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

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

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

德清建发
Deqing Construction&Development Group

DEQING CONSTRUCTION & DEVELOPMENT GROUP CO., LTD.
(德清縣建設發展集團有限公司)
(the "Issuer")

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

U.S.$150,000,000 3.60 per cent. Bonds due 2024
(the "Bonds")
(Stock Code: 40736)

PUBLICATION OF THE OFFERING CIRCULAR

This announcement is made by the Issuer pursuant to Rule 37.39A of the Listing Rules.

Reference is made to the notice of listing of U.S.$150,000,000 3.60 per cent. bonds due 2024 on the SEHK dated 24 June 2021 published by the Issuer. The offering circular dated 17 June 2021 referred to therein is appended to this announcement.

Hong Kong, 25 June 2021

As at the date of this announcement, the directors of Deqing Construction & Development Group Co., Ltd. (德清縣建設發展集團有限公司) are Mr. DAI Hongxiang, Mr. CAI Jianfeng, Ms. QIAN Xingxing and Mr. JI Ming.

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE ADDRESSEES OUTSIDE OF THE UNITED STATES.

IMPORTANT: You must read the following before continuing. The following applies to the offering circular (the "**Offering Circular**") following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from the Issuer (as defined in the Offering Circular) as a result of such access.

The Offering Circular is being furnished in connection with an offering in offshore transactions outside the United States in compliance with Regulation S under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described in the Offering Circular. You are reminded that the information in the attached Offering Circular is not complete and may be changed.

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

THE FOLLOWING OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY UNITED STATES ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. ANY INVESTMENT DECISION WOULD BE MADE ON THE BASIS OF THE TERMS AND CONDITIONS OF THE SECURITIES AND THE INFORMATION CONTAINED IN THE OFFERING CIRCULAR (AS AMENDED AND RESTATED) THAT WILL BE DISTRIBUTED TO YOU PRIOR TO THE PRICING DATE AND NOT ON THE BASIS OF THE ATTACHED DOCUMENT. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation of Your Representation:

In order to be eligible to view this Offering Circular or make an investment decision with respect to the securities, investors must be purchasing the securities outside the United States in an offshore transaction in reliance on Regulation S under the Securities Act. By accepting the e-mail and accessing the attached Offering Circular, you shall be deemed to have represented to the Managers (as defined in the Offering Circular) and the Issuer (as defined in the Offering Circular) (1) that you and any customers you represent are not, and that the electronic mail address that you gave the Issuer and to which this e-mail has been delivered is not, located in the United States, its territories or possessions, and (2) that you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission.

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

The materials relating to any offering of securities described in the Offering Circular do not constitute, and may not be used in connection with, an offer or solicitation by or on behalf of any of the Issuer or the Managers in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licenced broker or dealer and the Managers or any affiliate of the Managers are licenced brokers or dealers in that jurisdiction, the offering shall be deemed to be made by the Managers or such affiliate on behalf of the Issuer in such jurisdiction.

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Managers or any person who controls the Managers nor any director, officer, employee nor agent of the Managers or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Managers.

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

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

STRICTLY CONFIDENTIAL

DEQING CONSTRUCTION & DEVELOPMENT GROUP CO., LTD.
(德清縣建設發展集團有限公司)

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

U.S.$150,000,000 3.60 per cent. Bonds due 2024

Issue Price: 100.00 per cent.

The 3.60 per cent. bonds due 2024 in the aggregate principal amount of U.S.$150,000,000 (the "**Bonds**") will be issued by Deqing Construction & Development Group Co., Ltd. (德清縣建設發展集團有限公司) (the "**Issuer**"), a company incorporated in the People's Republic of China (the "**PRC**") with limited liability.

The Bonds will bear interest on their outstanding principal amount from and including 24 June 2021 (the "**Issue Date**") at the rate of 3.60 per cent. per annum, payable semi-annually in arrear in equal instalments on 24 June and 24 December in each year (each an "**Interest Payment Date**"), commencing on 24 December 2021. 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, 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 PRC or any political subdivision or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law, to the extent described under "*Terms and Conditions of the Bonds – Taxation*".

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

The Issuer undertakes that it will (i) within 15 Registration Business Days (as defined in the Terms and Conditions of the Bonds) after the Issue Date, register or cause to be registered with the State Administration of Foreign Exchange ("**SAFE**") the Bonds in accordance with, and within the time period prescribed by, the Administrative Measures for Foreign Debt Registration (Hui Fa [2013] No. 19) (《外債登記管理辦法》(匯發[2013]19號)) and its operating guidelines, effective as of 13 May 2013 and the Capital Account Foreign Exchange Guidelines (2020) (《資本項目外匯業務指引(2020)》) ("**Foreign Debt Registration**"), (ii) use its best endeavours to complete the Foreign Debt Registration and obtain a registration record or any other document evidencing the completion of the Foreign Debt Registration issued by from SAFE on or before 120 Registration Business Days after the Issue Date, (iii) as soon as possible, if required or requested to do so by any relevant governmental authority, file or cause to be filed with SAFE within the prescribed timeframe the prescribed information in relation to the Bonds pursuant to the Notice of the People's Bank of China on Matters Concerning Macro-prudential Management on Overall Cross-border Financing (Yin Fa [2017] No. 9) (《中國人民銀行關於實施全口徑跨境融資宏觀審慎管理有關事宜的通知》(銀發[2017]9號), effective as of 12 January 2017 (the "**Cross Border Financing Circular**") and (iv) comply with all applicable PRC laws and regulations in relation to the Bonds. For consequences of non-registration, see "*PRC Regulations*".

In accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (Fa Gai Wai Zi [2015] No. 2044) (《國家發展改革委關於推進企業發行外債備案登記制管理改革的通知》(發改外資[2015]2044號)) (the "**NDRC Circular**") issued by the National Development and Reform Commission of the PRC (the "**NDRC**") on 14 September 2015 which came into effect on the same day and any implementation rules as issued by the NDRC from time to time, the Issuer has registered the issuance of the Bonds with NDRC and obtained a certificate from the NDRC on 4 March 2021 evidencing such registration which, at the date of this Offering Circular, remains valid and in full force and effect. The Issuer has undertaken to report or cause to be reported the requisite information and documents on the issuance of the Bonds with the NDRC within ten Registration Business Days (as defined in the Terms and Conditions of the Bonds) after the Issue Date.

