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刊發資料備忘錄

HUAN ZHI COMPANY LIMITED

(根據英屬處女群島法律註冊成立之有限公司)

二零二三年到期的100,000,000美元年利率為1.95%之信用增強債券(「**債券**」)
(股份代號：4436)
由
以下人士無條件及不可撤銷地擔保

TAIXING ZHIGUANG ENVIRONMENTAL PROTECTION TECHNOLOGY CO., LTD.
(泰興市智光環保科技有限公司)

(於中華人民共和國註冊成立之有限公司)

受益於杭州銀行股份有限公司上海分行
提供之不可撤銷備用信用證

刊發資料備忘錄

本公告乃根據香港聯合交易所有限公司(「**香港聯交所**」)證券上市規則(「**上市規則**」)第37.39A條刊發。

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承董事會命
Huan Zhi Company Limited
董事長兼總經理
陶愛堂

香港，2022年1月21日

於本公告日期，Huan Zhi Company Limited之唯一董事為葛琛先生，而泰興市智光環保科技有限公司之董事為陶愛堂先生、葛琛先生、朱興亞先生、蔣保幹先生及戴群先生。

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES. THIS PRIVATE PLACEMENT IS AVAILABLE ONLY TO INVESTORS WHO ARE ADDRESSEES OUTSIDE OF THE UNITED STATES.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached information memorandum (the "**Information Memorandum**"). You are advised to read this disclaimer carefully before accessing, reading or making any other use of the attached Information Memorandum. In accessing the attached Information Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information as a result of such access. In order to be eligible to view the attached Information Memorandum or make an investment decision with respect to the securities, investors must be outside the United States.

Confirmation of Your Representation: This Information Memorandum is being sent to you at your request and by accepting the e-mail and accessing the attached Information Memorandum, you shall be deemed to represent to Huan Zhi Company Limited (the "**Issuer**"), Taixing Zhiguang Environmental Protection Technology Co., Ltd. (泰興市智光環保科技有限公司) (the "**Guarantor**"), Zhongtai International Securities Limited, China Zheshang Bank Co., Ltd. (Hong Kong Branch), Dingxin (Securities) Limited and Donghai International Securities (Hong Kong) Limited (the "**Placing Agents**") that (1) you and any customers you represent are outside the United States and that the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions, and (2) you consent to the delivery of the attached Information Memorandum and any amendments or supplements thereto by electronic transmission.

The attached Information Memorandum has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and, consequently, none of the Issuer, the Placing Agents, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents (as defined in the attached Information Memorandum) or any of their respective affiliates, directors, officers, employees, representatives, agents, advisers or any person who controls any of them accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version available to you upon request from the Issuer and the Placing Agents.

Restrictions: The attached Information Memorandum is being furnished in connection with an offering in offshore transactions to persons outside the United States in compliance with Regulation S under the Securities Act of 1933, as amended (the "**Securities Act**") solely for the purpose of enabling a prospective investor to consider the purchase of the securities described herein.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES AND THE GUARANTEE DESCRIBED HEREIN HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THE OFFERING IS MADE SOLELY OUTSIDE THE UNITED STATES IN OFFSHORE TRANSACTIONS IN RELIANCE OF REGULATIONS UNDER THE SECURITIES ACT.

You are reminded that you have accessed the attached Information Memorandum on the basis that you are a person into whose possession the attached Information Memorandum 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 this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you are not allowed to purchase any of the securities described in the attached Information Memorandum.

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Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**") – In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 (the "**CMP Regulations 2018**"), the Issuer has determined the classification of the Bonds as 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).

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INFORMATION MEMORANDUM DATED 14 JANUARY 2022 **STRICTLY CONFIDENTIAL**

HUAN ZHI COMPANY LIMITED

(Incorporated with limited liability in the British Virgin Islands)

U.S.$100,000,000 1.95 per cent. Credit Enhanced Bonds due 2023
Unconditionally and Irrevocably Guaranteed by

TAIXING ZHIGUANG ENVIRONMENTAL PROTECTION TECHNOLOGY CO., LTD.
(泰興市智光環保科技有限公司)

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

with the benefit of an irrevocable Standby Letter of Credit issued by
Bank of Hangzhou Co., Ltd. Shanghai Branch
Issue Price: 100 per cent.

The 1.95 per cent. credit enhanced bonds in the aggregate principal amount of U.S.$100,000,000 due 2023 (the "**Bonds**") will be issued by Huan Zhi Company Limited (the "**Issuer**"), a company incorporated under the laws of the British Virgin Islands and will be unconditionally and irrevocably guaranteed (the "**Guarantee**") by Taixing Zhiguang Environmental Protection Technology Co., Ltd. (泰興市智光環保科技有限公司) (the "**Guarantor**"), a company incorporated under the laws of the People's Republic of China (the "**PRC**"). The Issuer is a wholly-owned subsidiary of the Guarantor. Payments of principal and interest in respect of the Bonds will have the benefit of an irrevocable standby letter of credit (the "**Standby Letter of Credit**") issued by Bank of Hangzhou Co., Ltd. Shanghai Branch (the "**LC Bank**"). See "*Appendix A – Form of Irrevocable Standby Letter of Credit*" for the form of the Standby Letter of Credit.

The Bonds bear interest on their outstanding principal amount from and including 20 January 2022 (the "**Issue Date**") at the rate of 1.95 per cent. per annum, payable in arrear on 20 July 2022 with interest of U.S.$9.75 per Calculation Amount and 19 January 2023 with interest of U.S.$9.70 per Calculation Amount. All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, without set-off or counterclaim and without withholding or deduction for or 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 political subdivision or any authority therein or thereof having power to tax unless such set-off, counterclaim, withholding or deduction is required by law.

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

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

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

The Guarantor will enter into a deed of guarantee (the "**Deed of Guarantee**") with China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) (the "**Trustee**") on or around the Issue Date. The Guarantor will be required to register or cause to be registered with the State Administration of Foreign Exchange or its local counterparts ("**SAFE**"), the Deed of Guarantee within 15 PRC Business Days after execution of the Deed of Guarantee in accordance with, and within the prescribed time period under the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 (the "**Cross-Border Security Registration**"). The Guarantor shall use its best endeavours to complete the Cross-Border Security Registration with SAFE and obtain a registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE) and comply with all applicable PRC laws regulations in relation to the Guarantee. The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable law, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

The Bonds will constitute direct, unsubordinated, unconditional and 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 regulations, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

The obligations of the Issuer and the Guarantor under the Bonds and the Guarantee shall solely be fulfilled by the Issuer and the Guarantor as independent legal persons. No PRC governmental entity has any payment or other obligations under the Bonds or the Guarantee nor will they provide a guarantee of the Bonds. The Bondholders (as defined in the terms and conditions of the Bonds (the "**Terms and Conditions**")) shall have no recourse to any PRC governmental entity in respect of any obligation arising out of or in connection with the Bonds or the Guarantee solely by virtue of the Issuer and the Guarantor being state-owned enterprises of the PRC. See "*Risk Factors – Risks relating to the Bonds and the Guarantee – The PRC government (including the Taixing SASAC) has no obligation to pay any amount under the Bonds or the Guarantee*".

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 19 January 2023 (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 (a "**Tax Redemption Notice**") to the Bondholders in accordance with 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 up to, but excluding, the date fixed for redemption), if (i) the Issuer satisfies the Trustee immediately prior to the giving of such notice that it (or if the Guarantor were called, the Guarantor) has or will become obliged to pay Additional Tax Amounts as provided or referred to in the Terms and Conditions as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands, the PRC or 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 14 January 2022; and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds (or the Guarantee, as the case may be) then due. Furthermore, following the occurrence of a Relevant Event (as defined in the Terms and Conditions), the holder of any Bond will have the right (the "**Relevant Event Put Right**"), at such holder's option, to require the Issuer to redeem all, but not some only, of such holder's Bonds on the Put Settlement Date (as defined in the Terms and Conditions) at 100 per cent. (in the case of a redemption for a Change of Control or a No Registration Event (both as defined in the Terms and Conditions)) of their principal amount, together in each case with interest accrued up to, but excluding, the Put Settlement Date. See "*Terms and Conditions of the Bonds – Redemption and Purchase*". For a more detailed description of the Bonds, see "*Terms and Conditions of the Bonds*" beginning on page 47. The Bonds will not be rated.

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

Investors should be aware that the Issuer is a special purpose vehicle with no assets or operations and the Standby Letter of Credit is subject to a maximum limit and may not be sufficient to satisfy all payments due under the Bonds and that there are various other risks relating to the Bonds, the Guarantee, the Standby Letter of Credit, the Group, their business and their jurisdictions of operations which investors should familiarise themselves with before making an investment in the Bonds. See "*Risk Factors*" beginning on page 18 for a discussion of certain factors to be considered in connection with an investment in the Bonds.

The Bonds and the Standby Letter of Credit 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 in offshore transactions outside the United States in reliance on Regulation S under the Securities Act. For a description of these and certain further restrictions on offers and sales of the Bonds, the Standby Letter of Credit and the distribution of this Information Memorandum, see "*Placement and Sale*".

The Bonds will be represented initially by interests in a global certificate (the "**Global Certificate**") in registered form which will be registered in the name of a nominee of, and shall be deposited on or about the Issue Date, with, a common depositary 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.

Placing Agents

Zhongtai International **China Zheshang Bank Co., Ltd. (Hong Kong Branch)** **Dingxin (Securities) Limited** **Donghai International**

NOTICE TO INVESTORS

THIS INFORMATION MEMORANDUM 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 INFORMATION MEMORANDUM NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER, THE GUARANTOR OR ANY OF THE GUARANTOR'S OTHER SUBSIDIARIES (COLLECTIVELY, THE "GROUP") OR THAT THE INFORMATION SET FORTH IN THIS INFORMATION MEMORANDUM IS CORRECT AS OF ANY DATE SUBSEQUENT TO THE DATE HEREOF.

This document includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer, the Guarantor and the Group. The Issuer and the Guarantor accept full responsibility for the accuracy of the information contained in this document and confirm, 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. Investors are advised to read and understand the contents of the Information Memorandum before investing. If in doubt, investors should consult their advisers.

Each of the Issuer and the Guarantor accepts full responsibility for the accuracy of the information contained in this Information Memorandum and confirms, having made all reasonable enquiries, that (i) this Information Memorandum contains all information with respect to the Issuer, the Guarantor, the Group and the Bonds, the Guarantee and the Standby Letter of Credit which is material in the context of the issue and offering of the Bonds (including all information required by applicable laws and the information which, according to the particular nature of the Issuer, the Guarantor, the Group, the Bonds, the Guarantee and the Standby Letter of Credit, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the Guarantor and the Group and of the rights attaching to the Bonds, the Guarantee and the Standby Letter of Credit), (ii) the statements contained in this Information Memorandum relating to the Issuer, the Guarantor, the Group, the Bonds, the Guarantee and the Standby Letter of Credit are in every material particular true and accurate and not misleading, (iii) the opinions and intentions expressed in this Information Memorandum are, with regard to the Issuer, the Guarantor and the Group, honestly and reasonably held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, (iv) there are no other facts in relation to the Issuer, the Guarantor, the Group, the Bonds, the Guarantee or the Standby Letter of Credit the omission of which would, in the context of the issue and offering of the Bonds, make any statement, opinion or intention expressed in this Information Memorandum misleading; (v) all reasonable enquiries have been made by the Issuer and the Guarantor to ascertain such facts and to verify the accuracy of all such information and statements in this Information Memorandum; (vi) this Information Memorandum does not include an untrue statement of a material fact or omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading; and (vii) the statistical, industry and market-related data and forward looking statements, each of which are included in this Information Memorandum, are based on or derived or extracted from sources which the Issuer, the Guarantor and the Group believe to be accurate and reliable in all material respects.

Notwithstanding the foregoing, the information included in this Information Memorandum regarding Bank of Hangzhou Co., Ltd. ("**Bank of Hangzhou**") is for information purposes only and is based on, or derived or extracted from, among other sources, publicly available information. The Issuer and the Guarantor have taken reasonable care in the compilation and reproduction of the information. However, none of the Issuer, the Guarantor, the Placing Agents (as defined below), the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank and the Agents (in each case as defined herein) or their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them has independently verified such information. No representation or warranty, express or implied, is made or given by the Issuer, the Guarantor, the Placing Agents, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents or their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them as to the accuracy, completeness or sufficiency of such information. Accordingly, such information should not be unduly relied upon.

This Information Memorandum has been prepared by the Issuer and the Guarantor solely for use in connection with the proposed offering of the Bonds, giving of the Guarantee and the Standby Letter of Credit described in this Information Memorandum. The distribution of this Information Memorandum and the offering of the Bonds and the giving of the Guarantee in certain jurisdictions may be restricted by law. Persons into whose possession this Information Memorandum comes are required by the Issuer, the Guarantor, Zhongtai International Securities Limited, China Zheshang Bank Co., Ltd. (Hong Kong Branch), Dingxin (Securities) Limited and Donghai International Securities (Hong Kong) Limited (the "**Placing Agents**") to inform itself about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds, giving of the Guarantee and the Standby Letter of Credit or the distribution of this Information Memorandum 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 Guarantor giving the Guarantee, and the circulation of documents relating thereto, in certain jurisdictions and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds and distribution of this Information Memorandum, see "*Placement and Sale*". By purchasing the Bonds, investors represent and agree to all of those provisions contained in that section of this Information Memorandum. This Information Memorandum 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, Bonds. Distribution of this Information Memorandum 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 Information Memorandum, agrees to the foregoing and to make no photocopies of this Information Memorandum or any documents referred to in this Information Memorandum.

No person has been or is authorised to give any information or to make any representation not contained in or not consistent with this Information Memorandum or any information supplied by the Issuer, the Guarantor, the Group, the LC Bank or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, the Group, the LC Bank, the Placing Agents, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents (as defined in the Terms and Conditions) or their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them. Neither the delivery of this Information Memorandum nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Guarantor, the Group or the LC Bank or any of them since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Information Memorandum does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor, the Placing Agents, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or adviser or any person who controls any of them to subscribe for or purchase the Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

None of the Placing Agents, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents (as defined in the Conditions), or any person who controls any of them, or their respective directors, officers, employees, agents, representatives, advisers and affiliates has separately verified the information contained in this Information Memorandum. None of the Placing Agents, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents, or any person who controls any of them, or any director, officer, employee, agent, representative, adviser or affiliate of any such person, makes any representation, warranty or undertaking, express or implied, or accepts any responsibility or liability, with respect to the accuracy or completeness of any of the information contained in this Information Memorandum or any information supplied in connection with the Bonds, the Guarantee and the Standby Letter of Credit. Each person receiving this Information Memorandum acknowledges that such person has not relied on the Placing Agents, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents, or any person who controls any of them, or any of their respective directors, officers, employees, agents, representatives, adviser or affiliates in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Issuer, the Guarantor, the Group, the LC Bank, the Guarantee, the Standby Letter of Credit and the terms of the offering 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 Placing Agents, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents, or any person who controls any of them, or any director, officer, employee, agent, representative, adviser or affiliate of any such person, accepts any responsibility for the contents of this Information Memorandum or for any other statement made or purported to be made by a Placing Agents, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or an Agent, or any person who controls any of them, or any director, officer, employee, agent, adviser, representative or affiliate of any such person or on its behalf, in connection with the Issuer, the Guarantor, the Group, the LC Bank, the issue and offering of the Bonds, the giving of the Guarantee or the Standby Letter of Credit. Each of the Placing Agents, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank and the Agents, and any person who controls any of them, and the directors, officers, employees, agents, representatives, advisers and affiliates of such persons accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Information Memorandum or any such statement. None of the Placing Agents, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents, or any person who controls any of them, or any director, officer, employee, agent, representative, advisers or affiliate of any such person, undertakes to review the financial condition or affairs of the Issuer, the Guarantor, the Group or the LC Bank during the life of the arrangements contemplated by this Information Memorandum nor to advise any investor or potential investor in the Bonds of any information coming to the attention of the Placing Agents, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents, or any person who controls any of them, or any director, officer, employee, agent, representative, advisers or affiliate of any such person.

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

*Singapore SFA 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).*

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

This Information Memorandum summarises certain material documents and other information, and the Issuer, the Guarantor, the LC Bank and the Placing Agents refer the recipient of this Information Memorandum to them for a more complete understanding of what is contained in this Information Memorandum. None of the Issuer, the Guarantor, the Group, the LC Bank, the Placing Agents, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents, or any person who controls any of them, or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates are making any representations regarding the legality of an investment in the Bonds under any law or regulation. The recipient of this Information Memorandum should not consider any information in this Information Memorandum to be legal, business or tax advice. Any investor or prospective investor should consult his/her/its own attorney, business adviser and tax adviser for legal, business and tax advice regarding an investment in the Bonds.

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

INDUSTRY AND MARKET DATA

Market data and certain industry forecasts used throughout this Information Memorandum have been obtained based on, among other sources, internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information that they contain has been obtained from sources believed by the Issuer and the Guarantor to be reliable and accurate but that the accuracy and completeness of that information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and none of the Issuer, the Guarantor, the LC Bank, the Placing Agents, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents or their respective affiliates, directors, employees, representatives, agents, officers or advisers or any person who controls any of them makes any representation as to the correctness, accuracy or completeness of that information complied within or outside the PRC. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. Accordingly, such information should not be unduly relied upon.

PRESENTATION OF FINANCIAL INFORMATION

This Information Memorandum contains consolidated financial information of the Group as at and for the years ended 31 December 2018, 2019 and 2020, which has been extracted from the audited consolidated financial statements of the Group as at and for the year ended 31 December 2019 and the audited consolidated financial statements of the Group as at and for the year ended 31 December 2020 (together, the "**Historical Financial Statements**") which are included elsewhere in this Information Memorandum. The Historical Financial Statements have been audited by the independent auditor of the Group.

This Information Memorandum also contains certain consolidated financial information of the Group as at and for the nine months ended 30 September 2020 and 2021, which has been extracted from the management accounts of the Group that have not been audited or reviewed by independent auditors (the "**Interim Financial Information**"). Consequently, the Interim Financial Information should not be relied upon by potential investors to provide the same quality of information associated with financial statements that have been subject to an audit or review. Potential investors must exercise caution when using such financial information to evaluate the Group's financial condition and results of operations as of and for the year ended 31 December 2021.

CERTAIN TERMS AND CONVENTIONS AND CURRENCY PRESENTATION

This Information Memorandum has been prepared using a number of conventions, which investors should consider when reading the information contained herein. Unless indicated otherwise, in this Information Memorandum all references to the "**Issuer**" refer to Huan Zhi Company Limited; all references to "**Guarantor**" refer to Taixing Zhiguang Environmental Protection Technology Co., Ltd. (泰興市智光環保科技有限公司); all references to "**Group**", "**we**", "**us**", "**our company**", "**our**" or similar references refer to the Guarantor itself, or to the Issuer, the Guarantor and the Guarantor's other subsidiaries taken as a whole, as the case may be; all references to the "**PRC**" and "**China**" are to the People's Republic of China (excluding Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan); all references to the "United States" and "U.S." are to the United States of America; all references to "**PRC Government**" are to the people's government of the PRC; all references to "**Taixing SASAC**" are to the Taixing State-owned Assets Supervision and Administration Committee (泰興市國有資產管理委員會辦公室); all references to "**Taixing Zhongxin**" are to the Taixing Zhongxin Investment Group Co., Ltd. (泰興市中鑫投資集團有限公司); all references to "**Taixing High-tech Zone**" are to the Jiangsu Taixing High-tech Industrial Development Zone (江蘇省泰興高新技術產業開發區); all references to "**Hong Kong**" are to the Hong Kong Special Administrative Region of the People's Republic of China; all references to "**Renminbi**", "**RMB**" and "**CNY**" are to the lawful currency of the PRC; and all references to "**USD**", "**U.S.$**" and "**U.S. dollars**" are to the lawful currency of the United States of America.

Unless otherwise stated in this Information Memorandum, all translations from Renminbi into U.S. dollars were made at the rate of RMB6.4434 to U.S.$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi on 30 September 2021 as set forth in the weekly H.10 statistical release of the Board of Governors of the Federal Reserve System). All such translations in this Information Memorandum are provided solely for investors' convenience and no representation is made that the amounts referred to herein have been, could have been or could be converted into U.S. dollars or Renminbi, or vice versa, at any particular rate or at all. For further information relating to the exchange rates, see "*Exchange Rate Information*".

Any discrepancies in the tables included herein between the listed amounts and the totals thereof are due to rounding.

In this Information Memorandum, 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 of their Chinese names and are included for identification purposes only. In the event of any inconsistency, the Chinese names prevail.

FORWARD-LOOKING STATEMENTS

This Information Memorandum contains forward-looking statements. The forward-looking statements contain information regarding, among other things, our future operations, performance, financial condition, expansion plans and business strategy. These forward-looking statements are based on our current expectations and projections about future events. Although we believe that these expectations and projections are reasonable, such forward-looking statements are inherently subject to risks, uncertainties and assumptions, including, among other things:

- general economic and political conditions in the PRC and globally;
- our financial condition, performance and business prospects;
- our expenditure plans and our ability to carry out those plans;
- access and cost of capital and financing;
- risks associated with business activities in the PRC, including but not limited to the PRC regulatory environment;
- fluctuation in prices of and the demand for products and services that we provide;
- macroeconomic measures taken by the PRC government to manage economic growth;
- our business strategy and plan of operation;
- fluctuations in interest rates and the availability of credit;
- various business opportunities that we may pursue;
- natural disasters, industrial action, terrorist attacks and other event beyond our control; and
- those other risks identified in the "Risk Factors" section of this Information Memorandum.

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

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SUMMARY

OVERVIEW

We are the primary entity for infrastructure construction in the Taixing High-tech Zone, Taixing City, Jiangsu Province. Since our establishment in 2004, we have been primarily engaged in infrastructure construction and other businesses. We expanded our business operations to trading in 2016 and the manufacture of optical and optoelectronic products in May 2019 when we acquired Suzhou Jinfu Technology Co., Ltd. (蘇州錦富技術股份有限公司), a company with its shares listed on the Shenzhen Stock Exchange (stock code: 300128.SZ) ("**Suzhou Jinfu**").

For the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2020 and 2021, our total revenue amounted to approximately RMB5,443.94 million, RMB6,135.04 million, RMB7,538.85 million, RMB4,935.30 million and RMB6,003.17 million, respectively, and our net profit amounted to approximately RMB329.47 million, RMB309.63 million, RMB358.01 million, RMB248.74 million and RMB247.33 million, respectively.

Set forth below is a summary of our principal business operations:

- *Trading:* We started our trading business in 2016 and such business has constituted the primary part of our revenue. For the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2020 and 2021, our revenue generated from our trading business segment was approximately RMB3,996.94 million, RMB3,906.28 million, RMB4,661.79 million, RMB3,012.94 million and RMB4,148.32 million, respectively, representing approximately 73.42 per cent., 63.67 per cent., 61.84 per cent., 61.05 per cent. and 69.10 per cent. of our total revenue, respectively.

- *Infrastructure Construction:* Our infrastructure construction business mainly includes greening works, facilities and road constructions and earthwork and has constituted a substantial part of our revenue. For the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2020 and 2021, our revenue generated from the infrastructure construction business was approximately RMB1,335.24 million, RMB1,379.98 million, RMB1,419.16 million, RMB931.30 million and RMB964.50 million, respectively, representing approximately 24.53 per cent., 22.49 per cent., 18.82 per cent., 18.87 per cent. and 16.07 per cent. of our total revenue, respectively.

- *Manufacture of optical and optoelectronic products:* We started to engage in the manufacture and sale of optical and optoelectronic products since we acquired Suzhou Jinfu in May 2019. For the years ended 31 December 2020 and the nine months ended 30 September 2020 and 2021, our revenue generated from the optical and optoelectronic product manufacturing business was approximately RMB1,364.23 million, RMB913.02 million and RMB830.94 million, respectively, representing approximately 18.10 per cent., 18.50 per cent. and 13.84 per cent. of our total revenue, respectively.

- *Other businesses:* We are also engaged in businesses of manufacturing environmental products, property leasing, surety and sales of accessories. For the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2020 and 2021, our revenue generated from other businesses was approximately RMB111.75 million, RMB102.32 million, RMB93.66 million, RMB78.05 million and RMB59.43 million, respectively, representing approximately 2.05 per cent., 1.67 per cent., 1.24 per cent., 1.58 per cent. and 0.99 per cent. of our total revenue, respectively.

As the primary entity for infrastructure construction in the Taixing High-tech Zone and a company wholly-owned by the Taixing SASAC, we have received strong governmental support from the Taixing SASAC and the Taixing Municipal Government. We believe that we are well positioned to leverage the favourable geographic location and the growing demand for urban planning of the Taixing High-tech Zone, which was the key to our success and will be the foundation for our future growth. We aim to maintain our prominent position as the primary entity for infrastructure construction in the Taixing High-tech Zone while at the same time further diversify our business portfolio to explore new drives for our growth.

COMPETITIVE STRENGTHS

We believe that the following strengths are important to our success and future development:

- ***The primary entity to conduct infrastructure construction in the Taixing High-tech Zone with strong local governmental support.***

- ***Well positioned to leverage the favourable geographic location and the growing demand for infrastructure construction in the Taixing High-tech Zone.***

- ***Diversified business sectors to provide synergy services and products.***

- ***Diversified source of financing and sound relationships with financing institutions.***

- ***Dedicated senior management with extensive experience in corporate management.***

BUSINESS STRATEGIES

We aim to maintain our prominent position as the primary entity for infrastructure construction in the Taixing High-tech Zone while at the same time further diversify our business portfolio. With the business philosophy of operating and developing our businesses with profitability, sustainability and diversity, we intend to focus on the following business strategies:

- ***Continue to focus on trading and infrastructure construction business and optimize our business resource allocation to enhance our position as the primary entity for infrastructure construction in the Taixing High-tech Zone.***

- ***Continue to develop various zone-based value-added services to meet customer needs and add new drives for our revenue growth.***

- ***Continue to diversify our financing channels.***

- ***Enhance our management capabilities and improve internal corporate governance.***

THE ISSUE

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

Issuer	Huan Zhi Company Limited
Guarantor	Taixing Zhiguang Environmental Protection Technology Co., Ltd. (泰興市智光環保科技有限公司)
LC Bank	Bank of Hangzhou Co., Ltd. Shanghai Branch
Issue	U.S.$100,000,000 aggregate principal amount of 1.95 per cent. Credit Enhanced Bonds due 2023.
Guarantee	The Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Bonds. Its obligations in that respect will be contained in the Deed of Guarantee.
Issue Price	100 per cent. of the principal amount of the Bonds.
Form and Denomination	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.
Interest	The Bonds will bear interest on their outstanding principal amount from and including the Issue Date at the rate of 1.95 per cent. per annum, payable in arrear on 20 July 2022 with interest of U.S.$9.75 per Calculation Amount (as defined in Condition 6) and 19 January 2023 with interest of U.S.$9.70 per Calculation Amount (each an "**Interest Payment Date**").
Issue Date	20 January 2022
Maturity Date	19 January 2023
Use of Proceeds	The net proceeds from the offering of the Bonds will be used for repayment of existing debts, replenishing of working capital and general corporate purposes. See "*Use of Proceeds*".

Standby Letter of Credit	The Bonds will have the benefit of the Standby Letter of Credit in favour of the Trustee, on behalf of itself and the holders of the Bonds, issued by the LC Bank. The Standby Letter of Credit shall be drawable by the Trustee as beneficiary under the Standby Letter of Credit on behalf of itself and the holders of the Bonds upon the presentation of a demand by authenticated SWIFT (or by such other method of communication permitted under the Standby Letter of Credit) sent by or on behalf of the Trustee to the LC Bank in accordance with the Standby Letter of Credit (the "**Demand**") stating that (i) the Issuer has failed to comply with Condition 4(b) in relation to pre-funding the amount that is required to be pre-funded under the Conditions and/or failed to provide the Required Confirmations (as defined below) in accordance with Condition 4(b), or (ii) an Event of Default (as defined in Condition 10) has occurred and the Trustee has given notice to the Issuer that the Bonds are immediately due and payable in accordance with Condition 10. Only one drawing under the Standby Letter of Credit is permitted. Such drawing on the Standby Letter of Credit will be payable in U.S. dollars to or to the order of the Trustee at the time and to the account specified in the Demand presented to the LC Bank. Payment received by the Trustee in respect of the Demand will be deposited into the LC Proceeds Account. The payment made under the Standby Letter of Credit in respect of any amount payable under the Conditions or in connection with the Bonds, the Trust Deed and/or the Agency Agreement shall, to the extent of the drawing paid to or to the order of the Trustee, satisfy the obligations of the Issuer and the Guarantor in respect of such amount payable under the Conditions or in connection with the Bonds, the Trust Deed or the Agency Agreement. The LC Bank's liability under the Standby Letter of Credit shall be expressed and payable in U.S. dollars and shall not exceed U.S.$101,975,000 (the "**Maximum Limit**"), which includes an amount representing (i) the aggregate principal amount of the bonds plus interest payable for one interest period (being six months) in accordance with the conditions and (ii) U.S.$1,000,000.00 being the maximum amount payable under this irrevocable standby letter of credit for any fees, costs, expenses, indemnity payments and all other amounts payable by the issuer under or in connection with the bonds, the trust deed, the deed of guarantee and the agency agreement and/or any other transaction document relating to the bonds. The Standby Letter of Credit expires at 5:00 p.m. (Hong Kong time) on 2 February 2023. See "*Terms and Conditions of the Bonds – Standby Letter of Credit and Pre-funding – Standby Letter of Credit*", and "*Appendix A – Form of Irrevocable Standby Letter of Credit*".

Pre-funding . . . . In order to provide for the payment of any amount in respect of the Bonds (other than the mandatory redemption amount payable under Condition 7(d)) (the "**Relevant Amount**")) as the same shall become due, the Issuer shall, in accordance with the Agency Agreement, by no later than the Business Day falling ten Business Days (the "**Pre-funding Date**") prior to the due date for such payment under the Conditions:

(i) unconditionally pay or procure to be paid the Relevant Amount into the Pre-funding Account; and

(ii) deliver to the Trustee and the Principal Paying Agent by facsimile or by way of scanned copy in email (x) a Payment and Solvency Certificate signed by any Authorised Signatory of the Issuer, and (y) a copy of the irrevocable payment instruction from the Issuer to the Pre-funding Account Bank requesting the Pre-funding Account Bank to pay the Relevant Amount which was paid into the Pre-funding Account on the Pre-funding Date in full to the Principal Paying Agent by no later than 10:00 a.m. (Hong Kong time) on the Business Day immediately preceding the due date for such payment (together, the "**Required Confirmations**").

The Pre-funding Account Bank shall notify the Trustee by 10:00 a.m. (Hong Kong time) on the Business Day immediately following the Pre-funding Date upon the failure by the Issuer to pay the Relevant Amount into the Pre-funding Account in accordance with these Conditions. If the Relevant Amount has not been paid into the Pre-funding Account in full and the Pre-funding Account Bank has notified the Trustee of such failure, or the Trustee does not receive the Required Confirmations, in each case by 10:00 a.m. (Hong Kong time) on the Business Day immediately following the Pre-funding Date (a "**Pre-funding Failure**"), the Trustee shall:

(A) send the notice (the "**Pre-funding Failure Notice**") to the Bondholders by the second Business Day immediately following the Pre-funding Date of (i) the Pre-funding Failure and (ii) the redemption of the Bonds in accordance with Condition 7(d) to occur as a result of the Pre-funding Failure; and

(B) by no later than 5:00 p.m. (Hong Kong time) on the second Business Day immediately following the Pre-funding Date issue a Demand to the LC Bank for the principal amount in respect of all of the Bonds then outstanding, together with interest accrued to but excluding the Mandatory Redemption Date (as defined in Condition 7(d)) and all fees, costs, expenses, indemnity payments and all other amounts payable by the Issuer or the Guarantor under or in connection with the Bonds, the Agency Agreement, the Deed of Guarantee, the Trust Deed and/or any other transaction document relating to the Bonds, *provided that*, in accordance with the Standby Letter of Credit the Trustee need not physically present the Demand to the LC Bank and shall be entitled to submit the Demand by authenticated SWIFT (provided that in the event that the SWIFT system is not available for any reason, the Trustee may instead present a Demand via facsimile transmission during the period between 9:00 a.m. (Hong Kong time) to 5:00 p.m. (Hong Kong time)).

Following receipt by the LC Bank of such Demand by 5:00 p.m. (Hong Kong time) on a Business Day, the LC Bank shall by 10:00 a.m. (Hong Kong time) on the fourth Business Day immediately following such Business Day (or, if such Demand is received after 5:00 p.m. (Hong Kong time) on a Business Day, the fifth Business Day immediately following such Business Day), pay to or to the order of the Trustee the amount in U.S. dollars specified in the Demand to the LC Proceeds Account.

"**Business Day**" means a day (other than a Saturday or a Sunday or a public holiday) on which banks and foreign exchange markets are open for business in Hong Kong, Beijing, and New York City.

See "*Terms and Conditions of the Bonds – Standby Letter of Credit and Pre-funding – Pre-funding*", and "*Appendix A – Form of Irrevocable Standby Letter of Credit*".

Status of the Bonds . . . . The Bonds constitute direct, unsubordinated, unconditional and 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 regulations, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

Status of the Guarantee. . . . . The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable law at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

Events of Default	Upon the occurrence of certain events of default, as further described in "*Terms and Conditions of the Bonds – Events of Default*", in respect of the Issuer, the Guarantor and the LC Bank, the Trustee at its discretion may, and if so requested in writing by holders of at least 25 per cent. in aggregate principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution, shall (provided in any such case that the Trustee shall have been first indemnified and/or secured and/or pre-funded to its satisfaction), give notice to the Issuer that the Bonds are, and they shall immediately become, due and payable at their principal amount together (if applicable) with accrued but unpaid interest.
Cross-Default	The Bonds are subject to a cross-default provision in relation to the Guarantor or any of their respective Subsidiaries and a cross-default in relation to the LC Bank or any of its Subsidiaries as further described in Condition 10(a)(iii) (*Cross-Default*) and Condition 10(b)(i) (*Cross-Default*) of the Conditions, respectively.
Taxation	All payments of principal and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds shall be made free and clear of, and without withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the British Virgin Islands or the PRC or any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law. Where such withholding or deduction is made by the Issuer or, as the case may be, the Guarantor by or within the British Virgin Islands or the PRC at a rate up to and including the aggregate rate applicable on 14 January 2022 (the "**Applicable Rate**"), the Issuer or, as the case may be, the Guarantor will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required. If the Issuer or, as the case may be, the Guarantor is required to make a deduction or withholding by or within the British Virgin Islands or the PRC in excess of the Applicable Rate, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts ("**Additional Tax Amounts**") as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Bond. 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. The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 7.

Redemption for Taxation Reasons . . . .

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**") to the Bondholders in accordance with Condition 17 (which notice shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent, at their principal amount (together with interest accrued up 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 (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands or the PRC or 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 14 January 2022, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds (or the Guarantee, as the case may be) then due.

Prior to the giving of any Tax Redemption Notice pursuant to this Condition 7(b), the Issuer shall deliver to the Trustee (A) a certificate in English signed by any Authorised Signatory of the Issuer (or the Guarantor, as the case may be) stating that the obligation referred to in (i) above of this Condition 7(b) cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it; and (B) an opinion, in form and substance satisfactory to the Trustee, of independent tax or legal advisers of recognised standing to the effect that the Issuer (or the Guarantor, as the case may be) has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendments. The Trustee shall be entitled (but shall not be obliged) to accept and rely upon such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above of this Condition 7(b), in which event they shall be conclusive and binding on the Bondholders. The Trustee shall be protected and shall have no liability to any Bondholder or any other person for so accepting and relying on such certificate or opinion. Neither the Trustee nor any of the Agents shall be responsible for monitoring or taking any steps to ascertain whether any of the circumstances mentioned in this Condition 7(b) has occurred or for calculating or verifying the calculations of any amount payable under any notice of redemption under this Condition 7(b) and none of them shall be liable to the Bondholders or the Issuer or the Guarantor or any other person for not doing so, as further described in Condition 7(b). See "*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Taxation Reasons*".

Redemption for Relevant Event . .	Following the occurrence of a Relevant Event, the holder of any Bond will have the right (the "**Relevant Event Put Right**"), at such holder's option, to require the Issuer to redeem all, but not some only, of such holder's Bonds on the Put Settlement Date (as defined below in Condition 7(c)) at 100 per cent. of their principal amount, together with interest accrued 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 any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (a "**Put Exercise Notice**"), together with the Certificate evidencing the Bonds to be redeemed, by not later than 30 days following a Relevant Event or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 17. See "*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Relevant Event*".
Mandatory Redemption upon Pre-funding Failure	The Bonds shall be redeemed at their principal amount on the Interest Payment Date immediately falling after the date the Pre-funding Failure Notice is given to the Bondholders in accordance with Condition 4(b) (the "**Mandatory Redemption Date**"), together with interest accrued up to, but excluding, the Mandatory Redemption Date, as further described in Condition 7(d). If the holder of any Bond shall have exercised its right to require the Issuer to redeem its Bond under Condition 7(c) and a Pre-funding Failure Notice is given to the Bondholders in accordance with Condition 4(b) as a result of the Pre-funding Failure relating to the amount payable pursuant to such redemption, such holder's Bonds shall be redeemed in whole, but not in part, at their principal amount in accordance with this Condition 7(d) on the Put Settlement Date, together with interest accrued up to, but excluding, such Put Settlement Date, provided that if such Pre-funding Failure occurs and a Pre-funding Failure Notice has been given or is given to the Bondholders in respect of a scheduled payment of principal or interest payable under Condition 6 or Condition 7(a), the Put Settlement Date shall be the Mandatory Redemption Date.
Clearing Systems	The Bonds will be evidenced by beneficial interests in the Global Certificate, which will be registered in the name of a nominee of, 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 whereof will be effected only through records maintained by Euroclear and Clearstream. Except as described herein, certificates for the Bonds will not be issued in exchange for beneficial interests in the Global Certificate.
ISIN	XS2428944214
Common Code	242894421

Legal Entity Identifier	6556000812FVFAWBZJ95
Governing Law and Jurisdiction	English law.
Trustee	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司)
Registrar, Principal Paying Agent and Transfer Agent	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司)
Pre-funding Account Bank and LC Proceeds Account Bank . . .	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司)
Listing	Application will be made to SEHK for the listing of, and permission to deal in, the Bonds on SEHK by way of debt issues to Professional Investors only and it is expected that dealing in, and listing of, the Bonds on SEHK will commence on 21 January 2022.

SUMMARY OF PAYMENT ARRANGEMENTS ON EACH SCHEDULED DUE DATE UNDER THE BONDS

The following diagram sets forth a summary of the pre-funding arrangements under the Bonds and the drawing arrangements in respect of the Standby Letter of Credit. The following diagram is not intended to be comprehensive. This diagram should be read in conjunction with "Terms and Conditions of the Bonds", the Trust Deed, the Agency Agreement referred therein and the Standby Letter of Credit. Words and expressions defined in the "Terms and Conditions of the Bonds" shall have the same meaning in this summary.

T-10 Business Days Pre-funding Date

Before close of business (Hong Kong time)

The Issuer shall

- unconditionally pay or procure to be paid the Relevant Amount into the Pre-funding Account;
- deliver the Required Confirmations[1] to the Trustee and the Principal Paying Agent by facsimile by no later than this Business Day.

T-9 Business Days

By 10:00 a.m. (Hong Kong time):

- If the Relevant Amount has been received into the Pre-funding Account, the Pre-funding Account Bank will confirm receipt of to each of the Trustee and the Principal Paying Agent[2]

OR

- If the Relevant Amount has not been paid into the Pre-funding Account in full, or the Trustee does not receive the Required Confirmations (each event, a "**Pre-funding Failure**"), the following shall occur as soon as practicable upon such occurrence of the Pre-funding Failure:

  (a) the Pre-funding Account Bank to inform each of the Trustee and the Principal Paying Agent; and

  (b) the Trustee to notify the LC Bank and the LC Proceeds Account Bank of the occurrence of the Pre-funding Failure.

T-8 Business Days Pre-funding Failure Notification SBLC Demand Date

By 5:00 p.m. (Hong Kong time):

- The Trustee is to give a Pre-funding Failure Notice to the Bondholders of (i) the Pre-funding Failure and (ii) the redemption of the Bonds to occur as a result of the Pre-funding Failure.
- The Trustee is to issue a Demand to the LC Bank[3] (and as soon as reasonably practicable notify the Principal Paying Agent of the making of such Demand), for the payment into the LC Proceeds Account of the principal amount in respect of the Bonds then outstanding, together with interest accrued to but excluding the Mandatory Redemption Date (as defined in Condition 7(d)) and all fees, costs, expenses, indemnity payments and other amounts in connection with the Bonds, the Trust Deed, the Agency Agreement and/or any other transaction document relating to the Bonds.

T-4 Business Days SBLC Transfer Date Confirmation to Principal Paying Agent

By 10:00 a.m. (Hong Kong time)

- If the Demand is received by the LC Bank before 5:00 p.m. (Hong Kong time) on the date of the Demand, the LC Bank is to pay the amount of the Demand into the LC Proceeds Account.

On the Business Day immediately following the date payment is due to be made by the LC Bank

By 11:00 a.m. (Hong Kong time)

- The LC Proceeds Account Bank to notify the Trustee of any amount received from the LC Bank in the LC Proceeds Account.

By 3:00 p.m. (Hong Kong time)

- The Trustee is to instruct the LC Proceeds Account Bank to confirm to the Principal Paying Agent that the proceeds of the Demand will be paid to the Principal Paying Agent by 10:00 a.m. (Hong Kong time) on the Business Day preceding the due date for the payment.

T-3 Business Days SBLC Transfer Date

By 10:00 a.m. (Hong Kong time)

- The LC Bank to pay to or to the order of the Trustee the amount of the Demand to the LC Proceeds Account following receipt by the Demands if the Demand is received after 5:00 p.m. (Hong Kong time) on the date of the Demand.

On the Business Day immediately following the date payment is due to be made by the LC Bank

By 11:00 a.m. (Hong Kong time)

- The LC Proceeds Account Bank to notify the Trustee of any amount received from the LC Bank in the LC Proceeds Account.

By 3:00 p.m. (Hong Kong time)

- The Trustee is to instruct the LC Proceeds Account Bank to confirm to the Principal Paying Agent that the proceeds of the Demand will be paid to the Principal Paying Agent by 10:00 a.m. (Hong Kong time) on the Business Day preceding the due date for the payment.

T-1 Business Days Payment to Principal Paying Agent

By 10:00 a.m. (Hong Kong time)

- The Pre-funding Account Bank is to pay the Relevant Amount to the Principal Paying Agent.

OR

- The LC Proceeds Account Bank is to pay the amount of the Demand to the Principal Paying Agent

T Bond Payment Date

Before close of business (Hong Kong time)

- On this due date, the Principal Paying Agent is to pay the amounts due on behalf of the Issuer, whether received from the Pre-finding Account or the LC Proceeds Account

Notes:

(1) The Required Confirmations consist of: (x) a Payment and Solvency Certificate signed by any Authorised Signatory of the Issuer; and (y) a copy of the irrevocable payment instruction setting forth the request from the Issuer to the Pre-funding Account Bank requesting the Pre-funding Account Bank to pay the Relevant Amount which was paid into the Pre-funding Account on the Pre-funding Date in full to the Principal Paying Agent by no later than 10:00 a.m. (Hong Kong time) on the Business Day immediately preceding the due date for such payment.

(2) The confirmation of receipt or notification of non-receipt, as the case may be, from the Pre-funding Account Bank to the Trustee and the Principal Paying Agent shall be by way of authenticated SWIFT or other means of communication as the Principal Paying Agent may agree with the Pre-funding Account Bank.

(3) The Trustee need not physically present the Demand under the Standby Letter of Credit to the LC Bank and shall be entitled to draw on the Standby Letter of Credit by way of a Demand by authenticated SWIFT.

SUMMARY FINANCIAL INFORMATION OF THE GROUP

Our summary consolidated financial information as at and for the years ended 31 December 2018, 2019 and 2020 set forth below is derived from and should be read in conjunction with our Historical Financial Statements, included elsewhere in this Information Memorandum. Our Historical Financial Statements were prepared and presented in accordance with PRC GAAP and have been audited by our independent auditor.

Our summary consolidated financial information as at and for the nine months ended 30 September 2020 and 2021 set forth below is derived from our management accounts which has not been audited or reviewed by independent auditors. It should not be relied upon by potential investors to provide the same quality of information associated with financial statements that have been subject to an audit or review. Potential investors must exercise caution when using such financial information to evaluate our financial condition and results of operations.

Summary Consolidated Income Statements

	For the year ended 31 December			For the nine months ended 30 September		
	2018	2019	2020	2020	2021	
	(RMB)	*(RMB)*	*(RMB)*	*(RMB)*	*(RMB)*	*(US$)*
	(audited)	*(audited)*	*(audited)*	*(unaudited and unreviewed)*	*(unaudited and unreviewed)*	*(unaudited and unreviewed)*
Total operating income	5,443,936,240.76	6,135,038,609.91	7,538,848,066.37	4,935,302,257.57	6,003,174,828.43	925,815,802.79
Operating income	5,443,936,240.76	6,135,038,609.91	7,538,848,066.37	4,935,302,257.57	6,003,174,828.43	925,815,802.79
Total operating cost	5,348,137,993.13	6,012,507,033.05	7,445,645,020.99	4,891,789,317.35	5,996,705,535.84	924,818,101.82
Of which:						
Operating costs	5,024,379,085.39	5,572,255,807.79	6,825,112,067.39	4,504,121,261.01	5,572,309,143.68	859,367,253.27
Taxes and surcharges	32,355,833.05	30,349,271.73	34,695,551.42	22,703,439.90	45,182,435.22	6,968,081.68
Sales expenses.	11,997,430.14	33,972,809.31	46,317,402.23	29,208,379.16	33,200,016.62	5,120,140.75
Management expenses	107,815,714.63	175,273,231.93	197,972,966.64	136,769,730.12	162,309,033.94	25,031,466.32
Research and Development expenses	–	25,212,999.82	45,564,375.42	29,084,189.08	32,726,477.87	5,047,111.11
Financial expenses.	171,589,929.92	175,442,912.47	295,982,657.89	169,902,318.08	150,978,428.51	23,284,048.69
Of which:						
Interest expenses	209,557,355.53	218,952,441.10	460,238,531.17	215,978,344.49	194,798,173.17	30,041,974.83
Interest income	57,012,506.18	46,971,076.04	181,158,659.28	53,159,626.49	57,905,440.83	8,930,236.70
Assets impairment losses	5,693,870.27	(119,442,514.55)	(119,055,930.45)	(6,132,484.18)	(29,503,776.12)	(4,550,102.73)
Add:						
Other revenues.	200,000,000.00	253,156,298.04	357,090,600.36	202,829,829.68	281,410,534.68	43,399,422.39
Investment revenues/(losses)	56,463,441.99	53,334,641.01	5,102,461.00	7,395,118.62	(204,165.04)	(31,486.54)
Of which: Investment income from associates and joint ventures	24,056,459.51	(18,079,416.19)	(8,752,898.26)	(5,949,119.38)	(208,324.95)	(32,128.09)
Income/(losses) from changes in fair value	–	26,501.37	(26,501.37)	8,470.00	–	–
Assets impairment losses	–	(119,442,514.55)	(119,055,930.45)	(6,132,484.18)	(29,503,776.12)	(4,550,102.73)
Asset disposal income/(losses)	–	(16,478.03)	804,602.92	894,472.81	(4,862,063.29)	(749,832.41)
Operating profits/(losses)	357,955,559.89	309,590,024.70	337,118,277.84	248,508,347.15	253,309,822.82	39,065,701.68
Plus: Non-operating incomes.	1,047,879.37	4,810,151.27	14,020,490.46	4,037,308.71	2,689,452.18	414,770.08
Less: Non-operating expenses.	2,437,743.09	9,795,344.65	2,053,974.44	1,012,979.72	12,473,708.33	1,923,708.14
Total profits/(losses)	356,565,696.17	304,604,831.32	349,084,793.86	251,532,676.14	243,525,566.67	37,556,763.62
Less: Income tax expenses	27,097,624.55	(5,023,275.96)	(8,920,769.50)	2,791,448.52	(3,809,283.02)	(587,471.55)
Net profits/(losses)	329,468,071.62	309,628,107.28	358,005,563.36	248,741,227.62	247,334,849.69	38,144,235.17
Minority shareholders' profit/(loss)	(11,103,580.53)	(6,472,954.34)	19,789,710.66	(2,095,261.10)	(30,387,190.68)	(4,686,343.83)
Net profit/(loss) attributable to shareholders of the parent company.	340,571,652.15	316,101,061.62	338,215,852.70	250,836,488.72	277,722,040.37	42,830,579.00
Total comprehensive incomes	329,468,071.62	305,232,567.94	360,504,672.33	249,005,314.15	247,491,515.46	38,168,396.33
Total comprehensive income attributable to parent company	340,571,652.15	315,319,056.45	338,690,635.92	251,097,934.38	277,751,803.89	42,835,169.16
Total comprehensive income attributable to minority shareholders	(11,103,580.53)	(10,086,488.51)	21,814,036.41	(2,092,620.23)	(30,260,288.43)	(4,666,772.84)

Summary Consolidated Balance Sheet Data

	As at 31 December			As at 30 September	
	2018	2019	2020	2021	
	(RMB)	*(RMB)*	*(RMB)*	*(RMB)*	*(US$)*
	(audited)	*(audited)*	*(audited)*	*(unaudited and unreviewed)*	*(unaudited and unreviewed)*
Current Assets					
Monetary fund	2,314,025,763.78	4,226,800,201.97	4,288,707,345.95	4,787,179,703.54	742,958,640.40
Fair value through profit and loss	–	11,526,501.37	–	–	–
Notes receivable	706,000.00	61,848,071.87	23,245,716.18	50,529,497.54	7,842,055.05
Accounts receivable	2,602,714,954.19	3,915,995,924.95	4,645,259,468.14	5,749,838,662.63	892,360,968.22
Advance payments	1,024,032,867.95	1,327,190,167.08	1,201,811,992.43	846,175,364.53	131,324,357.41
Other receivables	847,614,438.06	3,900,234,637.90	5,021,031,387.08	5,356,244,852.25	831,276,166.66
Of which: interest receivables	–	15,902,794.98	–	–	–
Inventory	3,780,442,903.01	5,039,338,557.24	6,206,945,415.76	5,895,503,356.13	914,967,774.18
Other current assets	160,061,726.71	95,504,078.85	198,684,424.45	712,339,812.44	110,553,405.41
Non-current assets due within on year	–	92,328,626.31	–	–	–
Total Current Assets	10,729,598,653.70	18,670,766,767.54	21,585,685,749.99	23,397,811,249.06	3,631,283,367.33
Non-current Assets					
Available-for-sale financial assets	547,250,018.21	523,882,727.98	635,210,029.41	648,951,958.98	100,715,764.81
Long-term receivables	–	19,000,000.00	19,000,000.00	19,000,000.00	2,948,753.76
Long-term equity investments	637,169,953.17	780,114,525.19	678,041,335.21	686,998,010.26	106,620,419.38
Investment real estate	1,632,956,152.90	1,592,239,829.32	2,135,095,593.31	2,097,308,226.52	325,497,132.96
Fixed assets	227,795,236.44	576,970,127.52	576,009,201.78	540,312,968.56	83,855,257.87
Construction in progress	947,134,926.93	950,233,527.48	20,637,040.65	69,680,347.23	10,814,220.32
Intangible assets	1,611,508,561.25	1,411,836,854.80	1,367,357,651.66	1,338,279,483.60	207,697,719.15
Right to use assets	–	–	–	47,078,371.89	7,306,448.75
Goodwill	271,927.82	958,286,629.22	857,663,802.25	842,966,360.05	130,826,327.72
Long-term deferred expenses	–	6,389,241.56	6,420,277.96	16,440,672.65	2,551,552.39
Deferred income tax assets	8,649,384.69	233,990,836.57	261,544,334.24	289,060,524.16	44,861,489.92
Other non-current assets	25,871,000.00	70,693,868.50	11,071,000.00	1,071,000.00	166,216.59
Total Non-current Assets	5,638,607,161.41	7,123,638,168.14	6,568,050,266.47	6,597,147,923.90	1,023,861,303.64
Total Assets	16,368,205,815.11	25,794,404,935.68	28,153,736,016.46	29,994,959,172.96	4,655,144,670.98
Current Liabilities					
Short-term loan	1,528,500,000.00	4,716,776,707.43	3,979,247,694.50	3,096,673,471.83	480,596,187.08
Notes payable	1,536,080,000.00	2,038,850,000.00	2,815,500,000.00	3,767,148,173.50	584,652,229.18
Accounts payable	318,385,413.46	547,091,574.14	359,870,752.25	413,934,333.26	64,241,601.21
Receipts in advance	107,525,011.97	31,337,859.42	19,485,233.12	19,734,657.37	3,062,770.80
Employee benefits payable	503,914.10	33,785,882.28	36,446,112.48	21,962,021.93	3,408,452.36
Taxes and fees payable	262,633,902.31	327,677,959.89	520,104,677.46	597,360,884.93	92,708,955.66
Other payables	628,793,527.47	1,596,794,107.71	210,566,585.86	163,945,036.83	25,443,870.76
Of which: Interest payable	37,898,904.11	19,539,078.01	17,367,016.74	17,474,444.44	2,711,991.25
Non-current liabilities due within one year	1,127,594,772.21	741,811,268.78	3,577,347,836.82	1,643,012,829.70	254,991,592.90
Other current liabilities	7,500,471.67	64,030,000.00	82,135,473.88	365,049,481.38	56,654,791.16
Total Current Liabilities	5,517,517,013.19	10,098,155,359.65	11,600,704,366.37	10,088,820,890.73	1,565,760,451.12

	As at 31 December			As at 30 September	
	2018	2019	2020	2021	
	(RMB)	*(RMB)*	*(RMB)*	*(RMB)*	*(US$)*
	(audited)	*(audited)*	*(audited)*	*(unaudited and unreviewed)*	*(unaudited and unreviewed)*
Non-current Liabilities					
Long-term loans	756,250,000.00	2,997,330,000.00	2,200,709,200.00	3,757,909,200.00	583,218,362.98
Bonds payable	1,997,171,016.51	1,222,689,763.65	1,361,069,566.00	2,148,069,566.00	333,375,169.32
Long-term payable	607,654,357.07	533,700,320.76	558,307,384.36	1,310,118,127.17	203,327,145.17
Lease liabilities	–	–	–	27,432,520.81	4,257,460.47
Provisions	–	4,302,993.26	3,815,705.98	3,815,705.98	592,188.28
Deferred income	–	2,307,170.28	1,942,651.93	1,669,263.16	259,065.58
Deferred tax liabilities	–	6,015,738.67	5,645,821.15	5,371,364.41	833,622.69
Other payable	552,422,071.98	1,641,549,271.98	1,788,383,271.98	1,770,390,271.98	274,760,261.97
Total Non-current Liabilities	3,913,497,445.56	6,407,895,258.60	5,919,873,601.40	9,024,776,019.51	1,400,623,276.46
Total Liabilities	9,431,014,458.75	16,506,050,618.25	17,520,577,967.77	19,113,596,910.24	2,966,383,727.57
Owners' Equity					
Paid-in capital	448,180,000.00	1,000,000,000.00	2,000,000,000.00	2,000,000,000.00	310,395,133.00
Capital reserve	3,594,399,913.19	4,001,969,933.65	4,000,534,075.18	4,000,534,075.18	620,873,153.18
Other comprehensive income	–	(782,005.17)	(309,133.13)	(279,369.61)	(43,357.48)
Surplus reserve	272,968,300.50	303,786,867.48	342,777,008.66	342,777,008.66	53,198,157.60
Undistributed profits	2,628,444,123.54	2,913,356,755.62	3,212,582,467.14	3,490,304,507.51	541,686,765.92
Total equity attributable to owners of parent Company	6,943,992,337.23	8,218,331,551.58	9,555,584,417.85	9,833,336,221.74	1,526,109,852.21
Minority shareholder's interests	(6,800,980.87)	1,070,022,765.85	1,077,573,630.84	1,048,026,040.98	162,651,091.19
Total Owners' Equity	6,937,191,356.36	9,288,354,317.43	10,633,158,048.69	10,881,362,262.72	1,688,760,943.40
Total Liabilities and Owners' Equity	16,368,205,815.11	25,794,404,935.68	28,153,736,016.46	29,994,959,172.96	4,655,144,670.98

Summary Consolidated Cash Flow Statement Data

	For the year ended 31 December			For the year ended 30 September		
	2018	2019	2020	2020	2021	
	(RMB)	*(RMB)*	*(RMB)*	*(RMB)*	*(RMB)*	*(US$)*
	(audited)	*(audited)*	*(audited)*	*(unaudited and unreviewed)*	*(unaudited and unreviewed)*	*(unaudited and unreviewed)*
Net cash flow from/(used in) operating activities.	709,768,182.78	(1,995,931,822.86)	(993,969,307.66)	(1,209,530,560.60)	(1,011,280,933.67)	(155,960,786.78)
Net cash flow from/(used in) investing activities	(487,622,546.98)	(775,567,163.79)	137,266,650.99	10,994,322.41	(37,744,013.01)	(5,820,920.55)
Net cash flow from/(used in) financing activities	(405,045,363.31)	2,816,675,774.23	1,310,802,000.55	1,548,623,991.35	1,635,658,781.98	252,252,981.40
Net increase of cash and cash equivalents	(182,899,727.51)	45,803,985.78	445,666,194.53	352,514,131.00	586,176,509.30	90,400,744.78
Ending balance of cash and cash equivalents	362,229,912.72	408,033,898.50	853,700,093.03	760,548,029.50	1,439,876,602.33	222,059,252.08

RISK FACTORS

An investment in the Bonds is subject to a number of risks. Prior to making any investment decision, investors should carefully consider all of the information contained in this Information Memorandum, and in particular, the risks and uncertainties described below. The following describes some of the significant risks relating to us, our business, the market in which we operate and the Bonds. Some risks may be unknown to us and other risks, currently believed to be immaterial, could in fact be material. Any of these could materially and adversely affect our business, financial condition, results of operations or prospects or the value of the Bonds. We believe that the risk factors described below represent the principal risks inherent in investing in the Bonds, but our ability 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 us based on information currently available to us or which we are currently unable to anticipate. All of these factors are contingencies which may or may not occur and we are not in a position to express a view on the likelihood of any such contingency occurring. This Information Memorandum also contains forward-looking statements that involve risks and uncertainties. Our actual results 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 Information Memorandum.

We do not represent that the statements below regarding the risk factors are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Information Memorandum and reach their own views prior to making any investment decision.

RISKS RELATING TO US AND OUR BUSINESS

Our business, financial condition, results of operations and prospects are heavily dependent on the level of economic development in Taixing City.

We operate our business primarily in Taixing City, Jiangsu Province, focusing mainly on trading, infrastructure construction, optical and optoelectronic product manufacturing and other businesses. Therefore, our business, financial condition, results of operations and prospects have been and will continue to be heavily dependent on the level of economic development of Taixing City and the PRC.

Economic conditions in the PRC generally and in Taixing City in particular are key factors affecting the development of Taixing City. China's economy has experienced rapid growth in the past 40 years, however, in recent years there has been a slowdown in the growth rate since the second half of 2013. According to the National Statistics Bureau of the PRC, the annual growth rate of the PRC's GDP slowed down from 7.7 per cent. in 2013 to 6.1 per cent. in 2019. During the same period, the annual growth rate of GDP in Taixing City slowed down from 11.9 per cent. to 6.8 per cent. There is no assurance that the level of economic development in Taixing City will continue to grow at the rates seen in recent years. Any continuing slowdown in the economic development in Taixing City may affect its development plans, which may decrease the demand for our business and adversely affect our business, financial condition, results of operations and prospects.

Our business and prospects depend to a large extent upon the policies and fiscal subsidies of the Taixing Municipal Government on infrastructure construction in Taixing City.

We are wholly-owned by Taixing Zhongxin, which is under the direct administration of the People's Government of Taixing City (泰興市人民政府) (the "**Taixing Municipal Government**"). We are mainly tasked to implement the plans of the Taixing Municipal Government, the Taixing SASAC and Taixing Zhongxin to undertake some infrastructure construction projects in Taixing City, and our business and prospects have been, and may continue to be, heavily affected by the policies as well as budget and fiscal subsidies of the Taixing Municipal Government on the infrastructure construction in Taixing City.

There are many factors affecting the amount, timing and priority of the Taixing Municipal Government's budget and subsidies on infrastructure construction, such as national and regional policies affecting the development of different industries and fiscal and monetary policies. Government policies and fiscal subsidies are also affected by government income and the general economic conditions in the PRC and Taixing City. Any slowdown in the economic growth in the PRC and Taixing City may adversely affect the financial condition and fiscal income of the Taixing Municipal Government, which may in turn cause the Taixing Municipal Government to reduce its spending and budget on the infrastructure construction. If the public spending and budget of the Taixing Municipal Government on the infrastructure construction decreases, our business, financial condition, results of operations and prospects may be materially and adversely affected.

The PRC Government (including the Taixing SASAC) has no obligation to pay any amount under the Bonds or the Guarantee.

We are wholly-owned and controlled by the Taixing SASAC. However, ownership or control by the Taixing SASAC does not necessarily correlate to, or provide assurance as to our financial condition.

Neither the Taixing Municipal Government nor any other PRC governmental entity is an obligor and shall under no circumstances have any obligation arising out of or in connection with the Bonds or the Guarantee in lieu of us. This position has been reinforced by Circular 23 and Circular 706. The liability of the Taixing Zhongxin as our shareholder shall be limited to its agreed obligation to contribute to our registered capital. As such, the PRC government does not have any payment obligations under the Bonds or the Guarantee. The Bonds are solely to be repaid by the Issuer or the Guarantor, each as an obligor under the relevant transaction documents and as an independent legal person.

PRC regulations on the administration of local state-owned enterprises and local government debt will have a material impact on our financing and business models.

The PRC government has in recent years issued multiple regulations intended to restrict the ability of local governments to use state-owned enterprises to incur debt that should be directly incurred by government bodies. These regulations include: the Opinion on Enhancing the Administration of Fiscal Debts of Local Governments (Guo Fa [2014] No. 43) (關於加強地方政府性債務管理的意見(國發[2014]43號)) ("**Circular 43**") in September 2014 released by the State Council, the Circular on Further Regulating the Debt Financing Behaviours of Local Government (Cai Yu [2017] No. 50) (關於進一步規範地方政府舉債融資行為的通知(財預[2017]50號)) ("**Circular 50**") jointly issued by the MOF, the NDRC, the Ministry of Justice of the PRC, the PBOC, the CBRC and the China Securities Regulatory Commission in April 2017, the Circular on Firmly Curbing Local Governments' Illegal Financing Activities in the Name of Government Procurement of Services (Cai Yu [2017] No. 87) (關於堅決制止地方以政府購買服務名義違法違規融資的通知(財預[2017]87號)) ("**Circular 87**") issued by the MOF in May 2017, the Notice of the Ministry of Finance on the Financing Activities Conducted by Financial Institutions for Local Governments and State-owned Enterprises (Cai Jin [2018] No. 23) (財政部關於規範金融企業對地方政府和國有企業投融資行為有關問題的通知(財金[2018]23號)) ("**Circular 23**") in March 2018, the Circular of the National Development and Reform Commission and the Ministry of Finance on Improvement of Market Regulatory Regime and Strict Prevention of Foreign Debt Risks and Local Government Indebtedness Risks (Fa Gai Wai Zi [2018] No. 706) (國家發展改革委財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知(發改外資[2018]706號)) ("**Circular 706**") jointly issued by the NDRC and the MOF in May 2018 and the Guiding Opinion on Strengthening the Asset and Liability Constraints of State-Owned Enterprises (中共中央辦公廳、國務院辦公廳《關於加強國有企業資產負債約束的指導意見》) jointly issued by the General Office of the Central Committee of the Communist Party of China and the State Council in September 2018 (the"**Joint Opinion**") and the Circular on Filing Requirements with respect to Application for Foreign Debt Issuance by Local State-owned Enterprises (Fa Gai Ban Wai Zi [2019] No. 666) (國家發展改革委辦公廳關於對地方國有企業發行外債申請備案登記有關要求的通知(發改辦外資[2019]666號)) issued by the General Office of NDRC in June 2019 ("**Circular 666**") (Circular 43, Circular 50, Circular 87, Circular 23, Circular 706, the Joint Opinion and Circular 666, together, the"**Debt Control Circulars**").

Circular 50 reaffirmed the Circular 43 policy that local governments are not permitted to use any means other than bonds for debt financing and are prohibited from requesting or ordering enterprises to issue debt on their behalf. Circular 87 required local governments and their departments shall not take advantage of or make up a contract for the government procurement of services in such a manner that conceals an underlying objective of raising funds for any construction project, or get finance from financial institutions or non-financial institutions through government procurement of services, and shall not make up a contract for accounts payable (receivable) by any means or enter into such a contract beyond their respective authority in an attempt to help financing platforms and other types of enterprises raise funds. Circular 23 and Circular 706 established policies for foreign debt issuance including exclusions on public assets being listed as enterprise assets and restrictions on making disclosure in the relevant disclosure documents that imply government endorsement of the issuance or an association with the government's credit. The Joint

Opinion, consistent with Circular 43 and Circular 50, bans local governments from engaging in "disguised" borrowing by using state-owned enterprises to issue corporate debt on their behalf. On 6 June 2019, the NDRC issued the Circular 666, which restated Circular 706's supervision requirement. According to Circular 666, local state-owned enterprises shall assume the responsibility of repaying foreign debts as independent legal persons, while local governments and departments thereof shall not directly repay or undertake to repay the foreign debts of local state-owned enterprises with fiscal funds, nor shall they provide guarantee for the issuance of foreign debts by local state-owned enterprises. Local state-owned enterprises that issue foreign debts shall strengthen information disclosure. In documents such as the bond prospectus, it is strictly prohibited to contain misleading promotional information that may be linked to government credit. Foreign debts issued by a local state-owned enterprise undertaking local government financing function can be only used for repaying medium- and long-term foreign debts due within the future one year.

We believe that the PRC government will continue to implement the Debt Control Circulars to control local government debts. Pursuant to the terms of the Bonds and as required by the Debt Control Circulars, neither the Taixing Municipal Government nor any other PRC governmental entity has any obligation to repay any amount under the Bonds and will not provide a guarantee of any kind for the Bonds. The Bonds are solely to be repaid by us, and our obligations under the Bonds or the Trust Deed shall solely be fulfilled by us as independent legal persons. The liability of the Taixing Municipal Government is limited to its equity contribution in us. If we do not fulfil its obligations under the Bonds and the Trust Deed, the Bondholders will only have recourse against us, and not the Taixing Municipal Government or any other PRC governmental entity.

The PRC government may continue to release new policies or amend existing regulations to control the increase in local governmental debts in China. There is no assurance that our financing and business model and also our indebtedness will not be materially affected by future changes in the regulatory regime concerning local state-owned enterprises in response to such regulations.

A reduction or discontinuance of government support could materially and adversely affect our business, financial condition and results of operations.

As a wholly-owned company of the Taixing Municipal Government, we regularly receive financial support and certain preferential treatments from the Taixing Municipal Government. These supports come in various forms, such as favourable policies, government subsidies and capital injection. However, there is no assurance that the Taixing Municipal Government, the Taixing SASAC and Taixing Zhongxin will continue to provide such support to us or that the existing or other types of government support will not be adjusted or terminated due to any change in government policies or otherwise. If any favourable incentive or government support which is currently available to us is reduced or discontinued in the future, our business, financial condition, results of operations and prospects would be materially and adversely affected.

The Taixing Municipal Government, the Taixing SASAC and Taixing Zhongxin may exert significant influence on us, and could cause us to make decisions or modify the scope of its operations, or impose new obligations on us, which may not be in our best interests or may not maximise our profits.

We are wholly-owned by Taixing Zhongxin, which is under the direct administration of the Taixing Municipal Government. As our sole shareholder, Taixing Zhongxin participate in and closely monitor our decision-making process for key issues, review our development strategy and investment plans and appoint, and conduct annual appraisals on our directors and supervisors. In addition, as the sole shareholder of Taixing Zhongxin, Taixing SASAC participate in and closely monitor the decision-making process of Taixing Zhongxin. Because of the involvement of the Taixing SASAC and Taixing Zhongxin in our affairs, there can be no assurance that the Taixing SASAC and Taixing Zhongxin will not interfere with our business and operations, and any such interference may have a material adverse effect on our business, financial position, results of operations, financial performance and prospects.

In addition, the Taixing Municipal Government, the Taixing SASAC and Taixing Zhongxin may also exert significant influence on our major business decisions and strategies, including the scope of our operations, investment decisions and dividend policy. There is no assurance that the Taixing Municipal Government, the Taixing SASAC and Taixing Zhongxin would always make decisions in our best interests or with the aim of maximising our profits. For example, the Taixing SASAC and Taixing Zhongxin may influence our business and strategy in a manner as a whole but not necessarily in our best interests. The Taixing Municipal Government could also change its policies, plans, preferences, views, expectations, projections, forecasts and opinions, as a result of changes in the PRC's economic, political and social environment and its projections of population and employment growth. Any such change may have a material adverse effect on our business, financial condition, results of operations and prospects.

Our revenue and results of operations may fluctuate significantly from period to period.

Our revenue 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 demands, government policies, incentive measures in business areas where we operate, the adjustment of our primary business activities, our ability to develop and complete trading, land demolition projects and infrastructure construction projects on time, as well as our accounting policies for revenue recognition.

As a result, our revenue and results of operations may fluctuate significantly from period to period. Our revenue and results of operations for any period may not be directly comparable with other periods and therefore may not be a useful indicator of our performance in the future.

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

Our business requires and will continue to require substantial capital expenditure. We have historically satisfied our capital requirements with cash flows generated from our operating activities, bank loans and other borrowings and equity contributions from our shareholder.

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

Insufficient cash flow generated from our operating activities will increase our reliance on external financing. Our ability to access and raise sufficient capital through different sources depends upon a number of factors, such as the PRC's economic condition, relationships with key commercial banks, prevailing conditions in capital markets, regulatory requirements and our financial condition. Some of these factors are beyond our control and there is no assurance that we will be able to procure sufficient funds in a timely manner or to obtain external financing on commercially acceptable terms, or at all. In these cases, we may not be able to fund the capital expenditure necessary to implement our business plans and strategies, which may in turn have a material and adverse impact on our business, financial condition, results of operations and prospects.

Significant indebtedness may restrict our business activities and increase our exposure to various operational risks.

We rely on bank loans and proceeds from bond issuances to satisfy a portion of our capital requirements and we have had a significant amount of outstanding indebtedness. We also had outstanding guarantees for loans borrowed by third party entities, including private enterprises. Increasing cost of financing, including calls on outstanding guarantees for loans, may impose heavier financial burden on us, which may adversely affect our business, financial condition, results of operations and prospects.

Substantial indebtedness could have impact on our businesses in a number of ways, including:

- requiring us to dedicate part of our operating cash flow to service our indebtedness before we receive government funding;
- increasing our finance costs, thus affecting our overall profits;
- limiting our flexibility in planning for or responding to changes in our businesses and the industries in which we operates;
- limiting, together with the financial and other restrictive covenants of our indebtedness, among other things, our ability to borrow additional funds; and
- increasing our vulnerability to adverse general economic and industry conditions.

As our business scale continues to grow, our capital requirement and our reliance on external financing may continue to increase. Our financial performance and operating results may be materially and adversely affected if our cash flows and capital resources are insufficient to fund our debt service obligations. Failure to service our debt could result in the imposition of penalties, including increases in rates of interest, or the costs that we pay on our legal actions against us by our creditors, or bankruptcy.

In addition, we mortgages some of our assets, primarily monetary funds, inventory, real estate and land use rights, to secure our debts. Third-party security rights may limit our use of the underlying collateral assets and adversely affect our operation efficiency. If we are unable to service and repay the debts on a timely basis, the assets mortgaged or charged may be foreclosed, which may adversely affect our business, financial condition, results of operations and prospects.

Restrictive covenants contained in credit facilities may limit our ability to incur additional indebtedness and restrict our future operations, and failure to comply with these restrictive covenants may adversely affect our liquidity, financial condition and results of operations.

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

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

We may cease to enjoy shareholder support, the loss or reduction of which could adversely affect our business and results of operations.

The Taixing SASAC, as our indirect shareholder, have historically provided support to our development, such as guidance on business strategies and capital injection. See also "*Description of the Group – History and Development*" for more details. We benefitted from such support in our initial stage of development and operations. However, due to the PRC regulatory developments on the administration of the financing platform of local governments and other relevant laws and regulations as well as the policies and priorities of the local and central governments, the above-mentioned shareholders support from the Taixing SASAC may be reduced or even cease in the future, which may have a material adverse effect on our business, financial condition, results of operations and prospects.

We are exposed to risks in relation to the inventory we maintains.

Our inventory level is relatively high and will continue to grow with the expansion of project construction scale. Our inventory level is affected by a number of factors, such as our analysis on the market demand of the raw material and the Taixing Municipal Government's commitment, ability and priority to pay us and our ability to execute the development of our projects according to our business plans. These factors may in turn be affected by the controlling measures of the PRC Government on urban development and real property investment and the government's macroeconomic and monetary policies.

Our infrastructure construction businesses require a large amount of working capital prior to the completion of the relevant projects. Our inventories for the infrastructure construction mainly comprise raw materials, products in progress, inventory goods, development costs, consumable biological assets and infrastructure construction projects. Such items booked as inventories on our consolidated balance sheet are illiquid assets and may not be sold for cash in an efficient manner. This may limit our ability to respond to changing economic, financial and investment conditions. There is no assurance that we will be able to sell any of these infrastructure projects to other third parties for price or on the terms satisfactory to them.

Any failure to effectively manage our inventory level will have a material impact on our cash flow and adversely affect our ability to carry on ordinary business activities and to serve our outstanding indebtedness, such as the Bonds, which in turn could materially and adversely affect our business, financial condition, results of operations or prospects.

We are exposed to risks in relation to our increasing level of accounts receivables.

Our accounts receivables and other receivables have substantially increased in recent years. Our accounts receivable and other receivables as at 31 December 2018, 2019, 2020 and 30 September 2021 are RMB3,450.33 million, RMB7,816.23 million, RMB9,666.29 million and RMB11,106.08 million, respectively. If a substantial amount of our accounts receivables and other receivables are not paid off by our debtors on time, or at all, our financial condition and results of operation may be materially and adversely affected. Also, if our accounts receivables and other receivables were to continue to increase without the corresponding financing alternatives being available to fund our working capital, we may also materially and adversely affect our operating cash flow, financial condition and results of operations.

We face risks associated with contracting with public bodies.

As a wholly-owned company of the Taixing SASAC, we collaborate with various governmental authorities and their controlled entities in Taixing City. As such, we are exposed to certain inherent risks relating to dealing with public bodies.

Although we believe that we currently maintain working relationships with those governmental authorities and entities relevant to our business, there is no assurance that these working relationships will be sustained in the future. Local governments and their controlled entities may have economic or business interests or considerations that are inconsistent with ours, take actions contrary to our requests, strategies or objectives, be unable or unwilling to fulfil their obligations, encounter financial difficulties, or have disputes with us as to contractual or other matters.

Any failure by the governmental authorities or their controlled entities to fulfil their contractual obligations or any adverse change to the policies of governmental authorities may require us to change our business plans and materially affect our business and operating results. If there is any material disagreement between us and the governmental authorities or any of their controlled entities, there is no assurance that we will successfully resolve them in a timely manner, or at all. Any dispute or legal proceeding with or against the governmental authorities or their controlled entities may last for a long period of time and cost considerable financial and managerial resources. Any of these may severely damage the business relationships between us and the governmental authorities and their controlled entities affected, and in turn materially and adversely affect our business, financial condition, results of operations and prospects.

Our business operations are subject to extensive regulation at various levels of government, and any failure to comply with applicable laws, rules and regulations, including obtaining any necessary qualifications, permits or approvals for its operations, may adversely affect us.

Our certain business activities, such as trading and infrastructure construction, are extensively regulated in the PRC. The operation of these business activities requires a number of approvals, licences and permits from different governmental authorities. It takes time to obtain all of these approvals and certificates. Governmental authorities in China have broad discretion in implementing and enforcing applicable laws and regulations and in granting approvals, licences, permits and certificates necessary for us to conduct our business. Failure to obtain the necessary approvals, licences or permits in a timely manner could result in delay or suspension of business operations, and a failure to obtain the necessary approvals, licences or permits may subject the relevant entities to regulatory or administrative penalties.

Governmental authorities may also adjust existing regulations or promulgate new regulations from time to time. We may encounter problems in obtaining or renewing the permits, licences, certificates and government authorisations necessary to conduct our business and may be unable to comply with new laws, regulations or policies. In addition, to ensure the restrictions and conditions of relevant business permits, licences and certificates are fulfilled, governmental authorities normally conduct regular or special inspections, investigations and inquiries. If any significant non-compliance is found by the governmental authorities, our permits, licences and certificates may be suspended or revoked, and we may receive fines or other forms of penalties, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our results of operations may be susceptible to material fluctuations of interest rates.

Most of our bank loans bear interests based on rates linked to the benchmark lending rates or the loan prime rate (the "**LPR**") published by the PBOC. A material fluctuation in the benchmark lending rates or the LPR may have a material impact on our interest expenses and payables under its bank loans and in turn negatively affect our financing costs and results of operations. The PBOC from time to time adjusts interest rates as implementation of its economic and monetary policies. Since the outbreak of the global financial crisis in 2008, the PBOC started to lower the benchmark lending rates with an aim to encourage lending, increase liquidity in the market and promote the recovery of China's economy. Since 2008, the PBOC decreased the benchmark one-year lending rate five times, from 7.47 per cent. to 5.31 per cent. in December 2008, which remained unchanged until September 2010. Since then, the one-year lending rate was gradually increased to 6.56 per cent. on 7 July 2011 and onwards. In recent years, a perceivable slowdown in the growth of the economy of the PRC again caused the PRC Government to adopt more liberal monetary policies with the aim to stimulate the PRC's economic development. Since 2012, the PBOC for a number of times reduced the benchmark one-year lending rate to 4.35 per cent. as at 24 October 2015. In August 2019, the PBOC adopted measures to increase the influence of the LPR as part of its broader market-based reforms of the PRC's interest rate market. The LPR serves as the benchmark for market interest rates in the PRC. On 28 December 2019, the PBOC issued the Announcement on Matters Concerning the Shift of the Pricing Benchmark for Existing Floating Rate Loans to the LPR (存量浮動利率貸款的定價基準轉換為LPR有關事宜公告), which provides that financial institutions shall not be allowed to sign floating rate loan contracts based on the benchmark lending rate since 1 January 2020 and, in principle, the shift of pricing benchmark for existing floating rate loans from benchmark lending rates to LPR should be completed before 31 August 2020. In addition, financial institutions shall sign floating rate loan contracts or amend the way of interest rate of existing floating rate loans contracts based on the LPR plus some basis points as agreed by the lender and the borrower. Although our financial condition and results of operations may benefit from a low-interest environment, there is no assurance that this environment will continue. Any increase in the LPR by the PBOC in the future will increase our financing costs and adversely affect our profitability, financial condition and results of operations.

We may not successfully expand our businesses and implement our growth strategy.

We may from time to time expand our businesses to new industries and markets in which we have limited operating experience. Such expansion may require us to devote substantial resources to become familiar with, and monitor changes in, different operating environments so that we can succeed in our business. Our ability to successfully develop our new businesses and implement this strategy depends on our ability to identify attractive projects, obtain required approvals from relevant regulatory authorities, obtain sufficient capital on acceptable terms in a timely manner and maintain working relationships with various governmental authorities and agencies. The success of negotiations with respect to any particular project cannot be assured. There can be no assurance that we will be able to successfully expand our businesses, implement its growth strategy, manage or integrate newly-acquired operations with our existing operations. Failure to develop new businesses or implement our growth strategy could have a material adverse impact on our business, financial condition and results of operations.

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

We engage third-party contractors for our businesses, for example our infrastructure construction. There is no assurance that the services rendered by any of these independent contractors or subcontractors will always be satisfactory or meet our quality and safety standards. If the performance of any independent contractor is not satisfactory, we may need to replace such contractor or take other actions to remedy the situation, which could adversely affect the cost and construction progress of our projects. Further, the completion of our projects may be delayed, and we may incur additional costs in some cases due to a contractor's financial or other difficulties. In addition, we may be requested on short notice to undertake additional development projects, and there may be a shortage of contractors that meet our quality requirements. Contractors may undertake projects for other companies and developers, engage in risky or unsound practices or encounter financial or other difficulties, which may affect their ability to complete their work for us on time or within budget. Any of these factors could have a material adverse effect on our business, financial condition and results of operations.

We are highly dependent on our trading business and may not be able to maintain sustainable growth.

We are significantly dependent on our trading business. For the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2020 and 2021, our revenue generated from trading business was approximately RMB3,996.94 million, RMB3,906.28 million, RMB4,661.79 million, RMB3,012.94 million and RMB4,148.32 million, respectively, representing approximately 73.42 per cent., 63.67 per cent., 61.84 per cent., 61.05 per cent. and 69.10 per cent. of our total revenue, respectively. For further details on our trading business, see "*Description of the Group – Description of our Business – Trading*". There is no assurance that our trading business will remain strong in the long run. We also rely on several major suppliers and customers to trade the products. In such case, we may experience a significant decrease in our trading business if we cannot procure from our large suppliers or the demand of our large customers weakens, which could have a material and adverse effect on our business, financial condition and results of operations.

We sold a substantial volume of our products or provide a substantial volume of our infrastructure construction services to a limited number of customers, and any reduction in size or number of the orders they place with us may adversely affect our business, financial condition and results of operations.

We generated a substantial portion of our revenue from a limited number of customers which are mainly located in Jiangsu Province. Our revenue generated from a limited number of customers may expose us to concentration risks. There is no assurance that our existing customers will continue to purchase our products or services, or that we will be able to maintain or improve our relationships with these customers, or that we will be able to continue to supply products or provide services to these customers at the current levels, or at all. If any of our key customers were to reduce substantially the size or number of the orders they place with us, or were to terminate their business relationships with us entirely, we may not be able to obtain orders from other customers to replace any lost sale on comparable terms or at all. As a result, our business, financial condition and results of operations could be adversely affected.

All of our infrastructure construction projects are based in a single geographical region.

All of our current and anticipated infrastructure construction projects are located in Taixing City. Any material region-wide adverse events may negatively impact the demand for infrastructure construction projects in Taixing City, which would in turn affect our income and profitability. Such adverse events include, but not limited to, changes in economic conditions and the regulatory environment, changes in the government's development plans and policies in Taixing City, slowdown in the infrastructure construction sector, decrease in investor confidence within the region, significant natural disasters and man-made incidents. Due to the limited geographical coverage of our operations, we may not be able to effectively manage any potential losses arising from these adverse events, which may materially and adversely affect our business, financial condition and results of operations.

Any failure to maintain an effective quality control system could have an adverse effect on our business and operations.

We rely heavily on our quality control systems to ensure the safety and quality of our projects and services. Therefore we need to maintain an effective quality control system for the infrastructure construction, manufacturing and other operational activities. The effectiveness of our quality control system depends significantly on a number of factors, including a timely update of the quality control system to suit the ever-changing business needs, the related training programmes as well as our ability to ensure that our and the contractors' employees adhere to our quality control policies and guidelines. There is no assurance that the quality of the projects undertaken by us will always meet the required standard. Any failure or deterioration of our quality control systems could result in defects in our projects, which in turn may subject us to contractual, product liability and other claims. Any such claims, regardless of whether they have any merit, could cause us to incur significant costs, harm our business reputation and result in significant disruption to our operations. Furthermore, if any of such claims are ultimately successful, we could be required to pay substantial monetary damages or penalties. Although we believe that our quality control systems have functioned properly, there is no assurance that failures in our quality control systems will not occur in the future, and any such failure could have an adverse effect on our business and operations.

Delays or defaults in payments to us may affect our working capital and cash flow.

Most of our infrastructure construction projects are conducted under a business model where we undertake the project construction and the relevant authorities of local government are responsible for the payment of the relevant costs and expenses. For such projects, the payment may be made in instalments and the collection period is relatively long, and sometimes a portion of the agreed payment is paid only after the testing and inspection works are completed and approval for the project or a phase of the project is granted. However, we incur costs such as material, equipment and labour costs, at the beginning of the project, on an ongoing basis and before achieving the relevant project milestones, and thus bear the risk of pre-paying costs and expenditures for each project. Therefore, any delay or default in the payments to us may increase our cash flow pressure which will in turn increase our financial vulnerability and adversely affect our financial condition and results of operations. As at the date of this Information Memorandum, we have not experienced any significant delay in payments by the relevant parties in accordance with the agreed payment timetables. However, there is no assurance that all payments will continue to be made in a timely manner, or that no events of default will occur in the future.

We may face delays and cost overruns during the construction and development of our projects, which may adversely affect our results of operations.

There are a number of construction, financing, operating and other risks associated with our infrastructure construction projects. Projects that we undertakes typically require substantial capital expenditures during the construction or development phase and can take a substantial period of time to complete. The time taken and the costs involved in completing these projects can be adversely affected by many factors, including shortages of materials, equipment and labour costs, adverse weather conditions, natural disasters, terrorism, labour disputes, disputes with sub-contractors, accidents, changes in governmental priorities and other unforeseen circumstances, many of which are out of our control. Any of these could give rise to delays in the completion of our projects and may result in liabilities, reduced efficiency and lower financial returns, which may in turn materially and adversely affect our business, financial condition and results of operations.

Fluctuations in the price of construction materials could adversely affect our business and financial performance.

The cost of construction materials, such as steel, which constitutes a significant portion of our payments to our construction contractors, may fluctuate. Any increase in the cost of construction materials may result in additional costs to us and may lead to future increases in construction contract costs. Construction material costs have fluctuated in recent years. Any increase in the cost of any significant construction materials will adversely impact our overall construction costs, which may pose an adverse effect on our profitability.

We are subject to risks related to default payments and breaches by our lessees or other contractual counterparties.

In connection with our property leasing business, our success is dependent upon the ability of our lessees to perform their contractual obligations under the leases. The ability of each lessee to perform its contractual obligations is, in turn, dependent on our financial condition and cash flow. If a lessee defaults, there can be no assurance that any security deposits paid under the lease will be adequate to cover the lessee's unpaid lease obligations, or that the maintenance reserves collected during the lease term will be sufficient to cover our maintenance expenses or the costs of leasing the properties.

Labour shortages, labour disputes or increases in labour costs of any third-party contractors engaged for our projects as well as implementation of PRC employment regulations could materially and adversely affect our business, prospects and results of operations.

Many of our businesses are labour intensive. We also rely on third-party contractors to carry out our manufacturing business and infrastructure construction projects. Increasing awareness of labour protection as well as increasing minimum wages is likely to increase the labour costs of PRC enterprises in general, including us or the contractors participating in our projects.

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

In addition, unless otherwise prohibited by the PRC Labour Contract Law or objected to by the employees themselves, the employer is also required to enter into non-fixed-term employment contracts with employees who have previously entered into fixed-term employment contracts for two consecutive terms. In addition, under the Regulations on Paid Annual Leave for Employees (職工帶薪年休假條例), which became effective on 1 January 2008, employees who have worked continuously for more than one year are entitled to paid annual leave ranging from five to fifteen days, depending on the length of the employees' working experience. Employees who consent to waive such vacation at the request of employers shall be compensated an amount equal to three times their normal daily salaries for each vacation day being waived. Under the National Leisure and Tourism Outline 2013-2020 (國民旅遊休閒綱要(2013-2020年)) which became effective on 2 February 2013, it is aimed that all workers shall receive paid annual leave by 2020. As a result of the PRC Labour Contract Law, the Regulations on Paid Annual Leave for Employees and the National Leisure and Tourism Outline 2013-2020, our 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 we decide to significantly change or decrease our workforce, the PRC Labour Contract Law could adversely affect our ability to effect these changes in a cost-effective manner or in the manner that we desire.

As such, labour shortages, labour disputes or increases in labour costs of us or third-party contractors could directly or indirectly prevent or hinder the construction progress, and, if not resolved in a timely manner, could lead to delays in completing our projects which could materially and adversely affect our business, prospects and results of operations.

We may not be able to continue to attract and retain quality tenants for our leasing properties.

Our commercial properties compete for tenants with a number of other commercial properties in the surrounding areas on the basis of a wide range of factors, including location, design, construction quality and management, rent levels and other lease terms.

There is no assurance that our existing and prospective tenants will not lease properties from our competitors. As a result, we may lose tenants to our competitors, resulting in difficulty in renewing leases or in finding new tenants. An increase in the number of competing properties, particularly those in close proximity to our properties, could increase competition for tenants, reduce the relative attractiveness of our properties and force us to reduce our rental rates or incur additional costs in order to enhance our competitiveness. If we are not able to compete effectively for commercial tenants with other property developers or operators, the occupancy rates of our properties may decline. If we fail to continue to attract well-known brands as our tenants or maintain our existing major tenants, the attractiveness and competitiveness of our mixed-use complexes and commercial properties may be adversely affected. This in turn could have a material adverse effect on our business, reputation, results of operations and financial position.

We may be subject to fines due to non-registration of our leases.

We lease out commercial properties and generates rental income from such leases. Pursuant to the Administration Measures for Commodity House Leasing (商品房屋租賃管理辦法) promulgated on 1 December 2010 and became effective on 1 February 2011, both lessors and lessees are required to file the lease agreements for registration and obtain property leasing filing certificates for their leases. We may be required by relevant government authorities to file the lease agreements for registration and may be subject to a fine for non-registration, which may range from RMB1,000 to RMB10,000. The registration of these lease agreements, under which we are the lessor, requires additional steps to be taken by the respective lessees which are beyond our control. Our lessees may not be cooperative and there can be no assurance that we can complete the registration of these lease agreements and any other lease agreements that we may enter into in the future.

Our insurance coverage may not adequately protect us against all operational risks or any potential liabilities or losses.

We face various operational risks in connection with our business, including but not limited to:

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

We maintain limited insurance policies, but in our construction projects, we usually require the contractors to maintain the insurance coverage for the projects, which we believe to be consistent with the relevant law and industry and business practice in the PRC. However, some of the above-mentioned operational risks may not be covered and even if covered by the insurance policies maintained by our contractors, claims under these insurance policies may not be honoured fully or on time, or the insurance coverage may not be sufficient to cover the costs incurred in our operations related to the above-mentioned operational risks. There are also certain types of losses (such as from wars, acts of terrorism or acts of God, business interruption, property risks and third party (public) liability) that generally are not insured because they are either uninsurable or not economically insurable. To the extent that we or any of our subsidiaries suffer loss or damage that is not covered by insurance or that exceeds the limit of the insurance coverage, our results of operations and cash flow may be materially and adversely affected.

We are subject to various environmental, safety and health regulations in the PRC and any failure to comply with such regulations may result in penalties, fines, governmental sanctions, proceedings or suspension or revocation of its licenses or permits.

We are required to comply with extensive environmental, safety and health regulations in the PRC. Failure to comply with such regulations may result in fines or suspension or revocation of our licences or permits to conduct our business. Given the volume and complexity of these regulations, compliance may be difficult or involve significant financial and other resources to establish efficient compliance and monitoring systems. There is no assurance that we will be able to comply with all applicable requirements or obtain these approvals and permits on a timely basis, if at all. As at the date of this Information Memorandum, we have not experienced any significant non-compliance with applicable safety regulations or requirements. In addition, PRC laws and regulations are constantly evolving. There is no assurance that the PRC government will not impose additional or stricter laws or regulations, which may increase our compliance costs. Any failure to comply with the current or future environmental, safety and health regulations may materially and adversely affect our business, financial condition and results of operations.

Our success depends on the continuing service of our management team and qualified employees and any failure to attract and retain competent personnel may adversely affect our business.

The success of our business has been, and will continue to be, heavily dependent upon the continuing service of our directors and members of senior management. If we lose the services of any of our key executives and cannot replace them in a timely manner, our business may be materially and adversely affected.

In addition, our success depends on our ability to attract and retain key personnel who possess in-depth knowledge and understanding of the industries in which we invest or operate. These key personnel include members of our senior management, experienced finance professionals, project development and management personnel, and other operation personnel. Competition for attracting and retaining these individuals is intensive. Such competition may require us to offer higher compensation and other benefits in order to attract and retain qualified professionals, which could materially and adversely affect our financial condition and results of operations. As a result, we may be unable to attract or retain these personnel to achieve our business objectives and the failure to do so could severely disrupt our business and prospects. For example, we may not be able to hire enough qualified personnel to support our new investment projects or business expansion. As we expand our business or hires new employees, such new employees may take time to get accustomed to any new standard procedures and consequently may not comply with the standard procedures of such new business in an accurate and timely manner. The occurrence of any of the events discussed above could lead to unexpected losses to us and adversely affect our revenue and financial condition.

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

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

- hiding unauthorised or unsuccessful activities, resulting in unknown and unmanaged risks or losses;
- intentionally concealing material facts, or failing to perform necessary due diligence procedures designed to identify potential risks, which are material to us in deciding whether to make investments or dispose of assets;
- improperly using or disclosing confidential information;
- recommending products, services or transactions that are not suitable for our customers;
- misappropriation of funds;
- conducting transactions that exceed authorised limits;
- engaging in misrepresentation or fraudulent, deceptive or otherwise improper activities when marketing or selling products;
- engaging in unauthorised or excessive transactions to the detriment of our customers;
- making or accepting briberies;
- conducting any inside dealing; or
- otherwise not complying with applicable laws or our internal policies and procedures.

Our internal control procedures are designed to monitor our operations but may be unable to identify all incidents of non-compliance or suspicious transactions in a timely manner, if at all. Furthermore, it is not always possible to detect and prevent fraud and other misconduct, and the precautions we take to prevent and detect such activities may not be effective. There is no assurance that fraud or other misconduct will not occur in the future. If such fraud or other misconduct does occur, it may cause negative publicity as a result and have a material adverse effect on our reputation and business.

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

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

Investors should not place any reliance on financial information which is unreviewed or unaudited.

The Interim Financial Information contained in this Information Memorandum has been extracted from our management accounts that have not been audited or reviewed by independent auditors. Consequently, the Interim Financial Information should not be relied upon by potential investors to provide the same quality of information associated with financial statements that have been subject to an audit or review. Potential investors must exercise caution when using such financial information to evaluate our financial condition and results of operations.

In addition, we publish annual, semi-annual and/or quarterly consolidated financial information in the PRC to satisfy its continuing disclosure obligations relating to its debt securities issued in the PRC according to applicable PRC regulations and rules of the stock exchanges on which the relevant securities are listed. The semi-annual and/or quarterly consolidated financial information of us is derived from our management accounts and normally is not audited nor reviewed by independent auditors. Unless specifically included in this Information Memorandum, such financial information does not form part of this Information Memorandum, 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. We are not responsible to holders of the Bonds for the financial information from time to time published in the PRC and therefore investors should not place any reliance on any such financial information. Our published financial information in the PRC may be adjusted or restated by us to address retrospective impacts of subsequent changes in applicable accounting standards, our accounting policies and/or applicable laws and regulations affecting our 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 our 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 Information Memorandum on the other hand.

We are and may be involved in disputes, legal and other proceedings arising out of our operations from time to time and may face significant liabilities as a result.

We or our subsidiaries may from time to time be involved in disputes with various parties involved in our business, including contractors, tenants, suppliers and purchasers. Such disputes may lead to legal or other proceedings and they may damage our reputation, increase our costs of operations and divert our management's attention from daily business operations. In addition, where regulatory bodies or governmental authorities disagree with our conduct in respect of its operations, we may be subject to administrative proceedings and unfavourable decrees that could result in liabilities and delays to our projects. There is no assurance that we or our subsidiaries will not be so involved in any major legal or other proceedings in the future which may subject us to significant liabilities and may materially and adversely affect our business, financial condition, results of operations and prospects.

Our business may be affected by natural disasters, epidemics and other acts of God.

Our business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics such as the human swine flu, also known as Influenza A (H1N1), H5N1 avian flu or severe acute respiratory syndrome ("**SARS**"), the Ebola virus or, most recently, the novel coronavirus named COVID-19 by the WHO and other natural disasters which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the PRC. Some regions in the PRC, including certain cities where we operate, are under the threat of flood, earthquake, fire, drought or epidemics. Our business, financial position and results of operations may be materially and adversely affected if natural disasters or other such events occur.

For instance, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. The PRC reported a number of cases of SARS in 2003. Since its outbreak in 2004, there have been reports on occurrences of avian flu in various parts of the PRC, including several confirmed human cases and deaths. In addition, the ongoing COVID-19 epidemic is likely to suspend our construction, sales and other operating activities. Given the high uncertainties associated with the COVID-19 epidemic at the moment, it is difficult to predict how long these conditions will last and the extent to which we may be affected. We may experience delays in completion and delivery of our projects due to disruptions to our operations, which may materially and adversely affect our results of operations and financial condition and may also cause reputation damage. In addition, any further disruption to our sales activities may negatively affect our liquidity and access to capital. The outbreak of COVID-19 epidemic also caused the delay in resumption of local business in the PRC after the Chinese New Year holiday and, as the outbreak extended, several countries have arranged to evacuate their nationals from Wuhan and introduced new restrictions on travel to and from China. The

COVID-19 epidemic may further create negative economic impact and increase volatility in the PRC and global market and continue to cause increasing concerns over the prospects of the PRC economy. If the epidemic is not contained in Jiangsu Province in a timely manner, there could be material disruptions to our operations and result in a material adverse effect on our business operations, financial condition and results of operations. A recurrence of SARS or an outbreak of a health epidemic or contagious disease, including, for example, the ongoing COVID-19 epidemic, could result in a widespread health crisis and restrict the level of business activities in affected areas, which may in turn adversely affect our business, results of operations and financial condition.

Public corporate disclosure about us may be limited.

As we are not listed on any stock exchange, there may be less information about them publicly available than is regularly made available by listed companies.

RISKS RELATING TO THE PRC

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

A substantial part of our assets are located in the PRC and a substantial part of our revenue is derived from the PRC. Therefore, the performance of the PRC economy affects, to a significant degree, our business, prospects, financial condition and results of operations.

Although the PRC economy has 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 PRC economy may not be sustainable in the future. The continued growth of the PRC economy has been facing downward pressure, and the annual GDP growth rate declined from 7.8 per cent. in 2013 to 6.1 per cent. in 2019, according to the National Statistics Bureau of the PRC. In May 2017, Moody's downgraded China's sovereign credit rating for the first time since 1989 and changed its outlook from stable to negative, citing concerns on the country's rising levels of debt and expectations of slower economic growth. In September 2017, S&P Global Ratings downgraded China's sovereign credit rating for the first time since 1999, citing similar concerns. The full impact of such actions by international rating agencies remains uncertain, but the perceived weaknesses in China's economic development model, if proven and left unchecked, could have profound implications.

The future performance of the PRC economy is not only affected by the economic and monetary policies of the PRC government, but also exposed to material changes in global economic and political environments as well as the performance of certain major developed economies in the world, such as the United States and the European Union. The PRC's economic growth may also slow down due to weakened exports as well as recent developments surrounding the trade war with the United States. Starting in April 2018, the United States imposed tariffs on various categories of imports from China, and China responded with similarly sized tariffs on United States' products. While China and the United States reached a phase one trade deal in January 2020, the amicable resolution of such a trade war remains elusive, and the lasting impacts any trade war may have on the PRC economy and the industries we operate in remain uncertain. On 31 January 2020, the United Kingdom officially exited the European Union following a United Kingdom-European Union Withdrawal Agreement signed in October 2019. The United Kingdom and the European Union will have a transition period until 31 December 2020 to negotiate, among others, trade agreements in details. Given the lack of precedent and uncertainty of the negotiation, the effect of United Kingdom's exit remains uncertain, and United Kingdom's exit has and may continue to create negative economic impact and increase volatility in the global market.

In addition, the United States government has recently made statements and taken certain actions that may lead to changes to United States and international trade policies, including recently imposed tariffs affecting a range of products manufactured in China or threatening to sanction certain companies with connections to China. In response, the PRC government had on 9 January 2021, promulgated the Measures for Blocking Improper Extraterritorial Application of Foreign Laws and Measures (《阻斷外國法律與措施不當域外適用辦法》) to counteract the extra-territorial application of foreign laws to Chinese persons. It is unknown whether and to what extent new tariffs or counter-tariffs (or other new laws or regulations) will be adopted, or the effect that any such actions would have on the Group or the industries in which it operates. There is also a concern that the imposition of additional tariffs by the United States could result in the adoption of tariffs by other countries as well. Any unfavourable government policies on international trade, such as capital controls or tariffs, may affect the demand for our Group's products and services, or impact the competitive position of our Group's products. If any new tariffs, legislation and/or regulations are implemented, or if existing trade agreements are renegotiated or, in particular, if the United States government takes retaliatory trade actions due to the recent United States-China trade tension, such changes could have an adverse effect on our Group's business, financial condition and results of operations

In addition, the recent outbreak of COVID-19 has also brought negative economic impact and increased the volatility in the global market. See "*– Risks relating to us and our business – Our business may be affected by natural disasters, epidemics and other acts of God*" for further details. If economic conditions in our key markets remain uncertain and deteriorate further, we may experience a material impact on our business, operating results and financial condition.

