477.28	3.96	1,777,523.86
Total	202,149,128.07	22.53	5,937,454.77

(e) Derecognition of accounts receivables for transfer of financial assets:

There is no such item.

(f) The amount of assets and liabilities formed by transferring accounts receivables and continuing to be involved:

There is no such item.

5.5 Prepayments

(a) Prepayments by aging

Aging	31 Dec 2020		31 Dec 2019	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year (including 1 year)	546,338,438.91	51.67	534,050,387.53	66.56
1 to 2 years	260,253,773.86	24.61	25,353,312.46	3.16
2 to 3 years	19,729,669.16	1.87	19,175,121.00	2.39
Over 3 years	231,048,916.36	21.85	223,740,771.58	27.89
Total	1,057,370,798.29	100.00	802,319,592.57	100.00

Note: The significant balance with aging more than one year is mainly as a result of that the project payment has not been settled.

(b) Large amount of prepayments at closing balance by entity

Entity name	Balance at 31 Dec 2020	Proportion of the balance to the total prepayments (%)
Hangzhou Local Railway Development Co., Ltd.	207,000,000.00	19.58
China Railway 11th Bureau Group Corp., Ltd.	156,000,000.00	14.75
Shaoxing Keqiao District Sport Center Investment Development Operation Co., Ltd.	150,000,000.00	14.19
China Railway No.8 Engineering Group Co., Ltd.	83,236,360.40	7.87
Total	596,236,360.40	56.39

5.6 Other Receivables

(a) Other receivables by category

Items	31 Dec 2020	31 Dec 2019
Interest receivable		
Dividend receivable		
Other receivables	3,752,454,161.85	1,926,779,726.23
Total	3,752,454,161.85	1,926,779,726.23

(b) Interest receivable

There is no such item.

(c) Dividends receivable

There is no such item.

(d) Other Receivables

(d.1) Other receivables by category

Items	31 Dec 2020				
	Other receivables		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables with individually significant balance and provision for bad debt recognized individually	9,820,363.95	0.26	8,632,036.40	87.90	1,188,327.55
Other receivables with bad debt provision recognized collectively by similar credit risk characteristics	3,801,836,787.46	99.74	50,570,953.16	1.33	3,751,265,834.30
Portfolio 1	3,600,448,468.13	94.46			3,600,448,468.13
Portfolio 2	201,388,319.33	5.28	50,570,953.16	25.11	150,817,366.17
Other receivable with individually insignificant balance but recognized provision for bad debt individually	10,331.90		10,331.90	100.00	
Total	3,811,667,483.31	100.00	59,213,321.46	1.55	3,752,454,161.85

(Continued)

Items	31 Dec 2019				
	Other receivables		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables with individually significant balance and provision for bad debt recognized individually	8,500,000.00	0.43	8,500,000.00	100.00	
Other receivables with bad debt provision recognized collectively by similar credit risk characteristics	1,970,260,596.30	99.57	43,480,870.07	2.21	1,926,779,726.23
Portfolio 1	1,729,232,757.38	87.39			1,729,232,757.38
Portfolio 2	241,027,838.92	12.18	43,480,870.07	18.04	197,546,968.85
Other receivables with individually insignificant balance but recognized provision for bad debt individually					
Total	1,978,760,596.30	100.00	51,980,870.07	2.63	1,926,779,726.23

(d.1.1) Other receivables with individually significant balance and recognized provision for bad debt individually

Entity name	31 Dec 2020			
	Other receivables	Provision for bad debt	Provision ratio (%)	Reason
Shaoxing Finance Development Company	8,500,000.00	8,500,000.00	100.00	Deterioration of operation
Zhejiang Zhongxia New Building Materials Co., Ltd.	1,320,363.95	132,036.40	10.00	Deterioration of operation
Total	9,820,363.95	8,632,036.40	87.90	

(d.1.2) In portfolio 1, details of significant other receivables are as follows:

Entity name	31 Dec 2020		
	Other receivables	Provision for bad debt	Proportion ratio(%)
Shaoxing Municipal People's Government State-Owned Assets Supervision and Administration Commission	1,697,000,000.00		
Shaoxing University	593,006,263.48		
Shaoxing High-tech Technology Industry Development Zone Didang Xincheng Investment Development Co., Ltd.	509,297,709.11		
Shaoxing Housing and Urban-rural Construction Bureau	214,545,771.00		
Shaoxing Old City Renovation Office	199,661,967.73		
Other sporadic entities	979,943,020.29		
Total	3,600,448,468.13		

(d.1.3) In portfolio 2, other receivables with bad debt provision recognized collectively by aging analysis

Aging	31 Dec 2020		
	Other receivables	Provision for bad debt	Provision ratio (%)
Within 1 year (including 1 year)	88,614,869.66	4,430,743.47	5.00
1 to 2 years	9,510,874.93	951,087.50	10.00
2 to 3 years	31,594,100.35	6,318,820.06	20.00
3 to 4 years	13,942,305.77	5,576,922.31	40.00
4 to 5 years	32,218,887.71	12,887,555.09	40.00
Over 5 years	25,507,280.91	20,405,824.73	80.00
Total	201,388,319.33	50,570,953.16	

(d.2) Provision, recovery or reversal of bad debt

Bad debt provided during the reporting period amounted to CNY8,763,082.30; the reversal of the provision for bad debt during the reporting period amounted to CNY905,777.39, the amount of bad debt reserve changed by CNY624,853.52 due to the change of the scope of consolidation.

(d.3) Other receivables written-off during the reporting period

As at 31 December 2020, the Company has no other receivables written-off during the reporting period.

(d.4) Large amount of other receivables at closing balance by entity

Entity name	Nature	Balance at 31 Dec 2020	Aging	Proportion of the balance to the total other receivables (%)	Provision for bad debt
Shaoxing Municipal People's Government State-Owned Assets Supervision and Administration Commission	Current payment	1,697,000,000.00	Within 1 year	44.52	
Shaoxing High-tech Technology Industry Development Zone Didang Xincheng Investment Development Co., Ltd.	Borrowings	509,297,709.11	Within 1 year	13.36	
Shaoxing Housing and Urban-rural Construction Bureau	Current payment	214,545,771.00	1 to 5 years	5.63	
Shaoxing Old City Renovation Office	Current payment	199,661,967.73	1 to 5 years	5.24	
Total		2,620,505,447.84		68.75	

(d.5) Other receivables relating to government grants

There is no such item.

(d.6) Derecognition of other receivables for transfer of financial assets

There is no such item.

(d.7) The amount of assets and liabilities formed by transferring other receivables and continuing to be involved

There is no such item.

5.7 Inventories

(a) Inventories by category

Items	31 Dec 2020			31 Dec 2019		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Raw materials	122,168,575.94		122,168,575.94	108,659,116.90	18,085.09	108,641,031.81
Packaging and low value consumable goods	896,407.59		896,407.59	6,132.75		6,132.75
Stock product	426,574,306.11		426,574,306.11	66,882,028.30	39,701.08	66,842,327.22
Work-in-process	681,794.35		681,794.35	7,862,095.67		7,862,095.67
Semi -finished goods	99,067,985.17		99,067,985.17	348,592.54		348,592.54
Development costs	8,617,068,937.89		8,617,068,937.89	10,432,194,840.08		10,432,194,840.08
Development product	1,053,966,550.99		1,053,966,550.99	1,582,555,400.74		1,582,555,400.74
Construction	342,094,314.37		342,094,314.37	99,552,331.46		99,552,331.46
Others				196,615.19		196,615.19
Total	10,662,518,872.41		10,662,518,872.41	12,298,257,153.63	57,786.17	12,298,199,367.46

(b) Provision for impairment

Impairment provided during the reporting period amounted to CNY120,086.67. Provision for impairment decreased by CNY177,872.84 due to the change of the scope of consolidation.

(c) As at 31 December 2020, the land had an amount of CNY262,093,950.00 without warrants.

(d) Work performed but not yet settled under construction contracts

There is no such item.

5.8 Other Current Assets

Items	31 Dec 2020	31 Dec 2019
Prepaid tax	59,561,402.35	89,418,646.57
VAT allowance	31,786,740.27	21,208,186.67
Pending deduct VAT on purchase	2,875,925.16	17,539,530.05

Items	31 Dec 2020	31 Dec 2019
Financial products	7,000,000.00	7,000,000.00
Deferred expenses	61,133.49	2,497,669.94
Others	385,274.93	339,573.56
Total	101,670,476.20	138,003,606.79

5.9 Available-for-sale Financial Assets

(a) General information of available-for-sale financial assets

Items	31 Dec 2020			31 Dec 2019		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Available-for-sale debt instruments						
Available-for-sale equity instruments	1,134,049,797.00	20,000.00	1,134,029,797.00	680,600,700.00	20,000.00	680,580,700.00
Measured at fair value						
Measured at cost	1,134,049,797.00	20,000.00	1,134,029,797.00	680,600,700.00	20,000.00	680,580,700.00
Total	1,134,049,797.00	20,000.00	1,134,029,797.00	680,600,700.00	20,000.00	680,580,700.00

(b) Available-for-sale financial assets measured at cost

Investees	Book value			
	31 Dec 2019	Increase during the reporting period	Decrease during the reporting period	31 Dec 2020
Shaoxing Luxun Native Place Co., Ltd.	10,000,000.00		10,000,000.00	
Shaoxing Shuicheng Tourism Co., Ltd.	1,600,000.00			1,600,000.00
Bank of Shaoxing Co., Ltd.	10,140,000.00		10,140,000.00	
Shaoxing Construction Credit Guarantee Co., Ltd.	22,212,000.00			22,212,000.00
Shaoxing Human Resource Apartment Property Management Co., Ltd.	4,500,000.00		4,500,000.00	
Shaoxing Enterprise Directors Association	10,000.00			10,000.00
Shaoxing Industrial Supply & Sales Company	20,000.00			20,000.00
Shanghai Yangtze River Delta Xietong Advantage Industrial Equity Investment Partnership (Limited Partnership)	150,000,000.00	150,000,000.00		300,000,000.00
Shaoxing Shengyue	146,239,400.00	109,679,544.00		255,918,944.00

Investees	Book value			
	31 Dec 2019	Increase during the reporting period	Decrease during the reporting period	31 Dec 2020
Construction Development Co., Ltd.				
China Energy Construction (Shaoxing) Construction Development Co., Ltd.	123,106,200.00	92,329,700.00		215,435,900.00
China Construction (Shaoxing) Infrastructure Construction Co., Ltd.	170,773,100.00	128,079,853.00		298,852,953.00
Shaoxing City Style Tourism Shinkansen Construction Co., Ltd.	2,000,000.00		2,000,000.00	
Zhejiang Heda Technology Co., Ltd.	40,000,000.00			40,000,000.00
Total	680,600,700.00	480,089,097.00	26,640,000.00	1,134,049,797.00

(Continued)

Investees	Provision for impairment				Share of interest in investee (%)	Cash dividends for the year ended 31 Dec 2020
	31 Dec 2019	Increase during the reporting period	Decrease during the reporting period	31 Dec 2020		
Shaoxing Luxun Native Place Co., Ltd.						
Shaoxing Shuicheng Tourism Co., Ltd.					10.00	
Bank of Shaoxing Co., Ltd.						
Shaoxing Construction Credit Guarantee Co., Ltd.					3.27	
Shaoxing Human Resource Apartment Property Management Co., Ltd.					3.06	
Shaoxing Enterprise Directors Association						
Shaoxing Industrial Supply & Sales Company	20,000.00			20,000.00		
Shanghai Yangtze River Delta Xietong Advantage Industrial Equity Investment Partnership (Limited Partnership)					6.94	9,070,303.30
Shaoxing Shengyue Construction Development Co., Ltd.					30.00	

Investees	Provision for impairment				Share of interest in investee (%)	Cash dividends for the year ended 31 Dec 2020
	31 Dec 2019	Increase during the reporting period	Decrease during the reporting period	31 Dec 2020		
China Energy Construction (Shaoxing) Construction Development Co., Ltd.					30.00	
China Construction (Shaoxing) Infrastructure Construction Co., Ltd.					30.00	
Shaoxing City Style Tourism Shinkansen Construction Co., Ltd.						
Zhejiang Heda Technology Co., Ltd.					4.78	
Total	20,000.00			20,000.00		9,070,303.30

(c) Changes in provision for impairment during the reporting period

There is no such item.

5.10 Long-term Receivables

(a) General information of long-term receivables:

Items	31 Dec 2020			31 Dec 2019		
	Book value	Provision for bad debt	Carrying amount	Book value	Provision for bad debt	Carrying amount
Trust Industry Protection Fund				47,500,000.00		47,500,000.00
Total				47,500,000.00		47,500,000.00

5.11 Long-term Equity Investments

Investees	31 Dec 2019	Changes during the reporting period				
		Increase during the reporting period	Decrease during the reporting period	Gains/(losses) on investments under the equity method	Adjustments of other comprehensive income	Changes in other equity
Associates						
Bank of Shaoxing Co., Ltd.		1,189,145,289.00		40,587,669.76	1,786,093.20	25,711,300.73
Shaoxing Anshun Hotel Management Co., Ltd.	6,779,954.42		6,779,954.42			
Shaoxing Dajianghu Hot Spring Investment	18,631,639.30	1,225,000.00		-1,127,464.50		

Investees	31 Dec 2019	Changes during the reporting period				
		Increase during the reporting period	Decrease during the reporting period	Gains/(losses) on investments under the equity method	Adjustments of other comprehensive income	Changes in other equity
Management Co., Ltd.						
Shaoxing Pingshui Engineering Quality Testing Co., Ltd.	3,000,000.00		3,000,000.00			
Shaoxing Jingyue Metro Co., Ltd.	862,400,000.00	523,320,000.00				
Zhejiang Baocheng Engineering Design Co., Ltd.	1,434,841.98		1,430,000.00	-4,841.98		
Zhejiang Zhe'neng Binhai Environment Protection Energy Co., Ltd.	32,000,000.00					
Zhejiang Shaoxing Heda Water Technologies Co., Ltd.	6,892,698.15			2,840,307.35		
Hebei Xing'an Water Co., Ltd.	9,064,352.77			1,057,362.64		
Shaoxing Shuicheng Tourism Co., Ltd.	4,084,163.22			-256,800.33		
Shaoxing Village Alteration Construction Investment Co., Ltd.	32,000,000.00					
Shaoxing PetroChina Kunlun Gas Ltd.	43,536,943.32			19,417,319.65		

Investees	31 Dec 2019	Changes during the reporting period				
		Increase during the reporting period	Decrease during the reporting period	Gains/(losses) on investments under the equity method	Adjustments of other comprehensive income	Changes in other equity
Shaoxing Jiangbin Natural Gas Co., Ltd.	8,785,371.72			713,902.57		
Shaoxing Welle Kitchen Waste Recycling and Utilizing Co., Ltd.	10,793,015.76			-18,225.94		
Shaoxing Lantian Environmental Protection Development Co., Ltd.	29,072,699.62			5,384,992.32		
Zhejiang Water Butler Environmental Service Co., Ltd.	4,963,580.05			1,834,922.70		
Jiangsu Xinglian Water Affairs Co., Ltd.	6,899,357.45			754,713.86		
Shaoxing Smart City Research Institute Co., Ltd.	547,564.19			-6,480.35		
Total	1,080,886,181.95	1,713,690,289.00	11,209,954.42	71,177,377.75	1,786,093.20	25,711,300.73

(Continued)

Investees	Changes during the reporting period			31 Dec 2020	Provision for impairment at 31 Dec 2020
	Declaration of cash dividends or distribution of profit	Provision for impairment	Others		
Associates					
Bank of Shaoxing Co., Ltd.				1,257,230,352.69	
Shaoxing Anshun Hotel Management Co., Ltd.					

Investees	Changes during the reporting period			31 Dec 2020	Provision for impairment at 31 Dec 2020
	Declaration of cash dividends or distribution of profit	Provision for impairment	Others		
Shaoxing Dajianghu Hot Spring Investment Management Co., Ltd.				18,729,174.80	
Shaoxing Pingshui Engineering Quality Testing Co., Ltd.					
Shaoxing Jingyue Metro Co., Ltd.			1,385,720,000.00		
Zhejiang Baocheng Engineering Design Co., Ltd.					
Zhejiang Zhe'neng Binhai Environment Protection Energy Co., Ltd.				32,000,000.00	
Zhejiang Shaoxing Heda Water Technologies Co., Ltd.				9,733,005.50	
Hebei Xing'an Water Co., Ltd.				10,121,715.41	
Shaoxing Shuicheng Tourism Co., Ltd.				3,827,362.89	
Shaoxing Village Alteration Construction Investment Co., Ltd.				32,000,000.00	
Shaoxing PetroChina Kunlun Gas Ltd.	29,858,285.52			33,095,977.45	
Shaoxing Jiangbin Natural Gas Co., Ltd.				9,499,274.29	
Shaoxing Welle Kitchen Waste Recycling and Utilizing Co., Ltd.				10,774,789.82	
Shaoxing Lantian Environmental Protection Development Co., Ltd.				34,457,691.94	

Investees	Changes during the reporting period			31 Dec 2020	Provision for impairment at 31 Dec 2020
	Declaration of cash dividends or distribution of profit	Provision for impairment	Others		
Zhejiang Water Butler Environmental Service Co., Ltd.				6,798,502.75	
Jiangsu Xinglian Water Affairs Co., Ltd.				7,654,071.31	
Shaoxing Smart City Research Institute Co., Ltd.				541,083.84	
Total	29,858,285.52		1,385,720,000.00	1,466,463,002.69	

5.12 Investment Properties

(a) Investment properties accounted for using cost model

Items	Buildings and constructions	Total
I. Initial cost:		
Balance at 31 Dec 2019	927,608,552.97	927,608,552.97
Increase during the reporting period	256,428,759.01	256,428,759.01
(i) Acquisition		
(ii) Transfer from inventories	256,428,759.01	256,428,759.01
(iii) Business combination		
(iv) Free transfer		
Decrease during the reporting period	10,550,259.12	10,550,259.12
(i) Disposal	10,550,259.12	10,550,259.12
(ii) Others		
Balance at 31 Dec 2020	1,173,487,052.86	1,173,487,052.86
II. Accumulated depreciation and amortization:		
Balance at 31 Dec 2019	204,232,566.33	204,232,566.33
Increase during the reporting period	27,457,865.51	27,457,865.51
(i) Provision	27,457,865.51	27,457,865.51
(ii) Free transfer		
Decrease during the reporting period	497,903.14	497,903.14
(i) Disposal	497,903.14	497,903.14
(ii) Others		
Balance at 31 Dec 2020	231,192,528.70	231,192,528.70
III. Provision for impairment		
Balance at 31 Dec 2019		
Increase during the reporting period		
(i) Provision		

Items	Buildings and constructions	Total
Decrease during the reporting period		
(i) Disposal		
(ii) Others		
Balance at 31 Dec 2020		
IV. Carrying amount:		
Balance at 31 Dec 2020	942,294,524.16	942,294,524.16
Balance at 31 Dec 2019	723,375,986.64	723,375,986.64

5.13 Property, plant and equipment

(a) Property, plant and equipment by category

Items	31 Dec 2020	31 Dec 2019
Property, plant and equipment	16,402,330,869.56	16,210,320,101.56
Disposal of property, plant and equipment	4,564,301.44	922,342.58
Total	16,406,895,171.00	16,211,242,444.14

Note: Property, plant and equipment listed above is the net result of property, plant and equipment after deducting disposal of property, plant and equipment.

(b) Property, plant and equipment

(b.1) General information of property, plant and equipment

Items	Buildings and constructions	Machinery equipment	Electronic equipment	Vehicle
I. Initial cost:				
Balance at 31 Dec 2019	16,517,045,551.73	1,844,915,830.38	24,882,999.01	143,070,751.36
Increase during the reporting period	945,072,358.47	93,199,757.03	7,223,995.95	10,348,237.04
(i) Acquisition	124,660,854.12	33,769,659.40	530,984.88	4,633,457.24
(ii) Transfer from construction in progress	135,003,780.31	36,087,555.75	-	-
(iii) Transfer from inventories	583,931,821.72	-	-	-
(iv) Business combination	101,475,902.32	23,342,541.88	6,693,011.07	5,714,779.80
Decrease during the reporting period	158,266,131.64	62,741,863.69	3,296,714.37	32,678,683.10
(i) Disposal	79,612,280.60	2,739,258.31	1,477,455.32	13,366,156.89
(ii) Business combination	78,653,851.04	60,002,605.38	1,819,259.05	19,312,526.21
Balance at 31 Dec 2020	17,303,851,778.56	1,875,373,723.72	28,810,280.59	120,740,305.30
II. Accumulated depreciation:				
Balance at 31 Dec 2019	3,470,385,108.36	1,011,457,140.69	7,059,767.73	79,489,714.99
Increase during the reporting period	429,605,458.55	225,586,687.13	6,040,362.67	18,317,390.71
(i) Provision	373,314,820.64	207,355,888.26	3,144,867.53	12,336,638.67

Items	Buildings and constructions	Machinery equipment	Electronic equipment	Vehicle
(ii) Business combination	56,290,637.91	18,230,798.87	2,895,495.14	5,980,752.04
Decrease during the reporting period	51,061,349.97	54,141,986.06	2,290,120.05	17,639,636.39
(i) Disposal	28,896,099.52	1,699,406.94	1,477,455.32	12,715,739.51
(ii) Business combination	22,165,250.45	52,442,579.12	812,664.73	4,923,896.88
Balance at 31 Dec 2020	3,848,929,216.94	1,182,901,841.76	10,810,010.35	80,167,469.31
III. Provision for impairment:				
Balance at 31 Dec 2019		1,311,812.40		
Increase during the reporting period	50,681,922.80	-	-	-
(i) Provision	50,681,922.80			
Decrease during the reporting period				
(i) Disposal				
Balance at 31 Dec 2020	50,681,922.80	1,311,812.40	-	-
IV. Carrying amount:				
Balance at 31 Dec 2020	13,404,240,638.82	691,160,069.56	18,000,270.24	40,572,835.99
Balance at 31 Dec 2019	13,046,660,443.37	832,146,877.29	17,823,231.28	63,581,036.37

Items	Electrical equipment	Dedicated equipment	Office equipment	Other equipment	Total
I. Initial cost:					
Balance at 31 Dec 2019	3,624,457.37	4,111,124,459.81	14,909,847.62	215,637,336.26	22,875,211,233.54
Increase during the reporting period	136,766.55	222,714,967.10	11,481,502.22	35,486,891.76	1,325,664,476.12
(i) Acquisition	136,766.55	3,870,114.76	1,612,467.44	9,574,702.15	178,789,006.54
(ii) Transfer from construction in progress		211,122,244.41	407,128.44	1,635,086.90	384,255,795.81
(iii) Transfer from inventories					583,931,821.72
(iv) Business combination		7,722,607.93	9,461,906.34	24,277,102.71	178,687,852.05
Decrease during the reporting period	2,547,511.24	2,174,692.27	7,549,665.45	2,582,459.37	271,837,721.13
(i) Disposal	990,748.67	2,174,692.27	6,184,466.27	2,582,459.37	109,127,517.70
(ii) Business combination	1,556,762.57		1,365,199.18		162,710,203.43
Balance at 31 Dec 2020	1,213,712.68	4,331,664,734.64	18,841,684.39	248,541,768.65	23,929,037,988.53
II. Accumulated depreciation:					
Balance at 31 Dec 2019	1,791,684.64	1,938,635,693.96	11,566,926.70	134,551,243.34	6,654,937,280.41

Items	Electrical equipment	Dedicated equipment	Office equipment	Other equipment	Total
Increase during the reporting period	67,968.38	179,033,284.28	12,132,584.77	76,331,715.90	947,115,452.39
(i) Provision	67,968.38	179,033,284.28	915,334.57	59,270,443.66	835,439,245.99
(ii) Business combination			11,217,250.20	17,061,272.24	111,676,206.40
Decrease during the reporting period	934,952.01	1,164,884.72	7,428,701.02	1,319,757.98	135,981,388.20
(i) Disposal	934,952.01	1,164,884.72	6,184,167.75	1,319,757.98	54,392,463.75
(ii) Business combination			1,244,533.27		81,588,924.45
Balance at 31 Dec 2020	924,701.01	2,116,504,093.52	16,270,810.45	209,563,201.26	7,466,071,344.60
III. Provision for impairment:					
Balance at 31 Dec 2019		8,642,039.17			9,953,851.57
Increase during the reporting period					50,681,922.80
(i) Provision					50,681,922.80
Decrease during the reporting period					
(i) Disposal					
Balance at 31 Dec 2020		8,642,039.17			60,635,774.37
IV. Carrying amount:					
Balance at 31 Dec 2020	289,011.67	2,206,518,601.95	2,570,873.94	38,978,567.39	16,402,330,869.56
Balance at 31 Dec 2019	1,832,772.73	2,163,846,726.68	3,342,920.92	81,086,092.92	16,210,320,101.56

(b.2) Idle property, plant and equipment: There is no such item.

(b.3) Property, plant and equipment acquired under finance leases:

There is no such item.

(b.4) Property, plant and equipment leasing out under operating leases:

There is no such item.

(b.5) Property, plant and equipment without certificate of title

As at 31 December 2020, there are still CNY74,790,861.01 in property, plant and equipment without certificate of title.

(b.6) Restricted property, plant and equipment

As at 31 December 2020, property, plant and equipment with the carrying amount of CNY72,692,444.67 is used for mortgage loan.

(c) Disposal of property, plant and equipment

Items	31 Dec 2020	31 Dec 2019
Discard and disposal	4,564,301.44	922,342.58
Total	4,564,301.44	922,342.58

5.14 Construction in Progress**(a) Construction in progress by category**

Items	31 Dec 2020	31 Dec 2019
Construction in progress	13,313,871,044.09	12,264,708,630.63
Construction materials		
Total	13,313,871,044.09	12,264,708,630.63

Note: Construction in progress listed above is the net result of construction in progress after deducting construction materials.

(b) Construction in progress**(b.1) General information of construction in progress**

Items	31 Dec 2020			31 Dec 2019		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
River dredging and improvement works	2,268,482,042.52		2,268,482,042.52	3,158,321,234.13		3,158,321,234.13
Olympic sports center project	1,236,851,666.65		1,236,851,666.65	1,234,996,387.83		1,234,996,387.83
Reconstruction of National Highway 329 Smart Expressway project	2,491,300,068.99		2,491,300,068.99	946,735,410.00		946,735,410.00
Urban investment business building project	921,314,170.80		921,314,170.80	910,926,253.25		910,926,253.25
Metro line 1				905,361,775.54		905,361,775.54
Second Ring road transformation and relocation project	706,056,936.32		706,056,936.32	706,056,936.32		706,056,936.32
Wanxiu road vehicle base				518,181,833.04		518,181,833.04
Qingneng Environmental Protection Relocation Project	650,208,729.14		650,208,729.14	374,574,228.23		374,574,228.23
Cultural center project	341,898,507.93		341,898,507.93	341,862,468.93		341,862,468.93
Technology center project	257,687,001.49		257,687,001.49	257,670,481.44		257,670,481.44
S308 Provincial Highway (Second Ring Road West Intelligent Expressway) Reconstruction Project	955,459,978.50		955,459,978.50	235,250,699.48		235,250,699.48
Sewage collection project	227,183,509.54		227,183,509.54	219,158,151.40		219,158,151.40

Items	31 Dec 2020			31 Dec 2019		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Science and technology culture plaza	204,496,294.85		204,496,294.85	204,808,707.85		204,808,707.85
Gas industry pipe network shop construction	179,434,487.46		179,434,487.46	181,704,241.45		181,704,241.45
Comprehensive tax service building project	176,749,592.83		176,749,592.83	175,631,592.84		175,631,592.84
Binhai Construction of "Ten Road and Three Bridges" Supporting Project	91,931,606.66		91,931,606.66	137,111,661.14		137,111,661.14
Water supply engineering in Water company	173,605,092.12		173,605,092.12	141,611,975.78		141,611,975.78
Water supply engineering, etc.	232,827,150.30		232,827,150.30	17,471,837.47		17,471,837.47
Other sporadic projects	2,198,384,207.99		2,198,384,207.99	1,597,272,754.51		1,597,272,754.51
Total	13,313,871,044.09		13,313,871,044.09	12,264,708,630.63		12,264,708,630.63

(c) Construction Materials

There is no such item.

5.15 Intangible Assets

(a) General information of intangible assets

Items	Land use right	Software	Franchise use right	Total
I. Initial cost:				
Balance at 31 Dec 2019	879,534,877.90	86,076,085.49	842,757,707.72	1,808,368,671.11
Increase during the reporting period	105,441,933.85	35,667,281.10	62,265,078.67	203,374,293.62
(i) Acquisition	30,138,229.64	32,639,103.69	5,357,249.52	68,134,582.85
(ii) Transfer from construction in progress			51,168,966.81	51,168,966.81
(iii) Business combination	75,303,704.21	3,028,177.41	5,738,862.34	84,070,743.96
Decrease during the reporting period	48,417,564.60	95,320.22	-	48,512,884.82
(i) Business combination	48,417,564.60	95,320.22		48,512,884.82
Balance at 31 Dec 2020	936,559,247.15	121,648,046.37	905,022,786.39	1,963,230,079.91
II. Accumulated amortization:				
Balance at 31 Dec 2019	121,465,369.85	15,019,110.75	39,447,923.54	175,932,404.14
Increase during the reporting period	55,034,291.31	10,729,455.62	35,418,178.93	101,181,925.86

Items	Land use right	Software	Franchise use right	Total
(i) Provision	50,782,458.35	9,245,204.67	35,354,573.21	95,382,236.23
(ii) Business combination	4,251,832.96	1,484,250.95	63,605.72	5,799,689.63
Decrease during the reporting period	39,440,412.83	-	-	39,440,412.83
(i) Business combination	39,440,412.83			39,440,412.83
Balance at 31 Dec 2020	137,059,248.33	25,748,566.37	74,866,102.47	237,673,917.17
III. Provision for impairment:				
Balance at 31 Dec 2019				
Increase during the reporting period				
(i) Provision				
Decrease during the reporting period				
(ii) (i) Disposal				
Balance at 31 Dec 2020				
IV. Carrying amount:				
Balance at 31 Dec 2020	799,499,998.82	95,899,480.00	830,156,683.92	1,725,556,162.74
Balance at 31 Dec 2019	758,069,508.05	71,056,974.74	803,309,784.18	1,632,436,266.97

(b) At the end of the reporting period, the proportion of intangible assets arising from internal research and development project to the total intangible assets is 0%.

(c) Restricted land use right: Land use right with the carrying amount of CNY21,683,912.50 is used for mortgage loan.

5.16 Goodwill

(a) Initial recognition

Investees or matters that goodwill arising from	31 Dec 2019	Increase during the reporting period		Decrease during the reporting period		31 Dec 2020
		Business combination	others	Disposal	others	
Shaoxing Qingneng Environmental Protection Co., Ltd.	69,094,695.38					69,094,695.38
Shaoxing Urban Construction Municipal Construction Co., Ltd.	5,282,373.56					5,282,373.56
Zhejiang Shuangcheng Electric Co., Ltd.		22,499,650.45				22,499,650.45
Total	74,377,068.94	22,499,650.45				96,876,719.39

(b) Provision for impairment

Investees or matters that goodwill arising from	31 Dec 2019	Increase during the reporting period		Decrease during the reporting period		31 Dec 2020
		Provision	others	Disposal	others	

Investees or matters that goodwill arising from	31 Dec 2019	Increase during the reporting period		Decrease during the reporting period		31 Dec 2020
		Provision	others	Disposal	others	
Shaoxing Qingneng Environmental Protection Co., Ltd.	69,094,695.38					69,094,695.38
Total	69,094,695.38					69,094,695.38

Note: Shaoxing Qingneng Environmental Protection Co., Ltd. has incurred a huge loss, and the current assets are expected to bring economic benefits to the enterprise is much lower than the carrying amount, so the impairment of this part of goodwill is fully calculated.

5.17 Long-term Deferred Expenses

Items	31 Dec 2019	Increase during the reporting period	Amortization during the reporting period	Other decrease during the reporting period	31 Dec 2020
Finance expenses	6,315,833.44		5,829,999.96		485,833.48
Decoration expenses	6,787,307.84	11,994,578.26	3,706,462.62	315,366.10	14,760,057.38
others	26,567,820.07	12,821,949.21	16,533,160.78		22,856,608.50
Total	39,670,961.35	24,816,527.47	26,069,623.36	315,366.10	38,102,499.36

5.18 Deferred Tax Assets and Deferred Tax Liabilities

(a) Deferred tax assets before offsetting

Items	31 Dec 2020		31 Dec 2019	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment loss	98,403,020.64	23,985,438.10	88,835,099.87	21,410,883.39
Deferred income	17,033,333.76	4,258,333.44	27,341,906.16	6,835,476.54
Deductible losses	2,225,547.16	556,386.79		
Formation of special reserve	51,504,741.16	12,876,185.29		
Total	169,166,642.72	41,676,343.62	116,177,006.03	28,246,359.93

(b) Deferred tax liabilities before offsetting

Items	31 Dec 2020		31 Dec 2019	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Temporary differences in the depreciation life of property, plant and equipment	75,377,645.71	12,906,382.74		

Items	31 Dec 2020		31 Dec 2019	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Appraisal and appreciation of assets of business consolidation not under common control	69,675,213.68	17,418,803.42	71,647,153.68	17,911,788.42
Total	145,052,859.39	30,325,186.16	71,647,153.68	17,911,788.42

(c) Unrecognized deferred tax assets

Items	31 Dec 2020	31 Dec 2019
Deductible temporary differences	29,220,728.58	
Total	29,220,728.58	

5.19 Other Non-current Assets

Items	31 Dec 2020	31 Dec 2019
B.T. municipal infrastructure projects	199,704,857.52	199,704,857.52
Pending deduct VAT on purchase	71,881,537.55	114,800,017.20
Long-term asset purchase	8,336,968.97	6,316,615.80
Land margin	33,939,625.00	
Total	313,862,989.04	320,821,490.52

5.20 Short-term Borrowings

(a) Disclosure of short-term borrowings by category

Items	31 Dec 2020	31 Dec 2019
Credit loans	510,000,000.00	
Guarantee loans	976,710,352.04	958,100,000.00
Mortgage loans		65,000,000.00
Total	1,486,710,352.04	1,023,100,000.00

(b) Overdue short-term borrowings

There is no such item.

5.21 Notes Payable

(a) Notes payable by category

Items	31 Dec 2020	31 Dec 2019
Bank acceptance bills	65,562,780.80	136,311,976.75
Total	65,562,780.80	136,311,976.75

At 31 December 2020, notes payable matured but not yet paid amounted to CNY0.

5.22 Accounts Payable

Accounts payable categorized by ages:

Items	31 Dec 2020	31 Dec 2019
Within 1 years (including 1 year)	1,642,031,691.29	699,726,090.34
1 to 2 years	70,940,873.70	402,126,536.03
2 to 3 years	75,875,190.40	62,720,279.22
Over 3 years	143,420,584.63	111,266,437.57
Total	1,932,268,340.02	1,275,839,343.16

5.23 Advances from customers

(a) Advances from customers categorized by ages

Items	31 Dec 2020	31 Dec 2019
Within 1 years (including 1 year)	378,766,731.79	177,859,052.07
1 to 2 years	9,170,207.32	226,821,623.57
2 to 3 years	38,680,618.11	46,904,746.45
Over 3 years	204,001,411.62	161,893,547.39
Total	630,618,968.84	613,478,969.48

5.24 Employee Benefits Payable

(a) Details of employee benefits payable

Items	31 Dec 2019	Increase during the reporting period	Decrease during the reporting period	31 Dec 2020
I. Short-term employee benefits	48,132,293.09	505,865,440.62	505,099,468.68	48,898,265.03
II. Post-employment benefits-defined contribution plans	1,229,662.42	39,141,142.26	39,347,006.29	1,023,798.39
III. Termination benefits		64,924,089.00	64,924,089.00	
IV. Other benefits due within one year				
V. Others				
Total	49,361,955.51	609,930,671.88	609,370,563.97	49,922,063.42

(b) Short-term employee benefits

Items	31 Dec 2019	Increase during the reporting period	Decrease during the reporting period	31 Dec 2020
I. Salaries, bonuses, allowances and subsidies	38,424,301.79	395,591,685.18	393,914,362.13	40,101,624.84
II. Employee benefits		37,680,544.27	37,680,544.27	
III. Social insurance	9,322,711.71	19,935,071.68	21,090,673.80	8,167,109.59
Including: Health insurance	9,254,171.07	19,442,243.92	20,549,142.98	8,147,272.01
Injury insurance	23,286.78	281,947.81	288,436.89	16,797.70
Birth insurance	45,253.86	210,879.95	253,093.93	3,039.88

Items	31 Dec 2019	Increase during the reporting period	Decrease during the reporting period	31 Dec 2020
IV. Housing accumulation fund	7,756.10	45,416,755.96	45,418,483.96	6,028.10
V. Labor union funds and employee education funds	377,523.49	7,241,383.53	6,995,404.52	623,502.50
VI. Short-term absence pays				
VII. Short-term profit -sharing plan				
Total	48,132,293.09	505,865,440.62	505,099,468.68	48,898,265.03

(c) Defined contribution plans

Items	31 Dec 2019	Increase during the reporting period	Decrease during the reporting period	31 Dec 2020
Basic endowment insurance	1,173,019.92	18,180,125.96	18,674,581.59	678,564.29
Unemployment insurance	43,261.50	1,282,949.78	1,309,290.89	16,920.39
Enterprise annuity	13,381.00	19,678,066.52	19,363,133.81	328,313.71
Total	1,229,662.42	39,141,142.26	39,347,006.29	1,023,798.39

5.25 Taxes Payable

Items	31 Dec 2020	31 Dec 2019
Value added tax (VAT)	52,264,181.80	36,830,346.96
Enterprise income tax	86,631,753.84	76,227,361.53
Individual income tax	1,629,411.63	699,519.16
Urban maintenance and construction tax	4,059,729.37	2,762,987.60
Property tax	48,488,421.53	44,954,281.85
Land usage tax	14,945,798.98	9,801,385.01
Land value added tax	30,810,592.35	5,869,258.31
Educational surcharge	1,871,212.88	1,217,674.78
Local Education and supplementary tax	998,743.68	696,607.47
Stamp duty	2,483,065.90	1,231,040.81
others	360,286.07	486,320.27
Total	244,543,198.03	180,776,783.75

5.26 Other Payables

(a) Other payables by category

Items	31 Dec 2020	31 Dec 2019
Interest payable	382,864,322.58	356,545,313.43
Dividend payable	4,090,357.18	3,673,690.18

Items	31 Dec 2020	31 Dec 2019
Other payables	2,101,999,621.84	1,686,761,969.53
Total	2,488,954,301.60	2,046,980,973.14

(b) Interest payable

Items	31 Dec 2020	31 Dec 2019
Interest on long-term borrowings with installment interest payments and the repayment of the principal at maturity	48,417,164.14	53,698,768.64
Interest on corporate bonds	333,051,525.57	302,789,911.37
Interest on short-term borrowings	1,089,648.28	56,633.42
Interest on finance lease	305,984.59	
Total	382,864,322.58	356,545,313.43

Unpaid overdue interest with significant amount: There is no such item.

(c) Dividends payable

Items	31 Dec 2020	31 Dec 2019
Dividends on ordinary shares	4,090,357.18	3,673,690.18
Total	4,090,357.18	3,673,690.18

(d) Other payables**(d.1) Disclosure of other payables by age**

Items	31 Dec 2020	31 Dec 2019
Within 1 year	1,423,802,293.13	975,221,664.45
1 to 2 years	75,085,963.35	370,509,301.47
2 to 3 years	325,399,275.12	109,464,590.52
Over 3 years	277,712,090.24	231,566,413.09
Total	2,101,999,621.84	1,686,761,969.53

5.27 Non-current Liabilities Maturing within One Year

Items	31 Dec 2020	31 Dec 2019
Long-term borrowings maturing within one year	663,677,272.70	1,154,067,318.21
Bonds payable maturing within one year	5,889,171,866.66	1,048,790,000.00
Long-term payables maturing within one year	55,000,000.00	
Total	6,607,849,139.36	2,202,857,318.21

Among: the category of long-term borrowings maturing within one year

Items	31 Dec 2020	31 Dec 2019
Credit loans		130,000,000.00
Guarantee loans	291,100,000.00	893,300,000.00
Mortgage loans		4,086,000.00
Pledge loans	40,000,000.00	50,000,000.00

Items	31 Dec 2020	31 Dec 2019
Mortgage and guaranteed loans	850,000.00	10,850,000.00
National debt reloan	331,727,272.70	65,831,318.21
Total	663,677,272.70	1,154,067,318.21

5.28 Other Current Liabilities

Items	31 Dec 2020	31 Dec 2019
Pipe network pre-buried payment	558,650,110.37	585,962,405.38
Total	558,650,110.37	585,962,405.38

5.29 Long-term Borrowings**(a) Long-term borrowings by category**

Items	31 Dec 2020	31 Dec 2019
Credit loans	805,000,000.00	536,000,000.00
Guarantee loans	2,804,780,180.00	1,896,030,000.00
Pledge loans	610,000,000.00	650,000,000.00
Mortgage and guaranteed loans	18,750,000.00	19,600,000.00
National debt reloan	1,923,649,500.00	2,275,727,272.70
Total	6,162,179,680.00	5,377,357,272.70

5.30 Bonds payable**(a) General information of bonds payable**

Items	31 Dec 2020	31 Dec 2019
15 Shaoxing City Investment debt	516,625,000.00	773,925,000.00
15 Shaoxing City Investment PPN001		149,475,000.00
15 Shaoxing City Investment PPN002		537,840,000.00
16 Shaoxing City Investment for PPN001	478,800,000.00	477,840,000.00
The first medium-term note of 2016		498,965,000.00
17PPN01 (phase I)	991,450,000.00	988,750,000.00
17 Shaoxing City Investment	99,428,571.43	99,285,714.29
18 Shaoxing City Investment 01		696,733,333.33
18 Shaoxing City Investment 02		696,416,666.67
18 Shaoxing City Investment for PPN001	998,333,333.33	996,333,333.33
18 Foreign Bond		3,467,510,400.00
19 Shaoxing City Investment Y1	300,000,000.00	300,000,000.00
19 Shaoxing City Investment 01	798,500,000.00	797,300,000.00
19 Shaoxing City Investment 02	598,650,000.00	597,750,000.00
19 Shaoxing City Investment 03	598,500,000.00	597,600,000.00
2019 financial management tools (phase I)		50,000,000.00

Items	31 Dec 2020	31 Dec 2019
2019 non-public issuing company bonds (phase IV)	798,544,000.00	797,712,000.00
19 Shaoxing Public PPN002	700,000,000.00	700,000,000.00
19 Shaoxing Public PPN001	400,000,000.00	400,000,000.00
20 Shaoxing City Investment 01	995,406,666.68	
20 Shaoxing City Investment MTN001	500,000,000.00	
20 Shaoxing City Investment PPN001	1,288,950,000.00	
Total	10,063,187,571.44	13,623,436,447.62

(b) Changes in bonds payable (except for other financial instruments classified as financial liabilities such as preference shares and perpetual bonds)

Bonds	Parvalue	Issue date	Bonds-duration	Amount issued	31 Dec 2019
15 Shaoxing City Investment debt	100.00	17 Apr 2015	7 years	1,300,000,000.00	773,925,000.00
15 Shaoxing City Investment PPN001	100.00	18 Sep 2015	3+3 years	500,000,000.00	149,475,000.00
15 Shaoxing City Investment PPN002	100.00	7 Dec 2015	3+3 years	600,000,000.00	537,840,000.00
16 Shaoxing City Investment for PPN001	100.00	24 Mar 2016	3+3 years	500,000,000.00	477,840,000.00
The first medium-term note of 2016	100.00	15 Nov 2016	5 years	500,000,000.00	498,965,000.00
17 PPN01 (phase I)	100.00	20 Feb 2017	5+2 years	1,000,000,000.00	988,750,000.00
17 Shaoxing City Investment	100.00	5 Dec 2017	5+2 years	100,000,000.00	99,285,714.29
18 Shaoxing City Investment 01	100.00	22 Mar 2018	3+2 years	700,000,000.00	696,733,333.33
18 Shaoxing City Investment 02	100.00	25 Apr 2018	3+2 years	700,000,000.00	696,416,666.67
18 Shaoxing City Investment for PPN001	100.00	5 Nov 2018	3+3 years	1,000,000,000.00	996,333,333.33
18 Foreign Bond	100.00	18 Dec 2018	3 years	U.S.\$500,000,000.00	3,467,510,400.00
19 Shaoxing City Investment Y1	100.00	29 Jan 2019	3 years	300,000,000.00	300,000,000.00
19 Shaoxing City Investment 01	100.00	27 Mar 2019	3 years	800,000,000.00	797,300,000.00
19 Shaoxing City Investment 02	100.00	19 Jun 2019	3+2 years	600,000,000.00	597,750,000.00
19 Shaoxing City Investment 03	100.00	19 Aug 2019	3+2 years	600,000,000.00	597,600,000.00
2019 financial management tools (phase I)	100.00	19 Jul 2019	2 years	50,000,000.00	50,000,000.00

Bonds	Par value	Issue date	Bonds-duration	Amount issued	31 Dec 2019
19 Shaoxing City Investment SCP001	100.00	23 Sep 2019	3 months	1,200,000,000.00	
2019 non-public issuing company bonds (phase IV)	100.00	24 Sep 2019	3+2 years	800,000,000.00	797,712,000.00
20 Shaoxing City Investment SCP002	100.00	8 Jan 2020	180 days	400,000,000.00	
19 Shaoxing Public PPN002	100.00	25 Oct 2019	3 years	700,000,000.00	700,000,000.00
19 Shaoxing Public PPN001	100.00	15 Mar 2019	3 years	400,000,000.00	400,000,000.00
20 Shaoxing City Investment 01	100.00	27 May 2020	7 years	1,000,000,000.00	
20 Shaoxing City Investment MTN001	100.00	29 Apr 2020	5 years	500,000,000.00	
20 Shaoxing City Investment PPN001	100.00	18 Mar 2020	6 years	1,300,000,000.00	
20 Shaoxing City Investment SCP003	100.00	10 Dec 2020	20 days	400,000,000.00	
Total					13,623,436,447.62

(Continued)

Bonds	Issued amount during the reporting period	Accrued interest based on par value	Premium /discount	Amortization of premium /discount	Repayment during the reporting period	Transfer to non-current liabilities maturing within one year	31 Dec 2020
15 Shaoxing City Investment debt				2,700,000.00	260,000,000.00		516,625,000.00
15 Shaoxing City Investment PPN001				300,000.00		149,775,000.00	
15 Shaoxing City Investment PPN002				1,080,000.00		538,920,000.00	
16 Shaoxing City Investment for PPN001				960,000.00			478,800,000.00
The first medium-term note of 2016				540,000.00		499,505,000.00	
17PPN01 (phase I)				2,700,000.00			991,450,000.00
17 Shaoxing City Investment				142,857.14			99,428,571.43

Bonds	Issued amount during the reporting period	Accrued interest based on par value	Premium /discount	Amortization of premium /discount	Repayment during the reporting period	Transfer to non-current liabilities maturing within one year	31 Dec 2020
18 Shaoxing City Investment 01				2,800,000.00		699,533,333.33	
18 Shaoxing City Investment 02				2,866,666.67		699,283,333.34	
18 Shaoxing City Investment for PPN001				2,000,000.00			998,333,333.33
18 Foreign Bond	-225,650,000.00			10,294,800.00		3,252,155,200.00	
19 Shaoxing City Investment Y1							300,000,000.00
19 Shaoxing City Investment 01				1,200,000.00			798,500,000.00
19 Shaoxing City Investment 02				900,000.00			598,650,000.00
19 Shaoxing City Investment 03				900,000.00			598,500,000.00
2019 Financial management tools (phase I)						50,000,000.00	
19 Shaoxing City Investment SCP001							
2019 Non-public issuing company bonds (phase IV)				832,000.00			798,544,000.00
20 Shaoxing City Investment SCP002	400,000,000.00				400,000,000.00		

Bonds	Issued amount during the reporting period	Accrued interest based on par value	Premium /discount	Amortization of premium /discount	Repayment during the reporting period	Transfer to non-current liabilities maturing within one year	31 Dec 2020
19 Shaoxing Public PPN002							700,000,000.00
19 Shaoxing Public PPN001							400,000,000.00
20 Shaoxing City Investment 01	1,000,000,000.00		5,200,000.00	606,666.68			995,406,666.68
20 Shaoxing City Investment MTN001	500,000,000.00						500,000,000.00
20 Shaoxing City Investment PPN001	1,300,000,000.00		13,000,000.00	1,950,000.00			1,288,950,000.00
20 Shaoxing City Investment SCP003	400,000,000.00				400,000,000.00		
Total	3,374,350,000.00		18,200,000.00	32,772,990.49	1,060,000,000.00	5,889,171,866.67	10,063,187,571.44

(c) Other instruction:

- (c.1) In May 2020, the Company issued 20 Shaoxing city (phase I) bonds, called 20 of Shaoxing City Investment 01 with a total amount of CNY1 billion and a coupon rate of 3.32%, and the issuance duration is 7 years (at the end of the 5th year, the Company has the option to adjust the coupon rate and the investor to sell back).
- (c.2) In April 2020, the Company issued 2020 Medium-term Notes (phase I), called 20 Shaoxing City Investment MTN001 with a total amount of CNY500 million and a coupon rate of 3.38%, and the issuance duration is 5 years.
- (c.3) In March 2020, the Company issued 20 PPN phase I (Epidemic prevention and control bond), called 20 Shaoxing City Investment PPN001 with a total amount of CNY1.3 billion and a coupon rate of 3.80%, and the issuance duration is 6 years (at the end of the 5th year, the Company has the option to adjust the coupon rate and the investor to sell back).
- (c.4) In January 2020, the Company issued 2020 ultra-short-term financing bonds (phase II), called 20 Shaoxing City Investment SCP002 with a total amount of CNY400 million and a coupon rate of 2.88%, and the issuance duration is 6 months.
- (c.5) In December 2020, the Company issued 2020 ultra-short-term financing bonds (phase III), called 20 Shaoxing City Investment SCP003 with a total amount of CNY400 million and a coupon rate of 1.88%, and the issuance duration is 20

days.