Unless previously redeemed, or purchased and or cancelled, the Bonds will be redeemed at their principal amount on 24 June 2024. At any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (as defined below) (which notice shall be irrevocable), the Issuer may redeem the Bonds in whole, but not in part, at their principal amount, together any interest accrued to but excluding the date fixed for redemption, if, the Issuer satisfies the Trustee that immediately before giving such notice, the Issuer has or will become obliged to pay Additional Tax Amounts (as defined in the Terms and Conditions of the Bonds) as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation, or any statement of any official position with respect to, 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 17 June 2021, and such obligation cannot be avoided by the Issuer taking reasonable measures available to it. At any time following the occurrence of a Relevant Event (as defined in the Terms and Conditions of the Bonds), each holder of Bonds (each a "**Bondholder**") will have the right, at such Bondholder's option, to require the Issuer to redeem all but not some only of that Bondholder's Bonds on the Put Settlement Date (as defined in the Terms and Conditions of the Bonds) at 101 per cent. (in the case of a redemption for a Change of Control (as defined in the Terms and Conditions of the Bonds)) or 100 per cent. (in the case of a redemption for a No Registration Event (as defined in the Terms and Conditions of the Bonds)) of their principal amount, together in each case with accrued interest up to (but excluding) such Put Settlement Date. See "*Terms and Conditions of the Bonds – Redemption and Purchase*".

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

For a more detailed description of the Bonds, see "*Terms and Conditions of the Bonds*" beginning on page 40.

The Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and, subject to certain exceptions, may not be offered or sold within the United States (as defined in Regulation S under the Securities Act ("Regulation S")). The Bonds are being offered only outside the United States in reliance on Regulation S. For a description of these and certain further restrictions on offers and sales of the Bonds and the distribution of this Offering Circular, see "*Subscription and Sale*".

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 Hong Kong Stock Exchange) (together, "**Professional Investors**") only and such permission is expected to become effective on 25 June 2021. This document is for distribution to Professional Investors only.

The SEHK has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Bonds on SEHK is not to be taken as an indication of the commercial merits or credit quality of the Bonds, the Issuer, the Group or quality of disclosure in this document. 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.

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

The Bonds have not been rated.

The denomination of the Bonds will be U.S.$200,000 each and integral multiples U.S.$1,000 in excess thereof. The Bonds will be represented by beneficial interests in a global certificate (the "**Global Certificate**") in registered form, which will be registered in the name of a nominee for, and shall be deposited on or about the Issue Date, with a common depositary for, Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except in the limited circumstances described in the Global Certificate, certificates for Bonds will not be issued in exchange for interests in the Global Certificate.

Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners

Central Wealth Securities Investment Limited

China Securities International

Industrial Bank Co., Ltd. Hong Kong Branch

Joint Lead Managers and Joint Bookrunners

China Zheshang Bank Co., Ltd. (Hong Kong Branch)

CNCB Capital

Zhongtai International

China Industrial Securities International

CMBC Capital

Blackwell Global Securities Limited

SunRiver International Securities Group Limited

Offering Circular dated 17 June 2021

IMPORTANT NOTICE

THIS OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE THE OFFER OR SOLICITATION IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS OFFERING CIRCULAR NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER OR ANY OF ITS RESPECTIVE SUBSIDIARIES OR THE GROUP OR THAT THE INFORMATION SET FORTH IN THIS OFFERING CIRCULAR IS CORRECT AS OF ANY DATE SUBSEQUENT TO THE DATE HEREOF. Hong Kong Exchanges and Clearing Limited and the SEHK take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular. This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer. The Issuer, having made all reasonable enquiries, confirms 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 Offering Circular before investing. If in doubt, investors should consult their advisers.

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

The Issuer, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the Issuer and its subsidiaries (collectively, the "**Group**") and the Bonds which is material in the context of the issue and offering of the Bonds (including all information required by applicable laws and all information which, according to the particular nature of the Issuer, the Group and of the Bonds, 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 and the Group and of the rights attaching to the Bonds); (ii) the statements contained herein relating to the Issuer, the Group and the Bonds are true and accurate in all material respects and not misleading in any material respect in the context of the Offering and there were or are (as the case may be) no other facts in relation to the Issuer, the Group and the Bonds the omission of which would in the context of an issue of Bonds make any statement in this Offering Circular misleading in any material respect; (iii) the statements of intention, opinion, belief or expectation contained in this Offering Circular with regard to the Issuer and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements; (v) this Offering Circular does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and (vi) the statistical, industry and market-related data and forward looking statements included in this Offering Circular (if any) are based on or derived or extracted from sources which the Issuer reasonably believes to be accurate and reliable in all material respects.

This Offering Circular has been prepared by the Issuer solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of Central Wealth Securities Investment Limited, China Securities (International) Corporate Finance Company Limited, Industrial Bank Co., Ltd. Hong Kong Branch (a branch of Industrial Bank Co., Ltd., a joint stock company incorporated in the PRC with limited liability), China Zheshang Bank Co., Ltd. (Hong Kong Branch) (a joint-stock company incorporated in the PRC with limited liability), CNCB (Hong Kong) Capital Limited, Zhongtai International Securities Limited, China Industrial Securities International Brokerage Limited, CMBC Securities Company Limited, Blackwell Global Securities Limited and SunRiver International Securities Group Limited (the "**Managers**") or the

Issuer to subscribe for or purchase any of the Bonds. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the circulation of documents relating thereto, in certain jurisdictions including the United States, the United Kingdom, the People's Republic of China, Hong Kong and Singapore, and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds and distribution of this Offering Circular, see "*Subscription and Sale*". This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise to acquire the Bonds. Distribution of this Offering Circular to any other person other than the investors and any person retained to advise such investors with respect to their purchase is unauthorised. Each investor, by accepting delivery of this Offering Circular, agrees to the foregoing and to make no photocopies of this Offering Circular or any documents referred to in this Offering Circular.