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

PRC economic, political and social conditions as well as government policies could adversely affect our business.

The PRC economy differs from the economies of most developed countries in many respects, including with respect to government involvement, level of development, economic growth rate, control of foreign exchange and allocation of resources.

The PRC economy has been transitioning from a planned economy to a more market-oriented economy. In recent years, the PRC government has implemented a series of measures emphasising on market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises. However, a large portion of productive assets in the PRC remain owned by the PRC government. The PRC government continues to play a significant role in regulating industrial development, the allocation of resources, production, pricing and management, and there can be no assurance that the PRC government will continue to pursue the economic reforms or that any such reforms will not have an adverse effect on our business.

Our operations and financial results could also be materially and adversely affected by changes in political, economic and social conditions or the relevant policies of the PRC government, such as changes in laws and regulations (or the interpretation thereof). For example, the PRC government may decide to change its current policies with respect to our core business industries, and, as such, this could have adverse impact on our business and results of operations. In the past, the PRC government has implemented administrative measures to restrain economic growth rates that were considered unsustainably high and to calm inflation fears. Such actions may result in an economic slowdown which could have negative macro-economic effects in the PRC and PRC-related markets. Our operating results and financial condition may also be materially and adversely affected by other changes in taxation and changes in state policies affecting the industries in which we operate. In addition, the growth of our projects and business operations depends heavily on economic growth. If the PRC's economic growth slows down or if the PRC economy experiences a recession, our business prospects may be materially and adversely affected. Our operations and financial results, as well as our ability to satisfy our obligations under the Bonds, could also be materially and adversely affected by changes in measures which might be introduced to control inflation, changes in the rate or method of taxation, the imposition of additional restrictions on currency conversion and the imposition of additional import restrictions.

Interpretation and implementation of the laws and regulations in the PRC may involve uncertainties.

As a substantial part of our businesses are conducted, and a substantial part of our assets are located, in the PRC, a substantial part of our business and 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 begun to promulgate a comprehensive system of laws and has introduced many new laws and regulations to provide general guidance on economic and business practices in the PRC and to regulate foreign investment. However, China has not developed a fully-integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. In particular, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, the PRC legal system is based, in part, on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until some time after the violation. In addition, any litigation in China may be protracted and result in substantial costs and the diversion of resources and management's attention.

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

All of our assets and our members are located in the PRC. In addition, most of our directors and senior management reside within the PRC, and assets of the directors and senior management may also be located within the PRC. As a result, it may not be possible to effect service of process outside the PRC upon most of our directors and senior management, including for matters arising under applicable securities laws. A judgment of a court of another jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with the PRC or if judgments of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requirements.

On 14 July 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**Arrangement**"), pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil or commercial case pursuant to a "choice of court" agreement in writing may apply for the 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 or commercial case pursuant to a "choice of court" agreement in writing may apply for the 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 Arrangement in which a Hong Kong court or a PRC court is expressly chosen as the court having sole jurisdiction for resolving 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 us or its directors or senior management in the PRC and/or to seek recognition and enforcement of a judgment rendered by a Hong Kong court in the PRC. On 18 January 2019, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters between the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "**New Arrangement**"), which seeks to establish a bilateral legal mechanism with greater clarity and certainty for the recognition and enforcement of judgments in a wide range of civil or commercial matters between the courts of Hong Kong and the PRC. The New Arrangement will be implemented by local legislation in Hong Kong and will take effect after the necessary procedures have been completed in both Hong Kong and the PRC to effect its implementation and shall apply to the judgments rendered by the courts of Hong Kong and the PRC on or after the date of the effectiveness of the New Arrangement. Upon effectiveness of the New Arrangement, the Arrangement shall be terminated, except for "choice of court" agreements in writing made between parties before the commencement of the New Arrangement, in which case the 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 New Arrangement. There can be no assurance that investors can successfully effect service of process against us or its directors or senior management in the PRC and/or to seek the recognition and enforcement of any judgments rendered by a Hong Kong court in the PRC. Therefore, it may be difficult for investors to enforce any judgments obtained from non-PRC courts against us or any of our directors or senior management in the PRC.

The PRC government's control over currency conversion may limit our foreign exchange transactions.

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

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

Government control of currency conversion and the fluctuation of the Renminbi may materially and adversely affect our operations and financial results.

We receive substantially all of our incomes in Renminbi, which currently is not a freely convertible currency. A portion of these incomes must be converted into other currencies to allow us to make payments on obligations denominated in currencies other than the Renminbi.

The value of the Renminbi against the U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in China's political and economic conditions. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. Since then, the PRC government has made, and may in the future make, further adjustments to the exchange rate system. PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity for the trading against the Renminbi on the following working day. The People's Bank of China surprised markets in August 2015 by thrice devaluing the Renminbi, lowering its daily mid-point trading price significantly against the U.S. dollar. The currency devaluation of the Renminbi was intended to bring it more in line with the market by taking market signals into account. Renminbi depreciated significantly against the U.S. dollar following this August 2015 announcement by the PBOC and hit record lows since 2008 against the U.S. dollar in 2016. Following the gradual appreciation of Renminbi in 2017, Renminbi experienced a depreciation in value against U.S. dollar following a fluctuation in 2018. With an increased floating range of the Renminbi's value against foreign currencies and a more market-oriented mechanism for determining the mid-point exchange rates, the Renminbi may further appreciate or depreciate significantly in value against the U.S. dollar or other foreign currencies in the long-term. Any significant appreciation of the Renminbi against the U.S. dollar or other foreign currencies may result in a decrease in the value of our foreign currency denominated assets. Conversely, any significant depreciation of the Renminbi may adversely affect the value of our businesses and its proceeds from the Issue. In addition, there are limited instruments available for us to reduce its foreign currency risk exposure at reasonable costs. All of these factors could materially and adversely affect our businesses, financial conditions and results of operations.

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

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

RISKS RELATING TO THE BONDS, THE GUARANTEE AND THE STANDBY LETTER OF CREDIT

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 or as to liquidity or sustainability of any such market, the ability of holders to sell their Bonds or the price at which holders will be able to sell their Bonds. If the Bonds are allocated to a limited group of investors, and a limited number of investors hold a significant proportion of the Bonds, liquidity will be restricted and the development of a liquid trading market for the Bonds will be affected. If a market does develop, it may not be liquid and the Bonds could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Group's operations and the market for similar securities. The Placing Agents are not obligated to make a market in the Bonds and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Placing Agents. Therefore, investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. In addition, Bondholders should be aware of the prevailing and widely reported global credit market conditions (which continue at the date of this Information Memorandum), whereby there is a general lack of liquidity in the secondary market for instruments similar to the Bonds. Such lack of liquidity may result in investors suffering losses on the Bonds in secondary resales even if there is no decline in the performance of the assets of the Group. It is not possible to predict which of these circumstances will change and whether, if and when they do change, there will be a more liquid market for the Bonds and instruments similar to the Bonds at that time. Although application has been made for the listing of the Bonds on the Hong Kong Stock Exchange, no assurance can be given as to the liquidity of, or trading market for, the Bonds. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, investors will only be able to resell their Bonds in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act.

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

If an active trading market for the Bonds were to develop, the price and trading volume of the Bonds may be highly volatile. Factors such as variations in our revenues, earnings and cash flows, proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies, changes in the industry that we operate and competition, general economic conditions any adverse change in the credit rating, the revenues, earnings, results of operations or otherwise in the financial condition of the LC Bank could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the volume and price at which the Bonds will trade. There can be no assurance that these developments will not occur in the future.

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

The Bonds are denominated and payable in U.S. dollars. An investor who measures investment returns by reference to a currency other than the U.S. dollar would be subject to foreign exchange risks by virtue of an investment in the Bonds, due to, among other things, economic, political and other factors over which we do not have any control. Depreciation of the U.S. dollar against such currency could cause a decrease in the effective yield of the Bonds below their stated coupon rates and could result in a loss when the return on the Bonds is translated into such currency. In addition, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in the Bonds.

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 China. Since the sub-prime mortgage crisis in 2008, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Bonds could be adversely affected.

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

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

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Information Memorandum;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;

- have the ability to understand and evaluate all information and materials with respect to the Issuer, the Guarantor, the Group, Bank of Hangzhou and the LC Bank, including those in Chinese language;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, or where the currency for principal or interest payments is different from the potential investor's currency;

- understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities.

The Bonds will be mandatorily redeemed upon a pre-funding failure.

The Conditions provide for a demand to be made under the Standby Letter of Credit in the event we fail to pre-fund principal and/or interest payment due on the Bonds or upon the occurrence of an Event of Default under the Bonds. Such demand will be made in respect of the full amount of the outstanding principal due and interest accrued on the Bonds then outstanding (together with all fees, costs, expenses, indemnity payments and all other amounts payable by us under or in connection with the Bonds, the Agency Agreement, the Trust Deed and/or any other transaction document relating to the Bonds), and thereafter the Bonds will be mandatorily redeemed in accordance with Condition 7(d). Bondholders will not be able to hold their Bonds to maturity should such mandatory redemption occur.

The Guarantor's obligations under the Guarantee will be structurally subordinated to all existing and future indebtedness and other liabilities of each of the Guarantor's existing and future subsidiaries (other than the Issuer), and effectively subordinated to the Guarantor's secured debt to the extent of the value of the collateral securing such indebtedness.

The Issuer was established by the Guarantor specifically for the purpose of issuing the Bonds and will on-lend the net proceeds from the issue of the Bonds to the Guarantor, which may in turn on-lend to other members of the Group. Moreover, the Issuer may issue other bonds in the future and on-lend the proceeds to other entities of the Group. The Issuer does not and will not have any assets other than such loan and its ability to make payments under the Bonds will depend on its receipt of timely payments from the Group under such loan arrangement.

The Guarantee will be structurally subordinated to any debt and other liabilities and commitments, including trade payables and lease obligations, of the Guarantor's existing and future subsidiaries, whether or not secured. The Guarantor's obligations under the Guarantee will not be guaranteed by any of the Guarantor's subsidiaries, and the Guarantor's ability to make payments under the Guarantee depends partly on the receipt of dividends, distributions, interest or advances from its subsidiaries. The ability of such subsidiaries to pay dividends to the Guarantor is subject to various restrictions under applicable laws. The Guarantor's subsidiaries are separate legal entities that have no obligation to pay any amounts due under the Guarantee or make any funds available therefor, whether by dividends, loans or other payments. The Guarantor's right to receive assets of any of the Guarantor's subsidiaries, 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 Guarantor are creditors of that subsidiary). Consequently, the Guarantee will be effectively subordinated to all liabilities, including trade payables and lease obligations, of any of the Guarantor's subsidiaries and any subsidiaries that the Guarantor may in the future acquire or establish. The outstanding indebtedness of the subsidiaries of the Guarantor may also contain covenants restricting the ability of such subsidiaries to pay dividends in certain circumstances for so long as such indebtedness remains outstanding. Moreover, the Guarantor's percentage interests in its subsidiaries and joint ventures could be reduced in the future.

The Guarantee is the Guarantor's unsecured obligations and will (i) rank equally in right of payment with all the Guarantor's other present and future unsubordinated and unsecured indebtedness; and (ii) be effectively subordinated to all of the Guarantor's present and future secured indebtedness to the extent of the value of the collateral securing such obligations. Accordingly, claims of secured lenders, whether senior or junior, with respect to assets securing their loans will be prior with respect to those assets. In the event of the Guarantor'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 Guarantee only after all other debt secured by these assets has been repaid in full. Any remaining assets will be available to the Bondholders rateably with all of the Guarantor's other unsecured and unsubordinated creditors, including trade creditors. 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.

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

Pursuant to the Deed of Guarantee executed by the Guarantor, the Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deed. The Guarantor is required to submit the Deed of Guarantee to the local SAFE for registration within 15 PRC Business Days after execution of the Deed of Guarantee in accordance with, and within the prescribed period time under the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 (the "**Cross-Border Security Registration**"). Although the non-registration does not render the Deed of Guarantee ineffective or invalid under PRC law, SAFE may impose penalties on the Guarantor if registration is not carried out within the stipulated time frame. The Guarantor intends to use its best endeavours to complete the Cross-Border Security Registration. In addition, if the Guarantor fails to complete the SAFE registration in a timely manner, there may be logistical hurdles at the time of remittance of funds (if any cross-border payment is to be made by the Guarantor under the Guarantee) as domestic banks may require evidence of SAFE registration in connection with the Deed of Guarantee in order to effect such remittance, although this does not affect the validity of the Guarantee itself.

The Bonds and the Guarantee are unsecured obligations.

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

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

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

Income or gains from the Bonds may be subject to income tax or VAT under PRC tax laws.

Under the Enterprise Income Tax Law of the PRC last amended in 2018 (中華人民共和國企業所得稅法(2018修正)) and its implementation rules (the "**New Enterprise Income Tax Law**"), any gains realised on the transfer of the Bonds by holders who are deemed under the New Enterprise Income Tax 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 New Enterprise Income Tax 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 incomes derived from sources within the PRC. In addition, 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 (provided that the non-resident enterprise does not have offices or premises in the PRC or that has offices or premises in the PRC but such gains are not effectively connected therewith) 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 an arrangement between mainland China and Hong Kong for avoidance of double taxation, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, may 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 a premise that the Bondholders have in the PRC and all the other relevant conditions are satisfied. According to Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Pilot Program of Replacing Business Tax with VAT in an All-round Manner (財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知) (the "**Circular 36**"), VAT is unlikely to apply to any transfer of Bonds between entities or individuals located outside of the PRC and therefore unlikely to apply to gains realised upon such transfers, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC. Circular 36 and laws and regulations pertaining to VAT are relatively new, and the interpretation and enforcement of such laws and regulations involve uncertainties.

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

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

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

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

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

While the Bonds are represented by the Global Certificate, we will discharge our payment obligations under the Bonds by making payments to the Clearing System for distribution to their account holders. A holder of a beneficial interest in the Global Certificate must rely on the procedures of the Clearing System(s) to receive payments under the Bonds. We do 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 the Clearing System(s) to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Certificate will not have a direct right under the Global Certificate to take enforcement action against us in the event of a default under the Bonds but will have to rely upon their rights under the Trust Deed.

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

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

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

We may, on the occurrence of a Relevant Event, and at maturity will, be required to redeem part or all of the Bonds. If such an event were to occur, we 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 ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. Failure to repay or redeem tendered Bonds by us would constitute an event of default under the Bonds, which may also constitute a default under the terms of our other indebtedness.

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

The Issuer and the Guarantor are incorporated under the laws of the British Virgin Islands and the PRC, respectively. Additionally, the LC Bank is also incorporated under the laws of the PRC. As such, any insolvency proceeding relating to the Issuer or the Guarantor or the LC Bank would likely involve British Virgin Islands or PRC insolvency laws, respectively, 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 Trustee may request the Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction.

In certain circumstances, including, without limitation, giving notice to us pursuant to Condition 10 of the Conditions and taking steps and/or actions and/or instituting proceedings pursuant to Condition 14 of the Conditions, the Trustee may, at its sole discretion, request the Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes steps and/or actions and/or institutes proceedings on behalf of the Bondholders. The Trustee shall not be obliged to take any such steps and/or actions and/or institute any such proceedings if not first indemnified and/or secured and/or prefunded to its satisfaction.

Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such steps and/or actions can be taken and/or such proceedings can be instituted. The Trustee may not be able to take steps and/or actions and/or institute any proceedings, notwithstanding the provision of an indemnity and/or security and/or prefunding to it, in breach of the terms of the Trust Deed or the Conditions and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable laws and regulations, it will be for the holders of the Bonds to take such steps and/or actions and/or institute such proceedings directly.

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

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 English law or administrative practice after the date of issue of the Bonds.

Certain facts and statistics are derived from publications not independently verified by us, the Placing Agents or our respective advisers.

Facts and statistics in this Information Memorandum relating to global economy and the relevant industries are derived from publicly available sources. While we have taken reasonable care to ensure that the facts and statistics presented are accurately reproduced from such sources, they have not been independently verified by any of us, the Placing Agents, the Trustee, the Agents or their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them and, therefore, none of these parties make any representation as to the accuracy of such facts and statistics. Due to possibly flawed or ineffective calculation and collection methods and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies and should not be unduly relied upon. Further, 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.

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

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

The Conditions also provide that the Trustee may (but is not obliged to) agree, without the consent of the Bondholders, to (i) any modification of any of the Conditions or any of the provisions of the Trust Deed, the Agency Agreement, the Deed of Guarantee or the Standby Letter of Credit (other than in respect of certain reserved matters) which in the opinion of the Trustee is 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 the Deed of Guarantee), and any waiver or authorisation of any breach or proposed breach of, or failure to comply with any of the Conditions or any of the provisions of the Trust Deed, the Agency Agreement, the Deed of Guarantee and/or Standby Letter of Credit (other than a proposed breach or breach relating to the subject of certain reserved matters) which is in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders. Any such modification, authorisation or waiver shall be binding on the Bondholders and, unless the Trustee otherwise agrees, such modification, authorisation or waiver shall be notified by us to the Bondholders as soon as practicable.

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

The Conditions, the Deed of Guarantee, the Trust Deed and the Agency Agreement are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. The Guarantor and most of our subsidiaries are incorporated in the PRC and a substantial portion of our assets are located in the PRC. In addition, our directors and senior management reside within the PRC and the assets of our directors and officers may be located within the PRC. As a result, it may not be possible to effect service of process outside the PRC upon such directors and senior management, including for matters arising under applicable securities law.

We have irrevocably submitted to the exclusive jurisdiction of the Hong Kong courts in the transaction documents relating to the Bonds and the Guarantee. Hong Kong and the PRC have entered into certain arrangements on the reciprocal recognition and enforcement of judgments in civil and commercial matters (the "**Reciprocal Arrangements**") which allow for a final court judgment (relating to the payment of money or other civil or commercial proceeding) rendered by a Hong Kong court or PRC court (as the case may be) to be recognised and enforced in the PRC or Hong Kong (as the case may be), provided certain conditions are met. However, certain matters may be excluded under the Reciprocal Arrangements and a judgment may be refused to be recognised and enforced by the requested place in certain circumstances such as for public policy reasons or where the judgment was obtained by fraud. As a general matter, a judgment of a court of another jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with the PRC or if judgments of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requirements. The PRC signed the Hague Convention on Choice of Court Agreements (the "**Hague Convention**") in September 2017 which is intended to promote the use of exclusive choice of court agreements in international contracts and facilitate the creation of a recognition and enforcement regime for court judgements between contracting States. However, the signing of the Hague Convention does not have currently have any legal effect until it is ratified by the PRC government. The PRC has not entered into treaties or arrangements providing for the reciprocal recognition and enforcement of judgments of courts with numerous countries, including Japan, the United States and the United Kingdom. Therefore, it may be difficult for Bondholders to enforce any judgments obtained from such foreign courts against the Group, the Issuer, the Guarantor or any of their respective directors or senior management in the PRC.

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

We may redeem the Bonds prior to maturity.

We may redeem the Bonds at our option, in whole but not in part, at a redemption price equal to their principal amount, together with interest accrued up to but excluding the date fixed for redemption if, subject to certain conditions, as a result of a change in or amendment to tax laws or regulations of the British Virgin Islands or the PRC and such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, the Issuer (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay Additional Tax Amounts (as defined in the Terms and Conditions), as further described in Condition 7(b) (*Redemption for Taxation Reasons*) of the Terms and Conditions.

If we redeem the Bonds prior to the Maturity Date, investors may not receive the same economic benefits they would have received had they held the Bonds to maturity, and they may not be able to reinvest the proceeds they receive in a redemption in similar securities. In addition, our ability to redeem the Bonds may reduce the market price of the Bonds.

We may issue additional bonds in the future.

We may, from time to time, and without the consent of the Bondholders, create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects save for the issue date and first payment of interest on them and the timing for complying with the Registration Conditions (as defined in the Terms and Conditions), the making or submission and completion of the Cross-Border Security Registration and the giving of consequent notices thereof (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.

Changes in market interest rates may adversely affect the value of the Bonds.

The Bonds will carry a fixed interest rate. Consequently, investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds. If Bondholders sell the Bonds they hold before the maturity of such Bonds, they may receive an offer less than their investment.

The LC Bank's ability to perform its obligations under the Standby Letter of Credit is subject to the financial condition of Bank of Hangzhou.

The LC Bank is not a separate and independent legal person but has capacity to carry on its activities within its scope of authorisation given by Bank of Hangzhou and if the assets of the LC Bank are not sufficient to meet the obligations of the LC Bank under the Standby Letter of Credit, Bank of Hangzhou would have an obligation to satisfy the balance of the obligations under the Standby Letter of Credit. Therefore, the ability of the LC Bank to make payments under the Standby Letter of Credit will depend on the financial condition of Bank of Hangzhou, which could be materially and adversely affected by a number of factors, including, but not limited to, the following:

Impaired loans and advances: Bank of Hangzhou's results of operations have been and will continue to be negatively affected by its impaired loans. If Bank of Hangzhou is unable to control effectively and reduce the level of impaired loans and advances in its current loan portfolio and in new loans Bank of Hangzhou extends in the future, or Bank of Hangzhou's allowance for impairment losses on loans and advances is insufficient to cover actual loan losses, Bank of Hangzhou's financial condition could be materially and adversely affected.

Collateral and guarantees: A substantial portion of Bank of Hangzhou's loans is secured by collateral. In addition, a substantial portion of its PRC loans and advances is backed by guarantees. If Bank of Hangzhou is unable to realize the collateral or guarantees securing its loans to cover the outstanding principal and interest balance of such loans due to various factors Bank of Hangzhou's financial condition could be materially and adversely affected.

Loans to real estate sector and government financing platforms: Bank of Hangzhou's loans and advances to the real estate sector primarily comprise loans issued to real estate companies and individual housing loans. The real estate market may be affected by many factors, including, without limitation, cyclical economic volatility and economic downturns. In addition, the PRC government has in recent years imposed macroeconomic control measures that are aimed at preventing the real estate market from over-heating. Such factors may adversely affect the growth and quality of its loans to the real estate industry and, consequently, Bank of Hangzhou's financial condition and results of operations. Loans to government financing platforms are a part of the loan portfolio of Bank of Hangzhou. The government revenues are primarily derived from taxes and land premiums. Therefore, economic cycles and fluctuations in the real estate market may also adversely affect the quality of such loans.

In addition, as neither the Bank of Hangzhou nor the LC Bank has waived sovereign immunity for the purpose of the Standby Letter of Credit, it is possible that such immunity is asserted at the time of enforcement of the Standby Letter of Credit.

The Standby Letter of Credit is subject to a maximum limit and may not be sufficient to satisfy all payments due under the Bonds.

Payments of principal and interest in respect of the Bonds and the fees and expenses and other amounts in connection with the Bonds and the Trust Deed will have the benefit of the Standby Letter of Credit up to a maximum limit of U.S.$101,975,000, being an amount representing the aggregate principal amount of the Bonds plus one (instead of all) instalment of interest and premium (if any) payable under the Bonds plus an additional amount intended to cover all fees, costs, expenses, indemnity payment and all and any other amounts payable by the Issuer under or in connection with the Bonds or the Trust Deed, the Agency Agreement and/or any other transaction document relating to the Bonds, there can be no assurance that such maximum limit is sufficient to fully satisfy the aforementioned payments.

The Standby Letter of Credit expires 30 days after the Maturity Date.

The Standby Letter of Credit will expire after 5:00 p.m. (Hong Kong time) on 2 February 2023. In the event that the Trustee does not enforce the Standby Letter of Credit by this expiration time, the Bondholders and the Trustee will not be able to benefit from the credit protection provided by the LC Bank. Furthermore, in the event that any payment from the Issuer to the Trustee is avoided by virtue of any laws relating to bankruptcy, insolvency, liquidation or similar laws of general application for the time being in force and a written notice claiming such avoided payment under the Standby Letter of Credit was not given to the LC Bank on or before the expiry time of the Standby Letter of Credit, the Bondholders and the Trustee will not be able to recover such avoided payment from the LC Bank under the Standby Letter of Credit.

Gains on the transfer of the Bonds may be subject to income tax and VAT under PRC tax laws.

Under the Enterprise Income Tax Law of the PRC (the "**EIT Law**") which took effect on 1 January 2008 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 "nonresident 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 the gains realised on the 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 Individual Income Tax Law of the PRC (the "**IIT Law**") as last amended on 30 June 2011, and its implementation rules, any individual who has no domicile and does not live within the territory of the PRC or who has no domicile but has lived within the territory of China for less than one year shall pay individual income tax for any income obtained within the PRC. There is uncertainty as to whether gains realised on the transfer of the 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税和防止偷漏税的安排) (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, the MOF and the State Administration of Taxation issued the Circular of Full Implementation of Replacing Business Tax with Value-Added Tax Reform (關於全面推開營業税改徵增值税試點的通知) (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 financial services such as providing loans 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 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.

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

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

TERMS AND CONDITIONS OF THE BONDS

The following, other than the words in italics, is the text of the terms and conditions of the Bonds which will appear on the reverse of each of the definitive certificates evidencing the Bonds:

The issue of the U.S.$100,000,000 in aggregate principal amount of 1.95 per cent. credit enhanced bonds due 2023 (the "**Bonds**", which term shall include, unless the context requires otherwise, any further bonds issued in accordance with Condition 16 and consolidated and forming a single series therewith) was authorised by a written resolution of the sole director of Huan Zhi Company Limited (the "**Issuer**") passed on 17 December 2021 and the guarantee of the Bonds was authorised by a resolution of the board of directors of Taixing Zhiguang Environmental Protection Technology Co., Ltd. (泰興市智光環保科技有限公司) (the "**Guarantor**") dated 21 December 2021. The Bonds are constituted by a trust deed (as amended, supplemented and/or replaced from time to time, the "**Trust Deed**") dated 20 January 2022 (the "**Issue Date**") among the Issuer, the Guarantor 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. These terms and conditions (these "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bonds. The Bonds have the benefit of a deed of guarantee (as amended and/or supplemented from time to time, the "**Deed of Guarantee**") dated on or about 20 January 2022 executed by the Guarantor and the Trustee relating to the Bonds. The Bonds are the subject of an agency agreement (as amended, supplemented and/or replaced from time to time, the "**Agency Agreement**") dated 20 January 2022 between the Issuer, the Guarantor, the Trustee, China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time with respect to the Bonds), as transfer agent (in such capacity, the "**Transfer Agent**", which expression includes any successor or additional transfer agents appointed from time to time with respect to the Bonds) and as the principal paying agent (in such capacity, the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed from time to time with respect to the Bonds, and together with the paying agents with respect to the Bonds, the "**Paying Agents**", which expression includes any additional or successor paying agents appointed from time to time with respect to the Bonds) and any other agents named therein, China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as the account bank (in such capacity, the "**Pre-funding Account Bank**", which expression shall include any successor) with which the Pre-funding Account (as defined below) is held and as the account bank (in such capacity, the "**LC Proceeds Account Bank**", which expression shall include any successor) with which the LC Proceeds Account (as defined below) is held. References herein to "**Agents**" means the Principal Paying Agent, the Registrar, the Transfer Agent and any other agent or agents appointed from time to time with respect to the Bonds. The Bonds will have the benefit of an irrevocable standby letter of credit (the "**Standby Letter of Credit**") dated 20 January 2022 issued by Bank of Hangzhou Co., Ltd. Shanghai Branch (the "**LC Bank**") in favour of the Trustee on behalf of itself and the holders of the Bonds.

For as long as any Bond is outstanding, copies of the Trust Deed, the Deed of Guarantee, the Agency Agreement and the Standby Letter of Credit are available for inspection upon prior written request and satisfactory proof of holding and identity during usual business hours (being between 9:00 a.m. (Hong Kong time) to 3:00 p.m. (Hong Kong time)) from Monday to Friday (other than public holidays) at the principal office of the Trustee (presently at 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong). The Bondholders (as defined below) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Deed of Guarantee are deemed to have notice of those provisions applicable to them of the Agency Agreement and the Standby Letter of Credit. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the Trust Deed.

1 Form, Specified Denomination and Title

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

The Bonds are represented by registered certificates (the "**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 shall be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate representing it or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

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

Except in the limited circumstances described in the Global Certificate, owners of interests in 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.

In these Conditions, "**Bondholder**" or "**holder**" in relation to a Bond means the person in whose name a Bond is registered (or in the case of a joint holding, the first name thereof).

2 Transfers of Bonds

(a) **Transfer**: A holding of Bonds may, subject to Condition 2(d), be transferred in whole or in part 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 such Transfer Agent may require to prove the title of the transferor and the authority of the individuals who have executed such form of transfer. In the case of a transfer of part only of a holding of Bonds represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred (which shall be in a Specified Denomination) and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor (which shall be in a Specified Denomination). In the case of a transfer of Bonds to a person who is already a holder of Bonds, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. All transfers of Bonds and entries on the Register will be made in accordance with the detailed regulations concerning transfers of Bonds, the initial form of which is scheduled to the Agency Agreement. No transfer of title to a Bond will be valid unless and until entered on the Register. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee, or by the Registrar with the prior written approval of the Trustee. A copy of the current regulations will be made available by the Registrar to any Bondholder following prior written request and proof of holding and identity satisfactory to the Registrar.

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 upon transfer of any Bonds pursuant to Condition 2(a) or Condition 2(b) shall be made available for delivery within seven business days of receipt by the Registrar or, as the case may be, any 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 of such form of transfer and surrender of Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(b), "**business day**" means a day, other than a Saturday or Sunday or public holiday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

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

(c) **Formalities Free of Charge**: Certificates, on transfer or exercise of an option, shall be issued and registered without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon (i) payment by the relevant Bondholder of any taxes, duties 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 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 being satisfied in its absolute discretion that the regulations concerning transfer of Bonds have been complied with.

(d) **Closed Periods**: No Bondholder may require the transfer of a Bond to be registered (i) during the period of 15 days ending on (and including) the due date for any payment of principal or interest in respect of that Bond or redemption of that Bond; (ii) during the period of seven days ending on (and including) any Record Date (as defined in Condition 8(a)(ii)); and (iii) after the exercise of the put option in Condition 7(c).

(e) **Regulations**: All transfers of Bonds and entries on the Register will be made in accordance with the detailed regulations concerning transfer and registration of Bonds scheduled to the Agency Agreement. The Registrar may change the regulations from time to time, with the prior written approval of the Trustee and (in the case of any regulation proposed by the Issuer) of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Bondholder upon written request and proof of holding and identity to the satisfaction of the Registrar and is available at the specified office of the Registrar during usual business hours (being between 9:00 a.m. (Hong Kong time) and 3:00 p.m. (Hong Kong time) from Monday to Friday (other than public holidays)).

3 Guarantee and Status

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

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

4 Standby Letter of Credit and Pre-funding

(a) **Standby Letter of Credit**: The Bonds will have the benefit of the Standby Letter of Credit issued in favour of the Trustee, on behalf of itself and the holders of the Bonds, by the LC Bank. The Standby Letter of Credit shall be drawable by the Trustee as beneficiary under the Standby Letter of Credit on behalf of itself and the holders of the Bonds upon the presentation of a demand by authenticated SWIFT (or by such method of communication otherwise permitted under the Standby Letter of Credit) sent by or on behalf of the Trustee to the LC Bank in accordance with the Standby Letter of Credit (the "**Demand**") stating that the Issuer has failed to comply with Condition 4(b) in relation to pre-funding the amount that is required to be pre-funded under these Conditions and/or failed to provide the Required Confirmations (as defined below) in accordance with Condition 4(b), or (ii) an Event of Default (as defined in these Conditions) has occurred and the Trustee has given notice to the Issuer that the Bonds are due and payable in accordance with these Conditions.

Only one drawing is permitted under the Standby Letter of Credit.

Such drawing on the Standby Letter of Credit will be payable in U.S. dollars to or to the order of the Trustee at the time and to the account specified in the Demand presented to the LC Bank. Payment received by the Trustee in respect of the Demand will be deposited into the LC Proceeds Account.

The payment made under the Standby Letter of Credit in respect of any amount payable under these Conditions or in connection with the Bonds, the Trust Deed, the Guarantee and/or the Agency Agreement shall, to the extent of the drawing paid to or to the order of the Trustee, satisfy the obligations of the Issuer in respect of such amount payable under these Conditions or in connection with the Bonds, the Trust Deed, the Guarantee and/or the Agency Agreement.

The LC Bank's liability under the Standby Letter of Credit shall be expressed and payable in U.S. dollars and shall not exceed U.S.$101,975,000 (the "**Maximum Limit**"), which includes an amount representing (i) the aggregate principal amount of the bonds plus interest payable for one interest period (being six months) in accordance with the conditions and (ii) U.S.$1,000,000.00 being the maximum amount payable under this irrevocable standby letter of credit for any fees, costs, expenses, indemnity payments and all other amounts payable by the issuer under or in connection with the bonds, the trust deed, the deed of guarantee and the agency agreement and/or any other transaction document relating to the bonds. The Standby Letter of Credit expires at 5:00 p.m. (Hong Kong time) on 2 February 2023.

(b) **Pre-funding**: In order to provide for the payment of any amount in respect of the Bonds (other than the amounts payable under Condition 7(d)) (the "**Relevant Amount**") as the same shall become due, the Issuer shall, in accordance with the Agency Agreement, by no later than the Business Day falling ten Business Days (the "**Pre-funding Date**") prior to the due date for such payment under these Conditions:

(i) unconditionally pay or procure to be paid the Relevant Amount into the Pre-funding Account; and

(ii) deliver to the Trustee and the Principal Paying Agent by facsimile or by way of scanned copy in email (x) a Payment and Solvency Certificate signed by any Authorised Signatory of the Issuer, and (y) a copy of the irrevocable payment instruction from the Issuer to the Pre-funding Account Bank to pay the Relevant Amount which was paid into the Pre-funding Account on the Pre-funding Date in full to the Principal Paying Agent by no later than 10:00 a.m. (Hong Kong time) on the Business Day immediately preceding the due date for such payment (together, the "**Required Confirmations**").

The Pre-funding Account Bank shall notify the Trustee by 10:00 a.m. (Hong Kong time) on the Business Day immediately following the Pre-funding Date upon the failure by the Issuer to pay the Relevant Amount into the Pre-funding Account in accordance with these Conditions. If the Relevant Amount has not been paid into the Pre-funding Account in full and the Pre-funding Account Bank has notified the Trustee of such failure (and the Trustee may rely conclusively on any such confirmation), or the Trustee does not receive the Required Confirmations, in each case by 10:00 a.m. (Hong Kong time) on the Business Day immediately following the Pre-funding Date (a "**Pre-funding Failure**"), the Trustee shall:

(A) send the notice (the "**Pre-funding Failure Notice**") to the Bondholders by the second Business Day immediately following the Pre-funding Date of (a) the Pre-funding Failure and (b) the redemption of the Bonds in accordance with Condition 7(d) to occur as a result of the Pre-funding Failure; and

(B) by no later than 5:00 p.m. (Hong Kong time) on the second Business Day immediately following the Pre-funding Date issue a Demand to the LC Bank for the principal amount in respect of all of the Bonds then outstanding, together with interest accrued to, but excluding, the Mandatory Redemption Date (as defined in Condition 7(d)) and all fees, costs, expenses, indemnity payments and all other amounts payable by the Issuer or the Guarantor under or in connection with the Bonds, the Agency Agreement, the Deed of Guarantee, the Trust Deed and/or any other transaction document relating to the Bonds, provided that, in accordance with the Standby Letter of Credit, the Trustee need not physically present the Demand to the LC Bank and shall be entitled to submit the Demand by authenticated SWIFT (provided that in the event that the SWIFT system is not available for any reason, the Trustee may instead present a Demand via facsimile transmission during the period between 9:00 a.m. (Hong Kong time) to 5:00 p.m. (Hong Kong time)).

Following receipt by the LC Bank of such Demand by 5:00 p.m. (Hong Kong time) on a Business Day, the LC Bank shall by 10:00 a.m. (Hong Kong time) on the fourth Business Day immediately following such Business Day (or, if such Demand is received after 5:00 p.m. (Hong Kong time) on a Business Day, the fifth Business Day immediately following such Business Day), pay to or to the order of the Trustee the amount in U.S. dollars specified in the Demand to the LC Proceeds Account.

For the purposes of these Conditions:

"**Authorised Signatory**" has the meaning given to it in the Trust Deed;

"**Business Day**" means a day (other than a Saturday or a Sunday or a public holiday) on which banks and foreign exchange markets are open for business in Hong Kong, Beijing and New York City;

"**LC Proceeds Account**" means a non-interest bearing U.S. dollar account established in the name of the Trustee with the LC Proceeds Account Bank;

"**Payment and Solvency Certificate**" means a certificate in substantially the form set forth in the Agency Agreement stating the Relevant Amount in respect of the relevant due date in respect of the Bonds and confirming that (i) payment for the Relevant Amount has been made by the Issuer to the Pre-funding Account in accordance with Condition 4(b) and (ii) each of the Issuer and the Guarantor is solvent; and

"**Pre-funding Account**" means a non-interest bearing U.S. dollar account established in the name of the Issuer with the Pre-funding Account Bank and designated for the purposes specified above.

5 Covenants

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

(b) **Notification of Completion of the Cross-Border Security Registration**: The Guarantor shall before the Registration Deadline and within 10 Registration Business Days after the receipt of the registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE), provide the Trustee with (i) a certificate in English substantially in the form set out in the Trust Deed signed by an Authorised Signatory (as defined in the Trust Deed) of the Guarantor confirming the completion of the Cross-Border Security Registration; and (ii) copies of the registration certificates or any other document evidencing the completion of the Cross-Border Security Registration with SAFE and the particulars of registration, each certified in English by an Authorised Signatory of the Guarantor as being a true and complete copy of the original (the "**SAFE Registration Documents**").

Within five Registration Business Days after the SAFE Registration Documents are delivered to the Trustee, the Issuer shall give notice to the Bondholders (substantially in the form scheduled to the Trust Deed and in accordance with Condition 17) confirming the completion of the Cross-Border Security Registration.

The Trustee may rely conclusively on the SAFE Registration Documents and shall have no obligation to monitor or ensure the Cross-Border Security Registration is completed as required by Condition 5(a) or to assist with any filing pursuant to the Cross-Border Security Registration or to verify the accuracy, validity and/or genuineness of the SAFE Registration Documents or to give notice to the Bondholders confirming the completion of the Cross-Border Security Registration, and shall not be liable to Bondholders or any other person for not doing so.

(c) **Provision of Financial Information**: So long as any Bond remains outstanding (as defined in the Trust Deed), the Guarantor shall furnish the Trustee with:

(i) a Compliance Certificate of each of the Issuer and the Guarantor (on which the Trustee may conclusively rely as to such compliance) and a copy of the relevant Audited Financial Reports within 120 days of the end of each Relevant Period prepared in accordance with the Accounting Standards for Business Enterprises in China (audited by a nationally recognised firm of independent accountants) of the Guarantor and its Subsidiaries (if any) and if such statements shall be in the Chinese language, together with an English translation of the same (at the cost of the Issuer, failing which the Guarantor) translated by (A) a nationally recognised firm of independent accountants, or (B) a professional translation service provider and checked by a nationally recognised firm of independent accountants, together with a certificate in English signed by an Authorised Signatory of the Guarantor certifying that such translation is complete and accurate;

(ii) a copy of the Unaudited Financial Reports in English or in Chinese within 90 days of the end of each Relevant Period prepared on a basis consistent with the Audited Financial Reports of the Guarantor and its Subsidiaries (if any) and if such statements shall be in the Chinese language, together with an English translation of the same (at the cost of the Issuer, failing which the Guarantor) translated by (A) a nationally recognised firm of independent accountants or (B) a professional translation service provider and checked by a nationally recognised firm of independent accountants, together with a certificate in English signed by an Authorised Signatory of the Guarantor certifying that such translation is complete and accurate; and

(iii) a Compliance Certificate (on which the Trustee may rely conclusively on as to such compliance) of each of the Issuer and the Guarantor within 14 days of any written request by the Trustee,

provided that, if at any time the capital stock of the Guarantor is listed for trading on a recognised stock exchange, the Guarantor may furnish to the Trustee, as soon as they are available but in any event not more than 10 Business Days after any financial or other reports of the Guarantor are filed with the stock exchange on which the Guarantor's capital stock is at such time listed for trading, copies, each certified as a true and complete copy of the original by an Authorised Signatory of the Guarantor, of any financial or other report filed with such exchange in lieu of the reports identified in Conditions 5(d)(i) and 5(d)(ii) above, and if such financial or other reports identified in Condition 5(d)(i) shall be in the Chinese language, together with an English translation of the same and translated by (A) a nationally recognised firm of independent accountants, or (B) a professional translation service provider and checked by a nationally recognised firm of independent accountants, together with a certificate in English signed by an Authorised Signatory of the Guarantor certifying that such translation is complete and accurate.

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

"**Audited Financial Reports**" means, for a Relevant Period, the annual audited consolidated balance sheet, income statement, statement of cash flows and statement of changes in owners' equity of the Guarantor together with any statements, reports (including any directors' and auditors' reports) and notes attached to or intended to be read with any of them;

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

(i) no Event of Default (as defined in Condition 10) or Potential Event of Default (as defined in the Trust Deed) 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 or the Guarantor (as the case may be) has complied with all its obligations under the Trust Deed, the Bonds and the Deed of Guarantee or if any non-compliance had occurred, giving details of it;

"**PRC**" means the People's Republic of China, which shall for the purposes of these Conditions only, exclude the Hong Kong Special Administrative Region of the People's Republic of China, the Macau Special Administrative Region of the People's Republic of China and Taiwan;

"**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 120 calendar days after the Issue Date;

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

"**SAFE**" means the State Administration of Foreign Exchange of the PRC or its local branch; and

"**Unaudited Financial Reports**" means, for a Relevant Period, the semi-annual unaudited consolidated balance sheet, income statement, statement of cash flows and statement of changes in owners' equity of the Guarantor together with any statements, reports (including any directors' and auditors' review reports, if any) and any notes attached to or intended to be read with any of them.

6 Interest

The Bonds bear interest on their outstanding principal amount from and including the Issue Date at the rate of 1.95 per cent. per annum payable in arrear on 20 July 2022 with interest of U.S.$9.75 per Calculation Amount (as defined below) and 19 January 2023 with interest of U.S.$9.70 per Calculation Amount (each an "**Interest Payment Date**").

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 of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

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

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

7 Redemption and Purchase

(a) **Final Redemption**: Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 19 January 2023 (the "**Maturity Date**"). The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 7.

(b) **Redemption for Taxation Reasons**: The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice"**) to the Bondholders in accordance with Condition 17 (which notice shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent, at their principal amount (together with interest accrued up to, but excluding, the date fixed for redemption), if (i) the Issuer satisfies the Trustee immediately prior to the giving of such notice that it (or if the Guarantor were called, the Guarantor) has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands, the PRC or 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 14 January 2022; and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds (or the Guarantee, as the case may be) then due.

Prior to the giving of any Tax Redemption Notice pursuant to this Condition 7(b), the Issuer shall deliver to the Trustee (A) a certificate in English signed by any Authorised Signatory of the Issuer (or the Guarantor, as the case may be) stating that the obligation referred to in (i) above of this Condition 7(b) cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it; and (B) an opinion, in form and substance satisfactory to the Trustee, of independent tax or legal advisers of recognised standing to the effect that the Issuer (or the Guarantor, as the case may be) has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendments. The Trustee shall be entitled (but shall not be obliged) to accept and rely conclusively upon such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above of this Condition 7(b), in which event they shall be conclusive and binding on the Bondholders. The Trustee shall be protected and shall have no liability to any Bondholder or any other person for so accepting and relying conclusively on such certificate or opinion. Neither the Trustee nor any of the Agents shall be responsible for monitoring or taking any steps to ascertain whether any of the circumstances mentioned in this Condition 7(b) has occurred or for calculating or verifying the calculations of any amount payable under any notice of redemption under this Condition 7(b) and none of them shall be liable to the Bondholders or the Issuer or the Guarantor or any other person for not doing so.

(c) **Redemption for Relevant Events**: Following the occurrence of a Relevant Event, the holder of any Bond will have the right (the "**Relevant Event Put Right**"), at such holder's option, to require the Issuer to redeem all, but not some only, of such holder's Bonds on the Put Settlement Date (as defined below in this Condition 7(c)) at 100 per cent. of their principal amount, together with interest accrued 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 any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (a "**Put Exercise Notice**"), together with the Certificate evidencing the Bonds to be redeemed, by not later than 30 days following a Relevant Event or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 17.

The "**Put Settlement Date**" shall be the fourteenth day (in the case of a redemption for a Change of Control) or the fifth day (in the case of a redemption for a No Registration Event) or, if such day is not a Business Day (as defined in Condition 8(f)), the next following Business Day, after the expiry of such period of 30 days as referred to above.

A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds that are the subject of the Put Exercise Notices delivered as aforesaid on the Put Settlement Date.

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 17) stating:

(i) the Put Settlement Date;

(ii) the date of the Relevant Event;

(iii) the date by which the Put Exercise Notice must be given;

(iv) the redemption amount;

(v) the names and addresses of all Paying Agents;

(vi) the procedures that Bondholders must follow and the requirements that Bondholders 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 each of them shall be entitled to assume that no such event has occurred until it has received written notice to the contrary from the Issuer, the Guarantor 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 Registration Conditions and none of them shall be liable to Bondholders, the Issuer, the Guarantor or any other person for not doing so.

(d) **Mandatory Redemption upon Pre-funding Failure**: The Bonds shall be redeemed at their principal amount on the Interest Payment Date immediately falling after the date the Pre-funding Failure Notice is given to the Bondholders in accordance with Condition 4(b) (the "**Mandatory Redemption Date**"), together with interest accrued up to, but excluding, the Mandatory Redemption Date.

If the holder of any Bond shall have exercised its right to require the Issuer to redeem its Bond under Condition 7(c) and a Pre-funding Failure Notice is given to the Bondholders in accordance with Condition 4(b) as a result of the Pre-funding Failure relating to the amount payable pursuant to such redemption, such holder's Bonds shall be redeemed in whole, but not in part, at their principal amount in accordance with this Condition 7(d) on the Put Settlement Date, together with interest accrued up to, but excluding, such Put Settlement Date, provided that if such Pre-funding Failure occurs and a Pre-funding Failure Notice has been given or is given to the Bondholders in respect of a scheduled payment of principal or interest payable under Condition 6 or Condition 7(a), the Put Settlement Date shall be the Mandatory Redemption Date.

(e) **Purchase**: The Issuer, the Guarantor and their respective Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Issuer, the Guarantor or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for certain purposes, including without limitation for the purposes of calculating quorums at meetings of the Bondholders and for the purposes of Conditions 10, 13(a) and 14.

(f) **Cancellation**: All Certificates representing Bonds purchased by or on behalf of any of the Issuer, the Guarantor and their respective Subsidiaries shall be surrendered for cancellation to the Registrar and, upon surrender thereof, all such Bonds and Certificates shall be cancelled forthwith. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Bonds shall be discharged.

(g) **Definitions**: For the purposes of these Conditions:

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

(i) Taixing Municipal Government and PRC Government Persons collectively cease to directly or indirectly hold or own 100 per cent. of the issued share capital of the Guarantor; or

(ii) The Guarantor ceases to directly or indirectly hold or own 100 per cent. of the issued share capital of the Issuer; or

(iii) the Guarantor consolidates with or merges into or sells or transfers all or substantially all of the Guarantor's assets to any other person or person(s), except where such person(s) (in the case of asset sale or transfer) or the surviving entity (in the case of consolidation or merger) is/are directly or indirectly 100 per cent. held or owned by Taixing Municipal Government or PRC Government Persons;

"**Control**" means (i) the ownership, acquisition or control of 50 per cent. of the voting rights of the issued share capital or issued shares 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, in each case whether obtained directly or indirectly, and whether obtained by ownership of share capital, shares, the possession of voting rights, contract or otherwise; the term "Controlled" has meanings correlative to the foregoing;

a "**No Registration Event**" occurs when the Registration Conditions are not complied with on or before the Registration Deadline;

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

"**PRC Government Persons**" means any person directly or indirectly Controlled by the central government of the PRC;

"**Registration Conditions**" means the receipt by the Trustee of the SAFE Registration Documents as set forth in Condition 5(b);

a "**Relevant Event**" means a Change of Control or a No Registration Event;

"**Subsidiary**" means, with respect to any person, any corporation, association or other business entity (i) of which more than 50 per cent. of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such person and one or more other Subsidiaries of such person; or (ii) any corporation, association and other business entity which at any time has its accounts consolidated with those of that person or which, under the laws, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that person; and

"**Voting Stock**" means, with respect to any person, capital stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such person.

8 Payments

(a) Method of Payment:

(i) Payments of principal shall be made (subject to surrender of the relevant Certificates at the specified office of any Transfer Agent or of the Registrar if no further payment falls to be made in respect of the Bonds represented by such Certificates) in the manner provided in Condition 8(a)(ii) below.

(ii) Interest on each Bond shall be paid to the person shown on the Register at the close of business on the Business Day falling five Business Days before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Bond shall be made in U.S. dollars by transfer to the registered account of the holder of such Bond. In this Condition 8, the "**registered account**" of a Bondholder means the U.S. dollar account maintained by or on behalf of it with a bank, details of which appear on the Register at the close of business on the Record Date.

(iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested in writing 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.

*So long as the Global Certificate is held on behalf of Euroclear and Clearstream 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 Laws**: Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 9, 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 9) any law implementing an intergovernmental approach thereto.

(c) **Payment Initiation**: Payment instructions (for value on the due date, or if that is not a Business Day, for value on the first following day which is a Business Day) will be initiated on the due date for payment (or, if that is not a Business Day, for value the first following day which is a Business Day) or, in the case of payments of principal where the relevant Certificate has not been surrendered at the specified office of any Transfer Agent or of the Registrar, on a 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, subject to the provisions of the Agency Agreement, act solely as agents of the Issuer and the Guarantor and (to the extent provided in the Trust Deed and/or 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 or the Transfer Agent and to appoint additional or other Agents, provided that the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, and (iii) a Transfer Agent, in each case as approved in writing by the Trustee.

Notice of any such termination or appointment or any change of any specified office of an Agent shall promptly be given by the Issuer to the Bondholders in accordance with Condition 17.

(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 Business Day, or if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so).

(f) **Non-Business Days**: If any date for payment in respect of any Bond is not a Business Day, the holder shall not be entitled to payment until the next following Business Day nor to any interest or other sum in respect of such postponed payment. In this Condition 8, "**Business Day**" means a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets are open for business in the place in which the specified office of the Registrar, the Transfer Agent or the Principal Paying Agent is located and on which foreign exchange transactions may be carried on in U.S. dollars in New York City.

9 Taxation

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

Where such withholding or deduction is made by the Issuer or, as the case may be the Guarantor by or within the British Virgin Islands or PRC at a rate up to and including the aggregate rate applicable on 14 January 2022 (the "**Applicable Rate**"), the Issuer or, as the case may be, the Guarantor will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

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

(a) **Other connection**: held by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the British Virgin Islands or the PRC other than the mere holding of the Bond;

(b) **Surrender more than 30 days after the Relevant Date**: in respect of which the Certificate representing it is presented for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such Additional Tax Amounts on surrendering the Certificate representing such Bond for payment on the last day of such period of 30 days; or

(c) **Tax Declaration**: to a holder (or to a third party on behalf of a holder) who would not be liable for or subject to such withholding or deduction by making a declaration of identity, non-residence or other similar claim for exemption to the relevant tax authority if, after having been requested to make such declaration or claim, such holder fails to do so within any applicable period prescribed by such relevant tax authority.

References in these Conditions to principal and interest shall be deemed also to refer to any Additional Tax Amounts which may be payable under this Condition 9 or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

"**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 Agents nor the Trustee shall in any event be responsible for paying any tax, duty, charges, assessments, withholding, deduction or other payment referred to in this Condition 9 or otherwise in connection with the bonds or for determining whether such amounts are payable or the amount thereof, nor shall they be responsible or liable for any failure by the Issuer, the Guarantor, any Bondholder or any third party to pay such tax, duty, charges, assessments, withholding, deduction or other payment in any jurisdiction or to provide any notice or information in relation to the Bonds, and nor would they 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 tax, duty, charge, assessments, withholding, deduction or other payment imposed by or in any jurisdiction.

10 Events of Default

If any of the following events (each an "**Event of Default**") occurs, the Trustee at its discretion may, and if so requested in writing by holders of at least 25 per cent. in aggregate principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution, shall (provided in any such case that the Trustee shall have been indemnified and/or secured and/or pre-funded to its satisfaction), give notice to the Issuer that the Bonds are, and they shall immediately become due and payable at their principal amount together (if applicable) with accrued but unpaid interest without further action or formality:

(a) **With Respect to the Issuer and the Guarantor**:

(i) **Non-Payment**: there has been a failure to pay (A) the principal of or any premium (if any) of the Bonds when due or (B) interest on any of the Bonds when due and such failure continues for a period of seven days; or

(ii) **Breach of Other Obligations**: the Issuer or the Guarantor does not perform or comply with any one or more of their respective obligations under the Bonds or the Trust Deed or the Deed of Guarantee (other than where such default gives rise to a right of redemption pursuant to Condition 7(c)) and such default (A) is, in the opinion of the Trustee, incapable of remedy or (B) being a default which is, in the opinion of the Trustee, capable of remedy, remains unremedied for 30 days after notice of such default shall have been given to the Issuer or the Guarantor (as the case may be) by the Trustee; provided that if there has been a breach by the Issuer of its obligations to pre-fund any amount in respect of the Bonds in accordance with Condition 4(b) and such amount has subsequently been paid by the LC Bank following a drawing under the Standby Letter of Credit to or to the order of the Trustee and paid to holders of the Bonds, then such breach will not constitute an Event of Default under this Condition 10(a)(ii); or

(iii) **Cross-Default**: (A) any other present or future indebtedness of the Issuer or the Guarantor or any of their respective Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described); or (B) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period; or (C) the Issuer or the Guarantor or any of their respective Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 10(a)(iii) have occurred in aggregate equals or exceeds

U.S.$20,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this Condition 10(a)(iii) operates); or

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

(v) **Security Enforced**: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer, the Guarantor or any Principal Subsidiary in respect of all or a material part of its assets becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and is not discharged or stayed within 30 days; or

(vi) **Insolvency**: the Issuer, the Guarantor or any Principal Subsidiary is (or is, or could be, deemed by law or a court of competent jurisdiction to be) insolvent or bankrupt or unable to pay its debts as and when such debts fall due, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any material part of (or of a particular type of) the debts of the Issuer, the Guarantor or any of their respective Subsidiaries; or

(vii) **Winding-up**: an order of a court of competent jurisdiction is made or an effective resolution is passed for the winding-up or dissolution of the Issuer, the Guarantor or any Principal Subsidiary, or the Issuer, the Guarantor or any Principal Subsidiary ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a voluntary solvent winding up or voluntary dissolution, reconstruction, amalgamation, reorganisation, merger or consolidation (A) on terms approved by an Extraordinary Resolution of the Bondholders, or (B) in the case of a Principal Subsidiary, whereby a material part of the undertaking and assets of such Subsidiary are transferred to or otherwise vested in the Issuer or the Guarantor (as the case may be) or another of their respective Subsidiaries; or

(viii) **Nationalisation**: 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 undertaking, assets and revenues of the Issuer, the Guarantor or any Principal Subsidiary; or

(ix) **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 by the Issuer or the Guarantor in order (A) to enable each of the Issuer and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with its obligations under the Bonds, the Trust Deed and the Deed of Guarantee; (B) to ensure that those obligations are legally binding and enforceable; and (C) to make the Bonds, the Deed of Guarantee and the Trust Deed admissible in evidence in the courts of Hong Kong and the PRC is not taken, fulfilled or done; or

(x) **Illegality**: it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any one or more of its obligations under any of the Bonds, the Deed of Guarantee and/or the Trust Deed; or

(xi) **Guarantee**: the Guarantee becomes unenforceable or invalid or shall for any reason cease to be in full force and effect or is claimed to be unenforceable, invalid or not in full force and effect by the Guarantor; or

(xii) **Standby Letter of Credit**: the Standby Letter of Credit is not (or is claimed by the LC Bank not to be) enforceable, valid or in full force and effect; or

(xiii) **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 Condition 10(a)(iv) to Condition 10(a)(xii) (both inclusive).

In this Condition 10(a), "**Principal Subsidiary**" means any Subsidiary of the Guarantor:

(A) whose total revenue (consolidated in the case of a Subsidiary which has subsidiaries), as shown by its latest audited income statement is at least five per cent. of the consolidated total revenue as shown by the latest audited consolidated income statement of the Guarantor and its consolidated Subsidiaries; or

(B) whose gross profit (consolidated in the case of a Subsidiary which itself has subsidiaries), as shown by its latest audited income statement, is at least five per cent. of the consolidated gross profit as shown by the latest audited consolidated income statement of the Guarantor and its consolidated Subsidiaries, including, for the avoidance of doubt, the Guarantor and its consolidated Subsidiaries' share of profits of Subsidiaries not consolidated and of associated entities and after adjustments for minority interests; or

(C) whose gross assets (consolidated in the case of a Subsidiary which itself has subsidiaries), as shown by its latest audited statement of financial position, are at least five per cent. of the consolidated gross assets of the Guarantor and its Subsidiaries as shown by the latest audited consolidated statement of financial position of the Guarantor and its Subsidiaries, including the investment of the Guarantor and its consolidated Subsidiaries in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Guarantor and of associated companies and after adjustment for minority interests; or

(D) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, provided that (x) 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 become a Principal Subsidiary, and (y) on or after the date on which the first audited accounts (consolidated, if appropriate) of the Guarantor prepared as of a date later than such transfer are issued, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Principal Subsidiary shall be determined on the basis of such accounts by virtue of the provisions of paragraphs (A), (B) or (C) above of this definition;

provided that, in relation to paragraphs (A), (B) and (C) above of this definition:

(I) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Guarantor relate, the reference to the then latest consolidated audited accounts of the Guarantor and its Subsidiaries for the purposes of the calculation above shall, until consolidated audited accounts of the Guarantor for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published be deemed to be a reference to the then latest consolidated audited accounts of the Guarantor and its Subsidiaries adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has subsidiaries) of such Subsidiary in such accounts;

(II) if at any relevant time in relation to the Guarantor or any Subsidiary which itself has subsidiaries no consolidated accounts are prepared and audited, revenue, gross profit or gross assets of the Guarantor and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by the Guarantor;

(III) if at any relevant time in relation to any Subsidiary, no accounts are audited, its revenue, gross profit or gross assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Guarantor for the purposes of preparing a certificate thereon to the Bondholders; and

(IV) if the accounts of any subsidiary (not being a Subsidiary referred to in proviso (i) above of this definition) are not consolidated with those of the Guarantor, then the determination of whether or not such subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Guarantor.

A certificate signed by any Authorised Signatory of the Guarantor confirming that a Subsidiary is or is not, or was or was not, a Principal Subsidiary may be relied upon by the Trustee without further enquiry or evidence and shall, in the absence of manifest error, be conclusive and binding on the Bondholders.

(b) **With respect to the LC Bank**:

(i) **Cross-Default**:

(A) any Public External Indebtedness of the LC Bank or any of its Subsidiaries is not paid when due or, as the case may be, within any originally applicable grace period;

(B) any such Public External Indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the LC Bank or (as the case may be) the relevant Subsidiary or (provided that no event of default, howsoever described, has occurred) any person entitled to such Public External Indebtedness; or

(C) the LC Bank or any of its Subsidiaries fails to pay when due any amount payable by it under any guarantee or indemnity of any Public External Indebtedness,

provided that the amount of Public External Indebtedness referred to in Conditions 10(b)(i)(A) or 10(b)(i)(B) and/or the amount payable under any guarantee or indemnity referred to in Condition 10(b)(i)(C), individually or in the aggregate, exceeds U.S.$50,000,000 (or its equivalent in any other currency or currencies); or

(ii) **Security Enforced**: a secured party takes possession, or a receiver, manager or other similar officer is appointed, of any part of the undertaking, assets and revenues of the LC Bank or any of its Material Subsidiaries; or

(iii) **Insolvency**: the LC Bank or any of its Material Subsidiaries is insolvent or bankrupt or unable to pay its debts, stops or suspends payment of all or a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of any part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of the debts of the LC Bank; or

(iv) **Winding-up**: an order is made or an effective resolution is passed for the winding up or dissolution of the LC Bank or any of its Material Subsidiaries; or

(v) **Illegality**: it is or will become unlawful for the LC Bank to perform or comply with any one or more of its obligations under the Standby Letter of Credit; or

(vi) **Analogous Events**: any event occurs which under the laws of the relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 10(b)(ii) to 10(b)(v) (both inclusive).

In this Condition 10(b):

"**Public External Indebtedness**" means any indebtedness of the LC Bank or any Subsidiary of the LC Bank, or any guarantee or indemnity by the LC Bank of indebtedness, for money borrowed which (i) is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) outside the PRC (without regard, however, to whether or not such instruments are sold through public offerings or private placement); and (ii) has an original maturity in excess of 365 days; and

"**Material Subsidiary**" means a Subsidiary of the LC Bank:

(A) whose gross revenue (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries), whose gross assets (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries, and including the investment of the LC Bank and its consolidated Subsidiaries in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the LC Bank and of associated companies and after adjustment for minority interests) or whose net profit (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries, and including, for the avoidance of doubt, the LC Bank and its consolidated Subsidiaries' share of profits of Subsidiaries not consolidated and of associated entities and after adjustments for minority interests) represent not less than five per cent. of the consolidated gross revenue, the consolidated gross assets, or, as the case may be, the consolidated net profit of the LC Bank and its Subsidiaries taken as a whole, all as calculated respectively by reference to the latest audited or reviewed financial statements (consolidated or, as the case may be, unconsolidated) of the Subsidiary and the then latest audited or reviewed consolidated financial statements of the LC Bank, provided that:

   (I) in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited or reviewed consolidated financial statements of the LC Bank relate for the purpose of applying each of the foregoing tests, the reference to the LC Bank's latest audited or reviewed consolidated financial statements shall be deemed to be a reference to such audited or reviewed financial statements as if such Subsidiary had been shown therein by reference to its then latest relevant audited or reviewed financial statements, adjusted as deemed appropriate by the auditor for the time being, after consultation with the LC Bank;

   (II) if at any relevant time in relation to the LC Bank or any Subsidiary no financial statements are prepared and audited, its gross revenue, gross assets and net profit (consolidated, if applicable) shall be determined on the basis of pro forma consolidated financial statements (consolidated, if applicable) prepared for this purpose; and

   (III) if the financial statements of any Subsidiary (not being a Subsidiary referred to in proviso (I) above) are not consolidated with those of the LC Bank, then the determination of whether or not such Subsidiary is a Material Subsidiary shall be based on a pro forma consolidation of its financial statements (consolidated, if appropriate) with the consolidated financial statements (determined on the basis of the foregoing) of the LC Bank; or

(B) to which is transferred all or substantially all of the business, undertaking and assets of another Subsidiary which immediately prior to such transfer is a Material Subsidiary, whereupon (i) in the case of a transfer by a Material Subsidiary, the transferor Material Subsidiary shall immediately cease to be a Material Subsidiary and (ii) the transferee Subsidiary shall immediately become a Material Subsidiary, provided that on or after the date on which the relevant financial statements for the financial period current at the date of such transfer are published, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Material Subsidiary shall be determined pursuant to the provisions of paragraph (A) of this definition above.

A certificate signed by an authorised signatory of the LC Bank that a Subsidiary is or is not or was or was not at any particular time or during any particular period a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Issuer, the Guarantor, the Trustee and the Bondholders.

11 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 five years (in the case of interest) from the appropriate Relevant Date in respect of them.

12 Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or any Transfer Agent, 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.

13 Meetings of Bondholders, Modification and Waiver

(a) **Meetings of Bondholders**: The Trust Deed contains provisions for convening meetings of the Bondholders to consider matters affecting their interests, including without limitation the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed, the Agency Agreement, the Deed of Guarantee or the Standby Letter of Credit. Such a meeting may be convened by the Issuer, the Guarantor or the Trustee, and shall be convened by the Trustee if so requested in writing by Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding and subject to it being indemnified and/or secured and/or pre-funded to its satisfaction against any 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 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of certain proposals, inter alia, (i) to modify the maturity date 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, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds, (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, or (v) to modify or release the Standby Letter of Credit (other than an amendment or supplement to, or a replacement of, the Standby Letter of Credit in connection with a further issue of bonds pursuant to Condition 16 or modification pursuant to Condition 13(b)), in which case the necessary quorum will be two or more persons holding or representing not less than 66.6 per cent., or at any adjourned meeting not less than 25 per cent., in aggregate principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in aggregate principal amount of the Bonds for the time being outstanding or a resolution approved by an electronic consent communicated through the electronic communications systems of the relevant clearing system by or on behalf of holders of not less than 90 per cent. in aggregate principal amount of the Bonds for the time being outstanding 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 one or more Bondholders.

(b) **Modification of the Conditions, Trust Deed, the Deed of Guarantee, Agency Agreement and Standby Letter of Credit**: The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (i) any modification of any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement, the Deed of Guarantee or the Standby Letter of Credit 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; (ii) any other modification (except as mentioned in the Trust Deed or the Deed of Guarantee), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement, the Deed of Guarantee or the Standby Letter of Credit that is, in the opinion of the Trustee, not materially prejudicial to the interests of the Bondholders; and (iii) any amendment or supplement to, or a replacement of, the Standby Letter of Credit in connection with a future issue of securities pursuant to Condition 16 to reflect the new aggregate principal amount of the Bonds following such issue. Any such modification, authorisation or waiver shall be binding on the Bondholders and, unless the Trustee otherwise agrees, each such modification, authorisation or waiver shall be notified by the Issuer or the Guarantor to the Bondholders in accordance with Condition 17 as soon as practicable. The Trustee may request and conclusively rely upon certificate signed by an Authorised Signatory of the Issuer or of the Guarantor and/or an opinion of counsel concerning the compliance with the above conditions in respect of any modification and/or amendment.

(c) **Entitlement of the Trustee**: In connection with the performance and exercise of its functions, rights, powers and/or discretions (including but not limited to those referred to in this Condition 13), the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require on behalf of any Bondholder, nor shall any Bondholder be entitled to claim, from the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

14 Enforcement

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

15 Indemnification of the Trustee

Under the Trust Deed, the Trustee is entitled to be indemnified, secured and/or pre-funded to its satisfaction and to be relieved from responsibility in certain circumstances including without limitation provisions relieving it from taking steps and/or actions and/or instituting proceedings to enforce its rights under the Trust Deed, the Deed of Guarantee, the Agency Agreement, the Standby Letter of Credit and/or these Conditions and in respect of the Bonds and payment or taking other actions unless first indemnified and/or secured and/or pre-funded to its satisfaction and to be paid its fees, costs, expenses, indemnity payments, and other amounts in priority to the claims of the Bondholders. In addition, the Trustee and its affiliates are entitled to (i) enter into business transactions with the Issuer, the Guarantor, the LC Bank and/or any entity related (directly or indirectly) to the Issuer, the Guarantor and/or the LC Bank without accounting for any profit, and to act as trustee for the bondholders of any other securities issued by or relating to, the Issuer, the Guarantor, the LC Bank and/or any entity related to the Issuer, the Guarantor and/or the LC Bank, (ii) 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 (iii) 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 each Agent may rely conclusively without liability to Bondholders, the Issuer, the Guarantor, the LC Bank or any other person on any report, confirmation, information or certificate from or any opinion or advice of any lawyers, 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 or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely conclusively on any such report, confirmation, information, certificate, opinion or advice and, in such event, such report, confirmation, information, certificate, opinion or advice shall be binding on the Issuer, the Guarantor, the LC Bank and the Bondholders. The Trustee shall not be responsible or liable to the Issuer, the Guarantor, the Bondholders or any other person for any loss occasioned by acting on or refraining from acting on such report, information, confirmation, certificate, opinion or advice.

None of the Trustee or any of the Agents shall be responsible or liable for the performance by the Issuer, the Guarantor, the LC Bank and/or any other person appointed by the Issuer and/or the Guarantor and/or the LC Bank 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 and/or the Guarantor and/or the LC Bank to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed.

None of the Trustee or the Agents shall have any obligation to monitor compliance with the provisions of the Trust Deed, the Agency Agreement, the Deed of Guarantee, the Standby Letter of Credit or these Conditions, or ascertain whether an Event of Default, a Potential Event of Default (as defined in the Trust Deed), a Pre-funding Failure or a Relevant Event has occurred, and they shall not be liable to the Bondholders or any other person for not doing so.

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

None of the Trustee or any Agent shall be liable to any Bondholder, the Issuer, the Guarantor, the LC Bank or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Bondholders. The Trustee shall be entitled to rely conclusively on any direction, request or resolution of Bondholders given by Bondholders holding the requisite principal amount of Bonds outstanding or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed.

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

16 Further Issues

The Issuer may from time to time without the consent of the Bondholders create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date, the first payment of interest on them and the timing for complying with the Registration Conditions) and so that such further issue shall be consolidated and form a single series with the outstanding Bonds. References in these Conditions to the Bonds include (unless the context requires otherwise) any further bonds issued pursuant to this Condition 16. However, such further bonds may only be issued if a further or supplemental or replacement standby letter of credit is issued by the LC Bank (or an amendment is made to the Standby Letter of Credit) on terms that are substantially similar to the Standby Letter of Credit (including that the stated amount of such further or supplemental standby letter of credit represents an increase at least equal to the principal of and one interest payment due on such further bonds and any fees, costs, expenses, indemnity payments and all other amounts in connection with such issue (subject to a cap (if any) as agreed between the Issuer and the Trustee)); and such supplemental documents are executed and further opinions are obtained as the Trustee may require, as further set out in the Trust Deed. Any such further bonds shall be constituted by a deed supplemental to the Trust Deed and be guaranteed by the Guarantor pursuant to a deed supplemental to the Deed of Guarantee. References to the Standby Letter of Credit shall thereafter include such further, supplemental, replacement or amended standby letter of credit.

17 Notices

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

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or the Alternative Clearing System (as defined in the form of the Global Certificate), notices to the Bondholders shall be validly given by the delivery of the relevant notice to Euroclear or Clearstream or the Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given at the time of delivery to the relevant clearing system(s).

18 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999 but this shall not affect any right or remedy which exists or is available apart from such Act and is without prejudice to the rights of the Bondholders as set out in Condition 14.

19 Governing Law and Jurisdiction

(a) **Governing Law**: The Bonds, the Trust Deed, the Agency Agreement, the Deed of Guarantee, the Standby Letter of Credit and any non-contractual obligations arising out of or in connection with them, are all governed by, and shall be construed in accordance with, English law.

(b) **Jurisdiction**: The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds, the Trust Deed, the Agency Agreement, the Deed of Guarantee, the Standby Letter of Credit and accordingly any legal action or proceedings arising out of or in connection with any Bonds, the Trust Deed the Agency Agreement, the Deed of Guarantee or the Standby Letter of Credit ("**Proceedings**") may be brought in such courts. Each of the Issuer, the Guarantor and the LC Bank has irrevocably submitted to the exclusive jurisdiction of such courts and waived any objection to Proceedings in any such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is for the benefit of the Trustee, Agents and each of the Bondholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in any one or more jurisdictions precludes the taking of Proceedings in any other jurisdiction (whether concurrently or not).

(c) **Agent for Service of Process**: Each of the Issuer and the Guarantor has irrevocably appointed COGENCY GLOBAL (HK) LIMITED at Unit B, 1/F, Lippo Leighton Tower, 103 Leighton Road, Causeway Bay, Hong Kong as its authorised agent to receive service of process in any Proceedings in Hong Kong based on any of the Bonds, the Guarantee, the Trust Deed or the Agency Agreement. If for any reason the Issuer or the Guarantor, as the case may be, ceases to have such an agent in Hong Kong, it will promptly appoint a substitute process agent and shall notify the Trustee of such replacement within 30 days of such cessation. Nothing herein shall affect the right to serve process in any other manner permitted by law.

(d) **Waiver of Immunity**: Each of the Issuer and the Guarantor has waived any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and has irrevocably consented to the giving of any relief or issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) or any order or judgment made or given in connection with any Proceedings.

USE OF PROCEEDS

We intend to use the proceeds for repayment of existing debts, replenishing of working capital and general corporate purposes.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth our consolidated total indebtedness and total capitalisation as at 30 September 2021 on an actual basis and on an adjusted basis to give effect to the issue of the Bonds before deducting the underwriting fees and commissions and other estimated expenses payable in connection with this offering:

	Actual		**As adjusted**	
	RMB	**U.S.$(1)**	**RMB**	**U.S.$(1)**
Current debt:				
Short-term loan	3,096,673,471.83	480,596,187.08	3,096,673,471.83	480,596,187.08
Non-current liabilities due within one year	1,643,012,829.70	254,991,592.90	1,643,012,829.70	254,991,592.90
Total current debt	4,739,686,301.53	735,587,779.98	4,739,686,301.53	735,587,779.98
Non-current debt:				
Long-term loan	3,757,909,200.00	583,218,362.98	3,757,909,200.00	583,218,362.98
Bonds payable	2,148,069,566.00	333,375,169.32	2,148,069,566.00	333,375,169.32
Bonds to be issued	–	–	644,340,000.00	100,000,000.00
Total non-current debt	5,905,978,766.00	916,593,532.30	6,550,318,766.00	1,016,593,532.30
Total debt	10,645,665,067.53	1,652,181,312.28	11,290,005,067.53	1,752,181,312.28
Total owners' equity	10,881,362,262.72	1,688,760,943.40	10,881,362,262.72	1,688,760,943.40
Total capitalisation(2)	21,527,027,330.25	3,340,942,255.68	22,171,367,330.25	3,440,942,255.68

Notes:

(1) For convenience only, all translations from Renminbi into U.S. dollars are made at the rate of RMB6.4434 to U.S.$1.00, based on the noon buying rate as set forth in the H.10 statistical release of the Federal Reserve Bank of New York on 30 September 2021.

(2) Total capitalisation represents the sum of total debt and total owners' equity.

There has been no material adverse change in our consolidated capitalisation and indebtedness since 30 September 2021.

DESCRIPTION OF BANK OF HANGZHOU

The information included in this Information Memorandum regarding Bank of Hangzhou Co., Ltd. is for information purposes only and is based on, or derived or extracted from, among other sources, publicly available information. Any information available from public sources that are referenced in this Information Memorandum but is not separately included in this Information Memorandum shall not be deemed to be incorporated by reference to this Information Memorandum. We have taken reasonable care in the compilation and reproduction of the information. However, none of us, the Placing Agents, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them has independently verified such information. No representation or warranty, express or implied, is made or given by us, the Placing Agents, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them as to the accuracy, completeness or sufficiency of such information. Accordingly, such information should not be unduly relied upon.

The Bonds will have the benefit of the Standby Letter of Credit which will be issued by Bank of Hangzhou Co., Ltd. Taizhou Branch as the LC Bank. Under PRC laws, the LC Bank is not a separate and independent legal person but has capacity to carry on its activities within its scope of authorization given by Bank of Hangzhou Co., Ltd. ("**Bank of Hangzhou**"), and if the assets of the LC Bank are not sufficient to meet the obligations of the LC Bank under the Standby Letter of Credit, Bank of Hangzhou would have an obligation to satisfy the remaining balance of the obligations under the Standby Letter of Credit.

OVERVIEW

Bank of Hangzhou was officially listed and opened on 26 September 1996, headquartered in Hangzhou, Hangzhou Province. On 27 October 2016, Bank of Hangzhou was listed on the main board of Shanghai Stock Exchange with the stock code 600926. Bank of Hangzhou holds a financial institution license numbered B0151H233010001 from the China Banking Regulatory Commission ("**CBRC**") and a legal entity business licenses (unified social credit code: 91330500MA2B60YP4N) from the Hangzhou Municipal Administration of Industry and Commerce. The registered address of Bank of Hangzhou is 46 Qingchun Road, Hangzhou, Hangzhou Province, the PRC.

Adhering to the mission of "creating better life and the core values of integration and innovation, pragmatic responsibility and lean growth", Bank of Hangzhou is committed to building a leading service bank that is "Wisdom, characteristic, international and comprehensive". Bank of Hangzhou has 213 branches. The service network radiates three economic circles of the Yangtze River Delta, Pearl River Delta, and Bohai Rim, and achieves full coverage of counties in Hangzhou Province with 4544 employees.

BUSINESS ACTIVITIES

With approval of CBRC and examined and approved by the company registration authority, Bank of Hangzhou enjoys the scope of business of taking public deposit; issuing short-term, medium-term and long-term loans; handling domestic settlement; handling bills acceptance and discount; issuing financial bond; issuing, cashing and underwriting government bonds as an agent, underwriting short-term financing bonds; buying and selling government bonds, financial bonds and enterprise bonds; handling inter-bank borrowing; providing service and guarantee for letter of credit; handling collection, payment and insurance service as an agent, dealing with wealth management for the customers, fund sales as an agent, precious metal sales as an agent, handling receipt and payment and taking care of assembled funds trust plan as an agent; providing safe deposit box service; handling entrusted deposit and loan service; engaging in bank card business; undertaking foreign exchange deposits; foreign exchange loans; foreign exchange remittance; foreign currency exchange; foreign exchange settlement and sale at sight and forwards; handling international settlement; undertaking self-operation of and agency for foreign exchange trading; handling inter-banking foreign exchange lending; trading and acting trading foreign currency securities other than stocks; undertaking credit investigation, consulting, witness services; providing online banking; handling other businesses approved by China's banking regulatory authorities and related departments.

Bank of Hangzhou's main business conditions are set out below:

- **Financial business**: Bank of Hangzhou strives to improve the quality and efficiency of serving the real economy, closely follows the policy guidance, serves the national development strategy, focuses on key areas, continuously increases support for manufacturing, green industries and other fields, and provides financing services for small, micro and private enterprises. Bank of Hangzhou also vigorously promotes the financial, cash management, e-banking and other businesses in supply chains, creates a "commercial bank + investment bank" model, and provides customized and personalized financial service programs for customers.

- **Retail financial business**: Bank of Hangzhou will continue to optimize customer group management, innovate customer service modes, promote community management and overseas study services, deepen "entrepreneur + investor" services, innovate and establish Yuanrong Entrepreneur College, actively promote family trust services, and use 5G technology to launch remote investment consulting services. In addition, Bank of Hangzhou will cooperate with the comprehensive consumption scenario platform to launch joint credit cards, continuously enrich the credit card product system, launch ETC projects, further promote the application of big data and customer life cycle management, and enhance cross-linkage and accurate marketing capabilities as well as make full use of Internet, big data, artificial intelligence, biology and image recognition technologies, launch mobile banking app 5.0 and direct selling bank 5.0 upgrade version, realize "card-free" business at intelligent counters, open up the dual platforms of "PC+applets", and continuously expand the ecosystem of online retail application scenarios.

- **Capital Businesses:** Bank of Hangzhou pays close attention to market changes, flexibly adjusts trading strategies, and makes full use of product tools such as repurchase, issuance of inter-bank certificates of deposit, precious metals and foreign exchange derivatives to effectively reduce the cost of liabilities. Bank of Hangzhou has obtained the qualification of bill brokerage business, further demonstrates the advantages of standardized bill business. In addition, by the end of 30 September 2021, a total of 282.31 wealth management products were issued, with a total raised amount of RMB18.78 billion and the entrusted assets amounted RMB1,093.99 billion.

- **Support System**: In addition, Bank of Hangzhou continues to strengthen the construction of smart operations, strengthen operational risk control to ensure the stable development of various businesses.

- **Financial Science and Technology**: Bank of Hangzhou responds to the Chinese government policy on integrating strategic emerging industries and cultural and creative industries with the financial system and enhances cooperation with the Chinese government departments, venture capital institutions, guarantee companies and technology parks. Following the professional, dedicated, specialized and innovative service idea, Bank of Hangzhou is committed to providing one-stop comprehensive financial solutions to investment and financing for small and mid-sized technology, cultural and creative companies.

In 2019, Bank of Hangzhou has obtained many honors and awards in various selection activities organised by domestic and foreign institutions, among which:

- In March 2019, it won the "2019 Zhejiang Province Financing Smooth Project "Outstanding Contribution Award"" awarded by General Office of the Zhejiang Provincial Committee of the Communist Party of China and General Office of the People's Government of Zhejiang Province.

- In August 2019, it won the "The first-class evaluation of the city's economic and social contributions supported by banks and insurance institutions in Hangzhou" awarded by General Office of Hangzhou Municipal People's Government.

- In March 2019, it was awarded the "Grade A of comprehensive evaluation of financial institutions in Hangzhou in 2019" by People's Bank of China Hangzhou Center Sub-branch.

- In November 2019, it was awarded the "Zhejiang Wanjia Private Enterprise Appraisal Bank Activity Provincial-level "Most Satisfied Private Enterprise Bank" by People's Bank of China Hangzhou Center Sub-branch and Zhejiang Provincial Federation of Industry and Commerce.

- In June 2019, it was awarded the "2019 Excellent Cases of Private and SME Case Collection in Financial Services" by China Banking Association.

- In October 2019, it was awarded the "2019 Top Ten Cases of Zhejiang Financial Services" by Zhejiang Financial Industry Development Promotion Association

- In July 2019, it won the "Annual Top Ten City Commercial Bank Finance Award" by Financial Times

- In September 2019, it won the "2019 Bank Brand Building Dimensity Award" awarded by the Securities Times

- In the April 2021, it was awarded the "Second Class Price of Advanced Enterprises in Supporting the Development of Economic Society of Zhejiang" and "Outstanding Enterprise in Reform and Innovation" by the Government Office of Zhejiang Province;

- In December 2020, it was awarded the "Outstanding Enterprises in Corporate Social Responsibilities against the Covid-19" by the General Labor Union of Hangzhou and Human Resources and Social Security Bureau of Hanzhou;

- In the April 2021, it was awarded the "Advanced Unit" and "Innovating Unit" by China Banking Association;

- In the November 2020, it was awarded the "First in National Wealth Management" by China Banking Association, Hong Kong Institute of Bankers and Financial Times;

- In March 2021, it was awarded the "Grade A of comprehensive evaluation of financial institutions in Hangzhou in 2020" by The People's Bank of China Hangzhou Center Sub-branch;

- In the December 2020, it was awarded the Excellent Underwriter in Interbank Market by the China Development Bank;

- In the December 2020, it was awarded the Gold Award in Creative Application of Technology by the China Financial Certification Authority;

- In the December 2020, it was awarded the Most Competitive Small-Medium Bank of the Year by the Financial Times;

- In December 2020, it was awarded the "Best Transaction Banking" by the Trade Finance Magazine;

- In the October 2021, it was awarded the "Tianji Prize" twice by China Banking Association;

- In the December 2020, it was awarded the "Best Treasury Management Bank" by China Treasury.

- In the October 2021, it was awarded the "The first-class evaluation of the city's economic and social contributions supported by banks and insurance institutions in Hangzhou" by General Office of Hangzhou Municipal People's Government.

FINANCIAL INFORMATION

Copies of Bank of Hangzhou's published audited consolidated financial statements and unaudited but reviewed consolidated financial statements, as well as its public filings, can be downloaded free of charge from the websites of Bank of Hangzhou and the Shanghai Stock Exchange at http://www.hccb.com.cn/ and http://www.sse.com.cn, respectively. The financial statements of Bank of Hangzhou are not included in and do not form part of this Information Memorandum. The information contained on the websites of Bank of Hangzhou and the Shanghai Stock Exchange is subject to change from time to time. No representation is made by us, the Placing Agents, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them and none of us, the Placing Agents, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them takes any responsibility for any information contained on the websites of Bank of Hangzhou and the Shanghai Stock Exchange.

DESCRIPTION OF THE ISSUER

OVERVIEW

The Issuer is a limited liability company incorporated under the BVI Business Companies Act, 2004 of the British Virgin Islands (BVI Company Number: 2049886). It was incorporated in the British Virgin Islands on 8 December 2020. The Issuer is a wholly-owned subsidiary of the Guarantor. The registered office of the Issuer is Ritter House, Wickhams Cay II, PO Box 3170, Road Town, Tortola VG1110, British Virgin Islands.

BUSINESS ACTIVITY

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

SOLE DIRECTOR

The sole director of the Issuer is Chen Ge. The sole director of the Issuer does not hold any shares or options to acquire shares of the Issuer.

SHARE CAPITAL

The Issuer is authorised under its memorandum of association to issue a maximum of 50,000 shares with no par value each of a single class. As at the date of this Information Memorandum, one share has been issued and credited as fully paid. No part of the equity securities of the Issuer is listed or dealt on any stock exchange and no listing of or permission to deal in such securities is being or proposed to be sought.

FINANCIAL STATEMENTS

Under British Virgin Islands law, the Issuer is not required to publish condensed or annual financial statements. The Issuer has not published, and does not propose to publish, any financial statements. The Issuer is, however, required to keep proper records and underlying documentation are sufficient to show and explain its transactions and will, at any time, enable its financial position to be determined with reasonable accuracy.

LEGAL PROCEEDINGS

The Issuer is not involved in any litigation or arbitration proceedings, and it is not aware of any pending or threatened action against it.

DESCRIPTION OF THE GROUP

OVERVIEW

We are the primary entity for infrastructure construction in the Taixing High-tech Zone, Taixing City, Hangzhou Province. Since our establishment in 2004, we have been primarily engaged in infrastructure construction and other businesses. We expanded our business operations to trading in 2016 and the manufacture of optical and optoelectronic products in May 2019 when we acquired Suzhou Jinfu Technology Co., Ltd. (蘇州錦富技術股份有限公司), a company with its shares listed on the Shenzhen Stock Exchange (stock code: 300128.SZ) ("**Suzhou Jinfu**").

For the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2020 and 2021, our total revenue amounted to approximately RMB5,443.94 million, RMB6,135.04 million, RMB7,538.85 million, RMB4,935.30 million and RMB6,003.17 million, respectively, and our net profit amounted to approximately RMB329.47 million, RMB309.63 million, RMB358.01 million, RMB248.74 million and RMB247.33 million, respectively.

Set forth below is a summary of our principal business operations:

- *Trading:* We started our trading business in 2016 and such business has constituted the primary part of our revenue. For the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2020 and 2021, our revenue generated from our trading business segment was approximately RMB3,996.94 million, RMB3,906.28 million, RMB4,661.79 million, RMB3,012.94 million and RMB4,148.32 million, respectively, representing approximately 73.42 per cent., 63.67 per cent., 61.84 per cent., 61.05 per cent. and 69.10 per cent. of our total revenue, respectively.

- *Infrastructure Construction:* Our infrastructure construction business mainly includes greening works, facilities and road constructions and earthwork and has constituted a substantial part of our revenue. For the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2020 and 2021, our revenue generated from the infrastructure construction business was approximately RMB1,335.24 million, RMB1,379.98 million, RMB1,419.16 million, RMB931.30 million and RMB964.50 million, respectively, representing approximately 24.53 per cent., 22.49 per cent., 18.82 per cent., 18.87 per cent. and 16.07 per cent. of our total revenue, respectively.

- *Manufacture of optical and optoelectronic products:* We started to engage in the manufacture and sale of optical and optoelectronic products since we acquired Suzhou Jinfu in May 2019. For the years ended 31 December 2020 and the nine months ended 30 September 2020 and 2021, our revenue generated from the optical and optoelectronic product manufacturing business was approximately RMB1,364.23 million, RMB913.02 million and RMB830.94 million, respectively, representing approximately 18.10 per cent., 18.50 per cent. and 13.84 per cent. of our total revenue, respectively.

- *Other businesses:* We are also engaged in businesses of manufacturing environmental products, property leasing, surety and sales of accessories. For the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2020 and 2021, our revenue generated from other businesses was approximately RMB111.75 million, RMB102.32 million, RMB93.66 million, RMB78.05 million and RMB59.43 million, respectively, representing approximately 2.05 per cent., 1.67 per cent., 1.24 per cent., 1.58 per cent. and 0.99 per cent. of our total revenue, respectively.

As the primary entity for infrastructure construction in the Taixing High-tech Zone and a company wholly-owned by the Taixing SASAC, we have received strong governmental support from the Taixing SASAC and the Taixing Municipal Government. We believe that we are well positioned to leverage the favourable geographic location and the growing demand for urban planning of the Taixing High-tech Zone, which was the key to our success and will be the foundation for our future growth. We aim to maintain our prominent position as the primary entity for infrastructure construction in the Taixing High-tech Zone while at the same time further diversify our business portfolio to explore new drives for our growth.

COMPETITIVE STRENGTHS

We believe that the following strengths are important to our success and future development:

The primary entity to conduct infrastructure construction in the Taixing High-tech Zone with strong local governmental support.

We are the primary entity for infrastructure construction in the Taixing High-tech Zone and a company wholly-owned by the Taixing SASAC. Since our inception in 2004, we have received strong governmental support from both the Taixing SASAC and the Taixing Municipal Government. For example, the Taixing Municipal Government has been providing financial support to us by injecting equity capital and providing subsidies. In addition to financial support, we benefit from the business support from the Taixing Municipal Government and the Taixing High-tech Zone. As the primary entity for infrastructure construction in the Taixing High-tech Zone, we have conducted substantial infrastructure construction projects, including greening works, facilities and road constructions and earthwork in the Taixing High-tech Zone.

We believe that we will continue to benefit from our role as the primary entity for infrastructure construction in the Taixing High-tech Zone with strong government support from the Taixing Municipal Government, which has been and will continue to be the key to our success and the foundation for our future growth.

Well positioned to leverage the favourable geographic location and the growing demand for infrastructure construction in the Taixing High-tech Zone.

Taixing City is a county-level city under the jurisdiction of Taizhou City, Jiangsu Province, located in the lower reaches of the Yangtze River and on the north-south coastline of Jiangsu Province. Taixing City constitutes a substantial part of the Yangtze River Delta economic sector and is within the two-hour metropolitan area of both Shanghai and Nanjing.

The Taixing High-tech Zone, located on the west side of Taixing City, was established in 2010 and has a planned area of 28 square kilometres. In 2016, the Taixing High-tech Zone was approved as a provincial level development zone. According to the Municipal Government's Reply on Clarifying the Management Scope of Taixing High-tech Industrial Development Zone in Jiangsu Province (No. 98 [2016]) (市政府關於明確江蘇省泰興高新技術產業開發區管理範圍的批覆), the Taixing Municipal Government expanded the jurisdiction of the Taixing High-tech Zone to include the Taixing City Industrial Zone and Yaowang Town. As of the date of this Information Memorandum, the Taixing High-tech Zone had an area of 61 square kilometres in total.

The Taixing High-tech Zone also experienced rapid economic growth in recent years. In 2018, 2019 and 2020, the regional GDP reached RMB15.145 billion, RMB19.87 billion and RMB11.20 billion, respectively, with growth rates of 24.77 per cent., 31.20 per cent. and (43.64) per cent., respectively. The rapid economic development has brought and will continue to bring growing demand for infrastructure construction.

As the primary entity for infrastructure construction in the Taixing High-tech Zone, we believe that we are well positioned to benefit from the favourable geographic location and the growing demand for infrastructure construction in the Taixing High-tech Zone.

Diversified business sectors to provide synergy services and products.

Our business operations contain a variety of business segments, primarily consisting of trading, infrastructure construction, manufacture of optical and optoelectronic products and other business including the manufacture of environmental products, property leasing, surety and sales of accessories. We have developed this diversified and synergetic business portfolio to provide one-stop solutions to meet the demand of our major customer, the Taixing High-tech Zone.

On one hand, we provide infrastructure construction services including greening works, facilities and road constructions and earthwork to meet the urban planning needs of the Taixing High-tech Zone, which would in turn help the Taixing High-tech Zone to attract high-level talent teams and high-end enterprises. On the other hand, we participate in the economic development of the Taixing High-tech Zone by conducting our trading and manufacturing businesses in the Taixing High-tech Zone and provide services to enterprises in the Taixing High-tech Zone including properties leasing and providing the financial surety to small, medium sized and micro enterprises. We believe that our diversified and synergetic business portfolio will enable us to generate stable revenue and continuously grow with the Taixing High-tech Zone.

Diversified source of financing and sound relationships with financing institutions.

We have established a good reputation and built a strong and long term relationship with a number of commercial banks and financial institutions, including Bank of China, Bank of Communications, China Minsheng Bank, Huaxia Bank, Hengfeng Bank and Bank of Nanjing. The sound relationship with financial institutions has allowed us to have strong financing capabilities and smooth financing channels. As at 30 September 2021, we had in place comprehensive credit facilities amounting to approximately RMB4.52 billion, of which RMB694.60 million remained unutilised. In addition, we have successfully raised capital by issuing corporate bonds, private bonds, short-term financing paper and medium-term notes in the PRC capital market.

We believe that our strong financing capability will provide an adequate funding source to contribute towards the repayment of our debt and fuel the expansion of our business. Through comprehensive and prudent budget and financial management, we believe that we will be able to effectively reduce our financing costs.

Dedicated senior management with extensive experience in corporate management.

Our senior management team and key operating personnel have on average over 10 years of experience in the business operations, with strong experience in construction, operations, finance and accounting in various industries. Furthermore, our senior management is highly experienced in collaborating with various levels of the PRC government, particularly the Taixing Municipal Government, on various projects which are of strategic value to us. A number of directors, supervisors and senior management have previously served as senior officials within various state-owned enterprises and government departments of the PRC. Their understanding of the regulatory framework and government policies play a significant role in the development of our business. See "*Directors, Supervisors and Senior Management of the Group*" for further information.

BUSINESS STRATEGIES

We aim to maintain our prominent position as the primary entity for infrastructure construction in the Taixing High-tech Zone while at the same time further diversify our business portfolio. With the business philosophy of operating and developing our businesses with profitability, sustainability and diversity, we intend to focus on the following business strategies:

Continue to focus on trading and infrastructure construction business and optimize our business resource allocation to enhance our position as the primary entity for infrastructure construction in the Taixing High-tech Zone.

As the primary entity for infrastructure construction in the Taixing High-tech Zone with strong governmental support, we will continue to focus on trading and infrastructure construction business in the Taixing High-tech Zone. We will integrate more high-quality resources in the Taixing High-tech Zone to further develop and construct the zone under the guidance of the Taixing City master plan and the Yangtze River development master plan. We believe that by continuing to focus on the trading and infrastructure construction business and optimizing our business resources allocation, we could maintain and enhance our position as the primary entity for infrastructure construction in the Taixing High-tech Zone.

Continue to develop various zone-based value-added services to meet customer needs and add new drives for our revenue growth.

Our major customers are the Management Committee of the Taixing High-tech Zone and various governmental entities and enterprises in the Taixing High-tech Zone. We aim to meet our customers' evolving development needs by further diversifying our business portfolio and continue to develop various value-added services. We believe that diversifying our business operations and offering value added services would help to grow our existing businesses and increase our revenue by creating new growth drivers for us.

Continue to diversify our financing channels.

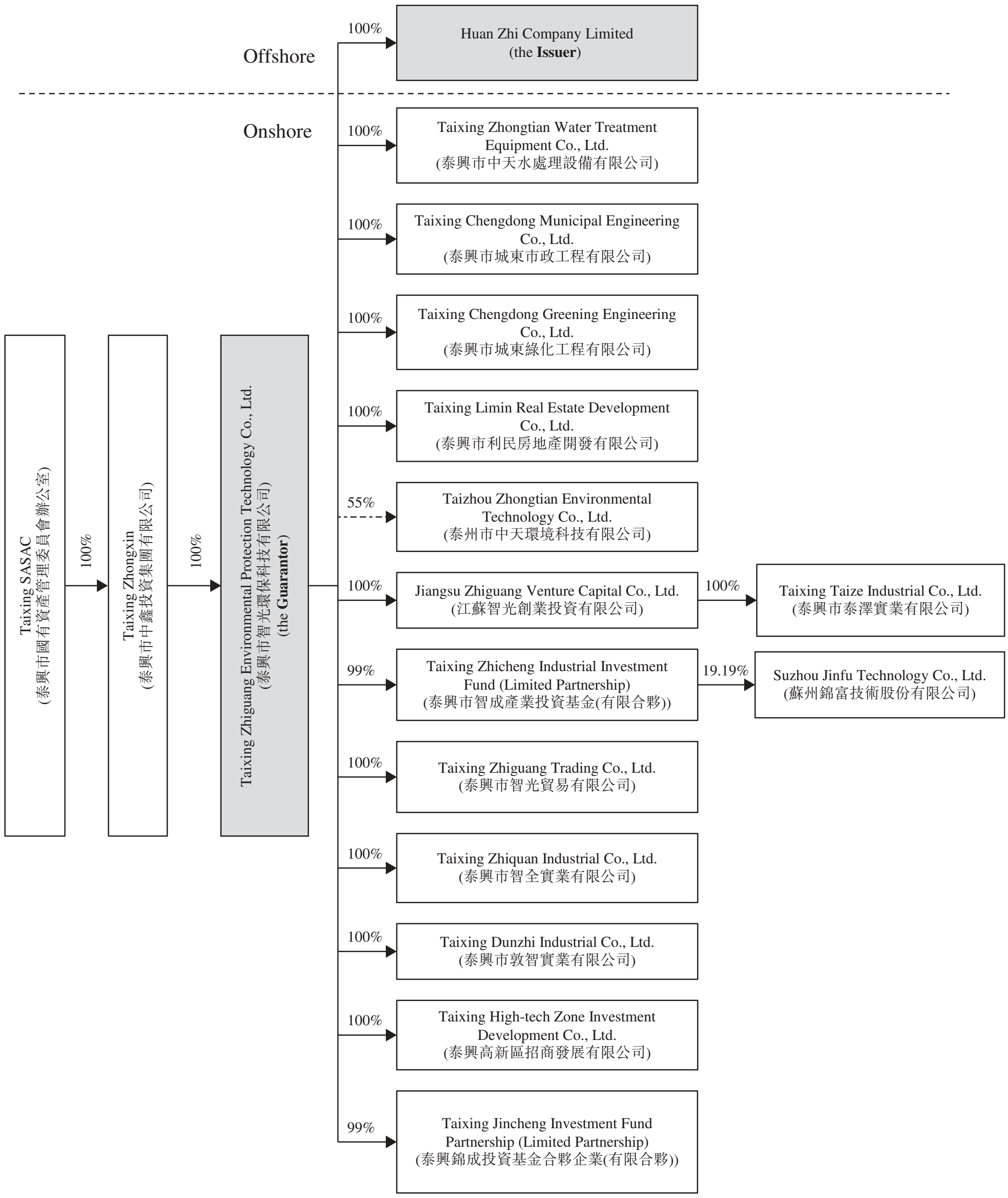
We have funded our business operation and working capital by, or is in the process of applying for, various financing instruments, including bank loans, private placement notes, corporate bonds, financial leasing, trusts, medium-term notes, as well as other financing tools. We plan to further expand our financing channels into issuance of perpetual bonds, asset-backed securities as well as overseas bonds. We aim to lower the cost of capital by adopting comprehensive budgeting, exercising prudent control over the costs and exploring and implementing the strategy of diversified financing.

Enhance our management capabilities and improve internal corporate governance.

High calibre personnel are the foundation of our success. We plan to retain more high calibre talent in management, trading, construction and other businesses. In addition, we plan to further improve our operational efficiency by improving our internal corporate governance structure and professional level of investment and financing. We will continue to implement and enhance our financial management system with well-defined policies and procedures, including a stringent financial reporting and control system that emphasises centralized management and administration, consistent control policies and full compliance with legal and regulatory requirements.

GROUP STRUCTURE

The following chart presents our simplified corporate structure as at 30 September 2021:



HISTORY AND DEVELOPMENT

Our predecessor, Taixing Yaowang Town Fuqiang Technology Development Co., Ltd. (泰興市姚王鎮富強科技開發有限公司), was established in February 2004 with an initial registered capital of RMB1.18 million. As of the date of this Information Memorandum, our registered capital is RMB2.0 billion.