5.31 Long-term Payables

(a) Long-term payables by category

Items	31 Dec 2020	31 Dec 2019
Long-term payables	119,147,999.65	2,606,384,766.41
Specific items payable	1,129,233,922.51	707,089,951.10
Total	1,248,381,922.16	3,313,474,717.51

(b) Long-term payables by nature:

Items	31 Dec 2020	31 Dec 2019
Local government bonds	119,147,999.65	1,127,384,766.41
Loan from Zhejiang Shaoxing Government-Enterprise-Partnerships Investment Fund Co., Ltd.		1,479,000,000.00
Total	119,147,999.65	2,606,384,766.41

(c) Specific items payable

Items	31 Dec 2019	Increase during the reporting period	Decrease during the reporting period	31 Dec 2020	Reason
Special construction funds for the promotion of agricultural products	42,732,263.00			42,732,263.00	Special fund
Funds for construction of public bicycle system engineering	3,620,000.00			3,620,000.00	Special fund
2011 civil air defense engineering construction funds by civil air defense office	61,500,000.00			61,500,000.00	Special fund
Construction fund of military sub militia reserve training center	28,350,000.00			28,350,000.00	Special fund
Second phase of the militia project of the Shaoxing Army Division Logistics Department	7,480,000.00			7,480,000.00	Special fund

Items	31 Dec 2019	Increase during the reporting period	Decrease during the reporting period	31 Dec 2020	Reason
Qunxian Rd. east extension project	25,437,938.95			25,437,938.95	Special fund
Second phase of Qunxian Rd. east extension project	12,000,000.00			12,000,000.00	Special fund
PPP project	440,118,700.00	330,089,097.00		770,207,797.00	Special fund
Special fund for copper mine construction	19,023,000.00			19,023,000.00	Special fund
Downhole filling system engineering project funds	161,423.56			161,423.56	Special fund
Pingtong Group's "Water, electricity and warm supply, property management" renovation project	8,710,298.56		8,710,298.56		Special fund
Infrastructure project financial allocations	2,784,628.89		2,784,628.89		Special fund
Shaoxing Rail Transit Line 1 PPP Project	71,698.14		71,698.14		Special fund
E-Government Cloud, Desktop Cloud Project Funding	18,000,000.00			18,000,000.00	Special fund
Circular Industrial Park (phase I) project	1,500,000.00			1,500,000.00	Special fund
Renovation project of Dawu'ao landfill	22,570,000.00			22,570,000.00	Special fund
Financial appropriation to kitchen garbage disposal center	730,000.00			730,000.00	Special fund
Others	12,300,000.00		100,000.00	12,200,000.00	Special fund

Items	31 Dec 2019	Increase during the reporting period	Decrease during the reporting period	31 Dec 2020	Reason
The specific fund of Olympic Sports Center Stadiums' reconstruction		103,721,500.00		103,721,500.00	Special fund
Total	707,089,951.10	433,810,597.00	11,666,625.59	1,129,233,922.51	

5.32 Deferred Income

(a) Details of deferred income

Items	31 Dec 2019	Increase during the reporting period	Decrease during the reporting period	31 Dec 2020	Reason
Tangpu Reservoir investment compensation	26,619,278.29		8,842,420.13	17,776,858.16	Related to income
others	121,041,480.93	14,354,181.61	14,703,369.55	120,692,292.99	Related to assets
Total	147,660,759.22	14,354,181.61	23,545,789.68	138,469,151.15	

5.33 Paid-in Capital

Investment entity	31 Dec 2019		Increase during the reporting period	Decrease during the reporting period	31 Dec 2020	
	Amount	Proportion of ownership interest (%)			Amount	Proportion of ownership interest (%)
Shaoxing Municipal People's Government State-Owned Assets Supervision and Administration Commission	3,300,000,000.00	100.00		330,000,000.00	2,970,000,000.00	90.00
Zhejiang Finance Development Company			330,000,000.00		330,000,000.00	10.00
Total	3,300,000,000.00	100.00	330,000,000.00	330,000,000.00	3,300,000,000.00	100.00

5.34 Capital Reserves

Items	31 Dec 2019	Increase during the reporting period	Decrease during the reporting period	31 Dec 2020
Capital premium	2,080,902,976.45			2,080,902,976.45

Items	31 Dec 2019	Increase during the reporting period	Decrease during the reporting period	31 Dec 2020
Other capital reserves	8,942,085,485.06	25,711,300.73	1,324,908,529.58	7,642,888,256.21
Total	11,022,988,461.51	25,711,300.73	1,324,908,529.58	9,723,791,232.66

Note: Changes and relevant reasons for capital reserves

- (a) According to the approval of Shaoxing GZC [2020] No.45 on the transfer of 12 houses that agreed to the original Meishan River surrounding environmental reconstruction project management supporting houses, Shaoxing City Construction Co., Ltd. "Chengtou Business - Meishan River surrounding environmental reconstruction project management supporting houses" has gratuitously transferred to Shaoxing Government Offices Service Center, decreased capital reserves-other capital reserves by CNY28,426,464.97.
- (b) According to the relevant equity transfer documents, Shaoxing Flat Copper (Group) Co., Ltd. disposed of the equity of Zhejiang Zhongxia New Building Materials Co., Ltd., resulted in Zhejiang Zhongxia New Building Materials Co., Ltd. has no longer included in the scope of merger at the end of the period, decreased capital reserves-other capital reserves by CNY3,528,000.00.
- (c) In this period, Shaoxing Bank Co., Ltd. is accounted by the equity method, increased capital reserves-other capital reserves by CNY25,711,300.73.
- (d) According to Shaoxing GZC [2019] No.13 on Shaoxing Human Resource Apartment Property Management Co., Ltd.'s equity has gratuitously transferred, Shaoxing Public Utilities Group Co., Ltd.'s equity transferred for free, and decreased capital reserves-other capital reserves by CNY4,500,000.00, Shaoxing City Investment Group Limited holds 51% of Shaoxing Public Utilities Group Co., Ltd.'s equity, therefore, decreased capital reserves-other capital reserves by CNY2,295,000.00 at the consolidation level.
- (e) According to the audit report of Shaoxing Riverway Comprehensive Regulation Investment Development Co., Ltd.'s gratuitously transferred the relevant assets to Shaoxing Cultural Tourism Group Co., Ltd., Shaoxing Public Utilities Group Co., Ltd.'s free transfer of assets, and decreased capital reserves-other capital reserves by CNY867,197,596.39, Shaoxing City Investment Group Limited holds 51% of Shaoxing Public Utilities Group Co., Ltd.'s equity, therefore, decreased capital reserves-other capital reserves by CNY442,270,774.16 at the consolidation level.

5.35 Other Comprehensive Income

Items	31 Dec 2019	Changes during the reporting period					31 Dec 2020
		Amount before tax	Less: Items previously recognized in other comprehensive income being reclassified to current profit or loss	Less: Income tax expenses	Attributable to owners of the Company	Attributable to non-controlling interest	
Items that may be reclassified subsequently to profit or loss	2,821,506.80	-1,287,021.10			-1,287,021.10		1,534,485.70
Including: Share of the other comprehensive income of the investees accounted for using the equity method which will be reclassified subsequently to profit or loss		1,786,093.20			1,786,093.20		1,786,093.20
Exchange differences on translating foreign operations	2,821,506.80	-3,073,114.30			-3,073,114.30		-251,607.50
Total	2,821,506.80	-1,287,021.10			-1,287,021.10		1,534,485.70

5.36 Specific Reserves

Items	31 Dec 2019	Increase during the reporting period	Decrease during the reporting period	31 Dec 2020
Safety fund	95,334,175.82	31,346,543.43	17,369,551.62	109,311,167.63
Total	95,334,175.82	31,346,543.43	17,369,551.62	109,311,167.63

5.37 Surplus Reserves

Items	31 Dec 2019	Increase during the reporting period	Decrease during the reporting period	31 Dec 2020
Statutory surplus reserves	218,346,556.66	19,055,247.84		237,401,804.50
Total	218,346,556.66	19,055,247.84		237,401,804.50

Pursuant to the Company Law of the People's Republic of China and Articles of Association, the Company appropriates 10% of net profit to the statutory surplus reserves.

5.38 Retained Earnings

Items	2020	2019
Balance at the end of last period before adjustments	3,496,139,354.56	3,292,926,418.10
Adjustments for the opening balance (increase/(decrease))		
Balance at the beginning of the reporting period after adjustments	3,496,139,354.56	3,292,926,418.10
Add: net profit attributable to owners of the parent company for the reporting period	151,487,235.10	203,212,936.46
Less: appropriation to statutory surplus reserves	19,055,247.84	
Appropriation to discretionary surplus reserves		
Provision for general risk reserves		
Payment of ordinary share dividends	42,355,448.87	
Ordinary shares dividends converted into share capital		
Others		
Balance at the end of the reporting period	3,586,215,892.95	3,496,139,354.56

5.39 Revenue and Cost of Sales

Items	2020		2019	
	Revenue	Costs of sales	Revenue	Costs of sales
Principal activities				
Merchandise sales	1,307,194,511.35	925,944,699.99	1,438,993,951.76	1,063,833,894.78
Non-ferrous metal sales	165,148,453.31	140,003,036.85	365,774,393.62	335,647,224.72
Gas sales	3,007,482,610.12	2,840,782,321.44	3,844,565,536.59	3,569,722,272.04
Rental	44,906,931.93	34,212,155.82	43,356,486.30	40,878,924.09
B.T.			372,609,362.46	371,941,383.57
Pipeline installation and modification	151,698,197.13	101,644,852.80	77,962,098.01	59,856,797.52
Construction	414,038,280.31	311,265,524.76	379,265,052.93	301,003,134.79
Engineering materials sales	698,656,689.30	573,254,575.21	458,474,822.28	373,427,742.75
Sales of water resources	684,434,231.99	648,383,340.20	591,537,748.62	596,591,332.77
Sewage collection and treatment	328,730,252.29	335,033,764.08	360,584,108.45	444,747,782.84
Disposal of sludge and garbage	284,493,856.13	247,619,499.17		
Garbage collection	32,413,549.25	28,709,059.48		

Items	2020		2019	
	Revenue	Costs of sales	Revenue	Costs of sales
Slurry disposal	78,174,781.53	59,867,924.10		
Others	162,983,524.29	112,019,027.08	604,503,922.31	473,897,599.23
Subtotal	7,360,355,868.93	6,358,739,780.98	8,537,627,483.33	7,631,548,089.10
Other activities				
Others	37,896,343.33	25,927,516.85	45,828,153.95	33,614,963.22
Subtotal	37,896,343.33	25,927,516.85	45,828,153.95	33,614,963.22
Total	7,398,252,212.26	6,384,667,297.83	8,583,455,637.28	7,665,163,052.32

5.40 Taxes and Surcharges

Items	2020	2019
Educational surcharge	5,293,730.17	7,916,587.35
Local Education and supplementary tax	2,953,895.16	1,268,047.06
Land value added tax	45,481,536.04	9,624,617.67
Urban maintenance and construction tax	11,079,430.36	12,634,010.84
Property tax	58,736,644.45	62,868,227.98
Land use tax	18,500,820.28	19,979,233.63
Vehicle and vessel usage tax	32,720.87	18,321.18
Stamp duty	6,702,096.61	7,289,534.98
Employment guarantee for the disabled	183,915.68	354,930.94
Others	3,006,005.60	13,294,416.17
Total	151,970,795.22	135,247,927.80

5.41 Research and Development Expenses

Items	2020	2019
Smart Market Phase II		3,711,249.18
Resource Regeneration R&D	20,695,231.11	7,059,168.16
Public Utilities Technology R&D		4,260,676.25
Total	20,695,231.11	15,031,093.59

5.42 Finance Costs

Items	2020	2019
Interest expenses	1,229,929,189.77	1,223,788,568.49
Less: Interest income	166,051,364.08	119,667,256.07
Net interest expenses	1,063,877,825.69	1,104,121,312.42
Foreign exchange losses		37,284,973.93
Less: Foreign exchange gains	206,607,702.55	
Net foreign exchange losses	-206,607,702.55	37,284,973.93
Bank charges	82,819,691.94	91,300,059.95
Total	940,089,815.08	1,232,706,346.30

5.43 Other Income

Items	2020	2019	Related to assets or income
Government grants	1,427,499,853.42	1,430,616,778.09	Related to income
Government grants	93,849,661.09		Related to assets
Total	1,521,349,514.51	1,430,616,778.09	

5.44 Investment Income

Items	2020	2019
Investment income from long-term equity investments under equity method	71,177,377.75	-128,618,590.61
Gains on disposal of long-term equity investments	42,713,895.37	359,857,756.65
Investment income from financial assets at fair value through profit or loss during holding period	1,749,727.92	1,749,871.73
Gains on disposal of financial assets at fair value through profit or loss	2,644,693.51	
Investment income from available-for-sale financial assets during holding period	9,070,303.30	
Total	127,355,997.85	232,989,037.77

5.45 Gains/(losses) from Changes in Fair Values

Items	2020	2019
Financial assets at fair value through profit or loss	-9,915,124.88	-64,156,690.40
Including: Change in fair value of derivatives		
Total	-9,915,124.88	-64,156,690.40

5.46 Impairment Loss of Assets

Items	2020	2019
Bad debt of receivables	-42,411,858.93	-22,843,270.63
Impairment of inventories	-120,086.67	-18,085.09
Impairment of property, plant and equipment	-50,681,922.80	
Total	-93,213,868.40	-22,861,355.72

5.47 Gains from Disposal of Assets

Items	2020	2019
Gains/(losses) from disposal of property, plant and equipment, construction in progress, and intangible assets not classified as held for sale	13,326,163.52	9,139,792.94
Including: Gains/(losses) from disposal of property, plant and equipment	13,326,163.52	9,139,792.94
Total	13,326,163.52	9,139,792.94

5.48 Non-operating Income

Items	2020	2019
Gains on debt restructuring		1,582,300.00
Gain from damage or scrapping of non-current assets	477,435.76	1,287,834.02
Government grants irrelevant to daily operation activities	3,906,953.65	2,431,325.90
Confiscated income	507,175.20	755,971.76
Others	17,156,135.34	15,973,147.01
Total	22,047,699.95	22,030,578.69

5.49 Non-operating Expenses

Items	2020	2019
Loss from damage or scrapping of non-current assets	3,751,107.24	2,410,674.37
Donations	443,800.00	390,300.00
Fine expenditure	18,182.31	492,440.56
Others	220,241,974.93	17,152,071.30
Total	224,455,064.48	20,445,486.23

5.50 Income Tax Expenses

Items	2020	2019
Current tax expenses	130,491,383.31	113,741,531.23
Deferred tax expenses	-1,471,474.28	-6,347,043.33
Total	129,019,909.03	107,394,487.90

5.51 Supplementary Information to the Statement of Cash Flows**(a) Supplementary information to the statement of cash flows**

Supplementary information	2020	2019
I. Adjustments of net profit to cash flows from operating activities:		
Net profit	244,726,763.19	211,559,806.49
Add: Provisions for impairment of assets	93,213,868.40	22,861,355.72
Depreciation of property, plant and equipment, investment properties	862,897,111.50	902,049,996.86
Amortization of intangible assets	95,382,236.23	66,215,088.06
Amortization of long-term deferred expenses	26,069,623.36	14,372,598.67
Losses /(gains) on disposal of property, plant and equipment, intangible assets and other long-term assets	-13,326,163.52	-850,632.92
Losses /(gains) on scrapping of property, plant and equipment	3,273,671.48	1,122,840.35
Losses /(gains) on changes in fair value	9,915,124.88	64,156,690.40
Finance costs /(income) recognized in profit or loss	1,056,094,477.71	1,289,691,199.20
Investment losses /(income) recognized in profit or loss	-127,355,997.85	-232,989,037.77

Supplementary information	2020	2019
Decreases /(increases) in deferred tax assets	-13,884,872.02	-6,221,709.53
Increases /(decreases) in deferred tax liabilities	12,413,397.74	-492,985.00
Decreases /(increases) in inventories	-259,125,940.59	-1,167,223,948.57
Decreases /(increases) in operating receivables	-669,422,844.33	-819,441,647.60
Increases /(decreases) in operating payables	484,986,061.89	608,595,950.21
Others		
Net cash flows from operating activities	1,805,856,518.07	953,405,564.57
II. Significant investing and financing activities not involving cash receipts and payments:		
Conversion of debt into capital		
Convertible corporate bonds maturing within one year		
Property, plant and equipment acquired under finance leases		
III. Net increases in cash and cash equivalents:		
Cash at the end of the reporting period	2,533,250,864.48	4,653,581,664.70
Less: Cash at the beginning of the reporting period	4,653,581,664.70	8,887,512,111.82
Add: Cash equivalents at the end of the reporting period		
Less: Cash equivalents at the beginning of the reporting period		
Net increase in cash and cash equivalents	-2,120,330,800.22	-4,233,930,447.12

(b) The components of cash and cash equivalents

Items	31 Dec 2020	31 Dec 2019
I. Cash	2,533,250,864.48	4,653,581,664.70
Including: Cash on hand	47,578.30	1,573,826.20
Cash in bank available for immediate use	2,530,317,493.33	4,652,007,838.50
Other monetary funds available for immediate use	2,885,792.85	
II. Cash equivalents		
Including: Bond investments maturing within three months		
III. Cash and cash equivalents at the end of the reporting period	2,533,250,864.48	4,653,581,664.70

5.52 Restricted Assets

Items	31 Dec 2020	Reason
Cash and cash equivalents	66,445,013.62	Cash deposit
Property, plant and equipment	72,692,444.67	Mortgage for bank loan
Intangible assets	21,683,912.50	Mortgage for bank loan
Total	158,821,370.79	

Note: In addition, the right of charge within CNY1.42 billion of the main claims is used for pledged loans.

5.53 Government Grants

(a) Government grants related to assets

Categories	Amount	Accounts recorded	Amount in profit or loss or written down the related cost and expense loss	Accounts recorded in profit or loss or written down the related cost and expense loss
Government grants	120,692,292.99	Deferred Income	83,944,471.89	Other Income
Government grants			79,146,291.54	Other Income

(b) Government grants related to income

Categories	Amount	Accounts recorded	Amount in profit or loss or written down the related cost and expense loss	Accounts recorded in profit or loss or written down the related cost and expense loss
Tangpu Reservoir investment compensation	17,776,858.16	Deferred Income	8,842,420.13	Other Income
Government grants			1,418,657,433.29	Other Income

(c) Amount Repaid to the Government:

There is no such item.

6. CHANGES IN THE SCOPE OF CONSOLIDATION

6.1 Business Combination not Under Common control

(a) Business combination not under common control during the reporting period

Name of the acquirees	Date of acquiring the equity interests	Acquisition costs	Share of interest (%)	Ways to acquire the equity interests
Shaoxing Zhongpian Construction and Engineering Co., Ltd.	March 2020	3,150,000.00	100.00	Acquisition
Zhejiang Shuangcheng Electric Co., Ltd.	December 2020	305,926,500.00	40.00	Acquisition

(Continue)

Name of the acquirees	Acquisition date	Basis for the acquisition date	Revenue of the acquirees from the acquisition date to the end of the reporting period	Net profits of the acquirees from the acquisition date to the end of the reporting period
Shaoxing Zhongpian Construction and Engineering Co., Ltd.	March 2020	Sign equity transfer agreement and real control		

Name of the acquirees	Acquisition date	Basis for the acquisition date	Revenue of the acquirees from the acquisition date to the end of the reporting period	Net profits of the acquirees from the acquisition date to the end of the reporting period
Zhejiang Shuangcheng Electric Co., Ltd.	December 2020	Sign equity transfer agreement and real control		

(b) Combination costs

(b.1) In March 2020, the Company acquired 100% equity of Shaoxing Zhongpian Construction and Engineering Co., Ltd. with CNY3,150,000.00.

(b.2) In December 2020, the Company acquired 100% equity of Zhejiang Shuangcheng Electric Co., Ltd. with CNY305,926,500.00.

(c) Identifiable assets and liabilities of the acquirees as at acquisition date

Shaoxing Zhongpian Construction and Engineering Co., Ltd.:

Items	Shaoxing Zhongpian Construction and Engineering Co., Ltd.	
	Fair value	Carrying amount
Assets:		
Cash and cash equivalents		
Other receivables		
Inventories		
Liabilities:		
Other payables		
Non-current liabilities maturing within one year		
Long-term borrowings		
Net assets:		
Less: Non-controlling interests		
Acquired net assets		

Zhejiang Shuangcheng Electric Co., Ltd.:

Items	Zhejiang Shuangcheng Electric Co., Ltd.	
	Fair value	Carrying amount
Assets:	1,076,454,556.14	981,246,351.70
Cash and cash equivalents	411,197,263.08	411,197,263.08
Other receivables	2,428,626.35	2,428,626.35
Inventories	400,232,638.47	400,232,638.47
Property, plant and equipment	56,820,730.85	32,351,789.83
Intangible assets	78,300,684.21	7,561,420.79

Items	Zhejiang Shuangcheng Electric Co., Ltd.	
Liabilities:	367,887,432.26	367,887,432.26
Accounts payable	193,993,412.99	193,993,412.99
Other payables	52,410,991.93	52,410,991.93
Non-current liabilities maturing within one year		
Long-term borrowings		
Net assets:	708,567,123.88	613,358,919.44
Less: Non-controlling interests		
Acquired net assets	708,567,123.88	613,358,919.44

6.2 Business Combination under Common Control

As at 31 December 2020, the Company has no business combination under common control.

6.3 Reverse Purchase

As at 31 December 2020, the Company has no reverse purchase.

6.4 Disposal of Subsidiaries

Name of subsidiary	Disposal price	Proportion of disposal of equity (%)	Disposal of equity	The time of control lost	Basis for determining the timing of control lost	The difference between the disposal price and the disposal of investment in the consolidated financial statements share the subsidiary's net asset
Zhejiang Zhongxia New Building Materials Co., Ltd.	11,464,334.00	49.00	Equity auction	Jun 2020	Sign equity transfer agreement and lose control	21,118,736.07
Shaoxing Rail Transit Group Co., Ltd.	1,897,000,000.00	100.00	Gratuitous transfer	Aug 2020	Sign equity transfer agreement and lose control	3,515,487.01
Shaoxing Metro Property Real Estate Co., Ltd.		100.00	Gratuitous transfer	Aug 2020	Sign equity transfer agreement and lose control	
Shaoxing Urban Rail Engineering Wastelands Engineering Transportation Co., Ltd.		40.00	Gratuitous transfer	Aug 2020	Sign equity transfer agreement and lose control	

6.5 Other Situations Leading to Changes in the Scope of Consolidation

- (a) In May 2020, Shaoxing Ecological Environment Construction Co., Ltd. was cancelled.
- (b) In December 2020, Shaoxing Jinfeng Property Management Co., Ltd. was absorbed and merged by Shaoxing Public Buildings Facilities Management Co., Ltd. and then cancelled.
- (c) In August 2020, Shaoxing City Investment Advertising Co., Ltd. was absorbed and merged by Shaoxing City Investment Asset Operation Management Co., Ltd. and then cancelled.

7. INTERESTS IN OTHER ENTITIES

7.1 Interests in Subsidiaries

- (a) Constitution of enterprise group

Name of subsidiary	Principal place of business	Registered Address	Nature of business	Percentage of equity interests by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
Shaoxing Second Ring Turn Move Investment Co., Ltd.	Shaoxing	Shaoxing	Infrastructure construction	100.00		Invested and established
Shaoxing City Construction Co., Ltd.	Shaoxing	Shaoxing	Infrastructure construction	100.00		Invested and established
Shaoxing Affordable Housing Construction Co., Ltd.	Shaoxing	Shaoxing	Infrastructure construction	90.00	10.00	Invested and established
Shaoxing City Real Estate Development Co., Ltd.	Shaoxing	Shaoxing	Real estate development	100.00		Invested and established
Shaoxing Infrastructure Construction Investment Co., Ltd.	Shaoxing	Shaoxing	Infrastructure construction	96.00	4.00	Invested and established
Shaoxing Public Buildings Facilities Management Co., Ltd.	Shaoxing	Shaoxing	Facilities maintenance, property service	100.00		Invested and established
Shaoxing Huafeng Property Co., Ltd.	Shaoxing	Shaoxing	Property service	67.00	33.00	Invested and established
Shaoxing City Plaza Management Co., Ltd.	Shaoxing	Shaoxing	Property service	90.00		Invested and established

Name of subsidiary	Principal place of business	Registered Address	Nature of business	Percentage of equity interests by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
Shaoxing Plaza Ad & Decoration Co., Ltd.	Shaoxing	Shaoxing	Advertising space rental and advertising agency	75.00	25.00	Invested and established
Shaoxing City Investment Asset Operation Management Co., Ltd.	Shaoxing	Shaoxing	Asset management	100.00		Invested and established
Shaoxing Smart City Group Co., Ltd.	Shaoxing	Shaoxing	Business services	96.00		Invested and established
Shaoxing City Investment (HK) Limited	Shaoxing	Shaoxing	Investment	100.00		Invested and established
Shaoxing Chengtou Real Estate Development Co., Ltd.	Shaoxing	Shaoxing	Realty business	100.00		Invested and established
Shaoxing Science and Technology Industry Investment Co., Ltd.	Shaoxing	Shaoxing	Leasing and business services	100.00		Gratuitous transfer
Shaoxing Guangfeng Real Estate Development Co., Ltd.	Shaoxing	Shaoxing	Realty business	100.00		Invested and established
Shaoxing Flat Copper (Group) Co., Ltd.	Shaoxing	Shaoxing	Copper mining and processing	100.00		Business Combination not Under Common control
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing	Shaoxing	Electricity, heat, gas and water production and supply	51.00		Business Combination Under Common control
Shaoxing Baocheng Construction Co., Ltd.	Shaoxing	Shaoxing	Construction	49.00		Invested and established
Zhejiang Shuangcheng Electric Co., Ltd.	Shaoxing	Shaoxing	Special equipment manufacturing	40.00		Business Combination not Under Common control

Name of subsidiary	Principal place of business	Registered Address	Nature of business	Percentage of equity interests by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
Shaoxing Howson Construction Co., Ltd.	Shaoxing	Shaoxing	Infrastructure construction		100.00	Invested and established
Shaoxing Yitong Property Service Co., Ltd.	Shaoxing	Shaoxing	Cargo transport, property management		60.00	Invested and established
Shaoxing Chengtou Municipal Gardening Engineering Co., Ltd.	Shaoxing	Shaoxing	Infrastructure construction		100.00	Invested and established
Shaoxing Shuixiang Park Management Co., Ltd.	Shaoxing	Shaoxing	Park project construction		60.00	Invested and established
Shaoxing Plaza Exhibition Center Co., Ltd.	Shaoxing	Shaoxing	Planning and organizing meetings, exhibitions		100.00	Invested and established
Shaoxing Chengtou Construction Industrialization Manufacturing Co., Ltd.	Shaoxing	Shaoxing	Prefabricated components of prefabricated bridges, prefabricated components for underground structures		45.00	Gratuitous transfer
Shaoxing Chengtou Engineering Material Technology Co., Ltd.	Shaoxing	Shaoxing	Engineering materials research and development		57.00	Gratuitous transfer
Shaoxing Chengtou Renewable Resources Co., Ltd.	Shaoxing	Shaoxing	Wholesale and retail		38.00	Invested and established
Shaoxing Tongdu Mining Co., Ltd.	Shaoxing	Shaoxing	Copper mining and processing		73.47	Business Combination not Under Common control
Shaoxing Yueyu Copper Strip Co., Ltd.	Shaoxing	Shaoxing	Copper processing and distribution		100.00	Business Combination not Under Common control

Name of subsidiary	Principal place of business	Registered Address	Nature of business	Percentage of equity interests by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
Shaoxing Tongdu Copper Material Co., Ltd.	Shaoxing	Shaoxing	Copper products processing and distribution		100.00	Business Combination not Under Common
Shaoxing Gas Industry Co., Ltd.	Shaoxing	Shaoxing	Gas sales		100.00	Business Combination not Under Common
Shaoxing Natural Gas Investment Co., Ltd.	Shaoxing	Shaoxing	Infrastructure construction and investment, gas sales		60.00	Business Combination not Under Common
Shaoxing Green Energy Environment Construction Co., Ltd.	Shaoxing	Shaoxing	Construction		100.00	Business Combination not Under Common
Shaoxing Xinyuan City Gas Pipe Network Development Co., Ltd.	Shaoxing	Shaoxing	Gas sales		100.00	Business Combination not Under Common
Shaoxing Zhongneng Oil and Gas Development Co., Ltd.	Shaoxing	Shaoxing	Gas sales		50.00	Business Combination not Under Common
Shaoxing Fucheng Gas Co., Ltd.	Shaoxing	Shaoxing	Gas sales and accessories sales		100.00	Business Combination not Under Common
Shaoxing Keqiao China Light Weaving Mall Pipeline Gas Co., Ltd.	Shaoxing	Shaoxing	Gas sales and accessories sales		70.00	Business Combination not Under Common
Shaoxing Water Institute for Environmental Science Co., Ltd.	Shaoxing	Shaoxing	Water environment and water treatment technology research		100.00	Business Combination Under Common
Shaoxing Tashan Culture Square Co., Ltd.	Shaoxing	Shaoxing	Housing rental		100.00	Business Combination Under Common

Name of subsidiary	Principal place of business	Registered Address	Nature of business	Percentage of equity interests by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
Shaoxing International Logistics Center Co., Ltd.	Shaoxing	Shaoxing	Transportation, warehousing		100.00	Business Combination Under Common
Shaoxing Water Industry Co., Ltd.	Shaoxing	Shaoxing	Water supply equipment installation, maintenance		100.00	Business Combination Under Common
Shaoxing Water Manufacturing Co., Ltd.	Shaoxing	Shaoxing	Water production supply		54.26	Business Combination Under Common
Shaoxing Shuilian Environment Service Co., Ltd.	Shaoxing	Shaoxing	Water conservancy, environmental and public facilities management		100.00	Business Combination Under Common
Shaoxing Drainage Management Co., Ltd.	Shaoxing	Shaoxing	Sewage treatment		100.00	Business Combination Under Common
Shaoxing Tangpu Reservoir Co., Ltd.	Shaoxing	Shaoxing	Reservoir construction management		41.00	Business Combination Under Common
Shaoxing Riverway Comprehensive Regulation Investment Development Co., Ltd.	Shaoxing	Shaoxing	Riverway comprehensive regulation		100.00	Business Combination Under Common
Shaoxing Binhai Newcity Water Co., Ltd.	Shaoxing	Shaoxing	Leasing and business services		60.00	Business Combination Under Common
Shaoxing Shuilian Supply and Drainage Water Service Co., Ltd.	Shaoxing	Shaoxing	Water supply and drainage pipeline construction, installation, maintenance		75.00	Business Combination Under Common
Zhejiang Shuilian Environmental Technology Group Co., Ltd.	Shaoxing	Shaoxing	Wholesale and retail		51.00	Business Combination Under Common

Name of subsidiary	Principal place of business	Registered Address	Nature of business	Percentage of equity interests by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
Zhejiang Lianshui Water Treatment Equipment Co., Ltd.	Shaoxing	Shaoxing	Wholesale and retail		51.00	Business Combination Under Common
Shaoxing Shuilian Pipe Industry Co., Ltd.	Shaoxing	Shaoxing	Wholesale and retail		51.00	Business Combination Under Common
Shaoxing Information Pipe Network Co., Ltd.	Shaoxing	Shaoxing	Construction industry		47.06	Business Combination Under Common
Zhuji Information Pipe Network Co., Ltd.	Shaoxing	Shaoxing	Construction industry		52.00	Business Combination Under Common
Shaoxing Public Engineering Construction Co., Ltd.	Shaoxing	Shaoxing	Municipal utilities engineering		100.00	Business Combination Under Common
Shaoxing Shuilian Water Supply and Drainage Design Consulting Co., Ltd.	Shaoxing	Shaoxing	Water supply engineering and design		100.00	Business Combination Under Common
Shaoxing Qingyuan Investment Co., Ltd.	Shaoxing	Shaoxing	Industrial investment		60.00	Business Combination Under Common
Shaoxing Qingneng Environmental Protection Co., Ltd.	Shaoxing	Shaoxing	Environmental protection research and development		60.00	Business Combination Under Common
Shaoxing Environment Industry Co., Ltd.	Shaoxing	Shaoxing	Environmental sanitation project investment		51.00	Invested and established
Shaoxing Renewable Energy Development Co., Ltd.	Shaoxing	Shaoxing	Waste incineration power generation		51.00	Invested and established
Shaoxing Environmental Sanitation Qingyun Co., Ltd.	Shaoxing	Shaoxing	Residential services, repairs and other services		51.00	Invested and established

Name of subsidiary	Principal place of business	Registered Address	Nature of business	Percentage of equity interests by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
Shaoxing Zhongpian Construction and Engineering Co., Ltd.	Shaoxing	Shaoxing	Housing construction		51.00	Business Combination not Under Common
Shaoxing Public New Energy Industry Co., Ltd.	Shaoxing	Shaoxing	Wholesale and retail		100.00	Invested and established
Shaoxing Baocheng Construction Industrialization Manufacturing Co., Ltd.	Shaoxing	Shaoxing	Construction materials research and development		100.00	Invested and established
Shaoxing Urban Construction Municipal Construction Co., Ltd.	Shaoxing	Shaoxing	Construction engineering		100.00	Invested and established

Instruction: The concerted action agreement signed by The Company with another big shareholders Shaoxing Jianyuan Electric Power Group Co., Ltd. which owns 40% equity of Zhejiang Shuangcheng Electric Co., Ltd., according to the agreement, both parties shall take concerted action at the shareholders' meeting. If they have different opinions, they shall vote according to the intention of the Company. The Company can actually control Zhejiang Shuangcheng Electric Co., Ltd., so it shall be included in the scope of consolidation.

(b) Important non-wholly owned subsidiary

Name of subsidiary	Percentage of equity interests held by minority shareholders (%)	Profit or loss attributable to non-controlling interests during the reporting period	Dividends paid to non-controlling interests during the reporting period	Non-controlling interests at the end of the reporting period
Shaoxing Public Utilities Group Co., Ltd.	49.00	19,230,176.13		3,414,821,189.26

(c) Main financial information of important non-wholly owned subsidiaries

Subsidiaries	31 Dec 2020					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shaoxing Public Utilities Group Co., Ltd.	4,817,745,801.77	11,472,478,810.09	16,290,224,611.86	3,323,741,955.34	4,343,626,102.11	7,667,368,057.45

(Continued)

Subsidiaries	31 Dec 2019					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shaoxing Public Utilities Group Co., Ltd.	4,439,960,272.37	11,929,481,882.23	16,369,442,154.60	2,911,875,319.77	4,017,877,992.02	6,929,753,311.79

Subsidiaries	2020			
	Revenue	Net profit/(loss)	Total comprehensive income	Net cash flows from operating activities
Shaoxing Public Utilities Group Co., Ltd.	5,596,694,404.28	84,499,042.06	84,499,042.06	848,675,888.74

(Continued)

Subsidiaries	2019			
	Revenue	Net profit/(loss)	Total comprehensive income	Net cash flows from operating activities
Shaoxing Public Utilities Group Co., Ltd.	6,040,804,149.86	95,896,292.66	95,896,292.66	924,581,653.96

7.2 Transactions which Resulted in Change of Equity Interests in the Subsidiary but still Control the Subsidiary

There is no such item.

7.3 Interests in Joint Arrangements or Associates

Company name	Principal place of business	Registered address	Nature of business	Percentage of equity interests by the Company (%)		Measurement methods
				Direct	Indirect	
Bank of Shaoxing Co., Ltd.	Shaoxing, Zhejiang	Shaoxing, Zhejiang	Monetary and financial services	11.15		Equity method

7.4 Important Joint Operations

There is no such item.

7.5 Equity in Structured Entities not Included in the Consolidated Financial Statements

There is no such item.

7.6 Others

There is no such item.

8. FAIR VALUE DISCLOSURES

8.1 Assets and Liabilities Measured at Fair Value as at 31 December 2020

Items	Fair value at the end of the reporting period using			
	Level 1	Level 2	Level 3	Total
I. Recurring fair value measurements				
(a) Financial assets at fair value through profit or loss	75,675,732.54			75,675,732.54
(a.1) Equity instruments	75,675,732.54			75,675,732.54
Total assets measured at fair value on a recurring basis	75,675,732.54			75,675,732.54

8.2 Basis for the Quoted Prices in Active Markets for Recurring and Non-recurring Level 1 of the Fair Value Hierarchy

The financial assets at fair value through profit or loss are determined according to the market price on 31 December 2020. The Company's available-for-sale financial assets are the stocks of listed companies held. The value of the stock is directly from Shanghai Stock Exchange and Shenzhen Stock Exchange, and the information is reliable.