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

This Offering Circular may not be copied or reproduced in whole or in part. It may be distributed only to and its contents may be disclosed only to the prospective investors to whom it is provided. By accepting delivery of this Offering Circular each investor agrees to these restrictions.

No representation or warranty, express or implied, is made or given by the Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as a promise, representation or warranty by the Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers. To the fullest extent permitted by law, the Managers, the Trustee and the Agents and their respective affiliates, directors, officers, employees, representatives, agents and advisers do not accept any responsibility for the contents of this Offering Circular and assumes no responsibility for the contents, accuracy, completeness or sufficiency of any such information or for any other statement, made or purported to be made by the Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or on their behalf in connection with the Issuer or the issue and offering of the Bonds. Each of the Managers, the Trustee and the Agents and their respective affiliates, directors, officers, employees, representatives, agents and advisers accordingly disclaim all and any liability whether arising in tort or contract or otherwise which they might otherwise have in respect of this Offering Circular or any such statement.

None of the Managers, the Trustee or any Agent or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers undertakes to review the financial condition or affairs of the Issuer or the Group after the date of this Offering Circular nor to advise any investor or potential investor in the Bonds of any information coming to the attention of the Managers, the Trustee or any Agent or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers. The Managers, the Trustee, the Agents and their respective affiliates, directors, officers, employees, representatives, agents and advisers have not independently verified any of the information contained in this Offering Circular and can give no assurance that this information is accurate, truthful or complete. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the Issuer, the Group, the Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers that any recipient of this Offering Circular should purchase the Bonds. Each potential purchaser of the Bonds should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Bonds should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

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

The Bonds have not been and will not be registered with the United States Securities and Exchange Commission under the Securities Act or with any state securities commission in the United States or any other United States regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering or the accuracy or adequacy of this Offering Circular. Any representation to the contrary is a criminal offense in the United States.

In making an investment decision, investors must rely on their own examination of the Issuer, the Group and the terms of the offering, including the merits and risks involved. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Bonds.

Each person receiving this Offering Circular acknowledges that such person has not relied on the Managers, the Trustee, the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers in connection with its investigation of the accuracy of such information or its investment decision.

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

Prospective investors should not construe anything in this Offering Circular as legal, business or tax advice. Each prospective investor should determine for itself the relevance of the information contained in this Offering Circular and consult its own legal, business and tax advisers as needed to make its investment decision and determine whether it is legally able to purchase the Bonds under applicable laws or regulations.

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

Industry and Market Data

All non-company specific statistics and data relating to the Group's industry or the economies of pertinent jurisdictions, such as the PRC, have been extracted or derived from publicly available information and various government sources. The Issuer believes that the sources of this information are appropriate for such information and the Issuer taken reasonable care in extracting and reproducing such information. The Issuer has no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, this information has not been independently verified by the Issuer, the Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers and none of the Issuer, the Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers makes any representation as to the correctness, accuracy or completeness of that information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified. Accordingly, such information should not be unduly relied upon.

Presentation of Financial Information

This Offering Circular contains consolidated financial information of the Issuer 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 Issuer as at and for the years ended 31 December 2018, 2019 and 2020, included elsewhere in this Offering Circular. The audited consolidated financial statements of the Issuer as at and for the years ended 31 December 2018, 2019 and 2020 were prepared and presented in accordance with the Accounting Standards for Business Enterprises in the PRC (the "**PRC GAAP**") and have been audited by RSM China CPA LLP (容誠會計師事務所(特殊普通合夥)) ("**RSM China**"), the independent auditors of the Issuer.

The audited consolidated financial statements of the Issuer as at and for the years ended 31 December 2018, 2019 and 2020 have been prepared in Chinese and an English translation of the same has been included in this Offering Circular. None of the Managers or their respective directors, officers, employees, affiliates, advisers or agents has independently verified or checked the accuracy of such translation and can give assurance that the information contained therein is accurate, truthful or complete.

PRC GAAP differs in certain respects from International Financial Reporting Standards ("**IFRS**"). See *"Summary of Certain Differences Between PRC GAAP and IFRS"*.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

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

Unless otherwise specified or the context requires, references herein to "**Renminbi**", "**RMB**" or "**CNY**" are to the lawful currency of the PRC and references herein to "**U.S. dollars**", "**U.S.$**" or "**USD**" are to the lawful currency of the United States of America.

Historical amounts translated into Renminbi have been translated at historical rates of exchange. Such translations should not be construed as representations that the amounts referred to herein could have been or could be converted into Renminbi at those rates or any other rate at all. This Offering Circular contains translation of certain Renminbi amounts into U.S. dollars at specified rates solely for the convenience of the reader. Unless otherwise specified, where financial information in relation to the Issuer has been translated into U.S. dollars, it has been so translated, for convenience only, at the rate of RMB6.5250 to U.S.$1.00 (the noon buying rate in New York City on 31 December 2020 as set forth in the weekly H.10 statistical release of the Federal Reserve Board of the Federal Reserve Bank of New York). Further information regarding exchange rate is set forth in "*Exchange Rates*" in this Offering Circular. No representation is made that the Renminbi amounts referred to in this Offering Circular could have been or could be converted into U.S. dollars at any particular rate or at all.

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

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

In this Offering Circular, unless the context otherwise requires, the following terms shall have the meanings set out below.