The following table sets out the milestone events since our inception:

2004	Our predecessor, Taixing Yaowang Town Fuqiang Technology Development Co., Ltd. (泰興市姚王鎮富強科技開發有限公司), was established with an initial registered capital of RMB1.18 million by Taixing City Yaowang Town Rural Collective Asset Management Committee (泰興市姚王鎮農村集體資產管理委員會) and Tang Suqing (唐蘇清).
2008	One of our shareholders, Tang Suqing (唐蘇清) transferred the equity interest he held in us to Gu Gang (顧剛). We changed our name to Taixing Fuqiang Technology Development Co., Ltd. (泰興市富強科技開發有限公司).
2009	One of our shareholders, Gu Gang (顧剛) transferred the equity interest he held in us to Tang Suqing (唐蘇清). Tang Suqing (唐蘇清) transferred the equity interest he held in us to Taixing City Yaowang Town Rural Collective Asset Management Committee (泰興市姚王鎮農村集體資產管理委員會). All of our equity interest was then held by Taixing City Yaowang Town Rural Collective Asset Management Committee (泰興市姚王鎮農村集體資產管理委員會). We changed our name to Taixing Chengdong Investment Development Co., Ltd. (泰興市城東投資發展有限公司).
2013	We changed our name to Taixing Zhiguang Environmental Protection Technology Co., Ltd. (泰興市智光環保科技有限公司).
2014	All of our equity interest was transferred to Jiangsu Taixing Environmental Protection Technology Industrial Zone (江蘇省泰興環保科技產業園).
2015	All of our equity interest was transferred to Taixing Chengdong High-tech Industrial Zone Management Committee (泰興市城東高新技術產業園區管理委員會) (currently known as Jiangsu Taixing High-tech Industrial Development Zone Management Committee (江蘇省泰興高新技術產業開發區管理委員會)).
2019	All of our equity interest was transferred to Taixing Zhongxin. We acquired 209,963,460 shares in Suzhou Jinfu, accounting for 19.19 per cent. of its total equities and controlled Suzhou Jinfu.

DESCRIPTION OF OUR BUSINESS

Overview

We are the primary entity for infrastructure construction in the Taixing High-tech Zone, Taixing City, Jiangsu Province. We have been primarily engaged in trading, infrastructure construction, manufacture of optical and optoelectronic products and other businesses. For the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2020 and 2021, our revenue amounted to approximately RMB5,443.94 million, RMB6,135.04 million, RMB7,538.85 million, RMB4,935.30 million and RMB6,003.17 million, respectively.

The following table sets forth a breakdown of revenue generated by each business segment and absolute percentage of the total revenue for the periods indicated:

	Year ended 31 December						Nine months ended 30 September			
	2018		2019		2020		2020		2021	
	Amount of total	Per cent.	Amount of total	Per cent.	Amount of total	Per cent.	Amount of total	Per cent.	Amount of total	Per cent.
	(audited)		*(audited)*		*(audited)*		*(reviewed)*		*(reviewed)*	
	(RMB in million, except for percentages)									
Trading	3,996.94	73.42	3,906.28	63.67	4,661.79	61.84	3,012.94	61.05	4,148.32	69.10
Infrastructure construction	1,335.24	24.53	1,379.98	22.49	1,419.16	18.82	931.30	18.87	964.50	16.07
Manufacture of optical and optoelectronic products	–	–	746.46	12.17	1,364.23	18.10	913.02	18.50	830.94	13.84
Other businesses	111.75	2.05	102.32	1.67	93.66	1.24	78.05	1.58	59.43	0.99
Total	5,443.94	100.00	6,135.04	100.00	7,538.85	100.00	4,935.30	100.00	6,003.17	100.00

Trading

We started our trading business in 2016 and our trading business has constituted the primary part of our revenue. For the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2020 and 2021, our revenue generated from trading business was approximately RMB3,996.94 million, RMB3,906.28 million, RMB4,661.79 million, RMB3,012.94 million and RMB4,148.32 million, respectively, representing approximately 73.42 per cent., 63.67 per cent., 61.84 per cent., 61.05 per cent. and 69.10 per cent. of our total revenue, respectively.

We conduct our trading business mainly under a "demand – driven" business model, where procurement is based on actual downstream buyer demand rather than a forecast. We enter into procurement contracts with selected suppliers to acquire raw materials at desired prices, and enter into contracts with downstream buyers for the sale of the raw materials. We usually select our suppliers based on their products quality, price, creditworthiness and operational conditions before entering into business relations in order to minimize counterparty risks. We generate profits from the price differentials between the procurement contracts and sale contracts. We try to increase our bargaining power with suppliers through large orders so as to reduce our purchase price and earn income through the enlarged bid-ask price difference.

We have adaptability in developing our trading business to meet the market demands. The types of trading products, our downstream buyers and our suppliers change with the changes in the general trade market and the improvement of our sales capabilities. At the beginning of 2016, our main trading products were electrolytic copper, nickel, and zinc, and our customers were mainly domestic trading companies. In 2017, we started to trade with international customers and the major trade products included automatic current control modules, inductors and woven mesh bags. In 2018, due to the impact of the China-US trade war, our domestic trade increased while overseas trade decreased, and the major trade products were ethylene glycol, electrolytic copper, tin ingots, sputtering indium gold target assembly with back plate and silver.

Infrastructure Construction

Our infrastructure construction business includes greening works, facilities and road constructions and earthwork. Infrastructure construction has constituted a substantial part of our revenue. For the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2020 and 2021, our revenue generated from the infrastructure construction business was approximately RMB1,335.24 million, RMB1,379.98 million, RMB1,419.16 million, RMB931.30 million and RMB964.50 million, respectively, representing approximately 24.53 per cent., 22.49 per cent., 18.82 per cent., 18.87 per cent. and 16.07 per cent. of our total revenue, respectively.

Business model

We conduct infrastructure construction projects, such as greening works, facilities and road constructions and earthwork, mainly by entering into entrusted construction agreements. After we are entrusted the construction projects by the entrusting party, we engage third-party construction companies to carry out the construction work. We are responsible for the supervision of the whole construction process and will monitor the quality, on-site safety and the progress of the projects during the construction to ensure the projects will comply with the current national standards and the requirements of the entrusting parties. Upon completion of the designated projects, the entrusting party will pay us construction fees in an amount that equals to a certain percentage of our total investment depending on the construction period and the scale and complexity of the project.

Greening works

The parties that entrusted us greening works in 2018, 2019 and 2020 included Taixing Xintai New Rural Construction Development Co., Ltd. (泰興市鑫泰新農村建設發展有限公司) and Jiangsu Taixing High-tech Industrial Development Zone Management Committee (江蘇省泰興高新技術產業開發區管理委員). Our construction fees amounted to 133 to 163 per cent. of our total investment.

Facilities and road construction

The parties that entrusted us facilities and road constructions in 2018, 2019 and 2020 included Jiangsu Zhongxing Construction Co., Ltd. (江蘇中興建設有限公司), Taixing Xintai New Rural Construction Development Co., Ltd. (泰興市鑫泰新農村建設發展有限公司) and Jiangsu Taixing High-tech Industrial Development Zone Management Committee (江蘇省泰興高新技術產業開發區管理委員). Our construction fees amounted to 125 to 155 per cent. of our total investment.

As at 30 September 2021, we had four projects in progress, the following table shows the detailed information of these projects.

		Total Estimated	
No.	**Project**	**Investment Amount**	**Invested Amount**
		(RMB'000)	*(RMB'000)*
1.	Kexin Road North Extension (科新路北延)	3,850.00	1,050.00
2.	Hengyi Bridge (橫一路橋)	1,970.00	330.00
3.	Kechuang Road Arch Bridge (科創路拱橋)	6,500.00	1,080.00
4.	Guoqing East Road extends east to Jingsi Road (國慶東路東延至經四路)	2,860.00	490.00

Earthwork

We were also entrusted some earthwork and our construction fees amounted to 125 to 145 per cent. of our total investment. As at 30 September 2021, we had six projects in progress, the following table shows the detailed information of these projects.

		Total Estimated	
No.	**Project**	**Investment Amount**	**Invested Amount**
		(RMB'000)	*(RMB'000)*
1.	Groups 6 and 7 of Xianxi, Yaodai Village, Yaowang Town (姚王鎮姚岱村先西六、七組)	570,397.10	10,000.00
2.	Group 5 and 6 of Daibao, Shilidian Village (十里甸村戴堡5、6組)	330,174.90	5,000.00
3.	Dongyang Caibao 1, 2, 3, 4 (東陽蔡堡1、2、3、4)	711,729.20	5,000.00
4.	Guandong Seventh Group, Guangou Village (官溝村官東七組)	365,000.00	1,500.00
5.	Yaowang 1st and 2nd group of Wangzhuang Village (王莊村姚王一、二組)	580,200.00	15,000.00
6.	Shilidian Village He Group 1 and 2 (十里甸村甸何一、二組)	246,500.00	200.00

Manufacture of Optical and Optoelectronic Products

We conduct the manufacture and sale of optical and optoelectronic products through our subsidiary, Suzhou Jinfu, a company listed on Shenzhen Stock Exchange (stock code: 300128.SZ). We acquired an equity interest in and exercised control over Suzhou Jinfu in May 2019. As of 30 September 2021, we held 209,963,460.00 shares of Suzhou Jinfu, accounting for 19.19 per cent. of its total equities.

We are an integrated platform of the development, manufacture and sale of optical and optoelectronic products with a comprehensive system covering raw material procurement, research and development, production, testing and product sales. We provide one-stop solutions in respect of optoelectronic display thin film devices for customers after in-depth understanding of their actual needs.

Our major products include liquid crystal display modules (the liquid crystal modules ("**LCM**") and back light units ("**BLU**")), photoelectric display films and electronic functional devices, precision die-cutting equipment, thermal insulation and shock absorption products, Internet Data Center ("**IDC**") and the value-added services. These products are widely used in various applicable fields. The table below sets forth the major applicable fields for each product:

No.	Leading products	Application field
1.	Liquid crystal display modules (LCM and BLU)	liquid crystal display monitor
2.	Photoelectric display films and electronic functional devices	liquid crystal display TV, monitor and laptop
3.	Precision die-cutting equipment	Automobiles, home appliances, laptops, communication products, automation equipment, consumer electronics, kitchen appliances
4.	Thermal insulation & Shock absorption products	Data center infrastructure, broadband resources, enterprise-level Internet communications
5.	Internet Data Center (IDC)	Production of photoelectric display thin film device
6.	Value-added services	Disaster recovery, security protection, migration deployment, data management, video acceleration, big data analysis and related software development

For the years ended 31 December 2020 and the nine months ended 30 September 2020 and 2021, our revenue generated from the manufacture and sale of optical and optoelectronic products was approximately RMB1,364.23 million, RMB913.02 million and RMB830.94 million, respectively, representing approximately 18.10 per cent., 18.50 per cent. and 13.84 per cent. of our total revenue, respectively.

Other Business

We are also engaged in other businesses including the manufacture of environmental products, property leasing, surety and sales of accessories, which contributes relatively less revenue for us.

Manufacture of environmental products

We mainly manufacture environmental products including air source heat pump cooling and heating units and air source heat pump hot water units. For the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2020 and 2021, our revenue generated from such manufacturing business was approximately RMB45.18 million, RMB29.35 million, RMB0.76 million, RMB0.76 million and RMB0.03 million, respectively, representing approximately 0.83 per cent., 0.48 per cent., 0.01 per cent.,0.02 per cent. and 0.01 per cent. of our total revenue, respectively.

Property leasing

We have leased buildings located at No. 1 – 21 (except Building No. 6, 10, and 12) of the Talent Technology Plaza, Industrial Zone, Eastern Taixing City (泰興市城東工業園區人才科技廣場1號至21號樓(6 、10 、12號樓除外)) and No. 1 – 4 of the Enterprise Service Center on the north side of Huanxi Road, High-tech Zone, Eastern Taixing City (城東高新區環溪路北側企業服務中心1至4號樓) to Taixing Zhiguang Talent Technology Plaza Management Co., Ltd. (泰興市智光人才科技廣場管理有限公司). The rent for these property is RMB550 per square meter per year.

Surety

We provides surety services for the financing of small, medium and micro enterprises in the Taixing High-tech Zone. We joined the Jiangsu Provincial Re-guarantee Association and signed a "Re-guarantee Cooperation Contract" with Jiangsu Credit Re-guarantee Group Co., Ltd. (江蘇省信用再擔保集團有限公司), with a maximum risk compensation of RMB6 million under the contract.

Sales of accessories

We sell sales of accessories through our subsidiary Taizhou Zhongtian Environmental Technology Co., Ltd. (泰州市中天環境科技有限公司), which mainly sells air-conditioning components.

ENVIRONMENT MATTERS

We are subject to environmental laws and regulations governing air pollution, noise emissions, hazardous substances, water and waste discharge and other environmental matters issued by the governmental authorities in the PRC. We believe that we are in compliance in all material respects with applicable environmental laws and regulations. As at the date of this Information Memorandum, we are not aware of any material environmental proceedings or investigations to which we are or might become a party.

INSURANCE

We maintain insurance policies, which we believe to be consistent with the relevant law and industry and business practice in the PRC. We also purchase pension insurance, unemployment insurance and medical insurance for our employees according to the relevant PRC laws and regulations. We maintain insurance coverage in the types which we believe are commensurate with its risk of loss and industry practice. Consistent with what we believe to be customary practice in the PRC, we do not carry any business interruption insurance, key-man insurance or insurance covering potential environmental damage claims. Such insurance is not mandatory under the laws and regulations of the PRC, and such insurance is either unavailable in the PRC or requires substantial cost.

EMPLOYEES

As at 30 September 2021, we had around 132 full-time employees. In accordance with the applicable regulations of local governments in regions where we have business operations, we make contributions to the pension contribution plan, medical insurance, unemployment insurance, maternity insurance and personal injury insurance. The amount of contributions is based on the specified percentages of employees' aggregate salaries as required by relevant PRC authorities. We also make contributions to an employee housing fund according to applicable PRC regulations. In addition to statutory contributions, we provide annual bonuses to employees. We enter into an employment contract with each of our employees in accordance with applicable PRC laws. Such contracts include provisions on wages, vacation, employee benefits, training programmes, health and safety, confidentiality obligations and grounds for termination.

LEGAL PROCEEDINGS

From time to time, we, together with our subsidiaries, may be involved in legal proceedings or other disputes in the ordinary course of our business.

As at the date of this Information Memorandum, we are not aware of any material legal proceedings, claims, disputes, penalties or liabilities currently pending or threatened against us that may have a material adverse impact on our business, financial condition or results of operations.

PRC LAWS AND REGULATION

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

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:

- Ministry of Housing and Urban-Rural Development of the People's Republic of China (the "**MOHURD**") (formerly Ministry of Construction of the People's Republic of China, 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, etc.

- Ministry of Transport of the People's Republic of China (the "**MOT**") and the competent local departments of MOT at various levels are responsible for the construction projects of ports and highways nationwide.

- National Railway Administration of the People's Republic of China (formerly Ministry of Railways, the "**MOR**") and the competent local departments of MOR at various levels are responsible for the railway construction projects 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 People's Republic of China (former Ministry of Environmental Protection) and the competent local departments of environmental protection at various levels are responsible for the environmental protection management of construction projects.

OTHER MAJOR LAWS AND REGULATIONS

Regulation on Fiscal Debts of Local Governments

In accordance with Guidance on Further Strengthening Adjustment of Credit Structure to Promote Fast and Smooth Development of National Economy (中國人民銀行、中國銀行業監督管理委員會關於進一步加強信貸結構調整促進國民經濟平穩較快發展的指導意見) issued jointly by the PBOC and CBRC in March 2009, local governments are encouraged to establish financing platforms to issue financing instruments such as enterprise bonds and medium term notes. In order to strengthen the management of financing platforms and effectively prevent fiscal financial risks, Notice of the State Council on Strengthening Management of Financing Platform of Local Government (國務院關於加強地方政府融資平臺公司管理有關問題的通知) ("**Circular 19**") and Notice of NDRC on Further Regulating Issuance of Bonds by Financing Platform of Local Government (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臺公司發行債券行為有關問題的通知) ("**Circular 2881**") were separately promulgated in June 2010 and November 2010. 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 bonds.

On 21 September 2014, Several Opinions of the State Council on Strengthening the Administration of Local Government Debts (國務院關於加強地方政府性債務管理的意見) (the "**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 bonds, since the new Budget Law of the PRC (中華人民共和國預算法), which took effect on 1 January 2015 and was amended on 29 December 2018, empowers local governments to issue government bonds, and public interest projects with income generated, such as city infrastructure construction, may be operated independently by social investors or jointly by the government and social investors through the establishment of special purpose companies. Social investors or such special purpose companies shall invest in accordance with market-oriented principles and may be funded by, among other market- oriented approaches, bank loans, enterprise bonds, project revenue bonds and asset-backed securitisation. Social investors or the special purpose companies shall bear the obligation to pay off such debts and the government shall not be liable for any of the social investors' or special purpose companies' debts. Circular 43 also sets forth the general principles of dealing with existing debts of financing platforms. Based on the auditing results of such debts run by the local governments, the existing debts that should be repaid by the local governments shall be identified, reported to State Council for approval, and then included in the budget plan of local governments.

On 11 May 2015, 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 MOF 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臺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:

1. *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.

2. *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 bonds by local governments as required by laws and relevant regulations.

3. *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.

4. *Improve supporting measures*. Under the premise of ensuring fiscal expenditure needs, in the regions where there are corresponding amount of government bonds issuance and where the treasury balances exceed the treasury payment for one and a half months, the local financial departments are allowed to, within the limit of the amount of government bonds issuance, make more efforts to effectively use the stock of fiscal funds in the previous years and use the surplus amount of the treasury for capital flow before government bond issuance, so as to address the time difference between the financing for projects under construction and government bonds issuance.

Laws and Regulations Relating to Importation and Exportation of Goods

Pursuant to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》), which was promulgated on 12 May 1994 and amended on 6 April 2004 and 7 November 2016, and the Measures for the Record-keeping and Registration by Foreign Trade Dealers (《對外貿易經營者備案登記辦法》) (the "**Record-keeping and Registration Measures**"), which was promulgated on 25 June 2004 and came into effect on 1 July in the same year, foreign trade dealers who are engaged in the import or export of goods or technologies shall register with the Ministry of Commerce or its authorized bodies unless such registration is not required under the laws and administrative regulations and/or by the Ministry of Commerce.

Pursuant to the Administrative Provisions for the Registration of Customs Declaration Entities by the PRC Customs Authorities (《中華人民共和國海關報關單位註冊登記管理規定》), which was promulgated on 13 March 2014 and came into effect on the same day, "consignor or consignee of export or import goods" means any legal person, other organisation or individual that directly imports or exports goods within the territory of the PRC. Consignors or consignees of import or export goods shall go through registration formalities with their local Customs authorities in accordance with the applicable provisions. After completing the registration formalities with Customs authorities, consignors or consignees of import or export goods may handle their own declarations at any customs port or any locality where customs supervisory affairs are concentrated within the customs territory of the PRC. Also, a PRC Customs Declaration Registration Certificate for Consignor or Consignee of Import or Export Goods shall be valid for a period of two years.

Pursuant to the Customs Law of the PRC* (中華人民共和國海關法) promulgated by the Standing Committee of the NPC on 22 January 1987 and amended on 8 July 2000, 29 June 2013, 28 December 2013 and 29 April 2021 and related regulations, unless otherwise stipulated the declaration of import and export goods may be made by consignees and consignors themselves, and such formalities may also be completed by their entrusted PRC Customs brokers that have registered with the PRC Customs. The consignees and consignors for import or export goods and the PRC Customs brokers engaged in the PRC Customs declaration shall register with the PRC Customs, and no enterprises or persons can make declarations without registering with the PRC Customs or obtaining the relevant qualifications for declaration in accordance with the law.

Principal regulations on the inspection of import and export commodities are set out in the Law of the PRC on Import and Export Commodity Inspection* (中華人民共和國進出口商品檢驗法) promulgated by the Standing Committee of the NPC on 21 February 1989 and amended on 28 April 2002, 29 June 2013, 27 April 2018, 29 December 2018 and 29 April 2021 and its implementation rules. According to the aforesaid law and its implementation regulations, the State Administration for Market Regulation* (國家市場監督管理總局) ("**SAMR**") shall be in charge of the inspection of import and export commodities throughout the country. The local inspection and quarantine authorities set up by SAMR shall be responsible for the inspection of import and export commodities within areas under their jurisdiction. The import and export commodities that are subject to compulsory inspection listed in the catalogue compiled by the state administration shall be inspected by the commodity inspection authorities, and the consignor shall apply to the inspection and quarantine authorities for inspection in the places and within the time limit specified by SAMR. No permission shall be granted for the export of export commodities subject to mandatory inspection by the inspection and quarantine authorities until they have been found to be up to standard through inspection. While the import and export commodities that are not subject to statutory inspection shall be subject to random inspection. Consignees and consignors themselves or its entrusted agent may apply for inspection to the commodity inspection authorities.

Laws and Regulations Relating to Market Competition, Product Quality and Consumer Right Protection

Anti-Unfair Market Competition

Competitions among the business operators in the PRC are generally governed by the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) (the "**Anti-Unfair Competition Law**") which was promulgated on 2 September 1993, amended on 4 November 2017 and 23 April 2019.

According to the Anti-Unfair Competition Law, corporations, other economic organizations and individuals who are engaging in the trading of goods or profit-making services shall abide by the principles of voluntariness, equality, fairness, honesty and credibility, and observe generally recognised business ethics. Operators shall not conduct acts that damage the lawful rights and interests of other operators or that disturb the socio-economic order. Such acts include, but do not limit to counterfeit, libel, malicious exclusion, commercial bribery and secret infringement.

Product Quality

Product quality supervision in the PRC is generally governed by the Product Quality Law of the PRC (《中華人民共和國產品質量法》) (the "**Product Quality Law**"), which was promulgated on 22 February 1993 and amended on 8 July 2000, 27 August 2009 and 29 December 2018. Producers and sellers shall be liable for product quality in accordance with the Product Quality Law.

Under the Product Quality Law, consumers or other victims who suffer personal injury or property damage due to product defects may claim compensation from the producer as well as the seller. The producer and the seller shall be jointly liable for the compensation. In case of violations of the Product Quality Law, the responsible authorities have the right to impose fines on the violators, order them to suspend operation, and revoke their business licenses. In serious cases, even criminal liability may be incurred.

Qualification of Construction Enterprises

In accordance with the Construction Law of the People's Republic of China (中華人民共和國建築法), Regulations on Qualification Management of Construction Enterprises (建築業企業資質管理規定) promulgated by MOHURD on 22 January 2015 which became effective on 1 March 2015 which was amended by MOHURD on 22 December 2018 becoming effective on the same date. Detailed Rules of Regulations on Qualification Management and Implementing Opinions of Qualification Standard of Construction Enterprises (建築業企業資質管理規定和資質標準實施意見) issued by MOHURD on 31 January 2015 and became effective on 1 March 2015 which was amended on 16 January 2020 becoming effective on the same date. Criterion for Qualification of Construction Enterprises (建築業企業資質標準) promulgated by MOHURD on 6 November 2014 which became effective on 1 January 2015 and was recently amended on 14 October 2016 becoming effective on 1 November 2016, and Criterion for Premium Qualification of Construction General Contracting Enterprises (施工總承包企業特級資質標準) issued by MOC on 13 March 2007 and became effective on the same date, Provisions on the Management of Survey and Design Qualification of Construction Projects (建設工程勘察設計資質管理規定) promulgated by MOC on 26 June 2007 which became effective on 1 September 2007 and was amended on 13 September 2016 becoming effective on 20 October 2016, Detailed Rules of Provisions on the Management of Survey and Design Qualification of Construction Projects (建設工程勘察設計資質管理規定實施意見) issued by MOC on 21 August 2007 and became effective on the same date and was amended on 16 June 2016 becoming effective on the same date, Provisions on Qualification Management of Project Supervision Enterprises (工程監理企業資質管理規定) promulgated by MOC on 26 June 2007 and became effective on 1 August 2007 which was recently amended on 22 December 2018 becoming effective on the same date, Detailed Rules of Provisions on Qualification Management of December Project Supervision Enterprises (工程監理企業資質管理規定實施意見) issued by MOC on 31 July 2007 and became effective on the same date which was amended on 16 June 2016 becoming effective on the same date, as well as other relevant laws and regulations, enterprises engaging in the business of construction, survey, design and supervision of construction projects may only carry out construction activities within the scope of their qualification grade certificates.

In accordance with the Regulations on Qualification Management of Construction Enterprises, construction enterprises shall apply for their qualifications according to their assets, professionals, projects completed, and technical equipment. Qualifications of construction enterprises include qualification of general contractor, qualification of professional contractor and qualification of construction labour service.

Any enterprise that has obtained the qualification of a general contractor may enter into a contract to make contracting to the whole project or main works. The enterprise undertaking the general contracting work may carry out the whole construction project by itself or subcontract the work other than the main work or the labour service to other construction enterprises that have requisite qualifications.

Any enterprise that has obtained the qualification of a professional contractor may undertake the professional work subcontracted by the general contractor or the professional work contracted by a construction unit. A professional contracting enterprise may carry out construction by itself or subcontract the labour service work to a labour service enterprise that has the corresponding qualification.

Lease of Buildings

The Administration Measures for Administration of Commodity Housing Tenancy (商品房屋租賃管理辦法) was issued on 1 December 2010 and came into effect on 1 February 2011. The parties to a real estate lease shall go through the lease registration formalities with the competent construction (real estate) departments of the cities directly under the central government, or the cities and counties where the housing is located, within 30 days after the lease contract is signed. There will be a fine below RMB1,000 on individuals who fail to make corrections within the specified time limit, and a fine between RMB1,000 and RMB10,000 on units which fail to make corrections within the specified time limit.

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 Standing Committee of the National People's Congress ("**SCNPC**") on 30 August 1999 which became effective on 1 January 2000 and was amended on 27 December 2017 which 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 and was amended respectively on 1 March 2017, 19 March 2018 and 2 March 2019 which became effective on the corresponding 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, MOR, MOT, Ministry of Information Industry of the People's Republic of China, Ministry of Water Resources of the People's Republic of China, and Civil Aviation Administration of China in 8 March 2003 which became effective on 1 May 2003 and was amended on 11 March 2013 becoming effective on 1 May 2013, Administrative Measures for the Bidding and Tendering of Design of Construction Projects (建設工程設計招標投標管理辦法) issued by MOC on 18 October 2000 and became effective on the same date and was amended on 24 January 2017 becoming effective on 1 May 2017, Rules on Projects Subject to Bidding (必須招標的工程項目規定) issued by NDRC on 27 March 2018 and became effective on 1 June 2018 becoming effective on the same date, and 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 on 28 September 2018 and 13 March 2019.

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 large scale infrastructure or public utility projects and other projects relating to the public interest of society or public security; projects wholly or partly utilising State-owned capital or State funds; and projects utilising loan or aid funds provided by international organisations or foreign governments.

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 (I) (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, 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 and was amended on 23 April 2019 becoming effective on the same date, Administrative Measures for Quality Management of Construction Project Survey (建設工程勘察質量管理辦法) amended by MOC on 22 November 2007 and became effective on the same date, Measures for the Administration of Quality Warranty Funds of Construction Projects (建設工程質量保證金管理辦法) issued jointly by MOC and MOF 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, and 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.

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.

Work Safety Management

Major laws and regulations on work safety during the project contracting process include Work Safety Law of the People's Republic of China (中華人民共和國安全生產法) promulgated by SCNPC on 29 June 2002 which became effective on 1 November 2002, and amended on 10 June 2021 which amendment became effective on 10 September 2021, Regulation on Work Safety Management of Construction Projects (建設工程安全生產管理條例) promulgated by State Council on 24 November 2003 which became effective on 1 February 2004, Regulation on Work Safety Licenses (安全生產許可證條例) by State Council on 13 January 2004 and became effective on the same date, and amended on 29 July 2014 which amendment became effective on the same date. Interim Regulation of Penalty and Fine on Regulation on Work Safety Accident Report and Investigation (《生產安全事故報告和調查處理條例》罰款處罰暫行規定) promulgated by State Council on 12 July 2007 which became effective on the same date, and amended on 2 April 2015 which amendment became effective on 1 May 2015, and Administrative Provisions on Work Safety Licenses of Construction Enterprises (建築施工企業安全生產許可證管理規定) issued by MOC on 5 July 2004 and became effective on the same date and amended on 22 January 2015.

In accordance with the Work Safety Law of the People's Republic of China, Regulation on Work Safety Licenses and other related regulations, the state implements the work safety license system to construction enterprises. Any enterprise failing to obtain the work safety license shall not carry out production activities. In accordance with the Regulation on Work Safety Management of Construction Projects, all the building, surveying, designing, construction and supervision units shall be responsible for the work safety of construction projects. For general contracting projects, the general contractor shall assume full responsibility for the work safety of the construction site, and the subcontractor shall be jointly liable for the work safety of the subcontracted portions of work.

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 which became effective on 1 September 2003 and was amended on 29 December 2018 becoming effective on the same date, 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 and was amended on 16 July 2017 becoming effective on 1 October 2017, and Interim Administrative Measures for Environmental Protection Acceptance of Completed Construction Projects (建設項目竣工環境保護驗收暫行辦法) promulgated by the Ministry of Environmental Protection on 20 November 2017 which became on the same date.

In accordance with the provisions of the Administrative Regulations on Environmental Protection off Construction Projects and Interim Administrative Measures for Environmental Protection Acceptance of Completed Construction Projects, the PRC Government implements the system of environmental impact assessment on construction projects. Upon completion of construction of a construction project for which an environment impact report or environment impact statement is formulated, the builder shall conduct acceptance inspection of the complementary environmental protection facilities pursuant to the standards and procedures stipulated by the environmental protection administrative authorities of the State Council, and formulate the acceptance inspection report. Except for circumstances when there is a need to keep confidentiality pursuant to the provisions of the State, the builder shall announce the acceptance inspection report pursuant to the law.

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, 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), promulgated on 29 April 2000 by the SCNPC, which became effective on 1 September 2000, as recently amended on 26 October 2018, 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), promulgated on 11 May 1984 by the Standing Committee of the National People's Congress, which became effective on 1 November 1984, and amended on 15 March 1996, 28 February 2008 and 27 June 2017, 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, and was amended on 29 December 2018 becoming 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, which became effective on 1 September 2003 and was recently amended on 29 December 2018 becoming effective on the same date, 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 and was amended on 16 July 2017 becoming effective on 1 October 2017, and the Measures for the Administration of Examination and Interim Administrative Measures for Environmental Protection Acceptance of Completed Construction Projects (建設項目竣工環境保護驗收暫行辦法) promulgated by the Ministry of Environmental Protection on 20 November 2017 which became on the same date, 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 at 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 SCNPC on 28 October 2010, which became effective on 1 July 2011 and was amended on 29 December 2018, 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 and was amended on 24 March 2019, 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 recently amended on 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

According to the Measures for the Administration of Overseas Investment by Enterprises (企業境外投資管理辦法) effective from 1 March 2018, the procedure of approval and filing shall be respectively applied to different overseas investment projects. Specifically, if the investment is related to sensitive countries, regions or industries, the projects shall be subject to the approval of NDRC. Investments other than as specified above shall be subject to the filing with the competent governmental body.

Specifically, overseas investments carried out by enterprises under central management, or those carried out by local enterprises in which the amount of Chinese investment reaches or exceeds US$300 million shall be subject to the filing with NDRC. Those carried out by local enterprises in which the amount of Chinese investment is below US$300 million shall be subject to the filing with competent investment departments of the provincial government.

Except directly carried out by domestic natural persons, investments to be carried out in Hong Kong, Macau and/or Taiwan shall be governed by the Measures for the Administration of Overseas Investment by Enterprises.

MOFCOM Supervision

The Ministry of Commerce of the PRC ("**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 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 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 those country or region otherwise under the list of verified countries and regions published by MOFCOM from time to time or a sensitive industry shall apply for the verification by MOFCOM. "Sensitive countries and regions" refer to those countries without a diplomatic relationship with the PRC, or subject to the UNSC sanctions. "Sensitive industries" refer to those industries involving the products and technologies which are restricted from being exported, or affecting the interests of more than one country (or region). In accordance with the New Overseas Investment Rules, a central enterprise shall apply to MOFCOM for verification and MOFCOM shall, within 20 working days 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 submit all application documents to MOFCOM. MOFCOM shall decide whether or not to grant the verification 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.

All overseas investments other than those subject to MOFCOM verification as described above 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, 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.

Where such filing form is filled out in truthfully and completely and complies with the statutory format, and the investing enterprise has declared in such filing form that its overseas investment does not fall within certain circumstances prohibited under the New Overseas Investment Rules, MOFCOM or the provincial department of commerce shall accept the filing and issue the Enterprise Overseas Investment Certificate within three working days upon receipt of such filing form.

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 Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) effective from June 1, 2015, the banks will review and carry out foreign exchange registration under overseas direct investment directly, and the SAFE and its branches shall implement indirect supervision over foreign exchange registration of direct investment via the banks. The domestic institution may select the banks in the places where they are registered for carrying out foreign exchange registration before proceeding with such operations as opening of the direct investment related account and fund remittance/settlement (including outbound remittance or inbound remittance of profits and dividends).

State-owned Assets Supervision

The Measures for the Financial Management of the Overseas Investments by State-owned Enterprises (國有企業境外投資財務管理辦法) issued on 12 June 2017, effective from 1 August 2017, and Measures for Implementation of the Administration of the Property Rights Registration of State-Funded Enterprises of Jiangsu Province (江蘇省國家出資企業產權登記管理實施辦法) issued on 9 April 2013 becoming effective on the same date also apply to overseas investment projects.

Where the state-owned enterprises, including the state wholly owned and stated controlled enterprises at all levels, conduct overseas investment through mergers and acquisitions, joint venture, or minority equity investment, they shall, among others, appoint professional agencies with corresponding capability and clear of conflicts of interest to conduct due diligence on the financial risks. Pursuant to the Measures for Implementation of the Administration of the Property Rights Registration of State-Funded Enterprises of Jiangsu Province, state-funded enterprises and the enterprises controlled by state-funded enterprises, and the enterprises into which the foregoing entities made equity investment, including the overseas ones, shall be included into the scope of property rights registration of state-funded enterprises with limited exceptions; the state-funded enterprises shall be responsible for relevant work and file for such registration with the SASAC.

Qualification of a Real Estate Developer

Under the Provisions on Administration of Qualifications of Real Estate Developers (房地產開發企業資質管理規定) promulgated by MOC on 16 November 1993 which became effective on 1 December 1993 and was amended on 29 March 2000 and further amended on 4 May 2015 which amendment became effective on the same date, a real estate developer must apply for a qualification classification certificate. An enterprise may not engage in the development and operation of properties without a qualification classification certificate for real estate development. MOC is in charge of monitoring the qualifications of all real estate developers within the PRC, and local real estate development authorities at or above the county level are in charge of monitoring the qualifications of local real estate developers.

Engagement in real estate development and operation by a developer without obtaining the required provisional or formal qualification certificate, or by overstepping its qualification class, may result in a fine ranging from RMB50,000 to RMB100,000. If the developer fails to rectify within the specified time limit, the authorities shall revoke the qualification certificate, and submit the matters to administrative authorities for industry and commerce for the revocation of the business license. Pursuant to the Provisions on Administration of Qualifications, the qualification of a real estate developer should be annually inspected.

PRC Currency Controls

Current Account Items

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

Prior to July 2009, all current account items were required to be settled in foreign currencies with limited exceptions. Following progressive reforms, Renminbi settlement of imports and exports of goods and of services and other current account items became permissible nationwide in 2012, except that the key enterprises on a Supervision List determined by the PBOC and five other relevant authorities would be subject to enhanced scrutiny when banks process current account cross-border repatriations.

On 5 July 2013, the PBOC promulgated the *Circular on Policies related to Simplifying and Improving Cross-border Renminbi Business Procedures* (關於簡化跨境人民幣業務流程和完善有關政策的通知) (the "**2013 PBOC Circular**"), which simplified the procedures for cross-border Renminbi trade settlement under current account items. On 1 November 2014, PBOC introduced a cash pooling arrangement for qualified multinational enterprise group companies, under which a multinational enterprise group can process cross- border Renminbi payments and receipts for current account items on a collective basis for eligible member companies in the group. On 5 September 2015, PBOC promulgated the Circular on Further Facilitating the Cross-Border Bi-directional Renminbi Cash Pooling Business by Multinational Enterprise Groups (關於進一步便利跨國企業集團開展跨境雙向人民幣資金池業務的通知) (the "**2015 PBOC Circular**"), which, among others, have lowered the eligibility requirements for multinational enterprise groups and increased the cap for net cash inflow. Under the Administrative Provisions on Centralised Operation of Cross-border Funds by Multinational Corporations (跨國公司跨境資金集中運營管理規定) (the "**2019 SAFE Provisions**") promulgated by SAFE on 15 March 2019 a centralized operation arrangement of cross-border funds for qualified multinational enterprise group companies is also introduced by SAFE, under which the receipt/payment and netting settlement in various currencies (including Renminbi) for current account items of eligible member companies could be processed on a collective basis. However, since the 2019 SAFE Provisions is relatively new, it will subject to the interpretation and application by relevant PRC authorities in practice.

The regulations referred to above are subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying these regulations and impose conditions for settlement of current account items.

Capital Account Items

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

In the past, settlement of capital account items, for example, the capital contribution of foreign investors to foreign invested enterprises in the PRC, were generally required to be made in foreign currencies. Under progressive reforms by PBOC, the MOFCOM and the State Administration of Foreign Exchange of the PRC ("**SAFE**"), foreign investors are now permitted to make capital contribution, share transfer, profit allocation and liquidation and certain other transactions in Renminbi for their foreign direct investment within the PRC. Cross-border Renminbi payment infrastructure and trading facilities are being improved. Approval, registration and filing requirements for capital account payments in Renminbi are being removed gradually. In addition, the Circular on Reforming Foreign Exchange Capital Settlement for Foreign Invested Enterprises (關於改革外商投資企業外匯資本金結匯管理方式的通知) which was promulgated on 30 March 2015 becoming effective on 1 July 2015, allows foreign-invested enterprises to settle 100 per cent. (subject to future adjustment at discretion of SAFE) of the foreign currency capital into Renminbi according to their actual operational needs. A negative list with respect to the usage of the capital and the Renminbi proceeds through the aforementioned settlement procedure is set forth under the Circular.

In particular, a foreign invested enterprise with investment as its main business is permitted to use such Renminbi proceeds to make equity contribution to its invested enterprises directly, without further fillings with SAFE. On 23 October 2019, SAFE promulgated the Notice of the State Administration of Foreign Exchange on Further Promoting the Facilitation of Cross-border Trade and Investment (國家外匯管理局關於進一步促進跨境貿易投資便利化的通知), which, among others, further allows the foreign invested enterprises which main businesses are not investment to use their foreign currency capital and/or the Renminbi proceeds of their foreign currency capital to make equity investment in PRC.

PRC entities are also permitted to borrow Renminbi-denominated loans from foreign lenders (which are referred to as "*foreign debt*") and lend Renminbi-denominated loans to foreign borrowers (which are referred to as "*outbound loans*"), as long as such PRC entities have the necessary quota, approval or registration. PRC entities may also denominate security or guarantee arrangements in Renminbi and make payments thereunder to parties in the PRC as well as other jurisdictions (which is referred to as "*cross-border security*"). Under current rules promulgated by SAFE, foreign debts borrowed, outbound loans extended, and the cross – border security provided by a PRC onshore entity (including a financial institution) in Renminbi shall, in principle, be regulated under the current PRC foreign debt, outbound loan and cross-border security regimes applicable to foreign currencies. However, there remain potential inconsistencies between the provisions of the SAFE rules and the provisions of the 2013 PBOC Circular. It is not clear how regulators will deal with such inconsistencies in practice.

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

Notwithstanding the above, there is no assurance that the PRC Government will continue to gradually liberalise the control over Renminbi payments of capital account item transactions in the future. The relevant regulations are relatively new and will be subject to interpretation and application by the relevant PRC authorities. Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

Cross-Border Security Laws

On 12 May 2014, the SAFE promulgated the Circular concerning Promulgation of the Foreign Exchange Administration Rules on Cross-Border Guarantees and the Relating Implementation Guidelines (國家外匯管理局關於發布《跨境擔保外匯管理規定》的通知) (collectively, "**Circular 29**"). Circular 29, which came into force on 1 June 2014, replaced 12 other regulations regarding cross-border security and introduces a number of significant changes, including: (i) abolishing prior SAFE approval and quota requirements for cross-border security; (ii) requiring SAFE registration or filing for two specific types of cross-border security only; (iii) removing eligibility requirements for providers of cross-border security; (iv) the validity of any cross-border security agreement is no longer subject to SAFE approval, registration, filing, and any other SAFE administrative requirements; and (v) removing SAFE verification requirement for performance of cross-border security. A cross-border guarantee is a form of security under Circular 29. Circular 29 classifies cross-border security into three types:

- Nei Bao Wai Dai (內保外貸) ("**NBWD**"): security/guarantee provided by an onshore security provider for a debt owing by an offshore debtor to an offshore creditor.

- Wai Bao Nei Dai (外保內貸) ("**WBND**"): security/guarantee provided by an offshore security provider for a debt owing by an onshore debtor to an onshore creditor.

- Other Types of Cross-border Security (其他形式跨境擔保): any cross-border security guarantee other than NBWD and WBND.

In respect of NBWD, in the case where the onshore security provider is a non-financial institution, it shall conduct a registration of the relevant security/guarantee with SAFE within 15 business days after the execution of the Deed of Guarantee. In the event of changes to the major clauses of the Deed of Guarantee, it shall conduct a change registration for the relevant security/guarantee. According to Circular 29, the funds borrowed offshore shall not be directly or indirectly repatriated to or used onshore by means of loans, equity investments or securities investments without SAFE approval. According to Circular of the State Administration of Foreign Exchange on Further Advancing Foreign Exchange Administration Reform to Enhance Authenticity and Compliance Reviews (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) issued by the SAFE on 26 January 2017 which became effective on the same date, funds for overseas loans under domestic guarantees are allowed to be repatriated into the PRC for domestic use. Debtors can repatriate, directly or indirectly, the funds under guarantees for domestic use through issuing loans to or equity participation in domestic institutions. Further, according to the Policy Q&As (Issue II) on the Circular of the State Administration of Foreign Exchange on Further Advancing the Reform of Foreign Exchange Administration and Improving 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》政策問答(第二期)) issued by the SAFE on 27 April 2017 which became effective on the same date, in the case where the offshore debtor transfers the funds borrowed offshore by means of foreign loans onshore, the onshore borrower shall meet the relevant requirements for foreign debt administration and control the scale of funds repatriated according to the relevant requirements of the mode of macro-prudential management of full-covered cross-border financing or the mode required in the Administration Measures for Registration of Foreign Debts. In the case where the offshore debtor transfers the funds by means of equity investment onshore, it shall meet the requirements from the competent authorities in the area of foreign direct investment.

Upon enforcement, the onshore security provider can pay to the offshore creditor directly (by effecting remittance through an onshore bank) where the NBWD has been registered with SAFE. In addition, if any onshore security provider under a NBWD provides any security or guarantee for an offshore bond issuance, the offshore issuer's equity shares must be fully or partially held directly or indirectly by the onshore security provider. Moreover, the proceeds from any such offshore bond issuance must be applied towards the offshore project (s), where an onshore entity holds equity interest, and in respect of which the related approval, registration, record, or confirmation have been obtained from or made with the competent authorities subject to PRC laws.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Our board of directors currently consists of five directors. The table below shows certain information in respect of the directors:

Name	Age	Position
TAO Aitang (陶愛堂)	59	Chairman of the Board and General Manager
GE Chen (葛琛)	27	Employee Director
ZHU Xingya (朱興亞)	38	Director
JIANG Baogan (蔣保干)	62	Director
DAI Qun (戴群)	60	Director

Mr. TAO Aitang (陶愛堂) has been our Chairman of the Board and General Manager since November 2017. He previously served as an accountant at Shilidian Bedding Factory, Cash Accountant and General Accountant of Shilidian Finance Office, General Budget Accountant of Yaowang Town Finance Office, Director of Shilidian Finance Office and Director of Yaowang Finance Office and Director of the Finance Branch of the Chengdong High-tech Industrial Zone Management Committee.

Mr. GE Chen (葛琛) has been our Employee Director since November 2021. Mr. GE has also served as the Director at HUAN ZHI COMPANY LIMITED since December 2020. He previously worked as a clerk and subsequently a manager of the finance department of TAIXING ZHIGUANG ENVIRONMENTAL PROTECTION TECHNOLOGY CO., LTD. from June 2017 to June 2020.

Mr. ZHU Xingya (朱興亞) has been our Director since November 2021. He has also served as an executive director and a full-time lawyer of the Jiangsu Guankai Law Firm (江蘇觀開律師事務所), a member of civil and commercial Committee of Taizhou Lawyers Association and a member of the Criminal Business Committee of Taizhou Lawyers Association since January 2019. He previously worked in the Discipline Inspection Committee and Supervision Committee from January 2018 to December 2018. He also served as a specified number prosecutor and chief of the investigation section of the Anti-corruption and Bribery Department of Taizhou People's Procuratorate from January 2015 to December 2017. During December 2013 to December 2014, he worked as a procurator and a deputy chief of the Case Supervision and Management section of Taizhou People's Procuratorate. From January 2013 to November 2013. Mr. Zhu worked as deputy director of general office of Taizhou People's Procuratorate. He worked as an assistant procurator of the prosecution branch and the general office of Taizhou People's Procuratorate from June 2008 to December 2012. He also worked as a clerk in the Jiangyan People's Procuratorate from August 2006 to May 2008.

Mr. JIANG Baogan (蔣保干) has been our Director since November 2021. He worked in the Taixing Economic Development Zone Finance Bureau from December 1995 to September 2019. From August 1985 to November 1995, he worked in the Taixing Beixin Finance Office. And he worked in the Taixing Beixinxiang People's Government from April 1983 to July 1985. From January 1981 to March 1983, he worked in the Taixing Beixin Industrial Company and he worked in the Taixing Beixin Credit Cooperative from January 1978 to December 1980.

Mr. DAI Qun (戴群) has been our Director since November 2021. He has also been a partner and a lawyer of Jiangsu Ginkgo Tree Law Firm (江蘇銀杏樹律師事務所) since November 1999. He previously worked as a lawyer at the former Jiangsu Dagong Law Firm from February 1993 to October 1999. And he served as a lecturer and deputy chief of the Organizational Education Section at the Party School of the Taixing Municipal Committee of the Communist Party of China from April 1984 to February 1993. From August 1982 to April 1984, he worked as a lecturer at Shanghai University of Finance and Economics.

SUPERVISORS

Our supervising council currently consists of five members. The table below shows certain information in respect of the supervising council:

Name	Age	Position
YANG Jian (羊劍)	42	Chairman of the Supervising Council
CHEN Wei (陳衛)	48	Supervisor
HUANG Bo (黃波)	39	Supervisor
LI Yafei (李亞飛)	32	Employee Supervisor
XUE Juan (薛娟)	34	Employee Supervisor

Mr. YANG Jian (羊劍) has been the Chairman of our Supervising Council since May 2019. He previously worked in Suzhou Vocational and Technical College (蘇州市職業技術學院), Seagate Maxtor (Suzhou) Co., Ltd. (美國希捷邁拓(蘇州)有限公司), Western Digital (Shanghai) Co., Ltd. (美國西部資料(上海)有限公司), and Wuxi Fuqun Electronics Co., Ltd. (無錫福群電子有限公司).

Mr. CHEN Wei (陳衛) has been our Supervisor since November 2017. He has also worked as the Chief of Planning Section, Planning and Construction Bureau of Taixing Chengdong High-tech Industrial Zone since 2016. He previously worked as a staff member of the village construction section of Quxia Town, Taixing City, Jiangsu Province, staff member of the village construction station of the People's Government of Ningjie Village, staff member of the village construction station of the People's Government of Guangling Town, deputy head of the village construction station of the People's Government of Guangling Town, head of the village construction station of the People's Government of Guangling Town, staff of Taixing Chengdong High-tech Industrial Zone Planning and Construction Bureau, Deputy Chief of Planning Section of Taixing Chengdong High-tech Industrial Zone Planning and Construction Bureau.

Mr. HUANG Bo (黃波) has been our Supervisor since November 2017. He has also worked at Engineering Section of Planning and Construction Bureau, Taixing High-tech Zone Management Committee since 2012. He previously worked at Suzhou Tianneng Real Estate Development Co., Ltd. (蘇州天能房地產開發有限公司), Yaobang Real Estate Development Co., Ltd. (耀邦房地產開發有限公司) and Suzhou Hengyuan Real Estate Development Co., Ltd. (蘇州恒遠房地產開發有限公司).

Mr. LI Yafei (李亞飛) has been our Employee Supervisor since May 2019. He has joined us since June 2016 and has previously worked as an operation assistant of the resources department of the hotel business department of Tongcheng Network Technology Co., Ltd. (同程網路科技股份有限公司) and the deputy store manager of Pacific Coffee (Xijiao Liverpool store) in Suzhou District.

Ms. XUE Juan (薛娟) has been our Employee Supervisor since November 2017. Since 2009, she has been a staff member of Taixing High-tech Zone.

SENIOR MANAGEMENT

Our senior management team currently consists of one member. The table below shows certain information in respect of the senior management team:

Name	Age	Position
TAO Aitang (陶愛堂)	58	Chairman of the Board and General Manager

Mr. TAO Aitang (陶愛堂), please refer to the section above under "**Directors**".

EXCHANGE RATE INFORMATION

The People's Bank of China sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi with reference to a basket of currencies in the market during the prior day. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. The PRC government has since made and in the future may make further adjustments to the exchange rate system. On 18 May 2007, the PBOC enlarged, effective on 21 May 2007, the floating band for the trading prices in the interbank foreign exchange spot market of Renminbi against the U.S. dollar from 0.3 per cent. to 0.5 per cent. around the central parity rate. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5 per cent. above or below the central parity rate published by the PBOC. On 20 June 2010, the PBOC announced that it intended to further reform the Renminbi exchange rate regime by allowing greater flexibility in the Renminbi exchange rate and on 16 April 2012, the band was expanded to 1.0 per cent. The band was further expanded to 2.0 per cent. on 14 March 2014. On 11 August 2015, the PBOC announced to improve the central parity quotations of Renminbi against the U.S. dollar by authorising market-makers to provide central parity quotations to the China Foreign Exchange Trading Centre (the "**CFETS**") daily before the opening of the interbank foreign exchange market with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates. Following the announcement by the PBOC on 11 August 2015, Renminbi depreciated significantly against the U.S. dollar. On 11 December 2015, CFETS, a sub-institutional organisation of the PBOC, published the CFETS Renminbi exchange rate index for the first time which weighs the Renminbi based on 13 currencies, to guide the market in order to measure the Renminbi exchange rate from a new perspective. In January and February 2016, 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. Following the gradual appreciation against U.S. dollar in 2017, Renminbi experienced a recent depreciation in value against U.S. dollar followed by a fluctuation in 2018 and early 2019. 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. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future.

The following table sets forth the exchange rate of the Renminbi against the U.S. dollar for the periods presented.

	Noon buying rate(1)			
Period	**Low**	**Average(2)**	**High**	**Period End**
	RMB per U.S.$1.00			
2016	6.4480	6.6400	6.9580	6.9430
2017	6.4773	6.7350	6.9575	6.5063
2018	6.2649	6.6090	6.9737	6.8755
2019	6.6822	6.9081	7.1786	6.9618
2020	6.5208	6.8878	7.1681	6.5250
2021				
January	6.4282	6.4672	6.4822	6.4282
February	6.4344	6.4601	6.4869	6.4730
March	6.4648	6.5109	6.5716	6.5518
April	6.4710	6.5176	6.5649	6.4749
May	6.3674	6.4321	6.4749	6.3674
June	6.3796	6.4250	6.4811	6.4566
July	6.4562	6.4763	6.5104	6.4609
August	6.4604	6.4768	6.5012	6.4604
September	6.4320	6.4563	6.4702	6.4434
October	6.3820	6.4172	6.4485	6.4050
November	6.3640	6.3889	6.4061	6.3640
December	6.3435	6.3698	6.3772	6.3726
2022				
January (through 7 January)	6.3550	6.3700	6.3822	6.3769

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 rate. Monthly averages have been calculated using the average of the daily rates during the relevant period.

TAXATION

The following summary of certain tax consequences of the purchase, ownership and disposition of the Bonds is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Information Memorandum, 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 Information Memorandum are to be regarded as advice on the tax position of any holder of the Bonds 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 advisers concerning the possible tax consequences of buying, holding or selling any Bonds under the laws of their country of citizenship, residence or domicile.

PRC

The following summary describes the principal PRC tax consequences of ownership of the Bonds by beneficial owners who, or which, are not residents of China for PRC tax purposes. These beneficial owners are referred to as non-PRC holders of the Bonds in this section. Reference is made to PRC taxes from the taxable year beginning on or after 1 January 2008.

Income Tax

Pursuant to the EIT Law, effective on 1 January 2008 and amended on 24 February 2017, 29 December 2018 and its implementation regulations, effective on 1 January 2008 and amended on 23 April 2019 enterprises that are established under the laws of foreign countries and territories (including Hong Kong, Macau and Taiwan) but whose "de facto management bodies" are within the territory of PRC are treated as PRC tax resident enterprises for the purpose of the EIT Law and must pay PRC enterprise income tax at the rate of 25 per cent. in respect of their taxable income sourced from both within and outside of the PRC. The implementation regulations of the EIT Law define the location of the "de facto management body" as an "organizational body which effectively manages and controls the production and business operation, personnel, accounting, properties and other aspects of operations of an enterprise."

In addition, the Notice on Issues Concerning the Determination of Chinese-controlled Enterprises Incorporated Overseas as Resident Enterprises on the Basis of Their De Facto Management Bodies issued by the SAT on 22 April 2009 provides that a foreign enterprise controlled by a PRC company or a PRC company group would be classified as a "resident enterprise" with a "de facto management body" located within the PRC if all of the following requirements are satisfied: (i) the senior management and core management departments in charge of daily operations are located mainly within the PRC; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (iii) main assets, accounting books, company seal and minutes and files of board and shareholders' meetings are located or kept within the PRC; and (iv) at least half of the enterprise's directors with voting rights, or senior management, reside within the PRC. Pursuant to a circular issued by the SAT which became effective on 1 September 2011 and was most recently amended on 15 June 2018, and relevant rules, a foreign enterprise controlled by a PRC company or a PRC company group shall be deemed a "resident enterprise" by the final decision of the provincial or local tax authorities through the application of the foreign enterprise or the investigation of the relevant tax authorities.

If the relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "de facto management body" of the Issuer is within the territory of the PRC, the Issuer may be held to be a PRC tax resident enterprise for the purpose of the EIT Law and be subject to PRC enterprise income tax at the rate of 25 per cent. on its taxable income from sources both within and outside of the PRC. If a holder of Bonds is required to pay any PRC income tax on interest or gains on the transfer of the Bonds, the value of the relevant holder's investment in the Bonds may be materially and adversely affected. As confirmed by the Issuer, as at the date of this Information Memorandum, the Issuer has not been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law. However, we cannot assure you that the Issuer will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future.

Pursuant to the EIT Law and its implementation regulations, any non-resident enterprise without an establishment or place of business within the PRC or whose income has no connection to its establishment or place of business inside the PRC must pay enterprise income tax on income sourced within the PRC, and such income tax must be withheld at source by the PRC payer acting as a withholding agent. Accordingly, in the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, the Issuer may be required to withhold income tax from the payments of interest in respect of the Bonds to any non-resident enterprise holder of Bonds (the tax would be withheld at source), and gain from the disposition of the Bonds may be subject to PRC tax, if the interest or gain is treated as PRC-sourced. Further, in accordance with the Individual Income Tax Law of the PRC which took effect on 1 September 2011, was amended on 31 August 2018 and took effect on 1 January 2019 and its implementation regulations which was amended on 18 December 2018 and took effect on 1 January 2019, if the Issuer is considered to be a PRC tax resident enterprise, the interest payable to the non-resident individual holder of Bonds, and gains realized on the transfer of the Bonds by the non-resident individual holder of Bonds may be subject to PRC individual income tax if such interest or gains are treated as income derived from sources within the PRC (and in the case of interest payments, the tax would be withheld at source). The tax rate is generally 10 per cent. for non-resident enterprise holders of Bonds and 20 per cent. in the case of non-resident individual holders of Bonds, subject to the provisions of any applicable income tax treaty. If the Issuer is required under the EIT Law to withhold PRC income tax from interest payments made to the Issuer's non-resident holders of Bonds, the Issuer will be required to pay these additional amounts which will result in receipt by these holders of Bonds of interest payment amounts as if no such withholding had been required The requirement to pay additional amounts will increase the cost of servicing interest payments on the Bonds, and could have a material adverse effect on our ability to pay interest on, and repay the principal amount of, the Bonds, as well as our profitability and cash flow.

In addition, as the Guarantor is a PRC resident enterprise, in the event that the Guarantor is required to fulfil its obligations under the Guarantee by making interest payments on behalf of the Issuer, the Guarantor will be obliged to withhold PRC enterprise income tax at a rate of 10 per cent. on such payments to non-resident enterprise holders of Bonds and 20 per cent. for non-resident individual holders of Bonds if such interest payments are deemed to be derived from sources within the PRC. To the extent that the PRC has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, which allows a lower rate of withholding tax, such lower rate may apply to qualified non-resident holders of Bonds.

VAT

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

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

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

Recently, the Circular of the Ministry of Finance and the State Administration of Taxation on the Adjustment to VAT Rates (關於調整增值稅稅率的通知) (Caishui [2018] No. 32, "**Circular 32**"), which was issued on 4 April 2018 and effective on 5 May 2018, confirms the major relevant policies for adjusting VAT rates as follows: (i) the deduction rates of 17 per cent. and 11 per cent. applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16 per cent. and 10 per cent., respectively, and (ii) for the export goods to which a tax rate of 17 per cent. was originally applicable and the export rebate rate was 17 per cent., the export rebate rate is adjusted to 16 per cent., and for the export goods and cross-border taxable activities to which a tax rate of 11 per cent. was originally applicable and the export rebate rate was 11 per cent., the export rebate rate is adjusted to 10 per cent. According to the Circular on Policies Concerning Deepening the Reform of Value Added Tax (關於深化增值稅改革有關政策的公告) (Announcement [2019] No. 39, "**Announcement 39**") promulgated by MOF, SAT and General Administration of Customs on 20 March 2019, which took effect on 1 April 2019, the deduction rates of 16 per cent. and 10 per cent. applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 13 per cent. and 9 per cent., respectively, and (ii) for the export goods to which a tax rate of 16 per cent. was originally applicable and the export rebate rate was 16 per cent., the export rebate rate is adjusted to 13 per cent., and for the export goods and cross-border taxable activities to which a tax rate of 10 per cent. was originally applicable and the export rebate rate was 10 per cent., the export rebate rate is adjusted to 9 per cent. As Circular 32 and Announcement 39 are relatively new regulations, these confirmatory statements may be subject to further changes upon the issuance of further clarification rules and/or different interpretation by the competent tax authority.

Stamp Duty

No PRC stamp duty will be imposed on non-PRC holders of the Bonds 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.

However, despite the withholding of the PRC tax by us, we have agreed to pay additional amounts to holders of the Bonds so that holders of the Bonds would receive the full amount of the scheduled payment, as further set out in "Description of the Bonds."

HONG KONG

Withholding tax

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

Profits tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of assessable 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:

- 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;
- 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;

- interest on the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the "**IRO**")) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

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

Sums derived from the sale, disposal or redemption of 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, the sum is revenue in nature and the sum has a Hong Kong source. The source of such sums will generally be determined by having regard to the manner in which the Bonds are acquired and disposed of.

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

Stamp Duty

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

BRITISH VIRGIN ISLANDS

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

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

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

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

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

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

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

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

Under the Global Certificate, the Issuer, for value received, promises to pay such principal and interest on the Bonds to the holder of the Bonds on such date or dates as the same may become payable in accordance with the Terms and Conditions of the Bonds, save that the calculation is made in respect of the total aggregate amount of the Bonds represented by the Global Certificate. So long as the Bonds are represented by a Global Certificate and the relevant 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.

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, Luxembourg or any other clearing system (an "**Alternative Clearing System**") is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so. In such circumstances, the Issuer will cause sufficient individual definitive Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant holders of the Bonds. A person with an interest in the Bonds in respect of which the Global Certificate is issued must provide the Registrar not less than 30 days' notice at its specified office of such holder's intention to effect such exchange and a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Certificates.

Payment

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 whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the due date for such payments, where "**Clearing System Business Day**" means a weekday (Monday to Friday inclusive) except 25 December and 1 January.

Trustee's Powers

In considering the interests of the Bondholders whilst 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 obliged 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) may consider such interests on the basis that such account holders were the holder of the Bonds in respect of which such Global Certificate is issued.

Notices

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

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

Bondholder's Redemption

The Bondholder's redemption option in Condition 7(c) may be exercised by the holder of the Global Certificate giving notice to the Principal Paying Agent of the principal amount of Bonds in respect of which the option is exercised within the time limits specified in the Conditions.

Transfers

Transfers of beneficial interests in the Bonds represented by the Global Certificate will be effected through the records of Euroclear and Clearstream, Luxembourg (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (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 and its respective subsidiaries will be effected by reduction in the principal amount of the Bonds in the register of the Bondholders.

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 the Bonds.

PLACEMENT AND SALE

We have entered into a placing and subscription agreement, among others, with the Placing Agents dated 14 January 2022 (the "**Placing Agreement**"), pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to sell to the investors identified by the Placing Agents, and the Placing Agents has agreed to use reasonable efforts to procure subscribers, on a several and not joint basis, for the placement of the Bonds and facilitate the subscription and payment for the aggregate principal amount of the Bonds.

The Placing Agreement provides that the obligations of the Placing Agents are subject to certain conditions precedent, and entitles the Placing Agents to terminate it in certain circumstances prior to payment being made by such investor to the Issuer and the Bonds being issued.

General

The distribution of this Information Memorandum 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 Information Memorandum 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 Information Memorandum may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

United States

The Bonds have not been and will not be registered under 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. Each of the Placing Agents has represented and warranted that it has not offered or sold, and has agreed that it will not offer or sell, any of the Bonds constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Bonds. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each of the Placing Agents has represented and agreed that neither it nor any of their respective affiliates (as defined in Rule 501(b) of Regulation D under the Securities Act ("**Regulation D**")), nor any person acting on its or their behalf, has engaged or will engage in any form of general solicitation or general advertising (within the meaning of Regulation D) in connection with any offer and sale of the Bonds in the United States.

United Kingdom

Each of the Placing Agents has represented, warranted and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of any Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; 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 Placing Agents 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 (Cap. 571) of Hong Kong and any rules made under that Ordinance; 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 (Cap. 32) 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 in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

Singapore

Each of the Placing Agents has acknowledged that this Information Memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each of the Placing Agents has represented and agreed that it has not offered or sold any Bonds or caused such Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell such Bonds or cause such Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Information Memorandum 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), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the 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 interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA, except:

(i) to an institutional investor or to a relevant person 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.

Singapore SFA Product Classification: In connection with 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).

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

The People's Republic of China

Each of the Placing Agents has agreed that the offer of the Bonds is not an offer of securities within the meaning of the PRC Securities Law or other pertinent laws and regulations of the PRC and the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the People's Republic of China.

British Virgin Islands

Each of the Placing Agents has represented, warranted and agreed that it has not made and will not make, directly or indirectly, any offer to any person in the British Virgin Islands or to the public in the British Virgin Islands to purchase or subscribe for any of the Bonds and the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the British Virgin Islands, except as otherwise permitted by the British Virgin Islands law.

GENERAL INFORMATION

1. **Clearing System**: The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code 242894421 and the ISIN for the Bonds is XS2428944214. Our Legal Entity Identifier is 6556000812FVFAWBZJ95.

2. **Authorisations**: We have obtained all necessary consents, approvals and authorisations in connection with the issue and performance of their respective obligations under the Bonds, the Guarantee, the Trust Deed and the Agency Agreement. The issue of the Bonds was authorised by a resolution of the directors of the Issuer dated 17 December 2021. The giving of the Guarantee was authorized by a resolution of the board of directors of the Guarantor on 21 December 2021 and a resolution of the shareholders of the Guarantor on 21 December 2021.

3. **Registrations and Filings**: We will undertake to file or cause to be filed with SAFE after the Issue Date, within the time period prescribed by SAFE pursuant to relevant laws and regulations, the requisite information and documents as required by the relevant regulatory authority.

4. **No Material and Adverse Change**: There has been no material adverse change, or any development or event likely to involve a prospective material adverse change, in our condition (financial or otherwise), prospects, properties, results of operations, business or general affairs since 30 September 2021.

5. **Litigation**: None of us is involved in any litigation or arbitration proceedings which we believe is material in the context of the Bonds nor are we aware that any such proceedings are pending or threatened.

6. **Available Documents**: So long as any of the Bonds is outstanding, copies of the Trust Deed and the Agency Agreement will be available for inspection by the Bondholders from the Issue Date upon prior written request and proof of identity and holding to the satisfaction of the Trustee during usual business hours (being between 9:00 a.m. (Hong Kong time) to 3:00 p.m. (Hong Kong time) from Monday to Friday (other than public holidays)) at the specified office of the Trustee, which at the date of this Information Memorandum is at 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong.

7. **Our Financial Statement**: Our audited consolidated financial information as at and for the years ended 31 December 2018, 2019 and 2020 included elsewhere in this Information Memorandum has been extracted from the Historical Financial Statement. The audited consolidated financial statements have been audited by our independent auditor and will be available for inspection by the Bondholders from the Issue date at our principal business address at west side of Dai Wang Road, East High-tech Industrial Park, Taixing City, China.

8. For the purpose of the offer and sale of the Bonds, Sichuan Huaxin (Group) CPA Firm (Special General Partnership) has acknowledged the references to its name and the inclusion of its reports in the form and context in which they are respectively included in this Information Memorandum.

9. **Listing of Bonds**: Application will be made to the The Stock Exchange of Hong Kong Limited 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 21 January 2022.

INDEX TO FINANCIAL STATEMENTS

Sichuan Huaxin (Group) CPA (LLP)
四川华信(集团)会计师事务所
（特殊普通合伙）

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Taixing Zhiguang Environmental Technology Co., Ltd.
2020 Annual Audit Report

Chuan-huaxin Audit (2021) No. 0265

Contents:

Auditor's Report

The shareholders of Taixing Zhiguang Environmental Technology Co., Ltd.:

Opinion

We have audited the accompanying financial statements of Taixing Zhiguang Environmental Technology Co., Ltd. (“TXZG Technology Co.”), which comprises the consolidated and parent company’s balance sheet as of December 31,2020, the consolidated and parent company’s income statement, the consolidated and parent company’s cash flow statement, and the consolidated and parent company’s statement of changes in shareholders’ equity for the year 2020, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and parent company’s financial position of TXZG Technology Co. as of December 31, 2020, and its consolidated and parent company’s financial performance and cash flows of TXZG Technology Co. of the year 2020, in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People’s Republic of China.

Basis for Opinion

We conducted our audit in accordance with Chinese Auditing Standards. 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 TXZG Technology Co. in accordance with the code of ethics for Chinese Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

The management of TXZG Technology Co. is responsible for the preparation and fair presentation of the financial statements in accordance with Accounting Standards for Business Enterprises and designing, implementing and maintaining internal control that is necessary to enable the financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing TXZG Technology 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 solely to you. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Chinese Auditing Standards 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 Chinese Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

(1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or

error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

(4) Conclude on the appropriateness of the 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 to the related disclosures of the financial statements in our auditor report or, if such disclosures are inadequate, we are required 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.

(5) Evaluate the overall presentation, structure and content of the financial statements (including the disclosures), and whether the financial statements represent the underlying transactions and events in a manner that achieves the fair presentation.

(6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within TXZG Technology Co. 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.

Sichuan Huaxin (Group) CPA (LLP)　　Chinese Certified Public Accountant:

Chengdu, China　　Chinese Certified Public Accountant:

Chinese Certified Public Accountant:

April 10, 2021

Consolidated Balance Sheet

Prepared by: Taixing Zhiguang Environmental Technology Co., Ltd. Currecy: RMB Yuan

Item	Notes	December 31, 2020.	December 31, 2019.
Current assets:			
Monetary funds	VI. 1	4,288,707,345.95	4,226,800,201.97
Provison of settlement fund			
Funds lent			
Financial assets measured with fair value and having the change of fair value recorded in the gain or loss of the current period	VI. 2		11,526,501.37
Derivative assets			
Notes receivable	VI. 3	23,245,716.18	61,848,071.87
Accounts receivable	VI. 4	4,645,259,468.14	3,915,995,924.95
Prepayment	VI. 5	1,201,811,992.43	1,327,190,167.08
Insurance premiums receivable			
Cession premiums receivable			
Provision of cession receivable			
Other accounts receivable	VI. 6	5,021,031,387.08	3,900,234,637.90
Including: Interests receivable			15,902,794.98
Dividend receivable			
Recoursabel financial assets acquired			
Inventory	VI. 7	6,206,945,415.76	5,039,338,557.24
Held-to-sale assets			
Non-current assets coming due within 1 year	VI. 8		92,328,626.31
Other current assets	VI. 9	198,684,424.45	95,504,078.85
Total current assets		21,585,685,749.99	18,670,766,767.54
Non-current assets:			
Loans and payments on behalf			
Available-for-sale financial assets	VI. 10	635,210,029.41	523,882,727.98
Held-to-maturity investments			
Long-term accounts receivable	VI. 11	19,000,000.00	19,000,000.00
Long-term equity investments	VI. 12	678,041,335.21	780,114,525.19
Investment real estate	VI. 13	2,135,095,593.31	1,592,239,829.32
Fixed assets	VI. 14	576,009,201.78	576,970,127.52
Construction in progress	VI. 15	20,637,040.65	950,233,527.48
Bearer biological assets			
Oil and natural gas assets			
Intangible assets	VI. 16	1,367,357,651.66	1,411,836,854.80
Research and development costs	VI. 17		
Goodwill	VI. 18	857,663,802.25	958,286,629.22
Long-term unamortized expenses	VI. 19	6,420,277.96	6,389,241.56
Deferred income tax assets	VI. 20	261,544,334.24	233,990,836.57
Other non-current assets	VI. 21	11,071,000.00	70,693,868.50
Total Non-current assets		6,568,050,266.47	7,123,638,168.14
Total assets		28,153,736,016.46	25,794,404,935.68

Legal Representative: Competent person in charge of accounting work: Accounting Supervisor:

Consolidated Balance Sheet (Continued)

Prepared by: Taixing Zhiguang Environmental Technology Co., Ltd. Currecy: RMB Yuan

Item	Notes	December 31, 2020.	December 31, 2019.
Current liabilities:			
Short-term loans	VI. 22	3,979,247,694.50	4,716,776,707.43
Borrowings from central bank			
Deposits from customers and interbank			
Deposit funds			
Financial liabilities measured by fair value and having the change of fair value recorded in the gain or loss of the current period			
Derivative liabilities			
Notes payable	VI. 23	2,815,500,000.00	2,038,850,000.00
Accounts payable	VI. 24	359,870,752.25	547,091,574.14
Advance from customers	VI. 25	19,485,233.12	31,337,859.42
Funds from sales of financial assets with repurchasement agreement			
Handing charges and commissions payable			
Payroll payable		36,446,112.48	33,785,882.28
Taxes payable	VI. 26	520,104,677.46	327,677,959.89
Other accounts payable	VI. 27	210,566,585.86	1,596,794,107.71
Including: Interests payable			19,539,078.01
Dividends payable			
Cession insurance premiums payable			
Provision for insurance contracts			
Funds received as agent of stock exchange			
Funds received as stock underwrite			
Held-for-sale liabilities			
Non-current liabilities due within 1 year	VI. 28	3,577,347,836.82	741,811,268.78
Other current liabilities	VI. 29	82,135,473.88	64,030,000.00
Total current liabilities		11,600,704,366.37	10,098,155,359.65
Non-current liabilities:			
Long-term loans	VI. 30	2,200,709,200.00	2,997,330,000.00
Bonds payable	VI. 31	1,361,069,566.00	1,222,689,763.65
Including: Preferred stock			
Perpetual debt			
Long-term payables	VI. 32	558,307,384.36	533,700,320.76
Long-term payroll payable			
Estimated liabilities	VI. 33	3,815,705.98	4,302,993.26
Deferred income	VI. 34	1,942,651.93	2,307,170.28
Deferred income tax liabilities	VI. 20	5,645,821.15	6,015,738.67
Other non-current liabilities	VI. 35	1,788,383,271.98	1,641,549,271.98
Total non-current liabilities		5,919,873,601.40	6,407,895,258.60
Total liabilities		17,520,577,967.77	16,506,050,618.25
Owners' equity:			
Paid-in capital	VI. 36	2,000,000,000.00	1,000,000,000.00
Other equity instruments			
Including: Preferred stock			
Perpetual debt			
Capital reserve	VI. 37	4,000,534,075.18	4,001,969,933.65
Less: Reasury stock			
Other comprehensive income	VI. 38	-309,133.13	-782,005.17
Special reserve			
Surplus reserve	VI. 39	342,777,008.66	303,786,867.48
General reserve			
Retained earnings	VI. 40	3,212,582,467.14	2,913,356,755.62
Total owners' equity attributable to parent company		9,555,584,417.85	8,218,331,551.58
Minority owners' equity		1,077,573,630.84	1,070,022,765.85
Total owners' equity		10,633,158,048.69	9,288,354,317.43
Total liabilities and owners' equity		28,153,736,016.46	25,794,404,935.68

Legal Representative: Competent person in charge of accounting work: Accounting Supervisor:

Consolidated Income Statement

Prepared by: Taixing Zhiguang Environmental Technology Co., Ltd. Currecy: RMB Yuan

Item	Notes	2020	2019
I. Total revenues	VI. 41	7,538,848,066.37	6,135,038,609.91
Including: Operating revenue		7,538,848,066.37	6,135,038,609.91
Interest incomes			
Insurance premium earned			
Hangding charges and commissions incomes			
II. Total costs		7,445,645,020.99	6,012,507,033.05
Including: Operating cost	VI. 41	6,825,112,067.39	5,572,255,807.79
Interest expenses			
Handing charges and commissions expenses			
Refund of insurance premiums			
Net payments for insurance claims			
Net provision for insurance contracts			
Commissions on insurance policies			
Cession charges			
Tax and surcharge	VI. 42	34,695,551.42	30,349,271.73
Selling and distribution expenses		46,317,402.23	33,972,809.31
General and administrative expenses		197,972,966.64	175,273,231.93
Reseach and development expenses	VI. 43	45,564,375.42	25,212,999.82
Financial expenses	VI. 44	295,982,657.89	175,442,912.47
Inclouding: interest expenses		460,238,531.17	218,952,441.10
Interest income		181,158,659.28	46,971,076.04
Add: Other income	VI. 45	357,090,600.36	253,156,298.04
Investment income (loss expressed with "-")	VI. 46	5,102,461.00	53,334,641.01
Including: Investment income from joint ventures and associated enterprises		-8,752,898.26	-18,079,416.19
Gains from changes in fair value (loss expressed with "-")	VI. 47	-26,501.37	26,501.37
Asset impairment losses (loss expressed with "-")	VI. 48	-119,055,930.45	-119,442,514.55
Asset disposal income (loss expressed with "-")	VI. 49	804,602.92	-16,478.03
Gain on foreign exchange transactions (loss expressed with "-")			
III. Profit from operations (loss expressed with "-")		337,118,277.84	309,590,024.70
Add: Non-operating income	VI. 50	14,020,490.46	4,810,151.27
Less: Non-operating expenses	VI. 51	2,053,974.44	9,795,344.65
IV. Profit before tax (loss expressed with "-")		349,084,793.86	304,604,831.32
Less: Income tax expenses	VI. 52	-8,920,769.50	-5,023,275.96
V. Net profit (loss expressed with "-")	VI. 53	358,005,563.36	309,628,107.28
1. Profit classfied as continuity			
1) Continuous operating profit and loss		358,005,563.36	309,628,107.28
2) Termination of the business profit and loss			
2. Profit classfied as ownership			
1) Net profit attributable to parent company		338,215,852.70	316,101,061.62
2) Profit/loss attributable to minority share-holders		19,789,710.66	-6,472,954.34
VI. Other comprehensive income after tax		2,499,108.97	-4,395,539.34
Other Comprehensive income after tax attributable to parent company		474,783.22	-782,005.17
1. Comprehensive income not to be reclassified as profit or loss			-5,576.25
1)Changes from remeasurement of the defined benefit plan			
2) Other comprehensive income that cannot be reclassified to profit or loss under the equity method			
3) Fair value changes of investments in other equity instruments			-5,576.25
2. Comprehensive income to be reclassified as profit or loss		474,783.22	-776,428.92
1) Other comprehensive income that can be reclassified to profit or loss			
2) Gain or loss from fair value changes of available-for-sale financial assets			
3) Gain or loss from reclassification of held-to-maturity investments as available-for-sale financial assets			
4) Gain or loss on effective cash flow hedging			
5) Currency translation reserve		474,783.22	-776,428.92
6) Others			
Other comprehensive income attributable to minority share-holders after tax		2,024,325.75	-3,613,534.17
VII. Total comprehensive income		360,504,672.33	305,232,567.94
Total comprehensive income attributable to parent company		338,690,635.92	315,319,056.45
Total comprehensive income attributable to minority share-holders		21,814,036.41	-10,086,488.51

Legal Representative: Competent person in charge of accounting work : Accounting Supervisor:

Consolidated Cash Flow Statement

Prepared by: Taixing Zhiguang Environmental Technology Co., Ltd. Currecy: RMB Yuan

Item	Notes	2020	2019
1. Cash flow from operating activities			
Cash received from sales and services		7,028,348,417.33	6,737,558,627.61
Net increase in customer deposits and deposits from banks and other financial institutions			
Net increase in loans from central bank			
Net increase in loans from other financial institutions			
Premiums received on original insurance contracts			
Net proceeds from reinsurance			
Net increase in deposits and investments of policy holders			
Net increase in proceeds from disposal of financial assets at fair value through profit or loss			
Interest, handling charges and commissions received			
Net increase in interbank loans obtained			
Net increase in proceeds from repurchase transactions			
Taxes and surcharges refunds		20,846,374.97	18,842,343.42
Other cash received related to operating activities		1,712,062,635.47	1,752,935,268.30
Total cash inflows from operating activities		8,761,257,427.77	8,509,336,239.33
Cash paid for goods and services		6,315,037,884.42	7,679,145,428.97
Net increase in loans and advances to customers			
Net increase in deposits in central bank and in interbank loans granted			
Payments for claims on original insurance contracts			
Interest, handling charges and commissions paid			
Policy dividends paid			
Cash paid to and for employees		282,499,361.08	151,299,277.72
Taxes and surcharges cash payments		175,312,797.80	237,961,162.23
Other cash paid related to operating activities		2,982,376,692.13	2,436,862,193.27
Total cash outflows from operating activities		9,755,226,735.43	10,505,268,062.19
Net cash flows from operating activities		-993,969,307.66	-1,995,931,822.86
2. Cash flows from investing activities			
Proceeds from disinvestments		162,500,000.00	377,745,013.27
Investment income received		12,097,442.54	19,829,477.94
Net proceeds from disposal of property, plant and equipment, intangible assets and other long-lived assets		42,311,738.63	16,754,376.59
Net proceeds from disposal of subsidiaries or other business units		66,036,195.26	72,303,065.62
Other cash received related to investing activities	V.64	71,962.56	111,681,199.83
Total cash inflows from investing activities		283,017,338.99	598,313,133.25
Payments for acquisition of property, plant and equipment, intangible assets and other long-lived assets		47,967,069.54	5,398,763.53
Payments for investments		40,351,411.00	304,600,000.00
Net increase in pledged loans granted			
Net payments for acquisition of subsidiaries and other business units		57,398,669.33	671,883,072.00
Other cash paid related to investing activities	V.64	33,538.13	391,998,461.51
Total cash outflows from investing activities		145,750,688.00	1,373,880,297.04
Net cash flows from investing activities		137,266,650.99	-775,567,163.79
3. Cash flows from financing activities			
Capital contributions received		1,005,500,000.00	591,820,000.00
Including: Capital contributions by non-controlling interests to subsidiaries			
Increase in borrowings		5,259,958,934.21	6,438,189,506.91
Net proceeds from issuance of bonds		497,000,000.00	1,127,000,000.00
Other cash received related to other financing activities	V.64	5,896,452,879.40	5,386,978,807.13
Total cash inflows from financing activities		12,658,911,813.61	13,543,988,314.04
Repayment of borrowings		5,820,745,090.23	5,518,462,328.44
Payments for interest and dividends		1,146,656,710.25	742,093,952.82
Including: Dividends paid by subsidiaries to non-controlling interests		2,882,305.58	7,500,000.00
Other cash paid related to financing activities	V.64	4,380,708,012.58	4,466,756,258.55
Total cash outflows from financing activities		11,348,109,813.06	10,727,312,539.81
Net cash flows from financing activities		1,310,802,000.55	2,816,675,774.23
4. Effect of foreign exchange rate changes on cash and cash equivalents		-8,433,149.35	627,198.20
5. Net increase in cash and cash equivalents		445,666,194.53	45,803,985.78
Add: Opening balance of cash and cash equivalents		408,033,898.50	362,229,912.72
6. Closing balance of cash and cash equivalents		853,700,093.03	408,033,898.50

Legal Representative: Competent person in charge of accounting work : Accounting Supervisor:

Consolidated Statement of Changes in Owners' Equity

Prepared by: Taixing Zhiguang Environmental Technology Co., Ltd. Currecy: RMB Yuan

Item	2020							
	Owners' equity attributable to parent company						Minority owners' equity	Total owners' equity
	Paid-in capital	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings		
I. Balances as of end of prior year	1,000,000,000.00	4,001,969,933.65	-782,005.17	303,786,867.48		2,913,356,755.62	1,070,022,765.85	9,288,354,317.43
Add: Adjustments for changed accounting policies								
Adjustments for corrections of previous errors								
Adjustments for business mergers under same control								
Other adjustments								
II. Balances as of beginning of the year	1,000,000,000.00	4,001,969,933.65	-782,005.17	303,786,867.48		2,913,356,755.62	1,070,022,765.85	9,288,354,317.43
III. Increase/ decrease in the period ("-" for decrease)	1,000,000,000.00	-1,435,858.47	472,872.04	38,990,141.18		299,225,711.52	7,550,864.99	1,344,803,731.26
1. Total comprehensive income			474,783.23			338,215,852.70	21,814,036.40	360,504,672.33
2. Capital increased and reduced by owners	1,000,000,000.00	-1,412,064.85					-11,396,510.75	987,191,424.40
1) Common shares increased by shareholders	1,000,000,000.00						-5,375,912.05	994,624,087.95
2) Capital increased by holders of other equity								
3) Share-based payments included in owners' equity								
4) Others		-1,412,064.85					-6,020,598.70	-7,432,663.55
3. Profit distribution				38,990,141.18		-38,990,141.18	-2,757,063.50	-2,757,063.50
1) Appropriation to surplus reserve				38,990,141.18		-38,990,141.18		
2) Appropriation to general reserve								
3) Appropriation to owners (or shareholders)							-2,757,063.50	-2,757,063.50
4) Others								
4. Carryforwards within owners' equity								
1) Increase in capital (or share capital) from capital								
2) Increase in capital (or share capital) from surplus								
3) Surplus reserves used to make up losses								
4) Change amount of defined benefit plans that carry forward Retained earnings								
5) Others								
5. Specific reserve								
1) Withdrawn for the period								
2) Used during the period								
6. Others		-23,793.62	-1,911.19				-109,597.16	-135,301.97
IV. Balances as of end of the period	2,000,000,000.00	4,000,534,075.18	-309,133.13	342,777,008.66		3,212,582,467.14	1,077,573,630.84	10,633,158,048.69

Legal Representative: Competent person in charge of accounting work ： Accounting Supervisor:

Consolidated Statement of Changes in Owners' Equity (Continued)

Prepared by: Taixing Zhiguang Environmental Technology Co., Ltd. Currecy: RMB Yuan

Item	2019						
	Owners' equity attributable to parent company					Minority owners' equity	Total owners' equity
	Paid-in capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings		
I. Balances as of end of prior year	448,180,000.00	3,594,399,913.19		272,968,300.50	2,628,444,123.54	-6,800,980.87	6,937,191,356.36
Add: Adjustments for changed accounting policies							
Adjustments for corrections of previous errors							
Adjustments for business mergers under same control							
Other adjustments							
II. Balances as of beginning of the year	448,180,000.00	3,594,399,913.19		272,968,300.50	2,628,444,123.54	-6,800,980.87	6,937,191,356.36
III. Increase/ decrease in the period ("-" for decrease)	551,820,000.00	407,570,020.46	-782,005.17	30,818,566.98	284,912,632.08	1,076,823,746.72	2,351,162,961.07
1. Total comprehensive income			-782,005.17		316,101,061.62	-10,086,488.51	305,232,567.94
2. Capital increased and reduced by owners	551,820,000.00	407,570,020.46				1,086,910,235.23	2,046,300,255.69
1) Common shares increased by shareholders	551,820,000.00						551,820,000.00
2) Capital increased by holders of other equity instruments							
3) Share-based payments included in owners' equity							
4) Others		407,570,020.46				1,086,910,235.23	1,494,480,255.69
3. Profit distribution				30,818,566.98	-31,188,429.54		-369,862.56
1) Appropriation to surplus reserve				30,818,566.98	-30,818,566.98		
2) Appropriation to general reserve							
3) Appropriation to owners (or shareholders)							
4) Others					-369,862.56		-369,862.56
4. Carryforwards within owners' equity							
1) Increase in capital (or share capital) from capital reserve							
2) Increase in capital (or share capital) from surplus							
3) Surplus reserves used to make up losses							
4) Change amount of defined benefit plans that carry forward Retained earnings							
5) Others							
5. Specific reserve							
1) Withdrawn for the period							
2) Used during the period							
6. Others							
IV. Balances as of end of the period	1,000,000,000.00	4,001,969,933.65	-782,005.17	303,786,867.48	2,913,356,755.62	1,070,022,765.85	9,288,354,317.43

Legal Representative: Competent person in charge of accounting work : Accounting Supervisor:

Parent Company Balance Sheet

Prepared by: Taixing Zhiguang Environmental Technology Co., Ltd. Currecy: RMB Yuan

Item	Notes	December 31, 2020.	December 31, 2019.
Current assets:			
Monetary funds		1,673,631,194.85	1,521,048,894.11
Financial assets measured with fair value and having the change of fair value recorded in the gain or loss of the current period			
Derivative assets			
Notes receivable			
Accounts receivable	XIII.1	2,847,522,580.31	2,394,700,716.01
Prepayment		356,465,409.16	337,667,812.56
Other accounts receivable	XIII.2	3,720,259,603.79	3,891,155,122.72
Including: Interests receivable			
Dividend receivable			
Inventory		5,345,628,487.25	4,005,128,720.40
Held-to-sale assets			
Non-current assets coming due within 1 year			
Other current assets		54,647,853.77	40,005,678.56
Total current assets		13,998,155,129.13	12,189,706,944.36
Non-current assets:			
Available-for-sale financial assets		320,400,000.00	319,200,000.00
Held-to-maturity investments			
Long-term accounts receivable			
Long-term equity investments	XIII.3	3,421,512,239.22	3,415,863,071.15
Investment real estate		2,135,095,593.31	1,592,239,829.32
Fixed assets		200,699,061.86	207,764,564.61
Construction in progress		14,483,200.20	945,903,537.37
Bearer biological assets			
Oil and natural gas assets			
Intangible assets		1,315,706,679.20	1,354,326,524.22
Research and development costs			
Goodwill			
Long-term unamortized expenses			
Deferred income tax assets		14,783,072.37	14,783,072.37
Other non-current assets		10,000,000.00	24,800,000.00
Total Non-current assets		7,432,679,846.16	7,874,880,599.04
Total assets		21,430,834,975.29	20,064,587,543.40

Legal Representative: Competent person in charge of accounting work: Accounting Supervisor:

Parent Company Balance Sheet (Continued)

Prepared by: Taixing Zhiguang Environmental Technology Co., Ltd. Currecy: RMB Yuan

Item	Notes	December 31, 2020.	December 31, 2019.
Current liabilities:			
Short-term loans		1,952,000,000.00	1,982,900,000.00
Financial liabilities measured by fair value and having the change of fair value recorded in the gain or loss of the current period			
Derivative liabilities			
Notes payable		1,045,500,000.00	668,500,000.00
Accounts payable		41,158,718.97	53,588,095.71
Advance from customers			
Payroll payable			
Taxes payable		359,177,396.89	275,642,190.26
Other accounts payable		2,966,267,460.79	5,640,968,084.98
Including: Interests payable			16,258,904.11
Dividends payable			
Held-for-sale liabilities			
Non-current liabilities due within 1 year		2,569,561,857.15	470,053,361.16
Other current liabilities			
Total current liabilities		8,933,665,433.80	9,091,651,732.11
Non-current liabilities:			
Long-term loans		1,959,809,200.00	1,936,230,000.00
Bonds payable		1,361,069,566.00	1,222,689,763.65
Including: Preferred stock			
Perpetual debt			
Long-term payables		476,033,427.01	489,810,110.96
Long-term payroll payable			
Estimated liabilities			
Deferred income			
Deferred income tax liabilities			
Other non-current liabilities			13,850,000.00
Total non-current liabilities		3,796,912,193.01	3,662,579,874.61
Total liabilities		12,730,577,626.81	12,754,231,606.72
Owners' equity:			
Paid-in capital		2,000,000,000.00	1,000,000,000.00
Other equity instruments			
Including: Preferred stock			
Perpetual debt			
Capital reserve		3,594,399,913.19	3,594,399,913.19
Less: Reasury stock			
Other comprehensive income			
Special reserve			
Surplus reserve		342,777,008.66	303,786,867.48
Retained earnings		2,763,080,426.63	2,412,169,156.01
Total owners' equity		8,700,257,348.48	7,310,355,936.68
Total liabilities and owners' equity		21,430,834,975.29	20,064,587,543.40

Legal Representative: Competent person in charge of accounting work: Accounting Supervisor:

Parent Company Income Statement

Prepared by: Taixing Zhiguang Environmental Technology Co., Ltd. Currecy: RMB Yuan

Item	Notes	2020	2019
I. Total revenues	XIII.4	1,802,143,752.19	1,998,682,497.28
Less: Operating cost	XIII.4	1,441,934,077.69	1,639,380,075.14
Tax and surcharge		18,336,004.42	17,603,923.22
Selling and distribution expense			10,050.00
General and administrative expenses		63,316,547.80	98,402,074.75
Reseach and development expenses			
Financial expenses		275,822,850.62	160,100,169.42
Inclouding: interest expenses			172,754,636.10
Interest income			14,464,719.45
Add: Other income		353,094,397.52	250,000,000.00
Investment income (loss expressed with "-")	XIII.5	32,625,908.07	14,556,956.27
Including: Investment income from joint ventures and associated enterprises		32,625,908.07	11,777,211.11
Gains from changes in fair value (loss expressed with "-")			
Asset impairment losses (loss expressed with "-")			-24,991,788.91
Asset disposal income (loss expressed with "-")			
II.Profit from operations (loss expressed with "-")		388,454,577.25	322,751,372.11
Add: Non-operating income		3,121,302.91	1,281,703.52
Less: Non-operating expenses		280,766.29	978,376.00
III. Profit before tax (loss expressed with "-")		391,295,113.87	323,054,699.63
Less: Income tax expenses		1,393,702.07	14,869,029.84
IV.Net profit (loss expressed with "-")		389,901,411.80	308,185,669.79
1. Profit classfied as continuity		389,901,411.80	308,185,669.79
2. Profit classfied as ownership			
V. Other comprehensive income after tax			
1. Comprehensive income not to be reclassified as profit or loss			
1) Continuous operating profit and loss			
2) Termination of the business profit and loss			
2. Comprehensive income to be reclassified as profit or loss			
1) Other comprehensive income that can be reclassified to profit or loss			
2) Gain or loss from fair value changes of available-for-sale financial assets			
3) Gain or loss from reclassification of held-to-maturity investments as available-for-sale financial assets			
4) Gain or loss on effective cash flow hedging			
5) Currency translation reserve			
6) Others			
VI. Total comprehensive income		389,901,411.80	308,185,669.79

Legal Representative: Competent person in charge of accounting work： Accounting Supervisor:

Parent Company Cash Flow Statement

Prepared by: Taixing Zhiguang Environmental Technology Co., Ltd. Currecy: RMB Yuan

Item	Notes	2020	2019
1. Cash flow from operating activities			
Cash received from sales and services		1,523,180,818.40	1,640,579,035.73
Taxes and surcharges refunds			
Other cash received related to operating activities		1,958,932,019.41	4,519,496,014.22
Total cash inflows from operating activities		3,482,112,837.81	6,160,075,049.95
Cash paid for goods and services		1,251,184,822.54	2,678,179,813.35
Cash paid to and for employees		12,344,412.33	10,391,560.79
Taxes and surcharges cash payments		109,921,922.47	138,239,168.16
Other cash paid related to operating activities		3,044,513,649.86	2,971,821,110.11
Total cash outflows from operating activities		4,417,964,807.20	5,798,631,652.41
Net cash flows from operating activities		-935,851,969.39	361,443,397.54
2. Cash flows from investing activities			
Proceeds from disinvestments		211,005,240.00	356,445,013.27
Investment income received			2,779,745.16
Net proceeds from disposal of property, plant and equipment, intangible assets and other long-lived assets			
Net proceeds from disposal of subsidiaries or other business units			
Other cash received related to investing activities			
Total cash inflows from investing activities		211,005,240.00	359,224,758.43
Payments for acquisition of property, plant and equipment, intangible assets and other long-lived assets		28,474.00	43,450.00
Payments for investments		185,228,500.00	840,350,000.00
Net payments for acquisition of subsidiaries and other business units			
Other cash paid related to investing activities			
Total cash outflows from investing activities		185,256,974.00	840,393,450.00
Net cash flows from investing activities		25,748,266.00	-481,168,691.57
3. Cash flows from financing activities			
Capital contributions received		1,000,000,000.00	551,820,000.00
Increase in borrowings		2,575,500,000.00	2,800,730,000.00
Net proceeds from issuance of bonds		497,000,000.00	1,127,000,000.00
Other cash received related to other financing activities		1,775,000,000.00	1,169,796,451.41
Total cash inflows from financing activities		5,847,500,000.00	5,649,346,451.41
Repayment of borrowings		2,234,700,000.00	2,999,800,000.00
Payments for interest and dividends		597,061,077.60	481,031,246.64
Other cash paid related to financing activities		1,609,028,992.30	2,064,773,401.52
Total cash outflows from financing activities		4,440,790,069.90	5,545,604,648.16
Net cash flows from financing activities		1,406,709,930.10	103,741,803.25
4. Effect of foreign exchange rate changes on cash and cash equivalents			
5. Net increase in cash and cash equivalents		496,606,226.71	-15,983,490.78
Add: Opening balance of cash and cash equivalents		81,048,894.11	97,032,384.89
6. Closing balance of cash and cash equivalents		577,655,120.82	81,048,894.11

Legal Representative: Competent person in charge of accounting work Accounting Supervisor:

Parent Company Statement of Changes in Owners' Equity

Prepared by: Taixing Zhiguang Environmental Technology Co., Ltd.　　Currecy: RMB Yuan

Item	2020					
	Paid-in capital	**Capital reserve**	**Other comprehensive income**	**Surplus reserve**	**Retained earnings**	**Total owners' equity**
I. Balances as of end of prior year	1,000,000,000.00	3,594,399,913.19		303,786,867.48	2,412,169,156.01	7,310,355,936.68
Add: Adjustments for changed accounting policies						
Adjustments for corrections of previous errors						
Adjustments for business mergers under same control						
Other adjustments						
II. Balances as of beginning of the year	1,000,000,000.00	3,594,399,913.19		303,786,867.48	2,412,169,156.01	7,310,355,936.68
III. Increase/ decrease in the period ("-" for decrease)	1,000,000,000.00			38,990,141.18	350,911,270.62	1,389,901,411.80
1. Total comprehensive income					389,901,411.80	389,901,411.80
2. Capital increased and reduced by owners	1,000,000,000.00					1,000,000,000.00
1) Common shares increased by shareholders	1,000,000,000.00					1,000,000,000.00
2) Capital increased by holders of other equity instruments						
3) Share-based payments included in owners' equity						
4) Others						
3. Profit distribution				38,990,141.18	-38,990,141.18	
1) Appropriation to surplus reserve				38,990,141.18	-38,990,141.18	
2) Appropriation to general reserve						
3) Appropriation to owners (or shareholders)						
4) Others						
4. Carryforwards within owners' equity						
1) Increase in capital (or share capital) from capital reserve						
2) Increase in capital (or share capital) from surplus reserve						
3) Surplus reserves used to make up losses						
4) Change amount of defined benefit plans that carry forward Retained earnings						
5) Others						
5. Specific reserve						
1) Withdrawn for the period						
2) Used during the period						
6. Others						
IV. Balances as of end of the period	2,000,000,000.00	3,594,399,913.19		342,777,008.66	2,763,080,426.63	8,700,257,348.48

Legal Representative:　　Competent person in charge of accounting work :　　Accounting Supervisor:

Parent Company Statement of Changes in Owners' Equity (Continued)

Prepared by: Taixing Zhiguang Environmental Technology Co., Ltd. Currecy: RMB Yuan

Item	2019					
	Paid-in capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Total owners' equity
I. Balances as of end of prior year	448,180,000.00	3,594,399,913.19		272,968,300.50	2,134,802,053.20	6,450,350,266.89
Add: Adjustments for changed accounting policies						
Adjustments for corrections of previous errors						
Adjustments for business mergers under same control						
Other adjustments						
II. Balances as of beginning of the year	448,180,000.00	3,594,399,913.19		272,968,300.50	2,134,802,053.20	6,450,350,266.89
III. Increase/ decrease in the period ("-" for decrease)	551,820,000.00			30,818,566.98	277,367,102.81	860,005,669.79
1. Total comprehensive income					308,185,669.79	308,185,669.79
2. Capital increased and reduced by owners	551,820,000.00					551,820,000.00
1) Common shares increased by shareholders	551,820,000.00					551,820,000.00
2) Capital increased by holders of other equity instruments						
3) Share-based payments included in owners' equity						
4) Others						
3. Profit distribution				30,818,566.98	-30,818,566.98	
1) Appropriation to surplus reserve				30,818,566.98	-30,818,566.98	
2) Appropriation to general reserve						
3) Appropriation to owners (or shareholders)						
4) Others						
4. Carryforwards within owners' equity						
1) Increase in capital (or share capital) from capital reserve						
2) Increase in capital (or share capital) from surplus reserve						
3) Surplus reserves used to make up losses						
4) Change amount of defined benefit plans that carry forward Retained earnings						
5) Others						
5. Specific reserve						
1) Withdrawn for the period						
2) Used during the period						
6. Others						
IV. Balances as of end of the period	1,000,000,000.00	3,594,399,913.19		303,786,867.48	2,412,169,156.01	7,310,355,936.68

Legal Representative: Competent person in charge of accounting work : Accounting Supervisor:

Notes to the financial statements

(Expressed in RMB Yuan unless otherwise indicated)

I. Basic Information of the Company

1. Basic Information of the Company

Name: Taixing Zhiguang Environmental Technology Co., Ltd.

Business License No: 91321283759689579D

Type of Enterprise: Limited liability company (state-owned)

Date of Establishment: March 19, 2004

Address: West of Daiwang Road, Chengdong High-tech Industrial Park, Taixing City

Legal representative: Aitang Tao

Registered capital: 200 million yuan

Business period: March 19, 2004 to March 18, 2024

Business scope: Research of new environmental protection products; Construction of greening projects; Seedlings planting and saling; Research, Manufacturing and Sales of instrumentation (excluding measuring instruments), electronics, electrical equipment, mechanical equipment, and automation control equipment; Research, Manufacturing, Installation and Sales of air purification equipment; Research, Design, and Construction of air purification system engineering and water treatment equipment system engineering; Investment and Management of infrastructure, municipal engineering; House demolition and Property management; Sales of building materials and glass products; Real estate development and sales; Self-operating and Acting as an agent for the import and export business of various commodities and technologies, with the exception of commodities and technologies that are restricted by the state and prohibited by the state for import and export. (the above business scope shall be subject to approved projects, and business activities may be carried out after approval by relevant departments.)

2. Historical evolution of the Company

Taixing Zhiguang Environmental Technology Co., Ltd.(Hereinafter referred to as"TXZG Technology Co."), used to be called "Taixing Yaowang Town Prosperous Technology Development Co., Ltd.", "Taixing Prosperous Technology Development Co., Ltd.","Taixing Chengdong Investment&Development Co., Ltd.", is a limited liability company invested and established by Taixing Yaowang Town Rural Collectively -owned Assets Management Committee,and a legal person called Tang Suqing.

(1) Incorporation

On February 10, 2004, the shareholder Taixing Yaowang Town Rural Collectively -owned Assets Management Committee and Tang Suqing decided to establish the company. According to the company's articles of association, the company’s name is Taixing Zhiguang Environmental Technology Co., Ltd., The address is West of Daiwang Road, Chengdong High-tech Industrial Park, Taixing City, The registered capital is 1.18 million yuan.