9.EXTERNAL GUARANTEES

As at 31 December 2020, the Company external guarantees are as follows:

Guarantee company	Secured party	Guarantee item	Guaranteed amount ('000)	Guarantee form	Debt maturity
Shaoxing City Investment Group Limited	Shaoxing South of City Village Reconstruction and Construction Co., Ltd.	Bank loan	50,000.00	Guarantee	From 28 Feb 2020 to 28 Feb 2021
Shaoxing City Investment Group Limited	Shaoxing City Village Reconstruction and Construction Investment Co., Ltd.	Creditor's rights investment plan	200,000.00	Guarantee	From 31 Oct 2019 to 31 Oct 2021
Shaoxing City Investment Group Limited	Shaoxing City Village Reconstruction and Construction Investment Co., Ltd.	Creditor's rights investment plan	80,000.00	Guarantee	From 14 Nov 2019 to 14 Nov 2022
Shaoxing City Investment Group Limited	Shaoxing City Village Reconstruction and Construction Investment Co., Ltd.	Creditor's rights investment plan	80,000.00	Guarantee	From 31 Jul 2020 to 31 Jul 2021
Shaoxing City Investment Group Limited	Shaoxing City Village Reconstruction and Construction Investment Co., Ltd.	Creditor's rights investment plan	200,000.00	Guarantee	From 20 Jan 2020 to 20 Jan 2022

Guarantee company	Secured party	Guarantee item	Guaranteed amount ('000)	Guarantee form	Debt maturity
Shaoxing City Investment Group Limited	Shaoxing City Village Reconstruction and Construction Investment Co., Ltd.	Creditor's rights investment plan	200,000.00	Guarantee	From 31 Mar 2020 to 30 Mar 2022
Shaoxing City Investment Group Limited	Shaoxing City Village Reconstruction and Construction Investment Co., Ltd.	Creditor's rights investment plan	120,000.00	Guarantee	From 16 Apr 2020 to 15 Apr 2023
Shaoxing City Investment Group Limited	Shaoxing Rail Transit Group Co., Ltd.	Creditor's rights investment plan	499,750.00	Guarantee	From 27 Aug 2019 to 27 Aug 2024
Shaoxing City Investment Group Limited	Shaoxing Paojiang Industrial Zone Investment Development Co., Ltd.	Finance Leases	115,600.00	Guarantee	From 11 Apr 2018 to 24 Apr 2023
Shaoxing City Investment Group Limited	Shaoxing Paojiang Industrial Zone Investment Development Co., Ltd.	Finance Leases	34,017.30	Guarantee	From 6 Feb 2018 to 5 Feb 2021
Shaoxing City Investment Group Limited	Shengzhou City Investment Group Co., Ltd.	Bond issuance	800,000.00	Guarantee	From 4 Nov 2019 to 4 Nov 2026
Shaoxing City Investment Group Limited	Shengzhou City Investment Group Co., Ltd.	Bond issuance	1,000,000.00	Guarantee	From 15 Aug 2019 to 15 Aug 2026
Shaoxing City Investment Group Limited	Zhejiang Binhai New District Development Investment Co., Ltd.	Trust loan	70,000.00	Guarantee	From 29 May 2020 to 26 Sep 2022
Shaoxing City Investment Group Limited	Zhejiang Binhai New District Development Investment Co., Ltd.	Trust loan	80,000.00	Guarantee	From 26 Sep 2019 to 26 Sep 2022
Shaoxing City Investment Group Limited	Zhejiang Binhai New District Development Investment Co., Ltd.	Trust loan	100,000.00	Guarantee	From 21 Jun 2019 to 22 Jun 2022
Shaoxing City Investment Group Limited	Zhejiang Binhai New District Development Investment Co., Ltd.	Trust loan	200,000.00	Guarantee	From 5 Sep 2019 to 5 Sep 2022
Shaoxing City Investment Group Limited	Zhejiang Binhai New District Development Investment Co., Ltd.	Trust loan	250,000.00	Guarantee	18 Sep 2019 to 18 Sep 2022

Guarantee company	Secured party	Guarantee item	Guaranteed amount ('000)	Guarantee form	Debt maturity
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing Keqiao Binhai Supply Water Co., Ltd.	Creditor's rights investment plan	10,000.00	Guarantee	From 25 Mar 2016 to 31 Dec 2021
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing Keqiao Supply Water Co., Ltd.	Creditor's rights investment plan	160,000.00	Guarantee	From 31 Jul 2015 to 30 Jun 2025
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing Cultural Tourism Group Co., Ltd.	Creditor's rights investment plan	30,000.00	Guarantee	From 4 Dec 2019 to 4 Dec 2021
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing Cultural Tourism Group Co., Ltd.	Creditor's rights investment plan	30,000.00	Guarantee	From 13 Dec 2019 to 13 Dec 2021
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing Cultural Tourism Group Co., Ltd.	Creditor's rights investment plan	50,000.00	Guarantee	From 12 Mar 2020 to 11 Mar 2022
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing Water Treatment Development Co., Ltd.	Creditor's rights investment plan	13,000.00	Guarantee	From 19 Nov 2015 to 15 Mar 2021
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing Water Treatment Development Co., Ltd.	Creditor's rights investment plan	6,500.00	Guarantee	From 18 May 2016 to 15 Mar 2021
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing Water Treatment Development Co., Ltd.	Creditor's rights investment plan	13,000.00	Guarantee	From 27 Jul 2016 to 15 Mar 2021
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing Water Treatment Development Co., Ltd.	Creditor's rights investment plan	37,056.00	Guarantee	From 16 Mar 2018 to 10 Dec 2026
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing Water Treatment Development Co., Ltd.	Creditor's rights investment plan	8,560.00	Guarantee	From 31 Aug 2018 to 10 Dec 2026
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing Water Treatment Development Co., Ltd.	Creditor's rights investment plan	37,056.00	Guarantee	From 28 Aug 2018 to 20 Aug 2023
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing Water Treatment Development Co., Ltd.	Creditor's rights investment plan	48,000.00	Guarantee	From 24 Jul 2020 to 10 Dec 2029

Guarantee company	Secured party	Guarantee item	Guaranteed amount ('000)	Guarantee form	Debt maturity
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing Water Treatment Development Co., Ltd.	Creditor's rights investment plan	14,000.00	Guarantee	From 29 Jun 2018 to 10 Dec 2026
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing Water Treatment Development Co., Ltd.	Bank loan	60,000.00	Guarantee	From 20 Nov 2020 to 18 Nov 2021
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing Water Treatment Development Co., Ltd.	Creditor's rights investment plan	32,000.00	Guarantee	From 20 Mar 2020 to 20 Mar 2022
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing Water Treatment Development Co., Ltd.	Finance lease	60,000.00	Guarantee	From 21 Dec 2018 to 20 Dec 2023
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing Water Treatment Development Co., Ltd.	Bank loan	40,000.00	Guarantee	From 2 Apr 2020 to 26 Mar 2021
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing Water Treatment Development Co., Ltd.	Creditor's rights investment plan	26,670.00	Guarantee	From 28 May 2020 to 28 May 2023
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing Water Treatment Development Co., Ltd.	Bank loan	64,000.00	Guarantee	From 10 Oct 2020 to 10 Oct 2021
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing Water Treatment Development Co., Ltd.	Bank loan	56,000.00	Guarantee	From 20 Nov 2020 to 11 Nov 2021
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing Water Treatment Development Co., Ltd.	Bank loan	24,000.00	Guarantee	20 Nov 2020 to 19 Nov 2021
Shaoxing Public Utilities Group Co., Ltd.	Zhejiang Binhai New District Development Investment Co., Ltd.	Creditor's rights investment plan	180,000.00	Guarantee	From 31 Jul 2019 to 31 Jul 2021
Shaoxing Public Utilities Group Co., Ltd.	Zhejiang Binhai New District Development Investment Co., Ltd.	Creditor's rights investment plan	200,000.00	Guarantee	From 16 Jan 2020 to 15 Jan 2022
Shaoxing Public Utilities Group Co., Ltd.	Xinchang County Industrial Park Investment Development Group Co., Ltd.	Creditor's rights investment plan	600,000.00	Guarantee	From 25 Jul 2019 to 25 Jul 2026

Guarantee company	Secured party	Guarantee item	Guaranteed amount ('000)	Guarantee form	Debt maturity
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing Keqiao Jiangbin Water Treatment Co., Ltd.	Creditor's rights investment plan	24,000.00	Guarantee	From 27 Nov 2019 to 20 Oct 2029
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing Keqiao Jiangbin Water Treatment Co., Ltd.	Creditor's rights investment plan	24,000.00	Guarantee	From 2 Dec 2019 to 20 Oct 2029
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing Keqiao Jiangbin Water Treatment Co., Ltd.	Creditor's rights investment plan	32,000.00	Guarantee	From 22 Jan 2020 to 21 Jan 2025
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing Keqiao Jiangbin Water Treatment Co., Ltd.	Creditor's rights investment plan	40,000.00	Guarantee	From 28 Feb 2020 to 22 Jan 2025
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing Keqiao Jiangbin Water Treatment Co., Ltd.	Bank loan	40,000.00	Guarantee	From 28 May 2020 to 20 May 2021
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing Keqiao Jiangbin Water Treatment Co., Ltd.	Creditor's rights investment plan	80,000.00	Guarantee	From 16 Nov 2020 to 16 Nov 2025
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing Keqiao Jiangbin Water Treatment Co., Ltd.	Creditor's rights investment plan	32,000.00	Guarantee	From 28 Dec 2020 to 28 Dec 2022
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing Rail Transit Group Co., Ltd.	Creditor's rights investment plan	500,000.00	Guarantee	From 22 Jan 2020 to 22 Jan 2025
Total			6,651,209.30		

10. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

10.1 Basic Information of Parent Company

Name of the parent	Registered address	Registered capital ('000)	Percentage of equity interests in the Company (%)	Voting rights in the Company (%)
Shaoxing Municipal People's Government State-Owned Assets Supervision and Administration Commission	Shaoxing		100.00	100.00

Ultimate controlling party of the Company: Shaoxing Municipal People's Government State-Owned Assets Supervision and Administration Commission.

10.2 Basic Information of Subsidiaries

Details of the subsidiaries please refer to *Notes 7 INTERESTS IN OTHER ENTITIES*.

10.3 Joint Ventures and Associates of the Company

(a) Basic information of significant joint ventures and associates

Details of significant joint ventures and associates please refer to *Notes 7 INTERESTS IN OTHER ENTITIES*

(b) Details of other joint ventures or associates trading with the Company during the reporting period, or with outstanding balances arising in prior periods

There is no such item.

10.4 Other Related Parties of the Company

There is no such item.

10.5 Related Party Transactions

There is no such item.

10.6 Receivables and Payables with Related Parties

(a) Receivables

Items	Related parties	31 Dec 2020		31 Dec 2019	
		Book value	Provision for bad debt	Book value	Provision for bad debt
Other receivables	Shaoxing Municipal People's Government State-Owned Assets Supervision and Administration Commission	1,697,000,000.00			

10.7 Commitments with Related Parties

There is no such item.

10.8 Others

There is no such item.

11. SHARE-BASED PAYMENTS

There is no such item.

12. COMMITMENTS AND CONTINGENCIES**12.1 Significant Commitments**

As at 31 December 2020, the Company has no significant commitments need to be disclosed.

12.2 Contingencies

Details of external guarantees please refer to *Notes 10 EXTERNAL GUARANTEES*.

12.3 Others

(i) Case of dispute over exploration rights between Zhejiang Geological Institute of

CMGB and Zhejiang Shaojin Highway Co., Ltd.

Because the newly built Hangzhou Taizhou Expressway to Shaoxing County Pingshui Town Dayantou mountain to the Taohong area of the exploration area into two, the overriding of the expressway will invalidate the exploration rights, due to the project is jointly developed by Zhejiang Geological Institute of CMGB, Shaoxing Flat Copper (Group) Co., Ltd. and Shaoxing Huawei Chemical Co., Ltd., it hereby entrust Zhejiang Geological Institute of CMGB to initiate a lawsuit against Zhejiang Shaojin Highway Co., Ltd. regarding the compensation for the cooperative exploration right of "Detailed mine survey from Dayantou Mountain to Taohong, Pingshui Town, Shaoxing County, Zhejiang Province", and the relevant expenses of the lawsuit shall be borne by the tri-party company in proportion. The case is still ongoing.

- (ii) Shaoxing Howson Construction Co., Ltd., Shaoxing City Real Estate Development Co., Ltd., the Company and Shanghai Yujian Decoration Design Engineering Co., Ltd.'s construction project subcontract dispute.

Shanghai Yujian Decoration Design Engineering Co., Ltd. sued Shaoxing Howson Construction Co., Ltd., Shaoxing City Real Estate Development Co., Ltd., and the Company, over the dispute over the construction project subcontract. The plaintiff required Shaoxing Howson Construction Co., Ltd. to pay the project fee and interest CNY6,982,206.53. Shaoxing City Real Estate Development Co., Ltd. and the Company are jointly and severally liable for the above-mentioned debts.

13. EVENTS AFTER THE REPORTING PERIOD

- (a) On 14 January 2021, Shaoxing Xinyuan City Gas Pipe Network Development Co., Ltd., a grandson company of the Company was cancelled;
- (b) On 24 February 2021, Shaoxing Zhongpian Construction and Engineering Co., Ltd., a subsidiary of Zhejiang Shuilian Environmental Technology Group Co., Ltd. was cancelled.
- (c) On 11 March 2021, Shaoxing Drain Co., Ltd. obtained the tax clearance certificate from the Yuecheng District Tax Bureau of Shaoxing, and Shaoxing Water Industry Co., Ltd. began to absorb and merge Shaoxing Drainage Co., Ltd.

As at 31 December 2020, the Company has no significant events after the reporting period need to be disclosed.

14. OTHER SIGNIFICANT MATTERS

- (a) According to the 77th executive meeting of Shaoxing Municipal People's Government (20 July 2020) and <The Comprehensive Reform Plan of Shaoxing Flat Copper (Group) Co., Ltd.>, Shaoxing Flat Copper (Group) Co., Ltd. and its subsidiaries began to suspend production in August 2020. There are signs of impairment of property, plant and equipment and construction in progress of Shaoxing Flat Copper (Group) Co., Ltd. and its subsidiaries, and the company has set aside impairment provisions for Shaoxing Ping Copper (Group) Co., Ltd. in 2020.

- (b) In February 2021, Shaoxing Qingneng Environmental Protection Co., Ltd. held the project resumption and system co-ordination and trial launch meeting of Shaoxing Circular Ecology Industrial Park (Phase II) Incineration Plant Project, marking the start of the system co-ordination and trial launch of Shaoxing Circular Ecology Industrial Park (Phase II) Incineration Plant Project and the countdown to production. At the same time, in February 2021, Shaoxing Qingneng Environmental Protection Co., Ltd. completely stopped production in the old factory, and the company has set up a special team to actively negotiate with the government about the disposal plan of the old factory's assets.

15. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

15.1 Accounts Receivable

(a) Accounts receivable by category

Items	31 Dec 2020				
	Accounts receivable		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with individually significant balance and provision recognized for bad debt individually					
Accounts receivable with bad debt provision recognized collectively by similar credit risk characteristics	1,435,964.50	100.00	1,148,771.60	80.00	287,192.90
Portfolio 1					
Portfolio 2	1,435,964.50	100.00	1,148,771.60	80.00	287,192.90
Accounts receivable with individually insignificant balance but provision recognized for bad debt individually					
Total	1,435,964.50	100.00	1,148,771.60	80.00	287,192.90

(Continued)

Items	31 Dec 2019				
	Accounts receivable		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with individually significant balance and provision recognized for bad debt individually					

Items	31 Dec 2019				
	Accounts receivable		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with bad debt provision recognized collectively by similar credit risk characteristics	1,435,964.50	100.00	1,148,771.60	80.00	287,192.90
Portfolio 1					
Portfolio 2	1,435,964.50	100.00	1,148,771.60	80.00	287,192.90
Accounts receivable with individually insignificant balance but provision recognized for bad debt individually					
Total	1,435,964.50	100.00	1,148,771.60	80.00	287,192.90

(a.1) Accounts receivable with individually significant balance and provision recognized for bad debt individually: There is no such item.

(a.2) In portfolio 2, accounts receivable with bad debt provision recognized collectively by aging analysis

Aging	31 Dec 2020		
	Accounts receivable	Provision for bad debt	Provision ratio (%)
Within 1 year (including 1 year)			
1 to 2 years			
2 to 3 years			
3 to 4 years			
4 to 5 years			
Over 5 years	1,435,964.50	1,148,771.60	80.00
Total	1,435,964.50	1,148,771.60	80.00

(b) Provision, recovery or reversal of bad debt

There is no such item.

(c) Accounts receivable written-off during the reporting period:

There is no such item.

(d) Derecognition of accounts receivables for transfer of financial assets:

There is no such item.

(e) The amount of assets and liabilities formed by transferring accounts receivables and continuing to involved:

There is no such item.

15.2 Other Receivables

(a) Other receivables by category

Items	31 Dec 2020	31 Dec 2019
Interest receivable		
Dividend receivable		
Other receivables	11,707,566,310.41	7,218,447,022.51
Total	11,707,566,310.41	7,218,447,022.51

(b) Interest receivable

There is no such item.

(c) Dividends receivable

There is no such item.

(d) Other receivables

(d.1) Disclosure of other receivables by category

Items	31 Dec 2020				
	Other receivables		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables with individually significant balance and provision for bad debt recognized individually					
Other receivables with bad debt provision recognized collectively by similar credit risk characteristics	11,737,211,049.37	100.00	29,644,738.96	0.25	11,707,566,310.41
Portfolio 1	11,664,940,790.75	99.38			11,664,940,790.75
Portfolio 2	72,270,258.62	0.62	29,644,738.96	41.02	42,625,519.66
Other receivables with individually insignificant balance but provision for bad debt recognized individually					
Total	11,737,211,049.37	100.00	29,644,738.96	0.25	11,707,566,310.41

(Continued)

Items	31 Dec 2019				
	Other receivables		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables with individually significant balance and provision for bad debt recognized individually					
Other receivables with bad debt provision recognized collectively by similar credit risk characteristics	7,241,187,802.56	100.00	22,740,780.05	0.31	7,218,447,022.51
Portfolio 1	7,146,025,721.09	98.69			7,146,025,721.09
Portfolio 2	95,162,081.47	1.31	22,740,780.05	23.90	72,421,301.42
Other receivables with individually insignificant balance but provision for bad debt recognized individually					
Total	7,241,187,802.56	100.00	22,740,780.05	0.31	7,218,447,022.51

(d.1.1) Other receivables with individually significant balance and provision for bad debt recognized individually: There is no such item.

(d.1.2) In portfolio 1, significant details of accounts receivables are as follows:

Entity name	31 Dec 2020			
	Other receivables	Provision for bad debt	Provision ratio (%)	Reason
Shaoxing Infrastructure Construction Investment Co., Ltd.	5,315,578,534.09			
Shaoxing City Construction Co., Ltd.	2,438,288,084.75			
Shaoxing Municipal People's Government State-owned Assets Supervision and Administration Commission	1,697,000,000.00			
Shaoxing High-tech Technology Industry Development Zone Didang Xincheng Investment Development Co., Ltd.	500,886,111.11			
Shaoxing Affordable Housing Construction Co., Ltd.	314,430,902.95			
Other sporadic entities	1,398,757,157.85			
Total	11,664,940,790.75			

(d.1.3) In portfolio 2, other receivables with bad debt provision recognized collectively by aging analysis

Aging	31 Dec 2020		
	Other receivables	Provision for bad debt	Provision ratio (%)
Within 1 year (including 1 year)	4,803,603.87	240,180.19	5.00
1 to 2 years	1,179,343.07	117,934.31	10.00
2 to 3 years	18,444,532.97	3,688,906.59	20.00
3 to 4 years	3,809,402.33	1,523,760.93	40.00
4 to 5 years	27,881,860.42	11,152,744.17	40.00
Over 5 years	16,151,515.96	12,921,212.77	80.00
Total	72,270,258.62	29,644,738.96	

(d.2) Provision, recovery or reversal of bad debt

The provision for bad debt during the reporting period amounted to CNY6,903,958.91.

(d.3) Other receivables written-off during the reporting period:

There is no such item.

(d.4) Other receivables relating to government grants:

There is no such item.

(d.5) Derecognition of other receivables for transfer of financial assets:

There is no such item.

(d.6) The amount of assets and liabilities formed by transferring other receivables and continuing to be involved:

There is no such item.

15.3 Long-term Equity Investments

Items	31 Dec 2020			31 Dec 2019		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Subsidiaries	6,010,163,110.81	187,983,260.52	5,822,179,850.29	5,817,836,610.81		5,817,836,610.81
Joint ventures and associates	1,245,075,279.06		1,245,075,279.06			
Total	7,255,238,389.87	187,983,260.52	7,067,255,129.35	5,817,836,610.81		5,817,836,610.81

(a) Investments in subsidiaries

Investees	31 Dec 2019	Increase	Decrease	31 Dec 2020	Provision for impairment during the reporting period	Provision for impairment at 31 Dec 2020
Shaoxing Infrastructure Construction Investment Co., Ltd.	96,000,000.00			96,000,000.00		

Investees	31 Dec 2019	Increase	Decrease	31 Dec 2020	Provision for impairment during the reporting period	Provision for impairment at 31 Dec 2020
Shaoxing City Plaza Management Co., Ltd.	3,492,000.00			3,492,000.00		
Shaoxing Plaza Ad & Decoration Co., Ltd.	750,000.00			750,000.00		
Shaoxing Affordable Housing Construction Co., Ltd.	180,000,000.00			180,000,000.00		
Shaoxing Second Ring Turn Move Investment Co., Ltd.	100,000,000.00			100,000,000.00		
Shaoxing City Construction Co., Ltd.	150,000,000.00			150,000,000.00		
Shaoxing City Real Estate Development Co., Ltd.	50,000,000.00			50,000,000.00		
Shaoxing Flat Copper (Group) Co., Ltd.	187,983,260.52			187,983,260.52	187,983,260.52	187,983,260.52
Shaoxing Public Buildings Facilities Management Co., Ltd.	8,000,000.00			8,000,000.00		
Shaoxing Huafeng Property Co., Ltd.	20,100,000.00			20,100,000.00		
Shaoxing Rail Transit Group Co., Ltd.	200,000,000.00		200,000,000.00			
Shaoxing Public Buildings Facilities Management Co., Ltd.	8,000,000.00		8,000,000.00			

Investees	31 Dec 2019	Increase	Decrease	31 Dec 2020	Provision for impairment during the reporting period	Provision for impairment at 31 Dec 2020
Shaoxing Smart City Group Co., Ltd.	91,100,000.00	25,000,000.00		116,100,000.00		
Shaoxing City Investment (HK) Limited	852,082.00			852,082.00		
Shaoxing City Investment Asset Operation Management Co., Ltd.	5,000,000.00	8,000,000.00		13,000,000.00		
Shaoxing Science and Technology Industry Investment Co., Ltd.	72,000,000.00	11,400,000.00		83,400,000.00		
Shaoxing Baocheng Construction Co., Ltd.	45,782,353.00			45,782,353.00		
Shaoxing Public Utilities Group Co., Ltd.	4,593,713,701.01			4,593,713,701.01		
Shaoxing Guangfeng Real Estate Development Co., Ltd.	5,063,214.28			5,063,214.28		
Shaoxing Chengtou Real Estate Development Co., Ltd.		50,000,000.00		50,000,000.00		
Zhejiang Shuangcheng Electric Co., Ltd.		305,926,500.00		305,926,500.00		
Total	5,817,836,610.81	400,326,500.00	208,000,000.00	6,010,163,110.81	187,983,260.52	187,983,260.52

(b) Investments in joint ventures and associates

Investees	31 Dec 2019	Changes during the reporting period				
		Increase during the reporting period	Decrease during the reporting period	Gains /(losses) on investments under the equity method	Adjustments of other comprehensive income	Changes in other equity
Associates						
Bank of Shaoxing Co., Ltd.		1,179,005,289.00		39,386,420.34	1,733,231.25	24,950,338.47
Total		1,179,005,289.00		39,386,420.34	1,733,231.25	24,950,338.47

(Continued)

Investees	Changes during the reporting period			31 Dec 2020	Provision for impairment at 31 Dec 2020
	Declaration of cash dividends or distribution of profit	Provision for impairment	Others		
Associates					
Bank of Shaoxing Co., Ltd.				1,245,075,279.06	
Total				1,245,075,279.06	

15.4 Revenue and Cost of Sales

Items	2020		2019	
	Revenue	Costs of sales	Revenue	Costs of sales
Principal activities				
Merchandise sales	23,285,716.09	17,843,406.67	451,644,330.68	313,829,234.00
Rental	20,683,007.59	23,361,183.37	14,528,003.40	29,278,313.73
Others			68,291,795.30	2,500.00
Sub-total	43,968,723.68	41,204,590.04	534,464,129.38	343,110,047.73
Other activities				
Others	424,528.30			
Sub-total	424,528.30			
Total	44,393,251.98	41,204,590.04	534,464,129.38	343,110,047.73

15.5 Investment Income

Items	2020	2019
Investment income from long-term equity investments under equity method	39,386,420.34	-2,025,968.82
Gains on disposal of long-term equity investments		-2,380,889.89
Investment income from financial assets at fair value through profit or loss during the holding period	1,749,727.92	1,749,871.73

Items	2020	2019
Gains on disposal of financial assets at fair value through profit or loss	2,644,693.51	
Investment income from held-to-maturity investments during the holding period	9,070,303.30	
Total	52,851,145.07	-2,656,986.98

15.6 Others

There is no such item.

16. SUPPLEMENTARY INFORMATION

There is no such item.



Name of the Company: Shaoxing City Investment Group Limited

Legal Representative:



Chief Financial Officer:



Finance Manager:



Date: 30 April 2021

Auditor's Report

Shaoxing City Investment Group Co., Ltd

RSM SZ [2020] NO. 310Z0248

RSM CHINA CPA LLP

CHINA·BEIJING

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Auditor's Report

RSM SZ [2020] NO. 310Z0248

To the Shareholders of Shaoxing City Investment Group Co., Ltd.:

Opinion

We have audited the financial statements of Shaoxing City Investment Group Co., Ltd. (hereafter referred to as “Shao City Investment Co.”), which comprises the consolidated and the parent company's statement of financial position as at 31 December 2019, the consolidated and the parent company's statement of profit or loss and other comprehensive income, the consolidated and the parent company's statement of cash flows, the consolidated and the parent company's statement of changes in equity for the year then ended, and the notes to the financial statements.

In our opinion, the accompanying Shao City Investment Co.'s financial statements present fairly, in all material respects, the consolidated and the company's financial position as at 31 December 2019, and their financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises and China Accounting System for Business Enterprises.

Basis for Opinion

We conducted our audit in accordance with Chinese Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Shao City Investment Co. in accordance with the Code of Ethics for Chinese Certified Public Accountants, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management of Shao City Investment Co. is responsible for the preparation and fair presentation of the financial statements in accordance with Accounting Standards of Business Enterprises, and for the design, implementation and maintenance of such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Shao City Investment Co.'s ability to continue as a going concern, disclosing matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Shao City Investment Co.'s financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our Objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- i) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ii) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- iii) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- iv) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- v) Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- vi) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the

financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

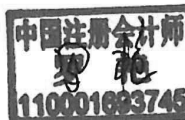
(There is no text below, which is the signature and stamp page of RSM SZ [2020] NO. 310Z0248, Shao City Investment Co.'s audit report.)



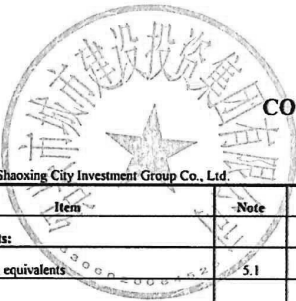
[Name of CPA]:



[Name of CPA]:



[Date]: 24 April 2020



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019**

容诚会计师事务所
Unit: Yuan Currency: CNY

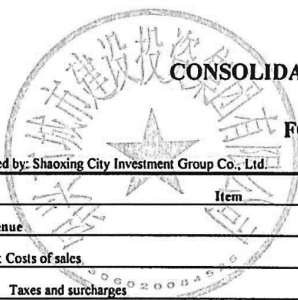
Prepared by: Shaoxing City Investment Group Co., Ltd.

Item	Note	31 Dec 2019	31 Dec 2018	Item	Note	31 Dec 2019	31 Dec 2018
Current assets:				Current liabilities:			
Cash and cash equivalents	5.1	4,721,850,881.66	8,937,046,914.33	Short-term borrowings	5.20	1,023,100,000.00	3,141,190,000.00
Financial assets at fair value through profit or loss	5.2	85,590,857.42	149,747,547.82	Financial liabilities at fair value through profit or loss		-	-
Derivative financial assets				Derivative financial liabilities			
Notes receivable	5.3	21,289,547.21	9,108,529.91	Notes payable	5.21	136,311,976.75	14,716,398.00
Accounts receivable	5.4	596,308,427.41	326,750,246.25	Accounts payable	5.22	1,275,839,343.16	1,538,143,518.19
Prepayments	5.5	802,319,592.57	762,772,339.94	Advance from customers	5.23	613,478,969.48	1,280,939,744.28
Other receivables	5.6	1,926,779,726.23	1,306,421,883.62	Employee benefits payable	5.24	49,361,955.51	81,671,776.21
Including: interest receivable				Taxes payable	5.25	180,776,783.75	124,345,956.34
Dividend receivable				Other payables	5.26	2,046,980,973.14	2,161,409,668.62
Inventories	5.7	12,298,199,367.46	11,400,830,167.52	Including: interest payable		356,545,313.43	352,031,546.87
Assets classified as held for sale		6,727,300.00	-	Dividend payable		3,673,690.18	13,853,690.18
Non-current assets maturing within one year				Liabilities classified as held for sale			
Other current assets	5.8	138,003,606.79	4,000,218,631.74	Non-current liabilities maturing within one year	5.27	2,202,857,318.21	4,298,545,822.67
Total current assets		20,597,069,306.75	26,892,896,261.13	Other current liabilities	5.28	585,962,405.38	604,547,340.84
Non-current assets:				Total current liabilities		8,114,669,725.38	13,245,510,225.15
Available-for-sale financial assets	5.9	680,580,700.00	48,462,000.00	Non-current liabilities:			
Held-to-maturity investments				Long-term borrowings	5.29	5,377,357,272.70	7,100,801,547.35
Long-term receivables	5.10	47,500,000.00	8,000,000.00	Bonds payable	5.30	13,623,436,447.62	12,175,634,750.60
Long-term equity investments	5.11	1,080,886,181.95	185,123,531.07	Long-term payables	5.31	3,313,474,717.51	1,959,219,547.74
Investment properties	5.12	723,375,986.64	689,451,859.45	Long-term employee benefits payable			
Property, plant and equipment	5.13	16,211,242,444.14	15,433,046,316.65	Estimated liabilities			
Construction in progress	5.14	12,264,708,630.63	12,462,509,991.37	Deferred income	5.32	147,660,759.22	184,971,330.63
Productive biological assets				Deferred tax liabilities	5.18	17,911,788.42	18,404,773.42
Oil and gas assets				Other non-current liabilities		43,617,360.13	
Intangible assets	5.15	1,632,436,266.97	1,574,115,064.62	Total non-current liabilities		22,523,458,345.60	21,439,031,949.74
Research and development expenditure				Total liabilities		30,638,128,070.98	34,684,542,174.89
Goodwill	5.16	5,282,373.56	5,282,373.56	Owners' equity			
Long-term deferred expenses	5.17	39,670,961.35	55,886,912.92	Paid-in capital	5.33	3,300,000,000.00	3,300,000,000.00
Deferred tax assets	5.18	28,246,359.93	36,615,863.29	Other equity instruments			
Other non-current assets	5.19	320,821,490.52	320,923,979.43	Including: Preference shares			
Total non-current assets		33,034,751,395.69	30,819,417,892.36	Perpetual bonds			
				Capital reserves	5.34	11,022,988,461.51	10,834,051,684.78
				Less: Treasury stock			
				Other comprehensive income	5.35	2,821,506.80	2,064,436.80
				Specific reserves	5.36	95,334,175.82	55,926,644.95
				Surplus reserves	5.37	218,346,556.66	218,346,556.66
				General risk reserves			
				Retained earnings	5.38	3,496,139,354.56	3,292,926,418.10
				Total owner's equity attributable to parent company		18,135,630,055.35	17,703,315,741.29
				Non-controlling interests		4,858,062,576.11	5,324,456,237.31
				Total owners' equity		22,993,692,631.46	23,027,771,978.60
Total assets		53,631,820,702.44	57,712,314,153.49	Total liabilities and owners' equity		53,631,820,702.44	57,712,314,153.49

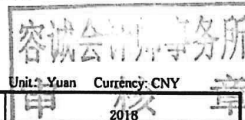
Legal Representative: 祥朱印志

Chief Financial Officer: 新陈印秋

Finance Manager: 梁王印战



**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**



Prepared by: Shaoying City Investment Group Co., Ltd.

Unit: Yuan Currency: CNY

Item	Note	2019	2018
I. Revenue	5.39	8,583,455,637.28	6,630,956,522.87
Less: Costs of sales	5.39	7,665,163,052.32	6,070,626,282.83
Taxes and surcharges	5.40	135,247,927.80	111,071,822.72
Selling and distribution expenses		48,575,125.14	70,203,984.78
General and administrative expenses		755,090,452.88	698,100,995.30
Research and development expenses	5.41	15,031,093.59	3,865,618.47
Finance costs	5.42	1,232,706,346.30	1,114,482,623.82
Including: Interest expenses		1,223,788,568.49	1,185,365,519.85
Interest income		119,667,256.07	213,809,838.30
Add: Other income	5.43	1,430,616,778.09	1,469,005,393.30
Investment income/(losses)	5.44	232,989,037.77	78,899,194.50
Including: Investment income from associates and joint ventures		-128,618,590.61	27,075,975.03
Gains/(losses) from changes in fair values	5.45	-64,156,690.40	15,747,551.28
Impairment loss of assets	5.46	-22,861,355.72	-101,406,304.64
Gains/(losses) from disposal of assets	5.47	9,139,792.94	-10,133,318.90
II. Profit/(loss) from operations		317,369,201.93	14,717,710.49
Add: Non-operating income	5.48	22,030,578.69	288,043,864.67
Less: Non-operating expenses	5.49	20,445,486.23	31,937,226.57
III. Profit/(loss) before tax		318,954,294.39	270,824,348.59
Less: Income tax expenses	5.50	107,394,487.90	183,045,620.42
IV. Net profit/(loss) for the year		211,559,806.49	87,778,728.17
(I) Net profit/(loss) by continuity			
Net profit/(loss) from continuing operation		211,559,806.49	87,778,728.17
Net profit/(loss) from discontinued operation			
(II) Net profit/(loss) by ownership attribution			
Attributable to owners of the parent		203,212,936.46	305,880,215.76
Attributable to non-controlling interests		8,346,870.03	-218,101,487.59
V. Other comprehensive income for the year, after tax		757,070.00	2,078,051.93
(a) attributable to owners of the parent		757,070.00	2,078,051.93
(i) Items that will not be reclassified subsequently to profit or loss			
1. Remeasurement of the net defined benefit liability (asset)			
2. Share of the other comprehensive income of the investee accounted for using the equity method which will not be reclassified subsequently to profit and loss			
(ii) Items that may be reclassified subsequently to profit or loss		757,070.00	2,078,051.93
1. Share of the other comprehensive income of the investee accounted for using the equity method which will be reclassified subsequently to profit or loss			
2. Gains/(losses) arising from changes in fair value of available-for-sale financial assets			
3. Gains/(losses) arising from reclassification of held-to-maturity investment as available-for-sale financial assets			
4. The effective portion of the gains/losses on cash flow hedge			
5. Exchange differences on translating foreign operations		757,070.00	2,078,051.93
6. Others			
(b) Attributable to non-controlling interests			
VI. Total comprehensive income for the year		212,316,876.49	89,856,780.10
Attributable to owners of the parent		203,970,006.46	307,958,267.69
Attributable to non-controlling interests		8,346,870.03	-218,101,487.59
VII. Earnings per share:			
Basic earnings per share			
Diluted earnings per share			

Legal Representative:

祥朱
印志

Chief Financial Officer:

新陈
印秋

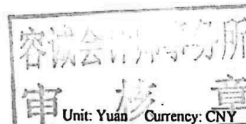
Finance Manager:

王战
印战



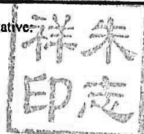
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

Prepared by: Shaoxing City Investment Group Co., Ltd.

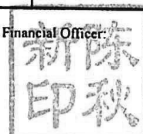


Items	Note	2019	2018
I. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		8,256,316,719.24	9,386,944,600.77
Refund of tax and levies		155,752.22	147,707.85
Other cash received relating to operating activities		2,356,786,659.55	3,384,987,615.61
Sub-total of cash inflows from operating activities		10,613,259,131.01	12,772,079,924.23
Cash paid for received commodities or labor		8,273,832,390.82	9,610,900,030.77
Cash paid to and for employees		598,023,188.79	602,692,405.72
Payments of all types of taxes		364,678,470.43	495,494,376.18
Other cash paid relating to operating activities		423,319,516.40	749,462,678.15
Sub-total of cash outflows from operating activities		9,659,853,566.44	11,458,549,490.82
Net cash flows from operating activities		953,405,564.57	1,313,530,433.40
II. Cash flows from investing activities			
Cash received from disposal of investments		53,346,227.97	3,739,786,157.53
Cash received from returns on investments		18,494,888.49	61,660,132.16
Net cash received from disposals of fixed assets, intangible assets and other long-term assets		30,716,638.47	18,757,724.54
Net cash received from disposals of subsidiaries or other business units		8,362,645.10	
Other cash received relating to investing activities		429,150.22	27,923,874.85
Sub-total of cash inflows from investing activities		111,349,550.25	3,848,127,889.08
Cash paid to acquire property, plant and equipment, intangible assets and other long-term assets		3,067,896,183.07	3,164,305,417.49
Cash paid to acquire investments		1,249,475,000.00	3,922,332,351.39
Net cash paid to acquire subsidiaries and other business units		-	12,906,449.04
Other cash payments relating to investing activities		473,744,128.31	100,000,000.00
Sub-total of cash outflows from investing activities		4,791,115,311.38	7,199,544,217.92
Net cash flows from investing activities		-4,679,765,761.13	-3,351,416,328.84
III. Cash flows from financing activities			
Cash received from capital contributions		145,225,600.00	488,300,000.00
Including: Cash receipts from minority shareholders' investments absorbed by subsidiaries		145,225,600.00	-
Cash received from borrowings		10,582,876,447.89	15,031,492,495.44
Other cash received relating to financing activities		2,641,729,409.79	1,047,155,828.13
Sub-total of cash inflows from financing activities		13,369,831,457.68	16,566,948,323.57
Cash repayments of amounts borrowed		11,660,697,076.48	7,753,080,022.42
Cash payments for dividends, distribution of profit or interest expenses		1,342,230,749.03	1,041,115,572.53
Including: Cash payments for dividends and distribution of profit to minority shareholders			
Other cash payments relating to financing activities		855,390,461.71	338,729,849.06
Sub-total of cash outflows from financing activities		13,858,318,287.22	9,132,925,444.01
Net cash flows from financing activities		-488,486,829.54	7,434,022,879.56
IV. Effect of foreign exchange rate changes on cash and cash equivalents			
		-19,083,421.02	83,668,354.99
V. Net increase / (decrease) in cash and cash equivalents			
		-4,233,930,447.12	5,479,805,339.11
Plus: Cash and cash equivalents at the beginning of the period		8,887,512,111.82	3,407,706,772.71
VI. Cash and cash equivalents at the end of the period		4,653,581,664.70	8,887,512,111.82

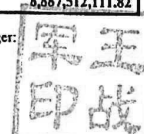
Legal Representative:



Chief Financial Officer:



Finance Manager:



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER**

Item	2019										2018	
	Owners' equity attributable to the parent company										Non-controlling interests - Total owners' equity	
	Paid-in capital	Preference shares	Other equity instruments	Capital reserves	Treasury stock	Other comprehensive income	Specific reserves	Surplus reserves	General risk reserves	Retained earnings	Subtotal	
I. Balance at 31 December 2018	3,300,000,000.00			10,834,051,684.78		2,064,436.80	55,926,644.95	218,346,556.66		3,292,926,418.10	17,703,315,741.29	5,324,456,237.31
Add: Changes in accounting policy												
Correction of prior period errors												
Business combination under common control												
Others												
II. Balance at 1 January 2019	3,300,000,000.00			10,834,051,684.78		2,064,436.80	55,926,644.95	218,346,556.66		3,292,926,418.10	17,703,315,741.29	5,324,456,237.31
III. Changes in equity during the reporting period												
(i) Total comprehensive income												
(ii) Capital contributions or withdrawals by owners												
1. Ordinary shares contributed by owners												
2. Capital contributed by holders of other equity instruments												
3. Share-based payments recognized in owners' equity												
4. Others												
(iii) Profit distribution												
1. Withdrawal of surplus reserves												
2. Withdrawal of general risk reserves												
3. Profit distribution to investors (or shareholders)												
4. Others												
(iv) Transfer between equity												
1. Capital reserves transfer to paid-in capital												
2. Surplus reserves transfer to paid-in capital												
3. Surplus reserves used to cover accumulated deficits												
4. Defined benefit plan transfer to retained earnings												
5. Others												
(v) Specific reserves												
1. Withdrawal during the reporting period												
2. Usage during the reporting period												
(vi) Others												
IV. Balance at 31 December 2019	3,300,000,000.00			11,022,988,461.51		2,071,506.80	95,334,175.82	218,346,556.66		3,496,139,354.56	18,135,630,055.35	4,858,062,576.11

Finance Manager:

Chief Financial Officer:

Legal Representative:

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER**

2018												
Item	Owners' equity attributable to the parent company											
	Paid-in capital	Preference shares	Other equity instruments		Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserves	Surplus reserves	General risk reserves	Retained earnings	Subtotal
				Perpetual capital securities	Others							
I. Balance at 31 December 2017	3,300,000,000.00					9,239,036,179.95	-13,615.13	45,131,035.54	162,603,597.83		2,157,633,310.09	14,904,392,508.28
Add: Changes in accounting policy												
Correction of prior period errors												
Business combination under common control						2,689,142,884.64			25,358,904.78		859,796,946.30	3,574,298,735.72
Others												
II. Balance at 1 January 2018	3,300,000,000.00				-	11,928,179,064.59	-13,615.13	45,131,035.54	187,962,502.61	-	3,017,430,256.39	18,478,691,244.00
III. Changes in equity during the reporting period					-	-1,094,127,379.81	2,078,051.93	10,793,609.41	30,384,054.05	-	275,496,161.71	-775,375,502.71
(i) Total comprehensive income							2,078,051.93				305,880,215.76	307,958,267.69
(ii) Capital contributions or withdrawals by owners												
1. Ordinary shares contributed by owners												
2. Capital contributed by holders of other equity instruments												
3. Share-based payments recognised in owners' equity												
4. Others												
(iii) Profit distribution												
1. Withdrawal of surplus reserves									30,384,054.05	-	-30,384,054.05	
2. Withdrawal of general risk reserves									30,384,054.05		-30,384,054.05	
3. Profit distribution to investors (or shareholders)												
4. Others												
(iv) Transfer between equity												
1. Capital reserves transfer to paid-in capital												
2. Surplus reserves transfer to paid-in capital												
3. Surplus reserves used to cover accumulated deficits												
4. Defined benefit plan transfer to retained earnings												
5. Others												
(v) Specific reserves												
1. Withdrawal during the reporting period								10,793,609.41		-	-	10,793,609.41
2. Usage during the reporting period								23,679,215.77				23,679,215.77
(vi) Others								12,885,606.36				12,885,606.36
IV. Balance at 31 December 2018	3,300,000,000.00					-1,094,127,379.81		55,926,644.95	218,346,556.66		3,292,926,418.10	17,703,315,741.29

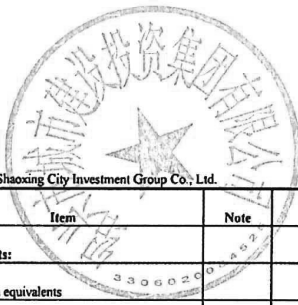
Unit: Yuan

Currency: CNY

Legal Representative:

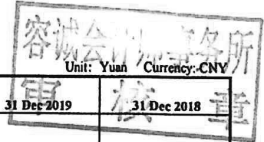
Chief Financial Officer:

Finance Manager:



**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019**

Prepared by: Shaoxing City Investment Group Co., Ltd.



Item	Note	31 Dec 2019	31 Dec 2018	Item	Note	31 Dec 2019	31 Dec 2018
Current assets:				Current liabilities:			
Cash and cash equivalents		1,862,056,865.56	5,734,989,833.72	Short-term borrowings		40,000,000.00	300,000,000.00
Financial assets at fair value through profit or loss		85,590,857.42	149,747,547.82	Financial liabilities at fair value through profit or loss			
Derivative financial assets				Derivative financial liabilities			
Notes receivable				Notes payable			
Accounts receivable	16.1	287,192.90	3,460,192.90	Accounts payable		133,188,926.98	151,888,087.42
Prepayments		212,812,932.26	223,565,261.56	Advance from customers		37,490,748.26	484,799,247.59
Other receivables	16.2	7,218,447,022.51	4,935,938,950.33	Employee benefits payable		10,294.68	10,294.68
Including: interest receivable				Taxes payable		43,908,328.05	16,080,213.10
Dividend receivable				Other payables		1,229,127,422.80	2,662,474,501.29
Inventories		5,440,253,538.64	5,240,019,714.73	Including: interest payable		299,546,232.06	252,619,384.94
Assets classified as held for sale				Dividend payable			
Non-current assets maturing within one year				Liabilities classified as held for sale			
Other current assets		2,038,795.99	14,930,626.16	Non-current liabilities maturing within one year		1,892,739,500.00	2,530,000,000.00
Total current assets		14,821,487,205.28	16,302,652,127.22	Other current liabilities			
Non-current assets:				Total current liabilities		3,376,465,220.77	6,145,252,344.08
Available-for-sale financial assets		161,600,000.00	11,600,000.00	Non-current liabilities:			
Held-to-maturity investments				Long-term borrowings		1,630,000,000.00	2,227,499,500.00
Long-term receivables				Bonds payable		12,523,436,447.62	10,144,236,833.33
Long-term equity investments	16.3	5,817,836,610.81	6,406,928,010.88	Long-term payables		207,732,263.00	317,732,263.00
Investment properties		407,799,964.82	372,408,355.70	Long-term employee benefits payable			
Property, plant and equipment		9,886,104,209.13	8,416,289,780.39	Estimated liabilities			
Construction in progress		54,063,056.92	1,746,069,287.77	Deferred income			
Construction materials				Deferred tax liabilities			
Disposal of fixed assets				Other non-current liabilities			
Productive biological assets				Total non-current liabilities		14,361,168,710.62	12,689,468,596.33
Oil and gas assets				Total liabilities		17,737,633,931.39	18,834,720,940.41
Intangible assets		252,444,703.14	260,766,575.96	Owners' equity:			
Research and development expenditure				Paid-in capital		3,300,000,000.00	3,300,000,000.00
Goodwill				Other equity instruments			
Long-term deferred expenses		6,315,833.44	23,395,833.41	Including: Preference shares			
Deferred tax assets		5,972,387.92	4,018,029.38	Perpetual bonds			
Other non-current assets				Capital reserves		8,872,494,257.63	9,819,128,301.26
Total non-current assets		16,592,136,766.18	17,241,475,873.49	Less: Treasury stock			
				Other comprehensive income			
				Specific reserves			
				Surplus reserves		192,987,651.88	192,987,651.88
				Retained earnings		1,310,508,130.56	1,397,291,107.16
				Total owner's equity		13,675,990,040.07	14,709,407,060.30
Total assets		31,413,623,971.46	33,544,128,000.71	Total liabilities and owners' equity		31,413,623,971.46	33,544,128,000.71

Legal Representative:

Chief Financial Officer:

Finance Manager:

**STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

Prepared by: Shaoxing City Investment Group Co., Ltd.

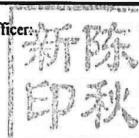
Unit: Yuan Currency: CNY

Item	Note	2019	2018
I. Revenue	16.4	534,464,129.38	363,697,884.44
Less: Costs of sales	16.4	343,110,047.73	291,042,674.05
Taxes and surcharges		43,670,387.58	36,362,898.02
Selling and distribution expenses		1,837,237.00	4,250,291.82
Administrative expenses		375,359,155.69	330,174,936.08
Research and development expenses			
Finance costs		946,802,495.45	685,604,550.16
Including: Interest expense		905,742,778.60	435,907,274.10
Interest income		86,262,181.90	273,809,148.90
Add: Other income		1,172,872,716.50	1,286,413,567.05
Investment income/(losses)	16.5	-2,656,986.98	9,176,897.69
Including: Investment income from associates and joint ventures		-2,025,968.82	9,176,897.69
Gains/(losses) from changes in fair values		-64,156,690.40	15,747,551.28
Impairment loss of assets		-7,817,434.17	-8,077,660.81
Gains/(losses) from disposal of assets		-322,902.92	
II. Profit/(loss) from operations		-78,396,492.04	319,522,889.52
Add: Non-operating income		2,836,110.09	3,553,610.22
Less: Non-operating expenses		13,176,953.19	21,255,374.50
III. Profit/(loss) before tax		-88,737,335.14	301,821,125.24
Less: Income tax expenses		-1,954,358.54	-2,019,415.21
IV. Net profit/(loss) for the year		-86,782,976.60	303,840,540.45
Net profit/(loss) from continuing operation		-86,782,976.60	303,840,540.45
Net profit/(loss) from discontinued operation			
V. Other comprehensive income for the year, after tax			
(i) Items that will not be reclassified subsequently to profit or loss			
1. Remeasurement of the net defined benefit liability (asset)			
2. Share of the other comprehensive income of the investee accounted for using the equity method which will not be reclassified subsequently to profit and loss			
(ii) Items that may be reclassified subsequently to profit or loss			
1. Share of the other comprehensive income of the investee accounted for using the equity method which will be reclassified subsequently to profit or loss			
2. Gains/(losses) arising from changes in fair value of available-for-sale financial assets			
3. Gains/(losses) arising from reclassification of held-to-maturity investment as available-for-sale financial assets			
4. The effective portion of the gains /losses on cash flow hedge			
5. Exchange differences on translating foreign operations			
6. Others			
VI. Total comprehensive income for the year		-86,782,976.60	303,840,540.45
VII. Earnings per share:			
Basic earnings per share			
Diluted earnings per share			

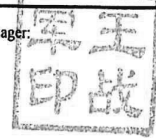
Legal Representative:



Chief Financial Officer:



Finance Manager:



STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

Prepared by: Shaoxing City Investment Group Co., Ltd.