"**CAGR**"	compound annual growth rate;
"**Deqing**"	Deqing County, Huzhou City, Zhejiang Province, the PRC;
"**Deqing Finance Bureau**"	the Finance Bureau of Deqing County (德清縣財政局);
"**Deqing SASAC**"	the State-owned Assets Supervision and Administration Office of the People's Government of Deqing County (德清縣人民政府國有資產監督管理辦公室);
"**Deqing Government**"	the People's Government of Deqing County (德清縣人民政府);
"**GDP**"	gross domestic product;
"**Huzhou**"	Huzhou City, Zhejiang Province, the PRC;
"**Huzhou Municipal Government**"	the People's Government of Huzhou (湖州市人民政府);
"**MOF**"	the Ministry of Finance of the PRC;

"**NDRC**"	the National Development and Reform Commission of the PRC or its local counterparts;
"**PBOC**"	the People's Bank of China, the central bank of the PRC;
the "**PRC Government**"	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governmental entities) and instrumentalities thereof, or, where the context requires, any of them;
"**SAFE**"	the State Administration of Foreign Exchange of the PRC or its local branch;
"**SASAC**"	the State-owned Assets Supervision and Administration Commission of the PRC;
"**State Council**"	the state council of the PRC;
"**WHO**"	the World Health Organisation;
"**Zhejiang Province**"	Zhejiang Province, the PRC; and
"**Zhejiang Provincial Government**"	the People's Government of Zhejiang Province (浙江省人民政府).

FORWARD-LOOKING STATEMENTS

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

- general economic and political conditions in the PRC and globally;
- risks associated with business activities in the PRC, including but not limited to the PRC regulatory environment;
- the Group's business strategy and plan of operation;
- fluctuations in interest rates and the availability of credit;
- various business opportunities that the Group may pursue; and
- those other risks identified in the "*Risk Factors*" section of this Offering Circular.

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

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SUMMARY

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

Overview

The Group is the primary state-owned assets management and infrastructure construction platform of the Deqing Government focusing on land development and indemnificatory housing in Deqing and is directly controlled by the Deqing SASAC. Established in 2017 and designated to carry out the Deqing Government's blueprint for municipal development in Deqing, the Group has established itself as a leading state-owned asset management company in Deqing and plays an important role in the urbanisation of Deqing.

For the years ended 31 December 2018, 2019 and 2020, the Group's total operating revenue was RMB1,126.2 million, RMB1,456.7 million and RMB1,889.8 million, respectively, and its gross profit was RMB211.5 million, RMB170.3 million and RMB198.1 million, respectively. The Group's net profit was RMB184.9 million, RMB193.0 million and RMB214.7 million, respectively, for the same periods indicated above.

The Group's operation and investment primarily focus on six major business segments, namely (i) land development, (ii) indemnificatory housing, (iii) water supply and water treatment, (iv) construction materials trading, (v) construction service and (vi) other businesses. Set forth below is an overview of the major business segments of the Group:

Land Development. The Group is one of the primary entities designated by the Deqing Government to conduct land development in East New District (東新區), Kangqian New District (康乾新區) and Wukang Central City West Area (武康中心城區城西片) at Wukang City, Deqing County. The Group commenced land development in the urban area of Deqing, primarily through its members, namely Deqing County Hengda Construction Development Co., Ltd. (德清縣恒達建設發展有限公司) and Deqing County Construction Investment Co., Ltd. (德清縣建設投資有限公司). The Group engages in land development in Deqing, and is primarily responsible for land development in the urban area. The Group prepares land for future transfer to the Deqing Government by levelling and clearing undeveloped land. As at 31 December 2020, the Group had completed development of approximately 15,000 square metres of land.

For the years ended 31 December 2018, 2019 and 2020, operating revenue generated from the Group's land development business was RMB477.4 million, RMB259.4 million and RMB387.0 million, respectively, representing 42.4 per cent., 17.8 per cent. and 20.5 per cent. of the Group's total operating revenue for the same periods, respectively.

Indemnificatory Housing. The Group engages in indemnificatory housing business, including resettlement housing and affordable housing business, mainly through four of its members, namely, Deqing County Hengda Construction Development Co., Ltd. (德清縣恒達建設發展有限公司), Deqing County Construction Development Co., Ltd. (德清縣建設開發有限公司), Deqing Weili Housing Development Co., Ltd. (德清縣微利房屋開發有限公司) and Deqing County Construction Investment Co., Ltd. (德清縣建設投資有限公司). The Deqing Government has mandated the Group to construct and sell resettlement housing for the resettlement of former residents of land expropriated for the development of the related area in accordance with the government's policy. In addition, the Deqing Government has mandated the Group to construct and sell affordable housing for residents who meet the application criteria for affordable housing in Deqing County.

For the years ended 31 December 2018, 2019 and 2020, operating revenue generated from the Group's indemnificatory housing business was RMB86.9 million, RMB396.6 million and RMB529.6 million, respectively, representing 7.7 per cent., 27.2 per cent. and 28.0 per cent. of the Group's total operating revenue for the same periods, respectively.

Water Supply and Water Treatment. The Group engages in water supply and water treatment business through two of its members, including Deqing Water Affairs Co., Ltd. (德清縣水務有限公司) and Deqing County Hengfeng Sewage Treatment Co., Ltd. (德清縣恒豐污水處理有限公司).

For the years ended 31 December 2018, 2019 and 2020, operating revenue generated from the Group's water supply and water treatment business was RMB189.5 million, RMB212.7 million and RMB213.0 million, respectively, representing 16.8 per cent., 14.6 per cent. and 11.3 per cent. of the Group's total operating revenue for the same periods, respectively.

Construction Materials Trading. The Group's construction materials trading business primarily consists of trading of steel, ceramic tile, cement and others. The Group engages in construction materials trading business through two of its members, Deqing County Hengda Construction Development Co., Ltd. (德清縣恒達建設發展有限公司) and Deqing County Construction Investment Co., Ltd. (德清縣建設投資有限公司). The Group generates revenue from its construction materials trading business by purchasing construction materials in bulk from large domestic factories for resale to construction companies and small retailing companies in Deqing. The Group plans to further develop its construction materials trading business as a complementary business to its construction service business.