The first contribution of the company is verified by Nanjing Sanlian Accounting Firm Co., Ltd.,and issued the capital verification report “Sanlian Yanzi (2004) No. 313” on March 19, 2004.

The equity structure of the company at the time of establishment is as follows:

the shareholder name	Subscribed capital contribution (10000 yuan)	Proportion	Paid in capital contribution (10000 yuan)	Proportion	Way of contribution	notes
Taixing Yaowang Town Rural Collectively -owned Assets Management Committee	100.00	84.75	100.00	84.75	currency	
Tang Suqing	18.00	15.25	18.00	15.25	currency	
Total	118.00	100.00	118.00	100.00		

(2) The first change of registered capital

Passed by the resolution of the company's shareholders meeting on November 24, 2005, the following decisions were made: I. The company’s registered capital was changed from the original 1.18 million yuan to 8.18 million yuan, of which 700 million yuan was increased with cash by the shareholder Tang Suqing; II. Agree to amend the relevant clauses of the company's articles of association.

This contribution of the company is verified by Nanjing Zhengyi United Accounting Firm Co., Ltd.,and issued the capital verification report “Ning Zhengyi Kuaiyan (2005) No. B-364” on November 24, 2005.

After this change, the equity structure of the company is as follows:

the shareholder name	Subscribed capital contribution (10000 yuan)	Proportion	Paid in capital contribution (10000 yuan)	Proportion	Way of contribution	notes
Taixing Yaowang Town Rural Collectively -owned Assets Management Committee	100.00	12.22	100.00	12.22	currency	
Tang Suqing	718.00	87.78	718.00	87.78	currency	
Total	818.00	100.00	818.00	100.00		

(3) The second change of registered capital

Passed by the resolution of the company's shareholders meeting on August 29, 2007, the following decisions were made: I. The company's registered capital was changed from the original 8.18 million yuan to 16.18 million yuan, of which 8 million yuan was increased with cash by the shareholder Taixing Yaowang Town Rural Collectively -owned Assets Management Committee; II. Amend the company's articles of association.

This contribution of the company is verified by Jiangsu Huazheng Accounting Firm Co., Ltd., and issued the capital verification report "SuHuazheng Yangzi (2007) No. Tai-360" on August 30, 2007.

After this change, the equity structure of the company is as follows:

the shareholder name	Subscribed capital contribution (10000 yuan)	Proportion	Paid in capital contribution (10000 yuan)	Proportion	Way of contribution	notes
Taixing Yaowang Town Rural Collectively -owned Assets Management Committee	900.00	55.62	900.00	55.62	currency	
Tang Suqing	718.00	44.38	718.00	44.38	currency	
Total	1,618.00	100.00	1,618.00	100.00		

(4) The first change of shareholders

Passed by the resolution of the company's shareholders meeting on December 2, 2008, the following decisions were made: I. Agreed to transfer the 7.18 million yuan equity of the company held by Tang Suqing to the new shareholder Gu Gang at a price of 7.18 million yuan; II. Tang Suqing's executive director and manager position was removed, Gu Gang was elected as the company's executive director and manager; III. The company name was changed to: Taixing Prosperous Technology Development Co., Ltd.; IV. Extend the company's operating period for 10 years; V. Amend the company's articles of association.

After this change, the equity structure of the company is as follows:

the shareholder name	Subscribed capital contribution (10000 yuan)	Proportion	Paid in capital contribution (10000 yuan)	Proportion	Way of contribution	notes
Taixing Yaowang Town Rural Collectively -owned Assets Management Committee	900.00	55.62	900.00	55.62	currency	
Gu Gang	718.00	44.38	718.00	44.38	currency	
Total	1,618.00	100.00	1,618.00	100.00		

(5) The second change of shareholders

Passed by the resolution of the company's shareholders meeting on January 15, 2009, the following decisions were made: I. Agreed to transfer the 7.18 million yuan equity of the company held by Gu Gang to the new shareholder Tang Suqing at a price of 7.18 million yuan; II. Gu Gang 's executive director and manager position was removed, Tang Suqing was elected as the company's executive director and manager; III. Amend the company's articles of association.

After this change, the equity structure of the company is as follows:

the shareholder name	Subscribed capital contribution (10000 yuan)	Proportion	Paid in capital contribution (10000 yuan)	Proportion	Way of contribution	notes
Taixing Yaowang Town Rural Collectively -owned Assets Management Committee	900.00	55.62	900.00	55.62	currency	
Tang Suqing	718.00	44.38	718.00	44.38	currency	
Total	1,618.00	100.00	1,618.00	100.00		

(6) The third change of shareholders

Passed by the resolution of the company's shareholders meeting on March 9, 2009, the following decisions were made: I. Agreed to transfer the 7.18 million yuan equity of the company held by Tang Suqing to the new shareholder Taixing Yaowang Town Rural Collectively -owned Assets Management Committee at a price of 7.18 million yuan; II. The company name was changed to: Taixing Chengdong Investment&Development Co., Ltd.; III. Amend the company's articles of association.

After this change, the equity structure of the company is as follows:

the shareholder name	Subscribed capital contribution (10000 yuan)	Proportion	Paid in capital contribution (10000 yuan)	Proportion	Way of contribution	notes
Taixing Yaowang Town Rural Collectively -owned Assets Management Committee	1,618.00	100.00	1,618.00	100.00	currency	
Total	1,618.00	100.00	1,618.00	100.00		

(7) The third change of registered capital

Passed by the resolution of the company's shareholders meeting on April 20, 2009, the following decisions were made: I. The company’s registered capital was changed from the original 16.18 million yuan to 66.18 million yuan; II. The company’s original management personnel remain unchanged; III. Amend the company's articles of association.

After this change, the equity structure of the company is as follows:

the shareholder name	Subscribed capital contribution (10000 yuan)	Proportion	Paid in capital contribution (10000 yuan)	Proportion	Way of contribution	notes
Taixing Yaowang Town Rural Collectively -owned Assets Management Committee	6,618.00	100.00	6,618.00	100.00	currency	
Total	6,618.00	100.00	6,618.00	100.00		

(8) The change of the company information

Passed by the resolution of the company's shareholders meeting on September 2, 2009, the following decisions were made: Tang Suqing's executive director and manager position was removed, Gu Gang was elected as the company's executive director and manager.

(9) The fourth change of registered capital

Passed by the resolution of the company's shareholders meeting on February 15, 2011, the following decisions were made: I. The company's registered capital was changed from the original 66.18 million yuan to 86.18 million yuan, of which 20 million yuan was increased with cash; II. Amend the company's articles of association.

This contribution of the company is verified by Jiangsu Zhongli Accounting Firm Co., Ltd., and issued the capital verification report "SuZhongli Kuaiyangzi (2011) No. Z036" on February 15, 2011.

After this change, the equity structure of the company is as follows:

the shareholder name	Subscribed capital contribution (10000 yuan)	Proportion	Paid in capital contribution (10000 yuan)	Proportion	Way of contribution	notes
Taixing Yaowang Town Rural Collectively -owned Assets Management Committee	8,618.00	100.00	8,618.00	100.00	currency	
Total	8,618.00	100.00	8,618.00	100.00		

(10) The fifth change of registered capital

Passed by the resolution of the company's shareholders meeting on January 30, 2012, the following decisions were made: I. The company's registered capital was changed from the original 86.18 million yuan to 111.18 million yuan, of which 25 million yuan was increased with cash; II. Amend the company's articles of association.

This contribution of the company is verified by Yangzhou Decheng United Accounting Firm Co., Ltd., and issued the capital verification report “YangDecheng Yan (2012) No.T-020” on February 6, 2012.

After this change, the equity structure of the company is as follows:

the shareholder name	Subscribed capital contribution (10000 yuan)	Proportion	Paid in capital contribution (10000 yuan)	Proportion	Way of contribution	notes
Taixing Yaowang Town Rural Collectively -owned Assets Management Committee	11,118.00	100.00	11,118.00	100.00	currency	
Total	11,118.00	100.00	11,118.00	100.00		

(11) The sixth change of registered capital

Passed by the resolution of the company's shareholders meeting on June 11, 2012, the following decisions were made: I. The company’s registered capital was changed from the original 118.18 million yuan to 158.18 million yuan, of which 47 million yuan was increased with cash; II. Amend the company's articles of association.

This contribution of the company is verified by Yangzhou Decheng United Accounting Firm Co., Ltd., and issued the capital verification report “YangDecheng Yan (2012) No.T-131” on June 11, 2012.

After this change, the equity structure of the company is as follows:

the shareholder name	Subscribed capital contribution (10000 yuan)	Proportion	Paid in capital contribution (10000 yuan)	Proportion	Way of contribution	notes
Taixing Yaowang Town Rural Collectively -owned Assets Management Committee	15,818.00	100.00	15,818.00	100.00	currency	
Total	15,818.00	100.00	15,818.00	100.00		

(12) The change of the company information

Passed by the resolution of the company's shareholders meeting on August 1, 2013, the following decisions were made: I. Gu Gang's executive director was removed, Chen Bing was elected as the company's executive director; II. Change the company's address to West of Daiwang Road, Chengdong High-tech Industrial Park, Taixing City; III.Amend the company's articles of association.

Passed by the resolution of the company's shareholders meeting on September 5, 2013, the following decisions were made: The company name was changed to: Taixing Zhiguang Environmental Technology Co., Ltd.

(13) The seventh change of registered capital

Passed by the resolution of the company's shareholders meeting on October 18, 2013, the following decisions were made: I. The company’s registered capital was changed from the original l58.18 million yuan to 308.18 million yuan, of which 150 million yuan was increased with cash; II. Amend the company's articles of association.

This contribution of the company is verified by Yangzhou Decheng United Accounting Firm Co., Ltd., and issued the capital verification report “YangDecheng Yan (2013) No.T-347” on October 28, 2013.

After this change, the equity structure of the company is as follows:

the shareholder name	Subscribed capital contribution (10000 yuan)	Proportion	Paid in capital contribution (10000 yuan)	Proportion	Way of contribution	notes
Taixing Yaowang Town Rural Collectively -owned Assets Management Committee	30,818.00	100.00	30,818.00	100.00	currency	
Total	30,818.00	100.00	30,818.00	100.00		

(14) The eighth change of registered capital

Passed by the resolution of the company's shareholders meeting on November 20, 2013, the following decisions were made: I. The company’s registered capital was changed from the original 308.18 million yuan to 448.18 million yuan, of which 140 million yuan was increased with cash; II. Amend the company's articles of association.

This contribution of the company is verified by Yangzhou Decheng United Accounting Firm Co., Ltd., and issued the capital verification report “YangDecheng Yan (2013) No.T-376” on November 20, 2013.

After this change, the equity structure of the company is as follows:

the shareholder name	Subscribed capital contribution (10000 yuan)	Proportion	Paid in capital contribution (10000 yuan)	Proportion	Way of contribution	notes
Taixing Yaowang Town Rural Collectively -owned Assets Management Committee	44,818.00	100.00	44,818.00	100.00	currency	
Total	44,818.00	100.00	44,818.00	100.00		

(15) The fourth change of shareholders

Passed by the resolution of the company's shareholders meeting on May 15, 2014, the following decisions were made: I. It is agreed that absorb Jiangsu Taixing Environmental Technology Industrial Park as the new company shareholder; II. Taixing Yaowang Town Rural Collectively-owned Assets Management Committee transfer the 448.18 million yuan equity of the company to the new shareholder Jiangsu Taixing Environmental Technology Industrial Park at a price of 448.18 million yuan.

After this change, the equity structure of the company is as follows:

the shareholder name	Subscribed capital contribution (10000 yuan)	Proportion	Paid in capital contribution (10000 yuan)	Proportion	Way of contribution	notes
Jiangsu Taixing Environmental Technology Industrial Park	44,818.00	100.00	44,818.00	100.00	currency	
Total	44,818.00	100.00	44,818.00	100.00		

(16) The fifth change of shareholders

Passed by the resolution of the company's shareholders meeting on November 6, 2015, the following decisions were made: I. It is agreed that absorb Taixing Chengdong Hi-Tech Industrial Industrial park Management Committee as the new company shareholder; II. Jiangsu Taixing Environmental Technology Industrial Park transfers the 448.18 million yuan equity of the company to the new shareholder Taixing Chengdong Hi-Tech Industrial Industrial park Management Committee at a price of 448.18 million yuan.

After this change, the equity structure of the company is as follows:

the shareholder name	Subscribed capital contribution (10000 yuan)	Proportion	Paid in capital contribution (10000 yuan)	Proportion	Way of contribution	notes
Taixing Chengdong Hi-Tech Industrial Industrial park Management Committee	44,818.00	100.00	44,818.00	100.00	currency	
Total	44,818.00	100.00	44,818.00	100.00		

(17) According to the Document of Jiangsu Provincial People's Government on December 13, 2018, “the provincial government approval for the preparation for the establishment of Jiangsu Taixing high-tech Industrial Development Zone”(SuZhengFu[2016] No.56), The shareholder of the company was changed from Taixing Chengdong Hi-Tech Industrial Industrial park Management Committee to Jiangsu Taixing Hi-Tech Industrial Development Zone Management Committee.

(18) According to the Document of Jiangsu Taixing Hi-Tech Industrial Development Zone Management Committee on December 20, 2019, “the approval for capital increase of Taixin Zhiguang Environmental Technology Co., Ltd.” (TaiGaoXingGuanFa[2019] No.22), The company has increased capital of 551.82 million yuan. After capital increase, the company's registered capital is 1,000 million yuan.

(19) According to the Document of People's Government of Taixing City on December 12, 2019, “the approval for agreeing to establish Taixing Zhongxin Investment Group Co., Ltd.”(TaiZhengFu[2019] No.168), The company’s equity held by Jiangsu Taixing Hi-Tech Industrial Development Zone Management Committee was transferred to Taixing Zhongxin Investment Group Co., Ltd. free of charge, and the transfer base date was December 31, 2019.

The company went through the procedures for the registration of changes in shareholders on December 31, 2019.

(20) Passed by the resolution of the company's shareholders meeting on November 13, 2020, the following decisions were made: The company’s registered capital was changed from the original 1,000 million yuan to 2,000 million yuan, of which 1,000 million yuan was increased with cash.

II. Change in Consolidation Scope

1. There are 14 entities included in the scope of consolidated financial statements in 2020, including:

No.	Name of subsidiaries	Type of subsidiaries	Shareholding ratio (%)		Voting ratio (%)
			Direct	Indirect	
1	Taixing Chengdong Green Engineering Co., Ltd.	Wholly-owned subsidiaries	100.00		100.00
2	Taixing Chengdong Municipal Engineering Co., Ltd.	Wholly-owned subsidiaries	100.00		100.00
3	Taixing Zhongtian Water Treatment Equipment Co., Ltd.	Wholly-owned subsidiaries	100.00		100.00
4	Taixing Liming Real Estate Development Co., Ltd.	Wholly-owned subsidiaries	100.00		100.00
5	Taizhou Zhongtian Environment Technology Co., Ltd.	Holding subsidiary		55.00	55.00
6	Jiangsu Zhiguang Venture Capital Co., Ltd.	Wholly-owned subsidiaries	100.00		100.00
7	Taixing Zhiguang Trade Co., Ltd.	Wholly-owned subsidiaries	100.00		100.00
8	Taixing Zhiquan Industrial Co., Ltd.	Wholly-owned subsidiaries	100.00		100.00
9	Taixing Dunzhi Industrial Co., Ltd.	Wholly-owned subsidiaries	100.00		100.00

No.	Name of subsidiaries	Type of subsidiaries	Shareholding ratio (%)		Voting
10	Taixing High-Tech Zone Merchants Development Co., Ltd.	Wholly-owned subsidiaries	100.00		100.00
11	Taixing Taize Industrial Co., Ltd.	Wholly-owned subsidiaries		100.00	100.00
12	Taixing Zhicheng Industrial Investment Fund Partnership (Limited Partnership)	Holding subsidiary	99.00		99.00
13	Suzhou Jinfu Technology Co., Ltd.	Holding subsidiary		19.19	19.19
14	Taixing Zhigao Property Management Services Co., Ltd.	Wholly-owned subsidiaries		100.00	100.00

Note: Suzhou Jinfu Technology Co., Ltd.(Hereinafter referred to as"SZJF Technology", Stock code: 300128): According to the Share Transfer Agreement signed by the original actual controllers of Jinfu Technology, Mr. Fu Guoping and Ms. Yang Xiaowei, and the company's holding subsidiary Taixing Zhicheng Industrial Investment Fund Partnership (Limited Partnership) (hereinafter referred to as"Zhicheng Investment"), Fu Guoping and Yang Xiaowei transferred 209,963,460 shares accounting for 19.19% of SZJF Technology to Zhicheng Investment. The above-mentioned shares completed the transfer and registration procedures at the Shenzhen Branch of China Securities Depository and Clearing Co., Ltd. on May 9, 2019.

On June 28, 2019, Jinfu Technology held the shareholders' meeting, where Zhicheng Investment recommended independent director candidates and non-independent director candidates to Jinfu Technology and were successfully elected. So far, Zhicheng Investment has 3 of the 5 members of the board of directors, and become the original actual controllers of Jinfu Technology.The scope of the consolidation of Jinfu Technology is based on the audit report No.TianHengShenZi (2021) 00557" issued by Tianheng Accounting Firm (Special general partnership).

2. Add to Consolidation Scope in 2020

No.	acquiree	Acquisition method
1	Taixing Zhigao Property Management Services Co., Ltd.	Set up

3. Reduce Consolidation Scope in 2020

None.

III. Basis for the Preparation of Financial Statements

1. Preparation Basis

With the going-concern assumption as the basis and based on transactions and other events that actually occurred, the Group prepared financial statements in accordance with "The Accounting

Standards for Business Enterprises" issued by the Ministry of Finance of People's Republic of China, and with the Application Guidance of Accounting Standards for Business Enterprises, the Interpretation of Accounting Standards for Business Enterprises and other regulations (hereinafter jointly referred to as "the Accounting Standards for Business Enterprises", "China Accounting Standards" or "CAS"), and Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No.15 – General Provisions on Financial Reports (2014 Revision) issued by the China Securities Regulatory Commission (CSRC).

According to the relevant accounting regulations in Chinese Accounting Standards for Business Enterprises, the Company has adopted the accrual basis of accounting. Except for some financial instruments, the financial statements are measured on the basis of historical cost. Where assets are impaired, provisions for asset impairment are made in accordance with relevant requirements.

2. Continuation

There are no events affecting the continuation capability of the Company, the Company has the continuation capability for 12 months since the Reporting Period.Thus, the financial statement was prepared on the base of the assumption of continuation.

IV. Significant Accounting Policies and Accounting Estimations

1. Statement for Complying with the Accounting Standard for Business Enterprise

The financial statements are prepared in accordance with the accounting standard for business enterprise, and have reflected the Company's financial status on December 31 2020, operating results and cash flows in 2020 of the Company.

2. Accounting period

The accounting year of the company is a solar calendar year, which is from January 1 to December 31.

3. Business Cycle

The Company takes 12 months as a business cycle and uses it as a criterion for liquidity classification of assets and liabilities.

4. Reporting Currency

RMB is adopted as the reporting currency of the company, and used in preparing financial statements. The company select the reporting currency based on the pricing and settlement currency of the main business revenues and expenditures.

5. Accounting methods for corporate merger under the same control and not under the same control

(1) Business combination under the same control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. Combination date is the date on which the absorbing party effectively obtains control of the party being absorbed.

The assets and liabilities obtained are measured at the carrying amounts asrecorded by the enterprise being combined at the combination date. If the accounting policies adopted by the party being absorbed are inconsistent with the company's, the company will make adjustments in accordance with the company's accounting policies at the combination date, and recognize the adjusted book value.

The difference between the carrying amount of the net assets obtained and consideration paid for the combination (or the total face value of shares issued) is adjusted to the capital reserve (or share reserve). If the balance of the capital reserve (or share reserve) is insufficient, any excess is adjusted to retained earnings.

The cost of a combination incurred by the absorbing party includes any costs directly attributable to the combination, including audit fees, evaluation fees, legal service fees, etc., shall be recognised as an expense through profit or loss for the current period when incurred.

The handling fees and commissions incurred in the issuance of equity securities in a business combination are used to offset the premium income of equity securities.If the premium income is not enough to offset, the retained earnings shall be offset.

For a business combination under common control, which achieved in stages that involves multiple exchange transactions, is the "package deal", the company takes each transaction as a transaction to obtain control for accounting treatment. If not the "package deal", at the combination date, the accounting treatment shall be carried out according to the following steps:

(1)Determine the initial investment cost of a long-term equity investment formed by a business combination under the same control. At the combination date, the initial investment cost of the long-term equity investment shall be determined based on the share of the book value of the net assets of the party being absorbed in the consolidated financial statements of the ultimate controlling party that shall be enjoyed after the combination.

(2) Treatment of the difference between the initial investment cost of long-term equity investment and the book value of the combined consideration. At the combination date, the difference between the initial investment cost of a long-term equity investment and the sum of the book value of the long-term equity investment before the combination and the book value of the newly paid consideration for the shares obtained, is adjusted to the capital reserve (or share reserve). If the

balance of the capital reserve (or share reserve) is insufficient, any excess is adjusted to retained earnings.

(3) Equity investment held before the merger date,

Other comprehensive income recognized as a result of using equity method accounting or financial instrument standards accounting, shall not be accounted for temporarily until the investment is disposed of on the same basis as the direct disposal of related assets or liabilities by the investee. Other changes in the net assets of the investee confirmed by adopting the equity method, other than net profit and loss, other comprehensive income and retained earnings, shall not be accounted for temporarily until transferring to the current profit and loss when disposalling of the investment. Among them, the remaining equity after disposal is calculated using the cost method or the equity method according to the long-term equity investment standards, other comprehensive income and other owners' equity shall be carried forward in proportion. The remaining equity after disposal is calculated according to the financial instrument standards, other comprehensive income and other owners' equity shall be carried forward in full.

(4) For the accounting treatment in the consolidated financial statements, see Note IV. 6.

(2) Business combination not under the same control

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

The assets paid as consideration for the absorbing party at the combination date, and the liabilities incurred or assumed at the combination date, are measured at fair value. The difference between the fair value and its book value is included in the current profit and loss.

The absorbing party allocates the combined costs at the combination date, and confirms the fair value of the identifiable assets, liabilities and contingent liabilities of the party being absorbed.

Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference shall recognized as goodwill. Where the cost of combination is less than the fair value of the party being absorbed of identifiable net assets, the difference shall be review, and recognised immediately in profit or loss for the current period.

Assets other than intangible assets of the party being absorbed obtained in a business combination (not limited to the assets previously confirmed by the party being absorbed), shall be individually confirmed and measured at fair value, meeting the following conditions:① the economic benefits brought by it are likely to flow into the company;② the fair value can be reliably measured.The intangible assets whose fair value can be reliably measured are individually confirmed and measured at fair value. When the economic benefits brought by the liabilities are likely to flow out the company, and the fair value can be reliably measured, liabilities other than estimated liabilities of the party being absorbed obtained in a business combination, shall be individually confirmed and measured at fair value.

In the initial confirmation of the acquired assets of the party being absorbed, the intangible assets owned by the party being absorbed but not recognized in its financial statements shall be fully identified and reasonably judged.If one of the following conditions is met, it shall be recognized as an intangible asset:(1) Derived from contractual rights or other statutory rights; (2) It can be separated or divided from the party being absorbed, and can be used for sale, transfer, granting of licenses, lease or exchange individually or in conjunction with related contracts, assets and liabilities.

Where the temporary difference obtained by the acquirer was not recognised due to inconformity with the conditions applied for recognition of deferred income tax, if, within the 12 months after acquisition, additional information can prove the existence of related information at acquisition date and the expected economic benefits on the acquisition date arose from deductible temporary difference by the acquiree can be achieved, relevant income tax assets can be recognised, and goodwill offset. If the goodwill is not sufficient, the difference shall be recognised as profit of the current period.

For the business combination under non-common control, the merger costs include the assets paid for obtaining the control right of acquiree by the acquirer, the liabilities occurred or borne and the fair value of equity securities issued, the intermediary fees for audit, legal services, evaluation and consultation when the business combination issued, and other management costs shall be recorded into the current profits and losses when occurred. The transaction costs of equity securities or debt securities issued for the merger consideration by the acquirer shall be included into the initially recognized amount of the equity securities or the debt securities.

For a business combination not under common control, which achieved in stages that involves multiple exchange transactions, is the “package deal”, the company takes each transaction as a transaction to obtain control for accounting treatment. If not the “package deal”, for the individual financial statements, the sum of the book value of equity investment from the purchased party held before the purchase date and the new investment cost at the purchase date shall be as the initial investment cost of the investment. For the other comprehensive incomes involved in the equity of the acquiree held before the acquisition date, the investment and the relevant other comprehensive incomes shall be disposed through the accounting treatment on the same basis of the direct disposal of the relevant assets or liabilities by the acquiree (Namely, the rest is transferred into the current investment incomes with the exception of the corresponding shares of changes caused by the net liabilities or the net assets of the defined benefit plans re-measured by the acquiree as per the equity method). Among them, the remaining equity after disposal is calculated using the cost method or the equity method according to the long-term equity investment standards, other comprehensive income and other owners' equity shall be carried forward in proportion. The remaining equity after disposal is calculated according to the financial instrument standards, other comprehensive income and other owners' equity shall be carried forward in full.

If the equity investment held before the combination date is accounted for using financial instrument standards, the initial investment cost calculated by the cost method shall be the sum of the fair value of the equity investment and the new investment cost. The difference between the fair value of the equity and the book value, and the accumulated fair value changes originally included in other comprehensive income are all transferred to the current investment gains and losses calculated by the cost method.

For the accounting treatment in the consolidated financial statements, see Note IV. 6.

(3) The judgment criteria in which several transaction events were considered as a package deal

①The transaction was set up at the same time or had considered the influence on each other:

②The transaction only stand as a whole, a perfect commercial result can arrive;

③A transaction incurred depends on at least one transaction occurred;

④A transaction is not economical, however, together with other transaction are economical.

6. Methods for preparing consolidated financial statements

The consolidation scope for financial statements is determined on the basis of control. Control is the right to govern an invested party so as to obtain variable return through participating in the invested party's relevant activities and the ability to affect such return by use of the aforesaid right over the invested party.Relevant activates refers to activates have major influence on return of the invested party's.

According to the specific situation, the relevant activities of the investee usually including the sale and purchase of goods or services, the management of financial assets, the purchase and disposal of assets, research and development activities, and financing activities.

When judging whether it has power over the investee, only the substantive rights related to the investee are considered, including the substantive rights enjoyed by itself and the substantive rights enjoyed by other parties.

The company prepare consolidated financial statements based on its own and the subsidiaries'financial statements as well as other relevant information. In the preparation of the consolidated financial statements, the group are identified as an accounting entity to reflect the overall financial position, operating results and cash flow,according to the requirements of the related accounting standards for business enterprises recognition, measurement and presentation, in accordance with the unified accounting policy.The consolidated procedure specifically includes: merging the assets, liabilities, owner's equity, income, expenses, and cash flow of the parent company and the subsidiary; offsetting the parent company's long-term equity investment in the subsidiary and the parent company's share of the subsidiary's owner's equity; offset the internal transactions between the parent company and its subsidiaries and subsidiaries. If the internal transactions indicate that the relevant assets have suffered impairment losses, the total amount of the losses shall be confirmed; from the perspective of the enterprise group, the special Transaction matters are adjusted.

The portion of a subsidiary's equity that is not attributable to the parent is treated as non-controlling interests and presented separately in the consolidated balance sheet within shareholders' equity. The portion of net profit or loss of subsidiaries for the period attributable to non-controlling interests is presented separately in the consolidated income statement below the "net profit" line item. When the amount of loss for the current period attributable to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' share of the opening owners' equity of the subsidiary, the excess is still allocated against the non-controlling interests.The balance which are formed because that the loss minority shareholders bear in the current period are more than the share of the owner's equity minority shareholders have in the early period,offset the interests minority shareholders have.

Where a subsidiary or business was acquired during the reporting period, through a business combination involving enterprises under common control, the financial statements of the subsidiary or business are included in the consolidated financial statements as if the combination had occurred at the date that the ultimate controlling party first obtained control.Where a subsidiary or business was acquired during the reporting period, through a business combination involving enterprises not under common control, the identifiable assets and liabilities of the acquired subsidiaries or business are included in the scope of consolidation from the date that control commences.

Where the Company acquires a non-controlling interest from a subsidiary's non-controlling shareholders or disposes of a portion of an interest in a subsidiary without a change in control, the transaction is treated as equity transaction, and the book value of shareholder's equity attributed to the Company and to the non-controlling interest is adjusted to reflect the change in the Company's interest in the subsidiaries. The difference between the proportion interests of the subsidiary's net assets being acquired or disposed and the amount of the consideration paid or received is adjusted to the capital reserve in the consolidated balance sheet, with any excess adjusted to retained earnings.

Acquisition of minority interests or disposals of interests in a subsidiary that do not result in the loss of control over the subsidiary are accounted for as equity transactions. The carrying amounts of the parent's interests and minority interests are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the minority interests are adjusted and the fair value of the consideration paid or received is adjusted to capital reserve. If the capital reserve is not sufficient to absorb the difference, the excess are adjusted against retained earnings.

A business consolidation under common control finally achieved in stages, is not part of a package deal.To avoid the duplicated computation of net asset of acquiree, for long-term equity investment held by the Group before the consolidation, relevant profit and loss, other comprehensive income and movement in other net asset, recognized for the period between the combination date and later date when original shareholding is obtained and when the Group and the acquiree are under common control of same ultimate controlling party, shall be respectively used for writing down the opening balance of retained earnings of comparative financial statements and profit and loss for the current period.

For the stepwise acquisition of equity interest till acquiring control after a few transactions and leading to business combination not involving enterprises under common control, this should be dealt with based on whether this belongs to 'package deal': if it belongs to 'package deal', transactions will be dealt as transactions to acquire control. If it does not belong to 'package deal', transactions to acquire control on acquisition date will be under accounting treatment, the fair value of acquirees' shares held before acquisition date will be revalued, and the difference between fair value and book value will be recognized in profit or loss of the current period; if acquirees' shares held before acquisition date involve in changes of other comprehensive income and other equity of owners under equity method, this will be transferred to income of acquisition date.

When the Group partially disposes of the long –term equity investment in subsidiary without losing the control over it, in the consolidated financial statements, the difference, between disposals price and respective disposed value of share of net assets in the subsidiary since the acquisition date or combination date, shall be adjusted for capital surplus or share premium, no enough capital surplus, then adjusted for retained earnings.

When the Group loses control over a subsidiary due to disposal of equity investment or other reasons, any retained interest is re-measured at its fair value at the date when control is lost. The difference between (i) the aggregate of the consideration received on disposal and the fair value of any retained interest and (ii) the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interests is recognized as investment income in the period in which control is lost, and the goodwill is offset accordingly. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

When the Group loses control of a subsidiary in two or more arrangements (transactions), if the transactions of disposal of equity investments in a subsidiary until the loss of control are assessed as a package deal, these transactions are accounted for as one transaction of disposal of a subsidiary with loss of control. Before losing control, the difference of consideration received on disposal and the share of net assets of the subsidiary continuously calculated from acquisition date is recognized as other comprehensive income. When losing control, the cumulated other comprehensive income is transferred to profit or loss of the period of losing control. If the transactions of disposal of equity investments in a subsidiary are not assessed as a package deal, these transactions are accounted for as unrelated transactions.

The consolidated statement of changes in owner's equity is prepared based on the consolidated balance sheet and the consolidated income statement.

7. Classification of joint arrangement and accounting methods for joint operation

Joint arrangement is two or more parties jointly control the enterprise.

Joint control refers to the common control of an arrangement in accordance with relevant agreements, and the relevant activities of the arrangement must be agreed upon by the participants who share control rights before making decisions. When judging whether there is joint control, you should firstly determine whether all participants or a combination of participants collectively control the arrangement, and secondly, determine whether the relevant activities related to the arrangement must be unanimously agreed upon by the participants who collectively control the arrangement.

The company enjoys rights and bears obligations based on joint arrangement. Joint arrangement is composed of joint operation and joint enterprises.

Joint operation means the company has the right to arrange related assets and related liabilities. The company confirms the following items related to the share of interests in its joint operations, and in accordance with the provisions of the relevant accounting standards for accounting treatment:

①Recognize the assets held solely by the Company, and recognize assets held jointly by the Company in appropriation to the share of the Company;

②Recognize the obligations assumed solely by the Company, and recognize obligations assumed jointly by the Company in appropriation to the share of the Company;

③Recognize revenue from disposal of the share of joint operations of the Company;

④Recognize fees solely occurred by Company;

⑤Recognize fees from joint operations in appropriation to the share of the Company.

8. Recognition standard for cash and cash equivalents

Cash in the Cash Flow Statement refers to cash in hold and deposits which can be used for payment at any time.

Cash equivalents in the Cash Flow Statements refer to short-lived (generally not more than 3 months) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

9. Foreign currency businesses and translation of foreign currency financial statements

(1) Translation of foreign currency businesses

The foreign currency businesses (except revenues of income statement) of the company are converted in the initial recognition at the rate which is approximate to the spot exchange rate on the transaction day, which shall be the spot exchange rate of the beginning of the month when the transaction occurs.The export revenues of income statement use the exchange rate at the beginning of the month as the conversion rate, and the amount of foreign currency is converted into RMB for accounting.

The monetary items denominated in foreign currency are translated to RMB at the spot exchange rate at the balance sheet date, and the balance between the spot exchange rate at the balance sheet date and the rate in the initial recognition or on the last balance sheet date is included in current profits and losses, except for the balance from exchange of specific borrowings that is capitalized and included as part of the cost qualifying asset. Non-monetary items of foreign currency measured by historical cost still adopt spot exchange rate of transaction date for conversion with functional currency amount unchanged.As for the foreign currency non-monetary items measured by fair value, the spot exchange rate on the date when the fair value is confirmed is adopted for conversion. The amount differences between functional currency amount after conversion and the original functional currency amount, processed as fair value changes (including the change in exchange rate), are recognized into current profits and losses or recognized into other comprehensive incomes.

(2) Translation of foreign currency financial statements

The assets and liabilities items in the balance sheet are converted at the spot exchange rate on the balance sheet date; among the owner's equity items, except the ones as “retained earnings”, others shall be translated at the spot exchange rate ruling at the time when they occurred.The income and expense items in the income statements shall be translated at an exchange rate at the beginning of the month on the transaction date.The foreign exchange difference arisen from the translation of foreign currency financial statements shall be presented separately under the owner's equity in the balance sheet.

Disposal in overseas business, the balance sheet items of other comprehensive income is presented, and the overseas business translation of foreign currency financial statements related to difference from other comprehensive income items into the disposal of profits and losses of the current period; in the disposal of equity investment or other reasons lead to hold environment operating outside the ratio of equity to reduce but not a loss of overseas business control, and the offshore disposal operations in part related to the translation of foreign currency statements difference will belong to minority interests. Do not turn into the profits and losses of the current period. When dealing with overseas operations as an affiliated enterprise or part of the equity of the joint venture, the foreign currency statement translation difference with the overseas operation shall be transferred to the current profit and loss.

10. Financial instruments

Financial instruments include financial assets, financial liabilities and equity instruments. A financial asset or financial liability is recognized when the company becomes a party to a financial instrument contract.

Jinfu Technology, a holding subsidiary of the company, implements of the new "Financial Instruments Standards" from January 1, 2019. Except for Jinfu Technology, other companies still implement the original "Financial Instruments Standards".

1. The original Financial Instruments Standards implemented by other companies except for Jinfu Technology

1) Categories of financial Instruments

The Company divides the financial assets into four categories: financial assets measured at fair value and their variations are recognized as current gain/loss, including trade financial assets or financial liabilities and recognized directly as financial assets measured at fair value and their variations are recognized as current gain/loss; Investment hold till expiration; loans and account receivable; saleable financial assets. The company divides the financial liabilities into two categories: financial liabilities measured at fair value and their variations are recognized as current gain/loss; other financial liabilities.

2) Recognition and measurement of financial instruments

① Financial assets and liabilities measured at fair value and their variations are recognized as current gain/loss

The fair value (after deducting of announced but not distributed cash dividend or due but not obtained bond interests) is recognized as initial amount when obtained.

Interests or cash dividends during the period of holding are recognized as investment gains. The fair value will be adjusted and accounted as current gain/loss.

When disposed of, the differences between fair value and initial amount are recognized as investment gains, and thus adjust the gain/loss of fair value.

② Investments hold till expiration

The fair value (after deducting of due but not obtained bond interests) plus the related trade expenses are recognized as the initial amount when obtained.

Interest gains will be calculated at amortizing of costs and actual interest rate (the face rate is adopted when the difference between the actual rate and face rate is minor) during the period of holdingand accounted as investment gains. The actual rate is recognized when obtainedand is not changed in the predictable holding period or applicable shorter period.

When disposed of, the difference between the obtained price and book value is accounted as investment gains.

If the company sells or reclassifies large-amount due investments before the expired date (large amount refers to comparing with the amount before the selling or reclassifying the investments), the company will reclassify the rest of the investments as financial assets for sale, and in the current accounting period or within two complete accounting years, no financial assets will be classified as holding due assets, except for the following situations: the sale date or reclassification date is close to the expired date of the investment (such as three months before the expired), and the change of interest rate has no significant influence on the fair value of the investment; after all the initial principal is mostly recovered according to periodic payments or repay in advance regulated by the contract, the rest part will be sold or reclassified; the sale and reclassification is caused by the independent events which are uncontrollable and unexpected and will not happen anymore.

③ Account receivable

Receivables are non-derivative financial assets that are not available in the active market and are fixed or determined by the amount of the recovery.

The receivable debts of selling goods or providing services, and the credits of other companies hold by the company not including the debt which has price in the active market, including accounts receivable, notes receivable, prepaid accounts, other receivables, long-term receivables, etc. The contract or agreement price charging from purchaser should be taken as the initial confirmation amount; if it has the nature of financing, it should be confirmed according to its current value.

When retrieved or disposed of, the difference between the actual received amount and the book value is accounted as current gain/loss.

④ Saleable financial assets

The fair value (after deducting of announced but not distributed cash dividend or due but not obtained bond interests) plus the related trade expenses is recognized as initial amount when obtained.

Interest or cash dividend occurred during the period of holding is recognized as investment gains. Change of fair value is accounted as capital reserves (other capital reserves) at the end of the term.

When disposed of, the difference between the obtained price and book value is accounted as investment gains.

Meanwhile, the corresponding part of an accumulated change of fair value accounted as owners' equity is transferred into investment gain/loss.

⑤ Other financial liabilities

Other financial liabilities are recognized initially at the sum of fair value and related trade expenses. Successive measurement will be on the basis of amortized costs.

3) Recognition and measurement basis of financial asset transposition

When financial asset transposition occurred, the recognition of this particular financial asset is terminated if almost all the risks and rewards attached to the asset have been transferred to the acceptor. If the financial assets retain all the risks and rewards of ownership of financial assets, they can be confirmed.

When determining whether the transfer of financial assets meet the conditions of confirmation of the above financial assets, the principle of the substance being more important than form should be adopted. The transfer of financial assets can be divided into an overall transfer and part transfer of financial assets. If the transfer of financial assets meets the conditions of terminating confirmation, the following the difference of the two amounts will be included in the current profit and loss: a.

The Book value of the financial asset to be transposed; b.The sum of price received due to the transposition, and the accumulation of change in fair value originally accounted as owners' equity (when the asset to be transposed is the saleable financial asset).

If part transfer of financial assets meet the conditions of terminating confirmation, the book value of the transferred financial assets, the difference between the confirmed part and the unconfirmed part (in this case, the service assets retained should be deemed as the part of unconfirmed financial assets), should be amortized in accordance with their relative fair value, and the difference between the following two amount should be included current profit and loss:

A. The Book value of the confirmed part;

B. All fair values of financial assets and financial liabilities are recognized with reference to the price in the active market.

If the transfer of financial assets does not meet the conditions of terminating confirmation, the financial assets should be confirmed again, the prices received will be recognized as financial liabilities.

4) The conditions of stopping the financial liabilities

The obligation of financial liabilities is already canceled which should be stopped confirming the financial liability or the part of it. Our company could stop confirming the current financial liability and begin to confirm the new financial liability if the loaner made an agreement that they would assume the new way of financial liability which replaces the current one, and make sure the new financial liability is totally different from the old one in contract with our company.

Stop admitting the financial liability or a part of it,and at meantime we could admit the new financial liability which is in new insertions of contract as the newly financial liability if the current financial liability has been revised.

Stop admitting the balance of the value of financial liability and consideration (Including the roll-out of non-cash assets or financial liabilities) which could be considered as current profits and losses.

Stop and continue admitting a part of the value, and distribute the value of financial liability, if our company repurchased the part of the financial liability. And the balance of the value of which distributed to the part of stopping admitting and paid (Including the roll-out of non-cash assets or financial liabilities) which could be considered as current profits and losses.

5) Recognition basis of financial assets and financial liabilities

All fair values of financial assets and financial liabilities are recognized with reference to the price in the active market (Using valuation technique, etc.).

6)Impairment provision for financial assets(excluding accounts receivable)

①Impairment provision for financial assets for sale:

If the fair value of financial assets for sale greatly drops at the end of the period, or after considering all the relevant factors and expecting decrease trend is non-temporary, the impairment should be confirmed, and the accumulative loss formed by the decrease of fair value of owner's equity originally included should be transferred out altogether and confirmed as impairment loss.

②Holding the impairment provision of expired investments:

The measurement of holding the impairment provision of expired investment will be according to the method of the measurement of impairment provision for receivables.

2. The new Financial Instruments Standards implemented by Jinfu Technology

Financial instruments refer to the contracts of forming enterprise financial assets and other entities' financial liabilities or equity instruments.

1)Recognition and Derecognition of financial instruments

A financial asset or financial liability is recognised when the Group becomes one party of financial instrument contracts.

If one of the following conditions is met, the financial assets are terminated:

① The right of the contract to receive the cash flows of financial assets terminates

② The financial asset has been transferred, and is in accordance with the following conditions for derecognition.

If the obligations of financial liability have been discharged in total or in part, derecognize all or part of it. If the Group (debtor) makes an agreement with the creditor to replace the current financial liability of assuming new financial liability which contract provisions are different in substance, derecognize the current financial liability and meanwhile recognize as the new financial liability.

If the financial assets are traded routinely, they are recognised and derecognised at the transaction date.

2) Classification and measurement of financial assets

Financial assets are classified into the following three categories depends on the Group's business mode of managing financial assets and cash flow characteristics of financial assets: financial assets measured at amortized cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss.

Financial assets measured at amortised cost

The Group shall classify financial assets that meet the following conditions and are not designated as financial assets at fair value through profit or loss as financial assets measured at amortized cost:

●The Group's business model for managing the financial assets is to collect contractual cash flows;

●The terms of the financial asset contract stipulate that cash flows generated on a specific date areonly payments of principal and interest based on the amount of outstanding principal.

After initial confirmation, the real interest rate method is used to measure the amortized cost of such financial assets. Profits or losses arising from financial assets measured at amortized costs and not part of any hedging relationship are included in current profits and losses when the recognition is terminated, amortized or impaired according to the Actual Interest Rate Law.

Financial assets at fair value through other comprehensive income

The Group shall classify financial assets that meet the following conditions and are not designated as financial assets measured at fair value and whose changes are recorded in current profits and losses as financial assets measured at fair value through other comprehensive income:

●The Group's business model for managing the financial assets is both to collect contractual cash flows and to sell the financial assets;

●The terms of the financial asset contract stipulate that cash flows generated on a specific date are only payments of principal and interest based on the amount of outstanding principal.

After initial recognition, financial assets are subsequently measured at fair value. Interest, impairment losses or gains and exchange gains calculated by the effective interest rate method are recognised in profit or loss, while other gains or losses are recognised in other comprehensive gains. When derecognized, the accumulated gains or losses previously recognised in other comprehensive gains are transferred from other comprehensive gains and recorded in current profits and losses.

Financial assets at fair value through profit or loss

In addition to the aboving financial assets which are measured at amortized cost or at fair value through other comprehensive income, the Group classifies all other financial assets as financial assets measured at fair value through profit or loss.When initial recognition, in order to eliminate or significantly reduce accounting mismatches, the Group irrevocably designates some financial assets that should have been measured at amortized cost or at fair value through other comprehensive gains as financial assets at fair value through profit or loss.

After initial recognition, the financial assets are subsequently measured at fair value, and the profits or losses (including interest and dividend income) generated from which are recognised in profit or loss, unless the financial assets are part of the hedging relationship.

However, for non-tradable equity instrument investment, when initially recognized, the Group irrevocably designates them as financial assets at fair value through other comprehensive gains. The designation is made on the basis of individual investment, and the relevant investment conforms to the definition of equity instruments from the issuer's point of view.

After initial confirmation, financial assets are subsequently measured at fair value. Dividend income that meets the requirements is recognised in profit and loss, and other gains or losses and changes in fair value are recognised in other comprehensive gains. When derecognized, the accumulated gains or losses previously recognised in other comprehensive gains are transferred from other comprehensive gains to retained earnings.

The business model of managing financial assets refers to how the group manages financial assets to generate cash flow. The business model decides whether the source of cash flow of financial assets managed by the Group is to collect contract cash flow, sell financial assets or both of them. Based on objective facts and the specific business objectives of financial assets management decided by key managers, the Group determines the business model of financial assets management.

The Group evaluates the characteristics of the contract cash flow of financial assets to determine whether the contract cash flow generated by the relevant financial assets on a specific date is only to pay principal and interest based on the amount of unpaid principal. Among them, principal refers to the fair value of financial assets at the time of initial confirmation; interest includes the consideration of time value of money, credit risk related to the amount of unpaid principal in a specific period, and other basic borrowing risks, costs and profits. In addition, the Group evaluates the terms and conditions of the contracts that may lead to changes in the time distribution or amount of cash flow in financial asset contracts to determine whether they meet the requirements of the aboving contract cash flow's.

Only when the Group changes its business model of managing financial assets, all the financial assets affected shall be reclassified on the first day of the first reporting period after the business model changes, otherwise, financial assets shall not be reclassified after initial confirmation.

Financial assets are measured at fair value at initial recognition. For financial assets that are measured at fair value and whose changes are included in the current profit and loss, related transaction costs are directly included in the current profit and loss; for other types of financial assets, related transaction costs are included in the initially recognized amount. For accounts receivable arising from the sale of products or the provision of labor services that do not include or take into account significant financing components, the Group considers the amount of consideration expected to be entitled as the initial recognition amount.

3)Recognition and measurement of transfer of financial assets

A financial asset is de-recognised if any of the following conditions is satisfied:

a. the right to receive the cash flows attached to the financial asset ceases;

b.the financial asset has been transferred and significant risks and rewards attached to the ownership of the financial asset has been transferred to the transferee;

c.the financial asset has been transferred, the entity has neither transferred nor retained significant risks and rewards attached to the ownership of the financial asset, and the entity has given up the control over the financial assets.

Where an entity has neither transferred nor retained significant risks and rewards attached to the ownership of a transferred financial asset, and has not given up the control over it, the transferred financial asset is continued to be recognised proportionate to the degree of the entity's continual involvement. The degree of the entity's continual involvement with the transferred financial asset is represented by the risk faced by the entity resulting from changes in the value of the transferred financial assets.

Where transfer of a financial asset as a whole satisfies the de-recognition criteria, an investment income is recognised as the excess of the sum of the consideration received and the cumulative changes in fair value previously recognised in other comprehensive income over the carrying amount of the transferred financial asset and the investment income is recognised in profit or loss for the period during which the financial asset is transferre.

4)Classification and Measurement of financial liabilities

On initial recognition, financial liabilities are classified as: financial liabilities at fair value through profit or loss (FVTPL), and financial liabilities measured at amortized cost. For financial liabilities not classified as at fair value through profit or loss, the transaction costs are recognised in the initially recognised amount.

Financial liabilities at fair value through profits and losses

Financial liabilities at FVTPL include transaction financial liabilities and financial liabilities designated as at fair value through profit or loss in the initial recognition. Such financial liabilities are subsequently measured at fair value, all gains and losses arising from changes in fair value and dividend and interest expense relative to the financial liabilities are recognised in profit or loss for the current period.

Financial liabilities measured at amortized cost

Other financial liabilities are subsequently measured at amortized cost using the effective interest method; gains and losses arising from derecognition or amortization is recognised in profit or loss for the current period.

5) Offsetting of financial assets and financial liabilities

When the Company has a legal right that is currently enforceable to set off the recognised financial assets and financial liabilities, and intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset.

6) Fair value of financial instruments

Fair value refers to the price that a market participant must pay to sell or transfer a liability in an orderly transaction that occurs on the measurement date. Where there is an active market for financial instruments, the Company uses quoted prices in an active market to determine its fair value. If there is no active market for financial instruments, the company uses valuation techniques to determine its fair value. At the time of valuation, the company uses valuation techniques that are available in the current situation with sufficient data and other information to support it. The company selects input values that are consistent with the characteristics of the asset or liability that the market participants consider in the transaction of the relevant asset or liability, and prioritizes the relevant observable inputs as much as possible. Use unallowable values if the relevant observable input values are not available or are not practicable.

7)Impairment of financial assets(excluding accounts receivable)

On the basis of expected credit losses, the Group performs impairment assessment on the following items and confirms the loss provision.

●financial assets measured at amortized cost; debt investments at fair value through other comprehensive income;

●contractual assets as defined in Enterprise Accounting Standards No. 14 - Revenue;

●lease receivables;

●Financial guarantee contract (except measured at fair value through profit or loss or formed by continuing involvement of transferred financial assets or the transfer does not qualify for derecognition)

The expected credit losses refer to the weighted average of the credit losses of financial instruments that are weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows receivable from the contract and all cash flows expected to be received by the Group at the original effective interest rate, that is, the present value of all cash shortages.

The company considers reasonable and reliable information about past events, current conditions, future forecasts, and weights the risk of default to calculate the probability-weighted amount of the present value of the difference between the cash flow receivable under the contract and the cash flow expected to be received in recognition of the expected credit loss.

The Group separately measures the expected credit losses of financial instruments at different stages.

The credit risk on a financial instrument has not increased significantly since initial recognition, which is in the first stage. The Group shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. If the credit risk of financial instruments has increased significantly since the initial recognition, but no credit impairment has occurred, which is in the second stage. The Group shall measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses. If the financial instrument has occurred credit impairment since initial recognition, which is in the third stage, and the Group shall measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses.

For financial instruments with lower credit risk at the balance sheet date, the Group assumes that their credit risk has not increased significantly since the initial recognition, and shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The lifetime expected credit losses, refer to the expected credit losses caused by all possible defaults during the whole expected lifetime. The 12-month expected credit losses,refer to the expected credit losses caused by all possible defaults during the 12-month after balance sheet date(if the expected duration of financial instrument is less than 12 months, then for the expected duration),which is part of the lifetime expected credit losses.

When measure the expected credit loss, the longest contract period (including the option of renewal) that the group needs to consider is the longest contract period the enterprise facing credit risk.

For financial instruments in the first stages, second stages and with lower credit risk, the Group calculates interest income on the basis of their book balances without deduction of impairment provisions and actual interest rates. For financial instruments in the third stage, the Group calculates interest income according to their book balance minus the impairment provision and the actual interest rate.

11. Notes receivable

The determination method and accounting treatment method of the credit impairment losses of the notes receivable are detailed in Note IV. 12.

12. Accounts Receivable

(1) Accounting policies for accounts receivable implemented by companies other than Jinfu Technology

This policy is suitable for accounts receivable and other accounts receivable.

At the end of the period, if there is objective evidence that the accounts receivable are impaired, their book value shall be written down to the recoverable amount, and the written down amount shall be recognized as an asset impairment loss and included in the current profit and loss.

The recoverable amount is determined by discounting its future cash flow (excluding credit losses that have not yet occurred) at the original actual interest rate, and taking into the value of the relevant collateral (deducting estimated disposal costs, etc.). The original actual interest rate is the actual interest rate calculated and determined when the account receivable is initially recognized. The estimated future cash flow of short-term accounts receivable has a small difference with its present value, when determining the relevant impairment loss, the estimated future cash flow will not be discounted.

1)Accounts receivable with the significant single amount for which bad debt provision separately accrued

The judgment standard	an amount of more than RMB 5 million as accounts receivable with the significant single amount
The method of provision for bad debts	The company conducts a separate impairment test on accounts receivable with the significant single amount, including in a portfolio of financial assets with similar credit risk characteristics.The accounts receivables whose impairment losses have been confirmed in a separate test are no longer included in a portfolio of accounts receivables with similar credit risk characteristics for the impairment testing.

2) Accounts receivable withdrawal of bad debt provision by credit risks characteristics

Bisic	
1. Aging group	Classification of credit risk portfolio based on the ageing of accounts receivable
2. Risk-free group	Reserve funds, related parties, governments and collectively-owned enterprises (temporary loans) .If there is conclusive evidence that it cannot be recovered or the possibility of recovery is unlikely, the provision for bad debts shall be made based on the irrecoverable

	amount.
Method	
1. Aging group	Aging analysis method
2. Risk-free group	No bad debts

Bad-debt provision made under the aging analysis method in the portfolio:

Aging	Proportion of provision for accounts receivable (%)	Provision for bad debt of other receivables (%)
Within 1 year	0.00	0.00
1 to 2 years	5.00	5.00
2 to 3 years	10.00	10.00
3 to 4 years	30.00	30.00
4 to 5 years	50.00	50.00
Over 5 years	100.00	100.00

(3) Accounts receivable with the insignificant single amount for which bad debt provision separately accrued

Reason	On the balance sheet date, the group inspects the book value of the receivables. If there is the following objective evidence to show that the receivables have been reduced, the provision for bad debt shall be made: A. the debtors suffer from serious financial difficulties; B. debtors are breach of contract terms (such as default or overdue payment of interest or principal); C. debtors are likely to fail or otherwise restructure; D. other objective evidence shows the value reduction of receivables.
The method of provision for bad debts	If there is objective evidence that there is impairment, the company shall confirm the impairment loss and make provision for bad debts according to the difference between the present value of its future cash flow and its book value.

(2) Accounting policies for accounts receivable implemented by Jinfu Technology

This policy is suitable for notes receivable, accounts receivable, other accounts receivable, investments in debt obligations, investments in other debt obligations, long-term accounts receivable.

For accounts receivable and lease receivables arising from the sale of products or the provision of labor services, the company shall measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses.

For other accounts receivable, the company assesses on each balance sheet date whether the credit risk of financial instruments has increased significantly since the initial recognition.The probability of default within the expected duration determined on the balance sheet date is significantly higher than the probability of default within the expected duration determined at the time of initial confirmation, which indicates that the credit risk of the financial instrument has increased significantly.

The credit risk on a financial instrument has not increased significantly since initial recognition, which is in the first stage. The company shall measure the loss allowance for that financial instrument at an amount equal To 12-month expected credit losses. If the credit risk of financial instruments has increased significantly since the initial recognition, but no credit impairment has occurred, which is in the second stage. The Group shall measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses. If the financial instrument has occurred credit impairment since initial recognition, which is in the third stage, and the company shall measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses.

1) For financial instruments with lower credit risk at the balance sheet date, the Group assumes that their credit risk has not increased significantly since the initial recognition, and shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

2) Except for financial instruments that individually assess credit risk, the company divides other financial instruments into several combinations based on credit risk characteristics, and calculates expected credit losses on the basis of the combination:

Financial instruments that individually assess credit risk, such as: accounts receivable that have disputes with the other party or are involved in litigation or arbitration;

In addition to financial instruments that individually assess credit risk, the company divides financial assets into different groups based on common risk characteristics, and assesses credit risk on a portfolio basis. Basis for determination of different combinations:

Item	Basic
Group 3	Aging of accounts receivable
Group 4	Bank acceptance bills with low credit risk

Group 5	Accounts receivable converted into commercial acceptance bills for settlement

For the accounts receivable divided into Group 3, the group refers to the historical credit losses, combines the current situation with the forecast of future economic situation, compiles a comparison table between the age of accounts receivable and the lifetime expected credit losses rate to calculate the expected credit losses.

Aging	Proportion of provision for accounts receivable (%)
Within 1 year	1.00
1 to 2 years	5.00
2 to 3 years	30.00
Over 3 years	100.00

For the bank acceptance bills divided into Group 4, not calculate the expected credit losses.

For the commercial acceptance bills divided into Group 5, calculate the expected credit losses in accordance with the principle of continuous aging of accounts receivable.

13. Inventory

(1) Classification of inventory

Classification of inventory：goods in transit,raw materials, reusable materials, finished goods, work in progress, issue goods, consign processing materials, and consumable biological assets.

(2) Measurement method of cost of inventories

Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditure

Cost is determined using the weighted average method.

(3) Basis for determining the net realisable value and method for provision for obsolete inventories

After a comprehensive inventory check at the end of the period, Inventories are accrued or adjusted at the lower of cost and net realizable value.

Inventory of goods directly used for sale, such as finished products, inventory products and materials for sale,In the normal production and operation process, the net realizable value of the inventory is determined based on the estimated selling price of the inventory less the estimated costs necessary to make the sale and relevant taxes.Inventory of materials that need to be processed, In the normal production and operation process, the net realizable value of the inventory is determined based on the estimated selling price of the inventory s less the estimated costs of completion and the estimated costs necessary to make the sale and relevant taxes. The net realisable value of the inventory held to satisfy sales or service contracts is measured based on the contract price, to the extent of the quantities specified in

sales contracts, and the excess portion of inventories is measured based on general selling prices.

At the end of the period, provision for inventory depreciation is made based on a single inventory item; but for inventory with a large quantity and low unit price, provision for inventory depreciation is made based on inventory category; it is related to product series produced and sold in the same region, has the same or similar end-use or For inventory that is difficult to measure separately from other items, the inventory depreciation reserve shall be accrued in a consolidated manner.

If the factors caused the value of inventory previously written-down have disappeared, the provision for decline in value of inventories previously made is reversed.

(4)Inventory count system

The company maintains a perpetual inventory system.

(5)Amortization methods of low-value consumables and packaging materials

(A)Low-value consumables are charged to profit or loss when they are used.

(B) packaging materials are charged to profit or loss when they are used.

14.Held-to-sale assets

(1)Recognition criteria for holding non-current assets or disposal groups for sale

When the company withdraw the book value of certain assets or disposal group mainly through disposal instead of continual application, the assets should be classified as held-for-sale assets.

The company classifies non-current assets or disposal groups that meet the following conditions into the held-for-sale category:

1) The current status is available for immediate distribution according to similar transactions of this category of assets or disposal group;

2) The transaction is likely to occur, i.e. the company has made its resolution over the distribution arrangements and acquired purchase commitment. Also the distribution is going to be fulfilled within a year. If relevant regulations require the company's relevant authority or regulatory authority to approve the sale, approval has been obtained.

A definite purchase commitment refers to a legally binding purchase agreement signed by the company with other parties. The agreement contains important terms such as transaction price, time, and severe penalties for breach of contract, so that the possibility of major adjustments or cancellation of the agreement is extremely small.

(2)Accounting treatment of non-current assets or disposal groups held for sale

When the company initially measures or remeasures non-current assets or disposal groups held for sale on the balance sheet date, Once the book value is higher than the net value of fair value less costs to sell, the book value should be adjusted to the net value and the excess should be recognized as impairment losses and provision for held-for-sale assets impairment should be made.

1)For fixed assets held for sale, the estimated net residual value of the fixed assets shall be adjusted so that the estimated net residual value of the fixed asset can reflect its fair value minus the amount of disposal expenses, but shall not exceed the original book value of the fixed asset when it meets the conditions for holding for sale, and the difference between the original book value and the estimated net residual value after adjustment shall be included in the current profit and loss as an asset impairment loss. Fixed assets held for sale is not subject to depreciation, and fixed assets held for sale is carried at the lower of book value and the net value of fair value less the disposal expenses.

2)For equity investments in associates or joint ventures held for sale, from the date they are classified to held for sale, they shall cease to be accounted for by the equity method.

3)If the holding company loses control of its subsidiary for reasons like subsidiary disposal, in regardless of whether the holding company still keeps part of equity investment, once the proposed investment disposal meets the requirements of being classified as available for sale assets in the holding company's individual statement, all assets and liabilities of the subsidiary should be classified as held-for-sale in consolidated financial statement.

(3)Accounting treatment when the confirmation conditions of holding for sale are no longer met

1)If an asset or a disposal group has been classified as held for sale but the recognition criteria for non-current assets held for sale are no longer met, the company shall cease to classify the asset or disposal group as held for sale. It shall be measured at the lower of the following two amounts：

(A) the carrying amount before the asset or disposal group was classified as held for sale, adjusted for any depreciation, amortization or impairment that would have been recognized had the asset or disposal group not been classified as held for sale;

(B) the recoverable amount at the date of the decision not to sell.

2)For equity investments in associates or joint ventures that are classified as held for sale but the recognition for non-current assets held for sale are no longer met, such investments are accounted for retrospectively using the equity method from the date when they classified as held for sale.

(4)Accounting treatment of other non-current assets held for sale

Other non-current assets such as intangible assets that meet the conditions for holding for sale shall be handled in accordance with the above principles. The other non-current assets referred to here do not include deferred income tax assets, assets formed by employee compensation, and Financial assets regulated by the "Accounting Standards for Business Enterprises No. 22——Recognition and Measurement of Financial Instruments", investment real estate and biological assets measured at fair value, contract rights arising from insurance contracts.

15. Long-Term Equity Investments

(1) The classification and judgment basis of long-term equity investment

1) The classification of long-term equity investment

Long-term equity investments refer to long-term equity investments in which the Company has control, joint control or significant influence over the invested party.

2) Judgment basis for the classification of long-term equity investment

①The basis for determining the control over the investee is detailed in Note IV. 6.

②Significant influence is the power of the Company to participate in the financial and operating policy decisions of an invested party, but to fail to control or joint control the formulation of such policies together with other parties. While recognizing whether have significant influence by invested party, the potential factors of voting power as current convertible bonds and current executable warrant of the invested party held by investors and other parties shall be thank over.

The equity investment that the investor has a significant influence on the investee is an investment in an associate.

③The basis for determining whether the entity investments is a joint venture:

The company's joint venture means that the company only has rights to the net assets of the joint arrangement.

The definition and classification of a joint venture and the judgement standard for joint control are detailed in Note IV. 7.

(2) Determination of initial investment cost

① Long-term equity investment formed by business combination

For a long-term equity investment acquired through a business combination involving enterprises under common control, the initial investment cost of the long-term equity investment shall be the absorbing party's share of the carrying amount of the owner's equity under the consolidated financial statements of the ultimate controlling party on the date of combination. The difference between the initial cost of the long-term equity investment and the cash paid, non-cash assets transferred as well as the book value of the debts borne by the absorbing party shall offset against the capital reserve. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted. If the consideration of the merger is satisfied by issue of equity securities, the initial investment cost of the long-term equity investment shall be the absorbing party's share of the carrying amount of the owner's equity under the consolidated financial statements of the ultimate controlling party on the date of combination. With the total face value of the shares issued as share capital, the difference between the initial cost of the long-term equity investment and total face value of the shares issued shall be used to offset against the capital reserve. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted.

For a long-term equity investment acquired through a business combination involving enterprises not under common control, the initial investment cost of the long-term equity investment shall be the cost of combination on the date of acquisition. Cost of combination includes the aggregate fair value of assets paid by the acquirer, liabilities incurred or borne and equity securities issued. (For business combination resulted in an enterprise not under common control by acquiring equity of the acquire under common control through a stage-up approach with several transactions, these transactions will be judged whether they shall be treat as "transactions in a basket". If they belong to "transactions in a basket", these transactions will be accounted for a transaction in obtaining control. If they are not belong to "transactions in a basket", the initial investment cost of the long-term equity investment accounted for using cost method shall be the aggregate of the carrying amount of equity investment previously held by the acquire and the additional investment cost. For previously held equity accounted for using equity method, relevant other comprehensive income will not be accounted for. For previously held equity investment classified as other equity instrument investment, the difference between its fair value and carrying amount, as well as the accumulated movement in fair value previously included in the other comprehensive income shall be transferred to profit or loss for the current period.) plus the combination cost measured by costs which have directly connection with acquisition are considered as initial investment cost of such long-term equity investment. Realizable assets and liabilities undertaken by such assets (including contingent liabilities) of the party being combined as at the combination date are all measured at fair values, without consideration to amount of minority interests. The surplus of combination cost less fair value net realizable assets of the party being combined is recorded as goodwill, and the deficit is directly recognized in the consolidated statement of gains and losses.

②Long-term investments obtained through other ways

Initial investment cost of long-term equity investment obtained through cash payment is determined according to actual payment for purchase;

Initial investment cost of long-term equity investment obtained through issuance of equity securities is determined at fair value of such securities;

Initial investment cost of long-term equity investment (exchanged-in) obtained through exchange with non-monetary assets, which is of commercial nature, is determined at fair value of the assets exchanged-out; otherwise determined at carrying value of the assets exchanged-out if it is not of commercial nature;

Initial investment cost of long-term equity investment obtained through debt reorganization is determined at fair value of such investment.

(3) Subsequent measurement on long-term equity investment

Presented controlling ability on invested party, the investment shall use cost method for measurement.

Long-term equity investments with joint control (excluding those constitute joint ventures) or significant influence on the invested party are accounted for using equity method.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the investor's interest in the fair value of the invested party's identifiable net assets at the acquisition date, no adjustment shall be made to the initial investment cost. Where the initial investment cost is less than the investor's interest in the fair value of the invested party's identifiable net assets at the acquisition date, the difference shall be charged to profit or loss for the current period, and the cost of the long term equity investment shall be adjusted accordingly.

Under the equity method, investment gain and other comprehensive income shall be recognized based on the Group's share of the net profits or losses and other comprehensive income made by the invested party, respectively. Meanwhile, the carrying amount of long-term equity investment shall be adjusted. The carrying amount of long-term equity investment shall be reduced based on the Group's share of profit or cash dividend distributed by the invested party. In respect of the other movement of net profit or loss, other comprehensive income and profit distribution of invested party, the carrying value of long-term equity investment shall be adjusted and included in the capital reserves. The Group shall recognize its share of the invested party's net profits or losses based on the fair values of the invested party's individual separately identifiable assets at the time of acquisition, after making appropriate adjustments thereto. In the event of inconformity between the accounting policies and accounting periods of the invested party and the Company, the financial statements of the invested party shall be adjusted in conformity with the accounting policies and accounting periods of the Company.

Investment gain and other comprehensive income shall be recognized accordingly. In respect of the transactions between the Group and its associates and joint ventures in which the assets disposed of or sold are not classified as operation, the share of unrealized gain or loss arising from inter-group transactions shall be eliminated by the portion attributable to the Company. Investment gain shall be recognized accordingly. However, any unrealized loss arising from inter-group transactions between the Group and an invested party is not eliminated to the extent that the loss is impairment loss of the transferred assets. In the event that the Group disposed of an asset classified as operation to its joint ventures or associates, which resulted in acquisition of long-term equity investment by the investor without obtaining control, the initial investment cost of additional long-term equity investment shall be the fair value of disposed operation. The difference between initial investment cost and the carrying value of disposed operation will be fully included in profit or loss for the current period. In the event that the Group sold an asset classified as operation to its associates or joint ventures, the difference between the carrying value of consideration received and operation shall be fully included in profit or loss for the current period. In the event that the Company acquired an asset which formed an operation from its associates or joint ventures, relevant transaction shall be accounted for in accordance with “Accounting Standards for Business Enterprises No.20“Business combination”. All profit or loss related to the transaction shall be accounted for.

The Group’s share of net losses of the invested party shall be recognized to the extent that the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of the investor’s net investment in the invested party are reduced to zero. If the Group has to assume additional obligations, the estimated obligation assumed shall be provided for and charged to the profit or loss as investment loss for the period. Where the invested party is making profits in subsequent periods, the Group shall resume recognizing its share of profits after setting off against the share of unrecognized losses.

In the event of loss of common control or significant influence over invested party due to partial disposal of equity investment by the Group, the remaining equity interest after disposal shall be accounted for using the recognition and measurement standard of financial instruments. The difference between its fair value and carrying amount as at the date of losing common control or significant influence shall be included in profit or loss for the current period. In respect of other comprehensive income recognized under previous equity investment using equity method, it shall be accounted for in accordance with the same accounting treatment for direct disposal of relevant asset or liability by invested party at the time when equity method was ceased to be used. Movement of other owners’ equity (excluding net profit or loss, other comprehensive income and profit distribution under net asset of invested party accounted for and recognized using equity method) shall be transferred to profit or loss for the current period at the time when equity method was ceased to be used.

In the event of loss of control over invested party due to partial disposal of equity investment by the Group, in preparing separate financial statements, the remaining equity interest which can apply common control or impose significant influence over the invested party after disposal shall be accounted for using equity method. Such remaining equity interest shall be treated as accounting for using equity method since it is obtained and adjustment was made accordingly. For remaining equity interest which cannot apply common control or impose significant influence over the invested party after disposal, it shall be accounted for using the recognition and measurement standard of financial instruments. The difference between its fair value and carrying amount as at the date of losing control shall be included in profit or loss for the current period. In respect of other comprehensive income recognized using equity method or the recognition and measurement standard of financial instruments before the Group obtained control over the invested party, it shall be accounted for in accordance with the same accounting treatment for direct disposal of relevant asset or liability by invested party at the time when the control over invested party is lost. Movement of other owners' equity (excluding net profit or loss, other comprehensive income and profit distribution under net asset of invested party accounted for and recognized using equity method) shall be transferred to profit or loss for the current period at the time when the control over invested party is lost. Of which, for the remaining equity interest after disposal accounted for using equity method, other comprehensive income and other owners' equity shall be transferred on pro rata basis. For the remaining equity interest after disposal accounted for using the recognition and measurement standard of financial instruments, other comprehensive income and other owners' equity shall be fully transferred.

16. Investment Real Estate

(1)Initial measurement of investment real estate

The company 's investment property includes leased land use rights, land use rights held and provided for to transfer after appreciation and leased building and construction. The company 's investment properties are initially measured at acquisition cost. The cost of outsourcing Investment property includes the purchase price, relevant taxes and other expenditures that can be directly attributable to the asset; the cost of self-built Investment property is determined by the construction of the asset. The composition of the necessary expenditures incurred before the usable state.

(2)Subsequent measurement of investment real estate

The company uses the cost model for subsequent measurement of investment property, and adopts a depreciation or amortization policy for the investment property which is consistent with that for buildings or land use rights.

17. Fixed Assets

(1)Recognition of fixed assets

Fixed assets represent the tangible assets held by the Group for use in production of goods, for use in supply of services, for rental or for administrative purposes with useful lives over one accounting year.Fixed assets are classified as: houses and buildings, machinery equipment, electronic equipment, transportation equipment, and other equipment. Fixed assets are recognized when the following conditions are met at the same time:((1) The economic benefits related to the fixed asset are likely to flow into the company.(2) The cost of fixed assets can be reliably measured

(2)Depreciation methods

Depreciation of fixed assets is accrued by the average life method,the depreciation rate is determined according to the fixed asset category, estimated useful life and estimated net residual value rate. The service life of each component of the fixed asset is different or the way to provide economic benefits to the enterprise is different，choose different depreciation rates or depreciation methods, and accrue depreciation separately.

1)Depreciation method of fixed assets except SZJF Technology Co.

Category	Depreciation method	Depreciation period (years)	Residual rate(%)	Annual depreciation rate(%)
houses and buildings	Straight-line method	2-4	5.00	2.38-4.57
machinery equipment,	Straight-line method	8-10	5.00	9.50-11.88
Electronic equipment	Straight-line method	3-5	5.00	19.00-31.67
Transportation equipment	Straight-line method	4-8	5.00	11.88-323.75
Office equipment and others	Straight-line method	3-5	5.00	19.00-31.67

2)Depreciation method of fixed assets of SZJF Technology Co., a holding subsidiary

Category	Depreciation method	Depreciation period (years)	Residual rate(%)	Annual depreciation rate(%)
houses and buildings	Straight-line method	20	5%	4.75%
machinery equipment,	Straight-line method	10	5%-10%	9%-9.5%
Transportation equipment	Straight-line method	5	5%-10%	18%-19%
Electronic equipment	Straight-line method	3-5	5%-10%	18%-31.67%

Other equipment	Straight-line method	3-5	5%-10%	18%-31.67%
Fixed asset decoration	Straight-line method	5		20%

(3)For the recognition, measurement and depreciation of fixed assets acquired under finance leases

Fixed assets under finance leases are recognised if they meet one or more of the following criteria:

①The ownership of leased assets is transferred to the company by the end of the lease term.

②The Company has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date of the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised.

③The lease term covers the major part of the useful life of the asset.

④At the inception of lease, the present value of minimum lease payments amount to substantially all of the fair value of leased asset.

An asset acquired under a finance lease is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, each determined at the inception of the lease. Long-term payable is recorded at an amount equal to the sum of all future minimum lease payments. The difference between the carrying amount of the leased assets and the minimum lease payments is accounted for as unrecognised finance charges.

An asset acquired under a finance lease,If there is reasonable certainty that the Company will obtain ownership of a leased asset at the end of the lease term, the leased asset is depreciated over its estimated useful life. Otherwise, the leased asset is depreciated over the shorter of the lease term and its estimated useful life.

18. Construction in Progress

Construction in progress is accounted for by project classification.

Construction in progress projects are based on all the expenditures incurred before the construction of the asset reaches the expected usable state as the entry value of the fixed asset. From the date on which the fixed assets built by the Company come into an expected usable state, the projects under construction are converted into fixed assets on the basis of the estimated value of project estimates or pricing or project actual costs, etc. Depreciation is calculated from the next month. Further adjustments are made to the difference of the original value of fixed assets after final accounting is completed upon completion of projects，but the original accrued depreciation amount will not be adjusted.

19. Borrowing Expenses

(1)Borrowing costs include borrowing interest, amortization of discounts or premiums, ancillary expenses, and exchange differences arising from foreign currency borrowings.

Borrowing costs incurred directly attributable to the acquisition and construction of a qualifying asset are capitalised as part of the cost of the asset. Other borrowing costs are recognised as financial expenses when incurred. Assets that meet the conditions for capitalization refer to fixed assets, investment real estate, inventory, and other assets that require a long period of acquisition, construction or production activities to reach the intended use or sale status.

The capitalisation of borrowing costs shall commence only when the following criteria are met:

① capital expenditures have been incurred, including expenditures that have resulted in payment of cash, transfer of other assets or the assumption of interest-bearing liabilities;

② borrowing costs have been incurred;

③ the activities that are necessary to prepare the asset for its intended use or sale have commenced.

(2)Period of capitalization of borrowing costs

The capitalisation period is the period from the date of commencement of capitalisation of borrowing costs to the date of cessation of capitalisation, excluding any period over which capitalisation is suspended.

Capitalization of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale.The capitalization of the borrowing costs of the part of the asset shall cease,when part of the projects in the acquisition, construction or production of assets that meet the capitalization conditions are completed and can be used alone.

If each part of an asset purchased, constructed or produced is completed separately, but cannot be used or sold until the entire construction is completed, the capitalization of borrowing costs shall be stopped when the entire asset is completed.

(3)Period of suspension of capitalization of borrowing costs

Capitalization of borrowing costs shall be suspended if the assets that meet the capitalization conditions are abnormally interrupted in the process of purchase, construction or production, and the interruption time continuously exceeds 3 months. Borrowing costs incurred during the interruption period are recognized as expenses and included in the current profits and losses until the purchase and construction of assets or the resumption of production activities. If the interruption is a necessary procedure for the purchased, built or produced assets that meet the capitalization conditions to reach the intended usable or saleable state, the capitalization of borrowing costs will continue.

(4)Calculation method of capitalization amount of borrowing costs

Where funds are borrowed specifically for the acquisition and construction of a qualifying asset, the amount of interest to be capitalised is the interest expense calculated using effective interest rates during the period less any interest income earned from depositing the borrowed funds or any investment income on the temporary investment of those funds before being used on the asset. To the extent that the Group borrows funds generally and uses them for the acquisition and construction of a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the weighted average of the excess amounts of cumulative expenditure on the asset over the above amounts of specific borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

Where there are discounts or premiums on loans, the amount of discounts or premiums that should be amortized in each accounting period shall be determined in accordance with the actual interest rate method, and the amount of interest in each period shall be adjusted.

20. Intangible Assets

(1)Valuation method of intangible assets

1)Intangible assets are initially measured at the cost at the time of acquisition

The cost of outsourcing intangible assets includes the purchase price, relevant taxes, and other expenditures directly attributable to the asset's intended use. If the purchase price of intangible assets exceeds the normal credit conditions, which is of financing nature in essence, the cost of intangible assets is determined based on the present value of the purchase price.

The intangible assets acquired through debt reorganization, are recognized at the fair value. And the difference between the book value of the debt to be restructured and the fair value of the intangible asset used to repay the debt is included in the current profit and loss;The intangible assets acquired through exchange of non-monetary assets, which is commercial in substance, is carried at the fair value of the assets exchanged out, Unless there is conclusive evidence that the fair value of the assets exchanged in is more reliable; for those not commercial in substance, they are carried at the carrying amount of the assets exchanged out, Profits and losses are not recognized.

The book value of intangible assets acquired through the merger of enterprises under the same control shall be determined according to the book value of the merged party; the record value of the intangible assets acquired through the merger of enterprises not under the same control shall be determined at the fair value.

The cost of intangible assets developed internally includes: materials used in the development of the intangible asset, labor costs, registration fees, amortization of other patents and franchises used in the development process, and interest expenses that meet the capitalization conditions , And other direct expenses incurred before the intangible asset reaches its intended use.

2)Subsequent measurement

When acquiring intangible assets, analyze and judge their service life.

Intangible assets with limited service life of the Company shall be amortized on average within the service life since the intangible assets are available for use. Intangible assets with uncertain service life are not amortized.

For the impairment test of intangible assets, for details, please refer to this Note "IV. 22.Impairment of Long-term Assets".

(2)Estimated service life of intangible assets with limited service life

Item	Estimated service life	foundation
Land use right	50 years	According to the term of the land use right certificate
software	2-10 years	Amortized evenly according to the expected useful life

Useful lives and amortisation methods of intangible asset with finite useful life are reviewed at least at each year-end.

After review, the useful life and amortization method of intangible assets at the end of the current year are no different from previous estimates.

(3)The specific criteria for dividing the research phase and development phase of internal research and development projects

Expenditure on an internal research and development project is classified into expenditure incurred during the research phase and expenditure incurred during the development phase.

Research stage: Research refers to an original and planned investigation to acquire and understand new scientific or technical knowledge.

Development stage: Development refers to the application of research results or other knowledge to a plan or design to produce new or substantially improved materials, devices and products before commercial production or use.

(4)Expenditure in the development phase meets the specific criteria for capitalization

Expenditures in the development stage of internal research and development projects that meet the following conditions are recognized as intangible assets:

①it is technically possible to complete the intangible assets so that they can be used or sold;

②Have the intention to complete thein tangible assets and use or sell them;

③The ways in which intangible assets generate economic benefits, including those that can prove that there a market for products produced by using the intangible assets or that thein tangible assets themselves exist in the market, and that the intangible assets will be used internally, should prove their usefulness;

④Have sufficient technical, financial and other resources to complete the development of the intangible assets and have the ability to use or sell the intangible assets;

⑤Expenditures attributable to the development stage of the intangible assets can be measured reliably.

Other development expenditures that do not meet the conditions above are recognised in profit or loss in the period in which they are incurred.Expenditure during the research phase is expensed when incurred.

21. Long-term unamortized expenses

Long-term prepaid expenses include the expenditures that have been incurred but should be recognised as expenses over more than one year in the current and subsequent periods, expenses for the improvement of operating leased fixed assets are also long-term deferred expenses, which are amortized in installments during the expected benefit period. If the long-term prepaid expense item cannot benefit the future accounting period, the amortized value of the item that has not been amortized will be transferred to the current profits and losses.

22. Impairment of Long-Term Assets

The Group assesses at the balance sheet date whether there is any indication that the long-term equity investments, investment properties measured at cost method,fixed assets, construction in progress, biological assets measured at cost method, and oil and gas assets with a finite useful life may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets，and if the recoverable amount of an asset is lower than its book value, the book value of the asset shall be written down to the recoverable amount, and thewritten-down amount shall be recognized as the asset impairment loss, which shall be included in the currentprofits and losses, and the corresponding asset impairment reserve shall be accrued at the same time.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its present value of expected future cash flows. The recoverable amount is estimated for each individual asset. If it is not possible to estimate the recoverable amount of each individual asset, the Company determines the recoverable amount for the asset group to which the asset belongs.

After the asset impairment loss is confirmed, the depreciation or amortization expenses of the impaired asset will be adjusted accordingly in the future so that the asset will be systematically amortized over the adjusted book value of the asset during the remaining life of the asset.

The Company conducts impairment test every year for intangible assets with uncertain goodwill and service life formed by business combination and not yet in serviceable condition, regardless of whether there is any sign of impairment.

For goodwill impairment test, the carrying amount of goodwill arising from a business combination isallocated reasonably to the relevant asset group since the acquisition date. If the carrying amount of goodwill is unable to be allocated to asset group, the carrying amount of goodwill will be allocated to asset portfolio. When apportioning the book value of goodwill to related asset groups or portfolio of asset group, the apportionment is made according to the proportion of the fair value of each asset group or combination of asset groups to the total fair value of the relevant asset group or portfolio of asset group. If the fair value is difficult to measure reliably, it shall be apportioned according to the proportion of the book value of each asset group or portfolio of asset group to the total book value of the relevant asset group or portfolio of asset group

In impairment testing, if impairment indication exists in asset group or portfolio of asset group containing allocated goodwill, impairment test is first conducted for asset group or portfolio of asset group that does not contain goodwill, and corresponding recoverable amount is estimated and any impairment loss is recognized. Then impairment test is conducted for asset group or portfolio of asset group containing goodwill by comparing its carrying amount and its recoverable amount. If the recoverable amount is less than the carrying amount, impairment loss of goodwill is recognized.

23. Payroll

Payroll refers to the remuneration or compensation paid by the company in various forms for the acquisition of services provided by employees or severing labor relations, which includes short-term compensation, welfare demission, dismissal welfare, and other welfare of the long-term employees.

(1) Short-Term Compensation

During the accounting period when the staff providing service to the Company, the short-term remuneration actual occurred shall recognized as liability and reckoned into current gains/losses or capital costs.

(2) Post-employment Benefit

Post-employment benefit plan includes defined contribution plans and defined benefit plans.

The contribution deposits that paid to the individual subject for the services provided by the staffs on the balance sheet date during the accounting period, shall be recognized as the liability, and recorded into the current profits and losses or the relevant asset costs as per the beneficiary.

Based on the expected cumulative welfare unit method, the company shall adopt unbiased and mutually consistent actuarial assumptions to make evaluation of demographic variables and financial variables, measure and define the obligations arising from the benefit plan, and determine the period of the relevant obligations. The company shall discount all the defined benefit plan obligations, including the obligation within twelve months after the end of the annual report during the expected services provision of employee. The discount rate adopted in discounting shall be recognized according to the bonds matched with the defined benefit plan obligation term and the currency at the balance sheet date or the market return of high-quality corporate bonds in the active market.

If there exist the assets for the defined benefit plan, the deficit or surplus arising from the present value of the defined benefit plan obligations minus the fair value of the defined benefit plan assets are recognized as the net liability or the net assets of the defined benefit plan. If there exists the surplus of the defined benefit plan, the lower one between the surplus of the define benefit plan and the upper limit of assets shall be used to measure the net assets of the defined benefit plan. The upper limit of assets refers to the present value of economic benefits obtained from the refund of the defined benefit plans or the reduction of deposit funds of future defined benefit plans.

At the end of period, the employee's payroll costs arising from the defined benefit plan are recognized as the service costs, the net interests on the net liabilities or the net assets of the defined benefit plan, and the changes caused by the net liabilities and the net assets of the defined benefit plan that re-measured. Of which, the service costs and the net interests on the net liabilities or the net assets of the defined benefit plan shall be recorded into the current profits and losses or the relevant assets costs, the changes caused by the net liabilities and the net assets of the defined benefit plan that re-measured shall be recorded into other comprehensive incomes, which should not be switched back to the profits and losses during the subsequent accounting period, but the amount recognized from other comprehensive incomes can be transferred within the scope of the rights and interests.

The profit or loss of one settlement shall be recognized when settling the defined benefit plan.

(3) Dismiss welfare

The Company provides for termination benefits to the employees and shall recognize an employee benefits liability for termination benefits, with a corresponding charge to the profit or loss for the current period, at the earlier of the following dates: When the Company cannot unilaterally withdraw the offer of the termination benefits from an employment termination plan or a redundancy proposal; the Company recognizes the costs or expenses relating to a restructuring that involves the payment of the termination benefits.

If the dismiss welfares are expected to be fully paid within twelve months after the end of the annual reporting period, the relevant provisions of short-term compensation shall apply; if the dismiss welfares are expected to be unfully paid within twelve months after the end of the annual reporting period, other long-term compensation shall apply.

(4) Other Welfare of the Long-term Employees

Other long-term employee benefits provided by the Company to the employees satisfied the conditions for classifying as a defined contribution plan; those benefits shall be accounted for in accordance with the above requirements relating to defined contribution plan. When the benefits satisfy a defined benefit plan, it shall be accounted for in accordance with the above requirements relating to defined benefit plan, but the movement of net liabilities or assets in re-measurement of defined defined benefit plan shall be recorded in profit or loss for the current period or cost of relevant assets.

24. Estimated liabilities

The estimated debts shall be initially measured in accordance with the best estimate of the necessary expenses for the performance of the current obligation, for example, litigation matters, debt guarantees, loss contracts, restructuring matters.

To determine the best estimate, an enterprise shall take into full consideration of the risks, uncertainty, time value of money, and other factors pertinent to the Contingencies. If the time value of money is of great significance, the best estimate shall be determined after discounting the relevant future outflow of cash. The increase in the value of the estimated liabilities due to the discounted restoration over time is recognized as interest expense.

On the balance sheet date, the book value of the estimated liabilities is reviewed and adjusted appropriately to reflect the current best estimate.

(1) Loss contracts

A loss contract is a contract in which the unavoidable cost of fulfilling contractual obligations exceeds the expected economic benefits. If the contract to be executed becomes a loss contract, and the fulfilling contractual obligations meet the recognition conditions of the above estimated liabilities,the portion of the estimated contract loss exceeding the confirmed impairment loss (if any) of the underlying asset of the contract shall be recognized as the estimated liability.

(2) Restructuring matters

For a detailed, formal and publicly announced reorganization plan, the amount of estimated liabilities shall be determined based on the direct expenditures related to the reorganization, under meeting the recognition conditions of the above estimated liabilities.

Regarding the restructuring matters for the sale of part of the business, only when the company promises to sell part of the business (that is, when a binding sale agreement is signed), the estimated liabilities related to the restructuring matters will be confirmed.

(3) Quality assurance and maintenance

The company will confirm estimated liabilities for the after-sale quality maintenance provided to customers for the sale, maintenance and transformation of the goods sold. The company confirm estimated liabilities based on the recent maintenance experience data, but the recent maintenance experience may not reflect the future maintenance situation. Any increase or decrease in this reserve may affect future profits and losses.

(4) Repurchase guarantees

The company will provide equipment repurchase guarantees to financing institutions for customers with financing needs, and confirm estimated liabilities based on the possible loss of repurchase guarantees. The company confirm estimated liabilities based on the percentage of the company's historical actual performance of the repurchase guarantee, the percentage of actual losses incurred after the performance of the repurchase guarantee, the payment capabilities of different customers.Since neither historical data nor appraisal data may reflect future repurchase losses, any increase or decrease in this reserve may affect future profits and losses.

25.Share-based payments

(1) Types and Accounting Treatment Methods of Share Payment

Share payment is a transaction which is for obtaining the service provided by employees or other parties, where thus the equity instrument is granted, or for bearing the liability confirmed basing on the equity instrument. Share payment is divided into the payment settled by equities and the payment settled by cash.

1) The payment settled by equities

The share payment settled by equities, which is used for exchanging the service provided by employees, will be measured according to the fair value of the equity instrument granted to employees on date of grant.

The amount of such fair value, under the situation that the rights can only be exercised after the service is finished and the set performance is achieved within the waiting period, and basing on the optimum estimation for the number of equity instrument which exercise rights within the waiting period, will be counted into relevant costs and expenses, and the capital reserve will be increased correspondingly.

2) The payment settled by cash

The share payment settled by cash will be measured according to the fair value of the liability confirmed basing on the shares borne by the Company and other equity instruments. If the rights can be exercised immediately after being granted, the payment will be counted into relevant costs or expenses and the liability will be increased correspondingly. If the rights can only be exercised after the situation that service within the waiting period is completed and set performance is achieved, the service obtained at the current period,according to the fair value amount of the liability borne by the Company, and basing on the optimum estimation for the condition of exercising rights, will be counted into costs or expenses on each and every balance sheet date during the waiting period, and the liability will be increased correspondingly. Each and every balance sheet date and settlement before relevant liability settlement, the fair value of liability will be remeasured, of which changes occurred will be counted into the current period.

(2)The method for determining the fair value of equity instruments

The shares granted to employees will be measured according to the fair value of the equity instrument granted to employees on date of grant. At the same time, the fair value are considered for adjustment according to the terms and conditions(excluding exercisable conditions other than market conditions) of the shares granted.

The fair value of the stock options granted to employees, is estimated through the option pricing model.

(3) Confirmation of the basis for the best estimate of exercisable equity instruments

On each and every balance sheet date within the waiting period, the Company will make optimum estimations according to the newly-obtained subsequent information after the changes occurred in the number of employees who exercise rights so as to modify the predicted number of the equity instrument of exercising rights.

(4) Relevant Accounting Treatment of Modification and Termination for Share-based Payment Plan

When the Company modifies the share payment plan, if the quantity or fair value of the equity instrument granted is increased after the modification, the increase in the service obtained will be correspondingly confirmed according to the increase in the fair value of equity instrument.

When the exercisable conditions are modified in a way that is beneficial to employees, such as shortening the waiting period, changing or canceling performance conditions (rather than market conditions), the company will consider the revised exercisable conditions when dealing with the exercisable conditions.

If decrease occurred in the total fair value of the equity instrument after the modification or methods which are unbeneficial to employees are adopted in the modification, accounting treatment will still continue to be made for the service obtained, and such changes will be regarded as changes that have never occurred unless the Company has canceled partial or all equity instruments.

During the waiting period, if the granted equity instrument is cancelled, the company will treat the cancelled equity instrument as the accelerated exercise of power, and immediately include the balance that should be recognized in the remaining waiting period into the current profit and loss, and simultaneously confirm the capital reserve. If the employee or other party can choose to satisfy the non-exercisable condition but not satisfied in the waiting period, then the company will treat it as cancellation of the granted equity instrument.

26. Revenues

(1) Sale of goods

The significant risks and rewards of ownership of the goods have been transferred to the buyer by the enterprise; The enterprise retains neither continuous management right that usually keeps relation with the ownership nor effective control over the sold goods; The relevant amount of revenue can be measured in a reliable way; The relevant economic benefits may flow into the enterprise; and the relevant costs incurred can be measured in a reliable way.

When the products sold in country is delivered and confirmed by the other party, and the invoices of the sales revenue is issued, the revenue of the products sold in country shall be confirmed. When the product is dispatched, the export procedures shall be handled according to the purchase and sale contract and export invoice signed by both parties, the revenue of the export products shall be confirmed.When the products is delivered according to purchase and sales contract and order information, and the export procedures shall be handled intensively, the revenue of the indirect export products by means of deep processing of imported materials shall be confirmed after reconciliation with customers.

The amount of revenue from the sale of goods shall be determined in accordance with the price of the contract or agreement, unless the price of the contract or agreement is unfair.If the contract or agreement clearly defined that proceeds received from sale of goods to be delayed, such as sales of goods on instalment, which is in substance a financing behaviour, the sales revenue shall be measured at the fair value of the contractual or agreed receivable amount, herein the present value of the contractual or agreed receivable amount.The difference between the contractual or agreed receivable amount and its fair value shall be recognized in profit and loss as financial interest according to the amount calculated using amortized cost and effective interest method.

(2) The Service Provision

When the total revenue and costs from providing service can be measured in a reliable way, the contract revenue and the contract costs shall be recognized in light of the percentage-of- completion method on the date of the balance sheet. The percentage of completion is determined in the proportion of the accumulated actual costs among the estimated total costs.

If the result of providing services cannot be estimated in a reliable way on the balance sheet date, they shall be handled according to the following circumstances:

1) If the service cost incurred is expected to be compensated, the service revenue should be confirmed according to the amount of the service cost incurred, and the service cost should be carried forward at the same amount.

2) If the service cost incurred is not expected to be compensated, the service revenue is not recognized.

(3) The Abalienation of the Right to Use Assets

The revenue of abalienation of the right to use assets shall be recognized when the abalienation of the right to use assets meets the requirements of the possible inflow of the relevant economic benefits and the reliable measurement of revenue amount.

1) The interest income shall be calculated and determined according to time and actual interest rate of the monetary capital of the company used by others;

2) The royalty revenue shall be measured and determined in accordance with the charging time and method appointed in the relevant contract or agree.

(4) Construction Contract

1) The outcome of a construction contract can be estimated in a reliable way

Under the circumstance that the outcome of a construction contract can be estimated in a reliable way, the contract revenue and the contract costs shall be recognized in light of the percentage-of-completion method on the date of the balance sheet. It is the method of confirming the contract revenue and the contract costs based on the progress of contract completion for the percentage-of-completion method.The percentage of completion is determined in the proportion of the accumulated actual contract costs among the estimated total contract costs.

The results of a fixed cost contract can be reliably estimated in a reliable way, based on:

①The total contract revenue can be reliably measured;

②The economic benefits related to the contract are likely to flow into the company;

③The actual contract costs can be clearly distinguished and reliably measured;

④The progress of contract completion and the costs incurred to complete the contract can be determined in a reliable way.

The result of the cost-plus contract can be estimated in a reliable way, based on:

① The economic benefits related to the contract are likely to flow into the company;

② The actual contract costs can be clearly distinguished and reliably measured.

If the estimated total cost of the contract exceeds the total revenue of the contract, the estimated loss of the contract formed is recognized as an asset impairment loss into the current profit and loss.When the contract is completed, the estimated loss provision for the contract will be resold at the same time.

2)The outcome of a construction contract can not be estimated in a reliable way

If the outcome of a construction contract can not be estimated in a reliable way, it shall be handled according to the following circumstances:

①If the contract costs can be recovered, contract revenue shall be recognized according to the actual contract costs, the contract costs shall be recognized as contract expenses in the current;

②If the contract costs are impossible to be recovered, it shall be immediately recognized as the contract cost and the contract revenue shall not be recognized.

(5)The accounting policies of revenues in SZJF Technology'audit report

The Group recognizes revenue based on the transaction price allocated to such performance obligation when a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

If the contract includes two or more performance obligations, at contract inception, the Group allocates the transaction price to single performance obligation according to relative proportion of the stand-alone selling prices of the goods or services promised by single performance obligation.For the contract with a warranty, the Group analyses the nature of the warranty provided, if the warranty provides the customer with a distinct service in addition to the assurance that the product complies with agreed-upon specifications, the Group recognises for the promised warranty as a performance obligation. Otherwise, the Group accounts for the warranty in accordance with the requirements of CAS No.13 – Contingencies.

Transaction price refers to the consideration that the company is expected to charge due to the transfer of goods or services to the customer, but it does not include payments received on behalf of third parties and amounts that the company expects to return to the customer.For contracts that contain variable consideration, the company estimates the amount of consideration using either the expected value or the most likely amount. The transaction price that includes variable consideration is only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty is subsequently resolved. If there is a consideration payable to the customer in the contract, unless the consideration is to obtain clearly distinguishable goods or services from the customer, the company will offset the current revenues at the later of the recognition of revenues and the payment (or commitment) of customer's consideration. If the contract includes significant financing component, the company will adjust the transaction price according to the financing component in the contract.If the company expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less, the company needs not to consider the significant financing component.

The company determines whether it is a principal or an agent at the time of the transaction based on whether it owns the "control" of the goods or services before the transfer of such goods or services to the customer. The company is a principal if it controls the specified good or service before that good or service is transferred to a customer, and the revenue shall be recognized based on the total consideration received or receivable; otherwise, the company is an agent, and the revenue shall be recognized based on the amount of commission or handling fee that is expected to be charged, and such amount is determined based on the net amount of the total consideration received or receivable after deducting the prices payable to other related parties or according to the established commission amount or proportion.

The company's revenues are mainly derived from the sales of goods, and the sales contracts between the company and its customers usually only include a single performance obligation.The company usually confirms the revenues when the control of the product is transferred on the basis of comprehensive consideration of the following factors: the current right to receive payment for the products, the transfer of the significant risks and rewards of ownership of the products, the transfer of the legal ownership of the products, the delivery and confirmation of the products.

The company's specific revenue recognition policies are described as follows: When the products sold in country is delivered and confirmed by the other party, and the invoices of the sales revenue is issued, the revenue of the products sold in country shall be confirmed. When the product is dispatched, the export procedures shall be handled according to the purchase and sale contract and export invoice signed by both parties, the revenue of the export products shall be confirmed.When the products is delivered according to purchase and sales contract and order information, and the export procedures shall be handled intensively, the revenue of the indirect export products by means of deep processing of imported materials shall be confirmed after reconciliation with customers.

27. Government Subsidy

Government subsidy refers to the group's acquisition of monetary assets and non-monetary assets free of charge from the government, excluding the capital invested by the government as the owner. Government subsidy is divided into government subsidy related to assets and government subsidy related to income.

(1) Judgment Basis and Accounting Treatment of Government Subsidies Related to Assets

The government subsidies obtained by the company for the purchase and construction or the formation of long-term assets by other methods shall be regarded as the government subsidies related to assets.

Government subsidy related to assets shall be recognized as deferred income and shall be included in profit and loss in a reasonable and systematic way in the service life of relevant assets. If the relevant assets are sold, transferred, scrapped or damaged before the end of their service life, the balance of the relevant deferred income that has not been distributed shall be transferred to the profit and loss of the current period of asset disposal.

Government subsidies measured in the nominal amounts shall be directly included in current profits and losses.

(2) Judgment Basis and Accounting Treatment of Government Subsidies Pertinent to Incomes

Other government subsidies obtained by the company other than those related to assets are regarded as government subsidies related to income. Government subsidy related to income shall be accounted in accordance with the following provisions:

1) Used for compensating the related cost expenses or losses in enterprise’s later period, shall be recognized as deferred income, and be recorded into the profits and losses of the current or write down related costs when confirm the related expenses or losses;

2) Used for compensating any relevant costs or losses incurred by the enterprise, it shall be directly included in the current profits and losses or write down related costs.

For the government subsidies that including both the asset-related part and the income-related part, different parts shall be classified for accounting treatment respectively. If it is difficult to distinguish, it shall be classified as a government subsidy related to income as a whole.

Government subsidies related to the daily activities of enterprises shall be included in other income or offset related costs according to the nature of the economic business. Government subsidies unrelated to the daily activities of enterprises shall be included in the non-operating income and non-operating expenses.

28. Deferred income tax assets and Deferred income tax liabilities

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognised as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognised using the balance sheet liability method.

Deferred tax is generally recognized for all temporary differences. Deferred tax assets for deductible temporary differences are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. However, for temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of the transaction, no deferred tax asset or liability is recognized.

As for deductible losses and taxes rebate which could be carried forward to later years, corresponding deferred income tax assets will be confirmed within the limit of the future taxable income which will probably be obtained to offset deductible losses and taxes.

The company shall recognize the corresponding deferred tax liabilities for the taxable temporary difference related to the investment of subsidiaries, cooperative enterprises and joint ventures. Except that the following requirements are simultaneously met: (1) the investment enterprise can control the reversal time of the temporary difference. (2) the temporary difference is possible to not be reversed in the foreseeable future.In addition, as for deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, if such differences can be reversed in the foreseeable future or are likely to obtain the taxable income to deduct the deductible temporary differences of the taxable income, the relevant deferred income tax assets shall be recognized.

As per the provisions of tax law, the deferred income tax assets and deferred income tax liabilities shall be measured at the applicable tax rates used during the period of expectation recovery of relevant assets or pay-off relevant liabilities at the balance sheet date.

Other comprehensive income or the current income tax and the deferred income tax related to the transactions and items directly recorded into the stockholders' equity, shall be recorded into other comprehensive incomes or the stockholders' equity, and the book value of goodwill shall be adjusted by the deferred income tax arising from the business combination, but the rest of the current income tax and the deferred income tax expense or income shall be recorded into the current profits and losses.

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilized. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realise the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

29. Lease

(1) Accounting treatment for operating lease

1) The rent paid by the Company for rented assets will be amortized with straight-line method within the whole lease term including the rent-free period, and recorded in the expense of the current period. The initial direct expenses paid by the Company and related to leasing transaction will be recorded in the expense of the current period.