Unit: Yuan Currency: CNY

Items	Note	2019	2018
I. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		102,040,185.03	231,407,426.55
Refund of tax and levies			
Other cash received relating to operating activities		2,203,977,223.75	2,325,054,127.10
Sub-total of cash inflows from operating activities		2,306,017,408.78	2,556,461,553.65
Cash paid for received commodities or labor		805,338,934.85	526,232,647.72
Cash paid to and or employees		17,711,104.59	16,004,105.65
Payments of all types of taxes		11,727,454.55	46,826,558.25
Other cash paid relating to operating activities		4,298,899,689.26	1,248,353,239.47
Sub-total of cash outflows from operating activities		5,133,677,183.25	1,837,416,551.09
Net cash flows from operating activities		-2,827,659,774.47	719,045,002.56
II. Cash flows from investing activities			
Cash received from disposal of investments		34,135,871.54	
Cash received from returns on investments		1,749,871.73	20,000,000.00
Net cash received from disposals of fixed assets, intangible assets and other long-term assets		7,351,147.06	
Net cash received from disposals of subsidiaries or other business units			
Other cash received relating to investing activities			
Sub-total of cash inflows from investing activities		43,236,890.33	20,000,000.00
Cash paid to acquire property, plant and equipment, intangible assets and other long-term assets		98,031,690.47	64,911,922.56
Cash paid to acquire investments		194,722,173.41	238,299,996.54
Net cash paid to acquire subsidiaries and other business units			
Other cash payments relating to investing activities			
Sub-total of cash outflows from investing activities		292,753,863.88	303,211,919.10
Net cash flows from investing activities		-249,516,973.55	-283,211,919.10
III. Cash flows from financing activities			
Cash received from capital contributions			
Cash received from borrowings		7,677,226,447.89	8,560,600,000.00
Other cash received relating to financing activities		8,754,846.80	
Sub-total of cash inflows from financing activities		7,685,981,294.69	8,560,600,000.00
Cash repayments of amounts borrowed		6,865,340,380.00	3,767,150,000.00
Cash payments for dividends, distribution of profit or interest expenses		858,815,931.48	566,701,961.87
Other cash payments relating to financing activities		737,740,712.33	222,648,000.00
Sub-total of cash outflows from financing activities		8,461,897,023.81	4,556,499,961.87
Net cash flows from financing activities		-775,915,729.12	4,004,100,038.13
IV. Effect of foreign exchange rate changes on cash and cash equivalents		-19,840,491.02	-24,046,414.02
V. Net increase/(decrease) in cash and cash equivalents		-3,872,932,968.16	4,415,886,707.57
Plus: Cash and cash equivalents at the beginning of the period		5,734,989,833.72	1,319,103,126.15
VI. Cash and cash equivalents at the end of the period		1,862,056,865.56	5,734,989,833.72

Legal Representative:

Chief Financial Officer:

Finance Manager:

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER**

Item	Paid-in capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserves	Surplus reserves	Retained earnings	Total owners' equity
		Preference shares	Perpetual capital securities	Others							
I. Balance at 31 December 2018	3,300,000,000.00				9,819,128,301.26				192,987,651.88	1,397,291,107.16	14,709,407,060.30
Add: Changes in accounting policy											
Correction of prior period errors											
Others											
II. Balance at 1 January 2019	3,300,000,000.00				9,819,128,301.26				192,987,651.88	1,397,291,107.16	14,709,407,060.30
III. Changes in equity during the reporting period					-946,634,043.63					-86,782,976.60	-1,033,417,020.23
(i) Total comprehensive income											
(ii) Capital contributions or withdrawals by owners					-946,634,043.63					-86,782,976.60	-946,634,043.63
1. Ordinary shares contributed by owners											
2. Capital contributed by holders of other equity instruments											
3. The amount of share-based payments recorded in owners' equity											
4. Others											
(iii) Profit distribution					-946,634,043.63						-946,634,043.63
1. Withdrawal of surplus reserves											
2. Withdrawal of general risk reserves											
3. Others											
(iv) Transfer between equity											
1. Capital reserves transfer to paid-in capital											
2. Surplus reserves transfer to paid-in capital											
3. Surplus reserves used to cover accumulated deficits											
4. Defined benefit plan transfer to retained earnings											
5. Others											
(v) Specific reserves											
1. Withdrawal during the reporting period											
2. Usage during the reporting period											
(vi) Others											
IV. Balance at 31 December 2019	3,300,000,000.00				8,872,494,257.63				192,987,651.88	1,310,508,130.56	13,675,990,040.07

Prepared by: Shaoxing City Investment Group Co., Ltd.

Item: 004525

Legal Representative: 祥朱 印

Chief Financial Officer: 新陈 印

Finance Manager: 王 印

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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER

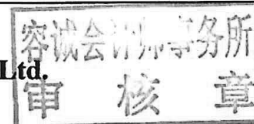
Prepared by: Shaoxing City Investment Group Co., Ltd.

Item	Paid-in capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserves	Surplus reserves	Retained earnings	Total owners' equity
		Preference shares	Perpetual capital securities	Others							
I. Balance at 31 December 2017	3,300,000,000.00				6,129,808,003.17				162,603,597.83	1,123,834,620.76	10,716,246,221.76
Add: Changes in accounting policy											
Correction of prior period errors											
Others											
II. Balance at 1 January 2018	3,300,000,000.00				6,129,808,003.17				162,603,597.83	1,123,834,620.76	10,716,246,221.76
III. Changes in equity during the reporting period					3,689,320,298.09				30,384,054.05	273,456,486.40	3,993,160,838.54
(i) Total comprehensive income											
(ii) Capital contributions or withdrawals by owners											
1. Ordinary shares contributed by owners											
2. Capital contributed by holders of other equity instruments											
3. The amount of share-based payments recorded in owners' equity											
4. Others											
(iii) Profit distribution					3,822,458,442.22						3,822,458,442.22
1. Withdrawal of surplus reserves									30,384,054.05	-30,384,054.05	
2. Withdrawal of general risk reserves									30,384,054.05	-30,384,054.05	
3. Others											
(iv) Transfer between equity											
1. Capital reserves transfer to paid-in capital											
2. Surplus reserves transfer to paid-in capital											
3. Surplus reserves used to cover accumulated deficits											
4. Defined benefit plan transfer to retained earnings											
5. Others											
(v) Specific reserves											
1. Withdrawal during the reporting period											
2. Usage during the reporting period											
(vi) Others											
IV. Balance at 31 December 2018	3,300,000,000.00				-133,138,144.13				192,987,651.88	1,397,291,107.16	14,709,407,060.30

Legal Representative:

Chief Financial Officer:

Finance Manager:

Shaoxing City Investment Group Co., Ltd.**Notes to the Financial Statements**

For the year ended 31 December 2019

(All amounts are expressed in Chinese Yuan ("CNY") unless otherwise stated)

1. BASIC INFORMATION ABOUT THE COMPANY**1.1 Corporate Information**

Shaoxing City Investment Group Co., Ltd. (hereinafter referred to as "the Company"), formerly known as Shaoxing City Investment Development Co., Ltd. was a company with limited liability who established in accordance with the Shaoxing Municipal People's Government Shaoxing (1999) No. 131 document, and funded by the Shaoxing Municipal People's Government State-owned Assets Supervision and Administration Commission of Capital Contribution on November 25, 1999, and achieved No. 33060000082488 business license issued by Shaoxing Administration for Industry and Commerce. The initial registered capital of the Company is CNY220 million. This has been verified and issued a capital verification by the Shaoxing accounting firm with verification report No. 220 (1999).

In August 2003, according to the decision of the board of directors of the Company and the approval of Shaoxing Bureau of Finance, the Company increased its registered capital by CNY280 million, after the capital increase, the registered capital was changed to CNY500 million. The capital increase has been verified by Shaoxing Datong Certified Public Accountants Co., Ltd. and No. 198 (2003) capital verification report. issued No. 198 (2003). In November 2009, according to the Shaoxing Construction Bureau Shaoshi Construction Letter (2009) No. 93 document approval, the Company increased its registered capital by CNY143.382351 million, after the capital increase, the registered capital was changed to CNY643.382351 million. The capital increase has been verified by Shaoxing Datong Certified Public Accountants Co., Ltd., and issued No. 042 (2009) capital verification report.

In December 2009, according to the Company shareholders' meeting decision, the modified articles of association, the Company applied for increasing the registered capital by CNY156.617649 million, after the capital increase, the registered capital was changed to CNY800 million, the paid-in capital is CNY779.911232 million. The capital increase has been verified by Shaoxing Datong Certified Public Accountants Co., Ltd., and issued No. 124 (2009) capital verification report.

In July 2011, the capital increased of CNY12.06 million was in place, the registered

capital was changed into CNY800 million, and the paid-in capital of was changed into CNY791.971232 million. The capital increase has been verified by Shaoxing Datong Certified Public Accountants Co., Ltd., and issued No. 70 (2011) capital verification report.

In August 2011, the capital increase of CNY8.028768 million was in place, the registered capital was changed into CNY800 million, and the paid-in capital was CNY800 million. The capital increase has been verified by Shaoxing Datong Certified Public Accountants Co., Ltd., and issued No. 78 (2011) capital verification report.

In February 2014, according to the Company shareholders' meeting decision, the modified articles of association, and the Shaoxing Municipal People's Government State-Owned Assets Supervision And Administration Commission (Shaoshi Guozi (2014) No. 18) file approval, the Company applied for increasing the registered capital by CNY2.5 billion, after change, the registered capital was CNY3.3 billion, the paid-in capital was CNY3.3 billion. The capital increase has been verified by Shaoxing Datong Certified Public Accountants Co., Ltd., and issued No. 012 (2014) capital verification report.

Enterprise type: limited liability company (solely state-owned)

Legal representative: Zhixiang Zhu

Scope of business: industrial investment; Urban infrastructure construction; Land comprehensive development; Road construction; Responsible for the construction of urban landscape and facade renovation; Bear the housing construction; Real estate development; Own rental housing; Design, production, distribution, all kinds of domestic advertising agency (the business scope contains no prohibited, restricted operation activities according to national laws and regulations).

The parent company of the Company is Shaoxing Municipal People's Government State-Owned Assets Supervision and Administration Commission.

The ultimate controlling owners is Shaoxing Municipal People's Government State-Owned Assets Supervision and Administration Commission.

The financial report is permitted to be issued on 24 April 2020 by the Company.

1.2 Scope of Consolidation

(a) Incorporated subsidiaries of the Company

As at 31 December 2019, subsidiaries of the Company are as follows:

Sequence Number	Name of Subsidiaries	Abbreviation of Subsidiaries	Proportion of Ownership Interest(%)	
			Direct	Indirect
1	Shaoxing Second Ring Turn Move Investment Co., Ltd.	Second Ring Co.	100.00	
2	Shaoxing City Construction Co., Ltd.	City Construction Co.	100.00	
3	Shaoxing Affordable Housing Construction Co., Ltd.	Affordable Housing Co.	90.00	10.00
4	Shaoxing City Real Estate Development Co., Ltd.	City Real Estate Co.	100.00	
5	Shaoxing Infrastructure Construction Investment Co., Ltd.	Infrastructure Co.	96.00	3.60
6	Shaoxing Public Buildings Facilities Management Co., Ltd.	Public Buildings Co.	100.00	
7	Shaoxing Huafeng Property Co., Ltd.	Huafeng Property Co.	67.00	33.00
8	Shaoxing City Plaza Management Co., Ltd.	Plaza Management Co.	90.00	
9	Shaoxing Plaza Ad & Decoration Co., Ltd.	Plaza Ad & Decoration Co.	75.00	22.50
10	Shaoxing City Investment Advertising Co., Ltd.	Advertising Co.	100.00	
11	Shaoxing City Investment Asset Operation Management Co., Ltd.	Asset Operation Co.	100.00	
12	Shaoxing Smart City Group Co., Ltd.	Smart City Co.	96.00	
13	Shaoxing City Investment (HK) Limited	HK Limited	100.00	
14	Shaoxing Chengtong Real Estate Development Co., Ltd.	Chengtong Real Estate Co.	100.00	
15	Shaoxing Science and Technology Industry Investment Co., Ltd.	Technology Investment Co.	100.00	
16	Shaoxing Guangfeng Real Estate Development Co., Ltd.	Guangfeng Real Estate Co.	100.00	
17	Shaoxing Rail Transit Group Co., Ltd.	Rail Transit Co.	100.00	
18	Shaoxing Flat Copper (Group) Co., Ltd.	Flat Copper Co.	100.00	
19	Shaoxing Public Utilities Group Co., Ltd.	Public Utilities Co.	51.00	
20	Shaoxing Baocheng Construction Co., Ltd.	Baocheng Construction	49.00	
21	Shaoxing Howson Construction Co., Ltd.	Howson Construction Co.		100.00

Sequence Number	Name of Subsidiaries	Abbreviation of Subsidiaries	Proportion of Ownership Interest(%)	
			Direct	Indirect
22	Shaoxing Yitong Property Service Co., Ltd.	Yitong Property Co.		60.00
23	Shaoxing Jinfeng Property Management Co., Ltd.	Jinfeng Property Co.		100.00
24	Shaoxing Chengtou Municipal Gardening Engineering Co., Ltd.	Municipal Gardening Co.		100.00
25	Shaoxing Shuixiang Park Management Co., Ltd.	Shuixiang Park Co.		54.00
26	Shaoxing Plaza Exhibition Center Co., Ltd.	Plaza Co.		94.50
27	Shaoxing Chengtou Construction Industrialization Manufacturing Co., Ltd.	Chengtou Construction Industrialization		45.00
28	Shaoxing Chengtou Engineering Material Technology Co., Ltd.	Chengtou Engineering Material Co.		57.00
29	Shaoxing Chengtou Renewable Resources Co., Ltd.	Renewable Resources Co.		38.00
30	Shaoxing Metro Property Real Estate Co., Ltd.	Metro Property Co.		100.00
31	Shaoxing Urban Rail Engineering Wastelands Engineering Transportation Co., Ltd.	Urban Rail Engineering Wastelands Engineering Co.		40.00
32	Shaoxing Tongdu Mining Co., Ltd.	Tongdu Mining Co.		73.47
33	Shaoxing Yueyu Copper Strip Co., Ltd.	Yueyu Copper Strip Co.		100.00
34	Shaoxing Tongdu Copper Material Co., Ltd.	Tongdu Copper Material Co.		100.00
35	Zhejiang Zhongxia New Building Materials Co., Ltd.	Zhongxia Building Materials Co.		49.00
36	Shaoxing Gas Industry Co., Ltd.	Gas Industry Co.		100.00
37	Shaoxing Natural Gas Investment Co., Ltd.	Gas Co.		60.00
38	Shaoxing Green Energy Environment Construction Co., Ltd.	Green Energy Environment Construction Co.		100.00
39	Shaoxing Xinyuan City Gas Pipe Network Development Co., Ltd.	Xinyuan Gas Co.		100.00

Sequence Number	Name of Subsidiaries	Abbreviation of Subsidiaries	Proportion of Ownership Interest(%)	
			Direct	Indirect
40	Shaoxing Zhongneng Oil and Gas Development Co., Ltd.	Zhongneng Oil and Gas Co.		50.00
41	Shaoxing Fucheng Gas Co., Ltd.	Fucheng Gas Co.		100.00
42	Shaoxing Keqiao China Light Weaving Mall Pipeline Gas Co., Ltd.	Light Weaving Mall Co.		70.00
43	Shaoxing Water Institute for Environmental Science Co., Ltd.	Water Environmental Co.		100.00
44	Shaoxing Tashan Culture Square Co., Ltd.	Tashan Culture Co.		100.00
45	Shaoxing International Logistics Center Co., Ltd.	International Logistics Co.		100.00
46	Shaoxing Water Industry Co., Ltd.	Water Industry Co.		100.00
47	Shaoxing Water Manufacturing Co., Ltd.	Water Manufacturing Co.		54.26
48	Shaoxing Shuilian Environment Service Co., Ltd.	Shuilian Environment Co.		100.00
49	Shaoxing Drainage Management Co., Ltd.	Drainage Management Co.		100.00
50	Shaoxing Tangpu Reservoir Co., Ltd.	Tangpu Reservoir Co.		41.00
51	Shaoxing Riverway Comprehensive Regulation Investment Development Co., Ltd.	Riverway Development Co.		100.00
52	Shaoxing Binhai Newcity Water Co., Ltd.	Binhai Newcity Water Co.		60.00
53	Shaoxing Shuilian Supply and Drainage Water Service Co., Ltd.	Supply Water Service Co.		75.00
54	Zhejiang Shuilian Environmental Technology Group Co., Ltd.	Shuilian Environmental Technology Co.		51.00
55	Zhejiang Lianshui Water Treatment Equipment Co., Ltd.	Lianshui Equipment Co.		51.00
56	Shaoxing Shuilian Pipe Industry Co., Ltd.	Shuilian Pipe Industry Co.		51.00
57	Shaoxing Information Pipe Network Co., Ltd.	Shaoxing Information Pipe Network Co.		47.06
58	Zhuji Information Pipe Network Co., Ltd.	Zhuji Information Pipe Network Co.		52.00

Sequence Number	Name of Subsidiaries	Abbreviation of Subsidiaries	Proportion of Ownership Interest(%)	
			Direct	Indirect
59	Shaoxing Public Engineering Construction Co., Ltd.	Public Engineering Co.		100.00
60	Shaoxing Shuilian Water Supply and Drainage Design Consulting Co., Ltd.	Shuilian Consulting Co.		100.00
61	Shaoxing Qingyuan Investment Co., Ltd.	Qingyuan Investment Co.		60.00
62	Shaoxing Qingneng Environmental Protection Co., Ltd.	Qingneng Environmental Protection Co.		60.00
63	Shaoxing Environment Industry Co., Ltd.	Environment Industry Co.		51.00
64	Shaoxing Renewable Energy Development Co., Ltd.	Renewable Energy Co.		51.00
65	Shaoxing Environmental Sanitation Qingyun Co., Ltd.	Environmental Sanitation Qingyun Co.		51.00
66	Shaoxing Ecological Environment Construction Co., Ltd.	Ecological Environment Co.		51.00
67	Shaoxing Public New Energy Industry Co., Ltd.	Public New Energy Industry Co.		100.00
68	Shaoxing Baocheng Construction Industrialization Manufacturing Co., Ltd.	Baocheng Industrialization Co.		100.00
69	Shaoxing Urban Construction Municipal Construction Co., Ltd.	Urban Construction Municipal Co.		100.00

For details of the subsidiaries mentioned above, please refer to *Note 7 INTEREST IN OTHER ENTITIES*

(b) Change of the scope of consolidation

The newly incorporated subsidiaries during the reporting period are as follows:

Sequence Number	Name of Subsidiaries	Abbreviation of Subsidiaries	Reporting period	Reason of incorporation
1	Shaoxing Chengtou Renewable Resources Co., Ltd.	Renewable Resources Co.	2019	Newly established in 2019
2	Shaoxing Urban Rail Engineering Wastelands Engineering Transportation Co., Ltd.	Urban Rail Engineering Wastelands Engineering Co.	2019	Shaoxing Urban Construction Group Co., Ltd. and Metro Property Co. hold 60% and 40% shares of Urban Rail Engineering Wastelands Engineering Co.

Sequence Number	Name of Subsidiaries	Abbreviation of Subsidiaries	Reporting period	Reason of incorporation
				respectively. 2019 Shaoxing Urban Construction Group Co., Ltd., Metro Property Co. signed the agreement of concerted action person, promise to adopt the consensus opinion in external voting, and the opinion of Metro Property Co. shall prevail.
3	Zhejiang Shuilian Environmental Technology Group Co., Ltd.	Shuilian Environmental Technology Co.	2019	Newly established in 2019
4	Shaoxing Public New Energy Industry Co., Ltd.	Public New Energy Industry Co.	2019	Newly established in 2019

The subsidiaries reduced during the reporting period are as follows:

Sequence Number	Name of Subsidiaries	Abbreviation of Subsidiaries	Reporting period	Reason of Reduction
1	Zheyue Asset Management Co., Ltd.	Zheyue Asset Management Co.	2019	Gratuitous transfer
2	Shaoxing Ty to Type Hotel Co., Ltd.	Ty to Type Hotel Co.	2019	Cancelled in November 2019
3	Shaoxing City Environmental Protection Technology Co., Ltd.	City Environmental Protection Co.	2019	Cancelled in August 2019
4	Shaoxing Gas Co., Ltd.	Gas Co.	2019	Gas Industry Co. absorbed and merged Gas Co., On 24 December 2019, Gas Co. cancelled.
5	Shaoxing Water Treatment Development Co., Ltd.	Water Treatment Co.	2019	On 29 March 2019, Public Utilities Co. announced to terminate the agreement with Shaoxing Keqiao Water Group Co., Ltd. to escrow the 11% equity of Water Treatment Co. and no longer incorporated Water Treatment Co.
6	Shaoxing Lantian Environmental Protection Development Co., Ltd.	Lantian Environmental Protection Co.	2019	Since Water Treatment Co., Ltd. holds 20% of Lantian Environmental Protection Co., after the above changes,

Sequence Number	Name of Subsidiaries	Abbreviation of Subsidiaries	Reporting period	Reason of Reduction
				the Company's direct and indirect shares in Lantian Environmental Protection Co., were reduced to 40%, and no longer incorporated Lantian Environmental Protection Co.
7	Shaoxing Qingyu Water Quality Detection Technology Service Co., Ltd.	Qingyu Water Quality Co.	2019	Subsidiary of Water Treatment Co.
8	Shaoxing Construction By-products Renewable Utilization Co., Ltd.	Construction Products Co.	2019	Cancelled in November 2019
9	Shaoxing Qianqiu Culture Communications Co., Ltd.	Qianqiu Culture Co.	2019	Cancelled in August 2019

For the detail of the change of consolidation scope, please refer to *Note 6 CHANGES IN THE SCOPE OF CONSOLIDATION*.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Basis of Preparation

Based on going concern, according to actually occurred transactions and events, the Company prepares its financial statements in accordance with the *Accounting Standards for Business Enterprises – Basic Standards* and concrete accounting standards, *Accounting Standards for Business Enterprises – Application Guidelines*, *Accounting Standards for Business Enterprises – Interpretations* and other relevant provisions (collectively known as "*Accounting Standards for Business Enterprises*", issued by Ministry of Finance of PRC").

2.2 Going Concern

The Company has evaluated its capacity to continually operate in the next twelve months from the end of the reporting period, and no any matters that may result in doubt on its ability as a going concern were noted. Therefore, it is reasonable for the Company to prepare financial statements on the going concern basis.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The following important accounting policies and accounting estimates of the Company are formulated in accordance with the *Accounting Standards for Business Enterprises*. Business not mentioned are executed according to the relevant

accounting policies in the Accounting Standards for Business Enterprises.

3.1 Statement of Compliance with the Accounting Standards for Business Enterprises

The financial statements prepared by the Company meet the requirements of the Accounting Standards for Business Enterprises and truly and completely reflect the Company's financial position as at 31 December 2019, and its operating results, cash flows and other related information for the year then ended.

3.2 Accounting Period

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

3.3 Operating Cycle

The normal operating cycle of the Company is twelve months.

3.4 Functional Currency

The Company takes Chinese Yuan ("CNY") as the functional currency.

3.5 Accounting Treatment of Business Combinations under and not under Common Control

(a) Business combinations under common control

The assets and liabilities that the Company obtains in a business combination under common control shall be measured at their carrying amount of the acquired entity in the ultimate controller's consolidated financial statements at the combination date. If the accounting policy adopted by the acquired entity is different from that adopted by the acquiring entity, the acquiring entity shall, according to accounting policy it adopts, adjust the relevant items in the financial statements of the acquired party based on the principal of materiality. As for the difference between the carrying amount of the net assets obtained by the acquiring entity and the carrying amount of the consideration paid by it, the capital reserve shall be adjusted. If the capital reserve is not sufficient to be offset, the surplus reserve and retained earnings shall be adjusted in turn.

(b) Business combinations not under common control

The assets and liabilities that the Company obtains in a business combination not under common control shall be measured at their fair value at the acquisition date. If the accounting policy adopted by the acquired entity is different from that adopted by the acquiring entity, the acquiring entity shall, according to accounting policy it adopts, adjust the relevant items in the financial statements of the acquired entity based on the principal of materiality. The acquiring entity shall recognize the positive

balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquired entity as goodwill. The acquiring entity shall, pursuant to the following provisions, treat the negative balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquired entity:

- (i) It shall reexamine the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities it obtains from the acquired entity as well as the combination costs;
- (ii) If, after the reexamination, the combination costs are still less than the fair value of the identifiable net assets it obtains from the acquired entity, the balance shall be recognized in profit or loss of the reporting period.

3.6 Method of Preparing the Consolidated Financial Statements

(a) Scope of consolidation

The scope of consolidated financial statements shall be determined on the basis of control. It not only includes subsidiaries determined based on voting power (or similar) or other arrangement, but also structured entities under one or several contract arrangements.

Control exists when the Company has all the following: power over the investee; exposure, or rights to variable returns from the Company's involvement with the investee; and the ability to use the Company's power over the investee to affect the amount of the investor's returns. Subsidiaries are the entities that the Company has the power to govern (including enterprise, a divisible part of the investee, and structured entity controlled by the enterprise). A structured entity (sometimes called a Special Purpose Entity) is an entity designed not determining its controlling party based on the voting power (or similar).

(b) Method of preparing the consolidated financial statements

The consolidated financial statements shall be prepared by the Company based on the financial statements of the Company and its subsidiaries, and using other related information.

When preparing consolidated financial statements, the Company shall consider the entire group as an accounting entity, adopt uniform accounting policies and apply the requirements of Accounting Standard for Business Enterprises related to recognition, measurement and presentation. The consolidated financial statements shall reflect the overall financial position, operating results and cash flows of the group.

- (i) Combine items of assets, liabilities, owner's equity, income, expenses and cash flows of the Company with those of the Company's subsidiaries.

- (ii) Offset the carrying amount of the Company's long-term equity investment in the subsidiaries and the Company's share of owner's equity of the subsidiaries.
- (iii) Eliminate the impact of intragroup transactions between the Company and the subsidiaries or between subsidiaries, and when intragroup transactions indicate an impairment of related assets, the losses shall be recognized in full.
- (iv) Make adjustments to special transactions from the perspective of the group.

(c) Method of preparation of the consolidated financial statements when subsidiaries are acquired or disposed in the reporting period

- (i) Addition of subsidiaries or business

Addition of subsidiaries or business through business combination under common control

When preparing consolidated statements of financial position, the opening balance of the consolidated balance sheet shall be adjusted. Related items of comparative financial statements shall be adjusted as well, deeming that the combined entity has always existed ever since the ultimate controlling party began to control.

Incomes, expenses and profits of the subsidiary incurred from the beginning of the reporting period to the end of the reporting period shall be included into the consolidated statement of profit or loss and other comprehensive income. Related items of comparative financial statements shall be adjusted as well, deeming that the combined entity has always existed ever since the ultimate controlling party began to control.

Cash flows from the beginning of the reporting period to the end of the reporting period shall be included into the consolidated statement of cash flows. Related items of comparative financial statements shall be adjusted as well, deeming that the combined entity has always existed ever since the ultimate controlling party began to control.

Addition of subsidiaries or business through business combination not under common control

When preparing the consolidated statements of financial position, the opening balance of the consolidated statements of financial position shall not be adjusted.

Incomes, expenses and profits of the subsidiary incurred from the acquisition date to the end of the reporting period shall be included into the consolidated statement of profit or loss and other comprehensive income.

Cash flows from the acquisition date to the end of the reporting period shall be included into the consolidated statement of cash flows.

(ii) Disposal of subsidiaries or business

When preparing the consolidated statements of financial position, the opening balance of the consolidated statements of financial position shall not be adjusted.

Incomes, expenses and profits incurred from the beginning of the subsidiary to the disposal date shall be included into the consolidated statement of profit or loss and other comprehensive income.

Cash flows from the beginning of the subsidiary to the disposal date shall be included into the consolidated statement of cash flows.

(d) Special consideration in consolidation elimination

- (i) Long-term equity investment held by the subsidiaries to the Company shall be recognized as treasury stock of the Company, which is offset with the owner's equity, represented as "treasury stock" under owner's equity in the statement of financial position.

Investment held by subsidiaries between each other is accounted for taking long-term equity investment held by the Company to its subsidiaries as reference. That is, the long-term equity investment is eliminated with the share of the corresponding subsidiary's equity.

- (ii) Due to not belonging to paid-in capital and capital reserve, and being different from retained earnings and undistributed profit, "Specific reserve" and "General risk provision" shall be recovered at the share of the parent after long-term equity investment to the subsidiaries is eliminated with the subsidiaries' equity.
- (iii) If temporary difference between the book value of the assets and liabilities in the consolidated statement of financial position and their tax basis is generated as a result of unrealized intra-group transaction profit or loss elimination, deferred tax assets or deferred tax liabilities shall be recognized, and adjusting income expense simultaneously, excluding deferred taxes related to transactions or events recognized in owner's equity or business combination.
- (iv) Unrealized intra-group transactions profit or loss generated from the Company selling assets to its subsidiaries shall be eliminated with "net profit attributed to the owners of the parent company" in full. Unrealized intra-group transactions profit or loss generated from the subsidiaries selling assets to the Company shall be eliminated with "net profit attributed to the owners of the parent company" and "non-controlling interests" pursuant to the proportion that the related subsidiaries distribute to the Company. Unrealized intra-group transactions profit or loss generated from the assets sales between the subsidiaries shall be eliminated with

"net profit attributed to the owners of the parent company" and "non-controlling interests" pursuant to the proportion that the selling subsidiaries distribute to the Company.

- (v) If loss attributed to the minority shareholders of a subsidiary in current period is more than the minority shareholders' share of this subsidiary's owner's equity at the beginning of the period, non-controlling interest is still be written down.

(e) Accounting for Special Transactions

(i) Purchasing of non-controlling interests

Where, the Company purchases non-controlling interests of its subsidiary, in the individual financial statements of the Company, the cost of the long-term equity investment obtained in purchasing non-controlling interests is measured at the fair value of the consideration transferred. In the consolidated financial statements, difference between the cost of the long-term equity investment newly obtained in purchasing non-controlling interests and share of the subsidiary's net assets from the purchasing date or combination date continuingly calculated pursuant to the newly acquired shareholding proportion shall be adjusted in capital reserve (capital premium or share premium). If capital reserve is not enough to be offset, surplus reserve and undistributed profit shall be offset in turn.

(ii) Gaining control over the subsidiary in steps through multiple transactions

Business combination under common control in steps through multiple transactions

The Company treats the transactions as one single transaction of gaining control over the subsidiary if the transactions should be classified as "a package deal". In individual financial statements, equity investment is always recognized as long-term equity investment in each transaction prior of the combination date, and the initial cost of the investment is determined according to the share of book value of the acquiree's net assets in the ultimate controlling entity's consolidated financial statements calculated at the corresponding shareholding ratio. The difference between the initial cost of the long-term equity investment and the consideration paid is adjusted in capital reserve (capital premium or share premium). If the capital reserve is not enough to be offset, surplus reserve and undistributed profit shall be offset in turn. Long-term equity investment is subsequently measured at cost, whereas no consolidated financial statements are prepared. At the combination date, initial cost of the long-term equity investment is determined according to the share of book value of the acquiree's net assets in the ultimate controlling entity's consolidated financial statements calculated at the accumulated shareholding ratio. The difference between the initial cost of the long-term equity investment and the carrying amount of the

long-term equity investment prior of control is gained plus book value of additional consideration transferred at consolidation date is adjusted in capital reserve (capital premium or share premium). If the capital reserve is not enough to be offset, surplus reserve and undistributed profit shall be offset in turn. Simultaneously, consolidated financial statements should be prepared at consolidation date, and the Company shall adjust the consolidated financial statements, as if the entities involved in the combination have existed in the current status since the ultimate controlling entity began to control.

If one or more of the following situations exist in trade terms, conditions and economic effect, the multiple transactions are usually accounted for as a package deal:

- These transactions are made at the same time or under the condition of considering the influence of each other.
- These transactions as a whole can achieve a complete business result.
- The occurrence of one transaction depends on occurrence of at least other transaction.
- One transaction is not economic when considered separately, but economic when considered together with other transactions.

If the transactions cannot be classified as "a package deal", a financial asset (financial asset at fair value through profit or loss or available for sale financial assets) or a long-term equity investment on equity method is recognized for each transaction prior of combination date at the fair value of the consideration transferred. At the consolidation date, in individual financial statements of the Company, the initial cost of the investment is determined according to the share of book value of the acquiree's net assets in the ultimate controlling entity's consolidated financial statements calculated at the corresponding share of equity interest. The difference between the initial cost of the long-term equity investment and the carrying amount of the long-term equity investment prior of control is gained plus book value of additional consideration paid at consolidation date is adjusted in capital reserve (capital premium or share premium). If the capital reserve is not enough to be offset, surplus reserve and undistributed profit shall be offset in turn.

The Company shall adjust its consolidated financial statements, as if the entities involved in the combination have existed in the current status since the ultimate controlling entity began to control. When preparing the consolidated financial statements, with the time limit of not earlier than when the acquiring entity and acquired entity were under the control of the ultimate controlling entity, the assets and liabilities of the combined entities are consolidated in the comparative financial

statements of the combining entity's consolidated financial statements, and the net assets added in the combination are adjusted in the related items of the owner's equity of the comparative financial statements. If the retained earnings of the combined entity attributable to the combining entity prior of the combination date cannot be recovered completely due to that the capital reserve(capital premium or share premium) is not enough, the Company disclose this situation in the note to the financial statements, including the amount of retained earnings of the combined entity prior of the consolidation date, the amount attributable to the Company, and the amount of retained earnings not recovered in the consolidated statement of financial position.

If the acquiring entity holds equity investment in the acquired entity prior of the combination date and the equity investment is accounted for on equity method, related profit or loss, other comprehensive income and other equity movement which have been recognized during the period from the later of the date of the Company obtaining original equity interest and both the acquirer and the acquiree being common controlled by the same ultimate controlling entity to combination date should be offset with the retained earnings at the beginning of the period of the comparative financial statements.

Business combination not under common control in stages through multiple transactions

The Company treats the transactions as one single transaction of gaining control over the subsidiary if the transactions should be classified as "a package deal". In individual financial statements, equity investment is always recognized as long-term equity investment in each transaction prior of the combination date, and the initial cost of the investment is determined according to the fair value of the consideration paid. Long-term equity investment is subsequently measured at cost, whereas no consolidated financial statements are prepared. At the combination date, in individual financial statements, initial cost of the long-term equity investment is determined according to the carrying amount of the original long-term equity investment plus newly added cost of the investment (fair value of the consideration paid in order to obtain additional share). In the consolidated financial statements, preliminary investment cost is eliminated with the share of the fair value of the subsidiary's identifiable net assets. The difference is recognized as goodwill or profit or loss of the reporting period.

If the transactions cannot be classified as "a package deal", a financial asset (financial asset at fair value through profit or loss or available for sale financial assets) or a

long-term equity investment on equity method is recognized for each transaction prior of combination date at the fair value of the consideration paid. At the consolidation date, in the separate financial statements of the Company, the initial cost of the equity investment which is accounted for on cost method is measured at the carrying amount of the original long-term equity investment (financial assets or long-term equity investment on equity method) plus newly added cost of the investment. In the consolidated financial statements, the share of the acquired entity's equity held prior of the acquisition date shall be re-measured at its fair value at the acquisition date. Difference between the fair value of the equity share and its book value is recognized as investment income. If other comprehensive income was recognized concerning the equity interest held prior of the acquisition date, the other comprehensive income should be transferred to investment income of reporting period which the acquisition belongs to, excluding other comprehensive income recognized due to the movement of net assets or net liabilities under the circumstances of beneficiary plan being re-defined. The Company shall disclose in the note the fair value at the acquisition date of the equity interest held by it prior of the acquisition date, and the amount of related gains or losses due to re-measurement at fair value.

(iii) Disposing investment in subsidiaries without losing control

For partial disposal of the long-term equity investment in the subsidiaries without control, when the Company prepares consolidated financial statements, difference between consideration received for the disposal and the corresponding subsidiary's net assets continuingly calculated from the acquisition date or combination date shall be adjusted in capital reserve (capital premium or share premium). If the balance of capital reserve is not enough, retained earnings shall be adjusted.

(iv) Disposing investment in subsidiaries with controlling right lost

Disposal through one transaction

For partial disposal of the long-term equity investment in the subsidiaries with controlling right lost, when the Company prepares consolidated financial statements, the remaining equity interest shall be re-measured at its fair value at the date when the controlling right is lost. Consideration received for disposal of the equity interest, plus the fair value of the remaining equity interest, minus share of the former subsidiary's net assets continuingly calculated from the acquisition date or combination date, shall be recognized in investment income of the period when the controlling right is lost, and the goodwill is written off as well (if the original business combination was not under common control and goodwill exists). Other comprehensive income related to the original investment is recognized as investment income of the reporting period.

Moreover, other comprehensive income and other equity movement related to the equity investment in the original subsidiary shall be transferred to investment income of the consolidation date, excluding other comprehensive income recognized due to the movement of net assets or net liabilities under the circumstances of beneficiary plan being re-defined.

Disposal in steps

In business combination, first of all, disposal in stages should be assessed whether they should be classified as "a package deal".

If the disposal in steps should not be classified as "a package deal", transactions prior of the date when controlling right is lost should be accounted for according to related policy in "Disposing investment in subsidiaries without control".

If the disposal in steps should be classified as "a package deal", these transactions should be considered as a single transaction and accounted for according to related policy in "Disposing investment in subsidiaries with controlling right lost". Among them, for transactions prior of the date when controlling right is lost, difference between consideration received and share of corresponding subsidiary's net assets is recognized as other comprehensive income in the consolidated financial statements, which as a whole, is recognized as profit or loss when the controlling right is lost.

(v) Diluting equity share of parent company in its subsidiaries due to additional capital injection by the subsidiaries' minority shareholders.

Other shareholders (minority shareholders) of the subsidiaries inject additional capital in the subsidiaries, which resulted in the dilution of equity interest of parent company in these subsidiaries. In the consolidated financial statements, difference between share of the corresponding subsidiaries' net assets calculated based on the parent's equity interest before and after the capital injection shall be adjusted in capital reserve (capital premium and share premium). If the balance of capital reserve is not enough, retained earnings should be adjusted.

3.7 Classification of Joint Arrangements and Accounting for Joint Operation

A joint arrangement is an arrangement of which two or more parties have joint control. A joint arrangement of the Company is classified as either a joint operation or a joint venture.

(a) Joint operation

A joint operation is a joint arrangement whereby the parties have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Company shall recognize the following items in relation to its interest in a joint operation, and account for them in accordance with relevant accounting standards:

- (i) Its assets, including its share of any jointly held assets;
- (ii) Its liabilities, including its share of any jointly incurred liabilities;
- (iii) Its revenue from the sale of its share of the output arising from the joint operation;
- (iv) Its share of the revenue from the sale of the output by the joint operation; and
- (v) Its expenses, including its share of any expenses incurred jointly.

(b) Joint venture

A joint venture is a joint arrangement whereby the parties have joint control of the arrangement have rights to the net assets of the arrangement.

The Company accounts for its investment in the joint venture by using the equity method.

3.8 Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits with banks and other financial institutions. Cash equivalents include short-term (generally within three months of maturity at acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

3.9 Foreign Currency Transactions and Foreign Currency Financial Statements Translation

(a) Selection of foreign exchange rate when foreign currency transactions occur

Foreign currency transactions are converted into reporting currency at spot exchange rates prevailing on the day when the transactions occur or other approximate exchange rate.

(b) Translation of foreign currency monetary items on the balance sheet date

On the balance sheet date, foreign currency monetary items shall be converted at the spot rates prevailing on the balance sheet date. Foreign exchange difference resulted from the difference of the spot rates prevailing on the balance sheet date and the spot rates prevailing on the day when the transactions occur or the sport rate prevailing on the last balance sheet date is recognized as profit or loss of the reporting period.

(c) Foreign currency financial statements translation

Before translating the financial statements of foreign entities, the accounting period and accounting policy shall be adjusted so as to conform to that of the Company. The

adjusted foreign entities' financial statements shall be converted in accordance with the following method:

- (i) The asset and liability items in the statement of financial position shall be converted at the spot exchange rates prevailing on the balance sheet date. The owners' equity items except retained earnings shall be converted at the spot exchange rates on the occurrence date.
- (ii) The income and expense items in the statement of profit and other comprehensive income shall be converted at the spot exchange rates on the occurrence date or other approximate exchange rate.
- (iii) The differences arising from the conversion of financial statements denominated in foreign currency in compliance with the aforesaid principle shall be presented separately as "other comprehensive income" under the owners' equity of the consolidated statement of financial position.
- (iv) Foreign currency cash flows and foreign entity's statement of cash flows shall be converted at the spot exchange rate on the occurrence date or other approximate exchange rate. Effect on cash due to exchange rate fluctuation shall be presented separately in the statement of cash flows as an adjustment item.

3.10 Financial Instruments

(a) Classification of financial assets

- (i) Financial assets at fair value through profit or loss

This category comprises financial assets defined as held for trading, or those designated as at fair value through profit or loss. The former mainly includes shares, bonds, funds, and derivative financial instruments investment that are not designated effective hedging instruments that are acquired principally for the purpose of sale in the near future. Such financial assets are initially recognized at fair values when acquired. Relevant transaction expenses are included in the current profit or loss. Cash dividends that have been declared but not distributed and bond interests that have matured but not been drawn included in the consideration paid are recognized as receivables separately. The interests or cash dividends to be received during the holding period are recognized as investment income. On the balance sheet date, this category of financial assets is measured at fair value, and change in fair values is included in the current profit or loss. Difference between the fair value and initial measurement amount is recognized as investment income upon disposal; meanwhile, gains or losses from changes in fair values are written-off.

- (ii) Held-to-maturity investments

This category of financial assets comprises non-derivative financial assets with fixed or determinable payments and fixed maturity, other than loans and receivables, for which there is a positive intention and ability to hold to maturity. Held-to-maturity investments are initially measured at fair values plus the related transaction costs when acquired. Bond interests that have matured but not been drawn included in the consideration paid is recognized as a receivable separately. The interest income calculated at amortization cost and effective interest rate during the holding period is recognized as investment income. The difference between the amount received and the book value of the investment is included in the investment profit or loss upon disposal.

(iii) Receivables

Receivables include accounts receivable, other receivables, notes receivable and prepayments, etc. Receivables arise from external sales of goods or rendering of service by the Company. They are recognized initially at the contract price or agreement price receivable from the purchasing party.

(iv) Available-for-sale financial assets

This category of financial assets comprises those financial assets that cannot be classified as financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables. Available-for-sale financial assets are initially recognized at fair values plus the related transaction costs when acquired. Cash dividends that have been declared but not distributed and bond interests that have matured but not been drawn included in the consideration paid are recognized as receivables separately. The interests or cash dividends to be received during the holding period are recognized as investment income.

If the available-for-sale financial assets are foreign currency monetary financial assets, the exchange gains and losses arising therefrom shall be included in the profits and losses of the current period. Interest on available-for-sale debt instrument investments calculated using the actual interest rate method is included in profit or loss for the current period. The cash dividends of available-for-sale equity instrument investments are included in the current profit or loss when the investee declares the distribution of dividends. It is measured at fair value at the end of the period and change in fair value is included in other comprehensive income at the end of the period. The difference between the amount received and the book value of the financial asset is included in the investment profit or loss upon disposal. Meanwhile, the corresponding accumulated change in fair value recognized in other comprehensive income is transferred into investment income.

(b) Classification of financial liabilities**(i) Financial liabilities at fair value through profit or loss**

This category of financial liabilities comprises financial liabilities that are defined as held for trading, or those that are designated as at fair value through profit or loss. This category of financial liabilities is initially measured at fair value. Relevant transaction costs are included in the current profit or loss. On the balance sheet date, change in fair values is included in the current profit or loss.

(ii) Other financial liabilities

Other financial liabilities are those financial liabilities excluding financial liabilities at fair value through profit or loss.

(c) Reclassification of financial assets

An investment will be reclassified as available-for-sale if, as a result of a change in intention or ability, it fails to meet the requirements for classification as held-to-maturity. After the reclassification, it will be subsequently measured at fair value. If the held-to maturity investment is partially disposed, or a large part of it has been reclassified, and not included in the exceptions illustrated in provision 16 of "Enterprise and business accounting standards No. 22-Recognition and measurement of financial instruments", as a result of which, the remaining of the investment fails to meet the requirements for classification as held-to-maturity, any remaining held-to-maturity investments should also be reclassified as available-for-sale, and subsequently measured at fair value. However, it is prohibited that the above available-for-sale is reclassified back to held-to-maturity within current fiscal year and the following two fiscal years.

On the date of reclassification, difference between carrying value of the investment and its fair value is recorded in other comprehensive income, which shall be transferred out and recognized as profit or loss upon incurrence of impairment or de-recognition of the investment.