For the years ended 31 December 2018, 2019 and 2020, operating revenue generated from the Group's construction materials trading business was RMB79.0 million, RMB263.4 million and RMB495.6 million, respectively, representing 7.0 per cent., 18.1 per cent. and 26.2 per cent. of the Group's total operating revenue for the same periods, respectively.

Construction Service. The Group's construction business is primarily conducted by its members, namely, Deqing County Decheng Landscaping Engineering Service Co., Ltd. (德清縣德城園林綠化工程服務有限公司), Deqing County Municipal Engineering Co., Ltd. (德清縣市政工程有限公司), Deqing County Jian'an Construction Engineering Inspection Co., Ltd. (德清縣建安建設工程檢測有限公司), Deqing County Urban and Rural Surveying and Mapping Institute Co., Ltd. (德清縣城鄉測繪院有限公司), Deqing County Hengda Construction Development Co., Ltd. (德清縣恒達建設發展有限公司) and Deqing County Construction Investment Co., Ltd. (德清縣建設投資有限公司). The Group generally obtained the construction projects through bidding processes.

For the years ended 31 December 2018, 2019 and 2020, operating revenue generated from the Group's construction service business was RMB251.3 million, RMB238.7 million and RMB197.6 million, respectively, representing 22.3 per cent., 16.4 per cent. and 10.5 per cent. of the Group's total operating revenue for the same periods, respectively.

Other Businesses. The Group also conducts other businesses, including, among others, parking lot management, leasing and others.

Competitive Strengths

The Group believes the following competitive strengths distinguish it from its competitors and are important to its success and future development:

- The Group is well positioned to benefit from the economic growth and strategic location of Deqing;
- The Group is the primary state-owned assets management and infrastructure construction platform for primary land development, indemnificatory housing development and water supply and water treatment under the Deqing SASAC;
- The Group benefits from strong support from the Deqing Government;

- The Group has a strong project pipeline with abundant land reserves warranting sustainable revenue and operating cash inflow from land development in the future;
- The Group has access to diverse sources of funding; and
- The Group is led by an experienced management and operations team.

Business Strategies

- Actively continue to focus on land development and indemnificatory housing in Deqing;
- Explore new business opportunities and sources of revenue; and
- Continue to enhance financial management and risk control system.

Recent Development

2021 First Quarter Financial Information of the Group

The Group published its unaudited but reviewed consolidated financial statements as at and for the three months ended 31 March 2021 in accordance with the information disclosure rules of the PRC interbank market. None of the Group's unaudited but reviewed consolidated financial statements are incorporated into this Offering Circular. Investors are cautioned against placing undue reliance on any information to be disclosed in the Group's unaudited but reviewed consolidated financial statements since none of such information has been or will be subject to any audit and there is no assurance such unaudited but reviewed financial information has or will have the same quality as the information reported in the Group's historical audited financial statements. The results as at and for the three months ended 31 March 2021 should not be taken as indicative of the Group's financial results for the full year of 2021.

As compared with 31 December 2020, the Group's total liabilities, including short-term borrowings and bonds payable, as at 31 March 2021 increased because of the increase in debt financing.

As compared with the same period in 2020, certain operating costs of the Group, such as costs of sales, general and administrative expenses and interest expenses increased for the three months ended 31 March 2021. Such increases were due to increases in operating costs of construction service segment and debt financing.

As compared with the same period in 2020, the Group's net cash flows from operating activities for the three months ended 31 March 2021 decreased.

As compared with the same period in 2020, the Group's net cash flows from investing activities for the three months ended 31 March 2021 decreased. The decrease was due to the increase in cash paid for investments, in particular the large amounts paid for financial products, entrusted loans and investments in companies.

As compared with the same period in 2020, the Group's net cash flows from financing activities for the three months ended 31 March 2021 decreased. The decrease was due to the increase in cash repayments of debt financing.

The Recent Coronavirus Epidemic Outbreak

Toward the end of 2019, public health officials of the PRC informed the WHO, that a highly infectious novel coronavirus was detected. WHO later named the novel coronavirus as COVID-19. In March 2020, the WHO characterised the outbreak of COVID-19 a pandemic. The COVID-19 pandemic has resulted in a material and adverse impact on the livelihood of the people in and the economy of the PRC.

The PRC central and local governments have taken various measures to manage cases and reduce potential spread and impact of infection, and further introduced various policies to boost the economy and stimulate the local property markets. The PRC industrial market is under pressure in the short term as the COVID-19 pandemic has curbed demand and sales. The PRC Government had implemented preferential policies to small and medium enterprises to ease the financial distress caused by the outbreak of the COVID-19, including reducing rents. As a result, the Group's business had been negatively affected to a relatively small extent. The revenue the Group generated from its business in 2020 reduced by RMB5.8 million consequently. Since April 2020, China and some other countries gradually lifted stay-at-home orders and began to resume work and school at varying levels and scopes. Given the uncertainties as to the development of the outbreak at the moment, it is difficult to predict how long these conditions will persist and to what extent to which the Group may be affected. See "*Risk Factors – Risks Relating to the Group's Business – The Group's businesses may be affected by an outbreak, or threatened outbreak, of any severe contagious disease which may in turn significantly reduce demand for the Group's services and have a material and adverse effect on its financial conditions and results of operations*".

THE OFFERING

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

Issuer	Deqing Construction & Development Group Co., Ltd. (德清縣建設發展集團有限公司).
Legal Entity Identifier	655600UVXXD8QVG3TT83.
Bonds	U.S.$150,000,000 3.60 per cent. Bonds due 2024.
Issue Price	100.00 per cent.
Form and Denomination	The Bonds will be issued in registered form in the specified denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
Interest	The Bonds will bear interest on their outstanding principal amount from and including 24 June 2021 at the rate of 3.60 per cent. per annum, payable semi-annually in equal instalments in arrear on 24 June and 24 December in each year (each an "**Interest Payment Date**") commencing on 24 December 2021.
Issue Date	24 June 2021.
Maturity Date	24 June 2024.
Use of Proceeds	The net proceeds from the offering of the Bonds will be used for domestic project construction, replenishing working capital and general corporate purposes. See "*Use of Proceeds*".
Status of the Bonds	The Bonds will constitute direct, unconditional, unsubordinated and (subject to Condition 4(a) (*Negative Pledge*) of the Terms and Conditions of the Bonds) unsecured obligations of the Issuer and shall at all times rank pari passu and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable laws and regulations and subject to Condition 4(a) (*Negative Pledge*) of the Terms and Conditions of the Bonds, at all times rank at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations.