If the asset lessor undertakes the lease-related expenses which shall be assumed by the Company, the Company shall deduct such expenses from the total rent, amortize the remained rent within the lease term, and record it in the expense of the very period.

2) The rent collected by the Company for leasing out assets will be amortized with straight-line method within the whole lease term including the rent-free period, and confirmed as lease-related income. The initial direct expenses paid by the Company and related to leasing transaction will be recorded in the expense of the very period; if the amount is relatively big, the amount will be capitalized, and will be recorded in the income of the very period by installments within the whole lease term on the basis same as that for confirmation of lease-related income.

If the Company undertakes lease-related expenses which shall be undertaken by the lessee, the Company will deduct such expenses from the total amount of rent income, and distributed the remained rent expense within the lease term.

(2)Accounting treatment for finance lease

1) Assets rented through finance lease: On the date when the renting starts, the Company takes the fair value of rented assets and the present value of minimum rent payment, whichever is lower, as the entry value of rented assets, takes the minimum rent payment as the entry value of long-term accounts payable, and takes the balance as non-confirmed financing expense. The Company adopts actual interest rate method to amortize the non-confirmed financing expenses within the asset lease term, and records them in financial expenses. The Company records the initial direct expenses incurred in the value of rented assets.

(2) Assets leased out through finance lease: On the date when leasing starts, the Company the balance between ―the sum of finance lease account receivable and non-guaranteed balance‖ and their present value as non-realized financing income, and confirms it as lease income within each future period when rents are received.

The Company records the initial direct expenses related to leasing transaction in the initial measured amount of finance lease account receivable, and reduces the income amount confirmed within the lease term.

30. Discontinued Operation

Discontinued operation refers to the separately identifiable components that have been disposed of or classified as held for sale and meet one of the following conditions:

(1) The component represents an independent main business or a major business area;

(2) This component is a part of a related plan that intends to dispose an independent main business or a separate main operating area;

(3) This component is a subsidiary acquired exclusively for resale.

See “The notes IV.14” for the accounting treatment of discontinued operation.

31. Changes in Main Accounting Policies and Estimates

(1) Change of accounting policies

In the report period, the company has no accounting policy change need to disclose.

(2) Changes in accounting estimates

In the report period, the company has no accounting estimate change need to disclose.

V. Taxation

1.Main Taxes and Tax Rates

(1) There are the main Taxes and Tax Rates applicable to the company in 2020, listed as follows:

Category of taxes	Tax basis	Tax rate

Value-added tax (VAT)	The output tax is calculated based on the revenue from sales of goods and the provision of taxable labor services according to tax law, and value added tax payable should be the balance of the Output tax for the period after deducting the deductible input tax for the period.	13%, 9%,6%,5%,
Urban maintenance and construction tax	Levied based on the actual payment of turnover tax	7%,5%
Education Fee Surcharge	Levied based on the actual payment of turnover tax	3%
Local education surchar	Levied based on the actual payment of turnover tax	2%,1.5%
Housing property tax	Levied based on the 70% of the original value of the housing as tax base	1.2%
	Levied based on the retal income as tax base	12%,
Enterprise income tax	Levied based on the taxable income	15%, 25%

(2) Taxpayers enjoying preferential tax rates of enterprise income tax are as follows:

Taxpayers	Tax rate of enterprise income tax
Wuxi Zhengxian Automatic Equipment Co., Ltd.	15%
Weihai JinfuXinnuo New Materials Technology Co., Ltd.	15%
Hongkong Heou Electronics Co., Ltd.	16.5%
All in asian holding Co., Ltd.	16.5%
Kunshan Maizhi jig Technology Co., Ltd.	15%
Kunshan Minglijia Metal Products Co., Ltd.	15%
JinFu Korea Co., Ltd.	10%

2. Tax Preference Policies and Basis

(1) Wuxi Zhengxian Automatic Equipment Co., Ltd., a subsidiary of the company, is a production-oriented domestic enterprise registered in Wuxi. It was recognized as a high-tech enterprise (Certificate No.: GR201332000083) on August 5, 2013, and has passed the re-evaluation of the qualification of high-tech enterprises (Certificate No.: GR201332000083, GR201932007663) for three years in 2016,2019.According to the enterprise income tax law of the people's Republic of China, the regulations for the implementation of the enterprise income tax law of the people's Republic of China and other relevant provisions, Wuxi Zhengxian Automatic Equipment Co., Ltd. calculates and pays enterprise income tax at the tax rate of 15% in 2019,2020,2021.

(2) Weihai JinfuXinnuo New Materials Technology Co., Ltd., a subsidiary of the company, is a production-oriented domestic enterprise registered in Weihai. It was recognized as a high-tech enterprise (Certificate No.:GR201937000515), Valid for three years on 2019.According to the enterprise income tax law of the people's Republic of China, the regulations for the implementation of the enterprise income tax law of the people's Republic of China and other relevant provisions, Weihai JinfuXinnuo New Materials Technology Co., Ltd. calculates and pays enterprise income tax at the tax rate of 15% in 2019, 2020, 2021.

(3) Kunshan Maizhi jig Technology Co., Ltd., a subsidiary of the company, was recognized as a high-tech enterprise (Certificate No.: GR201232000471) on August 6, 2012, and has passed the re-evaluation of the qualification of high-tech enterprises (Certificate No.: GR201532000223, GR201832003198) for three years in 2015,2018.According to the enterprise income tax law of the people's Republic of China, the regulations for the implementation of the enterprise income tax law of the people's Republic of China and other relevant provisions, Kunshan Maizhi jig Technology Co., Ltd. calculates and pays enterprise income tax at the tax rate of 15% in 2018,2019,2020.

(4) Kunshan Minglijia Metal Products Co., Ltd., a subsidiary of the company, was recognized as a high-tech enterprise (Certificate No.: GR201832005831) ,valid for three years.According to the enterprise income tax law of the people's Republic of China, the regulations for the implementation of the enterprise income tax law of the people's Republic of China and other relevant provisions, Kunshan Minglijia Metal Products Co., Ltd. calculates and pays enterprise income tax at the tax rate of 15% in 2018,2019,2020.

(5) According to the Announcement No. 23(2018) of the State Administration of Taxation, and the regulations for the implementation of the enterprise income tax law of the people's Republic of China, The company’s photovoltaic power plant business can enjoy the tax preferential policy of “three-year exemptions and three-year halves”, that is, starting from the tax year when the first revenue from production and operation occurs, the enterprise income tax is exempted from the first to the third year, while half of the enterprise income tax is collected for the following three years.

Danyang Sanhe Photovoltaic Power Co., Ltd., Aiken Xingneng (Tianjin) Electric Power Co., Ltd., Tianjin Qinglian Energy Engineering Co., Ltd., three subsidiaries of the company enjoy the tax preferential policy in 2018,2019,2020.

VI. Notes to the Consolidated Financial Statements

1. Monetary funds

(1) Classification

Item	December 31, 2020.	December 31, 2019.

Item	December 31, 2020.	December 31, 2019.
Cash on hand	116,995.07	97,654.69
Bank deposits	843,927,725.42	398,270,089.22
Other monetary funds	3,442,529,664.34	3,828,432,458.06
Interest on bank deposits	2,132,961.12	
Total	**4,288,707,345.95**	**4,226,800,201.97**
Including: the total amount of money deposited abroad	1,229,688.19	5,495,930.10

(2) The details of the restrictions are as follows:

Item	December 31, 2020.	December 31, 2019.
Other monetary funds	Margin deposit	1,192,529,664.34
Other monetary funds	Pledge certificate of deposit	2,250,000,000.00
Total		**3,442,529,664.34**

(3) As of December 31, 2020, a detailed list of monetary funds deposited abroad

Subsidiary	Place of storage	Currency	Original currency	Exchange rate	RMB amount
Hong Kong Heou Electronics Co., Ltd.	Hong Kong	Dollar	38,414.28	6.5249	250,649.34
ALL IN ASIAN HOLDING CO.,LIMITED	Hong Kong	Dollar	126,319.44	6.5249	824,221.71
JinFu Korea Co.,LTD	Korea	Won	25,802,857.00	0.0060	154,817.14
Total					**1,229,688.19**

2. Financial assets measured with fair value and having the change of fair value recorded in the gain or loss of the current period

Item	December 31, 2020.	December 31, 2019.
Wealth management products		11,526,501.37
Total		**11,526,501.37**

3. Notes receivable

(1) Classification

Item	December 31, 2020.	December 31, 2019.
Bank acceptance notes	15,628,740.11	52,852,211.36
Commercial acceptance notes	7,616,976.07	8,995,860.51
Total	**23,245,716.18**	**61,848,071.87**

(2) Classified disclosure according to the bad debt provision method

Category	December 31, 2020.				
	Book balances		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Provision for bad debts on an individual basis					
Provision for bad debts on a combinatorial basis	7,693,915.22	100.00	76,939.15	1.00	7,616,976.07
Total	**7,693,915.22**	**100.00**	**76,939.15**	**1.00**	**7,616,976.07**

In the combinatorial, commercial acceptance notes withdrawing bad debt provision according to aging analysis method:

Aging	December 31, 2020.		
	Notes receivable	Bad debt provision	Withdraw proportion (%)
Within 1 year (including 1 year)	7,693,915.22	76,939.15	1.00
Total	**7,693,915.22**	**76,939.15**	

Note: At the end of the reporting period, SZJF Technology Co. made a provision for bad debts for Commercial acceptance notes according to the continuous calculation of the age of Accounts receivable corresponding to the Commercial acceptance notes at the end of the period, and adopted the same bad debt provision ratio as the Accounts receivable.

(3) Bad debts provision accrued, recovered or transferred back in the current period

Category	December 31, 2019.	The amount of change in the current period				December 31, 2020.
		Accrual	Retract or turn back	Resale or write-off	Other changes	
Provision for bad debts on an individual basis						
Provision for bad debts on a combinatorial basis	90,867.28	8,680.96			-22,609.09	76,939.15
Total	**90,867.28**	**8,680.96**			**-22,609.09**	**76,939.15**

(4) Notes receivable that have been endorsed or discounted by the company at the end of the period and are not yet due at the balance sheet date

Item	Amount derecognised at year end	Amount not-derecognised at year end
Bank acceptance notes	55,836,485.65	
Commercial acceptance notes	100,600.20	
Total	**55,937,085.85**	

4. Accounts receivable

(1) Classified disclosure of Accounts receivable

Category	December 31, 2020.				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Accounts receivable for provision for bad debts on a single amount	38,283,656.23	0.81	38,001,156.23	99.26	282,500.00
Accounts receivable for bad debt provision based on a combination of credit risk characteristics	4,667,385,811.50	99.19	22,408,843.36		4,644,976,968.14
Portfolio 1: Other aging combinations	15,790,052.38	0.34	1,140,074.08	7.22	14,649,978.30
Portfolio 2: Risk-free combination	4,188,773,163.77	89.02			4,188,773,163.77
Portfolio 3: SZJF Technology Co. aging combinations	462,822,595.35	9.83	21,268,769.28	4.60	441,553,826.07
Total	**4,705,669,467.73**	**100.00**	**60,409,999.59**		**4,645,259,468.14**

Continued:

Category	December 31, 2019.				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Accounts receivable for provision for bad debts on a single amount	31,646,616.67	0.80	31,263,463.41	98.79	383,153.26
Accounts receivable for bad debt provision based on a combination of credit risk characteristics	3,932,122,319.53	99.20	16,509,547.84		3,915,612,771.69
Portfolio 1: Other aging combinations	20,752,754.45	0.52	936,292.53	4.51	19,816,461.92
Portfolio 2: Risk-free combination	3,448,948,294.64	87.01			3,448,948,294.64
Portfolio 3: SZJF Technology Co. aging combinations	462,421,270.44	11.67	15,573,255.31	3.37	446,848,015.13
Total	**3,963,768,936.20**	**100.00**	**47,773,011.25**		**3,915,995,924.95**

(2) Provision for bad debts on a single amount

Company name	Book balances	Provision for bad debts	Withdrawal proportion (%)	Reason
Hanlin Electronics (Yantai) Co., Ltd.	484,748.46	484,748.46	100.00	The debtor is in poor financial position and the possibility of recovery is unlikely
Shenzhen Chaodacheng Environmental Science and Technology Co., Ltd.	2,787,597.84	2,787,597.84	100.00	The lawsuit has been filed and the debtor is in poor financial position and recovery is unlikely
Fangye Hongfei Optoelectronics (Shenzhen) Co., Ltd.	534,128.49	534,128.49	100.00	Enforcement has been applied for and it is expected that full recovery is unlikely
Zhengzhou Shengxin Electronic Technology Co., Ltd.	1,412,825.94	1,412,825.94	100.00	The debtor is in poor financial position and the possibility of recovery is unlikely
Shenzhen Fuxiang Technology Co., Ltd.	1,294,382.01	1,294,382.01	100.00	An application has been made for enforcement and no enforceable property is available
Guizhou Qianjin Technology Co., Ltd.	519,152.00	519,152.00	100.00	Enforcement has been applied for and the possibility of recovery is unlikely
Jiangxi Coby Digital Science and Technology Co.,Ltd.	7,410,528.02	7,410,528.02	100.00	The debtor is in poor financial position and the possibility of recovery is unlikely
Henan Sanhe New Energy Technology Co., Ltd.	202,740.00	202,740.00	100.00	Enforcement has been applied for and it is expected that recovery is unlikely
Jiangsu Seven Colors New Energy Technology Co., Ltd.	11,016,800.00	11,016,800.00	100.00	The debtor is in a poor financial position and is unlikely to be recovered
Kunshan Sunshine Universal New Energy Co., Ltd.	379,798.00	97,298.00	25.62	Quality disputes are not expected to be fully recovered
Changzhou Authentic Photovoltaic Technology Co., Ltd.	1,295,782.65	1,295,782.65	100.00	Enforcement has been applied for and it is expected that recovery is unlikely
Hengshui Yingli New Energy Resources Co.,Ltd.	3,317,480.00	3,317,480.00	100.00	The debtor is in poor financial position and the possibility of recovery is unlikely
Jiangsu Hongtian electric appliance limited company	837,200.00	837,200.00	100.00	Enforcement has been applied for and the possibility of recovery is unlikely
Jiangxi Risun Green Energy Co.,Ltd.	6,580,492.82	6,580,492.82	100.00	Enforcement has been applied for and the possibility of recovery is unlikely
Beijing Xingyun Space-time Technology Co., Ltd.	210,000.00	210,000.00	100.00	Enforcement has been applied for and the possibility of recovery is unlikely
Total	**38,283,656.23**	**38,001,156.23**		

(3) In Portfolio 1, Accounts receivable for bad debt provision are calculated according to other aging analysis methods

Aging	December 31, 2020.		
	Accounts receivable	**Provision for bad debts**	**Withdrawal proportion (%)**
Within 1 year (including 1 year)	6,509,397.49		0.00
1-2 years (including 2 years)	6,407,630.69	320,381.54	5.00
2-3 years (including 3 years)	211,073.60	21,107.36	10.00
3-4 years (including 4 years)	2,661,950.60	798,585.18	30.00
Total	**15,790,052.38**	**1,140,074.08**	

(4) In Portfolio 3, Accounts receivable prepared for bad debts are calculated according to the Age Analysis Method of SZJF Technology Co.

Aging	December 31, 2020.		
	Accounts receivable	**Provision for bad debts**	**Withdrawal proportion (%)**
Within 1 year (including 1 year)	384,509,982.69	3,845,099.83	1.00
1-2 years (including 2 years)	48,030,290.07	2,401,514.52	5.00
2-3 years (including 3 years)	21,800,239.54	6,540,071.88	30.00
3-4 years (including 4 years)	3,413,767.82	3,413,767.82	100.00
4-5 years inclusive	5,003,889.53	5,003,889.53	100.00
More than 5 years	64,425.70	64,425.70	100.00
Total	**462,822,595.35**	**21,268,769.28**	

(5) The receivables actually written off in the current period

Item	Write-off amount for the current period
Accounts receivable actually written off	1,376,507.44

Among them, important Accounts receivable write-offs:

Company name	The nature of the receivables	Write-off amount	Procedure of performance	Whether it is due to a related party transaction
Suzhou Raken technology Co., Ltd.	Payment for goods	929,457.25	Approved by management	Not
Total		**929,457.25**		

(6) The main accounts receivable at the end of the period collected by the debtor

Company name	December 31, 2020.	Aging	Proportion (%)
Jiangsu Taixing Hi-Tech Industrial Development Zone Management Committee	3,774,732,182.01	Within 1 year /1-5 years	80.19
Taixing Zhiguang Talent Technology Plaza Management Co., Ltd.	315,718,222.82	Within 1 year /1-4 years	6.71
The top five accounts receivable of SZJF Technology Co.	186,907,030.79	Within 1 year	3.97
Total	**4,277,357,435.62**		**90.87**

Note: The aggregate amount of the top five accounts receivable of SZJF Technology Co. is 186,907,030.79yuan, accounting for 3.97% of the total year-end balance of accounts receivable, and the corresponding provision for bad debts is 3,163,432.27 yuan.

5. Prepayment

(1) List by aging analysis

Aging	December 31, 2020.			
	Book balances	Impairment provision	Book value	Proportion (%)
Within 1 year (including 1 year)	1,072,385,367.46		1,072,385,367.46	89.23
1-2 years (including 2 years)	76,288,176.51		76,288,176.51	6.35
2-3 years (including 3 years)	66,286,905.12	13,253,069.08	53,033,836.04	4.41
More than 3 years	104,612.42		104,612.42	0.01
Total	**1,215,065,061.51**	**13,253,069.08**	**1,201,811,992.43**	**100.00**

Continued:

Aging	December 31, 2019.			
	Book balances	Impairment provision	book value	Proportion (%)
Within 1 year (including 1 year)	1,199,552,290.72		1,199,552,290.72	90.38
1-2 years (including 2 years)	141,641,266.25	14,345,208.12	127,296,058.13	9.59
2-3 years (including 3 years)	246,972.57		246,972.57	0.02
More than 3 years	94,845.66		94,845.66	0.01
Total	**1,341,535,375.20**	**14,345,208.12**	**1,327,190,167.08**	**100.00**

(2) The prepayment with impairmen provision is as follows:

Company name	Book balances	Impairment provision	Withdrawal proportion(%)
Henan Zhaohong Optoelectronic Technology Co., Ltd. (Note 1)	22,762,816.87	9,549,527.62	41.95
Hotsun Technology Co.,Ltd. (Note 2)	2,694,540.31	2,694,540.31	100.00
Shenzhen Huatang times Technology Co., Ltd. (Note 3)	1,009,001.15	1,009,001.15	100.00
Total	**26,466,358.33**	**13,253,069.08**	

Note 1: It is irrevocable contractual prepayment, the Company has sued. Based on the expected quantity of inventory and market price or the agreement in the supplementary agreement to determine the recoverable amount of the prepayments, and to make an impairment provision for the prepayments based on the difference between the carrying amount of the prepayments and their recoverable amounts.

Note 2: It is irrevocable contractual prepayment, partial prepayments are offset on the basis of the net realized value of inventories received, and the carrying balance of the remaining prepayment is estimated to be unlikely to be recovered, and a provision for impairment of the prepayments is made in full.

Note 3: The company's order quantity does not reach the purchase quantity specified in the contract, and it is expected that the payment will not be recovered.

(3) The main prepayment at the end of the period

Company name	The nature of the prepayment	December 31, 2020.	proportion (%)
Shanghai Yihong International Trade Co., Ltd.	Prepayment for goods	660,805,674.33	54.38
Taixing Municipal Land Bureau	prepayment of land	309,347,969.16	25.46
The top five prepayment of SZJF Technology Co.	Prepayment for goods	70,957,357.18	5.84
Jiangsu Xinming Real Estate Co., Ltd.	Prepayment for goods	41,117,440.00	3.38
Taixing City Hai Kun Trade Co., Ltd.	Prepayment for goods	40,326,527.27	3.32
Total		**1,122,554,967.94**	**92.38**

6. Other accounts receivable

(1) Classification

Item	December 31, 2020.	December 31, 2019.

Item	December 31, 2020.	December 31, 2019.
Interests receivable		15,902,794.98
Dividend receivable		
Other accounts receivable	5,021,031,387.08	3,884,331,842.92
Total	**5,021,031,387.08**	**3,900,234,637.90**

(2) Interests receivable

Item	December 31, 2020.	December 31, 2019.
Interests on time deposits		1,777,661.11
Other interests receivable		14,125,133.87
Total		**15,902,794.98**

(3) Other accounts receivable

A. Classified disclosure of other receivables

Item	December 31, 2020.				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Other accounts receivable with significant single amount for which bad debt provision separately accrued					
Other accounts receivable withdrawal of bad debt provision by credit risks characteristics	5,097,184,906.12	100.00	76,153,519.04		5,021,031,387.08
Portfolio 1: Other aging combinations	92,632,362.96	1.82	1,349,422.89	1.46	91,282,940.07
Portfolio 2: Risk-free combination	4,882,327,233.57	95.78			4,882,327,233.57
Portfolio 3: SZJF Technology Co. combinations	122,225,309.59	2.40	74,804,096.15	61.20	47,421,213.44
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued					
Total	**5,097,184,906.12**	**100.00**	**76,153,519.04**		**5,021,031,387.08**

Continued:

Item	December 31, 2019.				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Other accounts receivable with significant single amount for which bad debt provision separately accrued					
Other accounts receivable withdrawal of bad debt provision by credit risks characteristics	3,955,959,596.53	100.00	71,627,753.61		3,884,331,842.92

Item	December 31, 2019.				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Portfolio 1: Other aging combinations	343,561,561.22	8.68	737,300.34	0.21	342,824,260.88
Portfolio 2: Risk-free combination	3,392,056,849.24	85.75			3,392,056,849.24
Portfolio 3: SZJF Technology Co. combinations	220,341,186.07	5.57	70,890,453.27	32.17	149,450,732.80
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued					
Total	3,955,959,596.53	100.00	71,627,753.61		3,884,331,842.92

B. In Portfolio 3: Provides for bad debts of SZJF Technology Co. combinations

Provision for bad debts	Phase I	Phase II	Phase III	Total
	Expected credit loss for the next 12 months	Expected credit losses throughout the lifetime(no credit impairments).	Expected credit losses over the lifetime (credit impairment incurred).	
January 1, 2020.	**30,163,471.51**		**40,726,981.76**	**70,890,453.27**
– Move on to the second stage				
– Move on to the third stage				
– Go back to the second stage				
– Go back to the first stage				
Accrual for the current period	3,125,609.01		954,754.33	4,080,363.34
Retracted or reversed in the current period				
Resale for this period				
Write-off for the current period	59,559.36			59,559.36
Other changes	-107,161.10			-107,161.10
December 31, 2020.	**33,122,360.06**		**41,681,736.09**	**74,804,096.15**

a. The main provision for bad debts in the current period

Company name	December 31, 2020.	Provision for bad debts	Withdrawal proportion (%)	Reason
Suzhou Uboss	2,500,864.24	2,500,864.24	100.00	The debtor was in a

Company name	December 31, 2020.	Provision for bad debts	Withdrawal proportion (%)	Reason
Optoelectronics Co., Ltd.				poor financial position and could not be fully recovered
Beijing Zhihuichengxun Information Technology Co., Ltd.	10,000,000.00	3,000,000.00	30.00	Bad debts are calculated according to the age of 2-3 years
Total	**12,500,864.24**	**5,500,864.24**		

b. Other accounts receivable actually written off in the current period:

Item	Write-off amount
Other accounts receivable that are actually written off	59,559.36

C. In Portfolio 1, other accounts receivable for which provision for bad debts is made by the aging analysis method

Aging	December 31, 2020.		
	Other account receivables	Provision for bad debts	Withdrawal propotion (%)
Within 1 year (including 1 year)	77,239,911.78		0.00
1-2 years (including 2 years)	3,796,444.45	189,822.22	5.00
2-3 years (including 3 years)	11,596,006.73	1,159,600.67	10.00
Total	**92,632,362.96**	**1,349,422.89**	

Continued:

Aging	December 31, 2019.		
	Other account receivables	Provision for bad debts	Withdrawal propotion (%)
Within 1 year (including 1 year)	328,815,554.49		0.00
1-2 years (including 2 years)	14,746,006.73	737,300.34	5.00
Total	**343,561,561.22**	**737,300.34**	

D. Top five of other accounts receivable

Company name	The nature of the other accounts receivable	December 31, 2020.	Aging	proportion (%)

Company name	The nature of the other accounts receivable	December 31, 2020.	Aging	proportion (%)
Jiangsu Taixing Economic Development Zone Chengdong Industrial Park Management Committee	receivables and payables	1,668,958,741.93	Within 1 year / 1-2 years	32.74
Taixing Zhiguang Talent Technology Plaza Management Co., Ltd	receivables and payables	1,321,258,409.04	Within 1 year	25.92
Xaar New Materials Co., Ltd	receivables and payables	375,597,287.87	Within 1 year	7.37
Shanghai Jincheng Equity Investment Fund Management Co., Ltd	receivables and payables	240,000,000.00	1-2 years	4.71
Taixing Zhigu Science and Technology Incubator Center	Temporary borrowing	217,896,872.04	4-5 years	4.27
Total		**3,823,711,310.88**		**75.01**

7. Inventory

(1) Inventory classification

Item	December 31, 2020.			December 31, 2019.		
	Book balance	Falling price reserves	Book value	Book balance	Falling price reserves	Book value
Raw materials	79,782,220.62	13,216,556.30	66,565,664.32	121,719,519.64	36,580,311.20	85,139,208.44
In the product	27,453,995.32	924,472.16	26,529,523.16	15,826,227.06	1,013,253.45	14,812,973.61
Finished goods	113,224,161.36	26,421,954.70	86,802,206.66	109,514,326.80	29,865,735.29	79,648,591.51
Development cost	681,975,636.54		681,975,636.54	655,036,621.64		655,036,621.64
Engineering construction	5,345,072,385.08		5,345,072,385.08	4,204,701,162.04		4,204,701,162.04
Total	**6,247,508,398.92**	**40,562,983.16**	**6,206,945,415.76**	**5,106,797,857.18**	**67,459,299.94**	**5,039,338,557.24**

8. Non-current assets coming due within 1 year

Item	December 31, 2020.	December 31, 2019.
Long-term accounts receivable due within 1 year	42,500,000.00	139,688,027.69
Minus: Provision for bad debts	42,500,000.00	47,359,401.38

Book value		**92,328,626.31**

9. Other current assets

Item	December 31, 2020.	December 31, 2019.
Prepayment and pending deduction of tax	198,612,324.55	95,468,378.85
Unamortized expense	72,099.90	35,700.00
Total	**198,684,424.45**	**95,504,078.85**

10. Available-for-sale financial assets

(1) Available-for-sale financial assets

Item	December 31, 2020.			December 31, 2019.		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Available-for-sale debt instruments:						
Available-for-sale equity instruments:	720,008,947.84	84,798,918.43	635,210,029.41	608,681,646.41	84,798,918.43	523,882,727.98
Measured at fair value						
Measured at cost	720,008,947.84	84,798,918.43	635,210,029.41	608,681,646.41	84,798,918.43	523,882,727.98
other						
Total	**720,008,947.84**	**84,798,918.43**	**635,210,029.41**	**608,681,646.41**	**84,798,918.43**	**523,882,727.98**

(2) Available-for-sale equity instruments measured at cost

Investee	Book balance				Book value			
	December 31,2019.	Increased	Decreased	December 31,2020.	December 31,2019.	Increased	Decreased	December 31,2020.
Jiangsu Bolite Laser Prototype Technology Co., Ltd.	19,200,000.00			19,200,000.00				
Wuhan Langken Energy-Saving Technology Co., Ltd.	24,991,788.91			24,991,788.91	24,991,788.91			24,991,788.91
Taixing Keneng Emerging Industry Investment Fund (Limited Partnership)	300,000,000.00			300,000,000.00				
Jiangsu Ditaike Precision Instrument Co., Ltd.	3,787,815.63			3,787,815.63				
Beijing Gifts of roses Education Technology Co., Ltd.	13,555,434.43			13,555,434.43				
Taixing Zhongqian Nano Renewables Technology Co., Ltd.	29,987,922.00			29,987,922.00				
Taixing Shenmao Industrial Investment Fund Partnership	50,000,000.00			50,000,000.00				
Jiangsu Jiaben Environment Technology Co., Ltd.		10,000,000.00		10,000,000.00				
Taixing Jincheng Investment Fund Partnership (Limited Partnership)		1,200,000.00		1,200,000.00				

Investee	Book balance				Book value			
	December 31,2019.	**Increased**	**Decreased**	**December 31,2020.**	**December 31,2019.**	**Increased**	**Decreased**	**December 31,2020.**
Luoen Automotive Technology (Taixing) Co., Ltd.	6,000,000.00		6,000,000.00	0.00				
DS Asia Holdings Company Limited	5,707,129.52			5,707,129.52	5,707,129.52			5,707,129.52
CLEARink Display LLC	43,053,696.33			43,053,696.33				
Beijing Zhihuichengxun Information Technology Co., Ltd.	2,000,000.00			2,000,000.00				
Suzhou Youke Bone Conduction Technology Co., Ltd.	10,000,000.00			10,000,000.00	4,100,000.00			4,100,000.00
Beijing Suanyunlianke Technology Co., Ltd.	50,000,000.00			50,000,000.00	50,000,000.00			50,000,000.00
Shanghai Meiyijian Manage Care Co., Ltd.	11,551,705.59			11,551,705.59				
Jiangsu Hengding Construction Development Co., Ltd.	28,000,000.00	17,000,000.00		45,000,000.00				
Jiaxing Shubo Investment Partnership (Limited Partnership)	10,846,154.00			10,846,154.00				
Zhongke Tianji Data Technology Co., Ltd.		88,627,301.43		88,627,301.43				
Shenzhen Zhongkehuali Technology Co., Ltd.		500,000.00		500,000.00				
Total	**608,681,646.41**	**117,327,301.43**	**6,000,000.00**	**720,008,947.84**	**84,798,918.43**			**84,798,918.43**

11. Long-term accounts receivable

Item	December 31,2020.		
	Book balance	Provision for bad debts	book value
Long-term borrowing	19,000,000.00		19,000,000.00
Total	**19,000,000.00**		**19,000,000.00**

Continued:

Item	December 31,2019.		
	Book balance	Provision for bad debts	book value
Long-term borrowing	19,000,000.00		19,000,000.00
Total	**19,000,000.00**		**19,000,000.00**

12. Long-term equity investments

(1) Classification of long-term equity investments

Item	December 31,2019.	Increased	Decreased	December 31,2020.
Investment in associates and joint ventures	782,786,384.73	13,032,470.00	115,105,659.98	680,713,194.75
Minus: Impairment provision for long-term equity investments	2,671,859.54			2,671,859.54
Total	**780,114,525.19**	**13,032,470.00**	**115,105,659.98**	**678,041,335.21**

(2) Details of long-term equity investments

Investee	December 31,2019.	December 31,2020.	Impairment provision at decmeber 31,2020.
Jiangsu Xintai Energy-Saving Technology Co., Ltd.	7,123,488.87	7,292,119.89	
Hehai Water Supply And Drainage complete Equipment Co., Ltd.	18,197,334.77	20,896,476.51	
Taixing Zhiyuan Financial leasing Co., Ltd.	510,259,464.67	540,017,599.98	
Zhongzhi (Taixing) Electric Power Technology Co., Ltd.	31,430,140.56	2,512,218.58	
Taizhou Naxin Renewables Technology Co., Ltd.	30,578,702.54	25,846,921.20	
Taixing Yizhi Technology Service Co., Ltd.	8,842,981.15	5,942,855.97	

Investee	December 31,2019.	December 31,2020.	Impairment provision at decmeber 31,2020.
South Science and technology Taixing Intelligent Manufacturing Research Institute Co., Ltd.	6,688,580.74	5,395,735.36	
Jiangsu Ruishengtujing Laser Technology Co., Ltd.	2,605,138.59	2,561,346.00	
Jiangsu guotai Environment Technology Research Institute Co., Ltd.	6,334,209.78	6,341,797.23	
Jiangsu Zhonggong High-end Equipment Research Institute Co., Ltd.	6,310,346.98	14,074,681.88	
Taixing Lvneng Environment Industrial park Co., Ltd.		5,401,668.73	
Kunshan Lucky-jinfu Optoelectronics Scien-tech Co.,Ltd.	32,432,141.99	32,476,551.42	
Suzhou Graphene Nanotechnology Co.,Ltd.	9,693,753.70	9,281,362.46	
Zhongke Tianji Data Technology Co., Ltd.	109,144,151.47		
Hanlin Electronics (Yantai) Co., Ltd.			2,671,859.54
Shenzhen Huizhun Electronics Co., Ltd.	474,089.38		
Total	**780,114,525.19**	**678,041,335.21**	**2,671,859.54**

Continued:

Investee	Increases and decreases							
	Additional investment	Withdraw investment	Gains and losses recognised under equity method	Adjustments in other comprehensive income	Changes in other equity	Cash bonus or profits announced to issue	Provision for impairment	other
Jiangsu Xintai Energy-Saving Technology Co., Ltd.			168,631.02					
Hehai Water Supply And Drainage complete Equipment Co., Ltd.			2,699,141.74					
Taixing Zhiyuan Financial leasing Co., Ltd.			29,758,135.31					
Zhongzhi (Taixing) Electric Power Technology Co., Ltd.			-28,917,921.98					
Taizhou Naxin Renewables Technology Co., Ltd.			-4,731,781.34					

Investee	Increases and decreases							
	Additional investment	Withdraw investment	Gains and losses recognised under equity method	Adjustments in other comprehensive income	Changes in other equity	Cash bonus or profits announced to issue	Provision for impairment	other
Taixing Yizhi Technology Service Co., Ltd.			-2,900,125.18					
South Science and technology Taixing Intelligent Manufacturing Research Institute Co., Ltd.			-1,292,845.38					
Jiangsu Ruishengtujing Laser Technology Co., Ltd.			-43,792.59					
Jiangsu guotai Environment Technology Research Institute Co., Ltd.			7,587.45					
Jiangsu Zhonggong High-end Equipment Research Institute Co., Ltd.	7,622,770.00		141,564.90					
Taixing Lvneng Environment Industrial park Co., Ltd.	5,409,700.00		-8,031.27					
Kunshan Lucky-jinfu Optoelectronics Scien-tech Co.,Ltd.			44,409.43					
Suzhou Graphene Nanotechnology Co.,Ltd.			-412,391.24					
Zhongke Tianji Data Technology Co., Ltd.		106,352,761.72	-2,791,389.75					
Hanlin Electronics (Yantai) Co., Ltd.								
Shenzhen Huizhun Electronics Co., Ltd.			-474,089.38					
Total	**13,032,470.00**	**106,352,761.72**	**-8,752,898.26**					

13. Investment real estate

(1) Investment real estate measured as cost method

Item	Houses and buildings	Land-use right	Total
A. Original cost			
a. December 31, 2019.	1,527,813,492.74	180,871,376.28	1,708,684,869.02

Item	Houses and buildings	Land-use right	Total
b. Increase			
Acquisition	593,238,919.71		593,238,919.71
c. Decrease			
d. December 31, 2020.	2,121,052,412.45	180,871,376.28	2,301,923,788.73
B. Accumulated depreciation or amortization			
a. December 31, 2019.	111,403,067.18	5,041,972.52	116,445,039.70
b. Increase			
Accrual or amortize	43,860,573.17	6,522,582.55	50,383,155.72
c. Decrease			
d. December 31, 2020.	155,263,640.35	11,564,555.07	166,828,195.42
C. Impairment provision			
a. December 31, 2019.			
b. Increase			
c. Decrease			
d. December 31, 2020.			
D. Book value			
a. December 31, 2020.	**1,965,788,772.10**	**169,306,821.21**	**2,135,095,593.31**
b. December 31, 2019.	**1,416,410,425.56**	**175,829,403.76**	**1,592,239,829.32**

14. Fixed assets

(1) Summary of the situation

A. Classification

Item	December 31, 2020.	December 31, 2019.
Fixed assets	576,009,201.78	576,970,127.52
Liquidation of fixed assets		
Total	**576,009,201.78**	**576,970,127.52**

(2) Fixed assets

A. Fixed assets

Item	Houses and buildings	Machinery equipment	Electronic equipment	Transportation equipment	Office equipment and others	Decoration of fixed assets	Total
A. Original cost							
a. December 31, 2019.	695,377,182.22	373,693,707.91	70,707,359.32	16,295,101.82	22,089,471.27	79,205,453.42	1,257,368,275.96
b. Increase	1,024,041.41	24,922,003.92	1,602,221.06	1,671,620.15	39,825,156.65	7,967,706.06	77,012,749.25
Acquisition	1,024,041.41	24,922,003.92	1,602,221.06	1,671,620.15	248,302.71	1,458,279.71	30,926,468.96
Transferred from construction in progress					12,616,226.24	6,509,426.35	19,125,652.59
Increase in business mergers					26,960,627.70		26,960,627.70
c. Decrease	22,455,111.14	64,911,532.13	10,395,677.46	3,158,103.90	2,504,927.89	4,303,283.71	107,728,636.23
Decrease in business mergers		4,352,062.96	249,353.32	233,888.89	366,813.51		5,202,118.68
Disposal or scrapping	22,455,111.14	60,559,469.17	10,146,324.14	2,924,215.01	2,138,114.38	4,303,283.71	102,526,517.55
d. December 31, 2020.	673,946,112.49	333,704,179.70	61,913,902.92	14,808,618.07	59,409,700.03	82,869,875.77	1,226,652,388.98
B. Accumulated depreciation							
a. December 31, 2019.	201,638,788.16	165,694,817.47	61,726,797.43	12,772,685.19	19,840,170.46	74,164,343.39	535,837,602.10
b. Increase	27,866,025.80	17,669,260.49	1,747,535.17	974,551.82	3,367,877.47	767,856.50	52,393,107.25
Provision	27,866,025.80	17,669,260.49	1,747,535.17	974,551.82	1,844,256.45	767,856.50	50,869,486.23
Increase in business mergers					1,523,621.02		1,523,621.02
c. Decrease	4,108,248.93	29,118,729.80	9,014,373.94	2,689,301.78	1,064,424.43	3,875,108.73	49,870,187.61
Decrease in business mergers		3,225,482.85	223,406.78	210,833.31	323,826.20		3,983,549.14

Item	Houses and buildings	Machinery equipment	Electronic equipment	Transportation equipment	Office equipment and others	Decoration of fixed assets	Total
Disposal or scrapping	4,108,248.93	25,893,246.95	8,790,967.16	2,478,468.47	740,598.23	3,875,108.73	45,886,638.47
d. December 31, 2020.	225,396,565.03	154,245,348.16	54,459,958.66	11,057,935.23	22,143,623.50	71,057,091.16	538,360,521.74
C. Impairment provision							
a. December 31, 2019.	16,791,626.55	121,713,615.22	2,458,800.12	135,263.76	546,124.08	2,915,116.61	144,560,546.34
b. Increase		1,758,428.49					1,758,428.49
Provision		1,758,428.49					1,758,428.49
Increase in business mergers							
c. Decrease	25,447.68	32,055,332.77	1,145,475.67	133,086.26	452,745.11	224,221.88	34,036,309.37
Disposal or scrapping	25,447.68	32,026,166.16	1,145,193.63	133,086.26	437,941.69	224,221.88	33,992,057.30
Decrease in business mergers		29,166.61	282.04		14,803.42		44,252.07
d. December 31, 2020.	16,766,178.87	91,416,710.94	1,313,324.45	2,177.50	93,378.97	2,690,894.73	112,282,665.46
D. Book value							
a. December 31, 2020.	**431,783,368.59**	**88,042,120.60**	**6,140,619.81**	**3,748,505.34**	**37,172,697.56**	**9,121,889.88**	**576,009,201.78**
b. December 31, 2019.	**476,946,767.51**	**86,285,275.22**	**6,521,761.77**	**3,387,152.87**	**1,703,176.73**	**2,125,993.42**	**576,970,127.52**

B. The Fixed assets leased by SZJF Technology Co. through operating leases at the end of the period

Item	Book value at December 31, 2020.
Houses and buildings	49,493,605.56
Machinery equipment	4,512,502.56
Office equipment and others	1,661.93
Total	**54,007,770.05**

15. Construction in progress

(1) Summary of the situation

A. Classification

Item	December 31, 2020.	December 31, 2019.
Construction in progress	20,637,040.65	950,233,527.48
Engineering materials		
Total	**20,637,040.65**	**950,233,527.48**

(2) Construction in progress

Item	December 31, 2020.			December 31, 2019.		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Factories and buildings				945,903,537.37		945,903,537.37
Clean workshop decoration works	118,954.90		118,954.90			
Photovoltaic power station	1,704,895.44		1,704,895.44			
Industrial sewage treatment plant in high-tech zone	14,483,200.20		14,483,200.20			
Zhongtian environment assembly production line workshop	4,329,990.11		4,329,990.11	4,329,990.11		4,329,990.11
Total	**20,637,040.65**		**20,637,040.65**	**950,233,527.48**		**950,233,527.48**

16. Intangible asset

(1) Intangible assets

Item	Land-use right	Patent	Business Software	Patented technology and trademark rights	Total
A. Original cost					
a. December 31, 2019.	1,628,712,583.17	561,000.00	10,596,586.51	1,709,747.02	1,641,579,916.70
b. Increase			436,896.22	26,333.78	463,230.00
Acquisition			436,896.22	26,333.78	463,230.00
Internal research and development					
Increase in business mergers					
c. Decrease	4,742,400.00				4,742,400.00
Decrease in business mergers					
Disposal	4,742,400.00				4,742,400.00
d.December 31, 2020.	1,623,970,183.17	561,000.00	11,033,482.73	1,736,080.80	1,637,300,746.70
B. Cumulative amortization					
a. December 31, 2019.	220,223,602.74	126,225.00	8,498,764.28	894,469.88	229,743,061.90
b. Increase	40,044,423.05	56,100.00	79,638.37	675,599.72	40,855,761.14
Provision	40,044,423.05	56,100.00	79,638.37	675,599.72	40,855,761.14
Increase in business mergers					
c. Decrease	655,728.00				655,728.00
Decrease in business mergers					
Disposal	655,728.00				655,728.00
d.December 31, 2020.	259,612,297.79	182,325.00	8,578,402.65	1,570,069.60	269,943,095.04
C. Impairment provision					
a. December 31, 2019.					
b. Increase					
Provision					
c. Decrease					

Item	Land-use right	Patent	Business Software	Patented technology and trademark rights	Total
Disposal					
d.December 31, 2020.					
D. Book value					
a. december 31, 2020.	**1,364,357,885.38**	**378,675.00**	**2,455,080.08**	**166,011.20**	**1,367,357,651.66**
b. december 31, 2019.	**1,408,488,980.43**	**434,775.00**	**2,097,822.23**	**815,277.14**	**1,411,836,854.80**

17. Research and development costs

Item	December 31,2019.	Increase		Decrease		December 31,2020.
		Internal development cost	Others	Recognized as an intangible asset	Transfer to the current period profit or loss	
Development of new products for optical display thin film devices		6,257,144.60			6,257,144.60	
Backlight module project research and development		3,858,830.40			3,858,830.40	
Precision die-cutting equipment development		1,251,186.94			1,251,186.94	
Detection fixtures and automation research and development		27,505,647.84			27,505,647.84	
Metal parts related business research and development		6,691,565.64			6,691,565.64	
Total		**45,564,375.42**			**45,564,375.42**	

18. Goodwill

The name of the investee unit or matters that form goodwill	December 31,2019.	Increased	Decreased		December 31,2020.
		Formed or withdrawn by enterprise merger	Disposal	Others	
A. The total of the original value of goodwill	**1,875,509,023.47**	**159,633.83**			**1,875,668,657.30**
Taixing Chengdong Green Engineering Co., Ltd.	271,927.82				271,927.82
Taizhou Zhongtian Environment Technology Co., Ltd.	529,843.19				529,843.19
Suzhou Jinfu Technology Co., Ltd.	619,591,740.20				619,591,740.20
Kunshan Maizhi jig Technology Co., Ltd.	1,055,337,444.93				1,055,337,444.93
Aoying Photoelectric Technology (Suzhou)Co., Ltd.	159,622,047.98				159,622,047.98
Aikenxinneng (Tianjin)Electric Power Co., Ltd.		159,633.83			159,633.83
Far Eas Asia Data Technology (Beijing) Co., Ltd.	2,734,445.02				2,734,445.02
Wuxi Huante Solar Energy Science & Technology Co., Ltd.	399,228.38				399,228.38
Kunshan Minglijia Metal Products Co., Ltd.	37,022,345.95				37,022,345.95
B. Total impairment of goodwill	**917,222,394.25**	**100,782,460.80**			**1,018,004,855.05**
Taixing Chengdong Green Engineering Co., Ltd.					
Taizhou Zhongtian Environment Technology Co., Ltd.	529,843.19				529,843.19
Suzhou Jinfu Technology Co., Ltd.	8,680,999.20	100,782,460.80			109,463,460.00
Kunshan Maizhi jig Technology Co., Ltd.	804,789,444.93				804,789,444.93
Aoying Photoelectric Technology (Suzhou)Co., Ltd.	100,088,433.53				100,088,433.53
Aikenxinneng (Tianjin)Electric Power Co., Ltd.					

The name of the investee unit or matters that form goodwill	December 31,2019.	Increased	Decreased		December 31,2020.
		Formed or withdrawn by enterprise merger	Disposal	Others	
Far Eas Asia Data Technology (Beijing) Co., Ltd.	2,734,445.02				2,734,445.02
Wuxi Huante Solar Energy Science & Technology Co., Ltd.	399,228.38				399,228.38
Kunshan Minglijia Metal Products Co., Ltd.					
C. Total net goodwill	**958,286,629.22**				**857,663,802.25**
Taixing Chengdong Green Engineering Co., Ltd.	271,927.82				271,927.82
Taizhou Zhongtian Environment Technology Co., Ltd.					
Suzhou Jinfu Technology Co., Ltd.	610,910,741.00				510,128,280.20
Kunshan Maizhi jig Technology Co., Ltd.	250,548,000.00				250,548,000.00
Aoying Photoelectric Technology (Suzhou)Co., Ltd.	59,533,614.45				59,533,614.45
Aikenxinneng (Tianjin)Electric Power Co., Ltd.					159,633.83
Far Eas Asia Data Technology (Beijing) Co., Ltd.					
Wuxi Huante Solar Energy Science & Technology Co., Ltd.					
Kunshan Minglijia Metal Products Co., Ltd.	37,022,345.95				37,022,345.95

The main impairment of goodwill tests are as follows:

(1) Explanation of the impairment of the goodwill of SZJF Technology Co: Taixing Zhicheng Industrial Investment Fund Partnership (Limited Partnership), a holding subsidiary of the Company, holds 209,963,460 shares of SZJF Technology Co, accounting for 19.19% of the total share capital, and the total cost of investment is 852,734,108.40 yuan according to the equity transfer agreement. On June 28, 2019, the company acquired the control of SZJF Technology Co, for simplification, June 30,2019 is the merger date, and the net assets of SZJF Technology Co as of June 30, 2019 were RMB1,214,915,936.42 yuan, based on holding 19.19% shares of SZJF Technology Co the share of net assets is 233,142,368.20 yuan, and the consolidated goodwill is 619,591,740.20 yuan. On December 31, 2020, the closing price of SZJF Technology Co was 3.54 yuan per share, the corresponding market value of the shares held was 743,270,648.40 yuan, and the difference between investment costs and market value of 109,463,460.00 yuan was a total goodwill impairment, which had been recorded in the previous period of 8,680,999.20yuan, the difference being the impairment of goodwill accrued for the current period.

(2) Impairment of the main goodwill of Jinfu Technology

SZJF Technology Co conducted an impairment test on each asset group related to goodwill at the end of the period, first including the goodwill and goodwill attributable to Minority owners' equity, adjusting the carrying amount of each asset group, and then comparing the adjusted carrying amount of each asset group with its recoverable amount to determine whether each asset group (including goodwill) had been impaired.

Unit: RMB 10,000

Item	**Kunshan Maizhi jig Technology Co., Ltd.**	**Aoying Photoelectric Technology (Suzhou) Co., Ltd.**	**Kunshan Minglijia Metal Products Co., Ltd.**
Goodwill original value (1).	105,533.74	15,962.20	3,702.23
Provision for impairment (2).	80,478.94	10,008.84	
Book value of goodwill (3)=(1)-(2).	25,054.80	5,953.36	3,702.23
Goodwill not recognized as belonging to minority owners' equity (4).	8,351.60	132.68	1,993.51
Contains the value of goodwill not recognized as belonging to minority	33,406.40	6,086.04	5,695.74

Item	Kunshan Maizhi jig Technology Co., Ltd.	Aoying Photoelectric Technology (Suzhou) Co., Ltd.	Kunshan Minglijia Metal Products Co., Ltd.
owners' equity (5)=(3)+(4).			
The book value of the asset group (6).	8,206.93	12,507.19	2,049.21
The fair value of the asset group that contains the overall goodwill (7)=(5)+(6).	41,613.33	18,593.23	7,744.95
The present value (recoverable amount) of the expected future cash flows of the asset group (8).	41,757.81	19,152.68	10,758.40
Impairment provision of goodwill (((7)-(8))×proportion of goodwill corresponding to equity).			

A. Information about the asset group or combination of asset groups in which the main goodwill is located

a. Kunshan Maizhi jig Technology Co., Ltd. (hereinafter referred to as Maizhi Technology): The scope of assessment of Maizhi Technology is its long-term assets (including fixed assets, intangible assets and other assets) related to the goodwill of the merger.

b. Aoying Optoelectronics Technology (Suzhou) Co., Ltd. (hereinafter referred to as Aoying Suzhou): The scope of Aoying Suzhou's valuation is its long-term assets (including fixed assets, intangible assets, other assets) related to the goodwill of the merger.

c. Kunshan Minglijia Metal Products Co., Ltd. (hereinafter referred to as Minglijia): The scope of evaluation of Minglijia is its long-term assets (including fixed assets) related to the consolidated goodwill.

The present value (recoverable amount) of the expected future cash flows of the above asset groups respectively uses “Pengxin Asset Appraisal Report (2021) No.S018” of Shenzhen Pengxin Asset Appraisal Land and Real Estate Appraisal Co., Ltd., “Pengxin Asset Appraisal Report (2021) No.S019” of Shenzhen Pengxin Asset Appraisal Land and Real Estate Appraisal Co., Ltd., and “Pengxin Asset Appraisal Report (2021) No.S020” of Shenzhen Pengxin Asset Appraisal Land and Real Estate Appraisal Co., Ltd.

B. Goodwill impairment test process and key parameters

a. Important Assumptions and Rationale

It is assumed that there are no major changes in the relevant laws, regulations and policies of the country and the macroeconomic situation of the country, and there are no major changes in the political, economic and social environment in the region where the business related to the asset group is located; it is assumed that there are no major changes in the relevant interest rates, exchange rates, tax benchmarks and tax rates, policy collection fees, financing conditions, etc.; and it is assumed that there are no other human force majeure factors and unforeseeable factors that cause significant adverse effects on the enterprise;

It is assumed that the economic entity corresponding to the asset group continues to operate in accordance with its existing business objectives on the basis of the operating team, financial structure, business model, market environment, etc. in the assessment base date; it is assumed that all assets corresponding to the asset group continue to be used according to the current use and use of the mode, scale, frequency, environment, etc.;

It is assumed that all inputs and outputs, such as raw and auxiliary materials required for the production of the asset group, or other outputs are in the normal market transaction process, and are settled in accordance with the existing settlement conditions on the valuation base date;

It is assumed that the client's recognition/identification of the asset group, the initial measurement and its subsequent measurement (if any) prior to the valuation basis date are in accordance with the provisions of the relevant accounting standards; and that the operating and financial data related to the asset group provided by the principal/related person have a complete, reasonable and consistent correspondence with the asset group; assuming that the future cash flows of the expected assets related to the asset group provided by the principal/related person are based on the current state of the asset group;

It is assumed that the information necessary for the valuation provided by the client/related person (including but not limited to the asset schedule related to the appraisal object, the historical operating data and historical financial data and information related to the appraisal object, the forecast operating data and forecast financial data and descriptions related to the appraisal object, the relevant financial reports and materials and other important materials, etc.) are true, complete, legal and valid;

It is assumed that the information obtained from other aspects other than the client/related person in this assessment can reasonably reflect the corresponding market transaction logic, or market transaction conditions, or market operating conditions, or market development trends, etc.;

It is assumed that the acquisition, use and holding of the assessment object and all the assets to be assessed are in line with the provisions of national laws, regulations and normative documents, that is, their legal ownership is clear.

It is assumed that High-tech Enterprise Certificate of Maizhi Technology and Minglijia can successfully pass the review after expiration.

b. Key Parameters

Company name	**Forecast period**	**Growth rate of forecast period**	**Stable growth rate**	**Profit margin**	**Discount rate (weighted average cost of capital WACC)**
Kunshan Maizhi jig Technology Co., Ltd.	2021-2025 (followed by a stable period)	(Note 1)	Flat	Calculated based on revenue, cost, expense, etc. for the forecast period	13.07%
Aoying Photoelectric Technology (Suzhou) Co., Ltd.	2021-2025 (followed by a stable period)	(note 2)	Flat	Calculated based on revenue, cost, expense, etc. for the forecast period	14.74%
Kunshan Minglijia Metal Products Co., Ltd.	2021-2025 (followed by a stable period)	(note 3)	Flat	Calculated based on revenue, cost, expense, etc. for the forecast period	13.07%

Note 1: On the basis of the actual operation of the various businesses of Kunshan Maizhi jig Technology Co., Ltd., the composition of revenue costs and expenses, the future development trend, and the latest financial budget or forecast data approved by the management, the market environment of the business group, the competition and development trend faced in the future are comprehensively considered, and the main business income and related costs, expenses and profits of the next five years of the evaluation base date are predicted. Kunshan Maizhi jig Technology Co., Ltd. is mainly products for testing fixtures, and the expected sales revenue growth rate from 2021 to 2025 is 5.03%, 5.00%, 5.00%, 4.00% and 3.00% respectively;

Note 2: On the basis of the actual operation of the various businesses of Aoying Photoelectric Technology (Suzhou) Co., Ltd., the composition of revenue costs and expenses, the future development trend, and the latest financial budget or forecast data approved by the management, the market environment of the business group, the future competition and development trends are comprehensively considered, and the main business income and related costs, expenses and profits of the next five years of the evaluation base date are considered. The main products of Aoying Photoelectric Technology (Suzhou) Co., Ltd. are backlight display modules and MMT testing business, and the expected sales revenue growth rate from 2021 to 2025 is 0.07%, 9.15%, 4.77%, 3.89% and 3.00% respectively;

Note 3: On the basis of the actual operation of the various businesses of Kunshan Minglijia Metal Products Co., Ltd., the composition of revenue costs and expenses, the future development trend, and the latest financial budget or forecast data approved by the management, the market environment of the business group, the future competition and development trends are comprehensively considered, and the main business income and related costs, expenses and profits of the next five years of the evaluation base date are forecasted. Kunshan Minglijia Metal Products Co., Ltd. is mainly products for mobile phone spare parts, mold fixtures and other spare parts, from 2021 to 2025 is expected to grow sales revenue growth rate of 1.00%, 1.00%, 1.50%, 1.50%, 1.50%, 1.50% respectively.

19. Long-term unamortized expenses

Item	**December 31,2019.**	**Increase**	**amortization**	**Other decrease**	**December 31,2020.**
Renovation cost	6,389,241.56	5,659,929.52	5,628,893.12		6,420,277.96
Total	**6,389,241.56**	**5,659,929.52**	**5,628,893.12**		**6,420,277.96**

20. Deferred income tax assets and Deferred income tax liabilities

(1) Deferred income tax assets that had not been set-off

Item	**December 31,2020.**		**December 31,2019.**	
	Deductible temporary difference	**Deferred income tax assets**	**Deductible temporary difference**	**Deferred income tax assets**
Deferred income	2,029,524.52	379,782.60	2,307,170.28	446,075.54
Projected liabilities	1,266,905.98	316,726.50	3,507,144.56	876,786.14
Withholding fees	2,044,482.54	511,120.64	1,754,193.26	430,548.32
Non-current assets coming due within 1 year	30,000,000.00	7,500,000.00	34,859,401.38	8,714,850.35
Asset impairment losses	466,913,878.08	115,337,252.55	418,937,190.07	103,339,635.03
Deductible losses	554,042,891.76	137,499,451.95	484,334,407.00	120,182,941.19

Item	December 31,2020.		December 31,2019.	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Total	**1,056,297,682.88**	**261,544,334.24**	**945,699,506.55**	**233,990,836.57**

(2) Deferred income tax assets that had not been set-off

Item	December 31,2020.		December 31,2019.	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
The value added of assets appraisal of different controlled enterprises	22,583,284.58	5,645,821.15	24,047,053.82	6,011,763.46
Profit or loss on changes in fair value of traded financial assets			26,501.37	3,975.21
Total	**22,583,284.58**	**5,645,821.15**	**24,073,555.19**	**6,015,738.67**

Note: Suzhou FUink Display Technology Company Limited, Chuzhou JINFU Electronic Co.,Ltd., Beijing Jinfuyun Intelligent Technology Co., Ltd., Far Eas Asia Data Technology (Beijing) Co., Ltd., Shanghai Jinwei Communication Technology Co.,Ltd., Guangzhou Lgp Electronics Co.,Ltd, Aoying Photoelectric Technology (Wuhan)Co., Ltd., Anhui Zhonglujing New Energy Technology Co., Ltd., Orient Solar Renewable Co.,Ltd., Baoding Sanhe Energy Technology Co.,Ltd., As well as the overseas subsidiary Hongkong Heou Electronics Co., Ltd. will be or not be able to able to obtain sufficient taxable income in the future, there is uncertainty, so the deductible temporary differences and deductible losses of its corresponding deferred income tax assets have not been recognized. At the same time, according to the estimation of the future performance of the Company's subsidiary Dongguan Jinfu Diqi Electronics Limited Company, it is not confirmed that it is expected to fail to obtain enough deferred income tax assets corresponding to deductible losses in the future.

21. Other non-current assets

Item	December 31,2020.	December 31,2019.
Entrusted loans	10,000,000.00	24,800,000.00
Patents held-to-sale without counterparties	1,071,000.00	1,071,000.00

Item	December 31,2020.	December 31,2019.
Photovoltaic power plants		44,822,868.50
Total	**11,071,000.00**	**70,693,868.50**

22. Short-term Loans

Item	December 31, 2020.	December 31, 2019.
Pledged loans	1,032,549,172.96	1,357,156,958.00
Mortgage loans	109,539,440.00	751,136,478.00
Guaranteed loans	2,834,768,471.89	2,397,723,271.43
Credit loans		210,760,000.00
Interest payable on short-term loans	2,390,609.65	
Total	**3,979,247,694.50**	**4,716,776,707.43**

23. Notes Payable

Category	December 31, 2020.	December 31, 2019.
Trade acceptance notes	2,580,000,000.00	18,500,000.00
Bank acceptance notes	235,500,000.00	2,020,350,000.00
Total	**2,815,500,000.00**	**2,038,850,000.00**

24. Accounts Payable

(1) Accounts payable

Item	December 31, 2020.	December 31, 2019.
purchase of goods and receiving of services	359,870,752.25	547,091,574.14
Total	**359,870,752.25**	**547,091,574.14**

(2)December 31, 2020.main accounts payable

Debtor name	Connection relation	December 31, 2020.	Aging	Proportion of the amount to the total AP (%)
Taixing Xinxing Construction Engineering Co., Ltd.	Unrelated party	26,044,987.96	Within 1 year /2-3years	7.24
Jiangsu Xinsiwei Design Engineering Co., Ltd.	Unrelated party	20,451,590.00	Within 1 year	5.68
Fengyuan Construction Co., Ltd.	Unrelated party	19,000,933.10	Within 1 year /1-3years	5.28
Jiangsu Minsheng Construction Co., Ltd.	Unrelated party	16,034,842.00	Within 1 year /2-3 years	4.46

Debtor name	Connection relation	December 31, 2020.	Aging	Proportion of the amount to the total AP (%)
Jiangsu Hewei Construction Co., Ltd.	Unrelated party	3,738,938.47	Within 1 year /2-3 years	1.04
Total		**85,271,291.53**		**23.70**

Note: SZJF Technology Co.'s accounts payable total RMB242,779,697.42,with an account age of 1 year.

25. Advance From Customers

(1) Advance from customers classified by category

Item	December 31, 2020.	December 31, 2019.
Advances for goods from customers	19,485,233.12	31,337,859.42
Total	**19,485,233.12**	**31,337,859.42**

26. Taxes Payable

Item	December 31, 2020.	December 31, 2019.
Value-added tax	410,582,354.81	242,709,355.62
Business tax prepaid	3,060,456.60	3,060,456.60
Corporate income tax	47,738,109.99	42,465,525.71
Individual Income Tax	679,325.65	443,689.13
City maintenance and construction tax	17,672,890.87	13,289,906.73
Education surcharge	28,652,804.00	13,809,575.32
Property tax	6,437,279.79	6,741,123.66
Land-use tax	5,249,465.94	5,110,443.51
Others	31,989.81	47,883.61
Total	**520,104,677.46**	**327,677,959.89**

27. Other Accounts Payable

(1) Other accounts payable listed by category

Item	December 31, 2020.	December 31, 2019.
Interest payables		19,539,078.01
Dividend payables		
Other accounts payable	210,566,585.86	1,577,255,029.70
Total	**210,566,585.86**	**1,596,794,107.71**

(2) Interest payables listed by category

Item	December 31, 2020.	December 31, 2019.
corporate bonds Interest		16,258,904.11
Short-term loans Interest payables		3,280,173.90
Total		**19,539,078.01**

(3) Other accounts payable listed by nature of payment

Item	December 31, 2020.	December 31, 2019.
Account current	210,566,585.86	1,577,255,029.70
Total	**210,566,585.86**	**1,577,255,029.70**

(4) Top 5 of the closing balance of other accounts payable collected according to the arrears party

Name of Entity	Nature	December 31, 2020.	Aging	Proportion of the amount to the total OP (%)
Jiangsu Hongtai Reducer Co., Ltd.	Account current	60,000,000.00	Within 1 year	28.49
Taixing Zhiyuan Financial leasing Co., Ltd.	Account current	52,033,217.55	1-2years	24.71
Feihao	Account current	20,000,000.00	Within 1 year	9.50
yuanaijuan	Account current	11,660,000.00	Within 1 year	5.54
Zhangling	Account current	10,600,000.00	Within 1 year	5.03
Total		**154,293,217.55**		**73.27**

28. Non-current Liabilities Due Within OneYear

Item	December 31, 2020.	December 31, 2019.
Long-term loans due within one year	2,775,820,800.00	458,700,000.00
Bonds payables due within one year	359,777,611.38	
long-term payables due within one year	414,382,408.70	283,111,268.78
Interest accrued on bonds payable	17,367,016.74	
Other non-current liabilities	10,000,000.00	
Total	**3,577,347,836.82**	**741,811,268.78**

29. Other Current Liabilities

Item	December 31, 2020.	December 31, 2019.
Pending output VAT	2,165,473.88	
Yingzidingrong	79,970,000.00	64,030,000.00

Total	**82,135,473.88**	**64,030,000.00**

30. Long-term Loans

(1) Long-term loans classified by category

Item	December 31, 2020.	December 31, 2019.
Pledged loans	518,030,000.00	677,030,000.00
Mortgage loan	3,494,600,000.00	2,344,900,000.00
Guaranteed (i)	829,900,000.00	250,100,000.00
Credit loan	134,000,000.00	184,000,000.00
Sub-total	4,976,530,000.00	3,456,030,000.00
Less:Non-current liabilities due within one year (note VI.28)	2,775,820,800.00	458,700,000.00
Total	**2,200,709,200.00**	**2,997,330,000.00**

31. Bonds Payable

(1)Bonds payable

Item	December 31, 2020.	December 31, 2019.
corporate bonds	1,361,069,566.00	1,222,689,763.65
Total	**1,361,069,566.00**	**1,222,689,763.65**

(2) Changes of bonds payable(Not including the other financial instrument of preferred stock and perpetual capital securities that classify as financial liability）

Debenture	Book value	Issuance date	Maturity period	Issuance amount	December 31, 2019.	Increase during the year	Interest at face value	Amortisation of discounts or premium	Repayment during the period	December 31, 2020.
16 Zhiguang 03（145005）	2,000,000,000.00	2016/10/13	5years	2,000,000,000.00	359,503,555.40			274,055.98		359,777,611.38
19 Zhiguang 01(sh162118）	667,000,000.00	2019/9/23	5 years	667,000,000.00	663,186,208.25			701,355.94		663,887,564.19
19Sutaixingzhiguang ZR001	200,000,000.00	2019/11/19	3 years	200,000,000.00	200,000,000.00					200,000,000.00
20 Zhiguang G1(Securities code：175284)	500,000,000.00	2020/10/22	3 years	500,000,000.00		500,000,000.00		-2,817,998.19		497,182,001.81

Debenture	Book value	Issuance date	Maturity period	Issuance amount	December 31, 2019.	Increase during the year	Interest at face value	Amortisation of discounts or premium	Repayment during the period	December 31, 2020.
Less：Coming due within 1 year										359,777,611.38
Total					1,222,689,763.65	500,000,000.00		-1,842,586.27		1,361,069,566.00

32. Long-term Payables

(1) Long-term loans classified by category

Item	December 31, 2020.	December 31, 2019.
Long-term payables	558,307,384.36	533,700,320.76
Total	**558,307,384.36**	**533,700,320.76**

(2) Long-term payables listed by nature of the account

Item	December 31, 2020.	December 31, 2019.
Obligations under finance leases	972,689,793.06	816,811,589.54
Less: Obligations under finance leases due within one year	414,382,408.70	283,111,268.78
Total	**558,307,384.36**	**533,700,320.76**

33. Estimated Liabilities

Item	December 31, 2020.	December 31, 2019.	Cause of formation
Loss-making contract	1,266,905.98	1,674,193.26	[Note1]
Pending litigation	2,548,800.00	2,628,800.00	[Note2]
Total	**3,815,705.98**	**4,302,993.26**	

Note1: The company's subsidiary Aoying (Suzhou) Co., Ltd. is engaged in the LCD module business.To expand the business scale,it has developed some domestic customers, but the benefits are not good, Aoying (Suzhou) Co., Ltd. gradually reduced this part of the business, Correspond the related losses of the signed purchase contract.

Note2: The company's subsidiary Anhui Dongfangyiyang Renewables Co., Ltd. failed to perform the project investment obligations as agreed in the contract, and the other party has applied for arbitration. The company estimates the number of pending litigation losses based on the best estimate of the expenditure required to settle the related present obligation.

34. Deferred Income

(1)Deferred income classified by category

Item	December 31, 2019.	Increase	Decrease	December 31, 2020.
Government grants	1,307,170.28		31,185.00	1,275,985.28
Others	1,000,000.00		333,333.35	666,666.65
Total	**2,307,170.28**		**364,518.35**	**1,942,651.93**

(2) Details of government subsidies：

Item	December 31, 2019.	Increase in current year	Amount transferred to non-operational income	Other income recorded in the current period	Amount of cost deducted in the current period	Other changes	December 31, 2020.	Related to assets/ income
Land support fund [Note 1]	1,307,170.28			31,185.00			1,275,985.28	assets
Total	**1,307,170.28**			**31,185.00**			**1,275,985.28**	

Note1: Subsidiary Weihai Jinfu Xinnuo New Materials Technology Co., Ltd. received RMB1,559,249.00 of land support fund "Weigao Caizhi [2012] No. 104" allocated by the Weihai High-tech Economic Development Zone Management Committee, which was transferred to the current period on average in 50 years profit and loss.

35. Other Non-current Liabilities

Item	December 31, 2020.	December 31, 2019.
Targeted financing plan	1,788,383,271.98	1,627,699,271.98
Yinchuan Property Rights Exchange Centre(Co., Ltd.)Zhiguang Anying One		13,850,000.00
Total	**1,788,383,271.98**	**1,641,549,271.98**

36. Paid-in Capital

Item	December 31, 2019.		Increase	Decrease	December 31, 2020.	
	Amounts	Proportion (%)			Amounts	Proportion（%）
Taixing Zhongxin Investment Group Co., Ltd.	1,000,000,000.00	100.00	1,000,000,000.00		2,000,000,000.00	100.00

37. Capital Reserves

Item	December 31, 2019.	Increase	Decrease	December 31, 2020.
Other capital reserves	4,001,969,933.65		1,435,858.47	4,000,534,075.18
Total	**4,001,969,933.65**		**1,435,858.47**	**4,000,534,075.18**

Note1: The decrease in the current period is due to the change in the capital reserves of SZJF Technology Co., a holding subsidiary, in proportion to its shareholding ratio.

38. Other Comprehensive Income

Item	December 31,2019.	2020						December 31, 2020.
		Before-tax amount	less: amount transferred into profit and loss in the current period that recognized into other comprehensive income in prior period	less: amount transferred into retained earnings in the current period that recognized into other comprehensive income in prior period	Less: Income tax expense	Net-of-tax amount attributable to shareholders of the Company	Net-of-tax amount attributable to noncontrolling interests	
Items that will not be reclassified to profit or loss	**-5,576.25**							**-5,576.25**
Including: Changes arising from remeasurement of defined benefits plan								
Other comprehensive income that can't be transferred to profit or loss under equity method								
Changes in fair value of other equity instruments	-5,576.25							-5,576.25
Changes in fair value of Corporate credit risk								
Items that may be reclassified to profit or loss	**-776,428.92**	**474,783.23**	**1,911.19**			**472,872.04**		**-303,556.88**
Including: under the equity method, Shares in other comprehensive income shall be reclassified into profits or losses in future								
Changes in fair value of other debt instruments								
The amount of financial assets reclassified into other comprehensive income								
Provision for impairment of other debt investments								
cash flow hedge reserve								
Translation differences arising from translation of foreign currency financial statements	-776,428.92	474,783.23	1,911.19			472,872.04		-303,556.88
Total	**-782,005.17**	**474,783.23**	**1,911.19**			**472,872.04**		**-309,133.13**

39. Surplus Reserve

Item	December 31, 2019.	Increase	Decrease	December 31, 2020.
Statutory surplus reserve	303,786,867.48	38,990,141.18		342,777,008.66
Total	**303,786,867.48**	**38,990,141.18**		**342,777,008.66**

40. Retained Earnings

Item	December 31, 2020.	December 31, 2019.
Retained earnings at the beginning of the year (before adjustment)	2,913,356,755.62	2,628,444,123.54
Adjust the total undistributed profits at the beginning of the period（Increase+，Decrease-）		
Retained earnings at the beginning of the year (after adjustment)	2,913,356,755.62	2,628,444,123.54
Add: Net profits attributable to shareholders of parent company	338,215,852.70	316,101,061.62
Less: Appropriation for statutory surplus reserve	38,990,141.18	30,818,566.98
Reduction of consolidation scope		369,862.56
Undistributed profits at end of year	**3,212,582,467.14**	**2,913,356,755.62**

41. Operating Revenue and Operating Cost

Item	2020		2019	
	Revenue	Cost	Revenue	Cost
Principal activities	7,409,249,232.80	6,727,728,031.47	6,062,929,389.44	5,507,048,975.40
Other operating activities	129,598,833.57	97,384,035.92	72,109,220.47	65,206,832.39
Total	**7,538,848,066.37**	**6,825,112,067.39**	**6,135,038,609.91**	**5,572,255,807.79**

(1)Revenue and cost classified by category

Item	2020		2019	
	Revenue	Cost	Revenue	Cost
Green engineering	87,271,447.26	58,180,964.84	96,262,197.47	64,174,798.31
Supporting installation and road project of park	375,006,984.10	267,862,131.50	395,952,799.94	282,823,428.53
Earthwork	956,886,175.30	696,649,315.24	887,762,242.03	644,958,744.31

Item	2020		2019	
	Revenue	Cost	Revenue	Cost
Zhongtian environmental products	759,757.52	822,553.22	29,354,241.28	28,866,538.77
trading	4,661,791,389.30	4,671,171,094.22	3,906,281,548.59	3,887,544,112.80
Rent	75,778,336.63	50,383,155.72	62,750,813.69	40,716,323.58
Guarantee fee			5,551,548.61	1,507,987.73
Sales materials and accessories	17,117,653.10	541,778.81	4,617,246.72	4,111,718.95
SZJF Technology Co.	1,364,232,745.17	1,079,501,073.84	746,458,081.58	617,552,154.81
Others	3,577.99		47,890.00	
Total	**7,538,848,066.37**	**6,825,112,067.39**	**6,135,038,609.91**	**5,572,255,807.79**

42. Tax and Surcharge

Item	2020	2019
City maintenance and construction tax	10,187,293.06	7,786,811.67
Educational surcharge	9,696,313.17	7,450,466.02
Housing property tax	9,601,270.52	8,785,463.31
Land use rights	2,517,197.16	3,549,779.11
Land appreciation tax	96,516.88	109,925.26
Vehicle and vessel usage license plate tax	23,492.80	13,140.00
Stamp tax	2,284,711.51	2,439,402.59
Others	288,756.32	214,283.77
Total	**34,695,551.42**	**30,349,271.73**

43. Reseach and Development Expenses

Item	2020	2019
Salary and surcharges	33,172,643.17	18,295,828.09
Material consumption	7,275,740.81	3,192,495.63
Depreciation and amortization of non-current assets	2,124,549.37	976,127.04
travelling expense	775,695.23	1,644,404.69
Others	2,215,746.84	1,104,144.37
Total	**45,564,375.42**	**25,212,999.82**

44. Financial Expenses

Item	2020	2019

Item	2020	2019
Interest expenses	460,238,531.17	218,952,441.10
Less: Interest income	181,158,659.28	46,971,076.04
Exchange losses/(gains)	2,729,104.32	-2,419,283.44
Bank charges and others	14,173,681.68	5,880,830.85
Total	**295,982,657.89**	**175,442,912.47**

45. Other Income

Item	2020	2019	Related to assets/ income
Infrastructure subsidies	353,094,397.52	250,000,000.00	Income
Land support fund	15,592.50	15,592.50	Assets
Other subsidies for improving quality and efficiency		110,000.00	Assets
Others	3,980,610.34	3,030,705.54	Income
Total	**357,090,600.36**	**253,156,298.04**	

46. Investment Income

Item	2020	2019
Income from long-term equity investments accounted for using the equity method	-8,752,898.26	-18,079,416.19
Income from long-term equity investments accounted for using equity method	1,667,400.31	45,442,853.54
Income from financial products		28,938.52
Entrusted loan interest	12,129,691.16	23,162,519.98
Others	58,267.79	2,779,745.16
Total	**5,102,461.00**	**53,334,641.01**

47. Gains From Changes in Fair Value

Item	2020	2019
Financial assets held for trading	-26,501.37	26,501.37
Total	**-26,501.37**	**26,501.37**

48. Asset Impairment Losses

Item	2020	2019
Losses on bad debts	-14,261,467.76	-72,292,560.44
Provision for impairment of inventories	-2,253,573.40	-9,106,969.67

Item	2020	2019
Provision for impairment of fixed assets	-1,758,428.49	-1,698,336.79
Provision for impairment of long-term equity investments		-2,671,859.54
Provision for impairment of available-for-sale financial assets		-24,991,788.91
Provision for impairment of goodwill	-100,782,460.80	-8,680,999.20
Total	**-119,055,930.45**	**-119,442,514.55**

49. Asset Disposal Income

Item	2020	2019
Gains from disposal of fixed assets and intangible assets	804,602.92	-16,478.03
Total	**804,602.92**	**-16,478.03**

50. Non-operating Income

Item	2020	2019
Non-current asset retirement gains	39,370.80	
Negative goodwill	1,833,721.43	
Performance compensation	4,389,682.70	
Government subsidy		2,886,900.00
Others	7,757,715.53	1,923,251.27
Total	**14,020,490.46**	**4,810,151.27**

51. Non-operating Expenses

Item	2020	2019
Loss in damage and scrap of non-current assets	571,470.48	
Charity donation	200,000.00	110,000.00
Fines and late fees	188,123.95	5,416,408.53
Pending litigation		2,628,800.00
Others	1,094,380.01	1,640,136.12
Total	**2,053,974.44**	**9,795,344.65**

52. Income Tax Expenses

Item	2020	2019
Current income tax	38,392,757.59	37,110,796.04
Deferred income tax	-47,313,527.09	-42,134,072.00
Total	**-8,920,769.50**	**-5,023,275.96**

53. Supplementary Information to Consolidated Cash Flow Statement

Item	2020	2019
1.Reconciliation of net profit/loss to cash flows from operating activities:		
Net profit	358,005,563.36	309,628,107.28
Add: Provisions for impairment of assets	119,055,930.45	119,442,514.55
Depreciation of fixed assets, depreciation of investment properties	50,869,486.23	72,411,032.52
Amortization of intangible assets	40,855,761.14	39,985,668.02
Amortization of long-term deferred expenses	5,628,893.12	
Losses from disposal of fixed assets, intangible assets, and other long-term assets ("-" for gains)	-804,602.92	16,478.03
Loss from scrapping of fixed assets ("-" for gains)	532,099.68	
Losses from changes in fair value ("-" for gains)	26,501.37	
Financial expenses ("-" for income)	458,891,526.33	218,952,441.10
Losses arising from investment ("-" for gains)	-5,011,944.59	-53,334,641.01
Decrease in deferred tax assets ("-" for increase)	-27,553,497.67	-17,362,922.64
Increase in deferred tax liabilities ("-" for decrease)	-369,917.52	-178,995.94
Decrease in inventories ("-" for increase)	290,883,967.84	-1,103,692,395.98
Decrease in operating receivables ("-" for increase)	-1,137,708,183.97	-3,323,123,626.03
Increase in operating payables ("-" for decrease）	-1,145,437,169.08	1,741,163,537.24
Others	-1,833,721.43	
Net cash flows from operating activities	**-993,969,307.66**	**-1,995,931,822.86**
2.Investing and financing activities not requiring the use of cash:		
The amount of the endorsed transfer of the bank acceptance received from the sale of goods and the provision of labor services		
Conversion of debt into capital		
Convertible bonds due within one year		
Acquisition of fixed assets under finance leases		
3.Change in cash and cash equivalents:		
Cash as at the year ended	853,700,093.03	408,033,898.50

Item	2020	2019
Less: cash as at the beginning of the year	408,033,898.50	362,229,912.72
Add: cash equivalents as at the year ended		
Less: cash equivalents as at the beginning of the year		
Net increase in cash and cash equivalents	**445,666,194.53**	**45,803,985.78**

54. Assets With Restrictive Ownership Title or Right of Use

Item	December 31, 2020.	Reason for restriction
Monetary funds	3,442,529,664.34	Pledged as collateral and margin deposit
Inventory	765,214,544.13	Bank borrowing collateral
Investment real estate	1,824,939,180.17	Bank borrowing collateral
Intangible assets	1,169,110,437.08	Bank borrowing collateral
Fixed assets	322,118,477.50	Bank borrowing collateral
Total	**7,523,912,303.22**	

VII. Risks Related to Financial Instruments In the financial report of SZJF Technology Co.

The principal financial instruments of the company include financial assets held for trading, notes receivable, accounts receivable, receivables financing, other accounts receivable, short-term loans, notes payable, accounts payable, other accounts payable, non-current liabilities coming due within 1-year, long-term loans, and bank deposits. The details of these financial instruments are disclosed in the respective notes. The financial risk of these financial instruments and financial management policies used by the company to minimize the risk is described below. The management manages and monitors the exposure of these risks to ensure the above risks are controlled within the limit.

The main risks faced by the Company's financial instruments are market risk, liquidity risk, and credit risk.

1. Market Risk

(1)Foreign currency risk

The foreign currency risk mainly comes from the company’s financial position and cash flow which is affected by the fluctuations of the foreign exchange rates. Our foreign exchange risk is mainly related to Hong Kong Dollar, accounts payable, short-term loans, accounts payable. Due to changes in exchange rates between the US dollar and the company's functional currency, the Group is exposed to foreign currency risk.

On 31 December 2020, The balances of SZJF Technology’s main financial assets denominated in foreign currency and financial liabilities denominated in foreign currency are as follows：

Item	Assets	Debt

	December 31, 2020.	December 31, 2019.	December 31, 2020.	December 31, 2019.
USD	37,908,514.04	26,132,745.54	27,018,871.60	41,654,200.72

Sensitivity analysis:

Our foreign exchange risk is mainly related to changes in the exchange rate between the U.S. dollar and the RMB. The following table shows the sensitivity analysis of the company under the assumption that the exchange rate between the US dollar and the RMB exchange rate changes by 5.00%. In the sensitivity analysis conducted by the management, the 5.00% increase or decrease was considered to reasonably reflect the possible range of exchange rate changes. Possible reasonable changes in the exchange rate have the following effects on the current net profit:

Increase/decrease in profit this year	Dollar impact	
	2020	2019
RMB depreciation	544,482.12	-776,072.76
RMB appreciation	-544,482.12	776,072.76

(2)Interest rate risk—fair value interest risk

The company's risk of changes in the fair value of financial instruments due to changes in interest rates mainly comes from short-term loans with fixed interest rates. As fixed-rate loans are mainly short-term loans, the company doesn't believe that the risk of changes in fair value is significant. The company currently does not have an interest rate hedging policy.

(3)Interest rate risk—cash flow interest rate risk

SZJF Technology Co.’s risk of changes in the fair value of financial instruments due to changes in interest rates mainly comes from short-term loans with floating interest rates. As of the end of maturity, the balance of floating interest rate loans was US$5,600,000.00 (equivalent to RMB 36,539,440.00), and the loan period was six months or one year. The floating method was based on LIBOR and changed once every three months. The loan period is relatively short, so the company believes that the risk of changes in cash flow is not significant. The company currently does not have an interest rate hedging policy.

2. Credit risk

Credit risk refers to the risk of the company's losses due to the failure of the counterparty or debtor to fulfill all or part of its payment obligations. The company has adopted a policy to only cooperate with creditworthy counterparties to mitigate the risk of financial losses due to the counterparty's failure to fulfill contractual obligations. Credit risk exposure is controlled by setting a limit on the counterparty and is reviewed and approved by the company's risk management department every year. The debtors of accounts receivable are a large number of customers distributed in different industries and regions. The company continues to perform credit evaluations on the financial status of accounts receivable and has purchased credit guarantee insurance for some foreign currency accounts receivable. The credit risk of monetary funds is limited because the counterparty is a bank with a good reputation and a high credit rating.

Credit risk exposures that may cause the company's financial losses to include on-balance sheet items and off-balance sheet items that involve credit risk. As of December 31, 2020, the book value of the company's financial assets has represented the maximum credit risk exposure.

As of December 31, 2020, the company's overdue and unimpaired financial assets amounted to RMB 109,214,900, mainly accounts receivable. For overdue payments, the company adopts a collection policy for debtors with good credit and credit risk exposure within the credit limit set, and stops transactions for debtors with poor credit or exceeding the credit limit set for credit risk exposure, Litigation, and other measures. In addition, the company has made adequate provision for bad debts based on credit portfolios for receivables on each balance sheet date combined with historical experience.

(1)Aging analysis of financial assets that are overdue but not impaired

(RMB'0,000)

Item	December 31, 2020.					
	1-6 months	7-12 months	1-2 years	2-3 years	More than 3 years	Total
Accounts receivable	3,107.37	3,441.28	2,257.70	1,195.34	919.80	10,921.49

(2)Analysis of financial assets that have been individually impaired

For details, please refer to the Note "VI.4", "VI.6"

3. Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in meeting obligations that are settled by delivering cash or another financial asset.

(1)The financial liabilities held by SZJF Technology Co. are analyzed based on the maturity period of the undiscounted remaining contractual obligations as follows:

Item	1-6 months	7-12 months	1-2 years	2-3 years	More than 3 years
Accounts payable	226,290,227.22	16,489,470.20			
Other accounts payable	11,121,727.95	2,236,466.27			

Other accounts payable	337,359,081.53	394,819,827.97			
Non-current liabilities due within one year	12,222.22				
Long-term loans			8,000,000.00		
Total	**574,783,258.92**	**413,545,764.44**	**8,000,000.00**		

(2)SZJF Technology Co.'s method of managing the liquidity of financial liabilities:

When managing liquidity risks, the company maintains and monitors the cash and cash equivalents deemed sufficient by the management to meet the company's operating needs and reduce the impact of cash flow fluctuations. The management of the company monitors the use of bank loans and ensures compliance with loan agreements.

On December 31, 2020, the company's networking capital amount was RMB -16,501,400, and working capital was relatively tight. The company has established long-term and stable cooperative relations with many domestic financial institutions and has strong indirect financing capabilities. The company can rely on its good credit status and good cooperative relations with financial institutions to ensure the company through direct and indirect debt financing. Funds required for normal operations.

As of December 31, 2020, the company has signed a credit agreement with the bank and the unused comprehensive credit line is converted to RMB 135,083,300.

In summary, the company's management believes that the company's liquidity risk is relatively low and does not have a materially impact on the company's operations and financial statements. The financial statements are prepared based on continuing operations assumptions.

VIII. The Disclosure of the Fair Value

1. Closing fair value of assets and liabilities calculated by fair value

Item	December 31, 2020.			
	Level 1 Fair value	**Level 2 Fair value**	**Level 3Fair value**	**Total**
Recurring fair value measurements				
(1)Financial assets held for trading				
Financial assets measured by fair value and the changes included in the current gains				

and losses				
wealth management products				
(2)Receivables Financing		15,628,740.11		15,628,740.11
(3)Other Equity instruments			196,632,703.35	196,632,703.35
(4)Other non-current financial assets			10,846,154.00	10,846,154.00
Total assets measured at fair value on a recurring basis		**15,628,740.11**	**207,478,857.35**	**223,107,597.46**

2. Valuation techniques used and the qualitative and quantitative information of key parameters for recurring and non-recurring fair value measurements categorized within Level 2

SZJF Technology Co.'s second-level fair value measurement item is receivables financing. Receivable's financing is bank acceptance bills. The remaining term of bank acceptance bills is relatively short. The time value of funds has no significant impact on the fair value. Therefore, the company determined that its fair value was consistent with its book value.

3. Valuation techniques used and the qualitative and quantitative information of key parameters for recurring and non-recurring fair value measurements categorized within Level 3

SZJF Technology Co.'s third-level fair value measurement items are an investment in other equity instruments and other non-current financial assets. The fair value of other equity instrument investments and other non-current financial assets shall be estimated qualitatively by taking into account the operating conditions,changes in the external environment, and profitability.

IX. Related Parties and Related-party Transactions

1. Parent company information of the enterprise

Company name	Registered place	Business nature	Registered capital (RMB) in ten thousand)	Shareholding percentage (%)	Percentage of voting rights (%)
Taixing Zhongxin Investment Group Co.,Ltd.	Taixing	Nationalized business	200,000.00	100.00	100.00

2. Subsidiaries of the company

Please refer to the Note II. for details.

3. Information on the joint ventures and associated enterprises of the company

Please refer to the Note VI.12. for details.

4. SZJF Technology Co.'s transactions with related parties

(1)Related transactions for sales of goods and provision of labor service

Related-party	Content	2020	2019
Shenzhen Huizhun Electronics Co., Ltd.	purchase materials		119,286.66

(2)Funding from related party

None.

(3) Transfer of assets between related parties

None.

(4) Receivables from and payables to related parties

(A)Receivables from related parties

Item	Related party	December 31, 2020.		December 31, 2019.	
		Book value	Provision for bad and doubtful debts	Book value	Provision for bad and doubtful debts
Non-current assets coming due within 1 year	Fu Guoping			81,142,767.69	4,057,138.38
Long-term accounts receivable	Fu Guoping				
Accounts receivable	Hanlin Electronics (Yantai) Co., Ltd.	484,748.46	484,748.46	484,748.46	484,748.46
Accounts receivable	Shenzhen Huizhun Electronics Co., Ltd.	32,359,049.24	1,617,952.46	32,359,049.24	323,590.49
Interests receivable	Nantong Qiyun Electronics Co., Ltd.			13,918,829.50	
Interests receivable	Zhanghechun			206,304.37	
Other accounts receivable	Shanghai Donghui network Electronics Co., Ltd.			64,190,000.00	641,900.00
Other accounts receivable	Nantong Qiyun Electronics Co., Ltd.			21,756,738.86	217,567.39
Other accounts receivable	Shenzhen Huizhun Electronics Co., Ltd.	8,093,682.68	356,071.71	6,978,372.09	69,783.72
Other accounts receivable	Zhanghechun			11,500,000.00	115,000.00

(B) Payables to related parties

Item	Related party	December 31, 2020.	December 31, 2019.

Accounts payable	Shenzhen Huizhun Electronics Co., Ltd.		134,793.92

X. Commitments and Contigency

1. Significant commitments

Up to December 31, 2020, the irrevocable operating lease contract signed by the company are as follows:

Item	December 31, 2020.	December 31, 2019.
Minimum lease payments for non-cancellable operating leases:		
Within 1 year	10,630,145.83	10,617,468.34
1-2 years	2,901,179.90	3,103,318.51
2-3 years	2,221,177.20	2,398,092.00
More than 3 years	1,736,592.00	2,398,092.00
Total	**17,489,094.93**	**18,516,970.85**

2. Contingencies

(1) Significant contingency on balance sheet date

(A) The details of the guarantees within the group are as follows（(RMB0’000)

Serial	Guarantor	Warrantee	Currency type	Amount guaranteed
1	Taixing Zhiguang Environmental Technology Co., Ltd.	Taizhou Zhongtian Environment Technology Co., Ltd.	RMB	2,950.00
2	Taixing Zhiguang Environmental Technology Co., Ltd.	Taixing Zhongtian Water Treatment Equipment Co., Ltd.	RMB	16,400.00
3	Taixing Zhiguang Environmental Technology Co., Ltd.	Taixing Zhiquan Industrial Co., Ltd.	RMB	9,500.00
4	Taixing Zhiguang Environmental Technology Co., Ltd.	Taixing Zhiguang Trade Co., Ltd.	RMB	53,800.00
5	Taixing Liming Real Estate Development Co., Ltd.	Taixing Zhiguang Environmental Technology Co., Ltd.	RMB	10,000.00
6	Taixing Zhiguang Environmental Technology Co., Ltd.	Taixing Taize Industrial Co., Ltd.	RMB	6,000.00
7	Taixing Zhiguang Environmental Technology Co., Ltd.	Taixing Dunzhi Industrial Co., Ltd.	RMB	5,400.00

8	Taixing Zhiguang Environmental Technology Co., Ltd.	Taixing Chengdong Municipal Engineering Co., Ltd.	RMB	10,700.00
9	Taixing Zhiguang Environmental Technology Co., Ltd.	Taixing Chengdong Green Engineering Co., Ltd.	RMB	29,400.45
10	Taixing Zhiguang Environmental Technology Co., Ltd.	Suzhou Jinfu Technology Co., Ltd.	RMB	48,994.82
11	Taixing Zhiguang Environmental Technology Co., Ltd.	Jiangsu Zhiguang Venture Capital Co., Ltd.	RMB	4,000.00
12	Suzhou Jinfu Technology Co., Ltd.	Aoying Photoelectric Technology (Suzhou)Co., Ltd.	RMB	17,184.41
13	Suzhou Jinfu Technology Co., Ltd.	Kunshan Maizhi jig Technology Co., Ltd.	RMB	5,525.00
14	Suzhou Jinfu Technology Co., Ltd.	Xiamen Lifu Electronics Co., Ltd.	RMB	1,890.00
15	Taixing Chengdong Green Engineering Co., Ltd.	Taizhou Zhongtian Environment Technology Co., Ltd.	RMB	3,200.00
16	Taixing Zhiguang Trade Co., Ltd.	Taixing Zhiguang Environmental Technology Co., Ltd.	RMB	3,000.00
Total				**227,944.68**

(B) The details of the guarantees outside the group are as follows（(RMB0’000)

Serial	Guarantor	Warrantee	Currency type	Amount guaranteed
1	Taixing Zhiguang Environmental Technology Co., Ltd.	Asia Pacific Pumps and Valves Co., Ltd.	RMB	500.00
2	Taixing Zhiguang Environmental Technology Co., Ltd.	Taizhou Longze Environment Technology Co., Ltd.	RMB	11,800.00
3	Taixing Zhiguang Environmental Technology Co., Ltd.	Taizhou Kexing Environment Consult Co., Ltd.	RMB	6,000.00
4	Taixing Zhiguang Environmental Technology Co., Ltd.	Taizhou haixing Environmental Installation Co., Ltd.	RMB	8,100.00
5	Taixing Zhiguang Environmental Technology Co., Ltd.	Taizhou Haihe Environmental Engineering Consult Co., Ltd.	RMB	4,000.00
6	Taixing Zhiguang Environmental Technology Co., Ltd.	Taizhou Bangfu Environmental Technology Co., Ltd.	RMB	9,400.00

7	Taixing Zhiguang Environmental Technology Co., Ltd.	Taizhou Naxin Renewables Technology Co., Ltd.	RMB	2,000.00
8	Taixing Zhiguang Environmental Technology Co., Ltd.	Taixing Zhiguang Talent Technology Plaza Manage Co., Ltd.	RMB	6,000.00
9	Taixing Zhiguang Environmental Technology Co., Ltd.	Taixing Zhiguang Construction Co., Ltd.	RMB	7,000.00
10	Taixing Zhiguang Environmental Technology Co., Ltd.	Taixing Xinghuang Composite Investment &Development Co., Ltd.	RMB	80,800.00
11	Taixing Zhiguang Environmental Technology Co., Ltd.	Taixing Tianxingzhou Development&Investment Co., Ltd.	RMB	5,000.00
12	Taixing Zhiguang Environmental Technology Co., Ltd.	Taixin Taitong Investment&Development Co., Ltd.	RMB	10,000.00
13	Taixing Zhiguang Environmental Technology Co., Ltd.	Taixin Ruiheng Heating Co., Ltd.	RMB	62,700.00
14	Taixing Zhiguang Environmental Technology Co., Ltd.	Taixing Dongcheng Water Treatment Co., Ltd.	RMB	9,000.00
15	Taixing Zhiguang Environmental Technology Co., Ltd.	Taixing Chengxing State-Owned Assets Management&Investment Co., Ltd	RMB	90,000.00
16	Taixing Zhiguang Environmental Technology Co., Ltd.	Taixing Binjiang New Countryside Construction Development Co., Ltd.	RMB	5,500.00
17	Taixing Zhiguang Environmental Technology Co., Ltd.	Taixing Binjiang Port Development Co., Ltd.	RMB	8,800.00
18	Taixing Zhiguang Environmental Technology Co., Ltd.	Jiangsu Zhiguang Construction Co., Ltd.	RMB	5,000.00
19	Taixing Zhiguang Environmental Technology Co., Ltd.	Jiangsu Yuanqing Environmental Technology Co., Ltd.	RMB	400.00
20	Taixing Zhiguang Environmental Technology Co., Ltd.	Jiangsu Qiangda New Materials Technology Co., Ltd.	RMB	800.00
21	Taixing Zhiguang Environmental	Jiangsu Jintaibao	RMB	

	Technology Co., Ltd.	Machinery Manufacturing Co.Ltd.		1,500.00
22	Taixing Zhiguang Environmental Technology Co., Ltd.	Jiangsu Jiapei Environmental Machinery Equipment Co., Ltd.	RMB	500.00
23	Taixing Zhiguang Environmental Technology Co., Ltd.	Jiangsu Hehai Water Supply And Drainage complete Equipment Co., Ltd.	RMB	7,400.00
24	Taixing Chengdong Green Engineering Co., Ltd.	Huapengmeiyate Ddecortion Material（Taixing） Co., Ltd.	RMB	3,000.00
25	Taixing Chengdong Green Engineering Co., Ltd.	Jiangsu Ruiyang Environmental Co., Ltd.	RMB	1,000.00
26	Taixing Chengdong Green Engineering Co., Ltd.	Jiangsu Hongtai Reducer Co., Ltd.	RMB	1,000.00
27	Taixing Chengdong Green Engineering Co., Ltd.	Jiangsu Yuanqing Environmental Technology Co., Ltd.	RMB	400.00
Total				**347,600.00**

3. Other Contingencies

None.

XI. Events after Balance Sheet Date

None.

XII. Other significant events

None.

XIII. Notes of Main Items in the Financial Statement of the Parent Company

1. Accounts receivab

(1)Accounts receivable classified by category

Category	December 31, 2020.				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Accounts receivable with significant single amount for which bad debt provision separately accrued					
Accounts receivable for bad debt provision based on a combination of credit risk characteristics	2,847,522,580.31	100.00			2,847,522,580.31
Portfolio 1: Other aging combinations					
Portfolio 2: Risk-free combination	2,847,522,580.31	100.00			2,847,522,580.31

Category	December 31, 2020.				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Accounts receivable with insignificant single amount for which bad debt provision separately accrued					
Total	**2,847,522,580.31**	**100.00**			**2,847,522,580.31**

Continued:

Category	December 31, 2019.				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Accounts receivable with significant single amount for which bad debt provision separately accrued					
Accounts receivable for bad debt provision based on a combination of credit risk characteristics	2,394,700,716.01	100.00			2,394,700,716.01
Portfolio 1: Other aging combinations					
Portfolio 2: Risk-free combination	2,394,700,716.01	100.00			2,394,700,716.01
Accounts receivable with insignificant single amount for which bad debt provision separately accrued					
Total	**2,394,700,716.01**	**100.00**			**2,394,700,716.01**

(2)Top 5 of the closing balance of accounts receivable collected according to the arrears party

Company name	December 31, 2020.	Aging	Proportion (%)
Jiangsu Taixing Hi-Tech Industrial Development Zone Management Committee	2,699,729,032.63	Within 1 year/ 1-3years	94.81
Taixing Zhiguang Talent Technology Plaza Manage Co., Ltd.	133,593,547.68	Within 1 year / 1-2 years	4.69
Hehai Technology Engineering Group Co., Ltd.	14,200,000.00	Within 1 year	0.50
Total	**2,847,522,580.31**		**100.00**

2. Other Accounts Receivable

(1) Other accounts receivable classified by category

Category	December 31, 2020.	December 31, 2019.