(d) Classification of financial liabilities and equity instruments

Except for special situation, financial liabilities and equity instrument should be classified in accordance with the following principles:

- (i) If the Company has no unconditional right to avoid delivering cash or another financial instrument to fulfill a contractual obligation, this contractual obligation meets the definition of financial liabilities. Some financial instruments do not comprise terms and conditions related to obligations of delivering cash or another financial instrument explicitly, they may include contractual obligation indirectly

through other terms and conditions.

- (ii) If a financial instrument must or may be settled in the entity's own equity instruments, it should be considered that the entity's own equity instruments are alternatives of cash or another financial instrument, or to entitle the holder of the equity instruments to sharing the remaining rights over the net assets of the issuer. If the former is the case, the instrument is a liability of the issuer, otherwise, it is an equity instrument of the issuer. Under some circumstances, it is regulated in the contract that the financial instrument must or may be settled in the entity's own equity instruments, where, amount of contractual rights and obligations are calculated by multiplying the number of the equity instruments to be available or delivered by its fair value upon settlement. Such contracts shall be classified as financial liabilities, regardless that the amount of contractual rights and liabilities is fixed, or fluctuate totally or partially with variables other than market price (such as interest rate, the price of a commodity, or the price of a financial instrument) of the entity's own equity instruments.

(e) Transfer of financial assets

Transfer of financial assets include below situations:

- The contractual rights to receive cash flows from the financial asset are transferred to another entity; or
- The financial assets are totally or partially transferred to another entity, while the rights to receive cash flows from the asset or obligations to pay the received cash flows to one or several payees are retained.

(i) Derecognition of transferred financial assets

The financial assets should be derecognized if the Company has transferred substantially all the risks and rewards of the asset, or the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When judging whether control of the asset has been transferred or not, the Company shall lay emphasis on the transferee's substantial capability to sell the financial asset. If the transferee itself can sell the financial asset as a whole to a third party that has no any relationship with it, without any restrictions on this sale through supplemental terms, it is shown that the control of the asset has been given up.

The principle of substance over form is adopted to determine whether the transfer of a financial asset satisfies the criteria described above for derecognition of a financial asset.

If the entire transfer of financial asset satisfies the criteria for derecognition, the difference between the amounts of the following two items shall be included in the current profit or loss:

- The book value of the transferred financial asset;
- The sum of the consideration received from the transfer and the accumulated amount of the changes in fair value originally and directly included in owners' equity (where the financial asset transferred is an available-for-sale financial asset).

If the partial transfer of financial asset satisfies the criteria for derecognition, the entire book value of the transferred financial asset shall be split into the derecognized and recognized part according to their respective fair value and the difference between the amounts of the following two items shall be included in the current profit or loss:

- The book value of derecognized part;
- The sum of the consideration for the derecognized part and the portion of derecognition corresponding to the accumulated amount of the changes in fair value originally and directly included in owners' equity (where the financial asset transferred is an available-for-sale financial asset).

(ii) Continue to involve in the transferred financial assets

Where neither transfer nor retention of substantially all risks and rewards of ownership of a financial asset and control of the financial asset has not been abandoned, the relevant financial asset shall be recognized in accordance with the degree of its continuous involvement in the transferred financial asset, and the relevant liability shall be recognized accordingly.

The degree of continuous involvement in the transferred financial assets refers to the level of risk that the Company faces when the value of the financial assets' changes.

Continue to confirm the transferred financial assets

If the ownership of the transferred financial asset still retains almost all the risks and rewards, the entire transferred financial asset shall continue to be recognized, and the consideration received will be recognized a financial liability.

The financial assets and the related financial liabilities recognized cannot offset each other. In the subsequent accounting period, the Company should continue to confirm the income generated by the financial assets and the expenses incurred by the financial liabilities. Where the transferred financial assets are measured at amortized cost, the related liabilities recognized shall not be designated as financial liabilities at fair value through profit or loss.

(f) Derecognition of financial liability

A financial liability shall be totally or partly derecognized if its present obligations are totally or partly dissolved.

If the assets to be used to settle a financial liability is transferred to another institute or establish a trust, where the present obligations still exist, either the financial liability or the assets transferred shall not be derecognized. Where the Company enters into an agreement with a creditor so as to substitute the existing financial liabilities with any new financial liability, and the new financial liability is substantially different from the contractual stipulations regarding the existing financial liability, it shall derecognize the existing financial liability, and shall at the same time recognize a new financial liability.

Where substantial revisions are made to some or all of the contractual stipulations of the existing financial liability, the Company shall derecognize the existing financial liability totally or partly, and at the same time recognize the financial liability with revised contractual stipulations as a new financial liability.

Upon total or partial derecognition of financial liabilities, the difference between the book value of the financial liabilities derecognized and the consideration paid (including non-cash assets surrendered or new financial liabilities assumed) shall be included in the current profit or loss.

(g) Offsetting financial assets and liabilities

Financial assets and liabilities shall be presented separately in the statement of financial position and shall not be offset. However, they shall be presented on a net basis after offset if the following criteria are both satisfied.

- (i) The Company has a legal right to offset the recognized amounts, and the right is executable at present; and
- (ii) The Company has an intention to settle on a net basis or liquidate the asset and settle the liability simultaneously.

Asset transfer that does not satisfy the criteria for derecognition of this asset, the transferor shall not offset the asset and the liability.

(h) Impairment testing and impairment provision of financial assets

- (i) Objective evidence for the impairment of the financial assets
 - The issuer or debtor encounters serious financial difficulties;
 - The debtor violates the terms of contract, for example, it cannot repay the interest or the principal of the loan on schedule;

- The creditor makes concessions to the debtor in financial difficulties from the respect of economy or law;
- The creditor is possible to bankrupt or execute other financial restructuring;
- The financial asset is no longer traded in the active market since the issuer encounters significant financial difficulties;
- It is unrecognizable whether cash flows from an asset in one group of financial assets has decreased, however, it is identifiable that the estimated future cash flows of the group of financial assets has decreased and measurable since they are initially recognized through overall assessment on them on the basis of public data;
- The debtor's technological, market, economic or legal environment encounters significant unfavorable change, as a result of which investment cost may not be recovered;
- A serious or prolonged Decline in the fair value of equity instrument; and
- Other objective evidence that indicate impairment of financial assets.

(ii) Impairment provision of the financial assets (excluding receivables)

Impairment provision of held-to-maturity investments

When a held-to maturity investment is impaired, the carrying amount of the held-to maturity investment shall be written down to the present value of its expected future cash flows (excluding future credit loss that have not occurred), the amount written down shall be recognized as impairment loss in current profit or loss.

The present value of the estimated future cash flows is determined by discounting at the original effective rate of the held-to-maturity investment, considering the value of related guaranty (deducting expense incurred for obtaining or selling this guaranty). The original effective rate is the effective rate calculated when the held-to-maturity investment is initially recognized. For held-to-maturity investments with floating interest rates, the current effective interest rate as stipulated in the contract may be used as the discount rate in calculating the present value of future cash flows.

Even if the terms of the contract are renegotiated or modified due to financial difficulties of the debtor or the issuer of financial assets, the impairment loss is still calculated using the original effective interest rate of the financial asset calculated before the revision of the terms.

If, in a subsequent period, the carrying amount of held-to-maturity investment increases and the increase can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment losses are reversed,

included in current profit or loss.

Impairment provision of available-for-sale financial assets

On the balance sheet date, the Company analyzes the impairment of available-for-sale financial assets to determine whether the fair value of the financial assets continues to decline. Normally, if the fall-off of the fair value of available-for-sale financial assets with respect to costs has reached or exceeded 50%, or the continuous decline has reached or exceeded 12 months, after considering various relevant factors in a comprehensive manner, it is expected that the decline trend is non-temporary and it can be determined that the available-for-sale financial assets have been impaired and the impairment loss has been recognized. If the available-for-sale financial assets are impaired, when recognizing impairment loss, the accumulative loss due to decreases in fair value originally recorded in the owner's equity shall be transferred to impairment loss of the assets.

Whether the financial assets available-for-sale debt instruments are impaired can be judged by reference to the above-mentioned available-for-sale equity instruments.

The impairment losses of available-for-sale equity instruments cannot be reversed through profit or loss.

After the financial assets of available-for-sale debt instruments have been impaired, interest income of the instrument is calculated at the discount rate used in discounting the future cash flow when determining impairment provision of the instrument.

For available-for-sale debt instruments for which impairment losses have been recognized, if the fair value has risen during the subsequent accounting period and is objectively related to the items that have occurred after the confirmation of the original impairment losses, the previously recognized impairment losses are reversed and included in the current profit and loss.

(i) Method of determining the fair value of financial assets and financial liabilities

The principal market refers to the market with the largest amount of transactions of related assets or liabilities and the highest degree of trading activity. The most favorable market refers to the market in which the sale of the relevant assets at the highest amount or the transfer of the minimum amount of relevant liabilities after considering transaction costs and transportation costs. The company uses the assumptions that market participants would maximize their economic benefits when pricing the asset or liability.

- Valuation techniques

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available and other information to support. The valuation techniques used mainly include market approach, income approach and cost approach. The company measures fair value using methods consistent with one or more of its valuation techniques. When using various techniques to measure fair value, the Company shall consider the reasonableness of each valuation result and select the most representative the amount of fair value as the fair value.

In the application of valuation techniques, the Company will give priority to the relevant observable inputs and only when the relevant observable inputs cannot be obtained or impracticable to obtain the unobservable inputs can be used. Observable inputs can be acquired from the market data, which reflect the assumptions used by market participants in pricing the underlying assets or liabilities. Unobservable inputs cannot be acquired from the market data, but it is based on the best available information from market participants on the assumptions used in pricing the underlying asset or liability.

- Fair value hierarchy

The Company divides the input value used for fair value measurement into three levels, first using the first level input value, secondly using the second level input value, and finally using the third level input value:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly;

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable;

3.11 Impairment Provision of Receivables

At the year end, the Company assesses the carrying value of receivables, and impairment loss is provided if objective evidence of impairment exists. Receivables include accounts receivable and other receivables, etc.

(a) Receivable with individually significant balance and recognized provision for bad debts individually

(i) Assessment basis or standard of amount individually significant

The amount of accounts receivable over CNY1 million is assessed individually significant and other receivables over CNY1 million is assessed individually

significant.

(ii) Method of provision for bad debts of receivables that are individually significant

After separate impairment test, if there is objective evidence of impairment, the impairment loss of receivables that are individually significant shall be measured at the difference between the individual receivable's carrying amount and the present value of estimated future cash flows, and shall be included in current profit or loss. In contrast, receivables that are not impaired individually, including impairment tests in portfolios of receivables with similar credit risk characteristics. Receivables for which impairment losses have been confirmed in a single test are no longer included in a portfolio of receivables with similar credit risk characteristics for impairment testing. Where there is a small difference between the estimated future cash flows of the short-term accounts receivable and its present value, the estimated future cash flows may not be discounted when determining the related impairment losses.

(b) Receivables with provision for bad debts recognized on the basis of similar credit risk characteristics

Portfolio 1: According to the combination of credit risk characteristics after the combination of the smaller risk, a separate test does not indicate a significant impairment in receivables. No provision for bad debts will be made due to very little possibility of bad debt losses.

Portfolio 2: Remaining receivables excluding Portfolio 1, use the aging analysis method for provision for bad debts.

Proportions of provision for bad debts on the basis of aging analysis in portfolios:

Aging	Proportion of provision for accounts receivable (%)	Proportion of provision for other receivables (%)
Within 1 year (including 1 year)	5.00	5.00
1 to 2 years	10.00	10.00
2 to 3 years	20.00	20.00
3 to 4 years	40.00	40.00
4 to 5 years	40.00	40.00
Over 5 years	80.00	80.00

(c) Receivables that are individually insignificant but with bad debt provided on an individual basis

For receivables that are individually insignificant with objective evidence of

impairment, they shall be separated from relevant portfolios and separately assessed for impairment to recognize the impairment losses. Bad debts are provided at the difference between the present value of estimated future cash flows of the receivable and its carrying value.

3.12 Inventories

(a) Classification of inventories

Inventories refer to the finished products or commodities held by the Company in daily activities for sale, materials and materials consumed in the production process, in the production process or in the process of providing labor services, including raw materials, inventory goods, release products, etc.

(b) Measurement method of cost of inventories sold or used

The cost of inventories used or sold is determined on the weighted average basis.

One-off writing off method is adopted in amortization of low-value consumables.

(c) Inventory system

The perpetual inventory system is adopted. The inventories should be counted at least once a year, and surplus and losses of inventory counting shall be included in current year profit and loss.

(d) Provision for impairment of inventory

Inventories are stated at the lower of cost and net realizable value. The excess of cost over net realizable value of the inventories is recognized as provision for impairment of inventory, and recorded in profit or loss.

Net realizable value of the inventory should be determined on the basis of reliable evidence obtained, and factors such as purpose of holding the inventory and events occur after balance sheet date shall be considered.

- ① In normal operation process, for merchandise inventories for direct sale, including stock commodities and materials for sale, their net realizable values are determined at estimated selling prices less estimated selling expenses and relevant taxes and surcharges; for inventories held to execute sales contract or service contract, their net realizable values are calculated on the basis of contract price. If the quantities of inventories specified in sales contracts are less than the quantities held by the Company, the net realizable value of the excess portion of inventories shall be based on general selling prices.
- ② In the course of normal production and operation, the estimated price of the finished product shall be deducted from the estimated cost of the finished product, the estimated sales cost and the amount of the relevant taxes and fees to determine the net realizable value. If the net realizable value of the finished product is higher than the cost, the material is measured at cost. If the decrease of

the material price indicates that the net realizable value of the finished product is lower than the cost, the material is measured on the net realizable value and is prepared according to its difference.

- ③ At the end of the period, provisions for inventory impairment are determined on an individual basis. For inventories with large quantity and low unit price, the provisions for inventory impairment are determined on a category basis. For inventories related to the product portfolios manufactured and sold in the same area, and of which the final usage or purpose is identical or similar thereto, and which is difficult to separate from each other for measurement purpose, provisions for inventory impairment shall be determined on a portfolio basis.
- ④ If any factor rendering write-downs of the inventories has been eliminated, the amounts written down are recovered and reversed from the inventory impairment, which has been provided for. The reversed amounts are included into the current profit or loss.

(e) Amortization method of low-value consumables

One-off writing off method is adopted in amortization of low-value consumables.

One-off writing off method is adopted in amortization of package items.

3.13 Non-current assets (or disposal groups) as held for sale

(a) Classification of non-current assets (or disposal groups) as held for sale

The Company classifies a non-current asset (or disposal group) as held for sale if the following requirements are met simultaneously:

- (i) The asset or disposal group must be available for immediate sale in its present condition subject only to the terms that are usual and customary for sales of such assets (or disposal group).
- (ii) Its sale must be highly probable, i.e., the Company must be committed to a plan to sell the asset (or disposal group) and obtain definite purchase commitment, and the sale is expected to complete within one year and those regulations that require the approval of the Company's relevant authorities or regulatory authorities before they can be sold have already been approved.

When the Company acquires a non-current asset (or disposal group) exclusively with a view to its subsequent disposal, it shall classify the non-current asset (or disposal group) as held for sale at the acquisition date only if the one-year requirement is met and it is highly probable that any other criteria that are not met at that date will be met within a short period following the acquisition (usually within three months).

The Company that is committed to dispose its equity investment in a subsidiary which will lead to its loss of control of the subsidiary shall classify the investment as held for

sale in the separate financial statements of the Company, and classify all the assets and liabilities of that subsidiary as held for sale in the consolidated financial statements of the group, when the above criteria are met, regardless of whether the Company will remain part of equity investment in the subsidiary.

(b) Measurement of non-current assets (or disposal groups) held for sale

The principal of measurement of non-current assets (or disposal groups) held for sale does not apply to the following assets: investment properties that are measured in accordance with the fair value model, biological assets that are measured at fair value less costs to sell, assets arising from employee benefits, deferred tax assets, financial assets within the scope of relevant accounting standards related to financial instruments and contractual rights under insurance contracts as defined in accounting standards related to insurance contracts.

When the non-current assets (or disposal groups) are initially measured or subsequently measured at balance sheet date, if the carrying value of the asset (or disposal group) is higher than the fair value less cost to sell, it shall be written-down to its fair value, and the difference shall be recognized as impairment loss of the reporting period, and provision for asset impairment shall be recognized simultaneously.

When the assets (or disposal groups) ceases to be classified as held for sale or the non-current assets are removed from disposal groups since the criteria for held for sale are no longer met, the assets shall be measured at the lower of:

- (i) its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had the asset (or disposal group) not been classified as held for sale, and;
- (ii) its recoverable amount at the date of the subsequent decision not to sell.

(c) Presentation

An entity shall present a non-current asset classified as held for sale and the assets of a disposal group classified as held for sale separately from other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale shall be presented separately from other liabilities in the statement of financial position. Those assets and liabilities shall not be offset and presented as a single amount.

3.14 Long-term Equity Investments

Long-term equity investments refer to equity investments where an investor has

control of, or significant influence over, an investee, as well as equity investments in joint ventures. If the Company have significant influence on the investee, the investee is an associate of the Company.

(a) Determination basis of joint control or significant influence over the investee

Joint control is the relevant agreed sharing of control over an arrangement, and the arranged relevant activity must be decided under unanimous consent of the parties sharing control. In determining whether there is a joint control, it is first determined whether all parties or combinations of parties have collective control of the arrangement. If all parties or a group of parties must act in unison to determine the relevant activities of an arrangement, it is considered that all parties or a group of participants collectively control the arrangement. Secondly, it is necessary to decide whether the decision-making related to the arrangement must be unanimously approved by the participants who collectively control the arrangement. If there is a combination of two or more parties that can collectively control an arrangement, it does not constitute a common control. To determine whether there is common control, not to consider the protection of the rights.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but not be able to exercise control or joint control over those polices. When an investing enterprise can exercise significant influences over the investee, the investee shall be its associate.

When the Company directly or indirectly owns more than 20% (including 20%) but less than 50% of the voting shares of the investee, it can be presumed that the investor has significant influence over the investee, unless it can be clearly shown that this is not the case.

(b) Determination of initial investment cost

(i) Long-term equity investments generated in business combinations

For a business combination involving enterprises under common control: if the Company makes payment in cash, transfer non-cash assets or bear debts and issues equity securities as the consideration for the business combination, book value of the owners' equity of the acquiree obtained is recognized as the initial cost of the long-term equity investment on the combination date. The difference between the initial investment cost and the carrying amount of cash paid, non-cash assets transferred, liabilities assumed and par value of share issued shall be adjusted to the stock premium in the capital reserve; if there is no sufficient premium in the capital reserve for write-downs, the retained earnings shall be adjusted.

For business combination not under common control, the Company recognizes the combination cost determined on the combination date as the initial cost of long-term equity investment. When exercising control over an investee not under common control due to additional investment or other reasons, in separate financial statements, the investor shall change to the cost method and use the carrying amount of the previously held equity investment, together with the additional investment cost, as the initial investment cost under the cost method. The audit, legal, valuation and consulting fees, other intermediary fees, and related administrative fees paid by the acquiring entity or acquirer for the business combination, shall be recognized in profit or loss as incurred.

(ii) Long-term equity investments acquired by other means

For long-term equity investments acquired by payments in cash, the initial cost is the actually paid purchase cost. The initial investment cost includes expenses directly related to obtaining long-term equity investment, taxes and other necessary expenses.

For long-term equity investments acquired through issuance of equity securities, the initial cost is the fair value of the issued equity securities.

For the long-term equity investments obtained through exchange of non-monetary assets, if the exchange has commercial substance, and the fair values of assets traded out and traded in can be measured reliably, the initial cost of long-term equity investment traded in with non-monetary assets are determined based on the fair values of the assets traded out together with relevant taxes. Difference between fair value and book value of the assets traded out is recorded in profit or loss. If the exchange of non-monetary assets does not meet the above criteria, the book value of the assets traded out and relevant taxes are recognized as the initial cost of long-term equity investment traded in.

For long-term equity investment acquired through debt restructuring, the initial cost is determined based on the fair value of the abandoned creditor's rights and other costs such as taxes that can be directly attributed to the asset, and the difference between the fair value of the abandoned creditor's rights and the book value of the investment is included in the current profit or loss.

(c) Subsequent measurement and recognition of profit or loss

Long-term equity investment to an entity over which the Company has ability of control shall be accounted for at cost method. Long-term equity investment to a joint venture or an associate shall be accounted for at equity method.

(i) Cost method

For Long-term equity investment at cost method, the cost of the long-term equity investment shall be adjusted when additional amount is invested or a part of it is withdrawn. The Company recognizes its share of cash dividends or profits which have been declared to distribute by the investee as current investment income.

(ii) Equity method

Generally, for long-term equity investment measured at equity method, accounting practice are as following:

If the initial cost of the investment is in excess of the share of the fair value of the net identifiable assets in the investee at the date of investment, the difference shall not be adjusted to the initial cost of long-term equity investment; if the initial cost of the investment is in short of the share of the fair value of the net identifiable assets in the investee at the date investment, the difference shall be included in the current profit or loss and the initial cost of the long-term equity investment shall be adjusted accordingly.

The Company recognizes the share of the investee's net profits or losses, as well as its share of the investee's other comprehensive income, as investment profit or losses and other comprehensive income respectively and adjusts the carrying amount of the investment accordingly. The carrying amount of the investment shall be reduced by the share of any profit or cash dividends declared to distribute by the investee. The investor's share of the investee's owners' equity changes, other than those arising from the investee's net profit or loss, other comprehensive income or profit distribution, would be recognized in the investor's equity, and the carrying amount of the long-term equity investment shall be adjusted accordingly. The Company recognizes its share of the investee's net profits or losses after making appropriate adjustments based on the fair values of the investee's identifiable net assets at the investment date. If the accounting policy and accounting period adopted by the investee is not in consistency with the Company, the financial statements of the investee shall be adjusted according to the Company's accounting policies and accounting period, based on which, investment profit or loss and other comprehensive income, etc., shall be adjusted. The unrealized profits or losses resulting from intra-group transactions between the Company and its associate or joint venture are eliminated in proportion to the Company's equity interest in the investee, based on which investment profit or losses shall be recognized. Any losses resulting from intra-group transactions between the investor and the investee, which are attributable to asset impairment, shall be recognized in full.

If, for reasons such as additional investment, it can exert significant influence on the

investee or implement joint control but does not constitute control, the initial investment cost calculated according to the equity investment originally held plus the sum of the additional investment cost shall be taken as the original investment cost calculated according to the equity method. If the equity investment previously held is classified as a financial asset available for sale, the difference between its fair value and book value, as well as the changes in the accumulated fair value originally included in other comprehensive income, shall be transferred to the current profit and loss calculated according to the equity method.

If the joint control or significant influence on the invested entity is lost due to the disposal of part of the equity investment, the remaining equity after the disposal shall be measured at the fair value, and the difference between the fair value and book value on the day of the loss of joint control or significant influence shall be recorded into the current profit or loss. Other comprehensive income of the original equity investment recognized by the equity method shall be accounted for on the same basis as the direct disposal of related assets or liabilities by the investee when the equity method is terminated.

3.15 Investment Properties

(a) Classification of investment properties

Investment properties are properties to earn rentals or for capital appreciation or both. Examples include land leased out under operating leases, land held for long-term capital appreciation, buildings leased out under operating leases.

(b) The measurement model of investment property

The Company adopts the cost model for measurement of investment properties.

The cumulative impairment and net residual value according to depreciation or amortization of investment real estate minus the cost of the Company, the real estate investment category, estimated economic life and the expected net salvage value rate depreciation and depreciation rates were determined as follows:

Categories	Depreciation life (years)	Residual rates (%)	Annual depreciation rates (%)
Buildings and constructions	20 to 40	5.00	2.38 to 4.75

3.16 Property, plant and equipment

Property, plant and equipment refer to the tangible assets held for use in the production or supply of goods or services, for rental to others, or for administrative purpose with expected useful lives exceeding one year.

(a) Recognition criteria of property, plant and equipment

Property, plant and equipment will only be recognized at the actual cost paid when obtaining when all the following criteria are satisfied:

- (i) it is probable that the future economic benefits relating to the property, plant and equipment will flow into the Company;
- (ii) the costs of the property, plant and equipment can be measured reliably.

Subsequent expenditure for property, plant and equipment shall be recorded in cost of property, plant and equipment, if above criteria are satisfied, whereas, recorded in current profit or loss if the above criteria cannot be satisfied.

(b) Depreciation methods of property, plant and equipment

From the next month when the property, plant and equipment reaches the expected useable state, the Company shall calculate the depreciation according to the method of straight-line depreciation, and determine the depreciation life and annual depreciation rate according to the categories of property, plant and equipment, estimated economic service life and estimated net salvage value rate as follows:

Categories of property, plant and equipment	Residual rates (%)	Estimated useful life (years)	Annual depreciation rates (%)
Buildings and constructions	0 to 5	20 to 40	2.38 to 5.00
Machinery equipment	0 to 5	5	19.00 to 20.00
Electronic equipment	0 to 5	5	19.00 to 20.00
Vehicle	0 to 5	5	19.00 to 20.00
Electrical equipment	0 to 5	5	19.00 to 20.00
Dedicated equipment	0 to 5	5	19.00 to 20.00
Office equipment	0 to 5	5	19.00 to 20.00
Other equipment	0 to 5	5	19.00 to 20.00

For the property, plant and equipment with impairment provided, the impairment provision should be excluded from the cost before calculating depreciation.

At the end of reporting period, the Company shall review the useful life, estimated net residual value and depreciation method of the fixed assets. Estimated useful life of the property, plant and equipment shall be adjusted if it is changed.

(c) Criteria, valuation and depreciation methods of property, plant and equipment obtained through a finance lease.

If the entire risk and rewards related to the leased assets have been transferred, the lease shall be a finance lease. The cost of the property, plant and equipment obtained through a finance lease is determined at the lower of the present value of the fair value of the leased assets and the minimum lease payment on the day of the lease. The

property, plant and equipment obtained by a finance lease are depreciated in the method which is in consistency with the property, plant and equipment owned by the Company itself. For property, plant and equipment obtained through a finance lease, if it is reasonably certain that the ownership of the leased assets will be transferred to the lessee by the end of the lease term, they shall be depreciated over their remaining useful lives; otherwise, the leased assets shall be depreciated over the shorter of the lease terms or their remaining useful lives.

3.17 Construction in Progress

(a) Classification of construction in progress

Construction in progress is measured on an individual project basis.

(b) Criteria and timing of transfer from construction in progress to property, plant and equipment

The initial book values of the property, plant and equipment are stated at total expenditures incurred before they are ready for their intended use, including construction expenses, original value of equipment, other necessary expenditures incurred to bring construction in progress to an intended usable condition, and specific borrowings and general borrowings incurred for the purpose of borrowing money for the project before the asset reaches its intended usable condition. The Company will transfer construction in progress to property, plant and equipment when the project's installation or construction is completed and ready for use. For construction in progress that has been ready for intended use but relevant budgets for the completion of projects have not been completed, the estimated values of project budgets, prices, or actual costs should be included in the costs of relevant property, plant and equipment, and depreciation should be provided according to relevant policies of the Company when the property, plant and equipment are ready for intended use. After the completion of budgets needed for the completion of projects, the estimated values should be substituted by actual costs, but depreciation already provided is not adjusted.

3.18 Borrowing Costs

(a) Recognition criteria for capitalization of borrowing costs and capitalization period

The borrowing costs incurred by the Company that can be directly attributed to the acquisition, construction or production of assets eligible for capitalization shall be capitalized into the cost of related assets when the following conditions are met simultaneously:

- (i) expenditures are being incurred;
- (ii) borrowing costs are being incurred, and;
- (iii) acquisition, construction or production activities that are necessary to prepare the assets for their intended use or sale have commenced.

Other borrowing interest, discount or premium and exchange difference shall be included in the profits and losses incurred in the current period.

Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally and when the interruption is for a continuous period of more than 3 months, until the acquisition, construction or production is resumed.

Capitalization of such borrowing costs ceases when the qualifying assets being acquired, constructed or produced become ready for their intended use or sale. The expenditure incurred subsequently shall be recognized as expenses.

(b) Measurement of capitalization rate and capitalized amounts of borrowing costs

Where funds are borrowed specifically for purchase, construction or manufacturing of assets eligible for capitalization, costs eligible for capitalization are the actual costs incurred less any income earned on the temporary investment of such borrowings.

Where funds allocated for purchase, construction or manufacturing of assets eligible for capitalization are part of a general borrowings, the eligible amounts are determined by applying a capitalization rate to the weighted average excess of accumulated capital expenditures over those on specific borrowings. The capitalization rate will be the weighted average of the borrowing costs applicable to the general borrowings.

3.19 Intangible Assets

(a) Measurement method of intangible assets

Intangible assets are stated at actual cost at acquisition.

(b) The useful life and amortization of intangible assets

- (i) The estimated useful lives of the intangible assets with limited useful lives are as follows:

Category	Useful life (years)	Basis
Land use right	40/50/70	Useful life
Software	10	The service life is determined by reference to the period for the Company to bring economic benefits

Category	Useful life (years)	Basis
Franchise use right	28	The service life is determined by reference to the period for the Company to bring economic benefits

For intangible assets with finite useful life, the estimated useful life and amortization method are reviewed annually at the end of each reporting period and adjusted when necessary. No change incurs in current year in the estimated useful life and amortization method upon review.

(ii) Assets of which economic benefits are unforeseeable are regarded as intangible assets with indefinite useful lives. The Company reassesses the useful lives of those assets at every year end. If the useful lives of those assets are still indefinite, impairment test should be performed on those assets at the balance sheet date.

(iii) Amortization of the intangible assets

For intangible assets with finite useful lives, their useful lives should be determined upon their acquisition. They are amortized on a straight-line basis over the period during which they can bring economic benefits to the Company. The amortization amount is credited to profit or loss for the current period according to the beneficial items. The amount to be amortized is cost deducting residual value. For intangible assets which has impaired, the accumulated impairment provision shall be deducted as well, with a residual value of nil. There is an exception that a third party promises to purchase the intangible asset at the end of its useful life or obtain estimated residual value information based on an active market, and this market is likely to exist at the end of its useful life.

Intangible assets with indefinite useful lives shall not be amortized. The Company reassesses the useful lives of those assets at every year end. If there is evidence to indicate that the useful lives of those assets become finite, the useful lives shall be estimated, and the intangible assets shall be amortized systematically and reasonably within the estimated useful lives.

(c) Criteria of classifying expenditures on internal research and development projects into research phase and development phase

(i) The Company shall take the information and related preparatory activities for further development activities as the research stage, and the expenditure of the intangible assets research stage shall be recorded into the current profit and loss when incurred.

(ii) The development activities that are carried out after the Company has completed the research phase shall be considered as the development phase.

(d) Criteria for capitalization of qualifying expenditures during the development

phase

Expenditures arising from development phase on internal research and development projects must be capitalized if the Company can satisfy all of the following criteria:

- (i) there is technical feasibility of completing the intangible assets (so that they will be available for use or sale);
- (ii) there is intention to complete and use or sell the assets;
- (iii) the method that the intangible assets generate economic benefits, including existence of a market for products produced by the intangible assets or for the intangible assets themselves, shall be proved. Or, if to be used internally, the usefulness of the assets shall be proved;
- (iv) adequate technical, financial, and other resources are available to complete the assets, and the Company has the ability to use or sell the assets; and
- (v) the costs of the assets can be measured reliably.

3.20 Impairment of Long-Term Assets**(a) Impairment test and accounting methods of long-term equity investment**

The Company examines long-term equity investments on balance sheet date one by one and judges whether there is any indication of impairment in the long-term equity investments based on various changes in the operating policies, legal environment, market demand, industry and profitability of the investee. When the recoverable amount of the long-term equity investment is lower than the book value, the difference between the recoverable amount and the carrying amount of the long-term equity investment is accrued as the impairment provision of the long-term equity investment. Once the asset impairment loss is confirmed, it will not be reversed in subsequent accounting periods.

(b) Impairment test and accounting methods of investment property

On the balance sheet date, the value of investment property is determined by the lower of the cost and the recoverable amount of the investment property, and if the recoverable amount is lower than the cost, an impairment provision is made based on the difference between the two. If the value of the investment property that has been accrued for impairment is restored, the impairment provision that has been accrued in the previous period cannot be reversed.

(c) Impairment test and accounting methods of property, plant and equipment

On the balance sheet date, the Company makes a judgment on each property, plant and equipment. If there is an evidence of impairment and the estimated recoverable amount is lower than its book value, the book value shall be reduced to the recoverable amount. The amount of write-down shall be recognized as asset

impairment loss, included in the current profit and loss, while making provision for the corresponding asset impairment. Once the asset impairment loss is confirmed, it will not be reversed in subsequent accounting periods. When there are any of the following signs, the provision for impairment is fully accrued for each item of property, plant and equipment:

- (i) Long-term idle, will not be reused in the foreseeable future, and have no transfer value of property, plant and equipment.
- (ii) Property, plant and equipment are unable to be used due to technical advances and other reasons.
- (iii) Though they can still be used, a large number of unqualified products could be produced after using them.
- (iv) Property, plant and equipment that have been damaged no longer have use value and transfer value.
- (v) Other property, plant and equipment that can no longer bring economic benefits to the Company.

(d) Impairment test and accounting methods of construction in progress

If there is any indication that the construction in progress may be impaired at the balance sheet date, an impairment test would be implemented. If the result of impairment test indicates the recoverable amounts of the construction in progress are lower than the book value, the difference between the recoverable amounts and book value is recognized as impairment loss included in profit or loss, and provisions for impairment are made. Once the asset impairment loss is confirmed, it will not be reversed in subsequent accounting periods. When there are one or more the following signs exist, impairment test of construction in progress should be performed:

- (i) Construction in progress that has been suspended for a long time and is not expected to restart in the next three years.
- (ii) In terms of performance, or technically backward, projects bring economic benefits to the enterprise with great uncertainty.
- (iii) Other circumstances that can prove that the construction in progress has been impaired have occurred.

(e) Impairment test and accounting methods of intangible assets

When the recoverable amount of an intangible asset is lower than its carrying amount, the carrying amount of the asset is written down to the recoverable amount. The write down amount is recognized as impairment loss of the asset and charged to the current profit or loss, and the corresponding intangible asset is reduced. Once the impairment loss of intangible assets is confirmed, it will not be reversed in subsequent accounting periods. When there are one or more the following signs exist, impairment test of

intangible assets should be performed:

- (i) The intangible assets have been replaced by other new technologies, which have a significant adverse effect on the ability of enterprises to create economic benefits.
- (ii) The market price of the intangible assets reduced sharply in the current period and may not rise during the remaining years.
- (iii) Other conditions that indicate that the carrying amount of the intangible asset has exceeded its recoverable amount.

(f) Impairment test and accounting methods of goodwill

Impairment test of goodwill acquired in a business combination shall be performed at least annually. If impairment indication exists in the assets or a group of assets, the impairment test shall be conducted in accordance with the following steps:

Firstly, impairment testing for asset or assets group excluding goodwill shall be conducted. Impairment loss is recognized through comparing the recoverable amount of the assets and assets group with their carrying amount; then, impairment testing for assets or assets group including goodwill shall be conducted. The excess of the carrying amount of the assets or assets group (including goodwill allocated to the assets or assets group) over their recoverable amount is recognized as impairment loss. The impairment loss shall be allocated to reduce the carrying amount of the assets of assets group in the following order:

first, to reduce the carrying amount of any goodwill allocated to the assets or assets group; and

then, to the other assets or assets group pro rata on the basis of the carrying amount of each asset.

The mentioned impairment loss will not be reversed in subsequent accounting period once it had been recognized.

3.21 Long-term Deferred Expenses

Long-term deferred expenses are various expenses already incurred, which shall be amortized over current and subsequent periods with the amortization period exceeding one year.

The Company's long-term deferred expenses are evenly amortized over the beneficial period.

3.22 Employee Benefits

Employee benefits refer to all forms of consideration or compensation given by an enterprise in exchange for service rendered by employees or for the termination of

employment relationship. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits. Benefits provided to an employee's spouse, children, dependents, family members of deceased employees, or other beneficiaries are also employee benefits.

(a) Short-term employee benefits

(i) Monetary benefits (Wages, bonuses, allowances, subsidies)

The Company recognizes, in the accounting period in which an employee provides service, actually incurred short-term employee benefits as a liability, with a corresponding charge to current profit or loss or relevant cost of assets.

(ii) Welfare

Welfare incurred are charged to the profits and losses of the current period or the related asset costs, according to the actual amount actually incurred. Employee benefits which are non-monetary benefits are measured at fair value.

(iii) Social insurance contributions such as medical insurance premium, work injury insurance premium, maternity premium, etc., housing funds, and labor union expenditure and employee education funds.

Payments made by the Company of social insurance contributions for employees, such as premiums or contributions on medical insurance, pensions, work injury insurance and maternity insurance, payments of housing funds, and labor union expenditure and employee education funds provided in accordance with relevant requirements, in the accounting period in which employees provide services, is calculated according to prescribed bases and percentages of provision in determining the amount of employee benefits, and recognized related liabilities, then charged to current profit and loss or the cost of related assets.

(iv) Short-term paid absences

The Company shall recognize the related employee benefits arising from accumulating paid absences when the employees render service that increases their entitlement to future paid absences. The Company recognizes employee benefits related to non-cumulative paid absences during the accounting period in which the employee is actually absent.

(v) Short-term profit-sharing schemes

The Company shall recognize the related employee benefits payable under a profit-sharing plan when all of the following conditions are satisfied:

- (i) the Company has a present legal or constructive obligation to make such payments as a result of past events; and
- (ii) a reliable estimate of the amounts of employee benefits obligation arising from

the profit-sharing plan can be made.

(b) Post-employment benefits

(i) Defined contribution plans

The Company shall classify post-employment benefits plans as defined contribution plans.

The Company shall recognize, in the accounting period in which an employee provides service, the contribution payable to a defined contribution plan as a liability, with a corresponding charge to the profit or loss for the reporting period or the cost of a relevant asset.

Post-employment benefits falling due for more than 12 months after the end of the reporting period are discounted to their present values, the amount recognized should be discounted, to reflect the time value of money (Determined based on the market rate of return on the government bonds or high-quality corporate bonds in an active market that match the maturity schedule and currency of the defined benefit plan on the balance sheet date).

(ii) Defined benefit plans

Determining the present value of defined benefit plan obligations and current service costs

Based on the expected unit benefit method, the unbiased and mutually consistent actuarial assumptions are used to estimate the relevant demographic variables and financial variables, etc., to measure the obligations arising from the defined benefit plans and to determine the vesting period of the relevant obligations. The Company will set a benefit plan based on the corresponding discount rate (based on the market rate of return of government bonds or high-quality corporate bonds in active markets that match the maturity and currency of the defined benefit plan at the balance sheet date) of the obligation to be discounted to determine the present value of the defined benefit plan obligations and current service costs.

Determine the amount of the net defined benefit liability (asset)

If there is any asset in the defined benefit plan, the Company will recognize the deficit or surplus as a net debt or net asset of the defined benefit plan, which caused from the current value of the defined benefit plan obligations less of the fair value of the defined benefit plan assets.

If there is a surplus in the defined benefit plan, the Company measures the net profit of the defined benefit plan based on the lower of the surplus of the defined benefit plan and the upper limit of the asset.

Determine amounts to be recognized in profit or loss

Service costs include current service costs, past service costs and gains or losses on settlement of a defined benefit plan. Except for the current service costs that are required or permitted to be included in the cost of an asset by other accounting standards, other service costs are included in the profit or loss for the current period.

Net interest on the net defined benefit liability (asset), including the interest income of the scheme assets, the interest expenses of the defined benefit plan obligations and the interest rates affected by the asset cap, shall be included in the profits and losses of the current period.

Determine amounts to be recognized in other comprehensive income

Changes arising from the remeasurement of net liabilities or net assets of defined benefit plans, including:

- (i) Actuarial gains or losses: the increase or decrease in the present value of the previously defined benefit plan obligations as a result of changes to actuarial assumptions and experience adjustments.
- (ii) Return on plan assets: excluding amounts included in net interest on the net defined benefit liability (asset).
- (iii) Any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

The above changes in the net liabilities or net assets of the re-measured defined benefit plan are directly charged to other comprehensive income and are not permitted to be reversed to profit or loss in subsequent accounting periods, but the Company can transfer these changes in other comprehensive income within the scope of equity.

(c) Termination benefits

The Company providing termination benefits to employees shall recognize an employee benefits liability for termination benefits, with a corresponding charge to the profit or loss of the reporting period, at the earlier of the following dates:

- (i) when the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal.
- (ii) when the Company recognizes costs or expenses related to a restructuring that involves the payment of termination benefits.

Termination benefits falling due for more than 12 months after the end of the reporting period are discounted to their present values (based on the market rate of return of government bonds or high-quality corporate bonds in active markets that match the maturity and currency of the defined benefit plan at the balance sheet date).

(d) Other long-term employee benefits

When other long-term employee benefits provided by the Company to the employees satisfies the conditions for classifying as a defined contribution plan, those benefits shall be accounted for as a liability at their discounted value, with a corresponding charge to the profit or loss of the reporting period or the cost of a relevant asset.

When other long-term employee benefits provided by the Company to the employees satisfies the conditions for classifying as a defined benefit plan, at the year end, the cost of employee benefits arising from other long-term employee benefits as the following components:

- (i) Service costs
- (ii) Net interest on the other long-term employee benefits liability (asset)
- (iii) Remeasurement of changes in net liabilities or net assets of other long-term employee benefits.

3.23 Estimated Liabilities**(a) Recognition criteria of estimated liabilities**

The Company recognizes the estimated liabilities when obligations related to contingencies satisfy all the following conditions:

- (i) that obligation is a present obligation of the Company;
- (ii) it is likely to cause any economic benefit to flow out of the Company as a result of performance of the obligation; and
- (iii) the amount of the obligation can be measured reliably.

(b) Measurement method of estimated liabilities

The estimated liabilities of the Company are initially measured at the best estimate of expenses required for the performance of relevant present obligations. The Company, when determining the best estimate, has had a comprehensive consideration of risks with respect to contingencies, uncertainties and the time value of money. The carrying amount of the estimated liabilities shall be reviewed at the end of every reporting period. If conclusive evidences indicate that the carrying amount fails to be the best estimate of the estimated liabilities, the carrying amount should be adjusted based on the updated best estimate.

3.24 Share-based Payments**(a) Classification of share-based payments**

Share-based payments shall consist of equity-settled share-based payments and cash-settled share-based payments.

(b) Determining fair value of equity instruments

- (i) The fair value of shares granted to the employees can be determined by reference to the quotations in the active market, adjusted in accordance with the terms and conditions granted (not including vesting conditions other than market conditions).
- (ii) For share option granted to the employees, it is usually difficult to obtain its market price. If the share option with similar terms and conditions is not available, the Company estimate what the price of those options using a valuation technique.

(c) Basis of best exercisable equity instruments estimate

Every balance sheet date during the vesting period, the Company makes best estimate according to the most updated number of employees that are eligible to exercise their options and adjusts the quantity of exercisable equity instruments. On vesting dates, the final estimated quantity of exercisable equity instruments is consistent with the actual exercisable quantity.

(d) Accounting for implementation of share-based payment programs

- (i) The cash-settled share-based payment that can be exercised immediately after the grant is included in the related costs or expenses at the fair value of the liability assumed by the Company on the grant date, and liabilities are increased accordingly. The fair value of the liability is remeasured at each balance sheet date and settlement date before settlement, and its changes are recorded in profit or loss.
- (ii) The cash-settled share-based payment that cannot be exercised till services or performance meet the conditions during the vesting period, at every balance sheet date during the vesting period, services received should be recognized in related costs or expenses and liabilities by reference to the best estimate of exercisable equity instruments quantity and the fair value of the liabilities the Company undertakes. At every balance sheet date before the related liabilities are settled and settlement date, the fair value is re-calculated, and the changes are recognized in current profit or loss.
- (iii) The equity-settled share-based payment that can be exercised immediately after the grant is included in the related costs and expenses by reference to the fair value at the granted date and increase capital reserve accordingly.
- (iv) The equity-settled share-based cannot be exercised till services or performance meet the conditions during the vesting period, at every balance sheet date during the vesting period, services received should be recognized in related costs or

expenses and capital reserve by reference to the best estimate of the exercisable equity instruments quantity and their fair value at the granted date.

(e) Accounting for modification of share-based payment programs

When the Company modifies terms and conditions of the share-based payment program, if the modification increases the fair value of the equity instruments granted, the increased amount should be recognized for service received accordingly; if the quantity granted of the equity instruments is increased, the increased amount should be recognized for service received accordingly as well. If the modification resulted in the decrease of the fair value of the equity instruments granted, or the modification is made in a way not beneficial to the employees, the service received shall be accounted for as if the modification has never occurred unless a part or all of the equity instruments are cancelled.

(f) Accounting for termination of share-based payment programs

If a grant of equity instruments is cancelled or settled during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied):

- (i) the Company shall account for the cancellation or settlement as an acceleration of vesting, and shall therefore recognize immediately the amount that otherwise would have been recognized for services received over the remainder of the vesting period.
- (ii) any payment made to the employee on the cancellation or settlement of the grant shall be accounted for as the repurchase of an equity interest. Any such excess shall be recognized as an expense.

If the Company repurchases vested equity instruments, the payment made to the employee shall be accounted for as a deduction from equity, except to the extent that the payment exceeds the fair value of the equity instruments repurchased, measured at the repurchase date. Any such excess shall be recognized as an expense.