Events of Default	Upon the occurrence and continuation of certain events described under Condition 9 (*Events of Default*) of the Terms and Conditions of the Bonds, the Trustee at its discretion may, and if so requested in writing by holders of at least 25 per cent. of the 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 first 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 any accrued and unpaid interest.
Cross-Default	The Bonds are subject to a cross-default provision in respect of present or future indebtedness for or in respect of moneys borrowed or raised or any guarantee and/or indemnity thereof of the Issuer or any of their respective Subsidiaries (as defined in the Terms and Conditions of the Bonds) in aggregate equals or exceeds US$30,000,000 or its equivalent in any other currency. See Condition 9(c) (*Cross-Default*) of the Terms and Conditions of the Bonds.
Taxation	All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Bonds shall be made 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 PRC or any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law, as further described in Condition 8 (*Taxation*) of the Terms and Conditions of the Bonds. Where such withholding or deduction is made by the Issuer by or within the PRC up to and including the Applicable Rate (as defined in the Terms and Conditions of the Bonds), the Issuer will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amount which would otherwise have been receivable by them had no such withholding or deduction been required. If the Issuer is required to make a deduction or withholding in respect of PRC tax in excess of the Applicable Rate, the Issuer shall pay such additional amounts 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. 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 (as defined in the Terms and Condition of the Bonds).

Tax Redemption	The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable) at their principal amount, together with interest accrued to but excluding the date fixed for redemption, if (i) the Issuer satisfies the Trustee immediately prior to the giving of such notice that the Issuer has or will become obliged to pay Additional Tax Amounts (as defined in the Terms and Conditions of the Bonds) as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation, or any statement of an official position with respect to, 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 17 June 2021; and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due. See "*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Taxation Reasons*".
Redemption for Relevant Events	Following the occurrence of a Relevant Event (as defined in the Terms and Conditions of the Bonds), the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all but not some only, of that holder's Bonds on the Put Settlement Date (as defined in the Terms and Conditions of the Bonds) at 101 per cent. (in the case of a redemption for a Change of Control (as defined in the Terms and Conditions of the Bonds)) or 100 per cent. (in the case of a redemption for a No Registration Event (as defined in the Terms and Conditions of the Bonds)) of their principal amount, together in each case with accrued interest up to but excluding such Put Settlement Date. See "*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Relevant Events*".
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 save for the Issue Date, the first payment of interest on them and the timing for complying with the Registration Conditions (as defined in the Terms and Conditions of the Bonds), for making NDRC Post-Issue Filing and the Foreign Debt Registration (as defined in the Terms and Conditions of the Bonds) and, if applicable, for filing of the Bonds pursuant to the Cross Border Financing Circular (as defined in the Terms and Conditions of the Bonds)) and so that such further issue shall be consolidated and form a single series with the outstanding Bonds. See "*Terms and Conditions of the Bonds – Further Issues*".

Governing Law	The Trust Deed, the Agency Agreement and the Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.
Trustee	CMB Wing Lung (Trustee) Limited.
Principal Paying Agent, Transfer Agent and Registrar	CMB Wing Lung Bank Limited.
Clearing Systems	The Bonds will be represented by beneficial interests in the Global Certificate, which will be registered in the name of a nominee for, and deposited on the Issue Date with, a common depositary for Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through records maintained by, Euroclear and Clearstream. Except in the limited circumstances described in the Global Certificate, certificates for Bonds will not be issued in exchange for beneficial interests in the Global Certificate.
Selling Restrictions	The Bonds will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See "*Subscription and Sale*".
ISIN	XS2338003093.
Common Code	233800309.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth the Issuer's summary consolidated financial information as at and for the periods indicated.

The summary consolidated financial information of the Issuer as at and for the years ended 31 December 2018, 2019 and 2020, as set forth below, has been extracted from the Issuer's audited consolidated financial statements as at and for the years ended 31 December 2018, 2019 and 2020, which are included elsewhere in this Offering Circular. The Issuer's audited consolidated financial statements as at and for the years ended 31 December 2018, 2019 and 2020 were prepared and presented in accordance with PRC GAAP and have been audited by RSM China.

PRC GAAP is substantially in line with IFRS, except for certain modifications which reflect the PRC's unique circumstances and environment. For a summary of the material differences, see "Summary of Certain Differences between PRC GAAP and IFRS".

Summary of Consolidated Statement of Profit or Loss and Other Comprehensive Income of the Group

	For the Year ended 31 December		
	2018	**2019**	**2020**
	(Audited)	**(Audited)**	**(Audited)**
		(RMB)	
I. Revenue	1,126,175,520.23	1,456,661,369.93	1,889,787,153.05
Less: Costs of sales	914,670,979.50	1,286,376,862.24	1,691,713,723.05
Taxes and surcharges	10,519,737.35	16,858,219.82	41,460,158.78
Selling and distribution expenses	6,302,151.73	7,232,585.11	7,399,194.18
General and administrative expenses	106,476,493.37	132,152,813.65	166,460,855.77
Finance costs	42,288,925.41	75,622,380.69	93,212,238.78
Including: Interest expenses	73,615,349.13	88,879,170.77	196,398,821.94
Interest income	34,469,716.04	21,214,603.55	111,524,803.32
Add: Other income	159,090,253.24	251,034,701.01	337,503,823.94
Investment income/(losses)	-406,649.81	28,150,360.68	-1,166,445.87
Impairment loss of assets	-14,482,375.08	-20,396,798.54	7,115,882.58
Gain/(losses) of disposal of assets	168,369.50	50,434.95	160.00
II. Profit/(loss) from operations	190,286,830.72	197,257,206.52	232,994,403.14
Add: Non-operating income	753,679.02	2,569,691.72	1,676,658.17
Less: Non-operating expenses	926,298.63	921,878.78	1,229,519.73
III. Profit/(loss) before tax	190,114,211.11	198,905,019.46	233,441,541.58
Less: Income tax expenses	5,179,879.48	5,950,656.20	18,710,421.89
IV. Net profit/(loss) for the year	184,934,331.63	192,954,363.26	214,731,119.69
V. Other comprehensive income for the year, after tax	–	–	–
VI. Total comprehensive income for the year	184,934,331.63	192,954,363.26	214,731,119.69