Category	December 31, 2020.	December 31, 2019.
Interests receivable		
Dividend receivable		
Other accounts receivable	3,720,259,603.79	3,891,155,122.72
Total	**3,720,259,603.79**	**3,891,155,122.72**

(2) Other accounts receivable classified by category

Category	December 31, 2020.				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Accounts receivable with significant single amount for which bad debt provision separately accrued					
Accounts receivable for bad debt provision based on a combination of credit risk characteristics	3,720,259,603.79	100.00			3,720,259,603.79
Portfolio 1: Other aging combinations					
Portfolio 2: Risk-free combination	3,720,259,603.79	100.00			3,720,259,603.79
Accounts receivable with insignificant single amount for which bad debt provision separately accrued					
Total	**3,720,259,603.79**	**100.00**			**3,720,259,603.79**

Continued:

Category	December 31, 2019.				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Accounts receivable with significant single amount for which bad debt provision separately accrued					
Accounts receivable for bad debt provision based on a combination of credit risk characteristics	3,891,155,122.72	100.00			3,891,155,122.72
Portfolio 1: Other aging combinations					
Portfolio 2: Risk-free combination	3,891,155,122.72	100.00			3,891,155,122.72
Accounts receivable with insignificant single amount for which bad debt provision separately accrued					
Total	**3,891,155,122.72**	**100.00**			**3,891,155,122.72**

(3)Top 5 of the closing balance of other accounts receivable collected according to the arrears party

Company name	Nature	December 31, 2020.	Aging	Proportion (%)
Jiangsu Taixing Hi-Tech Industrial Development Zone Management Committee	Transaction amount	1,442,736,354.33	Within 1 year / 1-2 years	38.78
Taixing Zhiguang Talent Technology Plaza Manage Co., Ltd.	Transaction amount	1,208,966,257.67	Within 1 year	32.50
Shanghai Jingcheng Equity Investment Fund Management Co., Ltd.	Transaction amount	240,000,000.00	1-2 years	6.45
Taixing Liming Real Estate Development Co., Ltd.	Transaction amount	129,445,385.08	Within 1 year	3.48
Jiangsu Kaijin Internet Financial Assets Trading Center Co., Ltd.	Margin	50,000,000.00	Within 1 year	1.34
Total		**3,071,147,997.08**		**82.55**

3. Long-term equity investments

Item	December 31, 2020.			December 31, 2019.		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Subsidiaries	2,853,306,042.84		2,853,306,042.84	2,880,282,782.84		2,880,282,782.84
Joint ventures, Associated enterprises	568,206,196.38		568,206,196.38	535,580,288.31		535,580,288.31
Total	**3,421,512,239.22**		**3,421,512,239.22**	**3,415,863,071.15**		**3,415,863,071.15**

(1)Investment in subsidiaries

Investee	December 31, 2019.	Increase	Decrease
Taixing Zhongtian Water Treatment Equipment Co., Ltd.	250,000,000.00		
Taixing Chengdong Municipal Engineering Co., Ltd.	1,014,552,782.84		
Taixing Chengdong Green Engineering Co., Ltd.	161,880,000.00		
Taixing Zhiguang Trade Co., Ltd.	200,000,000.00		
Taixing Liming Real Estate Development Co., Ltd.	120,000,000.00		
Jiangsu Zhiguang Venture Capital Co., Ltd.	203,500,000.00	184,028,500.00	
Taixing Zhiquan Industrial Co., Ltd.	12,000,000.00		

Taixing Dunzhi Industrial Co., Ltd.	40,000,000.00		
Taixing High-Tech Zone Merchants Development Co., Ltd.	1,550,000.00		
Taixing Zhicheng Industrial Investment Fund Partnership (Limited Partnership)	876,800,000.00		211,005,240.00
Total	**2,880,282,782.84**	**184,028,500.00**	**211,005,240.00**

Continued:

Investee	December 31, 2020.	Provision for impairment in current period	Provision for impairment
Taixing Zhongtian Water Treatment Equipment Co., Ltd.	250,000,000.00		
Taixing Chengdong Municipal Engineering Co., Ltd.	1,014,552,782.84		
Taixing Chengdong Green Engineering Co., Ltd.	161,880,000.00		
Taixing Zhiguang Trade Co., Ltd.	200,000,000.00		
Taixing Liming Real Estate Development Co., Ltd.	120,000,000.00		
Jiangsu Zhiguang Venture Capital Co., Ltd.	387,528,500.00		
Taixing Zhiquan Industrial Co., Ltd.	12,000,000.00		
Taixing Dunzhi Industrial Co., Ltd.	40,000,000.00		
Taixing High-Tech Zone Merchants Development Co., Ltd.	1,550,000.00		
Taixing Zhicheng Industrial Investment Fund Partnership (Limited Partnership)	665,794,760.00		
Total	**2,853,306,042.84**		

(2)Investments in associates and joint ventures

Investee	December 31, 2019.	December 31, 2020.	Provision for impairment
Jiangsu Xintai Energy-Saving Technology Co., Ltd.	7,123,488.87	7,292,119.89	
Hehai Water Supply And Drainage complete Equipment Co., Ltd.	18,197,334.77	20,896,476.51	
Taixing Zhiyuan Financial leasing Co., Ltd.	510,259,464.67	540,017,599.98	
Total	**535,580,288.31**	**568,206,196.38**	

Continued:

Investee	Increase/decrease in 2020.							
	Increase in investments	Decrease in investments	Gains and losses recognised under equity method	Adjust other comprehensive income	Change in other equity	Cash bonus or profits announced to issue	Provision for impairment in current period	Others

Jiangsu Xintai Energy-Saving Technology Co., Ltd.			168,631.02					
Hehai Water Supply And Drainage complete Equipment Co., Ltd.			2,699,141.74					
Taixing Zhiyuan Financial leasing Co., Ltd.			29,758,135.31					
Total			**32,625,908.07**					

4. Operating Revenue and Operating Cost

(1) Operating Revenue and Operating Cost

Item	2020		2019	
	Revenue	Cost	Revenue	Cost
Main Business	1,802,143,752.19	1,441,934,077.69	1,998,682,497.28	1,639,380,075.14
Other business				
Total	**1,802,143,752.19**	**1,441,934,077.69**	**1,998,682,497.28**	**1,639,380,075.14**

(2)Revenue and operating cost classified by category

Item	2020		2019	
	Revenue	Cost	Revenue	Cost
Green engineering	87,271,447.26	58,180,964.84	96,262,197.47	64,174,798.31
Supporting installation and road project of park	375,006,984.10	267,862,131.50	395,952,799.94	282,823,428.53
Earthwork	694,961,080.00	496,400,771.43	671,942,242.03	479,958,744.31
trading	569,125,904.20	569,107,054.20	771,774,444.15	771,706,780.41
Rent	75,778,336.63	50,383,155.72	62,750,813.69	40,716,323.58
Total	**1,802,143,752.19**	**1,441,934,077.69**	**1,998,682,497.28**	**1,639,380,075.14**

5. Investment income

Item	2020	2019
Income from long-term equity investments accounted for using the equity method	32,625,908.07	11,777,211.11
Others		2,779,745.16
Total	**32,625,908.07**	**14,556,956.27**

Taixin Zhiguang Environmental Technology Co., Ltd.

Date: April 10, 2021.

Sichuan Huaxin (Group) CPA Firm

(Special General Partnership)

SI CHUAN HUA XIN (GROUP) CPA (LLP)

Address: Building 18, Jinmao Lidu South, No. 18 Ximianqiao Street, Chengdu
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Taixing Zhiguang Environmental Protection Technology Co., Ltd.
Audit Report 2018-2019
Chuan Hua Xin Sheng (2020) No. 0389

CONTENTS

Anti-counterfeit ID: **0282020050149912815**

Report No.:	Chuan Hua Xin Sheng (2020) No. 0389
Client:	Taixing Zhiguang Environmental Protection Technology Co., Ltd.
Audited Entity:	Taixing Zhiguang Environmental Protection Technology Co., Ltd.
Business Licence No.:	91321283759689579D
Accounting Firm:	Sichuan Huaxin (Group) CPA Firm (Special General Partnership)
Report Date:	2020-05-25
Filing Date:	2020-05-27 14:24
Domocile of Audited Entity:	Taizhou City
Signatory:	Wu Xingtian Li Kang

Anti-counterfeit QR code

Taixing Zhiguang Environmental Protection Technology Co., Ltd.
Audit Report 2019

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Auditor’s Report

Chuan Hua Xin Sheng (2020) No. 0389

All shareholders of Taixing Zhiguang Environmental Protection Technology Co., Ltd.,

I. Auditor's Opinion

We have audited the financial statements of Taixing Zhiguang Environmental Protection Technology Co., Ltd. (hereinafter referred to as "ZHIGUANG ECO-TECH"), which comprise the Company’s and consolidated balance sheets as at 31 December 2018 and 2019, and the Company’s and consolidated income statements, the Company’s and consolidated cash flow statements, and the Company’s and consolidated statements of changes in shareholders’ equity for 2018 and 2019, and the notes to these financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the Company’s financial position as of 31 December 2018 and 2019, and the Company’s results of operations and cash flows for 2018 and 2019 in accordance with Accounting Standards for Business Enterprises.

II. Basis for the Auditor's Opinion

We conducted our audit in accordance with the Auditing Standards for PRC Certified Public Accountants. Our responsibilities under those standards are further described in the "Certified Public Accountants’ Responsibilities for the Audit of the Financial Statements" section of the audit report. We are independent of ZHIGUANG ECO-TECH in accordance with the Ethical Codes of Chinese Certified Public Accountants, and we have fulfilled our other responsibilities under the Ethical Codes. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for audit opinion.

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

At ZHIGUANG ECO-TECH, the Management is responsible for preparing and presenting fairly the financial statements in accordance with China Accounting Standards for Business Enterprises, as well as designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing ZHIGUANG ECO-TECH’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and use the going concern basis of accounting unless the Management either intend to liquidate ZHIGUANG ECO-TECH or to cease operations, or have no realistic alternative but to do so.

The governance panel is responsible for overseeing the financial reporting process of ZHIGUANG ECO-TECH.

V. The Responsibilities of the Certified Public Accountants 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 the CAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are generally considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. In addition, we performed the following tasks:

(1) to 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 audit opinion. As fraud could involve collusion, forgery, intentional omission, false statements or overriding internal controls, thus risks of inability to discover major misrepresentation are more severe than risks of inability to spot misrepresentation due to mistake.

(2) to understand and design relative internal control, to design appropriate auditing procedures, but not for the purpose of expressing an opinion on the effectiveness of internal control.

(3) to evaluate appropriateness of the Management choosing Accounting Policies, and their accounting estimates and relative disclosures.

(4) To conclude on the appropriateness of the 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 ZHIGUANG ECO-TECH'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. Our conclusions are based on the information obtained up to the date of audit report. However, future events or conditions may cause ZHIGUANG ECO-TECH to cease to continue as a going concern.

(5) to evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(6) to obtain sufficient and appropriate audit evidences regarding the financial information of the entities or business activities within ZHIGUANG ECO-TECH to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsibility for our audit opinion.

We communicate with the Governance panel regarding the planned scope, timing of the audit and significant audit findings, including deficiencies worth of attention in internal control that we identify during our audit.

Sichuan Huaxin (Group) CPA Firm	PRC certified public accountant: Wu Xingtian
(Special General Partnership)	
China - Chengdu	PRC certified public accountant: Li Kang

20 May 2020

Combined Balance Sheet

2019-12-31

Prepared by: Taixing Zhiguang Environmental Protection Technology Co., Ltd. Unit: Yuan Currency: RMB

Item	Notes	Closing balance	Opening balance
Current assets:			
Cash at bank and on hand	VI.(1)	4,226,800,201.97	2,314,025,763.78
Clearing settlement funds			
Placements with banks and other financial institutions			
Financial assets measured at fair value through changes in profit or loss.	VI.(2)	11,526,501.37	
Derivative financial assets			
Notes Receivable	VI.(3)	61,848,071.87	706,000.00
Accounts receivable	VI.(4)	3,915,995,924.95	2,602,714,954.19
Prepayments	VI.(5)	1,327,190,167.08	1,024,032,867.95
Premium Receivables			
Receivable from reinsurers			
Reserves for reinsurance contract receivable			
Other receivables	VI.(6)	3,900,234,637.90	847,614,438.06
Where: Interest receivable		15,902,794.98	
Dividend receivable			
Financial assets purchased under agreements to resell			
Inventories	VI.(7)	5,039,338,557.24	3,780,442,903.01
Assets held for sales			
Non-current assets due within one year	VI.(8)	92,328,626.31	
Other current assets	VI.(9)	95,504,078.85	160,061,726.71
Total current assets		**18,670,766,767.54**	**10,729,598,653.70**
Non-current assets:			
Loans and advances to customers			
Available-for-sale financial assets	VI.(10)	523,882,727.98	547,250,018.21
Held-to-maturity investments			
Long-term receivables	VI.(11)	19,000,000.00	
Long-term equity investments	VI.(12)	780,114,525.19	637,169,953.17
Investment Properties	VI.(13)	1,592,239,829.32	1,632,956,152.90
Fixed assets	VI.(14)	576,970,127.52	227,795,236.44
Construction in progress	VI.(15)	950,233,527.48	947,134,926.93
Productive biological assets			
Oil and gas assets			
Intangible assets	VI.(16)	1,411,836,854.80	1,611,508,561.25
Development expenditures	VI.(17)		
Goodwill	VI.(18)	958,286,629.22	271,927.82
Long-term deferred expenses	VI.(19)	6,389,241.56	
Deferred tax assets	VI.(20)	233,990,836.57	8,649,384.69
Other non-current assets	VI.(21)	70,693,868.50	25,871,000.00
Total non-current assets		**7,123,638,168.14**	**5,638,607,161.41**
Total Assets		**25,794,404,935.68**	**16,368,205,815.11**

Legal Representative: Chief Financial Officer: Head of Accounting:

Combined Balance sheet (Continued)

2019-12-31

Prepared by: Taixing Zhiguang Environmental Protection Technology Co., Ltd. Unit: Yuan Currency: RMB

Item	Notes	Closing balance	Opening balance
Current liabilities:			
Short-term borrowings	VI.(22)	4,716,776,707.43	1,528,500,000.00
Borrowings from Central Bank			
Deposit taking and interbank deposits			
Placements from banks and other financial institutions			
Financial liabilities measured at fair value through changes in profit or loss			
Derivative financial liabilities			
Notes payable	VI.(23)	2,038,850,000.00	1,536,080,000.00
Accounts Payable	VI.(24)	547,091,574.14	318,385,413.46
Advances received	VI.(25)	31,337,859.42	107,525,011.97
Proceeds from disposal of repurchased financial assets			
Commission and brokerage payable			
Employee benefits payable		33,785,882.28	503,914.10
Taxes and rate payable	VI.(26)	327,677,959.89	262,633,902.31
Other payables	VI.(27)	1,596,794,107.71	628,793,527.47
Where: Interest payable		19,539,078.01	37,898,904.11
Dividend payable			
Due to reinsurers			
Insurance contract reserve			
Funds from securities trading agency			
Funds from underwriting securities agency			
Liabilities held for sales			
Non-current liabilities due within one year	VI.(28)	741,811,268.78	1,127,594,772.21
Other current liabilities	VI.(29)	64,030,000.00	7,500,471.67
Total current liabilities		10,098,155,359.65	5,517,517,013.19
Non-current liabilities:			
Long-term borrowings	VI.(30)	2,997,330,000.00	756,250,000.00
Bonds payable	VI.(31)	1,222,689,763.65	1,997,171,016.51
Where: Preference shares			
Perpetual bonds			
Long-term payables	VI.(32)	533,700,320.76	607,654,357.07
Long-term employee benefits payable			
Estimated liabilities	VI.(33)	4,302,993.26	
Deferred income	VI.(34)	2,307,170.28	
Deferred tax liabilities	VI.(20)	6,015,738.67	
Other non-current liabilities	VI.(35)	1,641,549,271.98	552,422,071.98
Total non-current liabilities		**6,407,895,258.60**	**3,913,497,445.56**
Total liabilities		16,506,050,618.25	9,431,014,458.75
Owners' equity (or shareholders' equity).			
Paid-in capital (or share capital)	VI.(36)	1,000,000,000.00	448,180,000.00
Other equity instruments			
Where: Preference shares			
Perpetual bonds			
Capital reserve	VI.(37)	4,001,969,933.65	3,594,399,913.19
Less: Treasury shares			
Other comprehensive income	VI.(28)	-782,005.17	
Special Reserve			
Surplus reserve	VI.(39)	303,786,867.48	272,968,300.50
General reserve			
Undistributed profits	VI.(40)	2,913,356,755.62	2,628,444,123.54
Total equity attributable to owners of Company		**8,218,331,551.58**	**6,943,992,337.23**
Minority interests		1,070,022,765.85	-6,800,980.87
Total Owners' Equity (or shareholders' equity)		**9,288,354,317.43**	**6,937,191,356.36**
Total liabilities and owner's equity (or shareholders' equity)		**25,794,404,935.68**	**16,368,205,815.11**

Legal Representative: Chief Financial Officer: Head of Accounting:

Combined Income Statement

Year 2019

Prepared by: Taixing Zhiguang Environmental Protection Technology Co., Ltd. Unit: Yuan Currency: RMB

Item	Notes	Current period	Previous period
I. Total operating revenue		**6,135,038,609.91**	**5,443.936,240.76**
Where: Operating revenue	VI.(41)	6,135,038,609.91	5,443,936,240.76
Interest income			
Net earned premiums			
Commission and brokerage income			
II. Total operating costs		**6,012,507,033.05**	**5,348,137,993.13**
Where: Operating Costs	VI.(41)	5,572,255,807.79	5,024,379,085.39
Interest expense			
Commission and brokerage expenses			
Surrenders			
Net claims paid			
Net change in insurance contract reserves			
Policyholder dividends paid			
Expenses for reinsurance accepted			
Tax and Surcharges	VI.(42)	30,349,271.73	32,355,833.05
Cost of Sales		33,972,809.31	11,997,430.14
Administrative expenses		175,273,231.93	107,815,714.63
R&D expenses	VI.(43)	25,212,999.82	
Finance Costs	VI.(44)	175,442,912.47	171,589,929.92
Where: Interest expenses		218,952,441.10	209,557,355.53
Interest income		46,971,076.04	57,012,506.18
Plus: Other gains	VI.(45)	253,156,298.04	200,000,000.00
Gains from investments (loss denoted by "-")	VI.(46)	53,334,641.01	56,463,441.99
Where: Gains from investments in associates and joint ventures		-18,079,416.19	24,056,459.51
Gain on changes in fair value (loss is denoted as "-")	VI.(47)	26,501.37	
Loss on Asset Impairment (loss is denoted as "-")	VI.(48)	-119,442,514.55	5,693,870.27
Gain on disposal of assets (loss denoted by "-")	VI.(49)	-16,478.03	
Exchange gains (loss denoted by "—")			
III. Operating profit (loss denoted by "-")		**309,590,024.70**	**357,955,559.89**
Plus: Non-operating income	VI.(50)	4,810,151.27	1,047,879.37
Less: Non-operating expenses	VI.(51)	9,795,344.65	2,437,743.09
IV. Total profit (total losses denoted by a "-")		**304,604,831.32**	**356,565,696.17**
Less: Income tax expense	VI.(52)	-5,023,275.96	27,097,624.55
V. Net profit (net loss denoted by "-")		**309,628,107.28**	**329,468,071.62**
(1) By continuity of operations			
1. Net profit from continuing operations (net loss denoted by "-")		309,628,107.28	329,468,071.62
2. Net profit from discontinued operations (net loss denoted by "-")			
(2) By Ownership			
1. Minority interests		-6,472,954.34	-11,103,580.53
2. Net profit attributable to the owners of the ZHIGUANG ECO-TECH		316,101,061.62	340,571,652.15
VI. Other comprehensive income, net of tax		**-4,395,539.34**	
Other comprehensive income attributable to the owners of Company, net of tax		**-782,005.17**	
(1) Other comprehensive income that will not be reclassified to profit or loss		-5,576.25	
1. Remeasurement of changes in defined benefit plans			
2. Other comprehensive income that will not be reclassified to profit or loss under the equity method			
3. Other equity instrument investments - Changes in fair value		-5,576.25	
(2) Other comprehensive income that will be reclassified to profit or loss		**-776,428.92**	
1. Other comprehensive income that may be reclassified to profit or loss under the equity method			
2. Gains or losses from changes in fair value of available-forsale financial assets			
3. Gains or losses from reclassifying held-to maturity investments to available-for-sale financial assets			
4. Effective portion of cash flow adjusted for hedging gains or losses			
5. Exchange differences from retranslation of financial statements		-776,428.92	
6. Other			
Other comprehensive income attributable to minority shareholders, net of tax		**-3,613,534.17**	
VII. Total comprehensive income		**305,232,567.94**	**329,468,071.62**
Comprehensive income attributable to owners of Company		315,319,056.45	340,571,652.15
Total comprehensive income attributable to minority shareholders		-10,086,48851	-11,103,580.53

If business combination happened under the same control during the Reporting Period, the combined party recognised the net profit of RMB: ________Yuan. The net profit realised by the combined parties in the previous period was:RMB ________Yuan.

Legal Representative: Chief Financial Officer: Head of Accounting:

Combined Cash Flow Statement

Year 2019

Prepared by: Taixing Zhiguang Environmental Protection Technology Co., Ltd. Unit: Yuan Currency: RMB

Item	Notes	Current Period	Previous Period
I. Cash flows from operating activities:			
Cash generated from sale of goods and rendering of services		6,737,558,627.61	5,278,690,698.69
Net increase in customer bank deposits and due to banks and other financial institutions			
Net increase in borrowings from central bank			
Net increase in placements from other financial institutions			
Premiums received from original insurance contracts			
Net cash received from reinsurance business			
Net increase in deposits from policyholders			
Net Increase in Disposal of Financial Assets at Fair Value Through Profit or Loss			
Cash received on interest, handling fee and commission			
Net increase in placements from banks and other financial institutions			
Net increase in repurchase business capital			
Tax rebates received		18,842,343.42	170,203,938.91
Other cash received relating to operating activities		1,752,935,268.30	929,367,877.47
Sub-total of cash inflows from operating activities		**8,509,336,239.33**	**6,378,262,515.07**
Cash paid for goods and services		7,679,145,428.97	5,155,232,186.54
Net increase in loans and advances to customers			
Net increase in deposits with central bank and other financial institutions			
Original insurance contract claims paid			
Cash paid for interest, handling fees and commissions			
Policyholder Dividend Paid			
Cash paid to and for employees		151,299,277.72	17,071,652.64
Cash paid for taxes and surcharges		237,961,162.23	189,785,492.40
Other cash payments relating to operating activities		2,436,862,193.27	306,405,000.71
Sub-total of cash outflows from operating activities		**10,505,268,062.19**	**5,668,494,332.29**
Net cash flow from operating activities		**-1,995,931,822.86**	**709,768,182.78**
II. Cash flow from investing activities:			
Cash received from disposal of investments		377,745,013.27	27,000,000.00
Cash received from returns on investments		19,829,477.94	30,041,369.62
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		16,754,376.59	
Net cash received from disposal of subsidiaries and other operating entities		72,303,065.62	
Other cash received concerning investing activities		111,681,199.83	
Sub-total of cash inflows from investing activities		**598,313,133.25**	**57,041,369.62**
Cash paid to acquire fixed assets, intangible assets and other long-term assets		5,398,763.53	35,037,111.49
Cash paid to acquire investments		304,600,000.00	453,725,013.27
Net increase in pledge loans			
Net cash paid to acquire subsidiaries and other operating entities		671,883,072.00	
Cash paid relating to other investing activities		391,998,461.51	55,901,791.84
Sub-total of cash outflows from investing activities		**1,373,880,297.04**	**544,663,916.60**
Net cash flows from investing activities		**-775,567,163.79**	**-487,622,546.98**
III. Cash flows from financing activities:			
Cash received from capital contributions		591,820,000.00	
Where: Cash received by subsidiaries from minority shareholders' investments		40,000,000.00	
Cash received from borrowings		6,438,189,506.91	2,142,600,000.00
Cash received from issuing of bonds		1,127,000,000.00	
Cash received from other financing activities		5,386,978,807.13	3,214,353,500.64
Sub-total of cash inflow from financing activities		**13,543,988,314.04**	**5,356,953,500.64**
Cash repayments of amounts borrowed		5,518,462,328.44	2,843,500,000.00
Cash paid for dividends, profit and interest		742,093,952.82	539,900,236.45
Where: Dividends and profits paid by subsidiaries to minority shareholders		7,500,000.00	
Cash paid for other financing activities		4,466,756,258.55	2,378,598,627.50
Sub-total of cash outflow from financing activities		**10,727,312,539.81**	**5,761,998,863.95**
Net cash flows from financing activities		**2,816,675,774.23**	**-405,045,363.31**
IV. Effect of foreign exchange rate changes on cash and cash equivalents		**627,198.20**	
V. Net increase in cash and cash equivalents		**45,803,985.78**	**-182,899,727.51**
Plus: Cash and cash equivalents at beginning of period		362,229,912.72	545,129,640.23
VI. cash and cash equivalents balance at end of period		**408,033,898.50**	**362,229,912.72**

Legal Representative: Chief Financial Officer: Head of Accounting:

Combined Statement of Changes in Owners' Equity
Year 2019

Prepared by: Taixing Zhiguang Environmental Protection Technology Co., Ltd. Unit: Yuan Currency: RMB

Item	This Period												
	Owners' Equity attributable to owners of Company											Minority interests	Total Owners' Equity
	Paid-in capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special Reserve	Surplus reserve	General reserve	Undistributed profits		
		Preference shares	Perpetual bonds	Other									
I. Closing balance of previous year	448,180,000.00				3,594,399,913.19				272,968,300.50		2,628,444,123.54	-6,800,980.87	6,937,191,356.36
Plus: Change in Accounting Policies													
Correction of Errors in the Previous Period													
Combination under common control													
Other													
II. Balance at the begining of the year	448,180,000.00				3,594,399,913.19				272,968,300.50		2,628,444,123.54	-6,800,980.87	6,937,191,356.36
III. Movements during the period (decrease denoted by "-")	551,820,000.00				407,570,020.46		-782,005.17		30,818,566.98		284,912,632.08	1,076,823,746.72	2,351,162,961.07
(1) Total comprehensive income							-782,005.17				316,101,061.62	-10,086,488.51	305,232,567.94
(2) Owners' contribution and withdrawal of capital	551,820,000.00				407,570,020.46							1,086,910,235.23	2,046,300,255.69
1. Common stock contributed by owners	551,820,000.00												551,820,000.00
2. Proceeds from other equity instruments holders													
3. Share-based payment recorded in owner's equity													
4. Other					407,570,020.46							1,086,910,235.23	1,494,480,255.69
(3) Profit distribution									30,818,566.98		-31,188,429.54		-369,862.56
1. Appropriation to surplus reserves									30,818,566.98		-30,818,566.98		
2. Appropriation to general reserves													
3. Distribution to owners (or shareholders)													
4. Other											-369,862.56		-369,862.56
(4) Transfer of owners' equity													
1. Transfer of capital reserve to share capital (or shae capital)													
2. Transfer of surplus reserves to share capital (or shae capital)													
3. Surplus reserves making up of losses													
4. Transfer of changes in defined benefit plans to retained earnings													
5. Other													
(5) Special reserves													
1. Appropriation during the period													
2. Utilization during the period													
(6) Others													
IV. Closing Balance of Current Period	1,000,000,000.00				4,001,969,933.65		-782,005.17		303,786,867.48		2,913,356,755.62	1,070,022,765.85	9,288,354,317.43

Legal Representative: Chief Financial Officer: Head of Accounting:

Combined Statement of Changes in Owners' Equity
Year 2019

Prepared by: Taixing Zhiguang Environmental Protection Technology Co., Ltd. Unit: Yuan Currency: RMB

Item	This Period												
	Owners' Equity attributable to owners of Company											Minority interests	Total Owners' Equity
	Paid-in capital (or share capital)	Other equity instruments: Preference shares	Other equity instruments: Perpetual bonds	Other equity instruments: Other	Capital reserve	Less: Treasury shares	Other comprehensive income	Special Reserve	Surplus reserve	General reserve	Undistributed profits		
I. Closing balance of previous year	448,180,000.00				3,714,399,913.19				244,401,034.01		2,291,994,118.49	4,662,687.24	6,703,637,752.93
Plus: Change in Accounting Policies													
Correction of Errors in the Previous Period													
Combination under common control													
Other													
II. Opening Balance of Current Year	448,180,000.00				3,714,399,913.19				244,401,034.01		2,291,994,118.49	4,662,687.24	6,703,637,752.93
III. Movements during the period (decrease denoted by "-")					-120,000,000.00				28,567,266.49		336,450,005.05	-11,463,668.11	233,553,603.43
(1) Total comprehensive income											340,571,652.15	-11,103,580.53	329,468,071.62
(2) Owners' contribution and withdrawal of capital					-120,000,000.00								-120,000,000.00
1. Common stock contributed by owners													
2. Proceeds from other equity instruments holders													
3. Share-based payment recorded in owner's equity													
4. Other					-120,000,000.00								-120,000,000.00
(3) Profit distribution									28,567,266.49		-4,121,647.10	-360,087.58	24,085,531.81
1. Appropriation to surplus reserves									28,567,266.49		-28,567,266.49		
2. Appropriation to general reserves													
3. Distribution to owners (or shareholders)													
4. Other											24,445,619.39	-360,087.58	24,085,531.81
(4) Transfer of owners' equity													
1. Transfer of capital reserve to share capital (or shae capital)													
2. Transfer of surplus reserves to share capital (or shae capital)													
3. Surplus reserves making up of losses													
4. Transfer of changes in defined benefit plans to retained earnings													
5. Other													
(5) Special reserves													
1. Appropriation during the period													
2. Utilization during the period													
(6) Others													
IV. Closing Balance of Current Period	448,180,000.00				3,594,399,913.19				272,968,300.50		2,628,444,123.54	-6,800,980.87	6,937,191,356.36

Legal Representative: Chief Financial Officer: Head of Accounting:

Company Balance Sheet

2019-12-31

Prepared by: Taixing Zhiguang Environmental Protection Technology Co., Ltd. Unit: Yuan Currency: RMB

Item	Notes	Closing balance	Opening balance
Current assets:			
Cash at bank and on hand		1,521,048,894.11	287,622,646.64
Financial assets measured at fair value through changes in profit or loss.			
Derivative financial assets			
Notes Receivable			200,000.00
Accounts receivable	XIII.(1)	2,394,700,716.01	1,817,370,938.10
Prepayments		337,667,812.56	334,706,221.76
Other receivables	XIII.(2)	3,891,155,122.72	1,516,515,215.41
Where: Interest receivable			
Dividend receivable			
Inventories		4,005,128,720.40	2,752,983,831.07
Assets held for sales			
Non-current assets due within one year			
Other current assets		40,005,678.56	106,328,306.72
Total current assets		**12,189,706,944.36**	**6,815,727,159.70**
Non-current assets:			
Available-for-sale financial assets		319,200,000.00	497,191,788.91
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	XIII.(3)	3,415,863,071.15	2,760,735,860.04
Investment Properties		1,592,239,829.32	1,632,956,152.90
Fixed assets		207,764,564.61	215,065,414.38
Construction in progress		945,903,537.37	942,967,577.87
Productive biological assets			
Oil and gas assets			
Intangible assets		1,354,326,524.22	1,611,017,686.25
Development expenditures			
Goodwill			
Long-term deferred expenses			
Deferred tax assets		14,783,072.37	8,535,125.14
Other non-current assets		24,800,000.00	24,800,000.00
Total non-current assets		**7,874,880,599.04**	**7,693,269,605.49**
Total Assets		**20,064,587,543.40**	**14,508,996,765.19**

Legal Representative: Chief Financial Officer: Head of Accounting:

Company Balance Sheet (Continued)

2019-12-31

Prepared by: Taixing Zhiguang Environmental Protection Technology Co., Ltd. Unit: Yuan Currency: RMB

Item	Notes	Closing balance	Opening balance
Current liabilities:			
Short-term borrowings		1,982,900,000.00	323,000,000.00
Financial liabilities measured at fair value through changes in profit or loss			
Derivative financial liabilities			
Notes payable		668,500,000.00	340,000,000.00
Accounts Payable		53,588,095.71	47,416,432.96
Advances received			
Employee benefits payable			
Taxes and rate payable		275,642,190.26	162,533,689.41
Other payables		5,640,968,084.98	3,088,745,077.14
Where: Interest payable		16,258,904.11	37,898,904.11
Dividend payable			
Liabilities held for sales			
Non-current liabilities due within one year		470,053,361.16	947,344,042.21
Other current liabilities			
Total current liabilities		**9,091,651,732.11**	**4,909,039,241.72**
Non-current liabilities:			
Long-term borrowings		1,936,230,000.00	582,250,000.00
Bonds payable		1,222,689,763.65	1,997,171,016.51
Where: Preference shares			
Perpetual bonds			
Long-term payables		489,810,110.96	566,336,240.07
Long-term employee benefits payable			
Estimated liabilities			
Deferred income			
Deferred tax liabilities			
Other non-current liabilities		**13,850,000.00**	3,850,000.00
Total non-current liabilities		3,662,579,874.61	3,149,607,256.58
Total liabilities		**12,754,231,606.72**	**8,058,646,498.30**
Owners' equity (or shareholders' equity).			
Paid-in capital (or share capital)		1,000,000,000.00	448,180,000.00
Other equity instruments			
Where: Preference shares			
Perpetual bonds			
Capital reserve		3,594,399,913.19	3,594,399,913.19
Less: Treasury shares			
Other comprehensive income			
Special Reserve			
Surplus reserve		303,786,867.48	272,968,300.50
Undistributed profits		2,412,169,156.01	2,134,802,053.20
Total Owners' Equity (or shareholders' equity)		**7,310,355,936.68**	**6,450,350,266.89**
Total liabilities and owner's equity (or shareholders' equity)		**20,064,587,543.40**	**14,508,996,765.19**

Legal Representative: Chief Financial Officer: Head of Accounting:

Company Income Statement

Year 2019

Prepared by: Taixing Zhiguang Environmental Protection Technology Co., Ltd. Unit: Yuan Currency: RMB

Item	Notes	Current period	Previous period
I. Operating revenue	XIII.(4)	1,998,682,497.28	1,464,164,802.98
Less: Operating Costs	XIII.(4)	1,639,380,075.14	1,104,977,062.17
Tax and Surcharges		17,603,923.22	28,265,995.24
Cost of Sales		10,050.00	
Administrative expenses		98,402,074.75	99,322,478.92
R&D expenses			
Finance Costs		160,100,169.42	175,612,654.22
Where: Interest expenses		172,754,636.10	184,695,754.96
Interest income		14,464,719.45	26,627,912.73
Plus: Other gains		250,000,000.00	200,000,000.00
Gains from investments (loss denoted by "-")	XIII.(5)	14,556,956.27	39,069,524.27
Where: Gains from investments in associates and joint ventures		11,777,211.11	36,703,911.41
Gain on changes in fair value (loss is denoted as "-")			
Loss on Asset Impairment (loss is denoted as "-")		-24,991,788.91	6,150,908.44
Gain on disposal of assets (loss denoted by "-")			
II. Operating profit (loss denoted by "-")		322,751,372.11	301,207,045.14
Plus: Non-operating income		1,281,703.52	
Less: Non-operating expenses		978,376.00	
III. Total profit (losses denoted by a "-")		323,054,699.63	301,207,045.14
Less: Income tax expense		14,869,029.84	15,534,380.22
IV. Net profit (net loss denoted by "-")		308,185,669.79	285,672,664.92
(1) Net profit from continuing operations (net loss denoted by "-")		308,185,669.79	285,672,664.92
(2) Net profit from discontinued operations (net loss denoted by "-")			
V. Other comprehensive income, net of tax			
(1) Other comprehensive income that will not be reclassified to profit or loss			
1. Remeasurement of changes in defined benefit plans			
2. Other comprehensive income that will not be reclassified to profit or loss under the equity method			
(2) Other comprehensive income that will be reclassified to profit or loss			
1. Other comprehensive income that may be reclassified to profit or loss under the equity method			
2. Gains or losses from changes in fair value of available-forsale financial assets			
3. Gains or losses from reclassifying held-to maturity investments to available-for-sale financial assets			
4. Effective portion of cash flow adjusted for hedging gains or losses			
5. Exchange differences from retranslation of financial statements			
6. Other			
VI. Total comprehensive income		308,185,669.79	285,672,664.92

The accompanying notes form an integral part of these financial statements.

Legal Representative: Chief Financial Officer: Head of Accounting:

Company Cash Flow Statement

Year 2019

Prepared by: Taixing Zhiguang Environmental Protection Technology Co., Ltd. Unit: Yuan Currency: RMB

Item	Notes	Current Period	Previous Period
I. Cash flows from operating activities:			
Cash generated from sale of goods and rendering of services		1,640,579,035.73	914,338,545.58
Tax rebates received			
Other cash received relating to operating activities		4,519,496,014.22	1,456,691,150.15
Sub-total of cash inflows from operating activities		**6,160,075,049.95**	**2,371,029,695.73**
Cash paid for goods and services		2,678,179,813.35	470,746,932.71
Cash paid to and for employees		10,391,560.79	10,981,990.97
Cash paid for taxes and surcharges		138,239,168.16	123,840,105.71
Other cash payments relating to operating activities		2,971,821,110.11	587,960,032.76
Sub-total of cash outflows from operating activities		**5,798,631,652.41**	**1,193,529,062.15**
Net cash flow from operating activities		**361,443,397.54**	**1,177,500,633.58**
II. Cash flow from investing activities:			
Cash received from disposal of investments		356,445,013.27	
Cash received from returns on investments		2,779,745.16	
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other operating entities			
Other cash received concerning investing activities			
Sub-total of cash inflows from investing activities		**359,224,758.43**	
Cash paid to acquire fixed assets, intangible assets and other long-term assets		43,450.00	6,267,465.97
Cash paid to acquire investments		840,350,000.00	450,545,013.27
Net cash paid to acquire subsidiaries and other operating entities			
Cash paid relating to other investing activities			
Sub-total of cash outflows from investing activities		**840,393,450.00**	**456,812,479.24**
Net cash flows from investing activities		**-481,168,691.57**	**-456,812,479.24**
III. Cash flows from financing activities:			
Cash received from capital contributions		551,820,000.00	
Cash received from borrowings		2,800,730,000.00	945,100,000.00
Cash received from issuing of bonds		1,127,000,000.00	
Cash received from other financing activities		1,169,796,451.41	621,350,000.00
Sub-total of cash inflow from financing activities		**5,649,346,451.41**	**1,566,450,000.00**
Cash repayments of amounts borrowed		2,999,800,000.00	1,650,500,000.00
Cash paid for dividends, profit and interest		481,031,246.64	417,185,155.47
Cash paid for other financing activities		2,064,773,401.52	255,360,250.79
Sub-total of cash outflow from financing activities		5,545,604,648.16	2,323,045,406.26
Net cash flows from financing activities		103,741,803.25	-756,595,406.26
IV. Effect of foreign exchange rate changes on cash and cash equivalents			
V. Net increase in cash and cash equivalents		**-15,983,490.78**	**-35,907,251.92**
Plus: Cash and cash equivalents at beginning of period		97,032,384.89	132,939,636.81
VI. cash and cash equivalents balance at end of period		**81,048,894.11**	**97,032,384.89**

The accompanying notes form an integral part of these financial statements.

Legal Representative: Chief Financial Officer: Head of Accounting:

Company Statement of Changes in Shareholder's Equity

Year 2019

Prepared by: Taixing Zhiguang Environmental Protection Technology Co., Ltd. Unit: Yuan Currency: RMB

Item	This Period										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special Reserve	Surplus reserve	Undistributed profits	Total Owners' Equity
		Preference shares	Perpetual bonds	Other							
I. Closing balance of previous year	448,180,000.00				3,594,399,913.19				272,968,300.50	2,134,802,053.20	6,450,350,266.89
Plus: Change in Accounting Policies											
Correction of Errors in the Previous Period											
Other											
II. Balance at the begining of the year	448,180,000.00				3,594,399,913.19				272,968,300.50	2,134,802,053.20	6,450,350,266.89
III. Movements during the period (decrease denoted by "-")	551,820,000.00								30,818,566.98	277,367,102.81	860,005,669.79
(1) Total comprehensive income										308,185,669.79	308,185,669.79
(2) Owners' contribution and withdrawal of capital	551,820,000.00										551,820,000.00
1. Common stock contributed by owners	551,820,000.00										551,820,000.00
2. Proceeds from other equity instruments holders											
3. Share-based payment recorded in owner's equity											
4. Other											
(3) Profit distribution									30,818,566.98	-30,818,566.98	
1. Appropriation to surplus reserves									30,818,566.98	-30,818,566.98	
2. Distribution to owners (or shareholders)											
3. Other											
(4) Transfer of owners' equity											
1. Transfer of capital reserve to share capital (or shae capital)											
2. Transfer of surplus reserves to share capital (or shae capital)											
3. Surplus reserves making up of losses											
4. Transfer of changes in defined benefit plans to retained earnings											
5. Other											
(5) Special reserves											
1. Appropriation during the period											
2. Utilization during the period											
(6) Others											
IV. Closing Balance of Current Period	1,000,000,000.00				3,594,399,913.19				303,786,867.48	2,412,169,156.01	7,310,355,936.68

The accompanying notes form an integral part of these financial statements.

Legal Representative: Chief Financial Officer: Head of Accounting:

Company Statement of Changes in Shareholder's Equity

Year 2019

Prepared by: Taixing Zhiguang Environmental Protection Technology Co., Ltd. Unit: Yuan Currency: RMB

Item	Previous Period										
	Paid-in capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special Reserve	Surplus reserve	Undistributed profits	Total Owners' Equity
		Preference shares	Perpetual bonds	Other							
I. Closing balance of previous year	448,180,000.00				3,714,399,913.19				244,401,034.01	1,877,696,654.77	6,284,677,601.97
Plus: Change in Accounting Policies											
Correction of Errors in the Previous Period											
Other											
II. Balance at the begining of the year	448,180,000.00				3,714,399,913.19				244,401,034.01	1,877,696,654.77	6,284,677,601.97
III. Movements during the period (decrease denoted by "-")					-120,000,000.00				28,567,266.49	257,105,398.43	165,672,664.92
(1) Total comprehensive income										285,672,664.92	285,672,664.92
(2) Owners' contribution and withdrawal of capital					-120,000,000.00						-120,000,000.00
1. Common stock contributed by owners											
2. Proceeds from other equity instruments holders											
3. Share-based payment recorded in owner's equity											
4. Other					-120,000,000.00						-120,000,000.00
(3) Profit distribution									28,567,266.49	-28,567,266.49	
1. Appropriation to surplus reserves									28,567,266.49	-28,567,266.49	
2. Distribution to owners (or shareholders)											
3. Other											
(4) Transfer of owners' equity											
1. Transfer of capital reserve to share capital (or shae capital)											
2. Transfer of surplus reserves to share capital (or shae capital)											
3. Surplus reserves making up of losses											
4. Transfer of changes in defined benefit plans to retained earnings											
5. Other											
(5) Special reserves											
1. Appropriation during the period											
2. Utilization during the period											
(6) Others											
IV. Closing Balance of Current Period	448,180,000.00				3,594,399,913.19				272,968,300.50	2,134,802,053.20	6,450,350,266.89

The accompanying notes form an integral part of these financial statements.

Legal Representative: Chief Financial Officer: Head of Accounting:

Taixing Zhiguang Environmental Protection Technology Co., Ltd.
Notes to FY2018-2019 Financial Statements

(In: Yuan Currency: RMB)

I. Basic information about the company

(1) Basic Profile

Name: Taixing Zhiguang Environmental Protection Technology Co., Ltd.

Uniform Social Credit Code: 91321283759689579D

Business Nature: Limited liability company (wholly state-owned)

Date of incorporation: 19 March, 2004

Address: West Side of Daiwang Road, Chengdong Hi-Tech Industrial Park, Taixing City

Legal Representative: Tao Aitang

Registered Capital: RMB 448.18 million

Period of Operation: 19 March 2004 — 18 March 2024

Scope of Business: Research and development of new environmental protection products; construction of landscaping projects; planting and sale of seedlings; research and development, manufacture and sale of instruments and meters (excluding measuring instruments), electronic and electrical equipment, mechanical equipment and automation control equipment; research and development, manufacture, installation and sale of air purification equipment; research and development, design and construction of air purification system projects and water treatment equipment system projects; investment in and development of infrastructure facilities; investment in and management of municipal projects; housing demolition and property management; sale of building materials and glass products; development and sale of real estate; self-operation of and operation through agents of import and export of all kinds of commodities and technologies, except for those which are restricted by the state and the import and export of which are prohibited by the state. (The items that requires approval by law can only be dealt in after being approved by the relevant departments)

(2) History

Formerly known as "Taixing Yaowang Town Fuqiang Technology Development Co., Ltd.", "Taixing Fuqiang Technology Development Co., Ltd." and "Taixing Chengdong Investment and Development Co., Ltd.", Taixing Zhiguang Environmental Protection Technology Co., Ltd. (hereinafter referred to as the "Company) is a limited liability company invested and established by a corporate named as Taixing Yaowang Town Rural Collective Asset Management Committee and a natural person named as Tang Suqing.

1. Incorporation

On 10 February 2004, the shareholders, i.e. Taixing Yaowang Town Rural Collective Asset Management Committee and Tang Suqing, signed the Articles of Association of Taixing Yaowang Town Fuqiang Technology Development Co., Ltd. and decided to establish the Company. Pursuant to the Articles of Association, the name of the Company is Taixing Yaowang Town Fuqiang Technology Development Co., Ltd., the domicile is located at No. 42, South Taiyao Road, Yaowang Town, Taixing City and the registered capital is RMB 1,180,000.

On 19 March 2004, Nanjing Sanlian Certified Public Accountants Co. Ltd. issued a Capital Verification Report coded San Lian Yan Zi (2004) No. 313.

The shareholding structure of the Company at the time of its establishment was as follows:

Shareholder Roster	Contributions committed (0,000 yuan)	Share (%)	Contributions paid (0,000 yuan)	Share (%)	Means of Contribution	REMARKS
Rural Collective Assets Management Committee of Yao Wang Township, Taixing City	100.00	84.75	100.00	84.75	Currency	
Tang Souqing	18.00	15.25	18.00	15.25	Currency	
Total	118.00	100.00	118.00	100.00		

2. First registered capital change

On 24 November 2005, with the approval of the Taixing Yaowang Town Fuqiang Technology Development Co., Ltd. and Tang Suqing, the following decisions were made: I. Change of the registered capital of the Company from RMB 1,180,000 to RMB 8,180,000, of which the additional amount of RMB 7,000,000 was contributed by the shareholder Tang Suqing in cash; II. Agreement on amending the relevant provisions of the Articles of Association of the Company.

On 24 November 2005, Nanjing Zhengyi Lianhe Certified Public Accountants Co., Ltd. issued an Capital Verification Report coded Ning Zheng Yi Kuai Yan (2005) No. B-364.

Following this change, the shareholding structure of the Company was as follows.

Shareholder Roster	Contributions committed (0,000 yuan)	Share (%)	Contributions paid (0,000 yuan)	Share (%)	Means of Contribution	REMARKS
Rural Collective Assets Management Committee of Yao Wang Township, Taixing City	100.00	12.22	100.00	12.22	Currency	
Tang Souqing	718.00	87.78	718.00	87.78	Currency	
Total	818.00	100.00	818.00	100.00		

3. Second registered capital change

On 29 August 2007, with the approval of the Taixing Yaowang Town Fuqiang Technology Development Co., Ltd. and Tang Suqing, the following decisions were made: I. Change of the registered capital of the Company from RMB 8,180,000 to RMB 16,180,000, of which the additional amount of RMB 8,000,000 was contributed by the shareholder Tang Suqing in cash; II. Invalidation of the Articles of Association of the Company and re-amendment of the Articles of Association.

On 30 August 2007, Jiangsu Huazheng Certified Public Accountants Co. Ltd. issued a Capital Verification Report coded Su Hua Zheng Yan Zi (2007) Tai No. 360.

Following this change, the shareholding structure of the Company was as follows.

Shareholder Roster	Contributions committed (0,000 yuan)	Share (%)	Contributions paid (0,000 yuan)	Share (%)	Means of Contribution	REMARKS
Rural Collective Assets Management Committee of Yao Wang Township, Taixing City	900.00	55.62	900.00	55.62	Currency	
Tang Souqing	718.00	44.38	718.00	44.38	Currency	
Total	1,618.00	100.00	1,618.00	100.00		

4. First shareholder change

On 2 December 2008, pursuant to a decision of the shareholders' meeting: I. Agreement on transferring the equity interest of RMB 7,180,000 held by Tang Suqing in Taixing Yaowang Town Fouqiang Technology Development Co., Ltd. to a new shareholder, Gu Gang, at a price of RMB 7,180,000; II. Removal of the office of executive director and manager of Tang Suqing and election of Gu Gang as executive director and manager of the Company; III. Change of the name of the Company to: Taixing Fuqiang Technology Development Co., Ltd.; IV. Extension of the term of operation of the Company for 10 years; V. Amendment of the Articles of Association of the Company.

Following this change, the shareholding structure of the Company was changed as follows:

Shareholder Roster	Contributions committed (0,000 yuan)	Share (%)	Contributions paid (0,000 yuan)	Share (%)	Means of Contribution	REMARKS
Rural Collective Assets Management Committee of Yao Wang Township, Taixing City	900.00	55.62	900.00	55.62	Currency	
Gu Gang	718.00	44.38	718.00	44.38	Currency	
Total	1,618.00	100.00	1,618.00	100.00		

5. Second shareholder change

On 15 January 2009, pursuant to a decision of the shareholders' meeting: I. Agreement on transferring the equity interests of RMB 7,180,000 held by Gu Gang in Taixing Fuqiang Technology Development Co., Ltd. to a new shareholder, Tang Suqing, at a price of RMB 7,180,000; II. Removal of the office of executive director and manager of Gu Gang and election of Tang Suqing as executive director and manager of the Company; III. Amendment of the Articles of Association of the Company. Following this change, the shareholding structure of the Company was changed as follows:

Shareholder Roster	Contributions committed (0,000 yuan)	Share (%)	Contributions paid (0,000 yuan)	Share (%)	Means of Contribution	REMARKS
Rural Collective Assets Management Committee of Yao Wang Township, Taixing City	900.00	55.62	900.00	55.62	Currency	
Tang Souqing	718.00	44.38	718.00	44.38	Currency	
Total	1,618.00	100.00	1,618.00	100.00		

6. Third shareholder change

On 9 March 2009, pursuant to a decision of the shareholders' meeting: I. Agreement on transferring the equity interest of RMB 7,180,000 held by Tang Suqing in Taixing Fuqiang Technology Development Co., Ltd. to Taixing Yaowang Town Fuqiang Technology Development Co., Ltd., at a price of RMB 7,180,000; II. Invalidation of the original Articles of Association of the Company; III. Agreement on changing the company name from "Taixing Fuqiang Technology Development Co., Ltd." to "Taixing Chengdong Investment and Development Co., Ltd."; IV. Agreement on the amended Articles of Association.

Following this change, the shareholding structure of the Company was as follows.

Shareholder Roster	Contributions committed (0,000 yuan)	Share (%)	Contributions paid (0,000 yuan)	Share (%)	Means of Contribution	REMARKS
Rural Collective Assets Management Committee of Yao Wang Township, Taixing City	1,618.00	100.00	1,618.00	100.00	Currency	

Shareholder Roster	Contributions committed (0,000 yuan)	Share (%)	Contributions paid (0,000 yuan)	Share (%)	Means of Contribution	REMARKS
Total	1,618.00	100.00	1,618.00	100.00		

7. Third registered capital change

On 20 April 2009, the following decisions of the shareholders' meeting were made: I. Agreement on increasing the registered capital of the enterprise from RMB 16,180,000 to RMB 66,180,000; II. The original management personnel of the Company shall remain unchanged; III. Agreement on the amended Articles of Association.

On 5 May 2009, Taixing Yongxin Certified Public Accountants Co. Ltd. issued a Capital Verification Report coded Tai Yong Kuai Gu Yan (2009) No. 045.

Following this change, the shareholding structure of the Company was changed as follows:

Shareholder Roster	Contributions committed (0,000 yuan)	Share (%)	Contributions paid (0,000 yuan)	Share (%)	Means of Contribution	REMARKS
Rural Collective Assets Management Committee of Yao Wang Township, Taixing City	6,618.00	100.00	6,618.00	100.00	Currency	
Total	6,618.00	100.00	6,618.00	100.00		

8. Company information change

On 2 September 2009, pursuant to a decision of the shareholders' meeting: Agreement on removing Tang Suqing’s office of executive director and manager of the Company and appointing Gu Gang as executive director and manager of the Company.

9. Fourth registered capital change

On 15 February 2011, pursuant to a decision of the shareholders' meeting: I. Agreement on increasing the registered capital of the enterprise from RMB 66,180,000 to RMB 86,180,000, with an additional capital of RMB 20,000,000 to be contributed in cash; II. Amendment of the Articles of Association accordingly.

On 16 February 2011, Jiangsu Zhongli Certified Public Accountants Co., Ltd. issued a Capital Verification Report coded Su Zhong Li Kuai Yan Zi (2011) No. Z036.

Following this change, the shareholding structure of the Company was changed as follows:

Shareholder Roster	Contributions committed (0,000 yuan)	Share (%)	Contributions paid (0,000 yuan)	Share (%)	Means of Contribution	REMARKS
Rural Collective Assets Management Committee of Yao Wang Township, Taixing City	8,618.00	100.00	8,618.00	100.00	Currency	
Total	8,618.00	100.00	8,618.00	100.00		

10. Fifth registered capital change

On 30 January 2012, pursuant to a decision of the shareholders' meeting: I. Agreement on increasing the registered capital of the enterprise from RMB 86,180,000 to RMB 111,180,000, with an additional capital of RMB 25,000,000 to be contributed in cash; II. Agreement on amending the relevant provisions of the Articles of Association of the Company.

On 6 February 2012, Yangzhou Decheng Lianhe Certified Public Accountants Co., Ltd. issued a Capital Verification Report coded Yang De Cheng (2012) Yan No. T-020.

Following this change, the shareholding structure of the Company was changed as follows:

Shareholder Roster	Contributions committed (0,000 yuan)	Share (%)	Contributions paid (0,000 yuan)	Share (%)	Means of Contribution	REMARKS
Rural Collective Assets Management Committee of Yao Wang Township, Taixing City	11,118.00	100.00	11,118.00	100.00	Currency	
Total	11,118.00	100.00	11,118.00	100.00		

11. Sixth registered capital change

On 11 June 2012, pursuant to a decision of the shareholders' meeting: I. Agreement on increasing the registered capital of the enterprise from RMB 111,180,000 to RMB 158,180,000, with an additional capital of RMB 47,000,000 to be contributed in cash; II. Agreement on amending the relevant provisions of the Articles of Association of the Company.

On 12 June 2012, Yangzhou Decheng Lianhe Certified Public Accountants Co., Ltd. issued a Capital Verification Report coded Yang De Cheng (2012) Yan No. T-131.

Following this change, the shareholding structure of the Company was changed as follows:

Shareholder Roster	Contributions committed (0,000 yuan)	Share (%)	Contributions paid (0,000 yuan)	Share (%)	Means of Contribution	REMARKS
Rural Collective Assets Management Committee of Yao Wang Township, Taixing City	15,818.00	100.00	15,818.00	100.00	Currency	
Total	15,818.00	100.00	15,818.00	100.00		

12. Company information change

On 1 August 2013, pursuant to a decision of the shareholders' meeting: I. Agreement on removing Gu Gang's office of executive director, II. Appointment of Chen Bin as executive director of the Company, III. Change of the domicile of the Company to West of Daiwang Road, Chengdong Industrial Park, Taixing City, IV. Amendment of the relevant provisions of the Articles of Association.

On 5 September 2013, pursuant to a decision of the shareholders' meeting: Change of the name of the Company to Taixing Zhiguang Environmental Protection Technology Co., Ltd.

13. Seventh registered capital change

On 18 October 2013, pursuant to a decision of the shareholders' meeting: I. Agreement on increasing the registered capital of the enterprise from RMB 158,180,000 to RMB 308,180,000, with an additional capital of RMB 150,000,000 to be contributed in cash; II. Agreement on amending the relevant provisions of the Articles of Association of the Company.

On 28 October 2013, Yangzhou Decheng Lianhe Certified Public Accountants Co., Ltd. issued a Capital Verification Report coded Yang De Cheng Yan (2013) No. T-347.

Following this change, the shareholding structure of the Company was changed as follows:

Shareholder Roster	Contributions committed (0,000 yuan)	Share (%)	Contributions paid (0,000 yuan)	Share (%)	Means of Contribution	REMARKS
Rural Collective Assets Management Committee of Yao Wang Township, Taixing City	30,818.00	100.00	30,818.00	100.00	Currency	
Total	30,818.00	100.00	30,818.00	100.00		

14. Eighth registered capital change

On 20 November 2013, pursuant to a decision of the shareholders' meeting: I. Agreement on increasing the registered capital of the enterprise from RMB 308,180,000 to RMB 448,180,000, with an additional capital of RMB 140,000,000 to be contributed in cash; II. Agreement on invalidating the original Articles of Association of the Company and re-amending the Articles of Association of the Company.

On 20 November 2013, Yangzhou Decheng Lianhe Certified Public Accountants Co., Ltd. issued a Capital Verification Report coded Yang De Cheng Yan (2013) No. T-376.

Following this change, the shareholding structure of the Company was changed as follows:

Shareholder Roster	Contributions committed (0,000 yuan)	Share (%)	Contributions paid (0,000 yuan)	Share (%)	Means of Contribution	REMARKS
Rural Collective Assets Management Committee of Yao Wang Township, Taixing City	44,818.00	100.00	44,818.00	100.00	Currency	
Total	44,818.00	100.00	44,818.00	100.00		

15. Fourth shareholder change

On 15 May 2014, pursuant to a resolution of the shareholders' meeting, the following decisions were made: I. Agreement on Taixing Yaowang Town Rural Collective Asset Management Committee withdrawing from the Company and ceasing to be a shareholder of the Company, and admitting Jiangsu Taixing Environmental Technology Industrial Park as a shareholder of the Company. II. Taixing Yaowang Town Rural Collective Asset Management Committee transfers the equity interest of RMB 448,180,000 held by it in Taixing Zhiguang Environmental Protection Technology Co., Ltd. to a new shareholder, Jiangsu Taixing Environmental Technology Industrial Park at the original price.

Following this change, the shareholding structure of the Company was changed as follows:

Shareholder Roster	Contributions committed (0,000 yuan)	Share (%)	Contributions paid (0,000 yuan)	Share (%)	Means of Contribution	REMARKS
Jiangsu Taixing Environmental Technology Industrial Park	44,818.00	100.00	44,818.00	100.00	Currency	
Total	44,818.00	100.00	44,818.00	100.00		

16. Fifth shareholder change

On 6 November 2015, pursuant to a resolution of the shareholders' meeting, the following decisions were made: I. Agreement on Jiangsu Taixing Environmental Technology Industrial Park withdrawing from the Company and ceasing to be a shareholder of the Company, and admitting Taixing Chengdong Hi-Tech Industrial Park Management Committee as a shareholder of the Company. II. Jiangsu Taixing Environmental Technology Industrial Park transfers the equity interest of RMB 448,180,000 held by it in Taixing Zhiguang Environmental Protection Technology Co., Ltd. to a new shareholder, Taixing Chengdong Hi-Tech Industrial Park Management Committee at the original price.

Following this change, the shareholding structure of the Company was changed as follows:

Shareholder Roster	Contributions committed (0,000 yuan)	Share (%)	Contributions paid (0,000 yuan)	Share (%)	Means of Contribution	REMARKS
Taixing Chengdong Hi-Tech Industrial Park Management Committee	44,818.00	100.00	44,818.00	100.00	Currency	
Total	44,818.00	100.00	44,818.00	100.00		

17. On 13 December 2018, according to the document of the People's Government of Jiangsu Province (Su Zheng Fu [2016] No. 56), i.e. the approval of the provincial government regarding the preparation and construction of Jiangsu Taixing Hi-Tech Industrial Development Zone, the shareholder name of the Company was changed from the Taixing Chengdong Hi-Tech Industrial Park Management Committee to Jiangsu Taixing Hi-Tech Industrial Development Zone Management Committee.

18. On 20 December 2019, according to the Approval of Jiangsu Taixing Hi-Tech Industrial Development Zone Management Committee on Capital Increase of Taixing Zhiguang Environmental Protection Technology Co., Ltd. (Tai Gao Xin Guan Fa [2019] No. 22), it was agreed to increase the capital of RMB 551,820,000 to the Company, and upon the capital increase, the Company’s registered capital would be RMB 1,000,000,000

19. On 12 December 2019, according to the Approval of the People’s Government of Taixing on the Formation of Taixing Zhongxin Investment Group Co., Ltd. (Tai Zheng Fu [2019] No. 168), it was agreed to transfer the equity interests held by Jiangsu Taixing Hi-Tech Industrial Development Zone Management Committee in the Company to Taixing Zhongxin Investment Group Co., Ltd. free of charge, with the closing date of the transfer being 31 December 2019. The Company effected the change of registration of shareholders on 31 December 2019.

II. Scope of the combined financial statements for the year

(1) A total of 13 entities were included in the scope of the combined financial statements for 2019, specifically:

SN	Subsidiary Name	Type of subsidiary	Shareholding (%)		Voting rights held (%)
			Direct Shareholding (%)	Indirect Shareholding (%)	
1	Taixing City Chengdong Landscape Engineering Co., Ltd.	Wholly owned subsidiaries	100.00		100.00
2	Taixing City Chengdong Municipal Works Co., Ltd.	Wholly owned subsidiaries	100.00		100.00
3	Taixing Zhongtian Water Treatment Equipment Co., Ltd.	Wholly owned subsidiaries	100.00		100.00
4	Taixing Limin Real Estate Development Limited	Wholly owned subsidiaries	100.00		100.00
5	Taizhou Zhongtian Environment Technology Co., Ltd.	Controlled subsidiaries		55.00	55.00
6	Jiangsu Zhiguang Venture Capital Co., Ltd.	Wholly owned subsidiaries	100.00		100.00
7	Taixing Zhiguang Trading Co., Ltd.	Wholly owned subsidiaries	100.00		100.00
8	Taixing Zhiquan Industrial Co., Ltd.	Wholly owned subsidiaries	100.00		100.00
9	Taixing Dunzhi Industrial Co., Ltd.	Wholly owned subsidiaries	100.00		100.00
10	Taixing Hi-Tech Zone Investment Promotion Development Co., Ltd.	Wholly owned subsidiaries	100.00		100.00
11	Taixing Taize Industrial Co., Ltd.	Wholly owned subsidiaries		100.00	100.00
12	Taixing Zhicheng Industrial Investment Fund (Limited Partnership)	Controlled subsidiaries	99.00		99.00
13	Suzhou Jinfu Technology Co., Ltd.	Controlled subsidiaries		19.19	19.19

Notes: Suzhou Jinfu Technology Co., Ltd. (hereinafter referred to as “Jinfu Technology”, stock code: 300128）: Pursuant to the relevant Share Transfer Agreement entered into between Mr. Fu Guoping and Ms. Yang Xiaowei, the former de facto controllers of Jinfu Technology, and Taixing Zhicheng Industry Investment Fund (Limited Partnership) (hereinafter referred to as “Zhicheng Investment”), a holding subsidiary of the Company, Fu Guoping and Yang Xiaowei transferred 209,963,460 shares of the Company held by them to Zhicheng Investment, representing 19.19% of the shareholding of the Company. The above shares were registered with China Securities Depository & Clearing Corporation Limited Shenzhen Branch on 9 May 2019. On 28 June 2019, Fujin Technology held a shareholders' meeting at which Zhicheng Investment nominated candidates for independent director and non-independent director to the listed company and these candidates were successfully elected. As such, three of the five board members of the Company were nominated by Zhicheng Investment and the de facto controller of the Company was changed to Zhicheng Investment. The combination date is simplified to be 30 June 2019 and the combination period is from 1 July 2019 to 31 December 2019. The scope of Combination of Jinfu Technology is based on the audit report “Tian Heng Shen Zi (2020) No. 00930" issued by Tian Heng Certified Public Accountants Co., Ltd. (Special General Partnership).

(2) Addition in scope of combination in 2019

SN	Combined units	Means of acquisition
1	Taixing Zhicheng Industrial Investment Fund (Limited Partnership)	No accounts established in 2018, financial set of account books established in 2019
2	Suzhou Jinfu Technology Co., Ltd.	Cash acquisition

(3) Reduction in scope of combination in 2019

SN	Combined units	Means of Disposal
1	Jiangsu Zhiguang Finance & Guarantee Co., Ltd.	Transfer

III. Basis of Preparation of Financial Statements

(1) Basis of Preparation

The Company prepares its financial statements on a going concern basis, based on actual transactions and events, in accordance with the Basic Accounting Standards for Business Enterprises and its Guidelines for the Application, Explanation and other relevant regulations issued by the Ministry of Finance (collectively "Accounting Standards for Business Enterprises"), and discloses its financial information in accordance with Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 – General Provisions on Financial Reporting (as amended in 2014) issued by the China Securities Regulatory Commission (CSRC) (as amended in 2014).

The Company's accounting is based on an accrual accounting basis. With the exception of certain financial instruments, the financial statements are measured on the historical cost basis. If an asset is impaired, the corresponding provision for impairment shall be accrued in accordance with the relevant regulations.

(2) Going Concern

There are no matters that affect the Company's ability to continue operations and the Company is expected to be in a position to continue operations within the next twelve months. The financial statements of the Company are prepared on a going concern basis.

IV. Significant accounting policies and estimates

(1) **Statement of compliance with corporate accounting standards**

The financial statements prepared by the Company conform to the requirements of the Accounting Standards for Business Enterprises and reflect truthfully and completely the Company's financial position as at 31 December , 2019 and 2018, and operating results and cash flows in 2019 and 2018, as well as other relevant information.

(2) Accounting Period

The accounting year begins on 1 January and ends on 31 December.

(3) Operating Cycle

The operating cycle of the Company lasts for 12 months, and acts as an indicator for classification of liquidity of assets and liabilities.

(4) Reporting Currency

The Company's reporting currency is Renminbi and these financial statements are presented in Renminbi. The Company and its subsidiaries have selected the reporting currency based on the pricing of the income and expense of its principal activities, and the currency of settlement.

(5) Accounting treatments of business combination under and not under common control

1. Combination under common control

Business combinations under common control refers to combinations where the combined entities are ultimately controlled by the same party or parties before and after the combination and that control is not transitory. The combination date is the date on which the combining party actually acquires the control of the combined party.

The assets acquired and liabilities assumed in the business combination shall be measured at their book values of the combined party in the combined financial statements of the ultimate controlling party at the combination date. Where the accounting policies adopted by the combined parties are inconsistent with the Company's, the combining parties shall make adjustments in accordance with the Company's accounting policies at the combination date, on which basis the adjusted book values are recognised.

If there is any difference between the book value of net assets acquired in the combination and the book value of the consideration for the combination paid (or the total value of the issued shares), equity premium in capital reserve shall be adjusted, and if it is not enough, the retained earnings shall be adjusted.

All direct costs incurred in connection with a business combination, including audit fees, appraisal fees and legal service fees paid for the combination, shall be recognised in profit or loss for the period upon occurrence.

Service fees and commissions, etc. incurred in the issuance of equity securities in a business combination shall be deducted from the premium income of the equity securities, and the retained earnings shall be deducted if the premium is insufficient.

As for the combination of businesses under the same control achieved through multiple transactions in steps, if it constitutes a "Package Deal", the Company conducts accounting treatment for all transactions as if they are a transaction that obtained control. Where it does not constitute a "package deal", the following steps are followed for accounting treatment at the date of acquisition of control.

(1) Determine the initial investment cost of long-term equity investments formed through the combination of businesses under the same control. The initial investment cost of a long-term equity investment shall be determined at the combination date based on the share of the combined party's net assets in the book value of the combined financial statements of the final controlling party after the combination.

(2) The treatment of the difference between the initial investment cost of a long-term equity investment and the book value of the combination consideration. The difference between the initial investment cost of the long-term equity investment and the sum of the book value of the long-term equity investment before the combination and the book value of the new consideration paid for the shares acquired on the combination date is adjusted against the capital reserves (capital premium or equity premium); and is offset against retained earnings if capital reserves (capital premium or equity premium) is insufficient.

(3) Other comprehensive income on equity investments held prior to the combination date accounted for and thereby recognised as a result of the application of equity method or the recognition and measurement criterion of financial instruments shall not be accounted for at the present time, until such time as the investment is disposed of on the same basis as the related asset or liability is disposed of directly by the investee; other changes in owners' equity in the net assets of the investee, other than net gains and losses, other comprehensive income and distribution of profits, recognised as a result of the equity method of accounting, shall not be accounted for at the present time, until such time as the investment is disposed of, it is carried forward to the profit or loss for the period. In particular, other comprehensive income and other owners' equity shall be carried forward on a pro-rata basis if the residual equity after disposal is accounted for using the cost method or the equity method; other comprehensive income and other owners' equity shall be carried forward in full if the residual equity after disposal is accounted for under the recognition and measurement criteria of financial instruments.

(4) The accounting treatment in the combined financial statements is described in Note IV and (6).

2. Combination under common control

The combination of businesses not under common control refers to combination where the parties involved in the combination are not ultimately controlled by the same party or parties before and after the combination.

Assets paid, liabilities incurred or assumed by the acquirer as consideration for a business combination shall be measured at fair value at the date of purchase. The difference between the fair value and its book value is recognised in profit or loss for the period.

The acquirer allocates the cost of the combination at the date of acquisition to recognise the fair value of each identifiable asset, liability and contingent liability acquired from the acquiree.

Where the cost of combination is greater than the acquirer's interest in the fair value of the acquiree's identifiable net assets obtained in the combination, the difference shall be recognised as goodwill; where the cost of combination is less than acquirer's interest in the fair value of the acquiree's identifiable net assets obtained in the combination, the difference shall be recognised in profit or loss for current period after a review.

All assets other than intangible assets of the acquiree acquired in a business combination (not limited to assets originally recognised by the acquiree), the economic benefits of which are probable to flow to the Company and can be measured reliably for its fair value, are separately recognised and measured at fair value; intangible assets, whose fair value can be measured reliably, are separately recognised as intangible assets and measured at fair value; Liabilities, other than contingent liabilities acquired from the aquiree are recognised individually and measured at fair value when it is probable that an outflow of economic benefits will result from the performance of the obligation and the fair value can be measured reliably; contingent liabilities of the acquiree are recognised individually and measured at fair value when the fair value can be measured reliably.

On initial recognition of the assets acquired from the acquiree in a combination, intangible assets owned by the acquiree but not recognised in its financial statements shall be fully recognised and reasonably judged, and shall be recognised as intangible assets if one of the following conditions is met: (1) derive from contractual or other statutory rights; (2) are capable of being separated or subdivided from the acquiree and can be sold, transferred, licensed, leased or exchanged, either alone or together with the relevant contracts, assets and liabilities.

The Acquirer does not recognise deductible temporary differences of the acquiree acquired in business combination that do not meet the conditions for recognition of deferred tax assets at the date of acquisition. Relevant deferred income tax assets shall be recognised if new or additional information becomes available within 12 months of the acquisition date that indicates that the relevant circumstances have existed at the acquisition date, and the economic benefits arising from the temporary deductible differences of the acquiree at the acquisition date are expected to be realized, and goodwill shall be reduced; in case of insufficient goodwill, the difference shall be recognised in profit or loss for the period; in addition to the above circumstances, the deferred income tax assets related to the business combination shall be recognised and recorded into the profit or loss for the period.

In case of a combination of businesses not under the same control, audit, legal services, assessment and consultation fees and other related administrative expenses incurred by the acquirer in connection with the business combination shall be recognised in profit or loss for the period as incurred; trading expenses for equity securities or debt securities issued by the acquirer as consideration for the combination shall be included in the initial recognition amount of the equity securities or debt securities.

As for the combination of businesses not under the same control achieved through multiple transactions step by step by the acquirer, if it constitutes a "Package Deal", the Company conducts accounting treatment for all transactions as if they are a transaction that obtained control. If it is not a "package deal", in the individual financial statements, the initial cost of the investment is the sum of the book value of the equity investment of the acquiree held prior to the date of acquisition and the cost of the additional investment at the date of acquisition calculated in accordance with the cost method. Other comprehensive income on the equity investment of the acquiree held prior to the date of acquisition accounted for and thereby recognised as a result of the application of equity method shall be accounted for on the same basis as the related asset or liability is disposed of directly by the investee during the disposal of such investment. The owner's equity recognised as a result of changes in other owner's equity of the investee other than the net profit or loss, other comprehensive income and profit distribution shall be transferred to the profit or loss for the period during the disposal of the investment. In particular, other comprehensive income and other owners' equity should be carried forward on a pro-rata basis if the residual equity after disposal is accounted for under the cost method or the equity method in accordance with the long-term equity investment criteria, or fully carried forward if the residual equity after disposal is accounted for under the recognition and measurement criteria of financial instruments. The accounting treatment in the consolidated financial statements is described in Note IV and (6).

For equity investments held prior to the date of acquisition and accounted for using the recognition and measurement criteria of financial instruments, the sum of the fair value of the equity investment plus the cost of the additional investment shall be taken as the initial cost of the investment calculated according to the cost method, and the difference between the fair value and the book value of the equity interest originally held and the cumulative changes in fair value originally included in other comprehensive income shall be recognised in full as profit or loss for the period under equity method.

3. Judgement criteria for treating multiple transactions as a package deal

The Company's judgement criteria for treating multiple transactions as a package deal are as follows:

(1) These transactions were entered into at the same time or after considering the effects on each other;

(2) These transactions constituted a complete commercial result as a whole;

(3) The occurrence of one transaction depends on the occurrence of at least one other transaction;

(4) One transaction was not economical on its own but was economical when considering together with other transactions.

(6) Preparation of Consolidated Financial Statements

The scope of consolidation of the Company's consolidated financial statements is determined on the basis of control, control is the power the investor has over the investee(s), and the investor is entitled to variable returns from its involvement in the related activities of the investee and able to use such power over the investee to influence its return. Related activities are those that have a significant influence on the returns of the investee.

The related activities of the investee are judged on a case-by-case basis and typically include the sale and purchase of goods or services, the management of financial assets, the purchase and disposal of assets, research and development activities and financing activities.

The control over the investee is judged on the basis of a comprehensive consideration of the purpose for which the investee was established, the investee's related activities and how decisions about those activities are made, whether the rights of the Company currently enable it to dominate the related activities of the investee, whether the Company can enjoy a variable return by participating in the investee's related activities, whether it has the ability to use its power over the investee to influence the amount of its return and its relationships with other parties, etc. In the event that changes in relevant facts and circumstances result in a change in the relevant elements of control, a revaluation shall be carried out.

In determining whether there are rights over an investee, only the substantive rights relating to the investee shall be taken into account, including the substantive rights enjoyed by the investee itself and the substantive rights enjoyed by other parties.

On the basis of its own financial statements and those of its subsidiaries, the Company treats the entire business group as a single accounting entity based on other relevant information, and has reflected the financial position, operating results and cash flows of the Company as a whole in accordance with uniform accounting policies and accounting period, according to the recognition, measurement and presentation requirements of relevant Accounting Standards for Business Enterprises. The combination process specifically includes: Combine items such as assets, liabilities, owner's equity, income, expenses and cash flows of the parent company and subsidiary; offset the parent company's long-term equity investment in the subsidiary and the parent company's share of the subsidiary's owner's equity; offset the effects of internal transactions between the parent company and subsidiary and between the subsidiary and each other, if internal transactions indicate that impairment losses have occurred on related assets, such losses shall be fully recognised; special transactions shall be adjusted from a business group perspective.

The portion of a subsidiary’s equity that is not attributable to the Company is treated as minority interests and presented as "minority interest" in the combined balance sheet within shareholders’ equity.

The share of minority interests in the net profit or loss for the period of a subsidiary shall be listed as "minority interest income" under the item of net profit in the combined income statement. The share of minority interests in the comprehensive income for the current period of subsidiaries shall be listed under the item of total comprehensive income in the combined income statement as "Total comprehensive income attributable to minority shareholders".

Where losses of the current period assumed by the minority shareholders of the subsidiary exceeds the owners’ equity attributable to the minority shareholders of the subsidiary in that subsidiary at the beginning of the period, the balance of the loss is still offset against Minority Stockholder's Interests.

Gains and losses on unrealised internal transactions arising from the sale of assets to subsidiaries shall be fully offset against "Owners' net profit attributable to parent". Gains and losses on unrealised internal transactions arising from the sale of assets by a subsidiary to the parent company shall be allocated for offset between "Owners' net profit attributable to parent" and "Minority Interest Income" in proportion to the parent company's allocation to that subsidiary. Gains and losses on unrealised internal transactions resulting from the sale of assets between subsidiaries are allocated for offset between "Owners' net profit attributable to parent" and "Minority Interest Income" in proportion to the parent company's allocation to the selling subsidiary.

Taking into account of the addition of subsidiaries and businesses due to the combination of businesses under the same control in the reporting period, the Company shall, when preparing the combined statement, adjust the opening balances of the combined balance sheet to include revenues, expenses and profits of such subsidiaries and businesses from the beginning of the period of the combination to the end of the reporting period in the combined income statement, and include the cash flows into the combined cash flow statement, and at the same time adjust the relevant items in the comparative statement as if the combined reporting entity had existed since the ultimate controlling party began to control it.

In preparing the combined balance sheet, the Company does not adjust the opening balances of the combined balance sheet for subsidiaries and businesses that were added during the reporting period as a result of combination of business not under the same control or other means, and includes the revenues, expenses, profits and cash flows of such subsidiaries and businesses from the acquisition date to the end of the reporting period in the combined income statement and the combined cash flows statement.

With respect to disposing subsidiaries and businesses in the reporting period, the Company does not adjust the opening balances of the combined balance sheet in preparing the combined balance sheet, and includes the revenues, expenses, profits and cash flows of such subsidiaries and businesses from the beginning of the period to the end of the disposal date in the combined income statement, and includes the cash flow in the combined cash flows statement.

If the parent company purchases the equity of the subsidiary owned by the minority shareholders of the subsidiary, as for the difference between the newly acquired long-term equity investment as a result of the acquisition of a minority interest by the parent company and its entitlement to the shares of subsidairy's net assets, which is calculated on an ongoing basis from the acquisition date or the combination date in accordance with the new additional percentage of ownership, it shall be adjusted against the capital reserves (capital premium or equity premium) in the combined financial statement, and if the capital reserves is insufficient, then adjusted against the retained earnings.

As for the combination of businesses under the same control which is achieved through multiple transactions step by step, if it does not constitute a "package deal", the long-term investment held by the combining party prior to the acquisition of the combination, and the profit or loss, other comprehensive income and other change in owners' equity recognised between the acquisition date, the later date when the combining party and the combined party are under the ultimate control of the same party and the combination date, shall separately offset the retained earnings at the beginning period and the profit or loss for the period of the comparative statements period.

As for the combination of businesses not under the same control which is achieved through multiple transactions step by step, if it does not constitute a "package deal", the equity interests in the acquiree held prior to the acquisition date shall be remeasured at the fair value of such interests at the acquistion date with the difference between its fair value and its book value recognised in the investment income of the current preriod in the combined financial statements; if the equity interests in the acquiree held prior to the acquisition date involves other comprehensive income calculated by the equity method, etc., the relevant other comprehensive income shall be converted into the income of the current period of the acquisition date. However, other comprehensive income generated from the changes in net liability or asset as a result of remeasurement and benefit scheme changes by the investee is not included.

As for the difference between the disposal price received from the partial disposal of an long-term equity investment in a subsidiary without loss of control and shares of the subsidiary's net assets (which is computed on an ongoing basis from the acquisition date or the combination date) corresponding to the disposal of the long-term equity investment, it shall be adjusted against the capital reserves (capital premium or equity premium) in the combined balance sheet, and adjusted against retained earnings if the capital reserves is insufficient.

Where control over a investee is lost due to partial disposal of the equity investment or any other reasons, the remaining equity shall be remeasured according to fair value at the date in which control is lost when preparing combined financial statements. The difference between the sum of the consideration received from equity disposal and the fair value of the remaining equity interest and the shares of the net assets of the former subsidiary calculated continuously from the date of acquisition or combination to be enjoyed in accordance with the original shareholding ratio shall be included in investment gains of the period during which the control is lost, and at the same time, the goodwill shall be wrote down. Other comprehensive income, etc. relating to equity investments in original subsidiaries shall be included in investment gains of the period during which the control is lost.

Where the equity investment in a subsidiary is disposed of step by step through multiple transactions until the control of the subsidiary is lost, when the transactions are regarded as a package deal, the transactions shall be accounted for as a single disposal transaction with loss of control; however, the difference between the disposal price of each disposal and the shares of the subsidiary's net assets that shall be enjoyed corresponding to the investment disposal before loss of control shall be recognised as other comprehensive income in the combined financial statements, and shall be transferred into the profit or loss for the period when control is lost.

The combined statement of changes in owners' equity is prepared on the basis of the combined balance sheet and the combined income statement.

(7) Classification of joint arrangements and accounting treatment for joint operations

The joint venture arrangement refers to the arrangement jointly controlled by two or more parties. Joint control is control that is shared over an arrangement in accordance with the relevant agreement and the activities related to the arrangement can only be decided upon with the unanimous consent of the participants sharing control. In determining whether there is common control, a judgement should be made as to whether all the participants or groups of participants collectively control the arrangement and, secondly, whether decisions relating to the activities of the arrangement must be made with the unanimous consent of those participants who collectively control the arrangement.

The Company determines the classification of joint venture arrangements based on the rights and obligations to the such arrangements. Joint venture arrangements are classified as joint-operation and joint ventures.

Joint operation refers to the joint venture arrangement in which the parties share the related assets as well as related liabilities of the arrangement. The Company recognises the following items in relation to its share of benefits in joint operation and accounts for them according to relevant Accounting Standards for Business Enterprises:

1. Assets the Company solely assumes and its share of jointly-held assets on a pro-rata basis;

2. Liabilities the Company solely assumes and its share of jointly-assumed liabilities on a pro-rata basis;

3. Incomes from sale of output from the joint operation the Company receives on a pro-rata basis;

4. Incomes attributable to the Company on a pro-rata basis as a result of the sale of output from the joint operation;

5. Expenses incurred solely by the Company and those incurred by the joint operation on a pro-rata basis.

(8) recognition Criteria for cash and cash equivalents

When preparing the statement of cash flows, the Company's cash on hand and deposits that can be used readily for payments are recognised as cash. Cash equivalents represent short-term (generally due within three months or less from the acquisition date), highly liquid investments that are readily convertible to known amounts of cash, and subject to an insignificant risk of changes in value.

(9) Foreign currency transactions and translation of foreign currency statements

1. Foreign currency transaction translation

Foreign currency transactions (other than income of the income statement) are recorded in RMB by converting the foreign currency amounts into RMB using the spot exchange rate at the date of the transaction as the translation rate. The income in export income statement is recorded in Renminbi by converting the foreign currency amounts into Renminbi using the exchange rate at the beginning of the month as the translation rate.

The balance of monetary items in foreign currency is converted at the spot exchange rate on the balance sheet date, and the resulting exchange difference, except for the exchange difference arising from the special foreign currency borrowing related to the acquisition and construction of assets eligible for capitalisation that shall be treated in accordance with the principle of capitalisation of borrowing costs, shall be recognised in profit or loss for the period. Non-monetary items in foreign currency measured at historical cost shall be translated using the spot exchange rate prevailing on the date when transaction occurred and the amount of its reporting currency shall remain unchanged. Non-monetary items in foreign currency measured at fair value shall be translated using the spot exchange rates at the date when the fair value was determined, and the resulting exchange differences shall be recognised in profit or loss for the period or other comprehensive income.

2. Translation of foreign currency statements

Assets and liabilities in the balance sheet shall be translated using the spot exchange rates at the balance sheet date; other items of owners' equity items , except for "undistributed profits" items, shall be translated using the spot exchange rates at the time of occurrence. Income and expense items in the income statement shall be translated using the exchange rate at the beginning of the month in which the transaction occurs. Foreign currency translation differences arising from the above translation shall be separately listed under other comprehensive income items as the "Foreign currency translation differences".

When a foreign operation is disposed of, the foreign currency translation differences relating to such foreign operation as shown under other comprehensive income item in the balance sheet shall be transferred from other comprehensive income items to the profit or loss for the period of disposal; In the case of partial disposal of foreign operations, the foreign currency translation differences of the disposal part shall be calculated according to the proportion of disposal and transferred to the profit or loss for the period of disposal.

(10) Financial Instruments

Financial instruments include financial assets, financial liabilities or equity instruments. A financial asset or financial liability shall be recognised when the Company becomes a party to a contract in respect of the financial instrument. The Company implements both the old and new *Financial Instruments Standards*. Except for Jinfu Technology, a listed company, which implements the new *Financial Instruments Standards* from 1 January 2019, other companies still implement the previous *Financial Instruments Standards*.

1. *Financial Instruments Standard* (FAS) implemented by companies other than the listed company Jinfu Technology.

(1) Classification of financial instruments

Financial instruments are classified by management as follows for the purpose of acquiring and holding financial assets and bearing financial liabilities: Financial assets or financial liabilities that are measured at fair value through changes in profit or loss for the period, includes Held-for-trading financial assets or financial liabilities and financial assets or financial liabilities that are directly designated as at fair value through profit or loss; held-to-maturity investments; receivables; available-for-sale financial assets; other financial liabilities, etc.

(2) Basis of recognition and measurement of financial instruments

①Financial assets (financial liabilities) at fair value through profit or loss for the period

Its fair values shall be recognised as initial amount at the time of acquisition (excluding the cash dividend declared yet undistributed or bonds interest due yet unclaimed) with the relevant trading expenses recognised in profit or loss for the period.

Interests or cash dividends acquired during the holding period shall be recognised as investment income, and the fair value changes shall be recognised in profit or loss for the period at the end of the period.

At the time of disposal, the difference between the fair value and the initial recorded amount shall be recognised as investment income, with an adjustment to the variable profit or loss in fair value.

② Held-to-maturity investments

The sum of the fair value (deducting the bond interests due but not yet claimed) and relevant trading expenses shall be recognised as the initial amount at the time of acquisition.

Interest income shall be calculated and recognised over the holding period at amortised cost and the effective interest rate, and shall be included in the investment income. The effective interest rate shall be determined at the time of acquisition and shall remain unchanged throughout the expected life of the investment or a shorter period, as applicable.

Upon disposal, the difference between the amount obtained and the carrying value of the investment is included in the investment income.

Where a greater amount of held-to-maturity investments are sold or reclassified before the maturity date, the remainder of such investments are reclassified as available-for-sale financial assets and no further financial assets are classified as held-to-maturity in the current accounting period or in the two subsequent full accounting years, except where: the date of sale or reclassification is close to the maturity or redemption date of the investment (e.g. within three months before maturity), changes in market interest rates do not have an appreciable impact on the fair value of the investment; the remainder of the investment is sold or reclassified after recovery of substantially all of the initial principal amount of the investment by way of contractual periodic payments or prepayment; the sale or reclassification is caused by an independent matter beyond the control of the business, which is not expected to recur and is not reasonably foreseeable.

As determined by the resolution of the board of directors (or general meeting of shareholders) of the Company, the "greater amount" refers to: more than RMB 5 million.

③ Receivables

Debt receivables arising from the sale of goods or the rendering of services, as well as debts of other businesses held by the Company excluding debt instruments with quoted prices in active markets, including accounts receivables, other receivables, notes receivable, prepayments, etc., are recognised using the contractual or agreed price receivable from the buyer as the initial amount and, where they are of a financing nature, they shall be initially recognised at their present value.

Upon recovery or disposal, the difference between the price received and the book value of the receivable is recognised in profit or loss for the period.

④ Available-for-sale financial assets

Available-for-sale financial assets are initially measured at fair value when obtained (excluding cash dividends declared but not distributed or interests on bonds due but not claimed) plus relevant transaction costs.

Interests or cash dividends acquired during the holding period are recognised as investment income. At the end of the period, it is measured at fair value and the changes in fair value are included in other comprehensive income. Equity investments that do not have control, joint control or significant influence over the investee and that are not quoted in an active market and whose fair value cannot be reliably measured are reported as available-for-sale financial assets and subsequently measured at cost.

Upon disposal, the difference between the consideration obtained and the book value of the financial assets shall be included in investment income; meanwhile, the corresponding portion of accumulated change in fair value previously recorded into other comprehensive income shall be transferred to investment profit or loss.

⑤ Other financial liabilities

It is initially recognised at the sum of its fair value and relevant transaction expenses. Subsequent measurement is carried out using amortised costs.

(3) Basis of recognition and measurement for transfer of financial assets

For transfer of financial asset, the financial asset is derecognised if substantially all the risks and rewards of ownership of the financial asset have been transferred to the transferee, or not derecognised if substantially all the risks and rewards of ownership of the financial asset have been retained.

A substance over form basis is adopted when determining whether the above derecognition conditions for the transfer of financial asset have been met. Transfer of the Company's financial assets is classified into entire transfer and partial transfer of financial assets. Where a transfer of a financial asset in its entirely meets the criteria of the derecognition, the difference between the two amounts below is recognised in profit or loss:

① The book value of the financial assets transferred.

② The sum of the consideration received from the transfer and the accumulated amounts due to changes in fair value originally credited directly into owners' equity (where the financial assets transferred are available-for-sale financial assets).

When the partial transfer of a financial asset satisfies the derecognition conditions, the overall book value of the financial asset transferred is allocated between the derecognised portion and not derecognised portion by their respective fair values, and the difference between the two amounts below is recognised in profit or loss for the period:

① The book value of the derecognised portion;

② The sum of the consideration received from transfer of the derecognised portion and the amount of the derecognised portion corresponding to the accumulated amount due to changes in fair value originally credited directly into owners' equity (where the financial assets transferred are available-for-sale financial assets).

Financial assets will still be recognised if they fail to satisfy the conditions for derecognition, with the consideration received recognised as a financial liability.

(4) Criteria for derecognition of financial liabilities

When the current obligation under a financial liability is completely or partially discharged, the whole or relevant portion of the liability shall be derecognised; where an agreement is entered between the Company and a creditor to replace the existing financial liabilities by assuming the new financial liabilities with substantially different contract terms as compared to the existing ones, the existing financial liabilities shall be derecognised and the new financial liabilities shall be recognised.

When material amendments are made to all or a portion of the contractual conditions of an existing financial liability, the existing financial liability or its portion shall be derecognised and the financial liability with amended conditions shall be recognised as a new financial liability.

When a financial liability is derecognised in full or by part, the difference between the book value of the financial liability derecognised and the consideration paid (including the non-cash assets transferred out or newly assumed financial liability) shall be recognised in profit or loss for the period.

When reacquiring a portion of a financial liability, the book value of the financial liability as a whole is allocated on the reacquisition date based on the relative fair values of the continuing portion and the derecognised portion of the financial liability. The difference between the book value allocated to the derecognised portion and the consideration paid (including the non-cash assets transferred out or newly assumed financial liability) shall be recognised in profit or loss of the current period.

(5) Determination of the fair value of financial assets and financial liabilities

All financial assets and financial liabilities measured at fair value are measured by directly referring to quoted prices in active markets at the end of the period.

(6) Impairment of financial assets (excluding receivables)

With the exception of financial assets measured at fair value and whose changes are included in profit and loss for the period, the book value of other financial assets shall be examined on the balance sheet date and the provisions for impairment shall be accrued if there is objective evidence that a financial asset is impaired.

① Impairment of available-for-sale financial assets

If, at the end of the period, there is a significant decline in the fair value of an available-for-sale financial asset, or if it is probable that such decline will be other than temporary, taking into account all relevant factors, an impairment will be recognised, and the cumulative loss resulting from the decline of fair value originally directly included in other comprehensive income shall be transferred and the impairment loss shall be recognised.

An available-for-sale financial asset will be deemed to be impaired if the future cash flows is expected to reduce and can be reliably measured because of the following loss event:

The debtor is in serious financial difficulty; the debtor is in breach of contractual terms, such as default or late payment of interest or principal; the Company makes concessions to the debtor in financial difficulty due to economic or legal considerations; it is probable that the debtor will fail or undergo other financial reorganisation; the financial asset cannot continue to be traded in an active market because of significant financial difficulties on the part of the issuer; a significant adverse change in the technical, market, economic or legal environment in which the issuer of the equity instrument operates makes it probable that the investor in the equity instrument may not be able to recover the cost of the investment; a material or non-transient decline in the fair value of the investment in the equity instrument.

Where the impairment is recognised, the cumulative loss resulting from the decline in fair value that originally directly recorded into the owners' equity shall be transferred out and the impairment loss shall be recognised. As for available-for-sale debt investments whose impairment losses have been recognised, if the fair value has risen in the subsequent accounting period and the rise is objectively related to an event occurring after the recognition of the previous impairment loss, the previously recognised impairment loss shall be reversed and recognised in profit or loss for the period. Impairment losses incurred on investments in available-for-sale equity instruments shall not be reversed through profit or loss.

② Provision for impairment of held-to-maturity investments

The measurement of impairment losses on held-to-maturity investments are measured in the same way as impairment losses on receivables.

2. *Financial Instruments Standards* implemented by Jinfu Technology

(1) Financial assets

① On initial recognition, the Company's financial assets are classified into one of the four categories, including financial assets measured at fair value and whose changes are included in profit and loss for the period, loan and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification of financial assets depends on the Company's intention and ability to hold the financial assets.

② Financial assets are recognised at fair value when the Company becomes a party to a contractual arrangement for the financial instrument. For financial assets measured at fair value and whose changes are included in profit and loss of the current period, the related trading expenses are recognised directly in profit and loss for the period; for other categories of financial assets, the trading expenses are recognised in the initial recognition amount.

③ Subsequent measurement of financial assets

Financial assets measured at fair value and whose changes are included in profit and loss of the current period are subsequently measured at fair value, and all gains and losses, arising from changes in fair value are recognised in profit and loss for the period.

Loans, receivables and held-to-maturity investments are subsequently measured at amortised cost using the effective interest method; gains and losses arising from derecognition, impairment or amortisation is recognised in profit and loss for the period.

Available-for-sale financial assets are subsequently measured at fair value, with changes in fair value recognised in other comprehensive income, and transferred out when it is impaired or derecognised, and recognised in profit and loss for the period. Interest on investments in available-for-sale debt instruments calculated using the effective interest method over the holding period is recognised in profit and loss for the period. Cash dividends on investments in available-for-sale equity instruments are recognised in profit and loss of for the period when the investee declares dividends.

Investments in equity instruments without a quoted price from an active market and whose fair value cannot be reliably measured, are measured at cost method.

④ Impairment of financial assets

The Company examines the book value of financial assets other than those measured at fair value and whose changes are included in profit and loss for the period at the end of the period, and recognises the impairment loss and withdraws the provision for impairment if there is objective evidence that the financial assets are impaired.

A. Provision for impairment of financial assets measured at amortised cost shall be calculated as the difference between the present value of estimated future cash flows from the financial asset and its book value, and shall be recognised in profit and loss for the period.

Financial assets that are individually significant are tested for impairment separately by the Company; financial assets with individually insignificant amount may be tested for impairment separately or included in a group of financial assets with similar credit risk characteristics: Financial assets that have not suffered any impairment through seperate test are included in a group of financial assets with similar credit risk characteristics for further impairment testing, regardless of whether the individual amounts are significant or not. Financial assets whose impairment loss is seperately recognised will not be included in a group of financial assets with similar credit risk characteristics for further impairment testing.

After the asset impairment loss of financial assets measured at amortised cost is recognised, the depreciation loss originally recognised will be reversed and recognised in profit or loss for the period if there is objective evidence that the value of such financial asset has been restored and the loss is objectively related to the events occurred after the loss is recognised.

B. Impairment of available-for-sale financial assets:

An impairment of an available-for-sale equity instrument occurs when the Company determines, based on a combination of relevant factors, that a decline in the fair value of the investment in the available-for-sale equity instrument is either significant or other than temporary. A "significant decline" is a decline in fair value of more than 50% in aggregate; an "other-than-temporary decline" is a decline in fair value of more than 12 consecutive months.

When there is an other-than-temporary decline in the fair value of an available-for-sale financial asset, even if the financial asset has not been derecognised, the accumulative loss arising from the decrease of the fair value which was directly included in other comprehensive income shall be transferred out and recognised in profit or loss for the period.

After an asset impairment loss on an investment in an available-for-sale debt instrument is recognised, the impairment loss originally recognised shall be reversed and recognised in profit or loss for the period if there is objective evidence that the value of the financial asset has restored and the loss is objectively related to an event occurring after the impairment was recognised.

Impairment losses incurred on investments in available-for-sale equity instruments are not reversed through profit or loss.

⑤ Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to receive cash flows from the financial asset cease or when substantially all the risks and rewards of ownership are transferred.

Where a transfer of a financial asset in its entirely meets the criteria of the derecognition, the difference between the two amounts below is recognised in profit and loss for the period by the Company:

A. The book value of the financial assets transferred.

B. The sum of the consideration received from the transfer and the accumulated amounts due to changes in fair value originally credited directly into owners' equity.

(2) Financial liabilities

① On initial recognition, financial liabilities are classified into financial liabilities measured at fair value and whose changes are recognised in profit or loss for the period and other financial liabilities.

② Financial liabilities are measured at fair value on initial recognition. For financial liabilities measured at fair value and whose changes are recognised in profit or loss for the period, the relevant trading expenses are included in profit and loss of the current period, for other financial liabilities, the relevant trading expenses are included in the amount uopon initial recognition.

③ Subsequent measurement of financial liabilities

A. Financial liabilities measured at fair value and whose changes are recognised in profit or loss for the period, including held-for-trading financial liabilities and financial liabilities designated as those measured at fair value and whose changes are included in profit and loss of the current period, are subsequently measured at fair value, and gains or losses arising from changes in fair value are recognised inprofit and loss of the current period.

B. Other financial liabilities are subsequently measured at amortized cost, using the effective interest method.

④ Derecognition of financial liabilities

The Company derecognises a financial liability, or part thereof when the current obligation of the financial liability has been discharged in whole or in part.

(3) The method to determine the fair value of financial assets and financial liabilities

Fair value is the price that will be received when selling an asset or the price to be paid to transfer a liability in an orderly transaction between market participants on the date of measurement. Where there is an active market for a financial instrument, the Company uses quoted prices in active markets to determine its fair value. Quotations in an active market are prices that are readily and regularly available from exchanges, brokers, industry associations, pricing services agency, etc. and are representative of the prices at which market transactions actually take place in an arm's length transaction. Where there is no active market for a financial instrument, the Company uses valuation techniques to determine its fair value. Valuation techniques include reference to prices used by market participants in their primary or most advantageous markets on the measurement date, reference to the current fair value of other financial instruments that are substantially the same, discounted cash flow techniques and option pricing models.

① On initial recognition, the Company' s financial assets are classified into one of the four categories, including financial assets measured at fair value and whose changes are included in profit and loss for the period, loan and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification of financial assets depends on the Company's intention and ability to hold the financial assets.

② Financial assets are recognised at fair value when the Company becomes a party to a contractual arrangement for the financial instrument. For financial assets measured at fair value and whose changes are included in profit and loss of the current period, the related trading expenses are recognised directly in profit and loss for the period; for other categories of financial assets, the trading expenses are recognised in the initial recognition amount.

③ Subsequent measurement of financial assets

Financial assets measured at fair value and whose changes are included in profit and loss of the current period are subsequently measured at fair value, and all gains and losses, arising from changes in fair value are recognised in profit and loss for the period.

Loans, receivables and held-to-maturity investments are subsequently measured at amortised cost using the effective interest method; gains and losses arising from derecognition, impairment or amortisation is recognised in profit and loss for the period.

Available-for-sale financial assets are subsequently measured at fair value, with changes in fair value recognised in other comprehensive income, and transferred out when it is impaired or derecognised, and recognised in profit and loss for the period. Interest on investments in available-for-sale debt instruments calculated using the effective interest method over the holding period is recognised in profit and loss for the period. Cash dividends on investments in available-for-sale equity instruments are recognised in profit and loss of for the period when the investee declares dividends.

Investments in equity instruments without a quoted price from an active market and whose fair value cannot be reliably measured, are measured at cost method.

④ Impairment of financial assets

The Company examines the book value of financial assets other than those measured at fair value and whose changes are included in profit and loss for the period at the end of the period, and recognises the impairment loss and withdraws the provision for impairment if there is objective evidence that the financial assets are impaired.

A. Provision for impairment of financial assets measured at amortised cost shall be calculated as the difference between the present value of estimated future cash flows from the financial asset and its book value, and shall be recognised in profit and loss for the period.

Financial assets that are individually significant are tested for impairment separately by the Company; financial assets with individually insignificant amount may be tested for impairment separately or included in a group of financial assets with similar credit risk characteristics: Financial assets that have not suffered any impairment through seperate test are included in a group of financial assets with similar credit risk characteristics for further impairment testing, regardless of whether the individual amounts are significant or not. Financial assets whose impairment loss is seperately recognised will not be included in a group of financial assets with similar credit risk characteristics for further impairment testing.

After the asset impairment loss of financial assets measured at amortised cost is recognised, the depreciation loss originally recognised will be reversed and recognised in profit or loss for the period if there is objective evidence that the value of such financial asset has been restored and the loss is objectively related to the events occurred after the loss is recognised.

B. Impairment of available-for-sale financial assets:

An impairment of an available-for-sale equity instrument occurs when the Company determines, based on a combination of relevant factors, that a decline in the fair value of the investment in the available-for-sale equity instrument is either significant or other than temporary. A "significant decline" is a decline in fair value of more than 50% in aggregate; an "other-than-temporary decline" is a decline in fair value of more than 12 consecutive months.

When there is an other-than-temporary decline in the fair value of an available-for-sale financial asset, even if the financial asset has not been derecognised, the accumulative loss arising from the decrease of the fair value which was directly included in other comprehensive income shall be transferred out and recognised in profit or loss for the period.

After an asset impairment loss on an investment in an available-for-sale debt instrument is recognised, the impairment loss originally recognised shall be reversed and recognised in profit or loss for the period if there is objective evidence that the value of the financial asset has restored and the loss is objectively related to an event occurring after the impairment was recognised.

Impairment losses incurred on investments in available-for-sale equity instruments are not reversed through profit or loss.

⑤ Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to receive cash flows from the financial asset cease or when substantially all the risks and rewards of ownership are transferred.

Where a transfer of a financial asset in its entirely meets the criteria of the derecognition, the difference between the two amounts below is recognised in profit and loss for the period by the Company:

A. The book value of the financial assets transferred.

B. The sum of the consideration received from the transfer and the accumulated amounts due to changes in fair value originally credited directly into owners' equity.

(2) Financial liabilities

① On initial recognition, financial liabilities are classified into financial liabilities measured at fair value and whose changes are recognised in profit or loss for the period and other financial liabilities.

② Financial liabilities are measured at fair value on initial recognition. For financial liabilities measured at fair value and whose changes are recognised in profit or loss for the period, the relevant trading expenses are included in profit and loss of the current period, for other financial liabilities, the relevant trading expenses are included in the amount uopon initial recognition.

③ Subsequent measurement of financial liabilities

A. Financial liabilities measured at fair value and whose changes are recognised in profit or loss for the period, including held-for-trading financial liabilities and financial liabilities designated as those measured at fair value and whose changes are included in profit and loss of the current period, are subsequently measured at fair value, and gains or losses arising from changes in fair value are recognised inprofit and loss of the current period.