3.25 Revenue

(a) Revenue from sale of goods

Revenue from sales of goods shall be recognized if the following criteria are satisfied:

- (i) significant risks and rewards related to ownership of the goods have been transferred to the buyer;
- (ii) the Company retains neither continuous management rights associated with ownership of the goods sold nor effective control over the goods sold;
- (iii) relevant amount of revenue can be measured reliably;
- (iv) it is probable that the economic benefits associated with the transaction will flow

into the Company; and

(v) relevant amount of cost incurred or to be incurred can be measured reliably.

(b) Revenue from rendering of services

When the outcome of rendering of services can be estimated reliably at the balance sheet date, revenue associated with the transaction is recognized using the percentage of completion method. Percentage of completion is determined by using the proportion of services performed to date to the total services that should be performed, or the proportion of cost incurred for rendering of the services to date to the total estimated cost.

The outcome of rendering of services can be estimated reliably when all of the following conditions are satisfied: the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the Company; the percentage of completion of the transaction can be measured reliably; the costs incurred and to be incurred for the transaction can be measured reliably.

The Company shall determine the total income from rendering of services in accordance with the price of the contract or agreement received or receivable, except the price of the contract or agreement received or receivable is unfair. On the balance sheet date, the total amount of labor services provided is multiplied by the progress of completion and deducted the accumulated amount of labor service income confirmed in the previous accounting period to confirm the income from providing labor service. Meanwhile, the carrying amount of labor costs incurred for the current period is calculated by multiplying the estimated total cost of provision of services by the completion progress deducting the accumulated recognized service costs in previous accounting periods.

If the outcome of rendering of services cannot be estimated reliably at the balance sheet date, deal with the following situations:

- (i) If the labor cost incurred is expected to be compensated, the labor service income will be recognized according to the cost of labor service already incurred and the service cost will be carried forward at the same amount.
- (ii) If the cost of the service that has occurred is not expected to be compensated, the cost of the service that has occurred shall be included in the current profits and losses, and the service income shall not be confirmed.

(c) Revenue from alienating the right to use assets

Revenue from alienating of right to use assets consists of interest revenue and royalty revenue. The Company shall recognize the amount of revenue from the alienating of

right to use assets based on the following circumstances, respectively:

- (i) interest revenue should be calculated in accordance with the period for which the enterprise's cash is used by others and the effective interest rate; or
- (ii) the amount of royalty revenue should be calculated in accordance with the period and method of charging as stipulated in the relevant contract or agreement.

(d) Construction contracts

Under the circumstances that result of the construction contracts can be estimated reliably, contract revenue and contract cost shall be recognized by using percentage of completion method, which is determined according to the completion stages of the construction contracts. The completion stages of the contracts shall be calculated at the portion of the contract costs incurred to the total estimated contract costs.

Under the circumstances that the result of the construction contracts cannot be estimated reliably, while the estimated contract costs can be recovered, the revenue shall be recognized to the extent of costs incurred that are expected to be recoverable, contract costs shall be recognized as expense upon incurrence. If the estimated contract costs cannot be recovered, they shall be charged in expenses upon incurrence, without any revenue recognized.

If the estimated contract costs exceed estimated contract revenue, the estimated loss shall be recognized as expenses in current period.

(e) The Company's revenue specific confirmation method

- (i) Real estate revenue:

The development products have been completed, and qualified after acceptance, the sales contract was signed and the obligations stipulated in the contract were fulfilled, that is, the major risks and rewards of development products are transferred to the buyer, the Company no longer has continuing management and actual control over the projects, the relevant revenue has been received or received evidence of collection, and about the cost of the projects can be measured reliably, the implementation of the sales revenue is confirmed.

Self-used houses sales revenue: the major risks and rewards of self-used houses are transferred to the buyer, the Company no longer has continuing management and actual control over the self-used houses, the relevant revenue has been received or received evidence of collection, and about the cost of the self-used houses can be measured reliably, the implementation of the sales revenue is confirmed.

- (ii) Sale of goods

The main risks and rewards of the goods are transferred to the buyer, and neither the

management right normally associated with ownership nor the effective control of the goods sold has been retained, the amount of revenue can be reliably measured, it is probable that the associated economic benefits will flow to the Company, and the costs incurred and to be incurred for the transaction can be measured reliably, the implementation of the sales revenue is confirmed.

(iii) B.T. construction project revenue

The Company undertakes the construction of infrastructure projects. After the completion of the project, the Company confirms the fixed rate of return according to the project cost and a certain proportion of the project cost and settles the income with the entrusting entity.

(iv) Other activities revenue

According to the provisions of relevant contracts and agreements, the realization of other business revenue shall be confirmed when the economic benefits related to transactions can flow into the Company and the cost related to revenue can be measured reliably.

3.26 Government Grants

(a) Recognition of government grants

A government grant shall not be recognized until there is reasonable assurance that:

- (i) the Company will comply with the conditions attaching to them; and
- (ii) the grants will be received.

(b) Measurement of government grants

Monetary grants from the government shall be measured at amount received or receivable, and non-monetary grants from the government shall be measured at their fair value or at their nominal value when reliable fair value is not available.

(c) Accounting for government grants

(i) Government grants related to assets

Government grants pertinent to assets mean the government grants that are obtained by the Company used for purchase or construction or forming the long-term assets by other ways.

Government grants pertinent to assets shall be recognized as deferred income and should be recognized in profit or loss on a systematic basis over the useful lives of the relevant assets. Grants measured at their nominal value shall be directly recognized in profit or loss of the period when the grants are received. When the relevant assets are sold, transferred, written off or damaged before the assets are terminated, the

remaining deferred income shall be transferred into profit or loss of the period of disposing relevant assets.

(ii) Government grants related to income

Government grants other than related to assets are classified as government grants related to income. Government grants related to income are accounted for in accordance with the following principles:

- if the government grants related to income are used to compensate the enterprise's relevant expenses or losses in future periods, such government grants should be recognized as deferred income on acquisition and be recognized in profit or loss in the period of recognizing relevant expenses;
- if the government grants related to income are used to compensate the enterprise's relevant expenses or losses incurred, such government grants are directly recognized in profit or loss of the current period.
- For government grants comprised of part related to assets as well as part related to income, each part is accounted for separately; if it is difficult to identify different part, the government grants are accounted for as government grants related to income as a whole.
- Government grants related to daily operation are recognized in other income in accordance with their nature, and government grants irrelevant to daily operation activities are recognized in non-operating income.

(iii) Discount interest on preferential policy loans

When the finance will disburse the discounted interest funds to the loan bank, and the loan bank will provide the Company with a loan at a preferential policy rate, the actual amount of borrowings received recognized as the book value of the loan, and calculates the relevant borrowing costs based on the principal of the borrowings and the preferential policy interest rate.

Fiscal interest discount funds disbursed directly to the Company, the Company offsets the relevant borrowing costs with the corresponding discount interest.

(iv) Repayment of the government grants

If the confirmed government subsidy needs to be returned, the book value of the relevant assets shall be adjusted if the book value of the assets is deducted during the initial recognition; If there is a balance of relevant deferred income, the book balance of relevant deferred income shall be deducted and the excess part shall be recorded into the current profit and loss; In other cases, it shall be directly recorded into the current profit and loss.

3.27 Deferred Tax Assets and Deferred Tax Liabilities

Temporary differences are differences between the carrying amount of an asset or liability in the statement of financial position and its tax base. The Company recognize the effect of taxable temporary differences and deductible temporary differences on income tax as deferred tax liabilities or deferred tax assets using liability method. Deferred tax assets and deferred tax liabilities shall not be discounted.

(a) Recognition of deferred tax assets

Deferred tax assets should be recognized for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized at the tax rates that are expected to apply to the period when the asset is realized, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- (i) is not a business combination; and
- (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss)

The Company recognize a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint arrangements, to the extent that, and only to the extent that, it is probable that:

- (i) the temporary difference will reverse in the foreseeable future; and
- (ii) taxable profit will be available against which the deductible temporary difference can be utilized.

At the end of each reporting period, if there is sufficient evidence that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized, the Company recognizes a previously unrecognized deferred tax asset.

The carrying amount of a deferred tax asset shall be reviewed at the end of each reporting period. An entity shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

(b) Recognition of deferred tax liabilities

A deferred tax liability shall be recognized for all taxable temporary differences at the tax rate that are expected to apply to the period when the liability is settled, except to the extent that the deferred tax liability arises from:

- (i) the initial recognition of goodwill; or
- (ii) the initial recognition of an asset or liability in a transaction which:
 - is not a business combination; and
 - at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss)

An entity shall recognize a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint arrangements, except to the extent that both of the following conditions are satisfied:

- (i) The Company is able to control the timing of the reversal of the temporary difference; and
- (ii) it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Recognition of deferred tax liabilities or assets involved in special transactions or events

- (i) Deferred tax liabilities or assets related to business combination

For the taxable temporary difference or deductible temporary difference arising from a business combination not under common control, a deferred tax liability or a deferred tax asset shall be recognized, and simultaneously, goodwill recognized in the business combination shall be adjusted.

- (ii) Items directly recognized in equity

Current tax and deferred tax related to items that are recognized directly in equity shall be recognized in equity. Such items include:

- other comprehensive income generated from fair value fluctuation of available for sale investments;
- an adjustment to the opening balance of retained earnings resulting from either a change in accounting policy that is applied retrospectively or the correction of an error;
- amounts arising on initial recognition of the equity component of a compound financial instrument

- (iii) Unused tax losses and unused tax credits

Unused tax losses and unused tax credits generated from daily operation of the Company itself

The criteria for recognizing deferred tax assets arising from the carryforward of

unused tax losses and tax credits are the same as the criteria for recognizing deferred tax assets arising from deductible temporary differences. The Company recognizes a deferred tax asset arising from unused tax losses or tax credits only to the extent that there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilized by the Company. Income taxes in current profit or loss shall be deducted as well.

Unused tax losses and unused tax credits arising from a business combination

The potential benefit of the acquiree's income tax loss carryforwards or other deferred tax assets might not satisfy the criteria for separate recognition when a business combination is initially accounted for but might be realized subsequently. An entity shall recognize acquired deferred tax benefits that it realizes after the business combination as follows:

- Acquired deferred tax benefits recognized within 12 months after acquisition date that result from new information about facts and circumstances that existed at the acquisition date shall be applied to reduce the carrying amount of any goodwill related to that acquisition. If the carrying amount of that goodwill is zero, any remaining deferred tax benefits shall be recognized in profit or loss.
- All other acquired deferred tax benefits realized shall be recognized in profit or loss.

(iv) Temporary difference generated in consolidation elimination

When preparing consolidated financial statements, if temporary difference between carrying value of the assets and liabilities in the consolidated financial statements and their taxable bases is generated from elimination of intra-group unrealized profit or loss, deferred tax assets or deferred tax liabilities shall be recognized in the consolidated financial statements, and income taxes expense in current profit or loss shall be adjusted as well, except for deferred tax related to transactions or events recognized directly in equity and business combination.

(v) Equity-settled share-based payment

If tax authority permits tax deduction that relates to remuneration paid in shares, share options or other equity instruments of the Company, during the period in which a remuneration expense is recognized according to the accounting standards, the Company estimate the tax base in accordance with available information at the end of the accounting period and the temporary difference arising from it. Deferred tax shall be recognized when criteria of recognition are satisfied. If the amount of estimated future tax deduction exceeds the amount of the related cumulative remuneration

expense, the excess of the associated current or deferred tax should be recognized directly in equity.

3.28 Operating Leases and Finance Leases

A lease that risks and rewards related to relevant assets' ownership are transferred in substance shall be classified as a finance lease. Others shall be classified as an operating lease.

(a) Accounting for operating leases

(i) The Company as a lessee

The lease payments should be recognized as expenses of the reporting period over the lease terms (including rent-free periods) on a straight-line basis. If expenses relating to lease which should be borne by the Company are paid by the lessor of the assets, they shall be deducted from the total lease expenses and the balances shall be amortized over the lease terms and charged to expenses of the reporting period.

Initial direct costs relating to lease transactions incurred by the Company shall be recognized as expenses of the reporting period. Contingent rental, if included in the lease contract, shall be recognized as profit or loss upon incurrence.

(ii) The Company as a lessor

Lease income should be recognized over the lease terms (including rent-free periods) on a straight-line basis. If expenses relating to leases which should be borne by the lessee of the assets are paid by the Company, they shall be deducted from the total lease income and the balances shall be amortized over the lease terms by the Company.

Initial direct costs relating to lease transactions incurred by the Company shall be recognized as expenses of the reporting period; if the amounts are material, they shall be capitalized and amortized over the lease terms on the same basis as the recognition of lease income. Contingent rental, if included in the lease contract, shall be recognized as profit or loss upon incurrence.

(b) Accounting for finance leases

(i) The Company as a lessee

At commencement of the lease, assets obtained through finance leases should be recorded at the lower of their fair values and the present values of the minimum lease payments. The Company shall recognize long-term payables at amounts equal to the minimum lease payments, and shall record the differences between carrying amounts of the leased assets and the long-term payables as unrecognized finance charges. The Company adopts effective interest rate method, which shall be amortized over the

lease terms as finance expenses by using effective interest rate method.

Initial direct costs are recorded in the value of the leased assets.

The Company adopts the same depreciation policy for the leased assets as its own property, plant and equipment. Depreciation period is determined according to the lease contract. If it is reasonably certain that the Company will obtain the ownership of the assets when the lease expires, the depreciation period will be the useful lives of the leased assets. If it is difficult to reasonably determine whether the Company can obtain the ownership of the underlying assets when the lease expires, depreciation period is the lower of the lease period and their useful lives.

(ii) The Company as a lessor

At commencement of the lease, rental receivables shall be measured at minimum lease receivables plus initial direct costs relating to lease transactions incurred by the Company. Unguaranteed residual values are recorded simultaneously. The differences between the undiscounted rental receivables plus unguaranteed residual values and their present values shall be recognized as unearned finance income, and shall amortized over the lease terms as lease income at the effective rate.

3.29 Safety fund and Renovation fund

Safety fund and renovation fund shall be included in the cost or current profit and loss of related products when extracted, and shall also be included in the item of "special reserve".

Where the extracted production safety fund and renovation fund are used within the prescribed scope, if they are expense, the special reserve shall be directly deducted; In case of the formation of fixed assets, the expenses incurred shall be first collected under the item of "Construction in Progress" and shall be recognized as fixed assets when the safety project is completed and reaches the expected usable state; At the same time, according to the cost of the formation of fixed assets special reserves, and recognize the same amount of accumulated depreciation. The fixed assets will not be depreciated in future periods.

3.30 Changes in Significant Accounting Policies and Accounting Estimates

(a) Changes in accounting polices

In accordance with the Notice about *Modifying and Publishing the Format of Financial Statements of General Enterprises in 2019* announced by the Ministry of Finance on 30 April 2019 (*Caikuai No. [2019] 6*), enterprises that are required not to implement the new financial standards, new revenue standards and new leasing standards shall prepare financial statements in accordance with the following provisions:

In the balance sheet, "Notes receivable and accounts receivable" is divided to "Notes receivable" and "Accounts receivable"; "Notes payable and accounts payable" is divided to "Notes payable" and "Accounts payable";

On 19 September 2019, the Ministry of Finance issued the Notice about the *Revised on the Revision and Printing of the Format of Consolidated Financial Statements (version 2019)* (Caikuai No. [2019] 16), which will be implemented together with Caikuai No. [2019] 6.

The Company has prepared comparative statements in accordance with the financial statement formats prescribed by finance and Caikuai [2019] No.6 and finance and Caikuai [2019] No.16, and adopted the retroactive adjustment method to change the presentation of relevant financial statements.

The effects of above changes of accounting policies on financial statements are as follows:

The consolidated Statement of Financial Position and the parent company's Statement of Financial Position as at 31 December 2018:

Items	Consolidated		Parent Company	
	Before adjustment	After adjustment	Before adjustment	After adjustment
Notes receivable		9,108,529.91		
Accounts receivable		326,750,246.25		3,460,192.90
Notes receivable and accounts receivable	335,858,776.16		3,460,192.90	
Notes payable		14,716,398.00		
Accounts payable		1,538,143,518.19		151,888,087.42
Notes payable and accounts payable	1,552,859,916.19		151,888,087.42	

On 9 May 2019, the Ministry of Finance issued <Accounting Standards for Enterprises No. 7 - Exchange of Non-monetary Assets> (Caikuai [2019] No. 8) according to the requirements, the Company on 1 January 2019 solstice execution, the exchange of non-monetary assets between adjustments according to the present standards, on 1 January 2019 before the occurrence of non-monetary assets transaction, without a retroactive adjustment, on June 10, the Company in 2019, the execution of this standards.

On 16 May 2019, the Ministry of Finance issued <Accounting Standards for Enterprises No. 12 - Debt Restructuring> (Caikuai [2019] No. 9) according to the requirements, the Company on 1 January 2019 solstice execution, the debt restructuring between adjustments according to the present standards, on 1 January 2019 before the occurrence of debt restructuring, without a retroactive adjustment, on June 17, the Company in 2019, the execution of this standards.

(b) Changes in accounting estimates

The Company has no change in accounting estimates for reporting period.

4. TAXATION

4.1 Major Categories of Tax and Tax Rates Applicable to the Company

Categories of tax	Basis of tax assessment	Tax rate (%)
Value added tax (VAT)	Output VATs are calculated and paid on taxable revenues at a tax rate of 3%, 5%, 6%, 13%, 16%, and VATs are paid at the net amounts after deducting input VATs for the reporting period	3, 5, 6, 13, 16
Urban maintenance and construction tax	Turnover taxes payable	5, 7
Educational surcharge	Turnover taxes payable	3
Local Education and supplementary tax	Turnover taxes payable	2
Enterprise income tax	Taxable income	25

According to the Notice of the Ministry of Finance and the State Administration of Taxation on *Caishui [2019] No. 39* on adjusting the VAT rate, from 1 April 2019, general VAT taxpayers (hereinafter referred to as taxpayers) have engaged in VAT taxable sales or imported goods, if the original 16% tax rate was applied, the tax rate was adjusted to 13%; if the original 10% tax rate was applied, the tax rate was adjusted to 9%.

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.1 Cash and Cash Equivalents

Items	31 Dec 2019	31 Dec 2018
Cash on hand	1,573,826.20	836,709.05
Cash in bank	4,652,007,838.50	8,886,675,402.77
Other monetary funds	68,269,216.96	49,534,802.51
Total	4,721,850,881.66	8,937,046,914.33
Including: The total amount deposited overseas		

Notes: The restricted cash and cash equivalents as at 31 December 2019, please refer to *Note 5.52*.

5.2 Financial Assets at Fair Value through Profit or Loss

Items	31 Dec 2019	31 Dec 2018
Financial assets designated as at fair value through profit or loss:	85,590,857.42	149,747,547.82
Including: Debt instruments		
Equity instruments	85,590,857.42	149,747,547.82
Others		
Total	85,590,857.42	149,747,547.82

5.3 Notes Receivable

Items	31 Dec 2019	31 Dec 2018
Bank acceptance bills	21,289,547.21	9,108,529.91
Total	21,289,547.21	9,108,529.91

(i) Pledged notes receivable as at 31 December 2019

There is no such item.

(ii) Notes that the Company transferred the accounts receivable due to the drawer's failure to perform as at 31 December 2019

There is no such item.

5.4 Accounts Receivable

(a) Accounts receivable by category

Items	31 Dec 2019				
	Accounts receivable		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with individually significant balance and provision for bad debt recognized individually					
Accounts receivable with bad debt provision recognized collectively by similar credit risk characteristics	631,892,317.56	99.80	35,583,890.15	5.63	596,308,427.41
Portfolio 1	5,016,135.43	0.79			5,016,135.43
Portfolio 2	626,876,182.13	99.01	35,583,890.15	5.68	591,292,291.98

Items	31 Dec 2019				
	Accounts receivable		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with individually insignificant balance but provision for bad debt recognized individually	1,270,339.52	0.20	1,270,339.52	100.00	
Total	633,162,657.08	100.00	36,854,229.67	5.82	596,308,427.41

(Continued)

Items	31 Dec 2018				
	Accounts receivable		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with individually significant balance and provision for bad debt recognized individually	10,290,000.00	2.90	5,145,000.00	50.00	5,145,000.00
Accounts receivable with bad debt provision recognized collectively by similar credit risk characteristics	343,033,003.33	96.74	21,427,757.08	6.25	321,605,246.25
Portfolio 1	21,583,188.42	6.09			21,583,188.42
Portfolio 2	321,449,814.91	90.65	21,427,757.08	6.67	300,022,057.83
Accounts receivable with individually insignificant balance but provision for bad debt recognized individually	1,270,339.52	0.36	1,270,339.52	100.00	
Total	354,593,342.85	100.00	27,843,096.60	7.85	326,750,246.25

(a.1) Accounts receivable with individually significant balance and provision for bad debt recognized individually:

There is no such item.

(a.2) In Portfolio 1, the details of accounts receivable which carrying amount is large are as follows:

Entity name	31 Dec 2019		
	Accounts receivable	Provision for bad debt	Proportion ratio(%)
Shaoxing E-government Office	3,350,000.00		
Other sporadic entities	1,666,135.43		
Total	5,016,135.43		

(a.3) In Portfolio 2, accounts receivable with bad debt provision recognized collectively by aging analysis

Aging	31 Dec 2019		
	Accounts receivable	Provision for bad debt	Provision ratio (%)
Within 1 year (including 1 year)	605,638,163.31	30,290,732.13	5.00
1 to 2 years	11,119,411.88	1,111,941.20	10.00
2 to 3 years	2,203,058.80	440,611.76	20.00
3 to 4 years	4,358,025.13	1,743,210.06	40.00
4 to 5 years	2,121,558.51	848,623.40	40.00
Over 5 years	1,435,964.50	1,148,771.60	80.00
Total	626,876,182.13	35,583,890.15	5.68

(b) Provision, recovery or reversal of bad debt

Bad debt provided during the reporting period amounted to CNY17,587,294.00; the reversal of the provision for bad debt during the reporting period amounted to CNY3,555,613.38.

(c) Accounts receivables written-off during the reporting period

The written-off of the provision for bad debt during the reporting period amounted to CNY5,020,547.55.

(d) Top five closing balances by entity

Entity name	Balance at 31 Dec 2019	Proportion of the balance to the total accounts receivable (%)	Provision for bad debt
Shaoxing Jinteng Transportation Construction Co., Ltd.	48,762,428.45	7.70	2,438,121.42
Shaoxing Keqiao Jiangbin Water Treatment Co., Ltd.	33,309,626.90	5.26	1,665,481.35

Entity name	Balance at 31 Dec 2019	Proportion of the balance to the total accounts receivable (%)	Provision for bad debt
China Construction Eighth Engineering Division Corp., Ltd.	32,548,809.79	5.14	1,627,440.49
Shaoxing Water Treatment Development Co., Ltd.	25,525,271.13	4.03	1,276,263.56
Hangzhou Xiaoshan Sewage Treatment Co., Ltd.	22,930,608.46	3.62	1,146,530.42
Total	163,076,744.73	25.75	8,153,837.23

(e) Derecognition of accounts receivables for transfer of financial assets: There is no such item.

(f) The amount of assets and liabilities formed by transferring accounts receivables and continuing to be involved: There is no such item.

5.5 Prepayments

(a) Prepayments by aging

Aging	31 Dec 2019		31 Dec 2018	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year (including 1 year)	534,050,387.53	66.56	476,190,504.53	62.42
1 to 2 years	25,353,312.46	3.16	22,540,630.15	2.96
2 to 3 years	19,175,121.00	2.39	30,962,542.48	4.06
Over 3 years	223,740,771.58	27.89	233,078,662.78	30.56
Total	802,319,592.57	100.00	762,772,339.94	100.00

Note: The significant balance with aging more than one year is mainly as a result of that the project payment has not been settled.

(b) Top four closing balances by entity

Entity name	Balance at 31 Dec 2019	Proportion of the balance to the total prepayments (%)
China Railway 22nd Bureau Group Co., Ltd.	205,980,000.00	25.67
Hangzhou Local Railway Development Co., Ltd.	150,000,000.00	18.70

Entity name	Balance at 31 Dec 2019	Proportion of the balance to the total prepayments (%)
Shaoxing Keqiao District Sport Center Investment Development Operation Co., Ltd.	150,000,000.00	18.70
Shaoxing Daming Electric Power Construction Co., Ltd. Branch	65,679,054.00	8.19
Total	571,659,054.00	71.26

5.6 Other Receivables

(a) Other receivables by category

Items	31 Dec 2019	31 Dec 2018
Interest receivable		
Dividend receivable		
Other receivables	1,926,779,726.23	1,306,421,883.62
Total	1,926,779,726.23	1,306,421,883.62

(b) Interest receivable

There is no such item.

(c) Dividends receivable

There is no such item.

(d) Other Receivables

(d.1) Other receivables by category

Items	31 Dec 2019				
	Other receivables		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables with individually significant balance and provision for bad debt recognized individually	8,500,000.00	0.43	8,500,000.00	100.00	
Other receivables with bad debt provision recognized collectively by similar credit risk characteristics	1,970,260,596.30	99.57	43,480,870.07	2.21	1,926,779,726.23
Portfolio 1	1,729,232,757.38	87.39			1,729,232,757.38

Items	31 Dec 2019				
	Other receivables		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Portfolio 2	241,027,838.92	12.18	43,480,870.07	18.04	197,546,968.85
Other receivable with individually insignificant balance but recognized provision for bad debt individually					
Total	1,978,760,596.30	100.00	51,980,870.07	2.63	1,926,779,726.23

(Continued)

Items	31 Dec 2018				
	Other receivables		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables with individually significant balance and provision for bad debt recognized individually	8,500,000.00	0.63	8,500,000.00	100.00	
Other receivables with bad debt provision recognized collectively by similar credit risk characteristics	1,342,308,527.37	99.37	35,886,643.75	2.67	1,306,421,883.62
Portfolio 1	1,008,259,006.05	74.64			1,008,259,006.05
Portfolio 2	334,049,521.33	24.73	35,886,643.75	10.74	298,162,877.58
Other receivables with individually insignificant balance but recognized provision for bad debt individually					
Total	1,350,808,527.38	100.00	44,386,643.75	3.29	1,306,421,883.62

(d.2) Other receivables with individually significant balance and recognized provision for bad debt individually

Entity name	31 Dec 2019			
	Other receivables	Provision for bad debt	Provision ratio (%)	Reason
Shaoxing Finance Development Company	8,500,000.00	8,500,000.00	100.00	Deterioration of operation
Total	8,500,000.00	8,500,000.00	100.00	

(d.3) In portfolio 1, details of significant other receivables are as follows:

Entity name	31 Dec 2019		
	Other receivables	Provision for bad debt	Proportion ratio (%)
Shaoxing Keqiao District Construction Group Co., Ltd.	627,740,712.33		
Shaoxing Binhai Xincheng Development Investment Co., Ltd.	206,132,075.47		
Shaoxing Old City Renovation Office	199,661,967.73		
Shaoxing Housing and Urban-rural Construction Bureau	215,045,771.00		
Shaoxing Yuecheng Ancient City Renewal Investment Co., Ltd.	126,485,294.01		
Other sporadic entities	354,166,936.84		
Total	1,729,232,757.38		

(d.4) In portfolio 2, other receivables with bad debt provision recognized collectively by aging analysis

Aging	31 Dec 2019		
	Other receivables	Provision for bad debt	Provision ratio (%)
Within 1 year (including 1 year)	80,777,265.10	4,038,863.26	5.00
1 to 2 years	80,977,343.83	8,097,734.37	10.00
2 to 3 years	14,587,357.48	2,917,471.50	20.00
3 to 4 years	38,898,543.80	15,559,417.51	40.00
4 to 5 years	19,406,198.85	7,762,479.54	40.00
Over 5 years	6,381,129.86	5,104,903.89	80.00
Total	241,027,838.92	43,480,870.07	18.04

(d.5) Provision, recovery or reversal of bad debt

Bad debt provided during the reporting period amounted to CNY12,313,614.12; the reversal of the provision for bad debt during the reporting period amounted to CNY3,502,024.11.

(d.6) Other receivables written-off during the reporting period

The written-off of the provision for bad debt during the reporting period amounted to CNY1,217,363.69.

(d.7) Top five closing balances by entity

Entity name	Nature	Balance at 31 Dec 2019	Aging	Proportion of the balance to the total other receivables (%)	Provision for bad debt
Shaoxing Keqiao District Construction Group Co., Ltd.	Borrowings	627,740,712.33	Within 1 year	31.72	
Shaoxing Binhai Xincheng Development Investment Co., Ltd.	Current payment	206,500,500.00	Within 1 year	10.44	
Shaoxing Old City Renovation Office	Current payment	199,661,967.73	1 to 5 years	10.09	
Shaoxing Housing and Urban-rural Construction Bureau	Current payment	215,045,771.00	Above 2 to 5 years	10.87	
Shaoxing Yuecheng Ancient City Renewal Investment Co., Ltd.	Current payment	126,485,294.01	Within 1 year	6.39	
Total		1,375,434,245.07		69.51	

(d.8) Other receivables relating to government grants

There is no such item.

(d.9) Derecognition of other receivables for transfer of financial assets

There is no such item.

(d.10) The amount of assets and liabilities formed by transferring other receivables and continuing to be involved

There is no such item.

5.7 Inventories

(a) Inventories by category

Items	31 Dec 2019			31 Dec 2018		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Raw materials	108,659,116.90	18,085.09	108,641,031.81	53,410,864.06		53,410,864.06
Packaging and low value consumable goods	6,132.75		6,132.75	136,322.53		136,322.53
Stock product	66,882,028.30	39,701.08	66,842,327.22	52,358,420.06	39,701.08	52,318,718.98
Work-in-process	7,862,095.67		7,862,095.67	66,927,932.47		66,927,932.47
Semi-finished goods	348,592.54		348,592.54	35,241.56		35,241.56
Development costs	10,432,194,840.08		10,432,194,840.08	9,810,509,587.19		9,810,509,587.19
Development product	1,582,555,400.74		1,582,555,400.74	1,324,374,044.07		1,324,374,044.07
Construction	99,552,331.46		99,552,331.46	92,649,139.81		92,649,139.81
Others	196,615.19		196,615.19	468,316.85		468,316.85
Total	12,298,257,153.63	57,786.17	12,298,199,367.46	11,400,869,868.60	39,701.08	11,400,830,167.52

(b) Provision for impairment

Impairment provided during the reporting period amounted to CNY18,085.09.

(c) As at 31 December 2019, the land to be developed with a carrying amount of CNY41,134,820.82 is used for loan mortgage, and the land had an amount of CNY262,000,000.00 without warrants.

(d) Work performed but not yet settled under construction contracts

There is no such item.

5.8 Other Current Assets

Items	31 Dec 2019	31 Dec 2018
Prepaid tax	89,418,646.57	71,941,275.06
VAT allowance	21,208,186.67	49,527,916.36
Pending deduct VAT on purchase	17,539,530.05	23,206,311.96

Items	31 Dec 2019	31 Dec 2018
Financial products	7,000,000.00	263,372,354.85
Deferred expenses	2,497,669.94	679,875.21
Non-performing asset package		3,112,809,099.32
Assets management plan		238,332,489.86
Trust plan		240,000,000.00
Others	339,573.56	349,309.12
Total	138,003,606.79	4,000,218,631.74

5.9 Available-for-sale Financial Assets

(a) General information of available-for-sale financial assets

Items	31 Dec 2019			31 Dec 2018		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Available-for-sale debt instruments						
Available-for-sale equity instruments	680,600,700.00	20,000.00	680,580,700.00	48,482,000.00	20,000.00	48,462,000.00
Measured at fair value						
Measured at cost	680,600,700.00	20,000.00	680,580,700.00	48,482,000.00	20,000.00	48,462,000.00
Total	680,600,700.00	20,000.00	680,580,700.00	48,482,000.00	20,000.00	48,462,000.00

(b) Available-for-sale financial assets measured at cost

Investees	Book value			
	31 Dec 2018	Increase during the reporting period	Decrease during the reporting period	31 Dec 2019
Shaoxing Luxun Native Place Co., Ltd.	10,000,000.00			10,000,000.00
Shaoxing Shuicheng Tourism Co., Ltd.	1,600,000.00			1,600,000.00
Bank of Shaoxing Co., Ltd.	10,140,000.00			10,140,000.00
Shaoxing Construction	22,212,000.00			22,212,000.00

Investees	Book value			
	31 Dec 2018	Increase during the reporting period	Decrease during the reporting period	31 Dec 2019
Credit Guarantee Co., Ltd.				
Shaoxing Human Resource Apartment Property Management Co., Ltd.	4,500,000.00			4,500,000.00
Shaoxing Enterprise Directors Association	10,000.00			10,000.00
Shaoxing Industrial Supply & Sales Company	20,000.00			20,000.00
Shanghai Yangtze River Delta Xietong Advantage Industrial Equity Investment Partnership (Limited Partnership)		150,000,000.00		150,000,000.00
Shaoxing Shengyue Construction Development Co., Ltd.		146,239,400.00		146,239,400.00
China Energy Construction (Shaoxing) Construction Development Co., Ltd.		123,106,200.00		123,106,200.00
China Construction (Shaoxing) Infrastructure Construction Co., Ltd.		170,773,100.00		170,773,100.00
Shaoxing City Style Tourism Shinkansen Construction Co., Ltd.		2,000,000.00		2,000,000.00
Zhejiang Heda Technology Co., Ltd.		40,000,000.00		40,000,000.00
Total	48,482,000.00	632,118,700.00		680,600,700.00

(Continued)

Investees	Provision for impairment				Share of interest in investee (%)	Cash dividends for the year ended 31 Dec 2019
	31 Dec 2018	Increase during the reporting period	Decrease during the reporting period	31 Dec 2019		
Shaoxing Luxun Native Place Co., Ltd.					12.50	
Shaoxing Shuicheng Tourism Co., Ltd.					10.00	
Bank of Shaoxing Co., Ltd.	20,000.00			20,000.00		
Shaoxing Construction Credit Guarantee Co., Ltd.					3.27	
Shaoxing Human Resource Apartment Property Management Co., Ltd.					3.06	
Shaoxing Enterprise Directors Association						
Shaoxing Industrial Supply & Sales Company						
Shanghai Yangtze River Delta Xietong Advantage Industrial Equity Investment Partnership (Limited Partnership)					6.94	
Shaoxing Shengyue Construction Development Co., Ltd.					30.00	
China Energy Construction (Shaoxing) Construction Development Co., Ltd.					30.00	
China Construction (Shaoxing) Infrastructure Construction Co., Ltd.					30.00	
Shaoxing City Style Tourism Shinkansen Construction Co., Ltd.					1.00	

Investees	Provision for impairment				Share of interest in investee (%)	Cash dividends for the year ended 31 Dec 2019
	31 Dec 2018	Increase during the reporting period	Decrease during the reporting period	31 Dec 2019		
Zhejiang Heda Technology Co., Ltd.					4.78	
Total	20,000.00			20,000.00		

(c) Changes in provision for impairment during the reporting period

There is no such item.

5.10 Long-term Receivables**(a) General information of long-term receivables:**

Items	31 Dec 2019			31 Dec 2018		
	Book value	Provision for bad debt	Carrying amount	Book value	Provision for bad debt	Carrying amount
Finance lease deposit				8,000,000.00		8,000,000.00
Trust Industry Protection Fund	47,500,000.00		47,500,000.00			
Total	47,500,000.00		47,500,000.00	8,000,000.00		8,000,000.00

5.11 Long-term Equity Investments

Investees	31 Dec 2018	Changes during the reporting period				
		Increase during the reporting period	Decrease during the reporting period	Gains/(losses) on investments under the equity method	Adjustments of other comprehensive income	Changes in other equity
I. Joint ventures						
Zhejiang Jianhu Real Estate Development Co., Ltd.	33,591,400.07		31,565,431.25	-2,025,968.82		
Subtotal	33,591,400.07		31,565,431.25	-2,025,968.82		
II.						

Investees	31 Dec 2018	Changes during the reporting period				
		Increase during the reporting period	Decrease during the reporting period	Gains/(losses) on investments under the equity method	Adjustments of other comprehensive income	Changes in other equity
Associates						
Shaoxing Anshun Hotel Management Co., Ltd.	6,668,452.99			111,501.43		
Shaoxing Dajianghu Hot Spring Investment Management Co., Ltd.	17,827,745.42	3,675,000.00		-2,871,106.12		
Shaoxing Pingshui Engineering Quality Testing Co., Ltd.	3,000,000.00					
Shaoxing Chengtian Asset Management Co., Ltd.	3,850,384.07		3,850,384.07			
Shaoxing Zheling Asset Management Co., Ltd.	2,662,645.10		2,662,645.10			
Shaoxing Urban Rail Engineering Wastelands Engineering Transportati	6,256,600.39					

Investees	31 Dec 2018	Changes during the reporting period				
		Increase during the reporting period	Decrease during the reporting period	Gains/(losses) on investments under the equity method	Adjustments of other comprehensive income	Changes in other equity
on Co., Ltd.[Note 1]						
Shaoxing Jingyue Metro Co., Ltd.		862,400,000.00				
Zhejiang Baocheng Engineering Design Co., Ltd.	1,050,000.00			384,841.98		
Zhejiang Zhe'neng Binhai Environment Protection Energy Co., Ltd.	11,000,000.00	21,000,000.00				
Zhejiang Shaoxing Heda Water Technologies Co., Ltd.	5,054,301.27			1,838,396.88		
Hebei Xing'an Water Co., Ltd.	8,243,789.17			820,563.60		
Shaoxing Shuicheng Tourism Co., Ltd.	3,909,070.72			175,092.50		
Shaoxing Village Alteration	32,000,000.00					

Investees	31 Dec 2018	Changes during the reporting period				
		Increase during the reporting period	Decrease during the reporting period	Gains/(losses) on investments under the equity method	Adjustments of other comprehensive income	Changes in other equity
Construction Investment Co., Ltd.						
Shaoxing PetroChina Kunlun Gas Ltd.	30,408,141.74			29,873,818.34		
Shaoxing Jiangbin Natural Gas Co., Ltd.	8,656,543.84			128,827.88		
Shaoxing Welle Kitchen Waste Recycling and Utilizing Co., Ltd.	10,944,456.29			-151,440.53		
Shaoxing Lantian Environmental Protection Development Co., Ltd.				7,086,380.54		21,986,319.08
Shaoxing Keqiao Riverside Water Treatment Co., Ltd.		4,000,000.00		-4,000,000.00		
Shaoxing		160,000,000.00		-160,000,000.00		

Investees	31 Dec 2018	Changes during the reporting period				
		Increase during the reporting period	Decrease during the reporting period	Gains/(losses) on investments under the equity method	Adjustments of other comprehensive income	Changes in other equity
Water Treatment Co., Ltd.						
Zhejiang Water Butler Environmental Service Co., Ltd.		4,900,000.00		63,580.05		
Jiangsu Xinglian Water Affairs Co., Ltd.		7,000,000.00		-100,642.55		
Shaoxing Smart City Research Institute Co., Ltd.		500,000.00		47,564.19		
Subtotal	151,532,130.99	1,063,475,000.00	6,513,029.17	-126,592,621.81		21,986,319.08
Total	185,123,531.07	1,063,475,000.00	38,078,460.42	-128,618,590.63		21,986,319.08

(Continued)

Investees	Changes during the reporting period			31 Dec 2019	Provision for impairment at 31 Dec 2019
	Declaration of cash dividends or distribution of profit	Provision for impairment	Others		
I. Joint ventures					
Zhejiang Jianhu Real Estate Development Co., Ltd.					

Investees	Changes during the reporting period			31 Dec 2019	Provision for impairment at 31 Dec 2019
	Declaration of cash dividends or distribution of profit	Provision for impairment	Others		
Subtotal					
II. Associates					
Shaoxing Anshun Hotel Management Co., Ltd.				6,779,954.42	
Shaoxing Dajianghu Hot Spring Investment Management Co., Ltd.				18,631,639.30	
Shaoxing Pingshui Engineering Quality Testing Co., Ltd.				3,000,000.00	
Shaoxing Chengtian Asset Management Co., Ltd.				-	
Shaoxing Zheling Asset Management Co., Ltd.				-	
Shaoxing Urban Rail Engineering Wastelands Engineering Transportation Co., Ltd.			6,256,600.39	-	
Shaoxing Jingyue Metro Co., Ltd.				862,400,000.00	
Zhejiang Baocheng Engineering Design Co., Ltd.				1,434,841.98	
Zhejiang Zhe'neng Binhai				32,000,000.00	

Investees	Changes during the reporting period			31 Dec 2019	Provision for impairment at 31 Dec 2019
	Declaration of cash dividends or distribution of profit	Provision for impairment	Others		
Environment Protection Energy Co., Ltd.					
Zhejiang Shaoxing Heda Water Technologies Co., Ltd.				6,892,698.15	
Hebei Xing'an Water Co., Ltd.				9,064,352.77	
Shaoxing Shuicheng Tourism Co., Ltd.				4,084,163.22	
Shaoxing Village Alteration Construction Investment Co., Ltd.				32,000,000.00	
Shaoxing PetroChina Kunlun Gas Ltd.	16,745,016.76			43,536,943.32	
Shaoxing Jiangbin Natural Gas Co., Ltd.				8,785,371.72	
Shaoxing Welle Kitchen Waste Recycling and Utilizing Co., Ltd.				10,793,015.76	
Shaoxing Lantian Environmental Protection Development Co., Ltd.				29,072,699.62	
Shaoxing Keqiao Riverside Water Treatment Co.,					

Investees	Changes during the reporting period			31 Dec 2019	Provision for impairment at 31 Dec 2019
	Declaration of cash dividends or distribution of profit	Provision for impairment	Others		
Ltd.					
Shaoxing Water Treatment Co., Ltd.					
Zhejiang Water Butler Environmental Service Co., Ltd.				4,963,580.05	
Jiangsu Xinglian Water Affairs Co., Ltd.				6,899,357.45	
Shaoxing Smart City Research Institute Co., Ltd.				547,564.19	
Subtotal	16,745,016.76		6,256,600.39	1,080,886,181.95	
Total	16,745,016.76		6,256,600.39	1,080,886,181.95	

Note 1: The other decreasing was that Shaoxing Urban Construction Group Co., Ltd. signed a concerted action agreement with Metro Property Co. (The Company's holding Sub-subsidiary) in 2019, who promise to adopt the consensus opinion in external voting, and the opinion of Metro Property Co. shall prevail. The accounting method of Shaoxing Urban Rail Engineering Wastelands Engineering Transportation Co., Ltd. changed from equity method to cost method.

5.12 Investment Properties

(a) Investment properties accounted for using cost model

Items	Buildings and constructions	Total
Initial cost:		
Balance at 31 Dec 2018	873,208,397.00	873,208,397.00
Increase during the reporting period	88,678,313.82	88,678,313.82
(i) Acquisition	23,130,631.06	23,130,631.06

Items	Buildings and constructions	Total
(ii) Transfer from inventories		
(iii) Business combination		
(iv) Free transfer	65,547,682.76	65,547,682.76
Decrease during the reporting period	34,278,157.85	34,278,157.85
(i) Disposal	34,278,157.85	34,278,157.85
(ii) Others		
Balance at 31 Dec 2019	927,608,552.97	927,608,552.97
Accumulated depreciation and amortization:		
Balance at 31 Dec 2018	183,756,537.55	183,756,537.55
Increase during the reporting period	24,541,619.16	24,541,619.16
(i) Provision	23,477,116.99	23,477,116.99
(ii) Free transfer	1,064,502.17	1,064,502.17
Decrease during the reporting period	4,065,590.38	4,065,590.38
(i) Disposal	4,065,590.38	4,065,590.38
(ii) Others		
Balance at 31 Dec 2019	204,232,566.33	204,232,566.33
Provision for impairment		
Balance at 31 Dec 2018		
Increase during the reporting period		
(i) Provision		
Decrease during the reporting period		
(i) Disposal		
(ii) Others		
Balance at 31 Dec 2019		
Carrying amount:		
Balance at 31 Dec 2019	723,375,986.64	723,375,986.64
Balance at 31 Dec 2018	689,451,859.45	689,451,859.45

5.13 Property, plant and equipment

(a) Property, plant and equipment by category

Items	31 Dec 2019	31 Dec 2018
Property, plant and equipment	16,210,320,101.56	15,432,335,790.66
Disposal of property, plant and equipment	922,342.58	710,525.99
Total	16,211,242,444.14	15,433,046,316.65

Note: Property, plant and equipment listed above is the net result of property, plant and equipment after deducting disposal of property, plant and equipment.