Summary of Consolidated Statement of Financial Position of the Group

	As at 31 December		
	2018	2019	2020
	(Audited)	(Audited) (RMB)	(Audited)
Non-current assets			
Property, plant and equipment	2,464,394,756.14	3,071,608,559.26	2,935,065,933.99
Construction in progress	220,388,757.93	241,651,865.62	271,833,349.74
Investment properties	374,776,011.34	611,729,871.17	554,759,734.05
Intangible assets	3,692,544.35	48,321,410.43	46,942,957.18
Long-term deferred expenses	3,310,492.26	8,781,333.56	5,758,391.45
Available-for-sale financial assets	13,669,565.51	144,319,565.51	359,399,565.51
Deferred tax assets	7,071,228.09	8,111,390.46	8,236,085.23
Long-term receivables	28,000,000.00	40,400,000.00	50,000,000.00
Long-term equity investments	67,793,350.19	130,862,918.13	127,796,472.26
Other non-current assets	100,000,000.00	89,646,200.00	683,171,200.05
Total non-current assets	3,283,096,705.81	4,395,433,114.14	5,042,963,689.46
Current assets			
Inventories	11,277,929,202.28	13,776,298,316.65	16,501,276,126.00
Other receivables	9,390,889,178.25	10,224,161,900.07	9,711,137,680.07
Cash and cash equivalents	3,394,619,144.70	2,944,057,369.58	3,377,952,667.34
Accounts receivable	123,418,054.60	177,582,072.13	217,260,437.14
Prepayments	99,398,881.89	80,897,474.87	71,474,938.15
Other current assets	2,156,917,830.61	1,324,696,725.71	275,654,182.96
Total current asset	26,444,172,292.33	28,527,693,859.01	30,154,756,031.66
Total assets	29,727,268,998.14	32,923,126,973.15	35,197,719,721.12
Non-current liabilities			
Long-term borrowings	11,194,751,608.17	10,757,393,206.58	9,465,913,021.04
Bonds payables	1,809,668,688.53	2,987,707,303.07	5,729,928,268.82
Long-term payables	282,728,716.06	269,291,081.55	272,680,845.80
Other non-current liabilities	100,130,000.00	100,130,000.00	–
Total non-current liabilities	13,387,279,012.76	14,114,521,591.20	15,468,522,135.66
Current liabilities			
Short-term borrowings	595,580,634.00	562,000,000.00	1,011,700,000.00
Accounts payable	1,751,383,154.99	1,578,169,963.65	1,374,802,622.05
Advances from customers	14,477,379.98	39,009,206.99	149,367,799.52
Employee benefits payable	1,971,363.48	1,783,634.09	1,064,794.71
Taxes payable	17,470,832.67	36,336,943.77	54,444,610.72
Other payables	974,529,460.12	413,992,213.04	542,801,827.86
Non-current liabilities maturing within one year	2,279,808,157.88	3,468,058,920.38	3,142,496,097.27
Total current liabilities	5,635,220,983.12	6,099,350,881.92	6,276,677,752.13
Total liabilities	19,022,499,995.88	20,213,872,473.12	21,745,199,887.79
Owners' equity			
Paid-in capital	5,411,763,647.99	5,512,473,647.99	5,512,473,647.99
Capital reserves	4,145,302,540.17	5,837,799,652.68	6,370,423,801.60
Surplus reserves	71,974,823.81	71,974,823.81	71,974,823.81
Retained earnings	796,054,409.60	986,152,057.80	1,182,956,402.46
Total owner's equity attributable to parent company	10,425,095,421.57	12,408,400,182.28	13,137,828,675.86
Non-controlling interest	279,673,580.69	300,854,317.75	314,691,157.47
Total owner's equity	10,704,769,002.26	12,709,254,500.03	13,452,519,833.33
Total liabilities and owners' equity	29,727,268,998.14	32,923,126,973.15	35,197,719,721.12

Summary of Consolidated Statement of Cash Flows of the Group

	For the Year ended 31 December		
	2018	2019	2020
	(Audited)	(Audited) (RMB)	(Audited)
Net cash flows from operating activities	-3,985,978,502.08	-2,759,418,728.05	-683,642,187.97
Net cash flows from investing activities	-2,400,675,799.94	445,714,170.66	337,612,413.70
Net cash flows from financing activities	7,199,912,645.10	2,309,771,433.97	921,352,099.38
Net increase/(decrease) in cash and cash equivalents	813,258,343.08	-3,933,123.42	575,322,325.11
Plus: Cash and cash equivalents at the beginning of the period	1,496,157,247.57	2,309,415,590.65	2,305,482,467.23
Cash and cash equivalents at the end of the period	2,309,415,590.65	2,305,482,467.23	2,880,804,792.34

RISK FACTORS

Prior to making any investment decision, prospective investors should consider carefully all of the information contained in this Offering Circular, including the risks and uncertainties described below. The business, financial condition or results of operations of the Group could be materially and adversely affected by any of these risks. The Group believes that the following factors may affect its ability to fulfil its obligations under the Bonds. Additional risks and uncertainties not presently known to the Group or which the Group currently deems immaterial may also have an adverse effect on an investment in the Bonds. All of these factors are contingencies which may or may not occur and the Group is not in a position to express a view on the likelihood of any such contingency occurring.