B. Other financial liabilities are subsequently measured at amortized cost, using the effective interest method.

④ Derecognition of financial liabilities

The Company derecognises a financial liability, or part thereof when the current obligation of the financial liability has been discharged in whole or in part.

(3) The method to determine the fair value of financial assets and financial liabilities

Fair value is the price that will be received when selling an asset or the price to be paid to transfer a liability in an orderly transaction between market participants on the date of measurement. Where there is an active market for a financial instrument, the Company uses quoted prices in active markets to determine its fair value. Quotations in an active market are prices that are readily and regularly available from exchanges, brokers, industry associations, pricing services agency, etc. and are representative of the prices at which market transactions actually take place in an arm's length transaction. Where there is no active market for a financial instrument, the Company uses valuation techniques to determine its fair value. Valuation techniques include reference to prices used by market participants in their primary or most advantageous markets on the measurement date, reference to the current fair value of other financial instruments that are substantially the same, discounted cash flow techniques and option pricing models.

(11) Notes Receivable

The method of determining the expected credit loss on notes receivable and the accounting treatment are detailed in IV (XII) of this section.

(12) Receivables

1. Accounting policies on receivables implemented by companies other than Jinfu Technology.

Receivables include accounts receivables and other receivables.

If, at the end of the period, there is objective evidence that a receivable is impaired, the book value of the receivable is written down to its recoverable amount, with the amount of the write-down recognised as an asset depreciation loss and recognised in profit or loss for the period. The recoverable is determined by discounting its future cash flows (excluding credit losses not yet incurred) at the original effective interest rate, taking into account the value of the related collateral (net of expected disposal fees, etc.). The original effective interest rate is the effective interest rate determined at the time of initial recognition of the receivable. The expected future cash flows of short-term receivables are so insignificant in relation to their present value that they are not discounted in determining the related impairment loss.

(1) Receivables with individually significant amounts and subject to individual bad debt provision

Judgemental basis or monetary criteria for individually significant amounts:	The Company recognises receivables with an amount of RMB 5 million or more as individually significant receivables.
Provision method(s) for receivables with individually significant amounts and separately provided for bad debts:	The Company assesses individually significant receivables for impairment on individual basis, including impairment tests in a group of financial assets with similar credit risk characteristics. Receivables for which an impairment loss has been recognised in a single test are no longer included in the impairment test for groups of receivables with similar credit risk characteristics.

(2) Receivables for which bad debt provision is made by the characteristics of credit risk group

Receivables with immaterial individual amounts, together with receivables that are not impaired after individual tests, are divided into certain groups according to credit risk characteristics. The actual loss rate of each group of receivables with similar or identical credit risk characteristics in previous years is used as the basis to determine the percentage of bad debt provision for the current period in conjunction with the current situation, and the bad debt provision to be made for the current period is calculated accordingly.

Basis for determining a group	
Group 1: Ageing analysis	The ageing of receivables is used to classify the credit risk group.
Group 2: Risk-free group	Provisions for contingencies, related parties, government and collectively owned enterprises (provisional borrowings) are in principle not provided for and, where there is firm evidence of irrecoverability or unlikelihood of recovery, provisions for bad debts should be made at the irrecoverable amount.
Provision for bad debts by group	
Group 1: Ageing analysis	Ageing analysis
Group 2: Risk-free group	No provision for bad debts

Within the group, the following provisions for bad debts are made using ageing analysis.

Account age	Provisioning ratio for accounts receivable (%)	Provision ratie relative to other receivables (%)
Within 1 year (inclusive)	0.00	0.00
1-2 years (inclusive)	5.00	5.00
2-3 years (inclusive)	10.00	10.00
3-4 years (inclusive)	30.00	30.00
4-5 years (inclusive)	50.00	50.00
More than 5 years	100.00	100.00

(3) Receivables with individually insignificant amounts but subject to individual bad debt provision

Reasons for individual bad debt provision:	Receivables that are individually insignificant but have the following characteristics are individually tested for impairment where there is objective evidence that they are impaired: difficulty of the debtor; default or overdue payment of interest or principal); bankruptcy or other financial reorganization of the debtor; objective bases indicating that the receivables are impaired.
Method for bad debt provision:	Based on the difference between the present value of its future cash flows and its book value, the impairment loss is recognised and a provision for bad debts is made.

2. Accounting policy for Receivables of Jinfu Technology

The receivables of Jinfu Technology mainly comprise notes receivable, accounts receivables, receivables financing, other receivables, debt investments, other debt investments and long-term receivables.

For receivables and lease receivables arising from the sale of products or the provision of services, the Company measures the loss provision at an amount equal to the expected credit loss over the entire duration of the period.

For other types of receivables, the Company assesses at each balance sheet date whether the credit risk on a financial instrument has increased significantly since initial recognition. If the probability of default of a financial instrument over its expected duration as determined at the balance sheet date is significantly higher than the probability of default over its expected duration as determined at initial recognition, the credit risk of that financial instrument has increased significantly.

If the credit risk has not increased significantly since initial recognition, in stage one, the Company measures the loss provision at the amount of the expected credit loss over the next 12 months; if the credit risk has increased significantly since initial recognition but the credit impairment has not yet occurred, in stage two, the Company measures the loss provision at an amount equal to the expected credit loss over the entire duration of the instrument; if the credit loss has occurred since initial recognition, the Company measures the loss provision at an amount equal to the expected credit loss over the entire duration of the instrument. If a credit impairment exists, in stage three, the Company measures the loss provision against the expected credit loss over the entire duration of the period.

(1) For financial instruments with low credit risk at the balance sheet date, the Company measures the loss provision against expected credit losses over the next 12 months, assuming that the credit risk has not increased significantly since initial recognition.

(2) In addition to financial instruments that are individually assessed for credit risk, the Company classifies other financial instruments into certain groups based on credit risk characteristics and calculates expected credit losses on a group basis.

Financial instruments that are individually assessed for credit risk, such as, Receivables that are in dispute with the other party or involved in litigation, arbitration, receivables for which there are clear indications that the debtor is unlikely to be able to meet its repayment obligations, etc.

In addition to financial instruments that are individually assessed for credit risk, the Company classifies financial assets into groups based on common risk characteristics and assesses credit risk on a group basis. Basis for determining different groups:

Item	Basis for determining a group
Group 3	The credit risk characteristics of the group are based on the ageing of Jinfu Technology's receivables.
Group 4	The group is a bank acceptance and has a low credit risk.
Group 5	The accounts receivable are settled by trade acceptance.

For the receivables classified as Group 3, Jinfu Technology makes reference to historical credit loss experience, combines current conditions and forecasts of future economic conditions, prepares a comparison table between the ageing of the receivables and the expected credit loss rate over the entire duration of the receivables, and calculates the expected credit loss.

Account age	Provisioning ratio for accounts receivable (%)
Within 1 year (inclusive, and the same below)	1.00
1 to 2 years	5.00
2 to 3 years	30.00
More than 3 years	100.00

For the bank acceptances classified as group 4, which have low credit risk, no provision for bad debts is made.

For the trade acceptances classified as group 5, provisions for bad debts are based on the principle of continuous ageing of accounts receivable.

(13) Inventories

1. Classification of inventories

Inventories are classified as: Materials in transit, raw materials, revolving materials, goods in stock, goods in process, goods issued, materials consigned for processing, expendable biological assets, etc.

2. Valuation methods for acquiring and dispatching inventories

Inventory is measured at cost as it is acquired. The cost of inventories includes purchase costs, processing costs and other costs.

Inventories are valued on a weighted average basis when issued.

3. Basis for determining the net realisable value of inventories and the method of provision for impairment of inventories

At the end of the period, following a full inventory review, a provision for impairment of inventories is made or adjusted at the lower of cost or net realisable value of the inventories.

For inventories of goods held directly for sale, such as finished goods, goods in stock and materials held for sale, the net realisable value is determined in the ordinary course of business by taking the estimated selling price of such inventories and deducting estimated selling expenses and related taxes and fees. For inventories of materials requiring processing, in the normal course of production operations, the net realisable value is the estimated selling price of the finished goods less the cost by time of production completion, marketing expenses and related taxes and expenses. For inventories held for the purpose of executing a sales contract or a service contract, the net realisable value is calculated on the basis of the contract price and, where the quantity of the inventory held exceeds the quantity ordered under the sales contract, the net realisable value of the excess stock is calculated on the basis of the ordinary selling price.

At the end of the period, the provision for impairment is made for each individual item of inventory; however, the provision for impairment is made for inventories high in volume but low in unit prices according to the type of inventory; the provision for impairment is made consolidatedly for inventories related to product lines produced and sold in the same region, with the same or similar end use or purpose, and for which it is difficult to measure some separately from the others.

If factors causing a previous write-down of inventory value has disappeared, the amount write-down is reversed and the amount provided for inventory impairment is reversed and recognised in profit or loss for the period.

4. Inventory count system

A perpetual inventory system is adopted.

5. Amortization of low value consumables and packaging materials

(1) For low value consumables, one-off amortisation method shall apply.

(2) For packaging, one-off amortisation method shall apply.

(14) Assets held for sale

1. Recognition criteria for non-current assets held for sale or disposal group

A non-current asset or disposal group for which the Company recovers its book value primarily through sale (including a non-monetory asset exchange with a commercial substance, the same applies below) and not through the ongoing use of the asset or disposal group is classified as held for sale.

The Company classifies its non-current assets or disposal group into the held for sale category when the following conditions are all met:

(1) Under the customary practice of selling such assets or disposal groups in similar transactions, a sale may be made immediately in the present condition;

(2) Sale is highly likely. That is to say, the Company has resolved on a plan to sell and has received a firm purchase commitment, and the sale is expected to be completed within one year. If regulations require the approval of the relevant authority or supervisory authority before the sale can take place, the Company has obtained such approval.

A firm purchase commitment refers to a legally binding purchase agreement signed by the Company and another party, which contains important terms such as the transaction price, time and sufficient severe penalties for breach of contract to make it highly unlikely that the agreement will be materially adjusted or cancelled.

2. Accounting treatment for non-current assets held for sale or disposal group

If the book value of a non-current asset held for sale or disposal group is greater than the net value of its fair value less costs to sell as measured at its initial measurement or as remeasured on the balance sheet date, the book value is written down to the net value of fair value less costs to sell, and the amount of the write-down is recognised in profit or loss for the period as asset impairment loss, and an impairment charge on the asset held for sale is recorded.

（1）For fixed assets held for sale, the estimated net residual value of the fixed asset shall be adjusted to the amount of its fair value less disposal expenses, but shall not exceed the original book value of the fixed asset at the time when the condition of held for sale is met; the excess of the original book value over the adjusted estimated residual value shall be recognised in profit or loss for the period as asset impairment loss. Fixed assets held for sale are not depreciated and are measured at the lower of book value and fair value, net of disposal expenses.

（2）Equity investments in associated companies or joint ventures that are held for sale cease to be accounted for under the equity method from the date they are classified as held for sale.

（3）If the Company loses control over its subsidiaries due to the sale of its investments in them, regardless of whether the Company retains Minority Stockholder's Interest after the sale, when the investment in the subsidiary to be sold meets the criteria for classification as held for sale, the investment in the subsidiary as a whole is classified as held for sale in the Company's own financial statements, and all assets and liabilities of the subsidiary are classified as held for sale in the combined financial statements.

3. Accounting treatment when the condition for recognition of held for sale is no longer satisfied

(1) When an asset or disposal group is classified as held for sale but subsequently no longer satisfies the conditions for recognition as a fixed asset held for sale, the Company ceases to classify it as held for sale and measures it at the lower of the following amounts:

①The book value of the asset or disposal group before it is classified as held for sale, adjusted for the amount of depreciation, amortisation or impairment that would have been recognised if it had not been classified as held for sale;

②The recapture amount on the date of determine that the sale ceases.

(2) When an equity investment in an associated company or joint venture that has been classified as held for sale no longer meets the criteria for classification as an asset held for sale, the Company applies the equity method of accounting for the retrospective adjustment from the date on which it was classified as an asset held for sale.

4. Accounting treatment for other non-current assets held for sale

Other non-current assets, such as intangible assets that meet the criteria for being held for sale, are treated in the same way as above, excluding deferred income tax assets, assets arising from employee compensation, financial assets as defined in Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments, investment properties and biological assets measured at fair value, and contractual rights arising from insurance contracts.

(15) Long-term equity investments

1. The classification of long-term equity investment and the basis for judgement

（1）Classification of Long-term equity investment

Long-term equity investments are divided into three categories, i.e. equity investments in which the investor exercises control over, and significant influence over, the investee; equity investments in its joint ventures.

（2）Basis for judgement of the category of long-term equity investment

①For basis for judgement of control over the investee, refer to IV, (6) of this note.

②Basis for judgement of significant influence on the investee:

Significant influence is the right to participate in the financial and operating decisions of an entity, but not to control, or have joint control with other parties over, the formulation of those policies.

The Company usually determines whether it has significant influence over an investee by one or more of the following conditions:

A. Has representatives on the board of directors or similar authority of the investee. In such cases, the investor can exert significant influence over the investee by having representatives on the board of directors or similar authority of the investee with corresponding substantial right to participate in decision-making, through which the investor can participate in the formulation of the investee's financial and operating policies.

B. Involved in the process of formulating financial and operating policies of the investee. In such cases, it is possible to make recommendations and give advice in the policy-making process for its own benefit and thus exert significant influence over the investee.

C. Makes significant transactions with the investee. The transactions in question are important for the daily operations of the investee and, as such, can to some extent influence the production and operating decisions of the investee.

D. Dispatches management personnel to the investee. In such cases, the management personnel has the power to direct the relevant activities of the investee and thus can exert significant influence over the investee.

E. Provides key technical information to the investee. The reliance on the investor's technology or technical information for the production and operation of the investee indicates that the investor has significant influence over the investee.

When the Company determines whether there is significant influence on its investees, it is not limited to one or more of the above-mentioned circumstances, but should make an integrated judgement based on all the facts and circumstances.

An equity investment in which the investor has significant influence over the investee, i.e. an investment in an associated company.

③Basis for determining whether the investee is a joint venture.

Joint venture of the Company means the Company has rights only to the net assets of the joint venture arrangement.

The definition and classification of joint arrangements and the criteria for judgement of joint control are detailed in IV, (7) of this note.

2. Determination of initial cost of long-term equity investments

（1）Long-term equity investments resulting from business combination

Business combination under common control: The initial investment cost of a long-term equity investment obtained through a business combination under common control is the book value of owners' equity attributable to the combined party in the combined financial statements of the ultimate controlling party at the date of combination, if the consideration from the combining party is settled in cash, by way of transfer of non-cash assets, assumption of liabilities or issuance of equity securities. The difference between the initial investment cost of a long-term equity investment and the consideration for combination paid is adjusted against capital reserves (capital premium or equity premium) and if capital reserves (capital premium or equity premium) are insufficient, then adjusted against the retained earnings. Where the combining party issues equity securities as consideration for combination, the total par value of the shares issued is taken as share capital. The difference between the initial investment cost of the long-term equity investment and the total par value of the shares issued is adjusted against capital reserves (capital premium or equity premium); and if capital reserves (capital premium or equity premium) are insufficient, then adjusted against the retained earnings.

Business combination not under common control: The Company accounts for the initial investment cost of long-term equity investment based on the cost of the combination determined on the date of acquisition. The combination cost is the fair value of assets paid, liabilities incurred or assumed, and equity securities issued by the acquirer to obtain control of the acquiree on the date of acquisition. Transaction costs of equity or debt securities issued by the acquirer as the considerations for business combination are included in their initial recognised amounts. For business combination not under common control and is achieved in stages through multiple transactions, the initial investment cost of the investment is the sum of the book value of the equity investment in the acquiree held prior to the date of acquisition and the cost of the additional investment at the date of acquisition. The Company includes the contingent consideration agreed to in the combination agreement as part of the corporate combination and transfer consideration in the cost of the business combination based on its fair value at the date of acquisition.

For the combining parties or the acquiree, any audit, legal service, assessment and consultation and other administrative expenses occurred during combination shall be recognised in profit or loss for the period.

(2) Long-term equity investments acquired in other ways

For long-term equity investments acquired by payment in cash, the initial investment cost shall be the purchase price actually paid. Initial investment cost consists of the expenses directly relevant to the obtainment of the long-term equity investment, taxes and other necessary expenses.

For long-term equity investments acquired through the issue of equity securities, the initial investment cost shall be the fair value of the equity securities issued.

When a nonmonetary asset exchange has commercial substance and the fair value of the inbound or outbound assets can be measured reliably, the initial investment cost of inbound inventory exchanged for nonmonetary assets is based on the fair value of the outbound asset exchanged unless there is conclusive evidence that the fair value of the inbound asset is more reliable; for nonmonetary asset exchanges that do not satisfy the foregoing prerequisites, the initial investment cost of the inbound long-term equity investment is the book value of the outbound asset exchanged and the relevant taxes and expenses payable.

The initial investment costs of a long-term equity investments obtained through debt restructuring is determined based on the fair value.

3. Subsequent measurement of long-term equity investments and recognition of profit or loss

Cost method is applied for long-term equity investments when the investee is controlled by the Company.

Under the cost method, a long-term equity investment is measured at initial investment cost. The cost of investment adjustments to long term equity investments is added back or recovered. Cash dividends or profits declared by the investee are recognised as investment income for the period.

Long-term equity investments in associates and joint ventures are accounted for using the equity method. For the difference that the initial investment cost greater than the share of the fair value of the investee's identifiable net assets, which is attributable to the Company at the time of investment, no adjustment is made to the initial investment cost of the long-term equity investment; for the difference that the initial investment cost lesser than the share of the fair value of the investee's identifiable net assets, which is attributable to the Company at the time of investment, it is recognised in profit or loss for the period, and adjustment is made to the initial investment cost of the long-term equity investment.

After the company obtains long-term equity investment, it shall recognise the investment income and other comprehensive income respectively according to the share of the net profit or loss and other comprehensive income realized by the investee, and adjust the book value of the long-term equity investment. The book value of the long-term equity investment is reduced accordingly by the portion of the equity attributable to the profits or cash dividends declared by the investee. For other changes in owner's equity not due to the net income, other comprehensive income and profit sharing of the investee, the Company shall adjust the book value of the long-term equity investment accordingly and include them in owner's equity.

The Company shall, based on the fair value of identifiable net assets of the investee at the time of investment, recognise its attributable share of the net profit or loss of the investee after it adjusts the net profit of the investee.

If the accounting policies and accounting periods adopted by the investee are different from those of the Company, the financial statements of the investee shall be adjusted in accordance with the accounting policies and accounting periods of the Company, and the investment incomes and other comprehensive income of the investee shall be recognised accordingly.

The Company recognises a net loss on an investee to the extent that the book value of the long-term equity investment and other long-term interests that in substance constitute a net investment in the investee are written down to zero, unless the Company has an additional obligation to pay a loss.

Where net profit is subsequently made by the investee, the Company resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

In calculating the net profit or loss of an investee to which the Company recognises to share, unrealized gains and losses from internal transactions between the Company and its associates and joint ventures are offset by the proportionate share of gains and losses attributable to the Company, and investment income is recognised on this basis.

Losses from unrealized internal transactions with investees are recognised in full if they constitute asset impairment loss according to Accounting Standards for Business Enterprises No. 8 - Asset impairment.

For investments in which the additional investment enables the Company to exert significant influence over the investee or exercise joint control but not control, the initial investment cost under the equity method is the sum of the fair value of the originally held equity investment plus the cost of the additional investment, determined in accordance with Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments. For the original portion of equity investment classified as available for sale, the difference between the fair value and book value, along with cumulative changes in fair value recognised as other comprehensive income shall be recognised in profit or loss for the period under equity method.

When the controls or material influences of the Company over the investee become lost due to partial disposal of equity investment and other reasons, the remaining equities shall be accounted for in accordance with Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments, and the difference between the fair value and the book value at the date of losing control or material influence shall be recognised in profit or loss for the period. For other comprehensive income of the previous equity investment recognised under the equity method, when terminating the adoption of equity method, the accounting treatment has the same basis adopted by the investee when directly disposes relevant assets or liabilities.

If the Company loses control over an existing subsidiary due to the disposal of a portion of its equity investment or for other reasons, in preparing individual financial statements, if the remaining equity interest after disposal enbles the Company to exercise joint control or exert significant influence over the investee, the Company shall change to the equity method for accounting, and the remaining equity interest is deemed to be adjusted for the adoption of the equity method from the time the investment is acquired; otherwise, refer to provisions in Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments for accounting treatment.

For long-term equity investment, the balance between its book value and actual payment will be recognised in profit or loss for the period. For the long-term equity investment under the equity method, when disposing of such investment, part of amounts that shall be originally included in other comprehensive income shall be accounted for in proportion by using the same basis as the investee used for direct disposal of relevant assets or liabilities.

(16) Investment properties

1. Initial measurement of investment properties

Investment properties of the Company include leased land use rights, land use rights that are held with a view to transfer after value increase, and leased buildings.

Investment properties of the Company are initially measured at their cost, costs of purchased investment properties comprises the purchase price, relevant taxes and expenses paid and other expenditures directly attributable to the asset; and the cost of self-constructed investment properties comprises the necessary expenses incurred in constructing the asset before it reaches its intended useable condition.

2. Subsequent measurement of investment properties

The Company uses the cost model for subsequent measurement of investment properties, which are depreciated or amortised in accordance with policies consistent with the building or land use rights of the building.

(17) Fixed assets

1. Criteria for recognition of fixed assets

Fixed assets refer to tangible assets held for the production of merchandize, provision of labor services, renting or operational management with useful life over one accounting year. Categories of fixed assets include: Buildings and constructions, machinery and equipment, electronic equipment, transport equipment, other equipment. Fixed assets are recognised when the following conditions are all met: (1) it is likely that the economic benefits associated with the fixed asset will flow to the Company; (2) the cost of the fixed asset can be measured reliably.

2. Depreciation method

Depreciation of fixed assets is calculated using the straight line method, whereby the depreciation rate is determined based on the category of fixed asset, its estimated useful life and estimated residual value. If the useful lives of the various components of fixed assets are different or provide economic benefits to the Company in different ways, different depreciation rates and depreciation methods are selected and executed separately.

（1）Depreciation method of fixed assets other than Jinfu Technology

Categories	Depreciation method	Depreciable life (years)	Residual value (%)	Annual depreciation rate (%)
Buildings and constructions	Straight line method	20.00-40.00	5.00	2.38-4.57
Machinery and equipment	Straight line method	8.00-10.00	5.00	9.50-11.88
Electronic equipment	Straight line method	3.00-5.00	5.00	19.00-31.67
Transport equipment	Straight line method	4.00-8.00	5.00	11.88-323.75
Office equipment and others	Straight line method	3.00-5.00	5.00	19.00-31.67

(2) Depreciation method of fixed assets of Jinfu Technology, a holding company

Fixed Asset Categories	Depreciation method	Depreciable life (years)	Estimated residual value	Annual depreciation rate
Buildings and constructions	Straight line method	20 years	5%	4.75%
Machinery and equipment	Straight line method	10 years	5%-10%	9%-9.5%
Transport equipment	Straight line method	5 years	5%-10%	18%-19%

Electronic equipment	Straight line method	3-5 years	5%-10%	18%-31.67%
Other equipment	Straight line method	3-5 years	5%-10%	18%-31.67%
Repairs and maintenance of fixed assets	Straight line method	5 years		20%

3. Basis for recognition, valuation and depreciation of fixed assets through finance lease

An asset is recognised as an asset leased-in under finance lease when one of the following conditions is stipulated in the terms of the lease agreement between the Company and the leaser.

(1) Title to the leased asset belongs to the Company after the lease term.

(2) The company has an option to purchase the asset for a price substantially less than the fair value of the asset at the time the option is exercised.

(3) The lease term represents the majority of the useful life of the leased asset.

(4) The present value of the minimum lease payments at the commencement date of the lease is not materially different from the fair value of the asset.

At the beginning of the lease term, the Company records the lower of the fair value of the leased asset and the present value of the minimum lease payments as the recognised value of the leased asset, and the minimum lease payments as the recognised value of long-term payables, with the difference recognised as unrecognised financing charges.

For fixed assets leased through finance lease, if it can be reasonably determined that the ownership of the leased assets can be obtained at the end of the lease period, the leased assets are depreciated over their useful lives; otherwise, the leased assets are depreciated over the shorter of the lease terms and the useful lives of the leased assets.

(18) Construction in progress

Under-construction projects are accounted for by project category.

The initial book values of the fixed assets are the total expenditures incurred before the under-construction projects reach the intended usable condition. If the fixed assets under-construction projects have reached their intended useable condition but have not yet undergone the final account, they should be transferred to fixed assets at their estimated value from the date they reach their intended useable condition according to the budget, construction price or actual cost of construction, and depreciated in accordance with the Company's fixed asset depreciation policy. The estimated amount will be adjusted by the actual cost after the final account. No adjustment will be made to the depreciation originally charged.

(19) Borrowing costs

1. Criteria for recognition of capitalised borrowing costs

Borrowing costs refer to interest on borrowings, amortization of discounts or premiums, ancillary costs and exchange differences arising from foreign currency borrowings among others.

Borrowing costs incurred by the Company that are directly attributable to the purchase or production of assets qualified for capitalisation are capitalised and included in the cost of the related assets; other borrowing costs are recognised as expenses when incurred and included in the profit or loss.

Assets qualified for capitalisation are fixed assets, investment properties and inventories that require a substantial period of acquisition, construction or production activity to reach their intended useable or saleable condition.

Capitalisation begins when the borrowing costs meet all the following conditions:

(1) Asset expenditure has been incurred, which includes expenditure incurred in the form of cash payments, transfers of non-cash assets or the assumption of interest-bearing liabilities for the acquisition, construction or production of assets qualified for capitalisation.

(2) Borrowing costs are incurred.

(3) Acquisition, construction or production that are necessary to enable the asset reach its intended usable or saleable condition have commenced.

2. Period in which the borrowing costs are capitalised

The capitalisation period is the period from the commencement date to the cessation date of the capitalisation of borrowing costs, which does not include the period during which the capitalisation has been suspended.

Borrowing costs cease to be capitalised when the assets acquired, constructed or produced qualified for capitalisation criteria are in a condition ready for use or sale.

If parts of an asset being acquired, constructed or produced that qualifies for capitalisation is completed separately and is ready for individual use, borrowing costs of the parts cease to be capitalised.

If parts of an asset being acquired, constructed or produced have been completed respectively, borrowing costs cease to be capitalised when the entire project is completed and the asset is ready for use or sale.

3. Period in which the capitalisation of borrowing costs is suspended

Capitalisation of borrowing costs is suspended when assets qualified for capitalisation are interrupted abnormally during acquisition, construction or production and the interruption period lasts for more than 3 months; Borrowing costs continue to be capitalised if the interruption of acquisition, construction or production of assets qualified for capitalisation is necessary for their intended use or marketability. Borrowing costs incurred during the period of interruption are recognised in profit or loss for the period and continue to be capitalised until acquisition, construction or production of the asset recommences.

4. Calculation of capitalisation amount of borrowing costs

For specialised borrowings for the acquisition, construction or production of assets qualified for capitalisation, the amount of capitalisation of the borrowing costs is the actual borrowing costs and ancillary costs incurred during the period of the specialised borrowing less the amount of interest income earned on the deposit of unutilised borrowed funds with the bank or investment income earned on the temporary investment.

For general borrowings occupied for the acquisition, construction or production of assets qualified for capitalisation, the amount of interest to be capitalised on the general borrowings is determined by multiplying the weighted average of the accumulated asset expenses in excess of the specialised borrowings by the capitalisation rate of the general borrowings occupied. The capitalisation rate is determined based on the weighted average interest rate of general borrowings.

Where there is a discount or premium on borrowings, the amount of the discount or premium to be amortized is determined for each accounting period using the effective interest method, and the amount of interest is adjusted for each period.

(20) Biological assets

1. Classification of biological assets and determination criteria

(1) classification of biological assets

Biological assets are classified as expendable biological assets, productive biological assets and public welfare biological assets.

The expendable biological assets refer to the biological assets held for sale or to be harvested in the future as agricultural products, including crops, vegetables and timbers that are growing and livestock being raised or held for sale, etc.

The productive biological assets refer to the biological assets held for the purpose of producing agricultural products, rendering of services or for renting, including economic forests, fuel forests, productive livestock and draught animals, etc.

The public welfare biological assets refer to the biological assets for the main purpose of protection or environmental protection, including windbreak and sand-fixation forest, soil and water conservation forest as well as water conservation forest, etc.

(2) Recognition Criteria of Biological Assets

Biological assets are recognised when all the following conditions are met:

① A business owns or controls the biological asset as a result of a past transaction or event;

② it is likely that the economic benefits or service potential associated with this biological asset flow into a business;

③ The cost of this biological asset can be measured reliably.

2. Initial Measurement of Biological Assets

Biological assets are initially measured at cost.

(1) The cost of purchased biological assets includes the purchase price, relevant taxes and expenses paid, transportation expenses, insurance premiums and other expenditures that are directly attributable to the purchase of this assets.

(2) The cost of expendable biological assets which are self-cultivating, self-breeding or self-farming is recognised as follows:

①The cost of self-cultivating crops and vegetables, including the necessary expenditures on materials such as seeds, fertilizers and pesticides, as well as labour costs and overheads to be apportioned, etc. prior to the harnest.

② The cost of self-breeding livestock raised exclusively for meat production, including the necessary expenditures on feedstuffs, labour, and overheads to be apportioned, etc. prior to the sale.

(3) The cost of the self-breeding productive biological assets is recognised as follows:

The cost of self-breeding productive livestock and draught animals, including necessary expenditures on feedstuffs, labour, and overheads to be apportioned, etc. before accomplishing the expected objective of production and operation (being grown up). The phrase "accomplishing the expected objective of production and operation" refers that, the productive biological assets may produce agricultural products, render labour services, or be rented out stably for several consecutive years after they enter into a normal production period.

(4) The cost of self-cultivating public welfare biological assets is determined in accordance with the necessary expenditures on afforestation, forest tending, forest protection, forest operating facilities, testing of good species, investigation and design as well as overheads to be apportioned, etc. prior to the canopy closure.

(5) The borrowing costs, which shall be included in the cost of biological assets, are disposed in accordance with the relevant provisions on the borrowing costs.

(6) The cost of the biological assets inevsted by investors are accounted for based on the value agreed under investment contracts or agreements, unless the unfair value is agreed in the contract or agreement.

(7) the subsequent expenditures for the protection or for the breeding of a biological asset after canopy closure or after the accomplishment of the expected objective of production and operation are recognised in profit or loss for the period.

3. Subsequent Measurement of Biological Assets

(1) Depreciation charges of any productive biological asset whose expected objective of production and operation has been accomplished and are included in the cost of relevant assets or in profit or loss for the period based on the use of the biological asset.

(2) The Company reasonably determines the useful life, estimated net residual value and depreciation method for the productive biological assets based on their nature, use condition and the form of expected realization of the relevant economic benefits. The straight-line method is taken as the depreciation methods.

(3) When the Company determines the useful life of productive biological assets, the following factors are taken into consideration: The expected output capacity or physical production of this asset; the expected tangible loss of this asset, such as the ageing of productive livestock and draught animals as well as the ageing of economic forests, etc.; the expected intangible loss of this asset, such as a relative decline in the output capacity of the existing productive biological assets and the quality of the agricultural products produced thereby, etc. due to the emergence of new products, the relative outmode of the agricultural products produced by the productive biological assets as a result of changes in market demands, etc.

At the end of each year, the Company reviews the estimated useful life, estimated net residual value and depreciation method of its productive biological assets. If there is any difference between the expected useful life or the expected amount of estimated net residual value and that of the previously estimated in a productive biological asset, or if any significant change is made in the way in which the relevant economic benefits are expected to be realized, it is regarded as a change in accounting estimates.

4. Harvest and Disposal of Biological Assets

(1) The cost of expendable biological assets is carried at their book value when they are harvested or sold. Cost is determined on weighted average basis.

(2) The cost of agricultural products harvested from productive biological assets is calculated and determined by the necessary expenses on the materials, labour and overheads to be apportioned, etc. during the course of production or harvesting. And the book value of the productive biological asset is carried over as the cost of agricultural products by employing the weighted average method.

(3) The cost of a biological asset of which the purpose has been changed is determined by its book value at the time of the change.

(4) For a biological asset, if it is sold, destroyed, or has inventories loss, the balance after deducting the book value and relevant taxes and expenses paid from the disposal income is recognised in profit or loss for the period.

(21) Intangible assets

1. Valuation Method of Intangible Assets

(1) Intangible Assets are Initially Measured at Cost upon Acquisition

The cost of an externally purchased intangible asset includes the purchase price, relevant taxes and expenses paid and other expenditures directly attributable to putting the asset into condition for its intended use. If the payment for an intangible asset is delayed beyond the normal credit conditions and it is of financing nature in effect, the cost of the intangible assets shall be ascertained based on the present value of the purchase price.

For the intangible assets used to offset indebtedness in debt restructuring by a debtor, its book value is determined based on the fair value of such intangible assets, and the difference between the book value of the debt restructuring and the fair value of the intangible assets used to offset the indebtedness is recognised in profit or loss for the period;

When a non-monetary asset exchange has commercial substance and the fair value of the inbound or outbound assets can be measured reliably, the inbound intangible assets exchanged for non-monetary assets is generally recorded at the fair value of the outbound asset exchanged unless there is conclusive evidence that the fair value of the inbound asset is more reliable; for non-monetary asset exchanges that do not satisfy the foregoing prerequisites, the cost of the inbound intangible asset exchanged is determined at the book value of the outbound asset exchanged and the relevant taxes and expenses paid payable with no gain or loss recognition.

The book value of intangible assets acquired by way of absorption and combination under common control is recognised at the book value of the combined party; the carrying value of intangible assets acquired by way of absorption and combination not under common control is recognised at fair value.

The cost of the internally self-developed intangible assets includes: The materials consumed in developing intangible assets, labor costs, registration fees, amortization of other patented rights and licensed rights used during the development process, interest expenses meeting capitalisation conditions, and other direct costs for bringing the intangible asset to intended use.

(2) Subsequent Measurement

The useful life of an intangible asset is analyzed and determined when it is acquired.

Intangible assets with a finite useful life are amortized using straight line method over the term which they bring economic benefit to the business; an intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits to the business, and is not amortized.

Please refer to Note "IV. (22) Impairment of Long Term Assets” for Impairment testing on intangible assets.

2. To estimate the useful life of intangible assets with a finite useful life

Item	Expected useful life	Basis
Land use rights	50 years	In accordance with Period of Land Use Tenure
Software	2-10 years	Equal amortization on the basis of expected useful life

For an intangible asset with a finite useful life, review on its useful life and amortization method is performed at each period-end.

Upon review, useful life and amortization method for the intangible assets are no different from the previous estimate at the end of this period.

3. Specific Criteria on Research Stage andDevelopment Stage of Part Internal Research and Development Projects

Expense on internal research and development projects is divided into expenditure on research stage and expenditure on development stage.

Research stage: In this stage, an original and planned investigation, research activity are undertaken with the prospect of gaining and understanding new scientific or technical knowledge.

Development stage: In this stage, research achievements and other knowledge are applied to a certain plan or design prior to the commercial production or use, so as to produce any new or substantially improved material, device or product, etc.

4. Expenditure on Development Stage Meets Specific Criteria for Capitalisation

Expenses incurred during the development stage of an internal research and development project are recognised as an intangible asset when all the following conditions are met:

(1) it is technically feasible to complete the intangible asset so that it can be used or sold.

(2) There is intention to complete intangible assets for use or sale;

(3) The intangible asset can produce economic benefits, including there is evidence that the products produced using the intangible asset has a market or the intangible asset itself has a market; if the intangible asset is for internal use, there is evidence that there is usage for the intangible asset;

(4) There is sufficient technical, financial and other resource support to complete the development of the intangible asset and the ability to use or sell the intangible asset;

(5) the expenditure attributable to the development phase of the intangible asset can be measured reliably.

Expenses incurred during the development stage failing satisfying the conditions set out above are recognised in profit or loss for the period as they are incurred. All research costs are recognised in profit or loss for the period as they are incurred.

(22) Impairment of long term assets

At each balance sheet date, assessment is made on whether there is an indication of impairment in respect of long-term equity investments, investment properties measured by the cost model, fixed assets, construction in progress, biological assets measured by the cost model, oil and gas assets as well as intangible assets with a finite useful life; for those that have such indications, their recoverable amount is estimated, and if the recoverable amount is less than their book value, the book value of the asset shall be recorded down to the recoverable amount; the reduced amount is recognised as the loss of asset impairment, and is recognised in profit or loss for the period, meanwhile, the corresponding provision for impairment is accured.

The estimate of the recoverable amount of the assets are determined on whichever is higher, the net amount of the fair value less the disposal expenses, or the present value of the estimated future cash flows. The business estimates the recoverable amount on individual basis; for individual asset whose recoverable amount is difficult to estimate, the recoverable amount of the asset group is determined based on the asset group to which the asset belongs.

After the asset impairment loss is recognised, the depreciation or amortization expenses of the impairment assets will be adjusted accordingly in the future period so that the book value of the adjusted assets will be allocated systematically over the remaining useful life.

Intangible assets with indefinite useful life and the intangible assets that have not yet ready for use, as well as the goodwill arising from combination are tested for impairment at year ended.

For goodwill impairment testing, as of the acquisition dates, the book value of goodwill arising from a business combination is allocated to the relevant asset groups on a reasonable basis, and is allocated to the relevant sets of asset groups if there is a difficulty in such allocation. When the book value of goodwill is allocated to the related asset group or sets of asset group, the allocation is made based on the proportion of the fair value of each asset group or set of asset groups to the total fair value of the relevant asset groups or sets of asset groups. when there is a difficulty in measuring the fair value reliably, the allocation is made based on the proportion of the book value of each asset group or set of asset groups to the total book value of the relevant asset groups or sets of asset groups.

An impairment test is performed on the relevant asset groups or the sets of asset groups containing goodwill, in this contest, if any indication shows that the impairment of asset groups or sets of asset groups related to goodwill exists, an impairment test is made firstly on the asset groups or sets of asset groups without containing goodwill, and then the recoverable amount is calculated, thus the corresponding impairment loss is recognised after the comparison between the recoverable amount and the relevant book value. An impairment test is then performed on the asset groups or the sets of asset groups containing the goodwill, comparing the book value (including the book value of the goodwill allocated) of the relevant asset groups or sets of asset groups with their recoverable amount and, if the recoverable amount of the relevant asset groups or sets of asset groups is lower than their book value, an impairment loss for the goodwill is recognised.

(23) Long-term deferred expenses

All expenses that have been incurred but should be borne and amortized over the current and subsequent periods (together of more than one year), including expenditures paid for improvement of fixed assets under operating lease, are amortized as long-term deferred expenses over the expected beneficial period. If the Long-term deferred expenses are no longer beneficial to the subsequent accounting periods, the full unamortized balance is then transferred to profit or loss for the current period.

(24) Employee Remuneration

Employee remuneration refers to the various forms of rewards or compensation given to employees in order to obtain the services provided by employees or to terminate the labor relationship, including short-term remuneration, post-employment benefits, termination benefits and other long-term employee benefits.

1. Accounting Treatment of Short-Term Remuneration

In the accounting period in which employees render services to the Company, the actual short-term remuneration incurred is recognised as liabilities and recognised in profit or loss for the period or in the cost of related assets.

2. Accounting treatment for post-employment benefits

The post-employment benefits are categorized as defined contribution plans and defined benefit plans.

During the accounting period in which employees render services to the Company, amount which should be paid according to defined contribution plans is recognised as liabilities, and included in the profit or loss for the period or in the cost of related assets. According to defined contribution plans, where the amount should be paid is not expected to be fully paid within twelve months after the end of the annual reporting period during which the employee provided relevant services, the staff remuneration payables is calculated by discounting such entire amount based on the bond market yield of sovereign bond matching the term of defined benefit plans obligations and currency or corporate bonds of high quality in the active market on the balance sheet date.

All defined benefit plans obligations, including the expected duty of payment within twelve months after the end of annual reporting period during which the employee provided service is discounted by the Company based on the bond market yield of sovereign bond matching the term of defined benefit plans obligations and currency or corporate bonds of high quality in the active market on the balance sheet date.

For the defined benefit plans which have assets, the deficit or surplus arrived by netting off the fair value of assets of the defined benefit plans from the present value of the defined benefit plans are recognised as a net liability or net asset of a defined benefit plan. For the defined benefit plans which have surplus, the business measures the net assets of the defined benefit plans at whichever is lower, the surplus of defined benefit plans or the maximum asset limit. Among which, the maximum asset limit refers to the present value of the economic benefits that a business can derive from a refund coming from defined benefit plans or by reducing contributions to defined benefit plans in future year.

At the end of the reporting period, the service cost of employee compensation cost incurred in the defined benefit plans as well as the net interests of net liabilities or net assets of the defined benefit plans are recognised in profit or loss for the period or the cost of assets; changes in net liabilities or net assets of the defined benefit plans are remeasured and included in other comprehensive income, and may not be charged into profits or losses in later accounting periods, but may be transferred within the extent of the equity.

Under the defined benefit plans, the cost of past services is recognised as expenses for the current period at the earlier of the following date when the defined benefit plans are modified and the related restructuring costs are recognised or when the termination benefits are paid.

When the business settles the defined benefit plans, the settlement of profit and loss is recognised. Such gain or loss is the difference between the present value of the defined benefit plans and the settlement price, both of which are determined at the balance sheet date.

3. Accounting treatment for termination benefits

The employee compensation liability arising from the termination benefits is recognised and recognised in profit or loss for the period at the earlier of the following dates:

(1) When the business is unable to unilaterally revoke the termination benefits provided under the Labor Dissolution Plan or the proposed redundancy plan;

(2) When the business recognises the costs or expenses of the reorganization leading to the payment of the termination benefits.

If the termination benefits are expected to be fully paid within twelve months from the reporting period in which they are recognised, the relevant regulations of short-term remuneration apply; if the termination benefits are not expected to be fully paid within twelve months from the reporting period, the relevant regulations of other long-term employee benefits apply.

4. Accounting treatment for other long-term employee benefits

Other long-term employee benefits, which meet the conditions of defined contribution plans, are dealt with in accordance with 2. above; Whichever does not meet the conditions of defined contribution plans, the relevant regulations of the defined benefit plans apply, recognising and measuring the net liability or net asset of other long-term employee benefits. At the end of the reporting period, the service cost of other long-term employee benefits, net interests of net liabilities or net assets, and the total net of changes which arise from the remeasurement of net liabilities or net assets of other long-term employee benefits are recognised in profit or loss for the period or in relevant cost of assets.

(25) Estimated Liabilities

Estimated liabilities are recognised when it is probable that future delivery of assets or services will be required for litigation, guarantees of liabilities, loss making contracts, reorganization events and when the amount can be measured reliably.

Provisions are initially measured at the best estimate of the expenditure required to settle the related present obligation, taking into account the risks, uncertainties and time value of money associated with the contingency. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows; the increase in the book value of the estimated liabilities due to the discount over time is recognised as interest expense.

At the balance sheet date, the book value of the estimated liabilities is reviewed and adjusted, where appropriate, to reflect the best estimate for the current period.

(1) Loss-making Contracts

A loss-making contract is a contract in which the costs arising from the performance of contract obligations inevitably exceed the expected economic benefits. When the executive contract becomes a loss-making contract and the obligation arising from this loss contract satisfies the conditions for recognition of the estimated liabilities as described above, the part which the estimated loss of the contract exceeds the recognised impairment loss (if any) of the contract subject assets is recognised as expected liabilities.

(2) Restructuring Obligations

For reorganization plans that are detailed, formal and externally announced, if the conditions for recognising the aforesaid estimated liabilities are met, the amount of the estimated liabilities is determined according to the direct expenses related to the reorganization. For the reorganization obligations of the business which plans to be partly sold, the obligation related to the reorganization is not recognised until the Company undertakes to sell part of the business (i.e. when a binding sale agreement is entered into).

(3) Quality Assurance and Maintenance

The Company estimates liabilities coming from the after-sales quality maintenance commitments to customers for sale, maintenance and modification of the goods sold. The Company's recent maintenance experience data has been taken into account in estimating the liabilities, but the recent maintenance experience may not be indicative of future maintenance. Any increase or decrease in this provision may affect the profit or loss in future years.

(4) Buyback Guarantee

The Company provides the equipment buyback guarantee to financial institutions for customers with financing needs and recognises estimated liabilities based on the possible loss of buyback guarantee. In estimating the liabilities, data such as the proportion of actually performing the buyback guarantee, the proportion of the losses actually incurred after the performance of the buyback guarantee in the history of the Company have been taken into account, and the ability of different customers to pay is estimated. Any increase or decrease in this provision may affect the profit or loss in future years as neither the historical data nor the valuation data may reflect future repurchase losses.

(26) Share-Based Payments

1. Types of Share-Based Payments and Accounting Treatment

Share-based payments are transactions in which the Company grants equity instruments or assumes equity-instrument based liabilities for receiving services rendered by employees. The share-based payments include the equity-settled share-based payments or the cash-settled share-based payments.

(1) Equity-Settled Share-Based Payments

Share Option Schemes are the equity-settled share-based payments in exchange for services rendered by employees and are measured at the fair value of the equity instruments granted to employees at the date of grant. The exercised options can only be made when the service within the vesting period is completed or the prescribed performance conditions are met. Within the vesting period, based on the best estimation of the number of the exercisable equity instruments, and according to the fair value of equity instruments on the grant date, the services obtained in the current period are included in relevant costs or expenses, and the capital reserve is increased accordingly.

(2) Cash-Settled Share-Based Payments

The Share Appreciation Rights Schemes are the cash-settled share-based payments, measured according to the fair value of the liabilities (undertaken by the Company) determined on the basis of the number of shares of the Company. This cash-settled share-based payments can only be exercised after completing the service within the vesting period or meeting the prescribed performance conditions. On each balance sheet date of the vesting period, based on the best estimate of the condition of exercising options, and according to the fair value amounts of the company's liabilities, the services obtained in the current period are included in relevant costs or expenses, and the liabilities are increased accordingly. The fair value of the liabilities is remeasured at each balance sheet date and settlement date prior to the settlement of the relevant liabilities, with the change in fair value recognised in profit or loss for the period.

2. Determination of Fair Value of Equity Instruments

The fair value of the shares granted to employees is measured at the market price of the Company's shares, and the adjustment is made with the consideration of the terms and conditions (vesting conditions other than market conditions are excluded) under which the shares are granted.

For stock options granted to employees, the fair value of the options granted is estimated by means of an option pricing model.

3. Basis for Recognising the Best Estimate of Exercisable Equity Instruments

At each balance sheet date within the vesting period, the number of the equity instruments expected to be exercisable is revised based on the best estimate made according to subsequent information such as the latest changes known in the number of employees exercising options.

4. Treatments on the Modification and Termination of Share-Based Payment Plans

If the modification to share-based payment plans increases the fair value of equity instruments granted, an increase in the acquisition of services is recognised accordingly based on the increase in the fair value of equity instruments.

If the modification to share-based payment plans increases the number of equity instruments granted, the increased fair value of equity instruments should be recognised as an increase in the services acquired accordingly.

If the vesting conditions are modified in a way that favors employees, such as shortening the vesting period, changing or canceling performance conditions (rather than market conditions), the company takes the modified vesting conditions into account when dealing with the vesting conditions.

If the terms and conditions are modified by reducing the total fair value of share-based payments or in other ways detrimental to employees, the services acquired should continue to be accounted for as if such changes had never occurred, unless some or all of the equity instruments granted have been canceled.

If granted equity instruments are canceled within the vesting period, the exercise options of the equity instruments with their grant canceled are accelerated, the amount to be recognised in the remaining vesting period is recognised in profit or loss for the period, while recognising capital reserves. If employees or other parties are able to choose satisfying non-vesting conditions but failing doing so within the vesting period, which is treated as canceled equity instruments granted.

(27) Other Financial Instruments Such as Preference Shares and Perpetual Bonds

Preference shares or perpetual bonds issued by the Company are classified as financial liabilities or equity instruments on initial recognition, based on the contractual terms of financial instruments issued as well as the economic substance of the instruments reflected therein, in combination with the definitions of financial liabilities and equity instruments.

If preference shares or perpetual bonds are financial liabilities, the related interest, dividends (or bonuses), gains or losses, and gains or losses arising from the redemption or refinancing are recognised in profit or loss for the period.

If preference shares or perpetual bonds are equity instruments, they issued (including refinancing), repurchased, sold or cancelled are treated as changes in equity. The distribution to holders of the equity instruments should be recognised as distribution of profits, the dividens paid do not affect total amount of owners' equity.

Transaction costs associated with equity-settled transactions are deducted from equity. Trading expenses are incremental costs that are directly incurred in purchase, issuance or disposal of preference shares or perpetual bonds. Incremental costs are costs that a business would not have incurred if it had not purchased, issued or disposed of financial instruments.

Trading expenses incurred during issuance or acquisition of one's own equity instruments (such as registration fees, underwriting fees, as well as legal, accounting, valuation and other professional service fees, printing costs and stamp duty) that may directly attributable to equity transactions can be charged from the equity. Trading expenses incurred from equity transactions that are terminated are recognised in profit or loss for the period.

(28) Income

1. Recognition of Revenue from sales of goods

Income from sale of merchandize is recognised when: the Company has transferred the key risks and return on the ownership of the merchandize to the acquirer; the Company has not retained continued management rights associated with ownership and no longer exercises effective control on the merchandize sold; the amount of income can be reliably measured; the relevant economic benefits are very likely to flow to the enterprise; the costs incurred or to be incurred can be reliably measured. For income recognition of sales in domestic market, the Company recognises sales income by billing when the products are delivered and confirmed by the other party; for income recognition of direct exporting, the Company, subject to the sales contracts and export invoices, go through customs clearance process and recognise the income by customs declaration and sales invoices; for income recognition of indirect exporting for carry-over of goods of export processing zone for deep processing out of the zone, the Company, subject to sales contracts, deliver the goods based on the orders and reconciliated with customers, and go throught custom clearance process centralisedly.

The amount of income from the sale of goods should be recognised as the contractual or agreed price received or receivables of the acquirer, unless the contractual or agreed price received or receivable is unfair; if contractual or agreed price is received using the deferred method and is financing in nature, the amount should be recognised as the fair value of the receivable contractual or agreed price. The difference between the contractual or agreed price receivables and its fair value is amortised over the contract or agreed period using the effective interest rate method and recognised in profit or loss for the period.

2. Recognition of Revenue from provision of services

Income from the provision of services is recognised using the percentage of completion method if the result of the provision of services can be estimated reliably at the balance sheet date. The progress to completion of the provision of services is recognised based on the proportion of current costs among the estimated total cost.

Where outcome of provision of services cannot be estimated reliably on the balance sheet date, the revenue is recognised as follows:

(1) The costs incurred are expected to be recoverable, income is recognised to the extent that the costs incurred that are expected to be recoverable, and an equivalent amount is charged to profit or loss as service cost.

(2) The costs incurred are not expected to be recoverable, the costs incurred are recognised in profit or loss for the period and no service revenue is recognised.

3. Recognition of Revenue from Transfer of Right to Use Assets

It is likely that relevant economic benefits will flow to the Company, and the amount of revenue can be measured reliably. The amount of income from the transferring of the right to use the assets is recognised by the following conditions:

(1) The amount of interest income is determined on a time proportion basis and the effective interest rate at which the Company's monetary capital are used by others.

(2) The amount of royalty income is determined by the time and method of charge agreed upon in the relevant contract or agreement.

4. Recognition for Revenue of construction contracts

(1) The results of construction contracts can be reliably estimated

Where the outcome of a construction contract can be estimated reliably on the balance sheet date, contract revenue and contract costs are recognised using the percentage of completion method. The percentage of completion method is a method of income and expenses recognition based on the percentage of completion of a contract. The percentage of completion of a contract is determined by the proportion of actual contract costs among the total estimated contract costs.

The results for fixed price contracts can be reliably estimated when:

①the total contract income can be reliably measured;

②it is likely that the economic benefits associated with the contracts will flow to the Company;

③the contract cost actually incurred could be distinguished and reliably measured;

④the percentage of completion of a contract and the costs still to be incurred to complete the contract can be reliably determined.

The results of cost-plus contracts can be reliably estimated based on:

①it is likely that the economic benefits associated with the contracts will flow to the Company.

②the contract cost actually incurred could be distinguished and reliably measured;

If the total estimated cost of a contract exceeds the total income of the contract, the loss of the contract will be estimated, recognised as asset impairment loss and recognised in profit or loss for the period. Provision for the estimated loss of the contract upon completion of the contract.

(2) The results of construction contracts cannot be reliably estimated

When the results of a construction contracts cannot be reliably estimated, then:

①if the contract cost is recoverable, revenue is recognised as the actual recoverable contract cost with the contract cost recognised as contract expense for the period in which it is incurred;

②if the contract cost is unrecoverable, it is recognised as contractual cost at occurrence and is not recognised as contract revenue of the projects.

(29) Government subsidies

Government subsidies are monetary or non-monetary assets that the Company receives from the government at no cost to the Company. There are two types of government subsidies: asset-related government subsidies and revenue-related government subsidies.

1. The basis for determining and accounting of asset-related government subsidies

Government subsidies obtained by the Company for the acquisition or other formation of long-lived assets are deemed to government subsidies relating to the assets.

Asset-related government subsidies are used to write down the book value of relevant assets or recognised as deferred income and is recoginised in profit or loss over the useful lives of related assets in reasonable and systematic methods; Government subsidies that are measured at nominal amounts are recorded directly in profit or loss for the period.

Where the relevant assets are sold, transferred, decommissioned or damaged prior to the end of their useful lives, the unallocated balance of the relevant deferred income shall be treated as profit or loss of the asset disposal for the current period.

2. The basis for determining and accounting of revenue-related government subsidies

Government subsidies obtained by the Company other than asset-related government subsidies is deemed to be related to revenue. Government subsidies related to revenue are treated as follows.

(1) Government subsidies to compensate the Company for related costs or losses in future periods are recognised as deferred income and recognised in profit or loss for the period in which they are recognised or offset against related costs.

(2) Government subsidies to compensate the Company for the related costs or losses incurred are recognised in profit or loss for the period directly or offset against related costs.

Government subsidies that include both asset-related and revenue-related components are accounted for separately; if it is difficult to distinguish between the two, they are classified as revenue-related government subsidies.

Government subsidies related to the day-to-day activities of the Company are included in other income or offset against related costs and expenses, based on the nature of the economic activity. Government subsidies that are not related to the Company's day-to-day activities are recognised as in non-operating income and expenses.

(30) Deferred tax assets and deferred income tax liabilities

For temporary differences between the book value of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognised as assets or liabilities and their tax base that can be determined according to tax laws, deferred income tax assets and liabilities are recognised using the balance sheet liability method.

All temporary differences are generally recognised for relevant deferred income tax. Deferred tax assets for deductible temporary differences are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. In addition, for temporary differences associated with the initial recognitionof goodwill and the initial recognition of assets or liabilities arising from transaction(not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, related deferred income tax assets or liabilities will not be recognised.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilized.

Deferred income tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, unless the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deductible temporary differences associated with related investments of subsidiaries, affiliated business and joint ventures, shall only be recognised for defferred tax assets if such differences are probably reversed in the foreseeable future, and it is probable that there will be taxable profits which can be utilize as deduction for temporary differences in the future. At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the related asset is realized or the liability is settled, in accordance with the provisions of the tax laws.

Current and deferred income tax expenses are recognised in profit or loss for the period, except when they arise from transactions or events that are directly recognised in other comprehensive income or in shareholders' equity, in which case they are recognised in other comprehensive income or in shareholders equity; and when they arise from business combinations, in which case they adjust the book value of goodwill.

At the balance sheet date, the book value of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred income tax assets to be utilised. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

When the Company has a legal right to settle on a net basis and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When there is a legal right to net-settle current tax assets and current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxing authority on the same taxable entity or on different taxable entities, the deferred tax assets and deferred tax liabilities are presented net of offsetting when, in each future period in which significant deferred tax assets and liabilities are reversed, the taxable entity involved intends to either settle current tax assets and liabilities on a net basis or acquire assets and settle liabilities simultaneously.

(31) Lease

1. Accounting Treatment of Operating Lease

(1) Rental paid for asset lease are apportioned to expense on a straight line basis over the entire term of the lease without deduction of the rental-free period and included in the current expenses. The paid initial directs expenses related to lease transaction is charged as the current expenses.

When the lessor undertakes the expenses related to the lease which the Company shall bear, the Company shall deduct the part of the expenses from the total amount of the rental, and the rental expenses shall be apportioned during the lease term and included in the current expenses.

(2) The leasing fee received from leasing out assets shall be amortised using straight line method in the entire term of the lease excluding the rental free period and is recognised as the lease income. Initial direct costs paid in connection with the lease transaction are included in the expense for the current period or, in the case of large amounts, are capitalised and amortized over this lease period on the same basis as recognition of lease revenue.

When the lease related costs that are attributable to the lessee are incurred, such costs shall be deducted from gross rental income and allocates the rental expense over the lease term based on the amount deducted.

2. Accounting Treatment of Finance Lease

(1) Assets leased-in under Finance Lease: At the beginning date of the lease period, the Company will recognise the lower of the fair value of leased asset of the beginning date of lease period and the present value of minimum lease payment as the recorded value of the leased asset, their difference is recorded as unrecognised financing charges.

Unrecognised finance charges are amortised in the period of the asset acquiring using the effective interest method and included in financial expenses. The initial direct charge is included in the value of the acquired asset.

(2) Assets leased-out under Finance Lease: The Company recognises the difference between the sum of the finance lease receivables and unguaranteed residual value, and the present value of the finance lease at the inception date of the lease as an unrealised finance revenue, and recognises lease income in each future period in which the lease payments are received. The initial direct costs incurred by the Company related to leasing transactions are included in the initial measurement of finance lease receivables, and reduced by the amount of revenue recognised over the lease term.

(32) Discontinued Operations

A discontinued operation is a component that satisfies one of the following conditions and that can be separately distinguished and that has been disposed of or classified as held for sale.

1. the component represents a separate principal business or a separate principal operating region.

2. The component is part of an associated plan that is intended to be disposed of with respect to a separate principal business or a separate principal operating region.

3. This component is a subsidiary acquired exclusively for resale.

See Note IV.(13) for the accounting treatment of assets held for sale.

(33) Changes in significant accounting policies and accounting estimates

1. Change in significant accounting policies

(1) On 30 April 2019, the Ministry of Finance (MOF) issued the "Notice on Revising the Format of Printed General Corporate Financial Statements for the Year 2019" (Cai Kuai [2019] No. 6), which applies to the 2019 interim financial statements, annual financial statements and statements for subsequent periods of non-financial corporations implementing Accounting Standards for Business Enterprises, and the "Ministry of Finance on Revising the Format of Printed General Corporate Financial Statements for the Year 2018" (Cai Kuai [2018] No. 15) issued on 15 June 2018 was repealed at the same time. Pursuant to the notice, the following amendments have been made to the financial statement format by the Company. On the balance sheet, split the line item "notes and accounts receivable" into "notess receivable" and "accounts receivable"; split the line item "notess payable" and the line item "accounts payable" is split into "notes payable" and "accounts payable"; a new line item "credit impairment loss" is added to reflect credit impairment loss the enterprise has suffered when accrued credit impairment for financial instrutments in accordance with the "Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments" (Cai Kuai [2017] No.7); the items "credit impairment losses" and "impairment losses on assets" have been move below "profit of fair value changes"; move "Asset impairment loss" was changed to "add: Loss on Asset Impairment (loss is denoted as "-")

The main items and amounts affected in the Notes to FY2018 Financial Statements are as follows:

Original Financial Statement items and amounts		New Financial Statement items and amounts	
Notes receivable and accounts receivable	2,603,420,954.19	Notes Receivable	706,000.00
		Accounts receivable	2,602,714,954.19
Notes payable and accounts payable	1,854,465,413.46	Notes payable	1,536,080,000.00
		Accounts Payable	318,385,413.46

2. Change in Significant Accounting Estimates

There was no change in the Company's major accounting estimates in this reporting period.

V. Taxation

(1) Main taxes and tax rates

1. The main taxes applicable to the Company in this year and their rates are as follows:

Taxes	Tax basis	Rate or levy rate
VAT	Output tax is calculated at the taxable sales revenue, and the VAT is levied after deducting the duductible input tax for the current period.	3%, 5%, 6%, 10%, 16% before 1 April 2019, 3%, 5%, 6%, 9%, 13% after 1 April 2019
Urban maintenance and construction tax	Value-added tax actual paid and consumption tax	7%、5%

Taxes	Tax basis	Rate or levy rate
Education surcharge	Value-added tax actual paid and consumption tax	3%
Local education surcharge	Value-added tax actual paid and consumption tax	2%、1.5%
Property tax	Property tax of owner-occupied property is based on 70% of the original value of the property.	1.2%
	Property tax on leased property is based on property rental income.	12%
Enterprise income tax	Income tax payable	15%、16.5%、20%、25%、46.6%

2. The details for taxpayers with the non-25% CIT rate are as follows.

Name of taxpayer	Income tax rate (%)
Wuxi Zhengxian Automatic Equipment Co., Ltd.	15.00
Weihai Jinfu Xinnuo New Material Technology Co., Ltd.[Note 1]	15.00
Hong Kong Heou Electronics Ltd.	16.50
ALL IN ASIAN HOLDING CO.,LIMITED	16.50
Kunshan MYZY Fixture Technology Co., Ltd.	15.00
Kunshan MYZY New Energy Technology Co., Ltd.	20.00
Kunshan Minglijia Metal Products Co., Ltd.	15.00
JINFU TECHNOLOGY LLC	46.60[Note 2]

Note 1: In March 2020, Weihai Jinfu Xinnuo Precision Plastic Co., Ltd. changed its name to Weihai Jinfu Xinnuo New Material Technology Co., Ltd.

Note 2: Depending on the type of corporation and the relevant rules of the place of incorporation, its shareholders are required to pay 39.60% of the corporation's net income as federal tax and at 7.00% as California state tax.

(2) Preferential Tax and Approvals

1. In accordance with "Notice of the Ministry of Finance and the State Administration of Taxation on Issues concerning the Treatment of Enterprise Income Tax on Special-Purpose Public Finance Funds" (No. 87 [2009] of the Ministry of Finance and No. 70 [2011] of the Ministry of Finance), fiscal funds received by the Company and its subsidiaries from the fiscal departments and other departments of the people's governments at or above the county level, which subject to the requirements of the Notice herein, are deemed as non-taxable in the current year and shall deducted from the gross income in calculating the taxable income tax.

Wuxi Zhengxian Automation equipment Co. Ltd., a subsidiary of Jinfu Technology Co. Ltd., is a domestic production-oriented enterprise registered in Wuxi. It was recognised as a High-tech enterprise on 5 August 2013 (Certificate No.: GR201332000083), and has adopted the High-tech Technology Enterprise Qualification Re-assessment in 2019 (Certificate No. GR201932007663) with a three-year validation. The company suject to a reduced CIT tax rate of 15% for 2019, 2020 and 2021 in accordance with the relevant provisions of the "Enterprise Income Tax Law of the People's Republic of China" and the “Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China”.

3. Weihai Jinfu Xinnuo New Materials Technology Co. Ltd., a subsidiary of Jinfu Technology, is a domestic production-oriented enterprise registered in Weihai. It was recognised as a High-tech enterprise in 2019 (Certificate No. GR201937000515), which is valid for three years. The company subject to a reduced CIT rate of 15% for the years 2019, 2020 and 2021 in accordance with the relevant provisions of the "Enterprise Income Tax Law of the People's Republic of China" and the "Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China".

4、Kunshan MYZY Fixture Technology Co., Ltd, a subsidiary of Jinfu Technology, was recognised as a High-tech enterprise on 6 August 2012 (Certificate No.: GR201232000471). It has adopted the High-tech Technology Enterprise Qualification Re-assessment in 2015 and 2018 (Certificate no. GF201532000223, GR201832003198), which is valid for three years. The company subject to a reduced CIT rate of 15% for the years 2018, 2019 and 2020 in accordance with the relevant provisions of the "Enterprise Income Tax Law of the People's Republic of China" and the "Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China".

5. Kunshan Minglijia Metal Products Co., Ltd., a subsidiary of Jinfu Technology, was recognised as a High-tech enterprise in 2018 (Certificate No. GR201832005831), which is valid for three years. The company subject to a reduced CIT rate of 15% for the years 2018, 2019 and 2020 in accordance with the relevant provisions of the "Enterprise Income Tax Law of the People's Republic of China" and the "Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China".

6. According to "Notice of the Ministry of Finance and the State Administration of Taxation on Further Expanding the Scope of Preferential Enterprise Income Tax Policies for Small Low-Profit Enterprises"(No.77 [2018] of the Ministry of Finance), Kunshan Maizhi New Energy Technology Co. Ltd., a subsidiary of Jinfu Technology, is a small low-profit enterprise with annual taxable income less than 1 million yuan (including 1 million yuan), and its taxable income is counted as 50% of its income and subject to an CIT rate of 20%.

VI. Notes to main items of the consolidated financial statements

(1) Cash at bank and on hand

1. Classification

Item	2019-12-31	2018-12-31
Cash in stock	97,654.69	20,491.26
Bank deposit	398,270,089.22	360,741,821.00
Other cash at bank and on hand	3,828,432,458.06	1,953,263,451.52
Total	4,226,800,201.97	2,314,025,763.78
Where: Total deposit outside Mainland China	5,495,930.10	

2. The details of restrictions in other monetary capitals are as follows.

Item	Categories	2019-12-31
Other cash at bank and on hand	Security deposit	486,659,610.13
Other cash at bank and on hand	Pledged certificates of deposit	3,332,106,693.34
Total		3,818,766,303.47

3. Details of monetary capitals deposited overseas as of 31 December 2019

Subsidiary	Place of deposit	Currency	Original currency	Exchange rate	Amount of RMB
Hong Kong Heou Electronics Ltd.	Hong Kong	USD	274,228.93	6.9762	1,913,075.86

Hong Kong Heou Electronics Ltd.	Hong Kong	RMB			195,356.34
ALL IN ASIA HOLDING CO.,LIMITED	Hong Kong	USD	478,712.24	6.9762	3,339,592.33
JINFU TECHNOLOGY LLC	United States of America	USD	6,867.00	6.9762	47,905.57
Total					5,495,930.10

(2) Financial assets measured at fair value through changes in profit or loss for the period.

Item	2019-12-31	2018-12-31
Wealth menagement products	11,526,501.37	
Total	11,526,501.37	

(3) Notes Receivable

1. Notes receivable by type

Item	2019-12-31	2018-12-31
Bank's acceptance notes	52,852,211.36	706,000.00
Commercial acceptance notes	8,995,860.51	
Total	61,848,071.87	706,000.00

2. Disclosures by provisions for bad debts method

Categories	2019-12-31				
	Book balance		Bad debt provision		Book value
	Amount	Percentage (%)	Amount	Percentage (%)	
Bad debt provision on individual basis					
Bad debt provision on group basis	9,086,727.79	100.00	90,867.28	1.00	8,995,860.51
Total	9,086,727.79	100.00	90,867.28		8,995,860.51

In the Group, commercial acceptance notes with provisions for bad debts are made ageing analysis.

Account age	2019-12-31		
	Notes Receivable	Bad debt provision	Provision ratio (%)
Within 1 year (inclusive)	9,086,727.79	90,867.28	1.00
Total	9,086,727.79	90,867.28	

Notes: At the end of the reporting period, subject to the continuously calculating age of accounts receivable corresponding to the commercial acceptances, Jinfu Technology provided for bad debts at commercial acceptances by applying the same bad debt provision ratio as accounts receivable.

3. Provisions for bad debts are made, recovered or reversed in the period

Categories	2018-12-31	Changes of amount in the period				2019-12-31
		Provision	Recovery or reversal	Resell or write-off	Other changes	
Bad debt provision on individual basis						
Bad debt provision on group basis		90,867.28				90,867.28
Total		90,867.28				90,867.28

(4) Accounts Receivable

1. Acounts receivable disclosed by category

Categories	2019-12-31					2018-12-31				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Percentage (%)	Amount	Provision ratio (%)		Amount	Percentage (%)	Amount	Provision ratio (%)	
Accounts receivable for which bad debt provision is made on individual basis	31,646,616.67	0.80	31,263,463.41	98.79	383,153.26					
Accounts receivable for which bad debt provision is made by groups of credit risk characteristics	3,932,122,319.53	99.20	16,509,547.84		3,915,612,771.69	2,603,171,992.36	100.00	457,038.17		2,602,714,954.19
Group 1: Other ageing group	20,752,754.45	0.52	936,292.53	4.51	19,816,461.92	53,413,074.57	2.05	457,038.17	0.86	52,956,036.40
Group 2: Risk-free group	3,448,948,294.64	87.01			3,448,948,294.64	2,549,758,917.79	97.95			2,549,758,917.79
Group 3: Jinfu Technology Ageing Group	462,421,270.44	11.67	15,573,255.31	3.37	446,848,015.13					
Total	3,963,768,936.20	100.00	47,773,011.25		3,915,995,924.95	2,603,171,992.36	100.00	457,038.17		2,602,714,954.19

2. The provision for impairment on individual basis

Name of Related Entity	Book balance	Bad debt provision	Provision ratio (%)	Reasons
Henan Sanhe New Energy Technology Co., Ltd.	202,740.00	202,740.00	100.00	Enforcement has been applied for and it is unlikely to recover
Jiangsu Qise New Energy Technology Co., Ltd.	11,016,800.00	11,016,800.00	100.00	The debtor is financial unsound and it is unlikely to recover
Changzhou Benzhen Photovoltaic Technology Co., Ltd.	1,295,782.65	1,295,782.65	100.00	Enforcement has been applied for and it is unlikely to recover
Hengshui Yingli New Energy Co., Ltd.	3,317,480.00	3,317,480.00	100.00	The debtor is financial unsound and it is unlikely to recover
Shenzhen Fuxiang Dingxin Technology Co., Ltd.	1,294,382.01	1,294,382.01	100.00	Enforcement has been applied for and there is no property available for enforcement
Guizhou Ganjin Technology Co., Ltd.	519,152.00	519,152.00	100.00	Enforcement has been applied for and it is unlikely to recover
Jiangxi Gaofei Digital Technology Co., Ltd.	7,410,528.02	7,410,528.02	100.00	The debtor is financial unsound and it is unlikely to recover
Shenzhen Chaodacheng Environmental Protection Technology Co., Ltd.	2,787,597.84	2,787,597.84	100.00	Indictments have been filed, while the debtors are financial unsound and it is unlikely to recover
Fangye Hongfei Optoelectronics (Shenzhen) Co., Ltd.	634,781.75	534,128.49	84.14	Enforcement has been applied for and full repossession is expected to be unlikely
Zhengzhou Shengxin Electronic Technology Co., Ltd.	1,412,825.94	1,412,825.94	100.00	The debtor is financial unsound and it is unlikely to recover
Yangguang Pushi New Energy (Kunshan) Co., Ltd.	379,798.00	97,298.00	25.62	Quality disputes and it is unlikely to recover
Jiangsu Hongtian Electric Appliances Co., Ltd.	890,000.00	890,000.00	100.00	Enforcement has been applied for and it is unlikely to recover
Hanlin Electronics (Yantai) Co., Ltd.	484,748.46	484,748.46	100.00	The debtor is financial unsound and it is unlikely to recover
Total	31,646,616.67	31,263,463.41		

3. In Group 1, accounts receivable for bad debt provision based on other ageing analysis method

Account age	2019-12-31		
	Accounts receivable	Bad debt provision	Provision ratio (%)
Within 1 year (inclusive)	11,159,867.47		0.00
1-2 years (inclusive)	459,923.60	22,996.19	5.00
2-3 years (inclusive)	9,132,963.38	913,296.34	10.00
Total	20,752,754.45	936,292.53	

4. In Group 3, accounts receivable for bad debt provision based on Jinfu Technology Aging Analysis Method

Account age	2019-12-31		
	Accounts receivable	Bad debt provision	Provision ratio (%)
Within 1 year (inclusive)	417,537,646.15	4,175,376.46	1.00
1-2 years (inclusive)	30,760,038.61	1,538,001.94	5.00
2-3 years (inclusive)	6,091,012.53	1,827,303.76	30.00
3-4 years (inclusive)	7,722,567.58	7,722,567.58	100.00
4-5 years (inclusive)	255,639.92	255,639.92	100.00
More than 5 years	54,365.65	54,365.65	100.00
Total	462,421,270.44	15,573,255.31	

5. Actual write-off of receivables for the period

Item	Write-offs for the period
Actual write-off of accounts receivable	13,611,537.62

Where: Write-offs of significant accounts receivable:

Entity name	Nature of accounts receivable	Write-offs	Write-off procedures performed	whether arising from related party trasaction
Taizhou Detong Electric Co. Ltd. [Note 1]	Payment	3,268,187.58	Approved by the technical management of Jinfu Technology	No
Laiyuan County Ganyu New Energy Technology Co. Ltd [Note 2]	Payment	5,515,785.00	Approved by the technical management of Jinfu Technology	No
Baoding Fuhai Science and Technology Co. Ltd.[Note 2]	Payment	805,195.57	Approved by the technical management of Jinfu Technology	No
Xiamen Proton Electronic Materials Co. Ltd.[Note 3]	Payment	1,751,498.01	Approved by the technical management of Jinfu Technology	No
DSLCD (South Korea) Co. Ltd. [Note 4]	Payment	1,241,947.14	Approved by the technical management of Jinfu Technology	No
Total		12,582,613.30		

Note 1: Pursuant to the Creditor's Rights Assignment Agreement between Kunshan Maizhi Automation Technology Co. Ltd("Maizhi Automation"), a subsidiary of Jinfu Technology, and Sunshine Universal New Energy (Kunshan) Co. Ltd. ("Sunshine Universal "), Maizhi Automation transferred the total amount of the creditors' rights in Taizhou Detong Electric Co. Ltd.("Taizhou Detong"), total amount of RMB 16,340,937.91 as of 30 September 2019, to Sunshine Universa at a consideration of RMB13,072,750.33.

Note 2: Pursuant to the relevant cooperation agreement between Baoding Sanhe Energy Technology Co. Ltd. ("Baoding Sanhe"), a subsidiary of Jinfu Technology, and Liu Yanzhong, a natural person, Baoding Sanhe shall receive payments RMB17,557,400.00 from Laiyuan County Ganyu New Energy Technology Co. Ltd."("Ganyu Technology") and RMB805,195.57 from Baoding Fuhai Technology Co. Ltd.("Fuhai Technology"). These payments shall be paid by the guarantor Liu Yanzhong, at a contractual discount of RMB5,515,785.5.

Note 3: According to the Civil Judgment (2019) Min 02 Min Final No. 4169, Jinfu Technology lost the case of a contractual dispute with Xiamen Proton Electronic Materials Co. Ltd. so that the payment will not be recovered.

Note 4: The age of this accounts receivable is more than five-year and the accounts have been fully provisioned for impairment. There has no long-term transactions with the counterparty and there has be approval from management of Jinfu Technology that such reveivable will not be recovered.

6.Main accounts reveivable at the end of the Period Grouped by the party in Default

Entity name	Balance on 31 December 2019	Account age	Percentage to total receivables as at 2019-12-31 (%)
Management Committee of Taixing Economic Development Zone, Jiangsu Province	3,036,391,099.80	Within one year/1 to 4 years	76.60
Taixing Zhiguang Talent Technology Plaza Management Co., Ltd.	327,319,835.90	Within one year/1 to 4 years	8.26
Total of the top five accounts receivable of Fujin Technology	195,433,751.39	Less than 1 year	4.93
Total	3,559,144,687.09		89.79

Notes: Jinfu Technology calculated the total amount of the top five accounts receivables collected by defaulting party at the end of the year as RMB195,433,751.39, representing 4.93% of the total year-end balance of accounts receivable, and the total amount withdrawn of provision for bad debt is RMB1,954,337.51.

(5) Prepayments

1. Prepayments by aging

Account age	2019-12-31			
	Book balance	Provision for impairment	Book value	Percentage (%)
Within 1 year (inclusive)	1,199,552,290.72		1,199,552,290.72	90.38
1-2 years (inclusive)	141,641,266.25	14,345,208.12	127,296,058.13	9.59
2-3 years (inclusive)	246,972.57		246,972.57	0.02
More than 3 years	94,845.66		94,845.66	0.01

Total	1,341,535,375.20	14,345,208.12	1,327,190,167.08	100.00

(Continued)

Account age	2018-12-31			
	Book balance	Provision for impairment	Book value	Percentage (%)
Within 1 year (inclusive)	983,508,571.95		983,508,571.95	96.04
1-2 years (inclusive)	40,524,296.00		40,524,296.00	3.96
2-3 years (inclusive)				
More than 3 years				
Total	1,024,032,867.95		1,024,032,867.95	100.00

2. Provisions for prepayments decreases are as follows:

Related company	Book balance	Provision for impairment	Provision ratio (%)
Henan Zhaohong Optoelectronic Technology Company Limited [Note 1]	22,762,816.87	9,549,527.61	41.95
Wuxi Hotsun Technology Company Limited [Note 1]	5,305,583.89	2,694,540.31	50.79
Shenzhen Huatang Times Technology Company Limited [Note 2]	1,334,000.00	1,334,000.00	100
Hong Ying Industrial (Shanghai) Company Limited [Note 3]	767,140.20	767,140.20	100
Total	30,169,540.96	14,345,208.12	

Note 1: For prepayments for irrevocable contracts, a provision for impairment of prepayments is made based on the difference between the carrying amount of the prepayments and their recoverable amount, determined based on the expected receipt of inventory quantity and the market price, or as agreed in a supplemental agreement, and the company has filed for a lawsuit.

Note 2: The Company's order quatity did not reach the purchase quantity stipulated in the contract, the amount is not expected to be recovered.

Note 3: The supplier is late in delivering, the company has filed a lawsuit, but the debtor is in a poor financial position and the amount is not expected to be recovered.

3. Major prepayments at the end of the period, grouped by prepayment recipients

Entity name	Contents	Balance on 31 December 2019	Percentage of the total closing balance of prepayments (%)
Taixing Taiqiao New Material Technology Co., Ltd.	Prepayments	406,199,122.69	30.28
Taixing Taixi Industrial Co., Ltd.	Prepayments	403,378,185.45	30.07
Taixing City Land Development Reserve Centre	Prepayment for land	307,046,158.48	22.89
Taixing Haikun Trade Co., Ltd.	Prepayments	50,000,000.00	3.73
Total of the top five prepayment recipients of Jinfu Technology	Prepayments	60,917,398.39	4.54

Entity name	Contents	Balance on 31 December 2019	Percentage of the total closing balance of prepayments (%)
Total		1,227,540,865.01	91.51

(6) Other Receivables

1. By Type

Item	2019-12-31	2018-12-31
Interest receivable	15,902,794.98	
Dividend receivable		
Other receivables	3,884,331,842.92	847,614,438.06
Total	3,900,234,637.90	847,614,438.06

2. Interest receivable

Name of Project	2019-12-31	2018-12-31
Interest on term deposits	1,777,661.11	
Other interest receivable [Note]	14,125,133.87	
Total	15,902,794.98	

Notes: Other interest receivable represents the interest due from Jinfu Technology to Nantong Qiyun Technology Company Limited and Zhang Hechun, a natural person, on the loan.

3. Other receivables

(1) Other receivables disclosed by categories

Categories	2019-12-31					2018-12-31				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Percentage (%)	Amount	Provision ratio (%)		Amount	Percentage (%)	Amount	Provision ratio (%)	
Other receivables for which the individual amounts are significant and for which an individual bad debt provision has been made										
Other receivables for which bad debt provision is made by combination of credit risk characteristics	3,955,959,596.53	100.00	71,627,753.61		3,884,331,842.92	847,614,438.06	100.00			847,614,438.06
Group 1: Other ageing group	343,561,561.22	8.68	737,300.34	0.21	342,824,260.88	163,257,635.84	19.26			163,257,635.84
Group 2: Risk-free group	3,392,056,849.24	85.75			3,392,056,849.24	684,356,802.22	80.74			684,356,802.22
Group 3: Jinfu Technology Group	220,341,186.07	5.57	70,890,453.27	32.17	149,450,732.80					
Other receivables that are not individually significant but for which individual bad debt provision is made										
Total	3,955,959,596.53	100.00	71,627,753.61		3,884,331,842.92	847,614,438.06	100.00			847,614,438.06

(2) Group 3: Provision for bad debts in the Jinfu Technology Group

Bad debt provision	Stage one	Stage two	Stage three	Total
	Expected credit losses over the next 12 months	Expected credit losses over the entire duration (no credit impairment)	Expected credit losses over the entire duration (credit impairments incurred)	
Balance on 30 June 2019	19,922,788.28		36,799,067.50	56,721,855.78
--Moving on to Stage two				
--Moving on to Stage three	-77,000.00		77,000.00	
--Back to Stage two				
--Back to Stage one				
Provision for the period	12,588,365.95		3,850,914.26	16,439,280.21
Recoveries or reversals during the period				
Charge-offs for the period				
Write-offs for the period	2,124,387.47			2,124,387.47
Other changes	-146,295.25			-146,295.25
Balance on 31 December 2019	30,163,471.51	0.00	40,726,981.76	70,890,453.27

(1) Changes in the carrying amount of the provision for losses for the period that are significant

Name of Related Entity	Balance on 31 December 2019	Bad debt provision	Provision ratio (%)	Reasons
Ningxia Xiaoniu Automatic Equipment Co., Ltd.	2,511,000.00	2,511,000.00	100	Non-revocable contract and the amount is not expected to be recovered
Suzhou Shengcheng Photovoltaic Equipment Co., Ltd.	1,800,000.00	1,800,000.00	100	Non-revocable contract and the amount is not expected to be recovered
Shenzhen Huatang Times Technology Co., Ltd.	200,000.00	200,000.00	100	The deposit is non-refundable if the order quantity does not reach the contracted purchase quantity.
Zhang Jufang	1,500,000.00	1,500,000.00	100	Debtors are financially unsound and the amount is not expected to be recovered
Total	6,011,000.00	6,011,000.00		

② Other receivables actually written off during the period:

Item	Write-offs
② Other receivables actually written off	2,124,387.47

Of these, significant write-offs of receivables were:

Entity name	Nature of accounts receivable	Write-offs	Write-off procedures performed	whether arising from related party trasaction
Tianjin Qinglian Energy Engineering Co. [Note]	Current accounts	2,105,910.00	Management approval	No

Notes: The Company entered into an equity transfer agreement with Beijing Haoxiang New Energy Investment Management Company ("Beijing Haoxiang"), whereby Beijing Haoxiang transferred its 100% equity interest in Tianjin Qinglian Energy Engineering Company Limited ("Tianjin Qinglian") to the company for RMB 0. The assets of Tianjin Qinglian are the Rifeng Photovoltaic Project, which has a total valuation of RMB 15.12 million. The Company transferred the accounts receivable and prepayments arising from the PV project totaling RMB 17,225,910.00 into current account payable to Tianjin Qinglian, the difference between the current accounts and the valuation of the project is not expected to be recovered by the management.

(3) Group 1, other receivables for which provision for bad debts is made under the ageing analysis method

Account age	2019-12-31		
	Other receivables	Bad debt provision	Provision ratio (%)
Within 1 year (inclusive)	328,815,554.49		0.00
1-2 years (inclusive)	14,746,006.73	737,300.34	5.00
Total	343,561,561.22	737,300.34	

(Continued)

Account age	2018-12-31		
	Other receivables	Bad debt provision	Provision ratio (%)
Within 1 year (inclusive)	163,257,635.84		0.00
1-2 years (inclusive)			
Total	163,257,635.84		0.00

(3) Other receivables by nature of amount

Nature of amount	Book balance as at 31 December 2019	Book balance on 31 December 2018
Provisional borrowings	696,614,420.97	683,114,420.97
Security deposits	132,929,300.00	55,862,622.69
Provision, current accounts	2,685,372,289.35	100,315,736.96
Export tax refund	8,335,553.89	8,321,657.44
Long-term assets and equity transfer receivables	64,668,007.30	
Prepayments for equity transfer	235,000,000.00	
Other	133,040,025.02	

Nature of amount	Book balance as at 31 December 2019	Book balance on 31 December 2018
Total	3,955,959,596.53	847,614,438.06

(4) Other receivables in the top five balances at the end of the period grouped by the party in default

Entity name	Nature	Balance on 31 December 2019	Account age	Percentage of the total balance of other receivables as on 31 December 2019 (%)
Management Committee of Chengdong Industrial Park, Taixing Economic Development Zone, Jiangsu Province	Current accounts	1,261,075,079.48	Less than 1 year	31.88
Shanghai Jincheng Equity Investment Fund Management Co., Ltd.	Current accounts	667,000,156.41	Less than 1 year	16.86
Taixing Zhigu Technology Incubator Centre	Provisional borrowings	363,851,809.81	3-4 years	9.20
Taixing Dongcheng Water Treatment Engineering Co., Ltd.	Provisional borrowings	319,262,611.16	Less than 1 year /3-4 years	8.07
Shanghai Ruiwei Investment Management Co., Ltd.	Prepayments for equity transfer	215,000,000.00	Less than 1 year	5.43
Total		2,826,189,656.86		71.44

(7) Inventories

1. Inventory classification

Item	2019-12-31			2018-12-31		
	Book balance	Provisions for write-down	Book value	Book balance	Provisions for write-down	Book value
Raw materials	121,719,519.64	36,580,311.20	85,139,208.44	8,787,606.21		8,787,606.21
Products in process	15,826,227.06	1,013,253.45	14,812,973.61	1,471,012.29		1,471,012.29
Products in stock	109,514,326.80	29,865,735.29	79,648,591.51	19,163,336.05		19,163,336.05
Development costs	655,036,621.64		655,036,621.64	618,285,950.89		618,285,950.89

Item	2019-12-31			2018-12-31		
	Book balance	Provisions for write-down	Book value	Book balance	Provisions for write-down	Book value
Engineering Construction	4,204,701,162.04		4,204,701,162.04	3,072,460,646.97		3,072,460,646.97
Expendable biological assets				60,274,350.60		60,274,350.60
Total	5,106,797,857.18	67,459,299.94	5,039,338,557.24	3,780,442,903.01		3,780,442,903.01

(8) Non-current assets due within one year

Item	2019-12-31	2018-12-31
Long-term receivables due within one year	92,328,626.31	

Notes: In June 2018, the Jinfu Technology subsidiary paid the current accounts of RMB 99,000,000.00 to Fu Guoping, the former de facto controller of the Company, RMB 3,140,723.27 of interest income receivable in the previous period. Fu Guoping returned RMB 26,094,294.69 in current accounts and interest, and RMB 5,096,339.11 in interest receivable of interest income for the period. A provision for bad debts of RMB 4,057,138.38 was made by reclassifying the receivable current accounts RMB 81,142,767.69 at the end of the period from Fu Guoping to non-current assets due within one year.

At the end of the period, the amount due from Changsung Sheet Company Limited, a subsidiary of Jinfu Technology, for the transfer of equipment was US$ 2,300,000 (RMB 16,045,260.00). The amount was reclassified to non-current assets due within one year and a provision for bad debts of RMB 802,263.00 was made.

Jinfu Technology and its subsidiary Guangzhou Enpite Electronics Company Limited prepaid Shenzhen Xinshihong Machinery Company Limited ("Xinshihong") with a payment of RMB 42.50 million. After Xinshihong could not supply the products, the two parties signed a repayment plan. Xinshihong failed to repay the loan according to the plan, the company sued Xinshihong and investigated the company's situation on site, management estimated that it would not be able to repay, and a full provision for impairment was made in the current period.

(9) Other current assets

Item	2019-12-31	2018-12-31
Prepaid and pending tax deductions	95,468,378.85	103,506,471.87
Bank wealth management products		100,000.00
Bond liquidation funds		56,455,254.84
Deferred expenses	35,700.00	
Total	95,504,078.85	160,061,726.71

(10) Available-for-sale financial assets

1. Available-for-sale financial assets

Item	2019-12-31			2018-12-31		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Available-for-sale debt instruments:						
Available-for-sale equity instruments:	608,681,646.41	84,798,918.43	523,882,727.98	547,250,018.21		547,250,018.21
Measured at fair value						
Measured at cost	608,681,646.41	84,798,918.43	523,882,727.98	547,250,018.21		547,250,018.21
Other						
Total	608,681,646.41	84,798,918.43	523,882,727.98	547,250,018.21		547,250,018.21

2. Available-for-sale financial assets measured at cost at the end of the period

Investee	Book balance				Provision for impairment				Ratio of ownership in the investee (%)	Cash dividends this year
	2018-12-31	Increase during the period	Decrease during the period	2019-12-31	2018-12-31	Increase during the period	Decrease during the period	2019-12-31		
Jiangsu Bolite Laser Forming Technology Co., Ltd.	19,200,000.00			19,200,000.00					100.00	
Wuhan Langken Energy Saving Technology Co., Ltd.	24,991,788.91			24,991,788.91		24,991,788.91		24,991,788.91	51.00	
Taixing Keneng Emerging Industries Investment Fund (Limited Partnership)	100,000,000.00	200,000,000.00		300,000,000.00					33.00	
Taixing Zhicheng Industrial Investment Fund (Limited Partnership)	353,000,000.00		353,000,000.00						99.00	
Jiangsu Ditaike Precision Instruments Co., Ltd.	3,787,815.63			3,787,815.63					10.00	
Jiangsu Nuoyituo Environmental Engineering Co., Ltd.	2,727,057.24		2,727,057.24						58.00	
Beijing Zengrenmeigui Education Technology Co., Ltd.	13,555.434.43			13,555,434.43					6.00	
Taixing Zhongqian Nanometer New Energy Technology Co., Ltd.	29,987,922.00			29,987,922.00					15.00	

Investee	Book balance				Provision for impairment				Ratio of ownership in the investee (%)	Cash dividends this year
	2018-12-31	Increase during the period	Decrease during the period	2019-12-31	2018-12-31	Increase during the period	Decrease during the period	2019-12-31		
Taixing Shenmao Industrial Investment Fund Partnership		50,000,000.00		50,000,000.00					33.33	
Luoen Automotive Technology (Taixing) Co., Ltd.		6,000,000.00		6,000,000.00					49.00	
DS Asia Holdings Company Limited		5,707,129.52		5,707,129.52		5,707,129.52		5,707,129.52	0.80	
CLEARink Display LLC		43,053,696.33		43,053,696.33					9.44	
Beijing Zhihui Chengxun Information Technology Co., Ltd.		2,000,000.00		2,000,000.00					10.00	
Suzhou Youke Bone Conduction Technology Co., Ltd.		10,000,000.00		10,000,000.00		4,100,000.00		4,100,000.00	16.67	
Beijing Suanyun Lianke Technology Co., Ltd.		50,000,000.00		50,000,000.00		50,000,000.00		50,000,000.00	15.00	
Shanghai Meiyijian Health Management Co., Ltd.		11,551,705.59		11,551,705.59					12.62	
Jiangsu Hengding Construction Development Co., Ltd.		28,000,000.00		28,000,000.00					30.00	

Investee	Book balance				Provision for impairment				Ratio of ownership in the investee (%)	Cash dividends this year
	2018-12-31	Increase during the period	Decrease during the period	2019-12-31	2018-12-31	Increase during the period	Decrease during the period	2019-12-31		
Jiaxing Shubo Investment Partnership (Limited Partnership)		10,846,154.00		10,846,154.00					19.97	
Total	547,250,018.21	417,158,685.44	355,727,057.24	608,681,646.41		84,798,918.43		84,798,918.43		

(11) Long-term receivables

Item	2019-12-31		
	Book balance	Bad debt provision	Book value
Long-term borrowings	19,000,000.00		19,000,000.00
Total	19,000,000.00		19,000,000.00

(Continued)

Item	2018-12-31		
	Book balance	Bad debt provision	Book value
Long-term borrowings			
Total			

(12) Long-term equity investments

1. Long-term equity investments by category

Item	2018-12-31	Increase during the period	Decrease during the period	2019-12-31
Investments in affiliates and joint ventures	637,169,953.17	145,616,431.56		782,786,384.73
Less: Provision for impairment of long-term equity investments		2,671,859.54		2,671,859.54
Total	637,169,953.17	142,944,572.02		780,114,525.19

2. Breakdown of long-term equity investments

Investee	Balance on 31 December 2018	Changes in the period								Balance on 31 December 2019	Closing balance of provision for impairment
		Additional investments	Investment reduction	Investment gains or losses recognised under the equity method	Adjustment to other comprehensive income	Other changes in equity	Declaration of cash dividends or profits	Provision for impairment	Other		
Jiangsu Xintai Energy Saving Technology Co., Ltd.	6,208,950.88			914,537.99						7,123,488.87	
Hehai Water Supply and Drainage Equipment Co., Ltd.	16,367,533.12			1,829,801.65						18,197,334.77	
Taixing Zhiyuan Capital Leasing Co., Ltd.	501,226,593.20			9,032,871.47						510,259,464.67	
CIIC (Taixing) Power Technology Co., Ltd.	50,195,710.36			-18,765,569.80						31,430,140.56	

Investee	Balance on 31 December 2018	Changes in the period								Balance on 31 December 2019	Closing balance of provision for impairment
		Additional investments	Investment reduction	Investment gains or losses recognised under the equity method	Adjustment to other comprehensive income	Other changes in equity	Declaration of cash dividends or profits	Provision for impairment	Other		
Taizhou Naxin New Energy Technology Co., Ltd.	40,544,530.30			-9,965,827.76						30,578,702.54	
Taixing Yizhi Technology Services Co., Ltd.	11,309,238.88			-2,466,257.73						8,842,981.15	
Shanghai Yinhongtai Industrial Co., Ltd.	521,538.59			-521,538.59							
Nanligong Taixing Intelligent Manufacturing Institute Co., Ltd.	2,266,246.78	2,500,000.00		1,922,333.96						6,688,580.74	

Investee	Balance on 31 December 2018	Changes in the period								Balance on 31 December 2019	Closing balance of provision for impairment
		Additional investments	Investment reduction	Investment gains or losses recognised under the equity method	Adjustment to other comprehensive income	Other changes in equity	Declaration of cash dividends or profits	Provision for impairment	Other		
Jiangsu Ruisheng Tujing Laser Technology Co., Ltd.	3,015,765.64			-410,627.05						2,605,138.59	
Jiangsu Guotai Environmental Technology Research Institute Co., Ltd.	4,309,208.39	2,100,000.00		-74,998.61						6,334,209.78	
Jiangsu Zhonggong High-End Equipment Research Institute Co., Ltd.	1,204,637.03	4,800,000.00		305,709.95						6,310,346.98	

Investee	Balance on 31 December 2018	Changes in the period								Balance on 31 December 2019	Closing balance of provision for impairment
		Additional investments	Investment reduction	Investment gains or losses recognised under the equity method	Adjustment to other comprehensive income	Other changes in equity	Declaration of cash dividends or profits	Provision for impairment	Other		
Kunshan Lekai Jinfu Optoelectronics Technology Co., Ltd.				297,297.75					32,134,844.24	32,432,141.99	
Suzhou Geruifeng Nanotech Co., Ltd.				-407,060.26					10,100,813.96	9,693,753.70	
Zhongke Tianji Data Technology Co., Ltd.				413,398.13					108,730,753.34	109,144,151.47	20,135,167.02
Hanlin Electronics Yantai Co., Ltd.				-183,487.29				2,671,859.54	2,855,346.83		2,671,859.54

Investee	Balance on 31 December 2018	Changes in the period								Balance on 31 December 2019	Closing balance of provision for impairment
		Additional investments	Investment reduction	Investment gains or losses recognised under the equity method	Adjustment to other comprehensive income	Other changes in equity	Declaration of cash dividends or profits	Provision for impairment	Other		
Shenzhen Huizhun Technology Co., Ltd.		474,089.38								**474,089.38**	
Total	637,169,953.17	9,874,089.38		-18,079,416.19				2,671,859.54	153,821,758.37	780,114,525.19	22,807,026.56

(13) Investment Properties

1. Investment properties using the cost-measurement model

Item	Buildings and constructions	Land use rights	Total
I. Original book value			
1. Balance on 31 December 2018	1,527,813,492.74	180,871,376.28	1,708,684,869.02
2. Amount increased during the period			
(1) Outsourcing			
3. Decrease during the period			
4. Balance on 31 December 2019	1,527,813,492.74	180,871,376.28	1,708,684,869.02
II. Cumulative depreciation and accumulated amortisation			
1. Balance on 31 December 2018	73,207,729.86	2,520,986.26	75,728,716.12
2. Amount increased during the period	38,195,337.32	2,520,986.26	40,716,323.58
(1) Accrual or amortisation	38,195,337.32	2,520,986.26	40,716,323.58
3. Decrease during the period			
4. Balance on 31 December 2019	111,403,067.18	5,041,972.52	116,445,039.70
III. Provision for impairment			
1. Balance on 31 December 2018			
2. Amount increased during the period			
3. Decrease during the period			
4. Balance on 31 December 2019			
IV. Book value			
1. Book balance on 31 December 2019	1,416,410,425.56	175,829,403.76	1,592,239,829.32
2. Book balance on 31 December 2018	1,454,605,762.88	178,350,390.02	1,632,956,152.90

(14) Fixed assets

1. General

(1) By Type

Item	2019-12-31	2018-12-31
Fixed assets	576,970,127.52	227,795,236.44
Disposal of fixed assets		
Total	576,970,127.52	227,795,236.44

2. Fixed assets

(1) Fixed assets

Item	Buildings and constructions	Machinery and equipment	Electronic equipment	Transportation vehicles	Office equipment and others	Repairs and maintenance of fixed assets	Total
I. Original book value:							
1. Balance as at 2018-12-31	229,610,520.08	15,026,797.65	14,865,319.23	2,414,437.30	13,621,684.78		275,538,759.04
2. Increase during the period	471,306,684.31	546,166,884.01	57,074,347.96	15,455,493.51	8,711,008.92	79,205,453.42	1,177,919,872.13
(1) Purchase		5,540,022.17	1,615,804.16	409,080.05	195,669.29		7,760,575.67
(2) Transfer from under-construction projects							
(3) Increase in business combinations	465,766,662.14	546,166,884.01	55,458,543.80	15,046,413.46	8,515,339.63	79,205,453.42	1,170,159,296.46
3. Decrease during the period		193,039,995.92	1,232,307.87	1,574,828.99	243,222.43		196,090,355.21
(1) Decrease in business combinations		182,284,194.53	1,198,281.12	225,870.00	211,648.76		183,919,994.41
(2) Disposal or scrapping		10,755,801.39	34,026.75	1,348,958.99	31,573.67		12,170,360.80
4. Balance on 31 December 2019	695,377,182.22	373,693,707.91	70,707,359.32	16,295,101.82	22,089,471.27	79,205,453.42	1,257,368,275.96
II. Cumulative depreciation							
1. Balance as at 2018-12-31	15,573,542.46	4,122,638.72	13,898,093.26	1,820,610.36	12,328,637.80		47,743,522.60
2. Increase during the period	186,065,245.70	181,477,540.83	48,795,558.79	11,163,466.73	7,669,577.53	74,164,343.39	509,335,732.97
(1) Accruals	17,480,332.33	11,738,068.23	941,374.80	605,450.95	803,266.95	126,215.68	31,694,708.94
(2) Increase in business combinations	168,584,913.37	169,739,472.60	47,854,183.99	10,558,015.78	6,866,310.58	74,038,127.71	477,641,024.03
3. Decrease during the period		19,905,362.08	966,854.62	211,391.90	158,044.87		21,241,653.47
(1) Decrease in business combinations		14,370,947.97	925,654.06	116,253.82	148,475.71		15,561,331.56
(2) Disposal or scrapping		5,534,414.11	41,200.56	95,138.08	9,569.16		5,680,321.91

Item	Buildings and constructions	Machinery and equipment	Electronic equipment	Transportation vehicles	Office equipment and others	Repairs and maintenance of fixed assets	Total
4. Balance on 31 December 2019	201,638,788.16	165,694,817.47	61,726,797.43	12,772,685.19	19,840,170.46	74,164,343.39	535,837,602.10
III. Provision for impairment							
1. Balance as at 2018-12-31							
2. Increase during the period	16,791,626.55	226,560,517.35	2,458,800.12	135,693.76	546,124.08	2,915,116.61	249,407,878.47
(1) Accruals		1,603,047.36	41,698.11	19,869.41	33,721.91		1,698,336.79
(2) Increase in business combinations	16,791,626.55	224,957,469.99	2,417,102.01	115,824.35	512,402.17	2,915,116.61	247,709,541.68
3. Decrease during the period		104,846,902.13		430.00			104,847,332.13
(1) Disposal or scrapping		5,279,646.76		430.00			5,280,076.76
(2) Decrease in business combinations		99,567,255.37					99,567,255.37
4. Balance on 31 December 2019	16,791,626.55	121,713,615.22	2,458,800.12	135,263.76	546,124.08	2,915,116.61	144,560,546.34
IV. Book value							
1. Book balance on 31 December 2019	476,946,767.51	86,285,275.22	6,521,761.77	3,387,152.87	1,703,176.73	2,125,993.42	576,970,127.52
2. Book balance on 31 December 2018	214,036,977.62	10,904,158.93	967,225.97	593,826.94	1,293,046.98		227,795,236.44

(2) Fixed assets leased out under operating leases by Jinfu Technology at the end of the period

Item	Book balance on 31 December 2019
Buildings and constructions	41,092,155.36
Machinery and equipment	5,036,034.41
Total	46,128,189.77

(15) Under-construction projects

1. General

(1) By Type

Item	2019-12-31	2018-12-31
Construction in progress	950,233,527.48	947,134,926.93
Project materials		
Total	950,233,527.48	947,134,926.93

2. Under-construction projects

(1) Details of under-construction projects

Item	2019-12-31			2018-12-31		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Plants and buildings	950,233,527.48		950,233,527.48	947,134,926.93		947,134,926.93
Total	950,233,527.48		950,233,527.48	947,134,926.93		947,134,926.93

(16) Intangible assets

1. Intangible assets

Item	Land use rights	Patent rights	Business software	Patented technology and trademark usage rights	Total
I. Original book value					
1. Balance as at 2018-12-31	1,811,386,273.74	561,000.00			1,811,947,273.74
2. Increase during the period	64,619,459.09		10,596,586.51	1,709,747.02	76,925,792.62
(1) Purchase			8,908.01		8,908.01
(2) In-house R&D					
(3) Increase in business combinations	64,619,459.09		10,587,678.50	1,709,747.02	76,916,884.61

Item	Land use rights	Patent rights	Business software	Patented technology and trademark usage rights	Total
3. Decrease during the period	247,293,149.66				247,293,149.66
(1) Decrease in business combinations					
(2) Disposal reduction	247,293,149.66				247,293,149.66
4. Balance on 31 December 2019	1,628,712,583.17	561,000.00	10,596,586.51	1,709,747.02	1,641,579,916.70
II. Accumulated amortization					
1. Balance as at 2018-12-31	200,368,587.49	70,125.00			200,438,712.49
2. Increase during the period	49,076,847.90	56,100.00	8,498,764.28	894,469.88	58,526,182.06
(1) Accruals	39,680,407.01	56,100.00	57,087.05	192,073.96	39,985,668.02
(2) Increase in business combinations	9,396,440.89		8,441,677.23	702,395.92	18,540,514.04
3. Decrease during the period	29,221,832.65				29,221,832.65
(1) Decrease in business combinations					
(2) Disposal reduction	29,221,832.65				29,221,832.65
4. Balance on 31 December 2019	220,223,602.74	126,225.00	8,498,764.28	894,469.88	229,743,061.90
III. Provision for impairment					
1. Balance as at 2018-12-31					
2. Increase during the period					
(1) Accruals					

Item	Land use rights	Patent rights	Business software	Patented technology and trademark usage rights	Total
3. Decrease during the period					
(1) Disposal					
4. Balance on 31 December 2019					
IV. Book value					
1. Book balance on 31 December 2019	1,408,488,980.43	434,775.00	2,097,822.23	815,277.14	1,411,836,854.80
2. Book balance on 31 December 2018	1,611,017,686.25	490,875.00			1,611,508,561.25

(17) Development expenditures

Item	2018-12-31	Amount increased during the period		Decrease during the period		2019-12-31
		Internal development expenses	Other	Recognised as intangible assets	Transfer to profit or loss for the period	
Development of new thin-film optoelectronic display devices		3,087,465.48			3,087,465.48	
Research and development of backlight module projects		733,194.95			733,194.95	
Development of precision die-cutting equipment		672,548.59			672,548.59	
Research and development of test fixtures and automation		17,915,710.54			17,915,710.54	
Research and development of IDC and smart home related business		392,311.39			392,311.39	
Research and development of metal parts related business		1,995,601.93			1,995,601.93	
Research and development of photovoltaic products		416,166.94			416,166.94	
Total		25,212,999.82			25,212,999.82	

(18) Goodwill

Name of the investee or the event that created goodwill	2018-12-31	Increase during the period		Decrease during the period		2019-12-31
		Business combinations result in (or accrual)	Increase on consolidation of Jinfu Technology	Disposal	Other decreases	
1. Total original value of goodwill	801,771.01	619,591,740.20	1,258,620,663.58	3,505,151.32		1,875,509,023.47
Taixing City Chengdong Landscape Engineering Co., Ltd.	271,927.82					271,927.82
Taizhou Zhongtian Environment Technology Co., Ltd.	529,843.19					529,843.19
Suzhou Jinfu Technology Co., Ltd.		619,591,740.20				619,591,740.20
Kunshan MYZY Fixture Technology Co., Ltd.			1,055,337,444.93			1,055,337,444.93
Aoying Optoelectronics (Suzhou) Co., Ltd.			159,622,047.98			159,622,047.98
Nantong Qiyun Technology Co., Ltd.			3,505,151.32	3,505,151.32		
Far East Asia Data Technology (Beijing) Ltd.			2,734,445.02			2,734,445.02
Wuxi Huante Solar Technology Co., Ltd.			399,228.38			399,228.38
Kunshan Minglijia Metal Products Co., Ltd.			37,022,345.95			37,022,345.95
2. Total impairment of goodwill	529,843.19	8,680,999.20	911,516,703.18	3,505,151.32		917,222,394.25
Taixing City Chengdong Landscape Engineering Co., Ltd.						
Taizhou Zhongtian Environment Technology Co., Ltd.	529,843.19					529,843.19
Suzhou Jinfu Technology Co., Ltd.		8,680,999.20				8,680,999.20
Kunshan Maizhi Zhidian Technology Co., Ltd.			804,789,444.93			804,789,444.93
Aoying Optoelectronics (Suzhou) Co., Ltd.			100,088,433.53			100,088,433.53
Nantong Qiyun Technology Co., Ltd.			3,505,151.32	3,505,151.32		

Name of the investee or the event that created goodwill	2018-12-31	Increase during the period		Decrease during the period		2019-12-31
		Business combinations result in (or accrual)	Increase on consolidation of Jinfu Technology	Disposal	Other decreases	
Far East Asia Data Technology (Beijing) Ltd.			2,734,445.02			2,734,445.02
Wuxi Huante Solar Technology Co., Ltd.			399,228.38			399,228.38
Kunshan Minglijia Metal Products Co., Ltd.						
3. Total net goodwill	271,927.82	610,910,741.00	347,103,960.40			958,286,629.22
Taixing City Chengdong Landscape Engineering Co., Ltd.	271,927.82					271,927.82
Taizhou Zhongtian Environment Technology Co., Ltd.						
Suzhou Jinfu Technology Co., Ltd.		610,910,741.00				610,910,741.00
Kunshan MYZY Fixture Technology Co., Ltd.			250,548,000.00			250,548,000.00
Aoying Optoelectronics (Suzhou) Co., Ltd.			59,533,614.45			59,533,614.45
Nantong Qiyun Technology Co., Ltd.						
Far East Asia Data Technology (Beijing) Ltd.						
Wuxi Huante Solar Technology Co., Ltd.						
Kunshan Minglijia Metal Products Co., Ltd.			37,022,345.95			37,022,345.95

The principal goodwill impairment tests are as follows:

(1) Explanation of impairment of goodwill on Jinfu Technology: The Company's holding subsidiary, Taixing Zhicheng Industrial Investment Fund (Limited Partnership), holds 209,963,460 shares of Jinfu Technology, representing 19.19% of the total share capital, and the total cost of the investment is RMB 852,734,108.40. On 28 June 2019, Zhicheng obtained control of Jinfu Technology and regarded 30 June 2019 as the date of consolidation, then the net assets of Jinfu Technology as at 30 June 2019 were RMB 1,214,915,936.42, the share of net assets attributable to 19.19% shareholding in Jinfu Technology was RMB 233,142,368.20 and the consolidated goodwill was RMB 619, 591,740.20. The closing price of Jinfu Technology on 31 December 2019 was RMB 4.02 per share and the corresponding market value of the shares held was RMB 844,053,109.20. The difference between the cost of investment and market value of RMB 8,680,999.20 represents an impairment of goodwill charged in the current period.