(b) Property, plant and equipment

(b.1) General information of property, plant and equipment

Items	Buildings and constructions	Machinery equipment	Electronic equipment	Vehicle	Electrical equipment	Dedicated equipment	Office equipment	Other equipment	Total
Initial cost:									
Balance at 31 Dec 2018	15,379,137,506.70	3,232,631,900.08	16,305,427.66	270,910,441.14	3,827,245.41	4,105,576,209.14	7,964,734.48	155,230,618.97	23,171,584,083.58
Increase during the reporting period	2,382,004,618.85	182,224,609.66	1,186,097.48	34,643,266.67	39,734.54	14,112,933.64	17,957,022.13	106,060,609.71	2,738,228,892.68
(i) Acquisition	72,060,324.11	47,918,260.87	1,127,373.41	26,460,656.23	39,734.54	2,454,512.39	1,258,575.90	94,186,897.38	245,506,334.83
(ii) Transfer from construction in progress	2,309,944,294.74	134,306,348.79				11,658,421.25	15,759,378.01	11,175,677.17	2,482,844,119.96
(iii) Business combination			58,724.07	8,182,610.44			939,068.22	698,035.16	9,878,437.89
Decrease during the reporting period	1,244,096,573.82	1,569,940,679.36	2,581,677.52	162,482,956.45	242,522.58	8,564,682.97	1,038,757.60	45,653,892.42	3,034,601,742.72
(i) Disposal	9,813,462.62	5,024,638.80	792,575.64	3,696,007.51	242,522.58	8,490,568.37	69,037.55	21,902,467.59	50,031,280.66
(ii) Business combination	1,234,283,111.20	1,564,916,040.56	1,789,101.88	158,786,948.94		74,114.60	969,720.05	23,751,424.83	2,984,570,462.06
Balance at 31 Dec 2019	16,517,045,551.73	1,844,915,830.38	14,909,847.62	143,070,751.36	3,624,457.37	4,111,124,459.81	24,882,999.01	215,637,336.26	22,875,211,233.54
Accumulated									

Items	Buildings and constructions	Machinery equipment	Electronic equipment	Vehicle	Electrical equipment	Dedicated equipment	Office equipment	Other equipment	Total
depreciation:									
Balance at 31 Dec 2018	3,921,336,781.69	1,877,456,443.18	12,146,511.89	79,565,129.58	1,902,684.99	1,760,625,321.20	4,596,936.38	71,664,632.44	7,729,294,441.35
Increase during the reporting period	394,765,252.96	213,637,538.41	668,986.06	14,767,400.69	121,454.35	179,268,052.70	2,815,588.87	74,333,891.93	880,378,165.97
(i) Provision	394,765,252.96	213,637,538.41	655,488.80	13,822,408.92	121,454.35	179,268,052.70	2,580,869.96	73,721,813.77	878,572,879.87
(ii) Transfer from construction in progress			13,497.26	944,991.77			234,718.91	612,078.16	1,805,286.10
Decrease during the reporting period	845,716,926.29	1,079,636,840.90	1,248,571.25	14,842,815.28	232,454.70	1,257,679.94	352,757.52	11,447,281.03	1,954,735,326.91
(i) Disposal	1,008,991.91	12,629,658.16	681,676.59	3,585,588.70	232,454.70	1,225,848.80	27,099.84	4,043,804.80	23,435,123.50
(ii) Business combination	844,707,934.38	1,067,007,182.74	566,894.66	11,257,226.58		31,831.14	325,657.68	7,403,476.23	1,931,300,203.41
Balance at 31 Dec 2019	3,470,385,108.36	1,011,457,140.69	11,566,926.70	79,489,714.99	1,791,684.64	1,938,635,693.96	7,059,767.73	134,551,243.34	6,654,937,280.41
Provision for impairment:									
Balance at 31 Dec 2018		1,311,812.40				8,642,039.17			9,953,851.57
Increase during the reporting period									
(i) Provision									
Decrease during the reporting period									

Items	Buildings and constructions	Machinery equipment	Electronic equipment	Vehicle	Electrical equipment	Dedicated equipment	Office equipment	Other equipment	Total
(i) Disposal									
Balance at 31 Dec 2019		1,311,812.4				8,642,039.17			9,953,851.57
Carrying amount:									
Balance at 31 Dec 2019	13,046,660,443.37	832,146,877.29	3,342,920.92	63,581,036.37	1,832,772.73	2,163,846,726.68	17,823,231.28	81,086,092.92	16,210,320,101.56
Balance at 31 Dec 2018	11,457,800,725.01	1,353,863,644.50	4,158,915.77	191,345,311.56	1,924,560.42	2,336,308,848.77	3,367,798.10	83,565,986.53	15,432,335,790.66

(b.2) Idle property, plant and equipment: There is no such item.

(b.3) Property, plant and equipment acquired under finance leases: There is no such item.

(b.4) Property, plant and equipment leasing out under operating leases: There is no such item.

(b.5) Property, plant and equipment without certificate of title

As at 31 December 2019, there are still CNY2,810,219,523.12 in property, plant and equipment without certificate of title.

(b.6) Restricted property, plant and equipment

As at 31 December 2019, property, plant and equipment with the carrying amount of CNY114,894,542.81 is used for mortgage loan.

(c) Disposal of property, plant and equipment

Items	31 Dec 2019	31 Dec 2018
Discard and disposal	922,342.58	710,525.99
Total	922,342.58	710,525.99

5.14 Construction in Progress

(a) Construction in progress by category

Items	31 Dec 2019	31 Dec 2018
Construction in progress	12,264,708,630.63	12,462,509,991.37
Construction materials		
Total	12,264,708,630.63	12,462,509,991.37

Note: Construction in progress listed above is the net result of construction in

progress after deducting construction materials.

(b) Construction in progress

(b.1) General information of construction in progress

Items	31 Dec 2019			31 Dec 2018		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
River dredging and improvement works	3,158,321,234.13		3,158,321,234.13	3,161,210,047.15		3,161,210,047.15
Olympic sports center project	1,234,996,387.83		1,234,996,387.83	1,222,801,234.02		1,222,801,234.02
Reconstruction of National Highway 329 Smart Expressway project	946,735,410.00		946,735,410.00	17,261,507.14		17,261,507.14
Urban investment business building project	910,926,253.25		910,926,253.25	877,675,278.92		877,675,278.92
Metro line 1	905,361,775.54		905,361,775.54	504,195,515.79		504,195,515.79
Second Ring road transformation and relocation project	706,056,936.32		706,056,936.32	791,385,579.01		791,385,579.01
Wanxiu road vehicle base	518,181,833.04		518,181,833.04	344,507,202.04		344,507,202.04
Qingneng Environmental Protection Relocation Project	374,574,228.23		374,574,228.23			
Cultural centre project	341,862,468.93		341,862,468.93	340,152,249.03		340,152,249.03
Technology centre project	257,670,481.44		257,670,481.44	255,658,399.19		255,658,399.19
S308 Provincial Highway (Second Ring Road West Intelligent Expressway) Reconstruction Project	235,250,699.48		235,250,699.48	34,400.00		34,400.00

Items	31 Dec 2019			31 Dec 2018		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Sewage collection project	219,158,151.40		219,158,151.40	403,127,869.10		403,127,869.10
Science and technology culture plaza	204,808,707.85		204,808,707.85	203,182,701.85		203,182,701.85
Gas industry pipe network shop construction	181,704,241.45		181,704,241.45	135,292,408.27		135,292,408.27
Comprehensive tax service building project	175,631,592.84		175,631,592.84	171,326,887.28		171,326,887.28
Binhai Construction of "Ten Road and Three Bridges" Supporting Project	137,111,661.14		137,111,661.14	131,699,625.41		131,699,625.41
Water supply engineering in Water company	141,611,975.78		141,611,975.78	94,625,140.28		94,625,140.28
Water supply engineering, etc	17,471,837.47		17,471,837.47	241,171,332.18		241,171,332.18
Zhongxing south road extension project				193,253,145.70		193,253,145.70
Second Ring road north widening project				217,652,780.46		217,652,780.46
Zhongxing south road phase ii				438,816,206.54		438,816,206.54
Pianmen Wool Spinning Factory land (Xiaotang pinyuan)				233,364,101.86		233,364,101.86
Other sporadic projects	1,597,272,754.51		1,597,272,754.51	2,484,116,380.15		2,484,116,380.15
Total	12,264,708,630.63		12,264,708,630.63	12,462,509,991.37		12,462,509,991.37

(c) Construction Materials

There is no such item.

5.15 Intangible Assets**(a) General information of intangible assets**

Items	Land use right	Software	Franchise use right	Total
Initial cost:				
Balance at 31 Dec 2018	820,455,352.33	41,256,330.75	837,881,373.63	1,699,593,056.71
Increase during the reporting period	102,120,526.98	48,169,361.82	4,876,334.09	155,166,222.89
(i) Acquisition	102,120,526.98	25,933,278.96	4,876,334.09	132,930,140.03
(ii) Internal research and development		22,236,082.86		22,236,082.86
Decrease during the reporting period	43,041,001.41	3,349,607.08		46,390,608.49
(i) Business combination	43,041,001.41	3,349,607.08		46,390,608.49
Balance at 31 Dec 2019	879,534,877.90	86,076,085.49	842,757,707.72	1,808,368,671.11
Accumulated amortization:				
Balance at 31 Dec 2018	111,665,337.13	8,116,884.37	5,695,770.59	125,477,992.09
Increase during the reporting period	23,686,597.73	8,776,337.38	33,752,152.95	66,215,088.06
(i) Provision	23,686,597.73	8,776,337.38	33,752,152.95	66,215,088.06
Decrease during the reporting period	13,886,565.01	1,874,111.00		15,760,676.01
(i) Business combination	13,886,565.01	1,874,111.00		15,760,676.01
Balance at 31 Dec 2019	121,465,369.85	15,019,110.75	39,447,923.54	175,932,404.14
Provision for impairment:				
Balance at 31 Dec 2018				
Increase during the reporting period				
(i) Provision				
Decrease during the reporting period				
(i) Disposal				

Items	Land use right	Software	Franchise use right	Total
Balance at 31 Dec 2019				
Carrying amount:				
Balance at 31 Dec 2019	758,069,508.05	71,056,974.74	803,309,784.18	1,632,436,266.97
Balance at 31 Dec 2018	708,790,015.20	33,139,446.38	832,185,603.04	1,574,115,064.62

(b) At the end of the reporting period, the proportion of intangible assets arising from internal research and development project to the total intangible assets is 1.35%.

(c) Restricted land use right: Land use right with the carrying amount of CNY22,144,676.50 is used for mortgage loan.

5.16 Goodwill

(a) Initial recognition

Investees or matters that goodwill arising from	31 Dec 2018	Increase during the reporting period		Decrease during the reporting period		31 Dec 2019
		Business combination	others	Disposal	others	
Shaoxing Qingneng Environmental Protection Co., Ltd.	69,094,695.38					69,094,695.38
Shaoxing Urban Construction Municipal Construction Co., Ltd.	5,282,373.56					5,282,373.56
Total	74,377,068.94					74,377,068.94

(b) Provision for impairment

Investees or matters that goodwill arising from	31 Dec 2018	Increase during the reporting period		Decrease during the reporting period		31 Dec 2019
		Provision	others	Disposal	others	
Shaoxing Qingneng Environmental Protection Co., Ltd.	69,094,695.38					69,094,695.38
Total	69,094,695.38					69,094,695.38

Note: Shaoxing Qingneng Environmental Protection Co., Ltd. has incurred a huge loss, and the current assets are expected to bring economic benefits to the

enterprise is much lower than the carrying amount, so the impairment of this part of goodwill is fully calculated.

5.17 Long-term Deferred Expenses

Items	31 Dec 2018	Increase during the reporting period	Amortization during the reporting period	Other decrease during the reporting period	31 Dec 2019
Finance expenses	23,395,833.41		5,829,999.97	11,250,000.00	6,315,833.44
Advertising place demolition project	128,021.60		128,021.60		
Decoration expenses	10,344,895.51	3,283,931.23	2,831,401.68	4,010,117.22	6,787,307.84
others	22,018,162.40	10,132,833.09	5,583,175.42		26,567,820.07
Total	55,886,912.92	13,416,764.32	14,372,598.67	15,260,117.22	39,670,961.35

5.18 Deferred Tax Assets and Deferred Tax Liabilities

(a) Deferred tax assets before offsetting

Items	31 Dec 2019		31 Dec 2018	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment loss	88,835,099.87	21,410,883.39	104,650,572.40	26,162,643.10
Unpaid employee compensation			6,923,558.28	1,730,889.57
Deferred income	27,341,906.16	6,835,476.54	34,889,322.48	8,722,330.62
Total	116,177,006.03	28,246,359.93	146,463,453.16	36,615,863.29

(b) Deferred tax liabilities before offsetting

Items	31 Dec 2019		31 Dec 2018	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Appraisal and appreciation of assets of business consolidation not under common control	71,647,153.68	17,911,788.42	73,619,093.68	18,404,773.42
Total	71,647,153.68	17,911,788.42	73,619,093.68	18,404,773.42

5.19 Other Non-current Assets

Items	31 Dec 2019	31 Dec 2018
B.T. municipal infrastructure projects	199,704,857.52	199,704,857.52
Pending deduct VAT on purchase	114,800,017.20	106,964,516.86
Long-term asset purchase	6,316,615.80	14,254,605.05
Total	320,821,490.52	320,923,979.43

5.20 Short-term Borrowings**(a) Disclosure of short-term borrowings by category**

Items	31 Dec 2019	31 Dec 2018
Credit loans		1,639,000,000.00
Guarantee loans	958,100,000.00	1,457,190,000.00
Mortgage loans	65,000,000.00	45,000,000.00
Total	1,023,100,000.00	3,141,190,000.00

(b) Overdue short-term borrowings

There is no such item.

5.21 Notes Payable**(a) Notes payable by category**

Items	31 Dec 2019	31 Dec 2018
Bank acceptance bills	136,311,976.75	14,716,398.00
Total	136,311,976.75	14,716,398.00

5.22 Accounts Payable**(a) Accounts payable categorized by ages:**

Items	31 Dec 2019	31 Dec 2018
Within 1 years	699,726,090.34	1,256,517,383.28
1 to 2 years	402,126,536.03	158,844,214.47
2 to 3 years	62,720,279.22	19,124,630.94
Above 3 years	111,266,437.57	103,657,289.50
Total	1,275,839,343.16	1,538,143,518.19

(b) Significant balances of accounts payable

Items	31 Dec 2019	Proportion of the balance to the total trade payables(%)	Nature
Shaoxing Changcheng Architectural Labor Services subcontracting Co., Ltd.	256,701,074.43	20.12	Project payment
Chongqing Sanfeng Covanta Environment Industry Co., Ltd.	40,862,125.61	3.20	Project payment
Zhejiang Rongsheng Construction Development Co., Ltd.	30,147,870.46	2.36	Project payment
Zhejiang Weiye Construction Co., Ltd.	30,096,063.74	2.36	Project payment
Zhejiang Natural Gas Development Co., Ltd.	23,571,043.97	1.85	Project payment
Total	381,378,178.21	29.89	

5.23 Advances from customers

(a) Advances from customers categorized by ages

Items	31 Dec 2019	31 Dec 2018
Within 1 years	177,859,052.07	414,286,074.99
1 to 2years	226,821,623.57	597,529,903.19
2 to 3years	46,904,746.45	109,137,095.25
Above 3 years	161,893,547.39	159,986,670.85
Total	613,478,969.48	1,280,939,744.28

(b) Significant balances of advances from customers

Items	31 Dec 2019	Reason
China CITIC Bank Corporation Limited Shaoxing Branch	175,337,723.80	Purchase money
Total	175,337,723.80	

5.24 Employee Benefits Payable

(a) Details of employee benefits payable

Items	31 Dec 2018	Increase during the reporting period	Decrease during the reporting period	31 Dec 2019
I .Short-term employee benefits	80,456,497.68	559,271,414.66	591,595,619.25	48,132,293.09

Items	31 Dec 2018	Increase during the reporting period	Decrease during the reporting period	31 Dec 2019
II .Post-employment benefits-defined contribution plans	1,215,278.53	66,734,681.46	66,720,297.57	1,229,662.42
III.Termination benefits		2,180,647.00	2,180,647.00	
IV .Other benefits due within one year				
V .Others				
Total	81,671,776.21	628,186,743.12	660,496,563.82	49,361,955.51

(b) Short-term employee benefits

Items	31 Dec 2018	Increase during the reporting period	Decrease during the reporting period	31 Dec 2019
I . Salaries, bonuses, allowances and subsidies	71,033,606.35	434,277,149.62	466,886,454.18	38,424,301.79
II . Employee benefits		41,802,098.23	41,802,098.23	
III. Social insurance	8,328,215.68	26,794,459.67	25,799,963.64	9,322,711.71
Including: Health insurance	8,250,669.64	23,720,381.90	22,716,880.47	9,254,171.07
Injury insurance	33,445.42	1,001,517.08	1,011,675.72	23,286.78
Birth insurance	44,100.62	2,072,560.69	2,071,407.45	45,253.86
IV . Housing accumulation fund	10,751.10	48,325,310.50	48,328,305.50	7,756.10
V . Labour union funds and employee education funds	1,083,924.55	8,072,396.64	8,778,797.70	377,523.49
VI. Short-term absence pays				
VII. Short-term profit -sharing plan				
Total	80,456,497.68	559,271,414.66	591,595,619.25	48,132,293.09

(c) Defined contribution plans

Items	31 Dec 2018	Increase during the reporting period	Decrease during the reporting period	31 Dec 2019
Basic endowment insurance	1,126,548.31	50,072,142.74	50,025,671.13	1,173,019.92

Items	31 Dec 2018	Increase during the reporting period	Decrease during the reporting period	31 Dec 2019
Unemployment insurance	41,060.95	1,723,774.93	1,721,574.38	43,261.50
Enterprise annuity	47,669.27	14,938,763.79	14,973,052.06	13,381.00
Total	1,215,278.53	66,734,681.46	66,720,297.57	1,229,662.42

5.25 Taxes Payable

Items	31 Dec 2019	31 Dec 2018
Value added tax (VAT)	36,830,346.96	16,886,694.23
Enterprise income tax	76,227,361.53	84,731,098.70
Individual income tax	699,519.16	1,875,279.85
Urban maintenance and construction tax	2,762,987.60	1,222,438.32
Property tax	44,954,281.85	4,743,824.61
Land usage tax	9,801,385.01	8,776,161.93
Land value added tax	5,869,258.31	3,625,041.13
Educational surcharge	1,217,674.78	550,256.84
Local Education and supplementary tax	696,607.47	267,844.50
Stamp duty	1,231,040.81	1,020,575.49
others	486,320.27	646,740.74
Total	180,776,783.75	124,345,956.34

5.26 Other Payables

(a) Other payables by category

Items	31 Dec 2019	31 Dec 2018
Interest payable	356,545,313.43	352,031,546.87
Dividend payable	3,673,690.18	13,853,690.18
Other payables	1,686,761,969.53	1,795,524,431.57
Total	2,046,980,973.14	2,161,409,668.62

(b) Interest payable

Items	31 Dec 2019	31 Dec 2018
Interest on long-term borrowings with installment interest payments and the repayment of the principal at maturity	53,698,768.64	65,517,195.49

Items	31 Dec 2019	31 Dec 2018
Interest on corporate bonds	302,789,911.37	235,770,865.59
Interest on non-public PPN		46,575,761.61
Interest on short-term borrowings	56,633.42	4,167,724.18
Total	356,545,313.43	352,031,546.87

Unpaid overdue interest with significant amount: There is no such item.

(c) Dividends payable

Items	31 Dec 2019	31 Dec 2018
Dividends on ordinary shares	3,673,690.18	13,853,690.18
Total	3,673,690.18	13,853,690.18

(d) Other payables

(d.1) Disclosure of other payables by age

Items	31 Dec 2019	31 Dec 2018
Within 1 year	975,221,664.45	774,377,263.78
1 to 2 years	370,509,301.47	675,899,025.06
2 to 3 years	109,464,590.52	38,436,469.30
Above 3 years	231,566,413.09	306,811,673.43
Total	1,686,761,969.53	1,795,524,431.57

(d.2) Significant balances of other payables by entity

Items	Balance as at 31 Dec 2019	Nature
Shaoxing Finance Bureau	548,435,885.08	Current payment
Zhejiang Shaoxing Public-Private-Partnerships Investment Fund Co., Ltd.	181,634,857.20	Current payment
Shaoxing Affordable Housing Construction Development Center	122,694,300.00	Current payment
Total	852,765,042.28	

5.27 Non-current Liabilities Maturing within One Year

Items	31 Dec 2019	31 Dec 2018
Long-term borrowings maturing within one year	1,154,067,318.21	1,526,663,127.27

Items	31 Dec 2019	31 Dec 2018
Bonds payable maturing within one year	1,048,790,000.00	2,600,000,000.00
Long-term payables maturing within one year		171,882,695.40
Total	2,202,857,318.21	4,298,545,822.67

Among: the category of long-term borrowings maturing within one year

Items	31 Dec 2019	31 Dec 2018
Credit loans	130,000,000.00	93,000,000.00
Guarantee loans	893,300,000.00	1,191,663,127.27
Mortgage loans	4,086,000.00	80,000,000.00
Pledge loans	50,000,000.00	
Mortgage and guaranteed loans	10,850,000.00	162,000,000.00
National debt reloan	65,831,318.21	
Total	1,154,067,318.21	1,526,663,127.27

5.28 Other Current Liabilities

Items	31 Dec 2019	31 Dec 2018
Pipe network pre-buried payment	585,962,405.38	604,547,340.84
Total	585,962,405.38	604,547,340.84

5.29 Long-term Borrowings

(a) Long-term borrowings by category

Items	31 Dec 2019	31 Dec 2018
Credit loans	536,000,000.00	368,000,000.00
Guarantee loans	1,896,030,000.00	4,505,066,047.35
Mortgage loans		4,086,000.00
Pledge loans	650,000,000.00	
Mortgage and guaranteed loans	19,600,000.00	
National debt reloan	2,275,727,272.70	2,223,649,500.00
Total	5,377,357,272.70	7,100,801,547.35

5.30 Bonds payable

(a) General information of bonds payable

Items	31 Dec 2019	31 Dec 2018
14 Shaoxing City Investment for PPN001		388,570,000.00
The first medium-term note of 2015		660,000,000.00
15 Shaoxing City Investment debt	773,925,000.00	1,040,000,000.00
15 Shaoxing City Investment PPN001	149,475,000.00	147,120,000.00
15 Shaoxing City Investment PPN002	537,840,000.00	539,125,000.00
16 Shaoxing City Investment for PPN001	477,840,000.00	
The first medium-term note of 2016	498,965,000.00	498,470,000.00
17PPN01 (phase I)	988,750,000.00	988,345,000.00
2017 financial management tools (phase I)		
17 of Shaoxing City Investment	99,285,714.29	99,216,666.67
18 of Shaoxing City Investment 01	696,733,333.33	693,933,333.33
18 of Shaoxing City Investment 02	696,416,666.67	693,550,000.00
18 Shaoxing City Investment for PPN001	996,333,333.33	994,333,333.33
18 Foreign Bond	3,467,510,400.00	3,401,573,500.00
19 Shaoxing City Investment Y1	300,000,000.00	
19 Shaoxing City Investment 01	797,300,000.00	
19 Shaoxing City Investment 02	597,750,000.00	
19 Shaoxing City Investment 03	597,600,000.00	
2019 financial management tools (phase I)	50,000,000.00	
2019 non-public issuing company bonds (phase IV)	797,712,000.00	
16 City Investment (HK) Dollar Debt		2,031,397,917.27
19 Shaoxing Public PPN002	700,000,000.00	
19 Shaoxing Public PPN001	400,000,000.00	
Total	13,623,436,447.62	12,175,634,750.60

(b) Changes in bonds payable (except for other financial instruments classified as financial liabilities such as preference shares and perpetual bonds)

Bonds	Par value	Issue date	Bonds-duration	Amount issued	31 Dec 2018
14 Shaoxing City Investment for PPN001	100.00	28 Oct. 2014	3+3 years	400,000,000.00	388,570,000.00

Bonds	Parvalue	Issue date	Bonds-duration	Amount issued	31 Dec 2018
The first medium-term note of 2015	100.00	8 Apr. 2015	5 years	660,000,000.00	660,000,000.00
15 Shaoxing City Investment debt	100.00	17 Apr. 2015	7 years	1,300,000,000.00	1,040,000,000.00
Guosen securities 15 Shaoxing City Investment PPN001 issue	100.00	18 Sep. 2015	3+3 years	500,000,000.00	147,120,000.00
Guosen securities 15 Shaoxing City Investment PPN002 issue	100.00	7 Dec. 2015	3+3 years	600,000,000.00	539,125,000.00
16 Shaoxing City Investment for PPN001	100.00	24 Mar. 2016	3+3 years	500,000,000.00	
2016 financial management tools (phase I)	100.00	10 Jun. 2016	3 years	200,000,000.00	
The first medium-term note of 2016	100.00	15 Nov. 2016	5 years	500,000,000.00	498,470,000.00
2017 non-public issuing company bonds (phase I) 17PPN01	100.00	20 Feb. 2017	5+2 years	1,000,000,000.00	988,345,000.00
2017 financial management tools (phase I)	100.00	24 Feb. 2017	2 years	600,000,000.00	
Guosen securities 17 of Shaoxing City Investment	100.00	5 Dec. 2017	5+2 years	100,000,000.00	99,216,666.67
Guosen securities 18 of Shaoxing City Investment 01	100.00	22 Mar. 2018	3+2 years	700,000,000.00	693,933,333.33
Guosen securities 18 of Shaoxing City Investment 02	100.00	25 Apr. 2018	3+2 years	700,000,000.00	693,550,000.00

Bonds	Parvalue	Issue date	Bonds-duration	Amount issued	31 Dec 2018
18 Shaoxing City Investment for PPN001	100.00	5 Nov. 2018	3+3 years	1,000,000,000.00	994,333,333.33
18 Foreign Bond	100.00	18 Dec. 2018	3 years	USD 500,000,000.00	3,401,573,500.00
19 Shaoxing City Investment Y1	100.00	29 Jan. 2019	3 years	300,000,000.00	
19 Shaoxing City Investment 01	100.00	27 Mar. 2019	3 years	800,000,000.00	
19 Shaoxing City Investment 02	100.00	19 Jun. 2019	3+2 years	600,000,000.00	
19 Shaoxing City Investment 03	100.00	19 Aug. 2019	3+2 years	600,000,000.00	
2019 financial management tools (phase I)	100.00	19 Jul. 2019	2 years	50,000,000.00	
19 Shaoxing City Investment SCP001	100.00	23 Sep. 2019	3 months	1,200,000,000.00	
2019 non-public issuing company bonds (phase IV)	100.00	24 Sep. 2019	3+2 years	800,000,000.00	
19 Shaoxing City Investment SCP002	100.00	18 Oct. 2019	2 months	1,000,000,000.00	
16 City Investment (HK) US Bond	100.00	12 Apr. 2016	3 years	2,081,100,000.00	2,031,397,917.27
19 Shaoxing Public PPN002	100.00	25 Oct. 2019	3 years	700,000,000.00	
19 Shaoxing Public PPN001	100.00	15 Mar. 2019	3 years	400,000,000.00	
Total					12,175,634,750.60

(Continued)

Bonds	Issued amount during the reporting period	Accrued interest based on par value	Premium /discount	Amortization of premium /discount	Repayment during the reporting period	Transfer to non-current liabilities maturing within one year	31 Dec 2019
14 Shaoxing City Investment for PPN001				715,000.00		389,285,000.00	
The first medium-term note of 2015			2,475,000.00	1,980,000.00		659,505,000.00	
15 Shaoxing City Investment debt			8,775,000.00	2,700,000.00	260,000,000.00		773,925,000.00
Guosen securities 15 Shaoxing City Investment PPN001 issue			-2,005,000.00	350,000.00			149,475,000.00
Guosen securities 15 Shaoxing City Investment PPN002 issue			2,005,000.00	720,000.00			537,840,000.00
16 Shaoxing City Investment for PPN001	500,000,000.00		2,880,000.00	720,000.00	20,000,000.00		477,840,000.00
2016 financial management tools (phase I)							
The first medium-term note of 2016				495,000.00			498,965,000.00

Bonds	Issued amount during the reporting period	Accrued interest based on par value	Premium /discount	Amortization of premium /discount	Repayment during the reporting period	Transfer to non-current liabilities maturing within one year	31 Dec 2019
2017 non-public issuing company bonds (phase I) 17PPN01				405,000.00			988,750,000.00
2017 financial management tools (phase I)							
Guosen securities 17 of Shaoxing City Investment				69,047.62			99,285,714.29
Guosen securities 18 of Shaoxing City Investment 01				2,800,000.00			696,733,333.33
Guosen securities 18 of Shaoxing City Investment 02				2,866,666.67			696,416,666.67
18 Shaoxing City Investment for PPN001				2,000,000.00			996,333,333.33
18 Foreign Bond	56,500,000.00			9,436,900.00			3,467,510,400.00
19 Shaoxing City Investment Y1	300,000,000.00						300,000,000.00

Bonds	Issued amount during the reporting period	Accrued interest based on par value	Premium /discount	Amortization of premium /discount	Repayment during the reporting period	Transfer to non-current liabilities maturing within one year	31 Dec 2019
19 Shaoxing City Investment 01	800,000,000.00		3,600,000.00	900,000.00			797,300,000.00
19 Shaoxing City Investment 02	600,000,000.00		2,700,000.00	450,000.00			597,750,000.00
19 Shaoxing City Investment 03	600,000,000.00		2,700,000.00	300,000.00			597,600,000.00
2019 Financial management tools (phase I)	50,000,000.00						50,000,000.00
19 Shaoxing City Investment SCP001	1,200,000,000.00				1,200,000,000.00		-
2019 Non-public issuing company bonds (phase IV)	800,000,000.00		2,496,000.00	208,000.00			797,712,000.00
19 Shaoxing City Investment SCP002	1,000,000,000.00		187,932.11	187,932.11	1,000,000,000.00		
16 City Investment (HK) US Bond					2,031,397,917.27		
19 Shaoxing Public PPN002	700,000,000.00						700,000,000.00

Bonds	Issued amount during the reporting period	Accrued interest based on par value	Premium /discount	Amortization of premium /discount	Repayment during the reporting period	Transfer to non-current liabilities maturing within one year	31 Dec 2019
19 Shaoxing Public PPN001	400,000,000.00						400,000,000.00
Total	7,006,500,000.00		25,813,932.11	27,303,546.40	4,511,397,917.27	1,048,790,000.00	13,623,436,447.62

(c) Other instruction:

- (c.1) Guoxin securities 16 Shaoxing city investment PPN001 bonds, the Company has the option to adjust the coupon rate and the investor to sell back in March 2019. In 2018, the Company adjusted CNY500 million into non-current liabilities maturing within one year. In 2019, the Company sold back CNY20 million in advance, and exercise the coupon rate adjustment option for remaining CNY480 million, which will mature on 24 March 2022 and reversal from the non-current liabilities maturing within one year.
- (c.2) In January 2019, the Company issued 19 Shaoxing city Y1 bonds with a total amount of CNY300 million and a coupon rate of 5.68%, and the issuance duration is 3 years.
- (c.3) In March 2019, the Company issued 19 Shaoxing city 01 bonds with a total amount of CNY800 million and a coupon rate of 4.40%, and the issuance duration is 3 years.
- (c.4) In June 2019, the Company issued 19 Shaoxing city 02 bonds with a total amount of CNY600 million and a coupon rate of 4.50%, and the issuance duration is 5 years (at the end of the 3rd year, the Company has the option to adjust the coupon rate and the investor to sell back).
- (c.5) In August 2019, the Company issued 19 Shaoxing city 02 bonds with a total amount of CNY600 million and a coupon rate of 4.10%, and the issuance duration is 5 years (at the end of the 3rd year, the Company has the option to adjust the coupon rate and the investor to sell back).
- (c.6) In July 2019, the Company issued 2019 financial management tools (phase I) with a total amount of CNY50 million and a coupon rate of 4.70%, and the issuance duration is 2 years.
- (c.7) In September 2019, the Company issued 2019 ultra-short-term financing bonds (phase I), called 19 Shaoxing City Investment SCP001 with a total amount of CNY1.2 billion and a coupon rate of 2.99%, and the issuance duration is 90

days.

- (c.8) In September 2019, the Company issued 2019 non-public issuing company bonds (phase IV) with a total amount of CNY800 million and a coupon rate of 3.95%, and the issuance duration is 5 years (at the end of the 3rd year, the enterprise has the option to adjust the coupon rate and the investor to sell back).
- (c.9) In October 2019, the Company issued 2019 ultra-short-term financing bonds (phase II), called 19 Shaoxing City Investment SCP002 with a total amount of CNY1 billion and a coupon rate of 2.90%, and the issuance duration is 70 days.
- (c.10) In March 2019, Shaoxing Public Utilities Group Co., Ltd. issued 19 Shaoxing Public PPN001 bonds with a total amount of CNY400 million and a coupon rate of 4.50%, and the issuance duration is 3 years.
- (c.11) In October 2019, Shaoxing Public Utilities Group Co., Ltd. issued 19 Shaoxing Public PPN002 bonds with a total amount of CNY700 million and a coupon rate of 4.10%, and the issuance duration is 3 years.

5.31 Long-term Payables

(a) Long-term payables by category

Items	31 Dec 2019	31 Dec 2018
Long-term payables	2,606,384,766.41	1,692,172,892.36
Specific items payable	707,089,951.10	267,046,655.38
Total	3,313,474,717.51	1,959,219,547.74

(b) Long-term payables by nature:

Items	31 Dec 2019	31 Dec 2018
Local government bonds	1,127,384,766.41	692,172,892.36
Loan from Zhejiang Shaoxing Government-Enterprise-Partnerships Investment Fund Co., Ltd.	1,479,000,000.00	1,000,000,000.00
Total	2,606,384,766.41	1,692,172,892.36

(c) Specific items payable

Items	31 Dec 2018	Increase during the reporting period	Decrease during the reporting period	31 Dec 2019	Reason
Special construction funds	42,732,263.00			42,732,263.00	Special fund

Items	31 Dec 2018	Increase during the reporting period	Decrease during the reporting period	31 Dec 2019	Reason
for the promotion of agricultural products					
Funds for construction of public bicycle system engineering	3,620,000.00			3,620,000.00	Special fund
2011 civil air defense engineering construction funds by civil air defense office	61,500,000.00			61,500,000.00	Special fund
Construction fund of military sub militia reserve training center	28,350,000.00			28,350,000.00	Special fund
Second phase of the militia project of the Shaoxing Army Division Logistics Department	7,480,000.00			7,480,000.00	Special fund
Qunxian Rd. east extension project	25,437,938.95			25,437,938.95	Special fund
Second phase of Qunxian Rd. east extension project	12,000,000.00			12,000,000.00	Special fund
PPP project		440,118,700.00		440,118,700.00	Special fund
Special fund for copper mine construction	19,023,000.00			19,023,000.00	Special fund
Downhole filling system engineering project funds	161,423.56			161,423.56	Special fund

Items	31 Dec 2018	Increase during the reporting period	Decrease during the reporting period	31 Dec 2019	Reason
Pingtong Group's "Water, electricity and warm supply, property management" renovation project	8,756,935.28		46,636.72	8,710,298.56	Special fund
Infrastructure project financial allocations	2,785,094.59		465.70	2,784,628.89	Special fund
Shaoxing Rail Transit Line 1 PPP Project		1,600,000.00	1,528,301.86	71,698.14	Special fund
E-Government Cloud, Desktop Cloud Project Funding	18,000,000.00			18,000,000.00	Special fund
Circular Industrial Park (phase I) project	1,500,000.00			1,500,000.00	Special fund
Renovation project of Dawu Ao landfill	22,570,000.00			22,570,000.00	Special fund
Financial appropriation to kitchen garbage disposal center	730,000.00			730,000.00	Special fund
Others	12,400,000.00		100,000.00	12,300,000.00	Special fund
Total	267,046,655.38	441,718,700.00	1,675,404.28	707,089,951.10	

5.32 Deferred Income

(a) Details of deferred income

Items	31 Dec 2018	Increase during the reporting period	Decrease during the reporting period	31 Dec 2019	Reason
Tangpu Reservoir investment compensation	34,875,209.57		8,255,931.28	26,619,278.29	Related to assets
others	50,096,121.06	4,717,863.18	33,772,503.31	21,041,480.93	Related to assets
Total	84,971,330.63	4,717,863.18	42,028,434.59	47,660,759.22	

5.33 Paid-in Capital

Investment entity	31 Dec 2018		Increase during the reporting period	Decrease during the reporting period	31 Dec 2019	
	Amount	Proportion of ownership interest (%)			Amount	Proportion of ownership interest (%)
Shaoxing Municipal People's Government State-Owned Assets Supervision and Administration Commission	3,300,000,000.00	100.00			3,300,000,000.00	100.00
Total	3,300,000,000.00	100.00			3,300,000,000.00	100.00

5.34 Capital Reserves

Items	31 Dec 2018	Increase during the reporting period	Decrease during the reporting period	31 Dec 2019
Capital premium	2,942,894,566.85		861,991,590.40	2,080,902,976.45
Other capital reserves	7,891,157,117.93	1,561,783,604.42	510,855,237.29	8,942,085,485.06
Total	10,834,051,684.78	1,561,783,604.42	1,372,846,827.69	11,022,988,461.51

Note: Changes and relevant reasons for capital reserves

(a) According to the <Minutes of the special meeting of Shaoxing Municipal

People's Government in March 2019>, [2019] No.8, the Company transferred the equity of Zheyue Asset Management Co., Ltd. to Shaoxing Financial Investment Co., Ltd. without consideration, decrease the capital reserve-capital premium by CNY861,991,590.40.

- (b) According to the *<Minutes of the special meeting of Shaoxing Municipal People's Government in March 2019>*, [2019] No.8, decided to transfer 12,800 square meters of commercial real estate to the Company free of charge, increased capital reserves-other capital reserves by CNY60,394,562.93.
- (c) According to Shaoxing land acquisition and collection (Yuecheng) [2018] No.14, Shaoxing State Land Acquisition (Yuecheng) [2018] No.15, *<Minutes of the special meeting of Shaoxing Municipal People's Government>*, [2010] No.121, Shaoxing Land and Resources Bureau withdraw land use rights, decrease capital reserves-other capital reserves by CNY373,811,650.02.
- (d) The Company received Finance bureau grants, increased capital reserves-other capital reserves by CNY8,754,846.80.
- (e) The Company's subsidiary, Shaoxing Rail Transit Group Co., Ltd. received Finance bureau grants, increased capital reserves-other capital reserves by CNY1,344,190,154.45.

5.35 Other Comprehensive Income

Items	31 Dec 2018	Changes during the reporting period					31 Dec 2019
		Amount before tax	Less: Items previously recognized in other comprehensive income being reclassified to current profit or loss	Less: Income tax expenses	Attributable to owners of the Company	Attributable to non-controlling interest	
Items that will not be reclassified subsequently to profit or loss							
Including: Remeasurement of the net defined							

Items	31 Dec 2018	Changes during the reporting period					31 Dec 2019
		Amount before tax	Less: Items previously recognized in other comprehensive income being reclassified to current profit or loss	Less: Income tax expenses	Attributable to owners of the Company	Attributable to non-controlling interest	
benefit liability (asset)							
Share of the other comprehensive income of the investees accounted for using the equity method which will not be reclassified subsequently to profit or loss							
Items that may be reclassified subsequently to profit or loss	2,064,436.80	757,070.00			757,070.00		2,821,506.80
Including: Share of the other comprehensive income of the investees accounted for using the equity method which will be reclassified subsequently to profit or loss							
Gains /(losses) arising from changes in fair							

Items	31 Dec 2018	Changes during the reporting period					31 Dec 2019
		Amount before tax	Less: Items previously recognized in other comprehensive income being reclassified to current profit or loss	Less: Income tax expenses	Attributable to owners of the Company	Attributable to non-controlling interest	
value of available-for-sale financial assets							
Gains /(losses) arising from reclassification of held-to-maturity investment as available-for-sale financial assets							
The effective portion of the gains /(losses) on cash flow hedge							
Exchange differences on translating foreign operations	2,064,436.80	757,070.00			757,070.00		2,821,506.80
Total	2,064,436.80	757,070.00			757,070.00		2,821,506.80

5.36 Specific Reserves

Items	31 Dec 2018	Increase during the reporting period	Decrease during the reporting period	31 Dec 2019
Safety fund	55,926,644.95	64,767,997.75	25,360,466.88	95,334,175.82
Total	55,926,644.95	64,767,997.75	25,360,466.88	95,334,175.82

5.37 Surplus Reserves

Items	31 Dec 2018	Increase during the reporting period	Decrease during the reporting period	31 Dec 2019
Statutory surplus reserves	218,346,556.66			218,346,556.66
Total	218,346,556.66			218,346,556.66

Pursuant to the Company Law of the People's Republic of China and Articles of Association, the Company appropriates 10% of net profit to the statutory surplus reserves.

5.38 Retained Earnings

Items	2019	2018
Balance at the end of last period before adjustments	3,292,926,418.10	2,157,633,310.09
Adjustments for the opening balance (increase /(decrease))		859,796,946.30
Balance at the beginning of the reporting period after adjustments	3,292,926,418.10	3,017,430,256.39
Add: net profit attributable to owners of the parent company for the reporting period	203,212,936.46	305,880,215.76
Less: appropriation to statutory surplus reserves		30,384,054.05
Appropriation to discretionary surplus reserves		
Provision for general risk reserves		
Payment of ordinary share dividends		
Ordinary shares dividends converted into share capital		
Others		
Balance at the end of the reporting period	3,496,139,354.56	3,292,926,418.10

5.39 Revenue and Cost of Sales

Items	2019		2018	
	Revenue	Costs of sales	Revenue	Costs of sales
Principal activities				
Merchandise sales	1,438,993,951.76	1,063,833,894.78	467,654,987.32	403,090,646.01
Non-ferrous metal sales	365,774,393.62	335,647,224.72	464,944,613.14	418,244,459.91

Items	2019		2018	
	Revenue	Costs of sales	Revenue	Costs of sales
Gas sales	3,844,565,536.59	3,569,722,272.04	2,855,688,909.94	2,647,605,900.76
Rental	43,356,486.30	40,878,924.09	35,941,742.22	21,032,107.79
Disposal of non-performing assets			276,656,681.04	
B.T.	372,609,362.46	371,941,383.57		
Pipeline installation and modification	77,962,098.01	59,856,797.52	122,749,129.48	59,543,966.00
Construction	379,265,052.93	301,003,134.79	634,115,458.08	596,293,247.52
Engineering materials sales	458,474,822.28	373,427,742.75	359,281,440.88	348,667,920.97
Sales of water resources	591,537,748.62	596,591,332.77	493,531,361.55	521,642,027.16
Sewage collection and treatment	360,584,108.45	444,747,782.84	568,509,049.11	731,718,052.53
Others	604,503,922.31	473,897,599.23	255,316,584.33	268,994,386.50
Subtotal	8,537,627,483.33	7,631,548,089.10	6,534,389,957.09	6,016,832,715.15
Other activities				
Others	45,828,153.95	33,614,963.22	96,566,565.78	53,793,567.68
Subtotal	45,828,153.95	33,614,963.22	96,566,565.78	53,793,567.68
Total	8,583,455,637.28	7,665,163,052.32	6,630,956,522.87	6,070,626,282.83

5.40 Taxes and Surcharges

Items	2019	2018
Educational surcharge	7,916,587.35	7,061,672.49
Local Education and supplementary tax	1,268,047.06	706,555.48
Land value added tax	9,624,617.67	11,814,727.69
Urban maintenance and construction tax	12,634,010.84	10,730,691.22
Property tax	62,868,227.98	43,255,195.38
Land use tax	19,979,233.63	23,286,389.46
Vehicle and vessel usage tax	18,321.18	5,308.35

Items	2019	2018
Stamp duty	7,289,534.98	4,651,216.86
Employment guarantee for the disabled	354,930.94	
Others	13,294,416.17	9,560,065.79
Total	135,247,927.80	111,071,822.72

5.41 Research and Development Expenses

Items	2019	2018
Smart Market Phase II	3,711,249.18	3,865,618.47
Resource Regeneration R & D	7,059,168.16	
Public Utilities Technology R & D	4,260,676.25	
Total	15,031,093.59	3,865,618.47

5.42 Finance Costs

Items	2019	2018
Interest expenses	1,223,788,568.49	1,185,365,519.85
Less: Interest income	119,667,256.07	213,809,838.30
Net interest expenses	1,104,121,312.42	971,555,681.55
Foreign exchange losses	37,284,973.93	105,893,065.08
Less: Foreign exchange gains		
Net foreign exchange losses	37,284,973.93	105,893,065.08
Bank charges	91,300,059.95	37,033,877.19
Total	1,232,706,346.30	1,114,482,623.82

5.43 Other Income

Items	2019	2018	Related to assets /income
Government grants	1,430,616,778.09	1,456,915,687.66	Related to income
Others		12,089,705.64	Related to assets
Total	1,430,616,778.09	1,469,005,393.30	

5.44 Investment Income

Items	2019	2018
Investment income from long-term equity investments under equity method	-128,618,590.61	27,075,975.03
Gains on disposal of long-term equity investments	359,857,756.65	-3,570.13

Items	2019	2018
Investment income from financial assets at fair value through profit or loss during holding period	1,749,871.73	
Investment income from available-for-sale financial assets during holding period		43,670,940.96
Investment income of financial products		8,155,848.64
Total	232,989,037.77	78,899,194.50

5.45 Gains/(losses) from Changes in Fair Values

Items	2019	2018
Financial assets at fair value through profit or loss	-64,156,690.40	15,747,551.28
Including: Change in fair value of derivatives		
Total	-64,156,690.40	15,747,551.28

5.46 Impairment Loss of Assets

Items	2019	2018
Bad debt of receivables	-22,843,270.63	-20,273,952.63
Impairment of inventories	-18,085.09	248,563.04
Impairment of goodwill		-69,094,695.38
Impairment of non-performing asset package		-12,286,219.67
Total	-22,861,355.72	-101,406,304.64

5.47 Gains from Disposal of Assets

Items	2019	2018
Gains/(losses) from disposal of property, plant and equipment, construction in progress, and intangible assets not classified as held for sale	9,139,792.94	-10,133,318.90
Including: Gains/(losses) from disposal of property, plant and equipment	9,139,792.94	-10,133,318.90
Total	9,139,792.94	-10,133,318.90

5.48 Non-operating Income

Items	2019	2018
Gains on debt restructuring	1,582,300.00	
Gain from damage or scrappage of non-current assets	1,287,834.02	351,555.07

Items	2019	2018
Government grants irrelevant to daily operation activities	2,431,325.90	275,129,193.80
Confiscated income	755,971.76	740,457.52
Others	15,973,147.01	11,822,658.28
Total	22,030,578.69	288,043,864.67

5.49 Non-operating Expenses

Items	2019	2018
Loss from damage or scrappage of non-current assets	2,410,674.37	428,436.39
Donations	390,300.00	1,027,550.40
Fine expenditure	492,440.56	5,625,942.13
Others	17,152,071.30	24,855,297.65
Total	20,445,486.23	31,937,226.57

5.50 Income Tax Expenses

Items	2019	2018
Current tax expenses	113,741,531.23	192,440,741.66
Deferred tax expenses	-6,347,043.33	-9,395,121.24
Total	107,394,487.90	183,045,620.42

5.51 Supplementary Information to the Statement of Cash Flows**(a) Supplementary information to the statement of cash flows**

Supplementary information	2019	2018
(i) Adjustments of net profit to cash flows from operating activities:		
Net profit	211,559,806.49	87,778,728.17
Add: Provisions for impairment of assets	22,861,355.72	101,406,304.64
Depreciation of property, plant and equipment, investment properties, oil and gas asset and productive biological assets	902,049,996.86	908,720,021.02
Amortization of intangible assets	66,215,088.06	34,044,923.99
Amortization of long-term deferred expenses	14,372,598.67	21,841,543.17
Losses /(gains) on disposal of property, plant and equipment, intangible assets and other long-term assets	-850,632.92	10,210,200.22
Losses /(gains) on scrapping of property, plant and equipment	1,122,840.35	

Supplementary information	2019	2018
Losses /(gains) on changes in fair value	64,156,690.40	-15,747,551.28
Finance costs /(income) recognized in profit or loss	1,289,691,199.20	1,185,365,519.85
Investment losses /(income) recognized in profit or loss	-232,989,037.77	-78,899,194.50
Decreases /(increases) in deferred tax assets	-6,221,709.53	-8,024,207.40
Increases /(decreases) in deferred tax liabilities	-492,985.00	-492,985.01
Decreases /(increases) in inventories	-1,167,223,948.57	-1,009,827,999.95
Decreases /(increases) in operating receivables	-819,441,647.60	-137,741,238.30
Increases /(decreases) in operating payables	608,595,950.21	214,896,368.78
Others		
Net cash flows from operating activities	953,405,564.57	1,313,530,433.40
(ii) Significant investing and financing activities not involving cash receipts and payments:		
Conversion of debt into capital		
Convertible corporate bonds maturing within one year		
Property, plant and equipment acquired under finance leases		
(iii) Net increases in cash and cash equivalents:		
Cash at the end of the reporting period	4,653,581,664.70	8,887,512,111.82
Less: Cash at the beginning of the reporting period	8,887,512,111.82	3,407,706,772.71
Add: Cash equivalents at the end of the reporting period		
Less: Cash equivalents at the beginning of the reporting period		
Net increase in cash and cash equivalents	-4,233,930,447.12	5,479,805,339.11

(b) The components of cash and cash equivalents

Items	31 Dec 2019	31 Dec 2018
(i) Cash	4,653,581,664.70	8,887,512,111.82
Including: Cash on hand	1,573,826.20	836,709.05
Cash in bank available for immediate use	4,652,007,838.50	8,886,675,402.77
Other monetary funds available for immediate use		
(ii) Cash equivalents		
Including: Bond investments maturing within three months		

Items	31 Dec 2019	31 Dec 2018
(iii) Cash and cash equivalents at the end of the reporting period	4,653,581,664.70	8,887,512,111.82

5.52 Restricted Assets

Items	31 Dec 2019	Reason
Cash and cash equivalents	68,269,216.96	Cash deposit
Inventories	41,134,820.82	Mortgage for bank loan
Property, plant and equipment	114,894,542.81	Mortgage for bank loan
Intangible assets	22,144,676.50	Mortgage for bank loan
Total	246,443,257.09	

Note: In addition, the right of charge within CNY1.42 billion of the main claims is used for pledged loans.