(2) Impairment of major goodwill of Jinfu Techonology

At the end of the period, Jin Fu Technology conducted impairment tests on each asset group related to goodwill by firstly including such goodwill and goodwill attributable to minority shareholder's interest, adjusting the book value of each asset group and then comparing the adjusted book value of each asset group to its recoverable amount to determine whether the asset groups, including the goodwill, had been impaired.

Unit: RMB 10,000

Item	Kunshan MYZY Fixture Technology Co., Ltd.	Aoying Optoelectronics (Suzhou) Co., Ltd.	Kunshan Minglijia Metal Products Co., Ltd.
Original value balance of goodwill ①	105,533.74	15,962.20	3,702.23
Balance of provision for impairment of goodwill ②	80,478.94	10,008.84	-
Book value of goodwill③=①-②	25,054.80	5,953.36	3,702.23
Unrecognised value of goodwill attributable to minority shareholder's interest ④	8,351.60	132.68	1,993.51
Value of goodwill including unrecognised one attributable to minority interests⑤=③+④	33,406.40	6,086.04	5,695.74
Book value of the asset group ⑥	8,944.41	12,452.27	1,126.51
Fair value of the group of assets containing goodwill as a whole⑦=⑤+⑥	42,350.81	18,538.31	6,822.25
Present value of the asset group's expected future cash flows (recoverable amount) ⑧	42,595.00	18,582.42	9,801.65
Impairment losses on goodwill ((⑦-⑧)*Percentage of equity corresponding to goodwill))			

1) information about the asset group or combination of asset groups in which the main goodwill is located

① Kunshan Myzy Fixture Technology Co., Ltd. ("Myzy Technology"); the valuation scope of the Myzy Technology is its long term assets (including fixed assets, intangible assets and other assets) related to the consolidated goodwill.

② Aoying Optoelectronics (Suzhou) Company Limited ("Aoying Suzhou") The valuation scope of the Aoying Suzhou is its long term assets (including fixed assets, intangible assets and other assets) related to the consolidated goodwill.

③ Kunshan Ming Li Jia Metal Products Co., Ltd. ("Minglijia"): The valuation scope of Minglijia is its long term assets (including fixed assets) related to the consolidated goodwill.

The present value of the estimated future cash flows (recoverable amount) of the above asset group were obtained using the asset valuation reports No. 10195 (2020), No. 10194 (2020) and No. 10196 (2020) of Wan Long (Shanghai) Assets Valuation Company Limited.

2) Goodwill impairment testing process and key parameters

I Key assumptions and rationale

① There will be no significant changes in the macroeconomic situation of the country and the relevant existing laws, regulations and policies; and that there will be no significant changes in the political, economic and social environment of the regions in which the parties to the transaction are located; and that there will be no significant changes in relevant interest rates, exchange rates, taxation benchmarks and tax rates, policy fees, etc.

② It is assumed that the asset group will be able to continue as a going concern given the actual conditions of the assets at the valuation date.

③ It is assumed that the scope and manner of operation of the business will be consistent with the current direction based on the existing management style and level of management; and that the business has the financing capacity to match the future scale of operation.

④ It is assumed that the contracts, orders and framework agreements signed by the business will be successfully executed during the forecast period and that there will be no changes to the contract or terminations of the contract.

⑤ It is assumed that the development trend of the industry to which the business belongs is stable, there will be no significant change in the accounting policy adopted by the business and the tax incentives enjoyed by the business in the future.

II Key parameters

Unit	Forecast period	Growth rate for the forecast period	Steady growth rate	Profitability	Discount rate (weighted average cost of capital, WACC)
Kunshan MYZY Fixture Technology Co., Ltd.	Years 2020 - 2024 (followed by a stable period)	[Note 1]	Unchanged	Based on revenues, costs, expenses, etc. for the forecast period	12.51%
Aoying Optoelectronics (Suzhou) Co., Ltd.	Years 2020 - 2024 (followed by a stable period)	[Note 2]	Unchanged	Based on revenues, costs, expenses, etc. for the forecast period	14.48%
Kunshan Minglijia Metal Products Co., Ltd.	Years 2020 - 2024 (followed by a stable period)	[Note 3]	Unchanged	Based on revenues, costs, expenses, etc. for the forecast period	12.85%

Note 1: Based on the actual operation of various businesses of Kunshan Myzy Fixture Technology Co., Ltd. the composition of revenue, costs and expenses, future development trends and the latest financial budgets or forecasts approved by the management, and taking into account the market environment of the business group, the competition and development trends faced in the future, the forecast of the operating revenue and its related costs, expenses and profits for the next five years as at the valuation date is made. The main products of Kunshan Myzy Fixture Technology Co., Ltd. are testing fixtures and automation equipment, with an estimated sales growth rate of 30.45%, 6.69%, 6.55%, 6.42% and 1.63%, from 2020 to 2024, respectively.

Note 2: Based on the actual operation of various businesses of Aoying Optoelectronics (Suzhou) Company Limited, the composition of revenue, costs and expenses, future development trends and the latest financial budget or forecast data approved by the management, and taking into account the market environment of the business group, the competition and development trends faced in the future, the forecast of the operating revenue and its related costs, expenses and profits for the next five years as at the valuation date is made. The main products of Aoying Optoelectronics (Suzhou) Company Limited are LCD modules and MMT testing business with an estimated sales growth rate of -17.72%, 13.25%, 2.42%, 2.43% and 2.44% from 2020 to 2024, respectively.

Note 3: Based on the actual operating conditions of various businesses of Kunshan Ming Li Jia Metal Products Co., Ltd, the composition of revenue, costs and expenses, future development trends and the latest financial budgets or forecasts approved by the management, and taking into account the market environment of the business group, the competition and development trends faced in the future, the forecast of the operating revenue and its related costs, expenses and profits for the next five years as at the valuation date is made. The main products of Kunshan Ming Li Jia Metal Products Co., Ltd. are cellular phone spare parts, mould and fixture and other spare parts with an estimated sales growth rates of 11.33%, 1.50%, 1.50%, 1.50% and 1.50%, from 2020 to 2024, respectively.

(19) Long-term deferred expenses

Item	2018-12-31	Amount increased during the period	Amortisation for the period	Other decreases	2019-12-31
Renovation costs		9,274,257.34	2,885,015.78		6,389,241.56
Total		9,274,257.34	2,885,015.78		6,389,241.56

Notes: Of the increase for the period, 7,526,684.51 relate to the consolidation of Jinfu Technology on 30 June 2019.

(20) Deferred income tax assets/deferred income tax liabilities

1. Deferred income tax assets without offset

	2019-12-31		2018-12-31	
Item	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deferred income	2,307,170.28	446,075.54		
Estimated liabilities	3,507,144.56	876,786.14		
Accrued expenses	1,754,193.26	430,548.32		
Non-current assets due within one year	34,859,401.38	8,714,850.35		
Provision for asset impairment	418,937,190.07	103,339,635.03	457,038.17	114,259.55
Unrecouped losses	484,334,407.00	120,182,941.19	34,140,500.56	8.535,125.14
Total	945,699,506.55	233,990,836.57	34,597,538.73	8,649,384.69

2. Deferred income tax liabilities without offset

Item	2019-12-31		2018-12-31	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Asset valuation appreciation of combination of businesses not under common control	24,047,053.82	6,011,763.46		
Gains or losses from changes in fair value of Held-for-trading financial assets	26,501.37	3,975.21		
Total	24,073,555.19	6,015,738.67		

Notes: The company's domestic subsidiaries Guangzhou Enpite Electronics Company Limited, Shanghai Jinwei Communication Technology Company Limited, Suzhou Fuink Display Technology Company Limited, Chuzhou Jinfu Electronics Company Limited, Ao Ying Optoelectronics (Wuhan) Company Limited, Beijing Jinfu Cloud Intelligent Technology Company Limited, Far East Asiadat Technology (Beijing) Company Limited, Anhui Zhonglujing New Energy Technology Company Limited, Anhui Dongfang Yiyang New Energy Company Limited, Baoding Sanhe Energy Company Limited, Qingdao Jinfu Optoelectronics Company Limited as well as offshore subsidiaries, Hong Kong Heo Electronic Company Limited and Jinfu Technology LLC, are subject to uncertainty as to whether they will generate sufficient future taxable income. Therefore, no deductible temporary differences and deductible losses have been recognised against their corresponding deferred income tax assets.

(21) Other non-current assets

Item	2019-12-31	2018-12-31
Entrusted loans	24,800,000.00	24,800,000.00
Patents held for sale without counterparties	1,071,000.00	1,071,000.00
Photovoltaic power stations	44,822,868.50	
Total	70,693,868.50	25,871,000.00

Notes: The company signed an agreement with Tianjin Kahuer Electrical Technology Co,. Ltd. to convert the amount of RMB 13,520,000.00 receivable from Tianjin Kahuer Electrical Technology Co,. Ltd. into RMB 13,520,000.00 receivable from Danyang Sanhe Photovoltaic Power Generation Co,. Ltd. At the same time, 100% equity of Danyang Sanhe was transferred to the company's subsidiary Aoying Optoelectronics (Suzhou) Company Limited at a price of RMB 1.00. The asset of Danyang Sanhe is a photovoltaic power station.

According to the agreement, the company converted the amount of RMB 12,782,242.10 receivable from Tianjin Kahuer Electrical Technology Co,. Ltd. and RMB 3,400,625.40 receivable from Tianjin Yipuneng Electric Co., Ltd. into RMB 16,182,867.50 receivable from Aiken New Energy (Tianjin) Power Co., Ltd. At the same time, Beijing Honghe Investment Co., Ltd. transferred 100% of the equity of Aiken (Tianjin) to Aoying Optoelectronics (Suzhou) for RMB 0, and the assets of Aiken New Energy (Tianjin) is a photovoltaic power station.

The Company converted accounts receivable and prepayments arising from the PV project totaling RMB 17,225,910.00 into current accounts to Tianjin Qinglian Energy Engineering Company Limited ("Tianjin Qinglian"). Beijing Haoxiang New Energy Investment Management Company ("Beijing Haoxiang") entered into an equity transfer agreement whereby Beijing Haoxiang transferred 100% of its equity interest in Tianjin Qinglian to the Company for RMB 0. The assets of Tianjin Qinglian are the Rifeng Photovoltaic Project, which has a total valuation of RMB 15.12 million.

(22) Short-term borrowings

1. Classification of short-term borrowings

Item	2019-12-31	2018-12-31
Pledged loan	1,357,156,958.00	33,500,000.00
Mortgage loan	751,136,478.00	405,000,000.00
Guaranteed loan	2,397,723,271.43	1,085,000,000.00
Credit loan	210,760,000.00	5,000,000.00
Total	4,716,776,707.43	1,528,500,000.00

(23) Notes payable

Category	2019-12-31	2018-12-31
Commercial acceptance bill	18,500,000.00	105,000,000.00
Bank's acceptance bill	2,020,350,000.00	1,431,080,000.00
Total	2,038,850,000.00	1,536,080,000.00

(24) Accounts payable

(1) Accounts payable breakdown

Item	2019-12-31	2018-12-31
Acquisition of goods and services	547,091,574.14	318,385,413.46
Total	547,091,574.14	318,385,413.46

(2) Major accounts payable on the balance at the end of the period

Name of debtors	Relations with the Company	Balance on 31 December 2019	Account age	Proportion of total accounts payable (%)
Taixing Xinxing Construction Engineering Co., Ltd.	Unrelated parties	74,249,270.67	Within one year/ 1 to 2 years	13.57
Yuenfeng Construction Co., Ltd.	Unrelated parties	57,143,365.00	1 to 2 years	10.44
Jiangsu Minsheng Construction Co., Ltd.	Unrelated parties	56,567,920.46	Within one year/ 1 to 2 years	10.34
Jiangsu Runyang Traffic Engineering Group Co., Ltd.	Unrelated parties	5,736,181.70	Less than 1 year	1.05
Taixing Shilidian Construction and Installation Engineering Co., Ltd.	Unrelated parties	4,839,446.99	Less than 1 year	0.88
Total		198,536,184.82		36.28

Notes: The total accounts payable of Jinfu Technology amounted to RMB 286,222,852.83, all of which were aged under 1 year.

(25) Advance receipts

1. Advance receipts breakdown

Item	2019-12-31	2018-12-31
Advance payment for goods	31,337,859.42	107,525,011.97
Total	31,337,859.42	107,525,011.97

(26) Taxes payable

Item	2019-12-31	2018-12-31
VAT	242,709,355.62	188,246,141.17
Business tax	3,060,456.60	3,060,456.60
Enterprise income tax	42,465,525.71	41,037,309.53
Personal income tax	443,689.13	23,760.04
Urban maintenance and construction tax	13,289,906.73	9,690,170.34
Education surcharge	13,809,575.32	10,341,291.48
Property tax	6,741,123.66	5,333,602.76
Urban land use tax	5,110,443.51	4,882,265.99
Other	47,883.61	18,904.40
Total	327,677,959.89	262,633,902.31

(27) Other payables

1. General

(1) By Type

Item	2019-12-31	2018-12-31
Interest payable	19,539,078.01	37,898,904.11
Dividend payable		
Other payables	1,577,255,029.70	590,894,623.36
Total	1,596,794,107.71	628,793,527.47

(2) Other notes:

2. Interest payable

(1) By Type

Item	2019-12-31	2018-12-31
Corporate bond interest	16,258,904.11	37,898,904.11
Interest payable on short-term borrowings	3,280,173.90	
Total	19,539,078.01	37,898,904.11

3. Other payables

(1) Other payables by nature of amount

Item	2019-12-31	2018-12-31
Other temporary receipts, current accounts and payables	1,577,255,029.70	590,894,623.36
Total	1,577,255,029.70	590,894,623.36

(2) The top five other payables at the end of the period

Name of debtors	Nature	Balance on 31 December 2019	Account age	Proportion of total other payables (%)
Jiangsu Yuanqing Environmental Protection Technology Co., Ltd.	Current accounts	698,877,281.65	Less than 1 year	44.31
Taixing Zhongxing State-owned Assets Operation and Investment Co., Ltd.	Current accounts	200,000,000.00	Less than 1 year	12.68
Fu Guoping	Equity transfer payments	158,278,736.40	Less than 1 year	10.04
Taixing Guozhi Environmental Protection Technology Co., Ltd.	Current accounts	135,443,600.00	Less than 1 year	8.59
Taixing Zhiyuan Capital Leasing Co., Ltd.	Current accounts	123,682,356.54	Less than 1 year	7.84
Total		1,316,281,974.59		83.46

(28) Non-current liabilities due within one year

Item	2019-12-31	2018-12-31
Long-term borrowings due within one year	458,700,000.00	325,350,000.00
Bonds payables due within one year		564,932,707.64
Long-term payables due within one year	283,111,268.78	237,312,064.57
Total	741,811,268.78	1,127,594,772.21

(29) Other current liabilities

(1) Other current liabilities

Item	2019-12-31	2018-12-31
Provision for Guaranteed Indemnity		5,632,500.00
Provision for outstanding liabilities		1,867,971.67
Yingzi Targeted Financing	64,030,000.00	
Total	64,030,000.00	7,500,471.67

(30) Long-term borrowings

1. Classification of long-term borrowings

Item	2019-12-31	2018-12-31
Pledged loan	677,030,000.00	185,000,000.00
Mortgage loan	2,344,900,000.00	713,300,000.00
Guaranteed loan	250,100,000.00	49,300,000.00
Credit loan	184,000,000.00	134,000,000.00
Subtotal	3,456,030,000.00	1,081,600,000.00
Less: Non-current liabilities due within one year (Note VI. 28)	458,700,000.00	325,350,000.00
Total	2,997,330,000.00	756,250,000.00

(31) Bonds payable

1. Bonds payable

Item	2019-12-31	2018-12-31
Corporate bonds	1,222,689,763.65	1,997,171,016.51
Total	1,222,689,763.65	1,997,171,016.51

2. Changes in bonds payables (excluding other financial instruments classified as financial liabilities such as preference shares and perpetual bonds)

Name of bonds	Face value	Issue date	Bond period	Amount issued	2018-12-31	Current issue	Interests provided in face value	Amortization of premium and discount	Repayment this year	2019-12-31
16 Zhiguang 01 (125669)	900,000,000.00	2016/1/12	3 years	900,000,000.00	79,991,652.12			8,347.88	80,000,000.00	
16 Zhiguang 02 (135221)	300,000,000.00	2016/2/3	3 years	300,000,000.00	184,941,055.52			58,944.48	185,000,000.00	
16 Zhiguang 03 (145005)	2,000,000,000.00	2016/10/13	5 years	2,000,000,000.00	1,997,171,016.51	260,000,000.00		2,332,538.89	1,900,000,000.00	359,503,555.40
16 Sutaixing Zhiguang ZR001	500,000,000.00	2016/12/15	3 years	500,000,000.00	300,000,000.00				300,000,000.00	
19 Zhiguang 01 (shl62118)	667,000,000.00	2019/9/23	5 years	667,000,000.00		667,000,000.00		-3,813,791.75		663,186,208.25
19 Sutaixing Zhiguang ZR001	200,000,000.00	2019/11/19	3 years	200,000,000.00		200,000,000.00				200,000,000.00
Less: Part of the year-end balance due within one year					564,932,707.64					
Total					1,997,171,016.51	1,127,000,000.00		-1,413,960.50	2,465,000,000.00	1,222,689,763.65

Notes: 1. 16 Zhiguang 03 (145005) was implemented as 3+1+1 with RMB 1.9 billion prepaid in October 2019 and a further RMB 260 million of the bonds that had been prepaid were sold in November.

(32) Long-term payables

1. General

(1) By Type

Item	2019-12-31	2018-12-31
Long-term payables	533,700,320.76	607,654,357.07
Total	533,700,320.76	607,654,357.07

2. Long-term payables

(1) long-term payables by nature of amount

Item	2019-12-31	2018-12-31
Book value of finance leasing payables	816,811,589.54	844,966,421.64
Less: Due within one year	283,111,268.78	237,312,064.57
Total	533,700,320.76	607,654,357.07

(33) Estimated liabilities

Item	2019-12-31	2018-12-31	Reasons of formation
Loss-making contracts	1,674,193.26		[Note 1]
Pending litigation	2,628,800.00		[Note 2]
Total	4,302,993.26		

Note 1: Aoying (Suzhou) Co,. Ltd., a subsidiary of Jinfu Technology, was engaged in the LCD module business. In order to expand its scale, it developed some domestic customers, but the performance was not good. Aoying (Suzhou) is now phasing out this part of its business and the corresponding loss from the signed purchase contracts.

Note 2: Kunshan Myzy Fixture Technology Co., Ltd., a subsidiary of Jinfu Technology, is involved in a dispute with a customer over the quality of supply. The customer has filed a civil lawsuit and the Company has estimated the amount of loss from the pending litigation based on the best estimate of the expenditure required to satisfy the relevant existing obligation. Anhui Dongfang Yiyang New Energy Company Limited, a subsidiary of Jinfu Technology, has failed to fullfill its obligation to invest in the project as agreed in the contract and the other party has applied for arbitration. The Company has estimated the amount of loss from the pending litigation based on the best estimate of the expenditure required to satisfy the relevant existing obligations.

(34) Deferred income

Item	2018-12-31	Increase during the period	Decrease during the period	2019-12-31
Government subsidies		4,292,762.78	2,985,592.50	1,307,170.28
Other		1,000,000.00		1,000,000.00
Total		5,292,762.78	2,985,592.50	2,307,170.28

Of these item, those involving government subsidies.

Items of liabilities	2018-12-31	Increase during the period [Note 1]	Amount included in non-operating income for the period	Amount included in other income for the period	Amount of cost charges written down during the period	Other changes	2019-12-31	Related to assets/gains
Land support payments [Note 2]		1,322,762.78		15,592.50			1,307,170.28	Assets-related
Grants for quality and efficiency improvement projects [Note 3]		2,970,000.00		110,000.00		-2,860,000.00		Assets-related

Note 1: The increase in the current period represents the increase in the consolidation of Jinfu Technology.

Note 1: According to "Weihai High-tech Economic Development Zone Financial Expectation Guide [2012] No. 104", the land support payment in government subsidies represents the land support payment of RMB 1,559,249.00 received by Weihai Jinfu Xinnuo New Material Technology Co., Ltd, a subsidiary of Jinfu Technology, from the Management Committee of Weihai High-tech Economic Development Zone, which equally transfers to profit or loss for the period over 50 years.

Note 3: In accordance with the "Notice on Organizing and Declaring 2017 Quality and Efficiency Policy (Service Industry) Support Projects" (Nantong Development and Reform Commission Service (2018) No. 116)", Nantong Qiyun Technology Company Limited, a subsidiary of Jinfu Technology, received a grant of RMB 3,300,000.00 for quality and efficiency improvement projects, which equally transfers to the profit and loss of the period over 10 years. Other changes during the period are due to the disposal of subsidiaries.

(35) Other non-current liabilities

1. Breakdown of other non-current liabilities

Item	2019-12-31	2018-12-31
Targeted Financing Scheme	1,627,699,271.98	548,572,071.98
Yinchuan Property Rights Trading Centre (Limited) Zhiguang Anying No. 1	13,850,000.00	3,850,000.00
Total	1,641,549,271.98	552,422,071.98

(36) Paid-up capital

1. Changes in paid-up capital

Item	2017-12-31		Increase during the period	Decrease during the period	2018-12-31	
	Amount	Percentage (%)			Amount	Percentage (%)
Jiangsu Province Taixingshang New Technology Industry Development Zone Management Committee	448,180,000.00	100.00			448,180,000.00	100.00

(Continued)

Item	2018-12-31		Increase during the period	Decrease during the period	2019-12-31	
	Amount	Percentage (%)			Amount	Percentage (%)
Management Committee of Taixing Economic Development Zone, Jiangsu Province	448,180,000.00	100.00	551,820,000.00	1,000,000,000.00		
Taixing Zhongxin Investment Group Co., Ltd.			1,000,000,000.00		1,000,000,000.00	100.00

(37) Capital reserves

Item	2017-12-31	Increase during the period	Decrease during the period	2018-12-31
Other capital reserve	3,714,399,913.19		120,000,000.00	3,594,399,913.19
Total	3,714,399,913.19		120,000,000.00	3,594,399,913.19

(Continued)

Item	2018-12-31	Increase during the period	Decrease during the period	2019-12-31
Other capital reserve	3,594,399,913.19	407,876,424.00	306,403.54	4,001,969,933.65
Total	3,594,399,913.19	407,876,424.00	306,403.54	4,001,969,933.65

Note 1: In accordance with “The Notice on Clarifying the Purpose of Approriation for Zhiguang Trading Company Limited” issued by the Administrative Committee of Jiangsu Province Taixing High-tech Industrial Development Zone, it was agreed to allocate RMB 407,876,424.00 into capital reserves.

Note 2: The decrease during the period represents the change in the capital reserves fund of the holding company Jinfu Technology in proportion to its shareholding.

(38) Other comprehensive income

Item	2018-12-31	Amount incurred during the period						2019-12-31
		Amount incurred before income tax during the period	Less: Amount transferred to profit or loss for the period but previously included in other comprehensive income	Less: Amount transferred to retained earnings for the period but previously included in other comprehensive income	Less: Income tax expense	Attributable to the parent company after tax	Attributable to minority shareholders after tax	
I. Other comprehensive income that will not be reclassified to profit or loss		-205,996.89			-51,499.22	-5,576.25	-148,921.42	-5,576.25
Where: Remeasurement of changes in defined benefit plans								
Other comprehensive income that will not be reclassified to profit or loss under the equity method								
Other equity instrument investments - Changes in fair value		-205,996.89			-51,499.22	-5,576.25	-148,921.42	-5,576.25
Changes in the fair value of the business's own credit risk								
II. Other comprehensive income that will be reclassified to profit or loss		-3,790,534.22	450,507.45			-776,428.92	-3,464,612.75	-776,428.92
Where: Other comprehensive income that may be reclassified to profit or loss under the equity method								

Change in fair value of other debt investments								
Amount reclassified from financial assets to other comprehensive income								
Provision for credit impairment of other debt investments								
Cash flow hedge reserve								
Exchange differences from retranslation of financial statements		-3,790,534.22	450,507.45			-776,428.92	-3,464,612.75	-776,428.92
Total other comprehensive income		-3,996,531.11	450,507.45		-51,499.22	-782,005.17	-3,613,534.17	-782,005.17

(39) Surplus reserves

1. Breakdown of Surplus reserves

Item	2017-12-31	Increase during the period	Decrease during the period	2018-12-31
Statutory surplus reserve	244,401,034.01	28,567,266.49		272,968,300.50
Total	244,401,034.01	28,567,266.49		272,968,300-50

(Continued)

Item	2018-12-31	Increase during the period	Decrease during the period	2019-12-31
Statutory surplus reserve	272,968,300.50	30,818,566.98		303,786,867.48
Total	272,968,300-50	30,818,566.98		303,786,867.48

(40) Retained profits

Item	Year 2019	Year 2018
Retained profits at the end of the previous period before adjustment	2,628,444,123.54	2,291,994,118.49
Total retained profits at the beginning of the adjustment period (increase +, decrease -)		
Retained profits at the beginning of the period after adjustment	2,628,444,123.54	2,291,994,118.49
Plus: Owners' net profit attributable to parent for the period	316,101,061.62	340,571,652.15
Less: Withdrawal of Statutory surplus reserve	30,818,566.98	28,567,266.49
Reduction in scope of combination	369,862.56	-24,445,619.39
Retained earnings at the end of the year	2,913,356,755.62	2,628,444,123.54

(41) Operating income/operating cost

1. Operating income and operating cost

Item	Year 2019		Year 2018	
	Operating revenue	Operating Costs	Operating revenue	Operating Costs
Main businesses	6,062,929,389.44	5,507,048,975.40	5,442,721,756.00	5,023,340,852.60
Other businesses	72,109,220.47	65,206,832.39	1,214,484.76	1,038,232.79
Total	6,135,038,609.91	5,572,255,807.79	5,443,936,240.76	5,024,379,085.39

2. Types of income and costs

Item	Year 2019		Year 2018	
	Revenue	Cost	Income	Cost
Landscaping works	96,262,197.47	64,174,798.31	347,326,767.05	231,551,178.03
Ancillary facilities and road works in the zone	395,952,799.94	282,823,428.53	148,637,264.09	106,169,474.35

Item	Year 2019		Year 2018	
	Revenue	Cost	Income	Cost
Earthmoving works	887,762,242.03	644,958,744.31	839,280,000.00	610,000,000.00
Zhongtian Environmental Products	29,354,241.28	28,866,538.77	45,184,251.05	45,835,420.07
Trade	3,906,281,548.59	3,887,544,112.80	3,996,937,362.06	3,988,914,796.21
Rent	62,750,813.69	40,716,323.58	61,620,168.40	40,716,323.58
Guarantee fees	5,551,548.61	1,507,987.73	3,735,943.35	153,660.36
Sales materials, accessories	4,617,246.72	4,111,718.95	1,209,284.76	1,038,232.79
Jinfu Technology	746,458,081.58	617,552,154.81		
Other	47,890.00		5,200.00	
Total	6,135,038,609.91	5,572,255,807.79	5,443,936,240.76	5,024,379,085.39

(42) Taxes and Surcharges

Item	Year 2019	Year 2018
Urban maintenance and construction tax	7,786,811.67	8,979,464.74
Education surcharge	7,450,466.02	8,982,609.64
Property tax	8,785,463.31	6,660,113.80
Land use tax	3,549,779.11	7,076,478.71
Land value added tax	109,925.26	
Vehicle and vessel use tax	13,140.00	
Stamp duty	2,439,402.59	657,166.16
Other	214,283.77	
Total	30,349,271.73	32,355,833.05

(43) R&D expenses

Item	Year 2019	Year 2018
Wages and surcharges	18,295,828.09	
Material consumption	3,192,495.63	
Amortisation of depreciation of non-current assets	976,127.04	
Travel expenses	1,644,404.69	
Other	1,104,144.37	
Total	25,212,999.82	

(44) Finance Costs

Item	Year 2019	Year 2018
Interest expenses	218,952,441.10	209,557,355.53

Item	Year 2019	Year 2018
Interest income	-46,971,076.04	-57,012,506.18
Exchange gains and losses	-2,419,283.44	-2,343,910.80
Service charges and others	5,880,830.85	21,388,991.37
Total	175,442,912.47	171,589,929.92

(45) Other income

Item	Year 2019	Year 2018	Related to assets/gains
Infrastructure grants	250,000,000.00	200,000,000.00	Related to gains
Land support payment	15,592.50		Assets-related
Grants for quality and efficiency improvement projects	110,000.00		Assets-related
Other	3,030,705.54		Related to gains
Total	253,156,298.04	200,000,000.00	

(46) Investment income

Item	Year 2019	Year 2018
Income from long-term equity investment accounted for under the equity method	-18,079,416.19	24,056,459.51
Investment income arising from disposal of long-term equity investment	45,442,853.54	
Income from bank wealth management products	28,938.52	30,041,369.62
Interest on entrusted loans	23,162,519.98	2,365,612.86
Other	2,779,745.16	
Total	53,334,641.01	56,463,441.99

(47) Income from changes in fair value

Sources of income from changes in fair value	Year 2019	Year 2018
Changes in fair value of wealth management products	26,501.37	

(48) Asset impairment loss

Item	Year 2019	Year 2018
Bad debt losses	-72,292,560.44	5,693,870.27
Provision for decline in value of inventories	-9,106,969.67	
Provision for impairment of fixed assets	-1,698,336.79	
Provision for impairment of long-term equity investments	-2,671,859.54	
Provision for impairment of available-for-sale financial assets	-24,991,788.91	
Impairment losses on goodwill	-8,680,999.20	
Total	-119,442,514.55	5,693,870.27

(49) Income on disposal of assets

Item	Year 2019	Year 2018
Income on disposal of fixed assets and intangible assets	-16,478.03	
Total	-16,478.03	

(50) Non-operating income

Item	Year 2019	Year 2018
Government subsidies not related to the day-to-day activities of the business	2,886,900.00	826,000.00
Other	1,923,251.27	221,879.37
Total	4,810,151.27	1,047,879.37

(51) Non-operating expenses

Item	Year 2019	Year 2018
Donation expenses	110,000.00	114,700.00
Fines and late payment fees	5,416,408.53	2,157,438.30
Pending litigation	2,628,800.00	
Other	1,640,136.12	165,604.79
Total	9,795,344.65	2,437,743.09

(52) Income tax expenses

1. Listing of income tax expenses

Item	Year 2019	Year 2018
Current income tax expenses	37,110,796.04	11,677,503.88
Deferred income tax expenses	-42,134,072.00	15,420,120.67
Total	-5,023,275.96	27,097,624.55

(53) Supplementary information to cash flow statement

1. Supplementary information to the cash flow statement

Supplementary information	Year 2019	Year 2018
1. Adjustment of net profit to cash flows from operating activities:		
Net profit	309,628,107.28	329,468,071.62
Plus: Provision for asset impairment	119,442,514.55	457,038.17
Fixed asset depreciation, depreciation of oil and gas assets and productive biological asset depreciation	72,411,032.52	49,751,835.58
Intangible asset amortization	39,985,668.02	43,880,919.34
Amortization of long-term deferred expenses		
Loss on disposal of fixed assets, intangible assets and other long-term assets (with gains denoted by "-")	16,478.03	

Supplementary information	Year 2019	Year 2018
Loss on retirement of fixed assets (with gains denoted by "-")		
Loss on changes in fair value (with gains denoted by "-")		
Financial costs (with gains denoted by "-")	218,952,441.10	207,213,444.73
Investment losses (with gains denoted by "-")	-53,334,641.01	-56,463,441.99
Decrease in deferred income tax assets (with increase denoted by "-")	-17,362,922.69	15,420,120.67
Increase in deferred income tax liabilities (with decrease denoted by "-")	-178,995.94	
Decrease in inventories (with increase denoted by "-")	-1,103,692,395.98	214,417,916.88
Decrease in operating receivables (with increase denoted by "-")	-3,323,123,626.03	-897,864,966.72
Increase in operating payables (with decrease denoted by "-")	1,741,163,537.24	803,487,244.50
Other		
Net cash flow from operating activities	-1,995,931,822.86	709,768,182.78
2. Significant activities that do not involve cash flow:		
Amount of the endorsed transfer of the bank acceptance received from the sale of goods and the provision of labor services		
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Fixed assets leased-in under Finance Lease		
3. Net changes in cash and cash equivalents:		
Closing cash balance	408,033,898.50	362,229,912.72
Less: Opening cash balance	362,229,912.72	545,129,640.23
Plus: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	45,803,985.78	-182,899,727.51

(54) Assets with restricted ownership or right of use

Item	Book balance on 31 December 2019	Reasons for restrictions
Cash at bank and on hand	3,818,766,303.47	Pledged certificates of deposit, security deposits
Notes Receivable	11,000,000.00	Pledges
Inventories	686,968,370.82	Pledge of land for bank loans
Investment Properties	1,592,239,829.32	Mortgage of bank loans
Intangible assets	1,268,008,274.58	Mortgage of bank loans
Fixed assets	310,812,695.64	Mortgage of bank loans

Total	7,687,795,473.83	

Notes: Jinfu Technology pledges its notes receivable into bank bills pools for bank financing activities such as issuing bank acceptances bills and borrowings.

VII. Risks of Jinfu Technology Related to Financial Instruments

The main financial instruments of Jinfu Technology include trading financial assets, notes receivable, accounts receivable, receivables financing, other receivables, short-term loans, notes payable, accounts payable, other payables, other non-current liabilities due within one year, long-term loans and bank deposits among others. Details of the relevant financial instruments are disclosed in the respective notes. The risks associated with these financial instruments, and the company's risk management policy to mitigate these risks, are described below. The management of the company manages and monitors these risk exposures to ensure that the above risks are controlled within the specified scope.

The main risks facing the financial instruments of Jinfu Technology are market risk, liquidity risk and credit risk.

1. Market risk

(1) Exchange rate risk

Foreign exchange risk is the risk of changes in foreign exchange rates that affect the company's financial results and cash flows. Jinfu Technology’s exposure to foreign exchange risk relates primarily to its holdings of USD denominated funds, accounts receivable, short-term loans and accounts payable, and the group is exposed to foreign exchange risk due to exchange rate movements between the USD and the company's functional currency.

As at the balance sheet date, the balances of Jinfu Technology's major foreign currency financial assets and foreign currency financial liabilities were as follows:

Item	Assets		Liabilities	
	2019-12-31	2018-12-31	2019-12-31	2018-12-31
USD	26,132,745.54		41,654,200.72	

Sensitivity analysis:

Jinfu Technology’s exposure to foreign exchange risk relates primarily to exchange rate movements between the USD and RMB. The table below shows the sensitivity analysis of Jinfu Technology assuming a 5.00% change in the foreign exchange rate between USD and RMB. In the sensitivity analysis carried out by the management, a 5.00% change is considered to be a reasonable reflection of the possible range of exchange rate changes. The impact on net profit for the period of a reasonable possible change in the exchange rate is as follows:

Increase/decrease in profit for the year	Impact on USD	
	Year 2019	Year 2018
RMB devaluation	-776,072.76	
RMB appreciation	776,072.76	

(2) Interest rate risk - the risk of changes in fair value

Jinfu Technology' risk of changes in the fair value of financial instruments due to changes in interest rates arises primarily from short-term loans at fixed interest rates. As fixed-rate loans are predominantly short-term loans, Jinfu Technology considers the risk of changes in fair value to be insignificant. Jinfu Technology currently does not have any interest rate hedging policy.

(3) Interest rate risk - the risk of changes in cash flows

Jinfu Technology's risk of changes in the fair value of financial instruments due to changes in interest rates arises primarily from short-term loans at floating interest rates. As at the end of the period, the balances of the floating rate loans were RMB 67,340,000.00 and USD 8,440,000.00 (equivalent to RMB 58,879,128.00) and the loans were due within 6 months or one year. USD loans are floating on the basis of LIBOR, which changes once every three months, while RMB loans are floating on the basis of the one-year LPR published by the National Interbank Funding Center, which generally changes in a one-month or six-month period. The loans are of short term and therefore the company considers the risk of changes in cash flows to be insignificant. The company currently does not have any interest rate hedging policy.

2. Credit Risk

Credit risk is the risk of loss to the company arising from the failure of a counterparty or debtor to meet all or part of its payment obligations. The company has adopted a policy of only cooperating with creditworthy counterparties to mitigate the risk of financial loss arising from the failure of counterparties to meet their contractual obligations. Credit risk exposure is controlled by setting limits on counterparties and is reviewed and approved annually by the risk management department of the company. The debtors of accounts receivable are a large number of customers spread across a wide range of industries and geographical areas. The company performs an ongoing credit assessment of the financial position of its accounts receivable and has taken out credit guarantee insurance on certain foreign currency accounts receivable. The credit risk on monetary capital is limited because the counterparty is a reputable bank with a high credit rating.

The credit risk exposure that could result in financial losses to the company include on-balance sheet items and off-balance sheet items that involve credit risk. As at 31 December 2019, the carrying value of the company's financial assets already represented the maximum credit risk exposure.

As at 31 December 2019, the company had overdue and unimpaired financial assets amounting to RMB 77,190,200, mainly in respect of accounts receivable. For overdue amounts, the company adopted a collection policy for defaulters with good credit or credit risk exposure within a set credit limit, and took measures such as suspension of transactions and litigation for defaulters with poor credit or credit risk exposure exceeding the set credit limit. In addition, the company makes adequate provision for bad debts on a credit group basis at each balance sheet date against receivables based on historical experience.

(1) Ageing analysis of financial assets that are past due and not impaired

Unit: RMB 10,000

Name of Project	2019-12-31					
	1-6 months	7-12 months	1 to 2 years	2-3 years	More than 3 years	Total
Accounts receivable	2,093.32	2,303.36	1,906.83	996.07	419.44	7,719.02

(2) Analysis of financial assets for which a single impairment loss has occurred

See Notes VI.(4) and VI.(6) - bad debt provisions on individual basis for details.

3. Liquidity risk

Liquidity risk is the risk of a shortage of funds in order to meet an entity's obligation to settle payments by delivery of cash or other financial assets.

(1) The financial liabilities held by Jinfu Technology are analysed by their maturity of the undiscounted remaining contractual obligations as follows：

Name of Project	1-6 months	7-12 months	1 to 2 years	2-3 years	More than 3 years
Accounts Payable	275,356,814.39	10,866,038.44			
Other payables	34,867,838.80	755,892.94			
Interest payable	3,280,173.90				
Short-term borrowings	522,310,621.43	270,666,086.00			
Non-current liabilities due within one year	28,350,000.00	21,650,000.00			
Total	864,165,448.51	303,938,017.38			

(2) Jinfu Technology's approach to managing the liquidity of financial liabilities:

In managing liquidity risk, the company maintains and monitors cash and cash equivalents deemed sufficient by the management to meet the company's operating requirements and mitigate the impact of fluctuations in cash flows. The company's management monitors the utilisation of bank loans and ensures compliance with loan agreements.

As at 31 December 2019, the company's net working capital amounted to RMB -43,698,100 and the working capital was relatively tight. The company has established long-term and stable cooperative relationships with a number of domestic financial institutions and has strong indirect financing capabilities. The company can rely on its good credit standing and good cooperative relationships with financial institutions to secure the funds required for its normal operations through direct and indirect debt financing.

As at 31 December 2019, the unutilised consolidated credit facilities with banks for which the company had signed credit contracts were translated into RMB 246,073,900.

In summary, the management of the company is of the opinion that the company's exposure to liquidity risk is low and does not have a material impact on the company's operations and financial statements which have been prepared on the going concern assumption.

VIII. Disclosure of Fair Value

1. Closing fair value of assets and liabilities measured at fair value

Item	2019-12-31 Fair value			
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
I. Ongoing fair value measurement				
(1) Financial assets held for trading			11,526,501.37	11,526,501.37
1. Financial assets measured at fair value through changes in profit or loss.			11,526,501.37	11,526,501.37
Wealth menagement products			11,526,501.37	11,526,501.37
(2) Financing receivables		7,852,211.36		7,852,211.36

(3) Other equity instrument investments			90,505,401.92	90,505,401.92
(4) Other non-current financial assets			10,846,154.00	10,846,154.00
Total assets measured at fair value on an ongoing basis		7,852,211.36	112,878,057.29	120,730,268.65

2. Level 2 fair value measurements on an ongoing and non-ongoing basis, valuation techniques used and qualitative and quantitative information on significant parameters

Jinfu Technology's Level 2 fair value measurements are related to receivables financing. The receivables are financed by bankers' acceptances, which have a relatively short remaining maturity and the time value of money does not have a significant impact on the fair value, therefore, Jinfu Technology considers its fair value to be consistent with the carrying value.

3. Level 3 fair value measurements on an ongoing and non-ongoing basis, valuation techniques used and qualitative and quantitative information on significant parameters

The company's Level 3 fair value measurements are related to banking financial products, investments in other equity instruments and other non-current financial assets. Financial products project future cash flows at the expected rate of return, with unobservable estimates being the expected rate of return. Investments in other equity instruments and other non-current financial assets are used to estimate the fair value of an investee on a qualitative basis, taking into account the investee's operating position, changes in the external environment and profitability.

IX. Related Parties and Their Related Transactions

(1) Information about parent company

Company Name	Registration place	Nature of business	Registered capital (RMB 10,000 yuan)	Parent company's ratio of shares in the business (%)	Parent company's ratio of voting in the business (%)
Taixing Zhongxin Investment Group Co., Ltd.	Taixing	State-owned	200,000.00	100.00	100.00

(2) Information about subsidiaries

Please refer to Note II for the details of the company's subsidiaries.

(3) Information about joint ventures and associates

See Notes VI.(12) - Long-term equity investments for the Company's key joint ventures or affilliates in details.

(4) Information about related party transactions of Jinfu Technology

1. Related party transactions for the purchase and sale of goods, and the provision and acceptance of services

Related parties	Content of related party transaction	Amount incurred in 2019	Amount incurred in 2018
Kunshan Lekai Jinfu Optoelectronics Technology Co., Ltd.	Purchase of materials		
Hanlin Electronics Yantai Co., Ltd.	Sales of material		

Shenzhen Huizhun Technology Co., Ltd.	Purchase of materials	119,286.66	

2. Funds loaned to related parties

Related parties	Loaned amount	Start date	Maturity Date
Lending funds:			
Zhang Hechun	11,500,000.00	29 September, 2019	31 December, 2019

Notes: Pursuant to the Loan Contract entered into between the subsidiary Dongguan Jinfu Diqi Co., Ltd. and its minority shareholder Zhang Hechun, the loan had been recovered as at the reporting date.

3. Asset transfers of related parties

Related parties	Content of related party transaction	Amount incurred in 2019	Amount incurred in 2018
Shanghai Donghui Network Technology Co., Ltd.	Transfer of equity in investees	131,000,000.00	

Notes: In December 2019, it was approved at the twenty-eighth (extraordinary) meeting of the fourth session of the board of directors and the fourth extraordinary general meeting of 2019 of Jinfu Technology that the company transferred 100.00% equity interest in Nantong Qiyun Technology Co., Ltd. to Shanghai Donghui Network Technology Co., Ltd. that is controlled by the same de facto controlling party, at a transfer price of RMB 131,000,000.00.

4. Payables and receivables of related parties

Item	Related parties	2019-12-31	2018-12-31
Accounts receivable [Note 1]	Shenzhen Huizhun Technology Co., Ltd.	32,359,049.24	
Accounts receivable	Hanlin Electronics Yantai Co., Ltd.	484,748.46	
Interest receivable [Note 2]	Nantong Qiyun Technology Co., Ltd.	13,918,829.50	
Interest receivable	Zhang Hechun	206,304.37	
Other receivables	Shanghai Donghui Network Technology Co., Ltd.	64,190,000.00	
Other receivables [Note 2]	Nantong Qiyun Technology Co., Ltd.	21,756,738.86	
Other receivables [Note 1]	Shenzhen Huizhun Technology Co., Ltd.	6,978,372.09	
Other receivables	Zhang Hechun	11,500,000.00	
Non-current assets due within one year [Note 3]	Fu Guoping	81,142,767.69	
Long-term receivables [Note 3]	Fu Guoping		
Accounts Payable [Note 1]	Shenzhen Huizhun Technology Co., Ltd.	134,793.92	

Note 1: At the beginning of the period, Shenzhen Huizhun Technology Co., Ltd. was a subsidiary within the scope of combination, but during the period, part of the equity interests were disposed of and Shenzhen Huizhun Technology Co., Ltd. was changed from a subsidiary to an associate.

Note 2: At the beginning of the period, Nantong Qiyun Technology Co., Ltd. was a subsidiary within the scope of combination, but during the period, all equity interests were disposed of and Nantong Qiyun Technology Co., Ltd. was changed from a subsidiary to being controlled by the same de facto controlling party.

Note 3: In June 2018, a subsidiary of the company paid the current amount of RMB 99,000,000.00 to Fu Guoping, a former de facto controller of the company, with interest income receivable of RMB 3,140,723.27 in the previous period, and Fu Guoping returned the current amount and interest of RMB 26,094,294.69 in the current period, with interest income receivable of RMB 5,096,339.11 in the current period, and the current amount of RMB 81,142,767.69 receivable from Fu Guoping at the end of the period was reclassified to non-current assets due within one year and a provision for bad debts of RMB 4,057,138.38 was made.

X. Commitments and contingencies

(1) Significant commitments

1. As at the balance sheet date, the company had the following non-cancellable operating lease contracts with external parties:

Item	2019-12-31	2018-12-31
Minimum lease payments under non-cancellable operating leases:		
Within 1 year (inclusive)	10,617,468.34	
More than 1 year but less than 2 years (inclusive)	3,103,318.51	
More than 2 years but less than 3 years (inclusive)	2,398,092.00	
More than 3 years	2,398,092.00	
Total	18,516,970.85	

2. On 8 May 2019, Taixing Zhicheng Industrial Investment Fund (Limited Partnership), a holding subsidiary of the company, entered into the Share Forward Transfer Agreement with Shanghai Ruiwei Investment Management Co., Ltd. a shareholder of Jinfu Technology, under which Shanghai Ruiwei Investment Management Co., Ltd. intends to transfer the 104,977,679 shares held by it in Suzhou Jinfu Technology Co., Ltd. representing 9.59% of total shares to Zhicheng Investment within the future 24 months, at the minimum transfer price of not less than RMB 3.2 per share, and Shanghai Ruiwei Investment Management Co., Ltd. pledges the 83,981,120 shares held by it in Jinfu Technology to Zhicheng Investment, and as of 31 December 2019, a prepayment of RMB 215,000,000 has been made for the transfer of the shares, and Shanghai Ruiwei Investment Management Co., Ltd. actually holds 83,981,120 shares of Jinfu Technology representing 8.6756% of the total share capital.

(2) Contingencies

1. Significant contingencies existing as at the balance sheet date

(1) The details of the group's internal guarantees are as follows (Unit: RMB 10,000)

SN	Guarantor	Guaranteed Party	Currency	Repayment amount/liability amount
1	Taixing Zhiguang Environmental Protection Technology Co., Ltd.	Taixing City Chengdong Landscape Engineering Co., Ltd.	RMB	10,500.00
2	Taixing Zhiguang Environmental Protection Technology Co., Ltd.	Taixing Zhiquan Industrial Co., Ltd.	RMB	5,500.00
3	Taixing Zhiguang Environmental Protection Technology Co., Ltd.	Taixing Dunzhi Industrial Co., Ltd.	RMB	5,400.00
4	Taixing Zhiguang Environmental Protection Technology Co., Ltd.	Taixing Zhiguang Trading Co., Ltd.	RMB	5,400.00
5	Taixing Zhiguang Environmental Protection Technology Co., Ltd.	Taixing City Chengdong Municipal Works Co., Ltd.	RMB	5.300.00
6	Taixing Zhiguang Environmental Protection Technology Co., Ltd.	Taixing City Chengdong Landscape Engineering Co., Ltd.	RMB	5,000.00

7	Taixing Zhiguang Environmental Protection Technology Co., Ltd.	Suzhou Jinfu Technology Co., Ltd.	RMB	6,000.00
8	Taixing Zhiguang Environmental Protection Technology Co., Ltd.	Taixing City Chengdong Landscape Engineering Co., Ltd.	RMB	5,000.00
9	Taixing Zhiguang Environmental Protection Technology Co., Ltd.	Taixing City Chengdong Landscape Engineering Co., Ltd.	RMB	5,000.00
10	Taixing Zhiguang Environmental Protection Technology Co., Ltd.	Taixing City Chengdong Municipal Works Co., Ltd.	RMB	5,000.00
11	Taixing Zhiguang Environmental Protection Technology Co., Ltd.	Taixing Zhongtian Water Treatment Equipment Co., Ltd.	RMB	5,000.00
12	Taixing Zhiguang Environmental Protection Technology Co., Ltd.	Taixing City Chengdong Landscape Engineering Co., Ltd.	RMB	13,000.00
13	Taixing Zhiguang Environmental Protection Technology Co., Ltd.	Taixing Zhiguang Trading Co., Ltd.	RMB	35,000.00
14	Taixing Zhiguang Environmental Protection Technology Co., Ltd.	Taixing Zhiguang Trading Co., Ltd.	RMB	4,500.00
15	Taixing Zhiguang Environmental Protection Technology Co., Ltd.	Taixing Dunzhi Industrial Co., Ltd.	RMB	4,000.00
16	Taixing Zhiguang Environmental Protection Technology Co., Ltd.	Jiangsu Zhiguang Venture Capital Co., Ltd.	RMB	4,000.00
17	Taixing Zhiguang Environmental Protection Technology Co., Ltd.	Taixing Zhongtian Water Treatment Equipment Co., Ltd.	RMB	4,000.00
18	Taixing Zhiguang Environmental Protection Technology Co., Ltd.	Suzhou Jinfu Technology Co., Ltd.	RMB	5,500.00
19	Taixing Zhongtian Water Treatment Equipment Co., Ltd.	Taixing Zhiguang Environmental Protection Technology Co., Ltd.	RMB	9,000.00
20	Taixing Taize Industrial Co., Ltd.	Taixing Zhiguang Trading Co., Ltd.	RMB	2,900.00
21	Taixing City Chengdong Landscape Engineering Co., Ltd.	Taixing Zhiguang Environmental Protection Technology Co., Ltd.	RMB	10,000.00
22	Taixing City Chengdong Landscape Engineering Co., Ltd.	Taizhou Zhongtian Environment Technology Co., Ltd.	RMB	3,200.00
23	Suzhou Jinfu Technology Co., Ltd.	Kunshan MYZY Fixture Technology Co., Ltd.	RMB	6,239.00
24	Suzhou Jinfu Technology Co., Ltd.	Aoying Optoelectronics (Suzhou) Co., Ltd.	RMB	25,918.33

25	Suzhou Jinfu Technology Co., Ltd.	Xiamen Lifu Electronics Co., Ltd.	RMB	2,295.00
		Total		192,652.33

(2) The details of the group's external guarantees are as follows (Unit: RMB 10,000)

SN	Guarantor	Guaranteed Party	Currency	Repayment amount/liability amount
1	Taixing Zhiguang Environmental Protection Technology Co., Ltd.	Taixing Xinghuang Comprehensive Investment Development Co., Ltd.	RMB	19,800.00
2	Taixing Zhiguang Environmental Protection Technology Co., Ltd.	Taixing Chengxing State-owned Assets Operation and Investment Co., Ltd.	RMB	90,000.00
3	Taixing Zhiguang Environmental Protection Technology Co., Ltd.	Taixing Xinghuang Comprehensive Investment Development Co., Ltd.	RMB	15,000.00
4	Taixing Zhiguang Environmental Protection Technology Co., Ltd.	Jiangsu Zhiguang Construction Co., Ltd.	RMB	10,000.00
5	Taixing Zhiguang Environmental Protection Technology Co., Ltd.	Taixing Huangqiao City Construction Co., Ltd.	RMB	34,200.00
6	Taixing Zhiguang Environmental Protection Technology Co., Ltd.	Taixing Xinghuang Comprehensive Investment Development Co., Ltd.	RMB	10,000.00
7	Taixing Zhiguang Environmental Protection Technology Co., Ltd.	Taizhou Kexing Environmental Consulting Co., Ltd.	RMB	6,000.00
8	Taixing Zhiguang Environmental Protection Technology Co., Ltd.	Taizhou Haixing Environmental Protection Equipment Installation Co., Ltd.	RMB	5,100.00
9	Taixing Zhiguang Environmental Protection Technology Co., Ltd.	Taizhou Haixing Environmental Protection Equipment Installation Co., Ltd.	RMB	6,000.00
10	Taixing Zhiguang Environmental Protection Technology Co., Ltd.	Jiangsu Zhiguang Construction Co., Ltd.	RMB	5,000.00
11	Taixing Zhiguang Environmental Protection Technology Co., Ltd.	Jiangsu Zhiguang Construction Co., Ltd.	RMB	4,000.00
12	Taixing Zhiguang Environmental Protection Technology Co., Ltd.	Taizhou Bangfu Eco-Tech Co., Ltd.	RMB	6,000.00
13	Taixing Zhiguang Environmental Protection Technology Co., Ltd.	Taizhou Haihe Environmental Engineering Consulting Co., Ltd.	RMB	6,000.00
14	Taixing Zhiguang Environmental Protection Technology Co., Ltd.	Taixing Dongcheng Water Treatment Engineering Co., Ltd.	RMB	3,000.00
15	Taixing Zhiguang Environmental Protection Technology Co., Ltd.	Taixing Zhiguang Talent Technology Plaza Management Co., Ltd.	RMB	6,000.00
16	Taixing Zhiguang Environmental Protection Technology Co., Ltd.	Taizhou Longze Environmental Technology Co., Ltd.	RMB	6,000.00
17	Taixing Zhiguang Trading Co., Ltd.	Saier New Materials Co., Ltd.	RMB	36,242.36
18	Taixing Zhiguang Trading Co., Ltd.	Saier New Materials Co., Ltd.	RMB	600.00

19	Taixing Zhiguang Trading Co., Ltd.	Saier New Materials Co., Ltd.	RMB	4,400.00
20	Taixing Zhiguang Trading Co., Ltd.	Hong Kong Yitai Trading Co., Ltd.	RMB	10,000.00
21	Taixing Zhiguang Trading Co., Ltd.	Hong Kong Yitai Trading Co., Ltd.	RMB	803.00
22	Taixing City Chengdong Landscape Engineering Co., Ltd.	Huapeng Meiyate Decoration Materials Co., Ltd.	RMB	3,000.00
23	Taixing City Chengdong Landscape Engineering Co., Ltd.	Jiangsu Yuanqing Environmental Protection Technology Co., Ltd.	RMB	400.00
Total				287,545.36

(3) Other contingencies

None.

XI. Events After Balance Sheet Date

1. On 13 April 2020, the company received the Approval of the Public Issue of Corporate Bonds to Qualified Investors by Taixing Zhiguang Environmental Protection Technology Co., Ltd. (Zheng Jian Xu Ke [2020] No. 683) from the China Securities Regulatory Commission, approving the issuance of corporate bonds with an aggregate nominal value not exceeding RMB 1,500,000,000.00, valid for 24 months from the date of approval.

2. In March 2020, the company signed the Equity Transfer Agreement with Zhang Hechun, a natural person, under which the company was transferred the 49% equity interest held by Zhang Hechun in Dongguan Jinfu Diqi Electronic Co., Ltd. (hereinafter referred to as "Dongguan Jinfu") with self-financing funds. This transaction was based on the audited net assets of Dongguan Jinfu as at 31 December 2019, taking into account the current production and operation situation of Dongguan Jinfu. Both parties to the transaction determined through negotiation the consideration for transfer of 49% equity interest in Dongguan Jinfu to be RMB 14,700,000. Upon completion of this acquisition, the company will hold a 100% equity interest in Dongguan Jinfu. As at the date of this report, the relevant business change registration procedures are still pending.

3. On 20 March 2020, the company signed the Equity Transfer Agreement with Ningbo Qidi Yangming Investment Centre (Limited Partnership) (hereinafter referred to as "Qidi Yangming”), under which the company was transferred the 30% shares of Zhongke Tianji Data Technology Co., Ltd. (hereinafter referred to as "Zhongke Tianji") held by Qidi Yangming for a consideration of RMB 131,000,000. On the same day, the company signed the Offset Agreement with Qidi Yangming, under which the company's share transfer payment of RMB 131,000,000 payable to Qidi Yangming and the company's recovery of the loan claim of RMB 19,000,000 held by Qidi Yangming on behalf of Tianji Zhongchuang was offset by a withdrawal payment of RMB 150,000,000 payable by Qidi Yangming to the company as a result of the company's withdrawal from the partnership. As a result, all the shares of RMB 131,000,000 in Zhongke Tianji held by the Qidi Yangming Fund on behalf of the company and the loan claim of RMB 19,000,000 in respect of Tianjie Zhongchuang were returned to the company and held directly by the company.

On 31 March 2020, the company signed the Equity Transfer Agreement with Shanghai Rizhen Investment Management Co., Ltd. (hereinafter referred to as "Rizhen Investment"), under which the company transferred 5% of the shares of Zhongke Tianji to Rizhen Investment for a consideration of RMB 19,160,000. The consideration of the transaction is based on the net assets of Zhongke Tianji as at 30 November 2019 and is determined by mutual agreement between the two parties. As at the date of this report, the company has received a share transfer payment of RMB 10,000,000 from Rizen Investment. Upon completion of the above transaction, the company will hold a 25% equity interest in Zhongke Tianji.

XII. Other Important Matters

Acquisition of Suzhou Jinfu Technology Co., Ltd. by the company's controlled subsidiary, Taixing Zhicheng Industrial Investment Fund (Limited Partnership).

(1) On 29 July 2018, Zhicheng Investment entered into the Agreement on the Transfer of Shares in Suzhou Jinfu Technology Co., Ltd. with Fu Guoping and Yang Xiaowei, the former de facto controllers of Jinfu Technology, under which Yang Xiaowei agreed to transfer 75,000,000 shares of Jinfu Technology, representing 6.85% of the total share capital of Jinfu Technology, to Zhicheng Investment at a transfer price of RMB 4.00 per share, for a total consideration of RMB 300,000,000.

(2) On 17 October 2018, Fu Guoping and Yang Xiaowei, the former de facto controllers of Jinfu Technology, and Zhicheng Investment signed the Agreement on the Transfer of Shares in Suzhou Jinfu Technology Co. Ltd., under which the two persons transferred 139,963,460 shares of Jinfu Technology, representing 12.79% of the total share capital of Jinfu Technology, to Zhicheng Investment at a transfer price of RMB 3.20 per share, for a total consideration of RMB 447,883,072.00.

(3) On 12 November 2018, Fu Guoping and Yang Xiaowei, the former de facto controllers of Jinfu Technology, and Zhicheng Investment signed the Supplemental Agreement to the Agreement on the Transfer of Shares in Suzhou Jinfu Technology Co. Ltd., under which in respect of Yang Xiaowei’s transfer of 75,000,000 shares of Jinfu Technology representing 6.85% of the total share capital of Jinfu Technology to Zhicheng Investment according to the the Agreement on the Transfer of Shares in Suzhou Jinfu Technology Co. Ltd. dated 29 July 2018, the transfer price was changed from RMB 4.00 per share to RMB 3.20 per share, and the total consideration for equity transfer was changed from RMB 300,000,000 to RMB 240,000,000.

(4) On 12 April 2019, Zhicheng Investment entered into the Agreement on the Transfer of Shares in Suzhou Jinfu Technology Co. Ltd. with Fu Guoping and Yang Xiaowei, the former de facto controllers of Jinfu Technology. Due to change of the securities market, the 5,000,000 shares pledged by Fu Guoping to Dongwu Securities entered into forced liquidation. Under this transfer agreement, the 134,963,460 shares were actually transferred, consisting of 118,118,460 shares held by Fu Guoping and 16,845,000 shares held by Yang Xiaowei, at a transfer price of RMB 4.54 per share, for a total consideration of RMB 612,734,108.40.

(5) As at 30 April 2019, a total of RMB 671,883,072.00 was paid for the above equity transfer. As at 31 December 2019, RMB 180,851,036.40 remained unpaid for the above equity transfer.

(6) On 9 May 2019, the Company received the Confirmation for Registration of Securities Transfer issued by China Securities Depository & Clearing Corporation Limited Shenzhen Branch

(7) On 28 June 2019, a general meeting of Jinfu Technology was held, at which Zhang Xiuhua was elected as an independent director of Jinfu Technology, Zhang Wei and Fang Xianzhong were elected as non-independent directors of Jinfu Technology. Out of five members of the fourth session of board of directors of Jinfu Technology, three members were nominated by Zhicheng Investment and elected by the general meeting of Jinfu Technology; Zhicheng Investment held 209,963,460 shares of Jinfu Technology representing 19.19% of the total share capital of Jinfu Technology and was the largest shareholder of Jinfu Technology. The above facts indicate that the voting rights of the shares held by Zhicheng Investment can have a significant impact on the resolutions of the general meeting of Jinfu Technology, and decide the election of more than half of the members of the board of directors of Jinfu Technology through this general meeting, effectively controlling the majority of the seats on the board of directors, in compliance with Circumstances (3) of Article 84 of the Regulations Governing Takeovers of Listed Companies. In this regard, after prudent judgement, Jinfu Technology has determined that Zhicheng Investment has control over Jinfu Technology, i.e. Zhicheng Investment has become a controlling shareholder of Jinfu Technology.

XIII. Notes to main items of the company financial statements

(1) Accounts receivable

(1) Acounts receivable disclosed by category

Categories	2019-12-31					2018-12-31				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Percentage (%)	Amount	Provision ratio (%)		Amount	Percentage (%)	Amount	Provision ratio (%)	
Receivables with individually significant amounts and subject to separate provision										
Accounts receivable for which bad debt provision is made by groups of credit risk characteristics	2,394,700,716.01	100.00			2,394,700,716.01	1,817,370,938.10	100.00			1,817,370,938.10
Group 1: Ageing Group										
Group 2: Risk-free group	2,394,700,716.01	100.00			2,394,700,716.01	1,817,370,938.10	100.00			1,817,370,938.10
Receivables with individually insignificant amounts but subject to separate provision										
Total	2,394,700,716.01	100.00			2,394,700,716.01	1,817,370,938.10	100.00			1,817,370,938.10

(2) Accounts receivable in the top five balances at the end of the period grouped by the party in default

Entity name	2019-12-31	Account age	Percentage to total accounts receivable as at 2019-12-31 (%)
Management Committee of Taixing Economic Development Zone, Jiangsu Province	2,249,505,555.25	Within one year/1 to 4 years	93.94
Taixing Zhiguang Talent Technology Plaza Management Co., Ltd.	145,195,160.76	Within one year/1-3 years	6.06
Total	2,394,700,716.01		100.00

(2) Other receivables

1. General

(1) By Type

Item	2019-12-31	2018-12-31
Interest receivable		
Dividend receivable		
Other receivables	3,891,155,122.72	1,516,515,215.41
Total	3,891,155,122.72	1,516,515,215.41

4. Other receivables

(1) Other receivables disclosed by categories

Categories	2019-12-31					2018-12-31				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Percentage (%)	Amount	Provision ratio (%)		Amount	Percentage (%)	Amount	Provision ratio (%)	
Other receivables with individually significant amounts and subject to separate provision										
Other receivables for which bad debt provision is made by combination of credit risk characteristics	3,891,155,122.72	100.00			3,891,155,122.72	1,516,515,215.41	100.00			1,516,515,215.41
Group 1: Ageing Group										
Group 2: Risk-free group	3,891,155,122.72	100.00			3,891,155,122.72	1,516,515,215.41	100.00			1,516,515,215.41
Other receivables that are not individually significant but for which individual bad debt provision is made										
Total	3,891,155,122.72	100.00			3,891,155,122.72	1,516,515,215.41	100.00			1,516,515,215.41

(2) Other receivables by nature of amount

Nature of amount	Book balance as at 31 December 2019	Book balance on 31 December 2018
Provisional loans and current accounts	3,826,429,637.27	1,475,200,185.36
Security deposits	61,839,300.00	41,277,135.35
Provision	2,886,185.45	37,894.70
Total	3,891,155,122.72	1,516,515,215.41

(3) Other receivables in the top five balances at the end of the period grouped by the party in default

Entity name	Nature of amount	2019-12-31	Account age	Percentage to total other receivables as at 2019-12-31 (%)
Management Committee of Taixing Economic Development Zone, Jiangsu Province	Current accounts	1,261,075,079.48	Less than 1 year	32.41
Taixing Zhiguang Talent Technology Plaza Management Co., Ltd.	Current accounts	1,140,611,468.60	Less than 1 year	29.31
Shanghai Jincheng Equity Investment Fund Management Co., Ltd.	Current accounts	667,000,156.41	Less than 1 year	17.14
Taixing Dongcheng Water Treatment Engineering Co., Ltd.	Provisional borrowings	319,262,611.16	Within one year/1-4 years	8.20
Taixing City Chengdong Landscape Engineering Co., Ltd.	Current accounts	192,834,650.43	Less than 1 year	4.96
Total		3,580,783,966.08		92.02

(3) Long-term equity investments

Item	2019-12-31			2018-12-31		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investments in subsidiaries	2,880,282,782.84		2,880,282,782.84	2,236,932,782.84		2,236,932,782.84
Investments in affiliates and joint ventures	535,580,288.31		535,580,288.31	523,803,077.20		523,803,077.20
Total	3,415,863,071.15		3,415,863,071.15	2,760,735,860.04		2,760,735,860.04

1. Investments in subsidiaries

Investee	2018-12-31	Increase during the period	Decrease during the period	2019-12-31	Provision for impairment this period	Closing balance of provision for impairment
Taixing Zhongtian Water Treatment Equipment Co., Ltd.	250,000,000.00			250,000,000.00		
Taixing City Chengdong Municipal Works Co., Ltd.	1,014,552,782.84			1,014,552,782.84		
Taixing City Chengdong Landscape Engineering Co., Ltd.	161,880,000.00			161,880,000.00		
Taixing Zhiguang Trading Co., Ltd.	200,000,000.00			200,000,000.00		
Taixing Limin Real Estate Development Limited	120,000,000.00			120,000,000.00		
Jiangsu Zhiguang Venture Capital Co., Ltd.	137,100,000.00	66,400,000.00		203,500,000.00		
Jiangsu Zhiguang Finance & Guarantee Co., Ltd.	300,000,000.00		300,000,000.00			
Taixing Zhiquan Industrial Co., Ltd.	12,000,000.00			12,000,000.00		
Taixing Dunzhi Industrial Co., Ltd.	40,000,000.00			40,000,000.00		
Taixing Hi-Tech Zone Investment Promotion Development Co., Ltd.	1,400,000.00	150,000.00		1,550,000.00		
Taixing Zhicheng Industrial Investment Fund (Limited Partnership)		876,800,000.00		876,800,000.00		
Total	2,236,932,782.84	943,350,000.00	300,000,000.00	2,880,282,782.84		

2. Investments in affiliates and joint ventures

Investee	2018-12-31	Changes in the period								2019-12-31	Closing balance of provision for impairment
		Additional investments	Investment reduction	Investment gains or losses recognised under the equity method	Adjustment to other comprehensive income	Other changes in equity	Declaration of cash dividends or profits	Provision for impairment	Other		

Jiangsu Xintai Energy Saving Technology Co., Ltd.	6,208,950.88			914,537.99						7,123,488.87	
Hehai Water Supply and Drainage Equipment Co., Ltd.	16,367,533.12			1,829,801.65						18,197,334.77	
Taixing Zhiyuan Capital Leasing Co., Ltd.	501,226,593.20			9,032,871.47						510,259,464.67	
Total	523,803,077.20			11,777,211.11						535,580,288.31	

(4) Operating income/operating cost

1. Operating income and operating cost

Item	Year 2019		Year 2018	
	Operating revenue	Operating Costs	Operating revenue	Operating Costs
Main businesses	1,998,682,497.28	1,639,380,075.14	1,464,164,802.98	1,104,977,062.17
Other businesses				
Total	1,998,682,497.28	1,639,380,075.14	1,464,164,802.98	1,104,977,062.17

2. Types of income and costs

Item	Year 2019		Year 2018	
	Revenue	Cost	Income	Cost
Landscaping works	96,262,197.47	64,174,798.31	347,326,767.05	231,551,178.03
Ancillary facilities and road works in the zone	395,952,799.94	282,823,428.53	148,637,264.09	106,169,474.35
Earthmoving works	671,942,242.03	479,958,744.31	630,000,000.00	450,000,000.00
Trade	771,774,444.15	771,706,780.41	276,580,603.44	276,540,086.21
Rent	62,750,813.69	40,716,323.58	61,620,168.40	40,716,323.58
Total	1,998,682,497.28	1,639,380,075.14	1,464,164,802.98	1,104,977,062.17

(5) Investment returns

Item	Year 2019	Year 2018
Income from long-term equity investment accounted for under the equity method	11,777,211.11	36,703,911.41
Interest on entrusted loans		2,365,612.86
Other	2,779,745.16	
Total	14,556,956.27	39,069,524.27

Taixing Zhiguang Environmental Protection Technology Co., Ltd.

20 May 2020

APPENDIX A – FORM OF STANDBY LETTER OF CREDIT

FM: BANK OF HANGZHOU CO., LTD SHANGHAI BRANCH (SWIFT: HZCBCN2HSHB)

ADDRESS: BUILDING N2, NO. 558, ZHONGSHAN EASTERN SECOND ROAD, HUANGPU DIST., SHANGHAI

DATE: *[DATE]*

TO BENEFICIARY: CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED WITH THE ADDRESS: 20/F, CCB TOWER, 3 CONNAUGHT ROAD CENTRAL, CENTRAL, HONG KONG (THE "BENEFICIARY") IN ITS CAPACITY AS TRUSTEE (THE "TRUSTEE") FOR ITSELF AND ON BEHALF OF THE HOLDERS (THE "BONDHOLDERS") OF THE U.S.DOLLARS 100,000,000 1.95 PER CENT. CREDIT ENHANCED BONDS DUE 2023 (THE "BONDS"), TO BE ISSUED BY HUAN ZHI COMPANY LIMITED. (THE "ISSUER") AND TO BE GUARANTEED BY TAIXING ZHIGUANG ENVIRONMENTAL PROTECTION TECHNOLOGY CO., LTD. (泰興市智光環保科技有限公司) (THE "GUARANTOR") UNDER A DEED OF GUARANTEE DATED 20 JANUARY 2022 (THE "DEED OF GUARANTEE"), AND TO BE CONSTITUTED BY A TRUST DEED DATED 20 JANUARY 2022 (THE "ISSUE DATE") BETWEEN THE ISSUER, THE GUARANTOR AND THE TRUSTEE (AS AMENDED AND/OR SUPPLEMENTED FROM TIME TO TIME, THE "TRUST DEED").

DEAR SIRS,

RE: OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. *[NUMBER]*

AT THE REQUEST OF OUR CUSTOMER, THE ISSUER, WE, BANK OF HANGZHOU CO., LTD SHANGHAI BRANCH (THE "ISSUING BANK," "OUR," "US" OR "WE"), HEREBY ISSUE OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. *[NUMBER]* IN YOUR FAVOUR, AND FOR THE ACCOUNT OF THE ISSUER, IN RESPECT OF AND IN CONNECTION WITH THE TERMS AND CONDITIONS OF THE BONDS APPENDED TO THE TRUST DEED (THE "CONDITIONS") AND THE TRUST DEED. THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS MADE AVAILABLE BY US FOR PAYMENT AGAINST OUR RECEIPT OF A DEMAND SUBSTANTIALLY IN THE FORM SET OUT IN APPENDIX A-1 (A "DEMAND") PRESENTED IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT STATING THAT (1) THE ISSUER HAS FAILED TO COMPLY WITH CONDITION 4(B) OF THE CONDITIONS (THE "PRE-FUNDING CONDITION") IN RELATION TO PRE-FUNDING THE AMOUNT THAT IS REQUIRED TO BE PRE-FUNDED UNDER THE CONDITIONS AND/OR HAS FAILED TO PROVIDE THE REQUIRED CONFIRMATIONS (AS DEFINED IN THE CONDITIONS) IN ACCORDANCE WITH THE PRE-FUNDING CONDITION; OR (2) AN EVENT OF DEFAULT (AS DEFINED IN CONDITION 10 OF THE CONDITIONS) HAS OCCURRED AND THE BENEFICIARY, AS TRUSTEE FOR ITSELF AND THE BONDHOLDERS, HAS GIVEN NOTICE TO THE ISSUER THAT THE BONDS ARE IMMEDIATELY DUE AND PAYABLE IN ACCORDANCE WITH CONDITION 10 OF THE CONDITIONS.

SUBJECT TO THE TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WE UNCONDITIONALLY AND IRREVOCABLY UNDERTAKE TO YOU THAT, ON OR AFTER THE ISSUE DATE AND FOLLOWING RECEIPT BY US OF A DEMAND PRESENTED BY YOU OR ON YOUR BEHALF IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT BY 5:00 P.M. (HONG KONG TIME) ON A BUSINESS DAY, WE SHALL BY 10:00 A.M. (HONG KONG TIME) ON THE FOURTH BUSINESS DAY AFTER THE BUSINESS DAY ON WHICH WE RECEIVE SUCH DEMAND (OR IF SUCH DEMAND IS RECEIVED AFTER 5:00 P.M. (HONG KONG TIME) ON A BUSINESS DAY, THEN ON THE FIFTH BUSINESS DAY AFTER THE BUSINESS DAY ON WHICH WE RECEIVE SUCH DEMAND), PAY TO OR TO THE ORDER OF THE BENEFICIARY THE AMOUNT IN U.S.DOLLARS SPECIFIED IN THE DEMAND IN IMMEDIATELY AVAILABLE FUNDS ACCORDING WITH THE INSTRUCTION SPECIFIED IN THE DEMAND. "BUSINESS DAY" MEANS A DAY (OTHER THAN A SATURDAY OR A SUNDAY OR A PUBLIC HOLIDAY) ON WHICH BANKS AND FOREIGN EXCHANGE MARKETS ARE OPEN FOR BUSINESS IN HONG KONG, BEIJING AND NEW YORK CITY.

OUR AGGREGATE LIABILITY UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE EXPRESSED AND PAYABLE IN U.S.DOLLARS AND SHALL NOT IN ANY CIRCUMSTANCES EXCEED U.S.DOLLARS 101,975,000.00 (THE "MAXIMUM LIMIT"), WHICH INCLUDES AN AMOUNT REPRESENTING (I) THE AGGREGATE PRINCIPAL AMOUNT OF THE BONDS PLUS INTEREST PAYABLE FOR ONE INTEREST PERIOD (BEING SIX MONTHS) IN ACCORDANCE WITH THE CONDITIONS AND (II) U.S.DOLLARS 1,000,000.00 BEING THE MAXIMUM AMOUNT PAYABLE UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT FOR ANY FEES, COSTS, EXPENSES, INDEMNITY PAYMENTS AND ALL OTHER AMOUNTS PAYABLE BY THE ISSUER UNDER OR IN CONNECTION WITH THE BONDS, THE TRUST DEED, THE DEED OF GUARANTEE AND THE AGENCY AGREEMENT AND/OR ANY OTHER TRANSACTION DOCUMENT RELATING TO THE BONDS.

SUBJECT TO THE TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, OUR OBLIGATION TO PAY YOU IS UNCONDITIONAL, IRREVOCABLE AND ABSOLUTE AND YOUR COMPLYING DEMAND BY YOU UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE HONOURED WITHOUT ANY FURTHER ENQUIRY AS TO YOUR RIGHTS TO MAKE SUCH DEMAND.

THIS IRREVOCABLE STANDBY LETTER OF CREDIT TAKES EFFECT FROM THE DATE HEREOF AND SHALL REMAIN VALID AND IN FULL FORCE UNTIL 5:00 P.M. (HONG KONG TIME) ON 2023-2-2 (THE "EXPIRY DATE") AND SHALL EXPIRE AT THE PLACE OF THE ISSUING BANK. THIS IRREVOCABLE STANDBY LETTER OF CREDIT WILL BECOME NULL AND VOID FOLLOWING SUCH EXPIRY DATE WHETHER THE ORIGINAL STANDBY LETTER OF CREDIT HAS BEEN RETURNED TO US OR NOT; EXCEPT FOR ANY DEMAND VALIDLY PRESENTED UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT BEFORE THE EXPIRY DATE THAT REMAINS UNPAID.

PAYMENT WILL BE EFFECTED AFTER OUR RECEIPT OF A DEMAND PRESENTED IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WHICH IS PRESENTED ON OR AFTER THE ISSUE DATE AND ON OR BEFORE 5:00 P.M. (HONG KONG TIME) ON THE EXPIRY DATE.

ANY DEMAND UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS TO BE PRESENTED TO US BY OR ON BEHALF OF YOU AS TRUSTEE FOR YOURSELF AND THE BONDHOLDERS ON OR BEFORE 5:00 P.M. (HONG KONG TIME) ON THE EXPIRY DATE BY WAY OF AN AUTHENTICATED SWIFT TO US (SWIFT: HZCBCN2HSHB) WITHOUT THE NEED TO PHYSICALLY PRESENT AN ORIGINAL OF THAT DEMAND AT OUR COUNTER OF THE ISSUING BANK; PROVIDED THAT IN THE EVENT THAT THE SWIFT SYSTEM IS NOT AVAILABLE, YOU (THE BENEFICIARY) MAY INSTEAD PRESENT A COPY OF THE DEMAND TO US VIA FACSIMILE TRANSMISSION AT +86 63612980 AND SUCH DEMAND SHALL BE SIGNED BY YOU AS TRUSTEE FOR YOURSELF AND THE BONDHOLDERS AND ACCOMPANIED BY A COPY OF A LIST OF AUTHORISED SIGNATORIES OF THE TRUSTEE, FOLLOWED BY A STATEMENT VIA AUTHENTICATED SWIFT ON THE NEXT BUSINESS DAY ON WHICH THE SWIFT SYSTEM IS AVAILABLE STATING THAT THE LIST OF AUTHORISED SIGNATORIES PROVIDED IS VALID AND EFFECTIVE. IN THE CASE OF A PRESENTATION OF A DEMAND BY WAY OF FACSIMILE TRANSMISSION IN THE CIRCUMSTANCE STATED ABOVE, YOU SHALL ARRANGE FOR THE ORIGINAL DEMAND TO BE DELIVERED AS SOON AS REASONABLY PRACTICABLE THEREAFTER VIA COURIER AT OUR COUNTER AT OUR ADDRESS (AS SPECIFIED ABOVE) ON OUR BUSINESS DAY, ON OR BEFORE 5:00 P.M. (HONG KONG TIME) ON THE EXPIRY DATE. FOR THE AVOIDANCE OF DOUBT, THE DEMAND SHALL BE RECEIVED FOR ALL PURPOSES OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT AND WE SHALL START PROCESSING THE DEMAND UPON RECEIPT OF THE DEMAND SENT TO US BY WAY OF FACSIMILE TRANSMISSION. IF THERE IS ANY DISCREPANCY OR AMBIGUITY BETWEEN THE ORIGINAL DEMAND AND THE DEMAND SENT BY WAY OF FACSIMILE TRANSMISSION, THE FACSIMILE VERSION SHALL PREVAIL.

ONLY ONE DRAWING UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS PERMITTED.

ALL CHARGES AND COMMISSIONS INCURRED BY US IN CONNECTION WITH THE ISSUANCE OR ADMINISTRATION OF THIS STANDBY LETTER OF CREDIT (INCLUDING ANY DRAWING

HEREUNDER) ARE FOR THE ACCOUNT OF THE ISSUER AND, FOR THE AVOIDANCE OF DOUBT, ARE NOT FOR THE ACCOUNT OF THE BENEFICIARY.

NOTWITHSTANDING THE MAXIMUM LIMIT, ALL PAYMENTS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE MADE IN U.S.DOLLARS AND FOR VALUE ON THE DATE SPECIFIED IN THE DEMAND IN IMMEDIATELY AVAILABLE FUNDS WITHOUT ANY DEDUCTION OR WITHHOLDING ON ACCOUNT OF TAX, SET-OFF, COUNTER-CLAIM OR OTHERWISE. IN THE EVENT THAT ANY DEDUCTION OR WITHHOLDING IS REQUIRED BY LAW, THE ISSUING BANK SHALL PAY SUCH ADDITIONAL AMOUNTS AS WILL RESULT IN RECEIPT BY THE BENEFICIARY OF SUCH AMOUNTS AS WOULD HAVE BEEN RECEIVED BY IT HAD NO SUCH DEDUCTION OR WITHHOLDING BEEN SO REQUIRED BY LAW.

OUR OBLIGATIONS AND LIABILITIES UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE INDEPENDENT. THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS NOT SUBJECT TO ANY CONTRACT, AGREEMENT, CONDITION OR QUALIFICATION.

THE BENEFICIARY'S RIGHTS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT MAY BE TRANSFERRED OR RE-TRANSFERRED IN WHOLE OR IN PART TO ANY ADDITIONAL OR REPLACEMENT TRUSTEE APPOINTED AS CONTEMPLATED IN THE TRUST DEED IN RESPECT OF THE BONDS SUBJECT ONLY TO AT LEAST 15 DAYS' NOTICE HAVING BEEN GIVEN TO US BY OR ON BEHALF OF YOU AS TRUSTEE FOR YOURSELF AND THE BONDHOLDERS BY AUTHENTICATED SWIFT, OR IN THE EVENT THAT THE SWIFT SYSTEM IS NOT AVAILABLE, VIA FACSIMILE TRANSMISSION TO US AT +8621 63612980. MULTIPLE TRANSFERS ARE PERMITTED, SUBJECT TO AS PROVIDED IN THIS PARAGRAPH.

WE MAY NOT TRANSFER, ASSIGN OR NOVATE ANY OF OUR OBLIGATIONS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT.

NOTWITHSTANDING THE FOREGOING PROVISIONS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT AND ARTICLE 36 OF UCP 600 (AS DEFINED BELOW), IN THE UNEXPECTED EVENT THAT WE ARE CLOSED WHEN YOU WISH TO PRESENT A DEMAND HEREUNDER ON THE DAY AND AT THE TIME A DEMAND IS ABLE TO BE PRESENTED IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT,WE AGREE THAT YOU CAN PRESENT THE DEMAND BY AUTHENTICATED SWIFT OR, IN THE EVENT THAT THE SWIFT SYSTEM IS NOT AVAILABLE, PRESENT A COPY OF THE DEMAND VIA FACSIMILE TRANSMISSION TO US AT +8621 63612980 FROM THE DATE OF OUR RESUMPTION OF OUR BUSINESS. PROVIDED THAT IF WE ARE CLOSED ON THE EXPIRY DATE, THE EXPIRY DATE SHALL BE AUTOMATICALLY EXTENDED BY, AND SUCH PRESENTATION SHALL BE MADE WITHIN, FIVE BUSINESS DAYS AFTER THE DATE ON WHICH WE NOTIFY YOU BY AUTHENTICATED SWIFT, OR, IN THE EVENT THAT THE SWIFT SYSTEM IS NOT THEN AVAILABLE VIA FACSIMILE TRANSMISSION (USING THE SWIFT ADDRESS OR, AS THE CASE MAY BE, THE FACSIMILE NUMBER SET OUT ABOVE FOR YOU AS BENEFICIARY) OF OUR RESUMPTION OF OUR BUSINESS. IN THE CASE OF A PRESENTATION OF A DEMAND BY WAY OF FACSIMILE TRANSMISSION IN THE CIRCUMSTANCE STATED ABOVE, YOU SHALL ARRANGE FOR THE ORIGINAL DEMAND TO BE DELIVERED AS SOON AS REASONABLE PRACTICABLE THEREAFTER VIA COURIER TO OUR ADDRESS (AS SPECIFIED ABOVE) ON OUR BUSINESS DAY. FOR THE AVOIDANCE OF DOUBT, THE DEMAND SHALL BE RECEIVED FOR ALL PURPOSES OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT AND WE SHALL START PROCESSING THE DEMAND SENT TO US UPON RECEIPT OF THE DEMAND BY WAY OF FACSIMILE TRANSMISSION. IF THERE IS ANY DISCREPANCY OR AMBIGUITY BETWEEN THE ORIGINAL DEMAND AND THE DEMAND SENT BY WAY OF FACSIMILE TRANSMISSION, THE FACSIMILE VERSION SHALL PREVAIL. THE ABOVE UNEXPECTED EVENT ONLY REFER TO THE CASE OF FORCE MAJEURE EVENT SPECIFIED IN ARTICLE 36 OF UCP 600.

ANY SETTLEMENT OR DISCHARGE OF OUR OBLIGATIONS BETWEEN US AS ISSUING BANK AND YOU AS TRUSTEE FOR YOURSELF AND THE BONDHOLDERS SHALL BE CONDITIONAL UPON NO PAYMENT TO YOU BY THE ISSUER OR ANY OTHER PERSON ON BEHALF OF THE ISSUER BEING AVOIDED (BY VIRTUE OF ANY LAWS OR REGULATIONS RELATING TO BANKRUPTCY, INSOLVENCY, RECEIVERSHIP, LIQUIDATION OR SIMILAR LAWS OF GENERAL APPLICATION FOR THE TIME BEING IN FORCE). IN THE EVENT OF ANY SUCH PAYMENT BEING SO AVOIDED, YOU SHALL BE ENTITLED TO RECOVER THE AMOUNT BY WHICH SUCH PAYMENT IS SO AVOIDED FROM US SUBSEQUENTLY AS IF SUCH SETTLEMENT OR DISCHARGE HAD NOT OCCURRED.

EXCEPT TO THE EXTENT IT IS INCONSISTENT WITH THE EXPRESS TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS (2007 REVISION), INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 600 ("UCP 600").

THIS IRREVOCABLE STANDBY LETTER OF CREDIT AND ANY NON-CONTRACTUAL OBLIGATIONS ARISING OUT OF OR IN CONNECTION WITH IT, SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH ENGLISH LAW. NO PERSON SHALL HAVE ANY RIGHT TO ENFORCE ANY TERM OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT UNDER THE CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999.

WE AGREE THAT (1) THE COURTS OF HONG KONG SHALL HAVE EXCLUSIVE JURISDICTION TO SETTLE ANY DISPUTE ARISING OUT OF OR IN CONNECTION WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT (INCLUDING ANY NON-CONTRACTUAL OBLIGATIONS ARISING OUT OF OR IN CONNECTION WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT), AND (2) THE COURTS OF HONG KONG ARE THE MOST APPROPRIATE AND CONVENIENT COURTS TO SETTLE ANY DISPUTE AND, ACCORDINGLY, THAT WE WILL NOT ARGUE THAT ANY OTHER COURTS ARE MORE APPROPRIATE OR CONVENIENT. IN CASE OF ANY DISPUTE ARISING OUT OF OR IN CONNECTION WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WE AGREE THAT THE DOCUMENTS WHICH START ANY LEGAL ACTION OR PROCEEDINGS ARISING OUT OF OR IN CONNECTION WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT AND ANY OTHER DOCUMENTS REQUIRED TO BE SERVED IN RELATION TO SUCH ACTION OR PROCEEDINGS MAY BE SERVED ON US BY BEING DELIVERED TO CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED AT 20/F, CCB TOWER, 3 CONNAUGHT ROAD CENTRAL, CENTRAL, HONG KONG AS OUR PROCESS AGENT IN HONG KONG. IF FOR ANY REASON WE CEASE TO HAVE A PROCESS AGENT ADDRESS IN HONG KONG, WE WILL PROMPTLY APPOINT A SUBSTITUTE PROCESS AGENT AND NOTIFY THE BENEFICIARY OF SUCH APPOINTMENT WITHIN 30 DAYS OF SUCH CESSATION. NOTHING HEREIN SHALL AFFECT THE RIGHT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

APPENDIX A-1
FORM OF DEMAND

TO: BANK OF HANGZHOU CO., LTD SHANGHAI BRANCH (SWIFT: HZCBCN2HSHB)
NO. *[NUMBER]*

[DATE]

DEAR SIRS

RE: DEMAND UNDER THE IRREVOCABLE STANDBY LETTER OF CREDIT NO. *[NUMBER]* IN RESPECT OF THE U.S.DOLLARS 100,000,000.00 1.95 PER CENT. CREDIT ENHANCED BONDS DUE 2023 (THE "BONDS") ISSUED BY HUAN ZHI COMPANY LIMITED (THE "ISSUER")

THE UNDERSIGNED IS A DULY AUTHORISED REPRESENTATIVE OF CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED WHICH IS HEREBY MAKING A DEMAND ON BEHALF OF CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED AS TRUSTEE FOR ITSELF AND ON BEHALF OF THE BONDHOLDERS (THE "BENEFICIARY") UNDER YOUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. *[NUMBER]* (THE "IRREVOCABLE STANDBY LETTER OF CREDIT"). CAPITALISED TERMS USED HEREIN BUT NOT DEFINED SHALL HAVE THE MEANINGS GIVEN TO THEM IN THE IRREVOCABLE STANDBY LETTER OF CREDIT.

1 THIS DEMAND IS MADE IN CONNECTION WITH THE FOLLOWING:

- ❑ THE ISSUER HAS FAILED TO COMPLY WITH CONDITION 4(B) (THE "PRE-FUNDING CONDITION")IN RELATION TO PRE-FUNDING THE AMOUNT THAT IS REQUIRED TO BE PRE-FUNDED UNDER THE CONDITIONS AND/OR HAS FAILED TO PROVIDE THE REQUIRED CONFIRMATIONS (AS DEFINED IN THE CONDITIONS) IN ACCORDANCE WITH THE PRE-FUNDING CONDITION.

- ❑ AN EVENT OF DEFAULT (AS DEFINED IN CONDITION 10 OF THE CONDITIONS) HAS OCCURRED AND THE BENEFICIARY, AS TRUSTEE FOR ITSELF AND THE BONDHOLDERS, HAS GIVEN NOTICE TO THE ISSUER THAT THE BONDS ARE IMMEDIATELY DUE AND PAYABLE IN ACCORDANCE WITH CONDITION 10 OF THE CONDITIONS.

2 WE HEREBY DEMAND YOU TO PAY U.S.DOLLARS [AMOUNT] REPRESENTING THE AGGREGATE OF (I) U.S.DOLLARS [AMOUNT]: THE INTEREST ACCRUED FROM [DATE] TO [DATE] AS THE DATE WHEN THE BONDS CEASE TO BEAR INTEREST PURSUANT TO THE CONDITIONS, (II) U.S.DOLLARS [AMOUNT]: THE PRINCIPAL AMOUNT DUE IN RESPECT OF THE OUTSTANDING BONDS AND (III) U.S.DOLLARS [AMOUNT]: THE FEES, COSTS, EXPENSES, INDEMNITY PAYMENTS AND ALL OTHER AMOUNTS UNDER OR IN CONNECTION WITH THE BONDS, THE TRUST DEED, THE DEED OF GUARANTEE, AND THE AGENCY AGREEMENT, AND/OR ANY OTHER TRANSACTION DOCUMENTS RELATING TO THE BONDS WHICH IS DUE AND NOW OUTSTANDING.

3 WE HEREBY REQUEST YOU TO PAY THE ABOVE AMOUNTS AFTER YOU RECEIVE THIS DEMAND IN ACCORDANCE WITH THE IRREVOCABLE STANDBY LETTER OF CREDIT.

4 THE PROCEEDS OF THE DRAWING UNDER THIS DEMAND ARE TO BE CREDITED TO THE FOLLOWING ACCOUNT:

[INSERT ACCOUNT DETAILS]

FOR AND ON BEHALF OF

CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

BY: ______________________________

NAME: ___________________________

TITLE: ___________________________

ISSUER

Huan Zhi Company Limited
Ritter House, Wickhams Cay II
PO Box 3170, Road Town
Tortola VG1110, British Virgin Islands

GUARANTOR

Taixing Zhiguang Environmental Protection Technology Co., Ltd.
(泰興市智光環保科技有限公司)
West side of Dai Wang Road
East High-tech Industrial Park
Taixing City

TRUSTEE

China Construction Bank (Asia) Corporation Limited
(中國建設銀行(亞洲)股份有限公司)
28/F, CCB Tower
3 Connaught Road Central
Central, Hong Kong

LC PROCEEDS ACCOUNT BANK AND PRE-FUNDING ACCOUNT BANK

China Construction Bank (Asia) Corporation Limited
(中國建設銀行(亞洲)股份有限公司)
28/F, CCB Tower
3 Connaught Road Central
Central, Hong Kong

REGISTRAR, PRINCIPAL PAYING AGENT AND TRANSFER AGENT

China Construction Bank (Asia) Corporation Limited
(中國建設銀行(亞洲)股份有限公司)
28/F, CCB Tower
3 Connaught Road Central
Central, Hong Kong

AUDITOR OF THE COMPANY

Sichuan Huaxin (Group) CPA Firm (Special General Partnership)
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