6. CHANGES IN THE SCOPE OF CONSOLIDATION

6.1 Business Combination not Under Common control

As at 31 December 2019, the Company has no business combination not under common control.

6.2 Business Combination under Common Control

As at 31 December 2019, the Company has no business combination under common control.

6.3 Reverse Purchase

As at 31 December 2019, the Company has no reverse purchase.

6.4 Disposal of Subsidiaries

Name of subsidiary	Disposal price	Proportion of disposal of equity (%)	Disposal of equity	The time of control lost	Basis for determining the timing of control lost	The difference between the disposal price and the disposal of investment in the consolidated financial statements share the subsidiary's net asset
Zheyue Asset Management Co., Ltd.	0.00	60.00	Gratuitous transfer	1 Jan. 2019	Sign equity transfer agreement and lose control	861,991,590.40

6.5 Other Situations Leading to Changes in the Scope of Consolidation

- (a) During the reporting period, Shaoxing Chengtou Renewable Resources Co., Ltd., Zhejiang Shuilian Environmental Technology Group Co., Ltd. and Shaoxing Public New Energy Industry Co., Ltd. are newly established.
- (b) During the reporting period, Shaoxing Urban Construction Group Co., Ltd. signed a concerted action agreement with Shaoxing Metro Property Real Estate Co., Ltd. (The Company's holding Sub-subsidiary), who promise to adopt the consensus opinion in external voting, and the opinion of Metro Property Co. shall prevail. Therefore, Shaoxing Urban Rail Engineering Wastelands Engineering Transportation Co., Ltd. was included in the scope of consolidation.
- (c) During the reporting period, Shaoxing Ty to Type Hotel Co., Ltd., Shaoxing City Environmental Protection Technology Co., Ltd., Shaoxing Construction Products Renewable Utilization Co., Ltd. and Shaoxing Qianqiu Culture Communications Co., Ltd. cancelled business registration.
- (d) On 29 March 2019, Shaoxing Public Utilities Group Co., Ltd. announced to terminate the agreement with Shaoxing Keqiao Water Group Co., Ltd. to escrow the 11% equity of Shaoxing Water Treatment Development Co., Ltd., and no longer incorporated Shaoxing Water Treatment Development Co., Ltd. Since Shaoxing Water Treatment Development Co., Ltd. holds 20% of Lantian Environmental Protection Co., after the above changes, the Company's direct and indirect shares in Lantian Environmental Protection Co., were reduced to 40%, and no longer incorporated Lantian Environmental Protection Co. At meantime, Shaoxing Water Treatment Development Co., Ltd.'s subsidiary, Shaoxing Qingyu Water Quality Detection Technology Service Co., Ltd. no longer incorporated.
- (e) Shaoxing Gas Industry Co., Ltd. absorbed and merged Shaoxing Gas Co., Ltd. in 2019. Shaoxing Gas Co., Ltd. cancelled business registration on 24 December 2019.

7. INTERESTS IN OTHER ENTITIES

7.1 Interests in Subsidiaries

(a) Constitution of enterprise group

Name of subsidiary	Principal place of business	Registered Address	Nature of business	Percentage of equity interests by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
Shaoxing Second Ring Turn Move Investment Co., Ltd.	Shaoxing	Shaoxing	Infrastructure construction	100.00		Invested and established
Shaoxing City Construction Co., Ltd.	Shaoxing	Shaoxing	Infrastructure construction	100.00		Invested and established
Shaoxing Affordable Housing Construction Co., Ltd.	Shaoxing	Shaoxing	Infrastructure construction	90.00	10.00	Invested and established
Shaoxing City Real Estate Development Co., Ltd.	Shaoxing	Shaoxing	Real estate development	100.00		Invested and established
Shaoxing Infrastructure Construction Investment Co., Ltd.	Shaoxing	Shaoxing	Infrastructure construction	96.00	3.60	Invested and established
Shaoxing Public Buildings Facilities Management Co., Ltd.	Shaoxing	Shaoxing	Facilities maintenance, property service	100.00		Invested and established
Shaoxing Huafeng Property Co., Ltd.	Shaoxing	Shaoxing	Property service	67.00	33.00	Invested and established
Shaoxing City Plaza Management Co., Ltd.	Shaoxing	Shaoxing	Property service	90.00		Invested and established

Name of subsidiary	Principal place of business	Registered Address	Nature of business	Percentage of equity interests by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
Shaoxing Plaza Ad & Decoration Co., Ltd.	Shaoxing	Shaoxing	Advertising space rental and advertising agency	75.00	22.50	Invested and established
Shaoxing City Investment Advertising Co., Ltd.	Shaoxing	Shaoxing	Advertisement service	100.00		Invested and established
Shaoxing City Investment Asset Operation Management Co., Ltd.	Shaoxing	Shaoxing	Asset management	100.00		Invested and established
Shaoxing Smart City Group Co., Ltd.	Shaoxing	Shaoxing	Business services	96.00		Invested and established
Shaoxing City Investment (HK) Limited	Shaoxing	Shaoxing	Investment	100.00		Invested and established
Shaoxing Chengtou Real Estate Development Co., Ltd.	Shaoxing	Shaoxing	Realty business	100.00		Invested and established
Shaoxing Science and Technology Industry Investment Co., Ltd.	Shaoxing	Shaoxing	Leasing and business services	100.00		Gratuitous transfer
Shaoxing Guangfeng Real Estate Development Co., Ltd.	Shaoxing	Shaoxing	Realty business	100.00		Invested and established

Name of subsidiary	Principal place of business	Registered Address	Nature of business	Percentage of equity interests by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
Shaoxing Rail Transit Group Co., Ltd.	Shaoxing	Shaoxing	Rail transit project investment, construction and operation	100.00		Invested and established
Shaoxing Flat Copper (Group) Co., Ltd.	Shaoxing	Shaoxing	Copper mining and processing	100.00		Business Combination not Under Common control
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing	Shaoxing	Electricity, heat, gas and water production and supply	51.00		Business Combination Under Common control
Shaoxing Baocheng Construction Co., Ltd.	Shaoxing	Shaoxing	Construction	49.00		Invested and established
Shaoxing Howson Construction Co., Ltd.	Shaoxing	Shaoxing	Infrastructure construction		100.00	Invested and established
Shaoxing Yitong Property Service Co., Ltd.	Shaoxing	Shaoxing	Cargo transport, property management		60.00	Invested and established
Shaoxing Jinfeng Property Management Co., Ltd.	Shaoxing	Shaoxing	Property service		100.00	Invested and established
Shaoxing Chengtong	Shaoxing	Shaoxing	Infrastructure construction		100.00	Invested and established

Name of subsidiary	Principal place of business	Registered Address	Nature of business	Percentage of equity interests by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
Municipal Gardening Engineering Co., Ltd.						established
Shaoxing Shuixiang Park Management Co., Ltd.	Shaoxing	Shaoxing	Park project construction		54.00	Invested and established
Shaoxing Plaza Exhibition Center Co., Ltd.	Shaoxing	Shaoxing	Planning and organizing meetings, exhibitions		94.50	Invested and established
Shaoxing Chengtong Construction Industrialization Manufacturing Co., Ltd.	Shaoxing	Shaoxing	Prefabricated components of prefabricated bridges, prefabricated components for underground structures		45.00	Gratuitous transfer
Shaoxing Chengtong Engineering Material Technology Co., Ltd.	Shaoxing	Shaoxing	Engineering materials research and development		57.00	Gratuitous transfer
Shaoxing Chengtong Renewable Resources Co., Ltd.	Shaoxing	Shaoxing	Wholesale and retail		38.00	Invested and established
Shaoxing Metro Property Real Estate Co., Ltd.	Shaoxing	Shaoxing	Real estate development, Industrial investment, property		100.00	Invested and established

Name of subsidiary	Principal place of business	Registered Address	Nature of business	Percentage of equity interests by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
			management			
Shaoxing Urban Rail Engineering Wastelands Engineering Transportation Co., Ltd.	Shaoxing	Shaoxing	Transportation, warehousing and postal services		40.00	Invested and established
Shaoxing Tongdu Mining Co., Ltd.	Shaoxing	Shaoxing	Copper mining and processing		73.47	Business Combination on not Under Common control
Shaoxing Yueyu Copper Strip Co., Ltd.	Shaoxing	Shaoxing	Copper processing and distribution		100.00	Business Combination on not Under Common control
Shaoxing Tongdu Copper Material Co., Ltd.	Shaoxing	Shaoxing	Copper products processing and distribution		100.00	Business Combination on not Under Common
Zhejiang Zhongxia New Building Materials Co., Ltd.	Shaoxing	Shaoxing	Production, processing, distribution		49.00	Business Combination on not Under Common
Shaoxing Gas Industry Co., Ltd.	Shaoxing	Shaoxing	Gas sales		100.00	Business Combination on not Under Common
Shaoxing	Shaoxing	Shaoxing	Infrastructure		60.00	Business

Name of subsidiary	Principal place of business	Registered Address	Nature of business	Percentage of equity interests by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
Natural Gas Investment Co., Ltd.			construction and investment, gas sales			Combination not Under Common
Shaoxing Green Energy Environment Construction Co., Ltd.	Shaoxing	Shaoxing	Construction		100.00	Business Combination not Under Common
Shaoxing Xinyuan City Gas Pipe Network Development Co., Ltd.	Shaoxing	Shaoxing	Gas sales		100.00	Business Combination not Under Common
Shaoxing Zhongneng Oil and Gas Development Co., Ltd.	Shaoxing	Shaoxing	Gas sales		50.00	Business Combination not Under Common
Shaoxing Fucheng Gas Co., Ltd.	Shaoxing	Shaoxing	Gas sales and accessories sales		100.00	Business Combination not Under Common
Shaoxing Keqiao China Light Weaving Mall Pipeline Gas Co., Ltd.	Shaoxing	Shaoxing	Gas sales and accessories sales		70.00	Business Combination not Under Common
Shaoxing Water Institute for Environmental Science Co., Ltd.	Shaoxing	Shaoxing	Water environment and water treatment technology research		100.00	Business Combination Under Common

Name of subsidiary	Principal place of business	Registered Address	Nature of business	Percentage of equity interests by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
Shaoxing Tashan Culture Square Co., Ltd.	Shaoxing	Shaoxing	Housing rental		100.00	Business Combination Under Common
Shaoxing International Logistics Center Co., Ltd.	Shaoxing	Shaoxing	Transportation, warehousing		100.00	Business Combination Under Common
Shaoxing Water Industry Co., Ltd.	Shaoxing	Shaoxing	Water supply equipment installation, maintenance		100.00	Business Combination Under Common
Shaoxing Water Manufacturing Co., Ltd.	Shaoxing	Shaoxing	Water production supply		54.26	Business Combination Under Common
Shaoxing Shuilian Environment Service Co., Ltd.	Shaoxing	Shaoxing	Water conservancy, environmental and public facilities management		100.00	Business Combination Under Common
Shaoxing Drainage Management Co., Ltd.	Shaoxing	Shaoxing	Sewage treatment		100.00	Business Combination Under Common
Shaoxing Tangpu Reservoir Co., Ltd.	Shaoxing	Shaoxing	Reservoir construction management		41.00	Business Combination Under Common
Shaoxing Riverway Comprehensive Regulation Investment	Shaoxing	Shaoxing	Riverway comprehensive regulation		100.00	Business Combination Under Common

Name of subsidiary	Principal place of business	Registered Address	Nature of business	Percentage of equity interests by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
Development Co., Ltd.						
Shaoxing Binhai Newcity Water Co., Ltd.	Shaoxing	Shaoxing	Leasing and business services		60.00	Business Combination Under Common
Shaoxing Shuilian Supply and Drainage Water Service Co., Ltd.	Shaoxing	Shaoxing	Water supply and drainage pipeline construction, installation, maintenance		75.00	Business Combination Under Common
Zhejiang Shuilian Environmental Technology Group Co., Ltd.	Shaoxing	Shaoxing	Wholesale and retail		51.00	Business Combination Under Common
Zhejiang Lianshui Water Treatment Equipment Co., Ltd.	Shaoxing	Shaoxing	Wholesale and retail		51.00	Business Combination Under Common
Shaoxing Shuilian Pipe Industry Co., Ltd.	Shaoxing	Shaoxing	Wholesale and retail		51.00	Business Combination Under Common
Shaoxing Information Pipe Network Co., Ltd.	Shaoxing	Shaoxing	Construction industry		47.06	Business Combination Under Common
Zhuji Information Pipe Network Co., Ltd.	Shaoxing	Shaoxing	Construction industry		52.00	Business Combination Under Common
Shaoxing Public	Shaoxing	Shaoxing	Municipal utilities		100.00	Business Combination

Name of subsidiary	Principal place of business	Registered Address	Nature of business	Percentage of equity interests by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
Engineering Construction Co., Ltd.			engineering			on Under Common
Shaoxing Shuilian Water Supply and Drainage Design Consulting Co., Ltd.	Shaoxing	Shaoxing	Water supply engineering and design		100.00	Business Combination Under Common
Shaoxing Qingyuan Investment Co., Ltd.	Shaoxing	Shaoxing	Industrial investment		60.00	Business Combination Under Common
Shaoxing Qingneng Environmental Protection Co., Ltd.	Shaoxing	Shaoxing	Environmental protection research and development		60.00	Business Combination Under Common
Shaoxing Environment Industry Co., Ltd.	Shaoxing	Shaoxing	Environmental sanitation project investment		51.00	Invested and established
Shaoxing Renewable Energy Development Co., Ltd.	Shaoxing	Shaoxing	Waste incineration power generation		51.00	Invested and established
Shaoxing Environmental Sanitation Qingyun Co., Ltd.	Shaoxing	Shaoxing	Residential services, repairs and other services		51.00	Invested and established
Shaoxing Ecological Environment	Shaoxing	Shaoxing	Construction		51.00	Invested and established

Name of subsidiary	Principal place of business	Registered Address	Nature of business	Percentage of equity interests by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
Construction Co., Ltd.						
Shaoxing Public New Energy Industry Co., Ltd.	Shaoxing	Shaoxing	Wholesale and retail		100.00	Invested and established
Shaoxing Baocheng Construction Industrialization Manufacturing Co., Ltd.	Shaoxing	Shaoxing	Construction materials research and development		100.00	Invested and established
Shaoxing Urban Construction Municipal Construction Co., Ltd.	Shaoxing	Shaoxing	Construction engineering		100.00	Invested and established

(b) Important non-wholly owned subsidiary

Name of subsidiary	Percentage of equity interests held by minority shareholders (%)	Profit or loss attributable to non-controlling interests during the reporting period	Dividends paid to non-controlling interests during the reporting period	Non-controlling interests at the end of the reporting period
Shaoxing Public Utilities Group Co., Ltd.	49.00	92,023,454.69		4,625,447,532.98

(c) Main financial information of important non-wholly owned subsidiaries

Subsidiaries	31 Dec 2019					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shaoxing Public Utilities Group Co., Ltd.	4,439,960,272.37	11,929,481,882.23	16,369,442,154.60	2,911,875,319.77	4,017,877,992.02	6,929,753,311.79

(Continued)

Subsidiaries	31 Dec 2018					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shaoxing Public Utilities Group Co., Ltd.	4,937,524,410.88	12,406,646,700.69	17,344,171,111.57	4,695,322,544.00	3,653,123,330.15	8,348,445,874.15

Subsidiaries	2019			
	Revenue	Net profit/(loss)	Total comprehensive income	Net cash flows from operating activities
Shaoxing Public Utilities Group Co., Ltd.	6,040,804,149.86	95,896,292.66	95,896,292.66	924,581,653.96

(Continued)

Subsidiaries	2018			
	Revenue	Net profit/(loss) for the year	Total comprehensive income for the year	Net cash flows from operating activities
Shaoxing Public Utilities Group Co., Ltd.	5,171,928,435.57	-249,519,929.91	-249,519,929.91	465,216,791.81

7.2 Transactions which Resulted in Change of Equity Interests in the Subsidiary but still Control the Subsidiary

(a) Illustration for the change of share of subsidiary's equity interests

Sequence Number	Name of subsidiary	Original Shareholding percentage (%)	Current Shareholding percentage (%)	Reason	Reasons that did not affect the scope of consolidation
1	Shaoxing Smart City Group Co., Ltd.	71.50	96.00	Minority shareholders withdrawal	Increased shareholding percentage, still under control

7.3 Interests in Joint Arrangements or Associates

There is no such item.

7.4 Important Joint Operations

There is no such item.

7.5 Equity in Structured Entities not Included in the Consolidated Financial Statements

There is no such item.

7.6 Others

There is no such item.

8. RISKS RELATED TO FINANCIAL INSTRUMENTS

Risks related to the financial instruments of the Company are derived from various financial assets and financial liabilities recognized during its operation, which include credit risk, liquidity risk and market risk.

Management of the Company establishes systems of various risk management objectives and policies related to financial instruments for the Company. Operational management is responsible for the daily risk management objectives and policies.

Overall risk management objective of the Company is to establish risk management policies that may reduce various risks while ensuring the Company's necessary competitiveness and resilience.

8.1 Credit Risk

Credit risk is the risk of one party of the financial instrument to subject to a financial loss due to that the other party of the financial instrument fails to fulfill its obligation.

The credit risk of the Company is related to cash and equivalent, notes receivable, accounts receivables, other receivables and long-term receivables. Credit risk of these financial assets is derived from the counterparty's breach of contract. The maximum risk exposure is equal to the carrying amount of these financial instruments.

Cash and cash equivalent of the Company has lower credit risk, since they are mainly put in such financial institutions as commercial bank, which the Company thinks with higher reputation and financial position.

As regard to notes receivable, accounts receivables, other receivables and long-term receivables, the Company establishes related policies to control their credit risk exposure. The Company evaluates credit capability of its customers and determines their credit terms accordingly based on their financial position, credibility of the guarantee from third party, credit record and other factors (such as current market status, etc.). The Company monitors its customers' credit record periodically, and for those customers with poor credit record, the Company will take measures such as written call, shortening or cancelling their credit terms to ensure the overall credit risk of the Company within the scope of control.

As at 31 December 2019, the Company has no overdue or impaired financial assets.

8.2 Liquidity Risk

Liquidity risk is the risk of shortage of funds when fulfilling the obligation of settlement by delivering cash or other financial assets. The Company is responsible for the capital management of all its subsidiaries, including short-term investment of cash surplus and dealing with forecasted cash demand by raising loans. The Company's policy is to monitor the demand for short-term and long-term floating capital and whether the requirement of loan contracts is satisfied so as, to ensure to maintain adequate cash and cash equivalents.

8.3 Market Risk

(a) Foreign currency risk

Foreign currency exposures of the Company mainly arise from foreign currency assets and liabilities denominated in currency other than the Company's functional currency. The foreign currency risk the Company is subject to is mainly related to the loans denominated in USD. Except for the operations of the Company's subsidiaries located in Hong Kong and foreign countries are denominated and settled in USD, other main operations of the Company are settled in CNY.

(b) Interest rate risk

Interest rate risk of the Company primarily arises from its long-term interest-bearing debts, such as long-term loans. Financial liabilities with floating interest rate make the Company subject to cash flow interest rate risk.

As at 31 December 2019, the Company's loans are mainly short-term loans, so the interest rate risk arising from the loans may have a small impact on the Company's

operating performance.

9. FAIR VALUE DISCLOSURES

9.1 Assets and Liabilities Measured at Fair Value as at 31 December 2019

Items	Fair value at the end of the reporting period using			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
(a) Financial assets at fair value through profit or loss	85,590,857.42			85,590,857.42
Equity instruments	85,590,857.42			85,590,857.42
Total assets measured at fair value on a recurring basis	85,590,857.42			85,590,857.42

9.2 Basis for the Quoted Prices in Active Markets for Recurring and

Non-recurring Level 1 of the Fair Value Hierarchy

The financial assets at fair value through profit or loss are determined according to the market price on 31 December 2019. The Company's available-for-sale financial assets are the stocks of listed companies held. The value of the stock is directly from Shanghai Stock Exchange and Shenzhen Stock Exchange, and the information is reliable.

10.EXTERNAL GUARANTEES

As at 31 December 2019, the Company external guarantees are as follows:

Guarantee company	Secured party	Guarantee item	Guaranteed amount (CNY '000)	Guarantee form	Debt maturity
Shaoxing City Investment Group Co., Ltd.	Shaoxing South of City Village Reconstruction and Construction Co., Ltd.	Bank loan	50,000.00	Guarantee	Feb. 15, 2019 to Feb. 15, 2020
Shaoxing City Investment Group Co., Ltd.	Shaoxing City Village Reconstruction and Construction	Creditor's rights investment plan	200,000.00	Guarantee	Oct. 31, 2019 to Oct. 31, 2021

Guarantee company	Secured party	Guarantee item	Guaranteed amount (CNY '000)	Guarantee form	Debt maturity
	Investment Co., Ltd.				
Shaoxing City Investment Group Co., Ltd.	Shaoxing City Village Reconstruction and Construction Investment Co., Ltd.	Creditor's rights investment plan	80,000.00	Guarantee	Nov. 14, 2019 to Nov. 14, 2022
Shaoxing City Investment Group Co., Ltd.	Shaoxing Traffic Investment Co., Ltd.	Creditor's rights investment plan	2,500,000.00	Guarantee	Oct. 23, 2013 to Oct. 23, 2020
Shaoxing City Investment Group Co., Ltd.	Shaoxing Paojiang Industrial Zone Investment Development Co., Ltd.	Finance Leases	221,700.00	Guarantee	Feb. 5, 2018 to Feb. 5, 2021
Shaoxing City Investment Group Co., Ltd.	Shaoxing Paojiang New Rural Construction Co., Ltd.	Creditor's rights investment plan	500,000.00	Guarantee	Jan. 14, 2016 to Dec. 30, 2020
Shaoxing City Investment Group Co., Ltd.	Shaoxing Paojiang Industrial Zone Investment Development Co., Ltd.	Finance Leases	500,000.00	Guarantee	Apr. 11, 2018 to Apr. 24, 2023
Shaoxing City Investment Group Co., Ltd.	Shengzhou City Investment Group Co., Ltd.	Bond issuance	800,000.00	Guarantee	Nov. 4, 2019 to Nov. 4, 2026

Guarantee company	Secured party	Guarantee item	Guaranteed amount (CNY '000)	Guarantee form	Debt maturity
Shaoxing City Investment Group Co., Ltd.	Shengzhou City Investment Group Co., Ltd.	Bond issuance	1,000,000.00	Guarantee	Aug. 15, 2019 to Aug. 15, 2026
Shaoxing City Investment Group Co., Ltd.	Zhejiang Binhai New City Development Investment Co., Ltd.	Trust loan	80,000.00	Guarantee	Sep. 26, 2019 to Sep. 26, 2022
Shaoxing City Investment Group Co., Ltd.	Zhejiang Binhai New City Development Investment Co., Ltd.	Trust loan	100,000.00	Guarantee	Jun. 21, 2019 to Jun. 22, 2022
Shaoxing City Investment Group Co., Ltd.	Zhejiang Binhai New City Development Investment Co., Ltd.	Trust loan	200,000.00	Guarantee	Sep. 5, 2019 to Sep. 5, 2022
Shaoxing City Investment Group Co., Ltd.	Zhejiang Binhai New City Development Investment Co., Ltd.	Trust loan	250,000.00	Guarantee	Sep. 18, 2019 to Sep. 18, 2022
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing Keqiao Supply Water Co., Ltd.	Working capital loan	100,000.00	Guarantee	Sep. 27, 2019 to Sep. 27, 2020
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing Keqiao Supply Water Co., Ltd.	Creditor's rights investment plan	190,000.00	Guarantee	Jul. 31, 2015 to Jun. 30, 2025

Guarantee company	Secured party	Guarantee item	Guaranteed amount (CNY '000)	Guarantee form	Debt maturity
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing Keqiao Binhai Supply Water Co., Ltd.	Creditor's rights investment plan	50,000.00	Guarantee	Mar. 25, 2016 to Dec. 31, 2021
Shaoxing Public Utilities Group Co., Ltd.	Zhejiang Binhai Xincheng Development Investment Co., Ltd.	Working capital loan	100,000.00	Guarantee	Jun. 19, 2019 to Jun. 18, 2020
Shaoxing Public Utilities Group Co., Ltd.	Zhejiang Binhai Xincheng Development Investment Co., Ltd.	Creditor's rights investment plan	200,000.00	Guarantee	Jul. 31, 2019 to Jul. 31, 2021
Shaoxing Public Utilities Group Co., Ltd.	Xinchang County Industrial Park Investment Development Group Co., Ltd.	Creditor's rights investment plan	600,000.00	Guarantee	Jul. 25, 2019 to Jul. 25, 2026
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing Cultural Tourism Group Co., Ltd.	Creditor's rights investment plan	30,000.00	Guarantee	Dec. 4, 2019 to Dec. 4, 2021
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing Cultural Tourism Group Co., Ltd.	Creditor's rights investment plan	30,000.00	Guarantee	Dec. 13, 2019 to Dec. 13, 2021
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing Water Treatment Development Co., Ltd.	Creditor's rights investment plan	36,000.00	Guarantee	Dec. 13, 2019 to Dec. 12, 2024

Guarantee company	Secured party	Guarantee item	Guaranteed amount (CNY '000)	Guarantee form	Debt maturity
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing Water Treatment Development Co., Ltd.	Creditor's rights investment plan	6,000.00	Guarantee	Jun. 26, 2015 to Dec. 10, 2022
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing Water Treatment Development Co., Ltd.	Working capital loan	48,000.00	Guarantee	Jul. 17, 2019 to Jun. 25, 2020
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing Water Treatment Development Co., Ltd.	Creditor's rights investment plan	19,260.40	Guarantee	Feb. 11, 2018 to Dec. 10, 2026
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing Water Treatment Development Co., Ltd.	Creditor's rights investment plan	38,520.80	Guarantee	Mar. 16, 2018 to Dec. 10, 2026
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing Water Treatment Development Co., Ltd.	Creditor's rights investment plan	38,520.80	Guarantee	Aug. 28, 2018 to Aug. 20, 2023
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing Water Treatment Development Co., Ltd.	Creditor's rights investment plan	8,880.00	Guarantee	Aug. 31, 2018 to Dec. 10, 2026
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing Water Treatment Development Co., Ltd.	Creditor's rights investment plan	24,000.00	Guarantee	Jun. 29, 2018 to Dec. 10, 2026

Guarantee company	Secured party	Guarantee item	Guaranteed amount (CNY '000)	Guarantee form	Debt maturity
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing Water Treatment Development Co., Ltd.	Creditor's rights investment plan	24,000.00	Guarantee	Nov. 19, 2015 to Mar. 15, 2021
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing Water Treatment Development Co., Ltd.	Creditor's rights investment plan	12,000.00	Guarantee	May 18, 2016 to Mar. 15, 2021
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing Water Treatment Development Co., Ltd.	Creditor's rights investment plan	24,000.00	Guarantee	Jul. 27, 2016 to Mar. 15, 2021
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing Water Treatment Development Co., Ltd.	Creditor's rights investment plan	12,000.00	Guarantee	Jan. 9, 2017 to Mar. 15, 2021
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing Water Treatment Development Co., Ltd.	Creditor's rights investment plan	36,500.00	Guarantee	Feb. 28, 2017 to Jan. 15, 2022
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing Water Treatment Development Co., Ltd.	Working capital loan	60,000.00	Guarantee	Nov. 28, 2019 to Nov. 26, 2020
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing Water Treatment Development Co., Ltd.	Creditor's rights investment plan	32,000.00	Guarantee	Mar. 28, 2017 to Mar. 28, 2020

Guarantee company	Secured party	Guarantee item	Guaranteed amount (CNY '000)	Guarantee form	Debt maturity
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing Water Treatment Development Co., Ltd.	Working capital loan	40,000.00	Guarantee	Dec. 3, 2019 to Dec. 2, 2020
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing Water Treatment Development Co., Ltd.	Working capital loan	40,000.00	Guarantee	Mar. 29, 2019 to Mar. 28, 2020
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing Water Treatment Development Co., Ltd.	Finance lease	72,000.00	Guarantee	Dec. 21, 2018 to Dec. 20, 2023
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing Keqiao Jiangbin Water Treatment Co., Ltd.	Creditor's rights investment plan	24,000.00	Guarantee	Nov. 27, 2019 to Oct. 20, 2029
Shaoxing Public Utilities Group Co., Ltd.	Shaoxing Keqiao Jiangbin Water Treatment Co., Ltd.	Creditor's rights investment plan	24,000.00	Guarantee	Dec. 2, 2019 to Oct. 20, 2029
Shaoxing Rail Transit Group Co., Ltd.	Shaoxing Customs Tourism Shinkansen Construction Co., Ltd.	Working capital loan	35,925.00	Guarantee	Aug. 22, 2019 to Aug. 14, 2020
Shaoxing Rail Transit Group Co., Ltd.	Shaoxing Customs Tourism Shinkansen Construction Co., Ltd.	Working capital loan	47,740.00	Guarantee	Sep. 25, 2018 to Jul. 5, 2021
Total			8,485,065.00		

11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

11.1 Basic Information of Parent Company

Name of the parent	Registered address	Registered capital (CNY'000)	Percentage of equity interests in the Company (%)	Voting rights in the Company (%)
Shaoxing Municipal People's Government State-Owned Assets Supervision and Administration Commission	Shaoxing	3,300,000.00	100.00	100.00

Ultimate controlling party of the Company: Shaoxing Municipal People's Government State-Owned Assets Supervision and Administration Commission.

11.2 Basic Information of Subsidiaries

Details of the subsidiaries please refer to *Notes 7 INTERESTS IN OTHER ENTITIES*.

11.3 Joint Ventures and Associates of the Company

(a) Basic information of significant joint ventures and associates

Details of significant joint ventures and associates please refer to *Notes 7 INTERESTS IN OTHER ENTITIES*

(b) Details of other joint ventures or associates trading with the Company during the reporting period, or with outstanding balances arising in prior periods

There is no such item.

11.4 Other Related Parties of the Company

There is no such item.

11.5 Related Party Transactions

There is no such item.

11.6 Receivables and Payables with Related Parties

There is no such item.

11.7 Commitments with Related Parties

There is no such item.

11.8 Others

There is no such item.

12. SHARE-BASED PAYMENTS

There is no such item.

13. COMMITMENTS AND CONTINGENCIES

13.1 Significant Commitments

As at 31 December 2019, the Company has no significant commitments need to be disclosed.

13.2 Contingencies

Details of external guarantees please refer to *Notes 10 EXTERNAL GUARANTEES*.

13.3 Others

There is no such item.

14. EVENTS AFTER THE REPORTING PERIOD

As at 31 December 2019, the Company has no significant events after the reporting period need to be disclosed.

15. OTHER SIGNIFICANT MATTERS

As at 31 December 2019, the Company has no other significant matters need to be disclosed.

16. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

16.1 Accounts Receivable

(a) Accounts receivable by category

Items	31 Dec 2019				
	Accounts receivable		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with individually significant balance and provision recognized for bad debt individually					
Accounts receivable with bad debt provision recognized collectively by similar credit risk characteristics	1,435,964.50	100.00	1,148,771.60	80.00	287,192.90
Portfolio 1					
Portfolio 2	1,435,964.50	100.00	1,148,771.60	80.00	287,192.90

Items	31 Dec 2019				
	Accounts receivable		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with individually insignificant balance but provision recognized for bad debt individually					
Total	1,435,964.50	100.00	1,148,771.60	80.00	287,192.90

(Continued)

Items	31 December 2018				
	Accounts receivable		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with individually significant balance and provision recognized for bad debt individually					
Accounts receivable with bad debt provision recognized collectively by similar credit risk characteristics	4,775,964.50	100.00	1,315,771.60	27.55	3,460,192.90
Portfolio 1					
Portfolio 2	4,775,964.50	100.00	1,315,771.60	27.55	3,460,192.90
Accounts receivable with individually insignificant balance but provision recognized for bad debt individually					
Total	4,775,964.50	100.00	1,315,771.60	27.55	3,460,192.90

(a.1) Accounts receivable with individually significant balance and provision recognized for bad debt individually: There is no such item.

(a.2) In portfolio 2, accounts receivable with bad debt provision recognized collectively by aging analysis

Aging	31 Dec 2019		
	Accounts receivable	Provision for bad debt	Provision ratio (%)
Within 1 year (including 1 year)			
1 to 2 years			
2 to 3 years			
3 to 4 years			
4 to 5 years			
Over 5 years	1,435,964.50	1,148,771.60	80.00
Total	1,435,964.50	1,148,771.60	80.00

(b) Provision, recovery or reversal of bad debt

The reversal of the provision for bad debt during the reporting period amounted to CNY167,000.00.

(c) Accounts receivable written-off during the reporting period: There is no such item.

(d) Derecognition of accounts receivables for transfer of financial assets: There is no such item.

(e) The amount of assets and liabilities formed by transferring accounts receivables and continuing to involved: There is no such item.

16.2 Other Receivables**(a) Other receivables by category**

Items	31 Dec 2019	31 Dec 2018
Interest receivable		
Dividend receivable		
Other receivables	7,218,447,022.51	4,935,938,950.33
Total	7,218,447,022.51	4,935,938,950.33

(b) Interest receivable

There is no such item.

(c) Dividends receivable

There is no such item.

(d) Other receivables

(d.1) Disclosure of other receivables by category

Items	31 Dec 2019				
	Other receivables		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables with individually significant balance and provision for bad debt recognized individually					
Other receivables with bad debt provision recognized collectively by similar credit risk characteristics	7,241,187,802.56	100.00	22,740,780.05	0.31	7,218,447,022.51
Portfolio 1	7,146,025,721.09	98.69			7,146,025,721.09
Portfolio 2	95,162,081.47	1.31	22,740,780.05	23.90	72,421,301.42
Other receivables with individually insignificant balance but provision for bad debt recognized individually					
Total	7,241,187,802.56	100.00	22,740,780.05	0.31	7,218,447,022.51

(Continued)

Items	31 December 2018				
	Other receivables		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables with individually significant balance and provision for bad debt recognized individually					
Other receivables with bad debt provision recognized collectively by similar credit risk characteristics	4,950,695,296.21	100.00	14,756,345.88	0.30	4,935,938,950.33
Portfolio 1	4,860,402,772.81	98.18			4,860,402,772.81
Portfolio 2	90,292,523.40	1.82	14,756,345.88	16.34	75,536,177.52

Items	31 December 2018				
	Other receivables		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables with individually insignificant balance but provision for bad debt recognized individually					
Total	4,950,695,296.21	100.00	14,756,345.88	0.30	4,935,938,950.33

Other receivables with individually significant balance and provision for bad debt recognized individually: There is no such item.

In portfolio 1, significant details of accounts receivables are as follows:

Entity name	31 Dec 2019			
	Other receivables	Provision for bad debt	Provision ratio (%)	Reason
Shaoxing Infrastructure Construction Investment Co., Ltd.	3,040,611,691.41			
Shaoxing City Construction Co., Ltd.	1,863,289,065.90			
Shaoxing City Real Estate Development Co., Ltd.	795,434,227.08			
Shaoxing Keqiao District Construction Group Co., Ltd.	627,740,712.33			
Shaoxing Affordable Housing Construction Co., Ltd.	348,990,902.95			
Other sporadic entities	469,959,121.42			
Total	7,146,025,721.09			

In portfolio 2, other receivables with bad debt provision recognized collectively by aging analysis

Aging	31 Dec 2019		
	Other receivables	Provision for bad debt	Provision ratio (%)
Within 1 year (including 1 year)	7,559,655.10	377,982.76	5.00
1 to 2 years	39,757,562.66	3,975,756.27	10.00
2 to 3 years	3,809,402.33	761,880.47	20.00
3 to 4 years	27,882,260.42	11,152,904.17	40.00
4 to 5 years	16,125,760.96	6,450,304.38	40.00
Over 5 years	27,440.00	21,952.00	80.00
Total	95,162,081.47	22,740,780.05	23.90

(d.2) Provision, recovery or reversal of bad debt

The provision for bad debt during the reporting period amounted to CNY7,984,434.17.

(d.3) Other receivables written-off during the reporting period: There is no such item.

(d.4) Top five closing balances by entity

Entity name	Nature	Carrying amount	Aging	Proportion of the balance to the total other receivables (%)	Provision for bad debt
Shaoxing Infrastructure Construction Investment Co., Ltd.	Current payment	3,040,611,691.41	1 to 5 years	41.99	
Shaoxing City Construction Co., Ltd.	Current payment	1,863,289,065.90	1 to 3 years	25.73	
Shaoxing City Real Estate Development Co., Ltd.	Current payment	795,434,227.08	1 to 4 years	10.98	
Shaoxing Keqiao District Construction Group Co., Ltd.	Borrowing	627,740,712.33	Within 1 year	8.67	

Entity name	Nature	Carrying amount	Aging	Proportion of the balance to the total other receivables (%)	Provision for bad debt
Shaoxing Affordable Housing Construction Co., Ltd.	Current payment	348,990,902.95	1 to 4 years	4.82	
Total		6,676,066,599.67		92.19	

(d.5) Other receivables relating to government grants: There is no such item.

(d.6) Derecognition of other receivables for transfer of financial assets: There is no such item.

(d.7) The amount of assets and liabilities formed by transferring other receivables and continuing to be involved: There is no such item.

16.3 Long-term Equity Investments

Items	31 Dec 2019			31 Dec 2018		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Subsidiaries	5,817,836,610.81		5,817,836,610.81	6,373,336,610.81		6,373,336,610.81
Joint ventures and associates				33,591,400.07		33,591,400.07
Total	5,817,836,610.81		5,817,836,610.81	6,406,928,010.88		6,406,928,010.88

(a) Investments in subsidiaries

Investees	31 December 2018	Increase	Decrease	31 Dec 2019	Provision for impairment during the reporting period	Provision for impairment at 31 Dec 2019
Shaoxing Infrastructure Construction Investment Co., Ltd.	96,000,000.00			96,000,000.00		

Investees	31 December 2018	Increase	Decrease	31 Dec 2019	Provision for impairment during the reporting period	Provision for impairment at 31 Dec 2019
Shaoxing City Plaza Management Co., Ltd.	3,492,000.00			3,492,000.00		
Shaoxing Plaza Ad & Decoration Co., Ltd.	750,000.00			750,000.00		
Shaoxing Affordable Housing Construction Co., Ltd.	180,000,000.00			180,000,000.00		
Shaoxing Second Ring Turn Move Investment Co., Ltd.	100,000,000.00			100,000,000.00		
Shaoxing City Construction Co., Ltd.	150,000,000.00			150,000,000.00		
Shaoxing City Real Estate Development Co., Ltd.	50,000,000.00			50,000,000.00		
Shaoxing Flat Copper (Group) Co., Ltd.	187,983,260.52			187,983,260.52		
Shaoxing Public Buildings Facilities	8,000,000.00			8,000,000.00		

Investees	31 December 2018	Increase	Decrease	31 Dec 2019	Provision for impairment during the reporting period	Provision for impairment at 31 Dec 2019
Management Co., Ltd.						
Shaoxing Huafeng Property Co., Ltd.	20,100,000.00			20,100,000.00		
Shaoxing Rail Transit Group Co., Ltd.	200,000,000.00			200,000,000.00		
Zheyue Asset Management Co., Ltd.	600,000,000.00		600,000,000.00			
Shaoxing Public Buildings Facilities Management Co., Ltd.	8,000,000.00			8,000,000.00		
Shaoxing Smart City Group Co., Ltd.	71,500,000.00	19,600,000.00		91,100,000.00		
Shaoxing City Investment (HK) Limited	852,082.00			852,082.00		
Shaoxing City Investment Asset Operation Management Co., Ltd.	5,000,000.00			5,000,000.00		

Investees	31 December 2018	Increase	Decrease	31 Dec 2019	Provision for impairment during the reporting period	Provision for impairment at 31 Dec 2019
Shaoxing Science and Technology Industry Investment Co., Ltd.	47,100,000.00	24,900,000.00		72,000,000.00		
Shaoxing Baocheng Construction Co., Ltd.	45,782,353.00			45,782,353.00		
Shaoxing Public Utilities Group Co., Ltd.	4,593,713,701.01			4,593,713,701.01		
Shaoxing Guangfeng Real Estate Development Co., Ltd.	5,063,214.28			5,063,214.28		
Total	6,373,336,610.81	44,500,000.00	600,000,000.00	5,817,836,610.81		

(b) Investments in joint ventures and associates

Investees	31 Dec 2018	Changes during the reporting period				
		Increase during the reporting period	Decrease during the reporting period	Gains /(losses) on investments under the equity method	Adjustments of other comprehensive income	Changes in other equity
(i) Joint ventures						
Zhejiang Jianhu Real Estate Development Co., Ltd.	33,591,400.07		31,565,431.25	-2,025,968.82		
Total	33,591,400.07		31,565,431.25	-2,025,968.82		

(Continued)

Investees	Changes during the reporting period			31 Dec 2019	Provision for impairment at 31 Dec 2019
	Declaration of cash dividends or distribution of profit	Provision for impairment	Others		
(i) Joint ventures					
Zhejiang Jianhu Real Estate Development Co., Ltd.					
Total					

16.4 Revenue and Cost of Sales

Items	2019		2018	
	Revenue	Costs of sales	Revenue	Costs of sales
Principal activities				
Merchandise sales	451,644,330.68	313,829,234.00	322,166,155.97	273,365,406.89
Rental	14,528,003.40	29,278,313.73	16,903,290.33	17,677,267.16
Others	68,291,795.30	2,500.00	24,628,438.14	
Total	534,464,129.38	343,110,047.73	363,697,884.44	291,042,674.05

16.5 Investment Income

Items	2019	2018
Investment income from long-term equity investments under equity method	-2,025,968.82	9,176,897.69
Gains on disposal of long-term equity investments	-2,380,889.89	
Investment income from financial assets at fair value through profit or loss during the holding period	1,749,871.73	
Total	-2,656,986.98	9,176,897.69

16.6 Others

There is no such item.

17. SUPPLEMENTARY INFORMATION

There is no such item.



Name of the Company: Shaoxing City Investment Group Co., Ltd.

Legal Representative:



Chief Financial Officer:



Finance Manager:



Date: 24 April 2020

ISSUER

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