Factors which the Group believes may be material for the purpose of assessing the market risks associated with the Bonds are described below. The Group believes that the factors described below represent the principal risks inherent in investing in the Bonds, but the inability of the Group to repay principal, pay interest (if any) or other amounts or fulfil other obligations on or in connection with the Bonds may occur for other reasons and the Group does not represent that the statements below regarding the risks of holding the Bonds are exhaustive.

Risks Relating to the Group's Business

The Group's businesses, financial conditions, results of operations and prospects are heavily dependent on the level of economic development of Deqing, Huzhou, Zhejiang Province and the PRC.

The Group's businesses and assets are highly concentrated in Deqing, Huzhou, Zhejiang Province. For the three years ended 31 December 2018, 2019 and 2020, revenue derived from the Group's members registered in Deqing accounted for substantially all of the Group's revenue. Therefore, the Group's businesses, financial conditions, results of operations and prospects have been and will continue to be heavily dependent on the level of economic development of Deqing, Huzhou, Zhejiang Province and the PRC.

The future prospects of the PRC's, Zhejiang Province's, Huzhou's and Deqing's economy depend on many different factors, most of which are beyond the Group's control. It is uncertain how the economic condition and future development in Zhejiang Province, Huzhou and Deqing will be affected by the slowdown in the growth of the PRC's economy. For example, according to the National Statistic Bureau of the PRC, the GDP growth rate of China decreased from 9.5 per cent. in 2011 to 6.9 per cent. in 2015, and further to 6.1 per cent. in 2019. Furthermore, due to the outbreak of COVID-19, China's GDP growth further decreased to 2.3 per cent. in 2020, representing the slowest growth in the past 30 years. Huzhou has experienced a prolonged period of rapid economic growth in recent years. According to Huzhou Municipal Statistics Bureau, Huzhou's GDP increased from RMB247.6 billion in 2017 to RMB320.1 billion in 2020, representing a CAGR of 8.9 per cent. However, in line with the slowdown in the GDP growth rate of the PRC, the annual growth rate of Huzhou's GDP slowed down from 8.5 per cent. for the year 2017, to 8.1 per cent. for the year 2018, to 7.9 per cent. for the year 2019 and further slowed down to 3.3 per cent. for the year 2020. There is no assurance that the economy of the PRC, Zhejiang Province, Huzhou or Deqing will continue to grow, if at all.

It is difficult to predict how the economic development of Deqing will be affected by a slowdown in the growth of the PRC economy, and there can be no assurance that the policies and measures adopted by the PRC Government will be effective in stimulating the recovery of the PRC economy. There can be no assurance that the level of economic development in Deqing will continue to be maintained at the past rate of growth, if at all. Slowdown in the economic growth in Zhejiang Province, Huzhou or Deqing may affect the fiscal income and financial condition of the Zhejiang Provincial Government, the Huzhou Municipal Government and the Deqing Government as well as their plans and budgets for city development. This may in turn decrease the demand for the Group's business and materially and adversely affect the Group's business, financial condition, results of operations and prospects.

The Deqing SASAC and the Deqing Government can exert significant influence on the Group, and could cause the Group to make decisions or modify the scope of its activities, or impose new obligations on the Group that may not be in the Group's best interest.

The Issuer is a state-owned company. As ultimate controllers of the Issuer, the Deqing SASAC and the Deqing Government are in the position to significantly influence the Group's major business decisions and strategies, including the scope of its activities, investment decisions, merger and acquisition, appointment of senior management team and dividend policy. The Deqing SASAC and the Deqing Government may use their ability to influence the Group in a manner that may not be in the Group's best interest.

The Deqing SASAC, the Deqing Government and other relevant PRC governments may also change their policies, intention, preferences, views, expectations, projections, forecasts and opinions, as a result of changes in the economic, political and social environment, its projections of population and employment growth. Any amendment, modification or repeal could modify the existing regulatory regime and materially and adversely affect the Group's financial condition and results of operations.

A reduction or discontinuance of government support could materially and adversely affect the financial conditions and results of operations of the Group.

In light of the strategic importance of some of the Group's businesses to Deqing, the Group has received various kinds of support (excluding credit support or guarantees provided by the government) from the Deqing Government to support its investments in and operation of those businesses. For the years ended 31 December 2018, 2019 and 2020, the aggregate government grants provided to the Group amounted to approximately RMB159.1 million, RMB251.0 million and RMB337.7 million, respectively.

There can be no assurance that the Deqing Government will continue to provide support to the Group or that the fiscal subsidies, asset transfers, government capital contributions or other types of government support will not be adjusted or terminated due to changes in government policy or otherwise.

If favourable fiscal subsidies, asset transfers, government capital contributions or other incentives which are currently available to the Group are reduced, eliminated or delayed in the future, some of the Group's businesses may no longer be viable, and the financial conditions and results of operations of the Group may be materially and adversely affected.

PRC regulations on the administration of the financing platforms of local governments may have a material impact on the Group's businesses and sources of financing.

The Group's results of operations and financial conditions may be affected by changes in the regulations of the PRC Government concerning local government debts and the financing platforms of local governments. Various PRC government entities maintain and enforce regulations related to local government financing vehicles ("**LGFV**"). These government entities, including but not limited to MOF and NDRC, may from time to time interpret relevant laws and regulations differently based on their own interpretation of the specific activities engaged in by enterprises such as the Issuer. The Issuer and the Group therefore cannot be certain that certain regulations intended to apply to LGFV do not or will not apply to them or that such regulations will not be retroactively applied to them. In September 2014, the State Council released the Opinion on Enhancing the Administration of Fiscal Debts of Local Governments (《關於加強地方政府性債務管理的意見》) (國發[2014]43號) (the "**Circular 43**") with an aim to control a significant increase in local government debts and associated risks in the PRC's financial system. The Circular 43 generally prohibits local governments to incur "off-balance" indebtedness to finance the development of government projects and other public interest projects with the proceeds of the borrowings incurred by financing platforms that the relevant local governments own or control.

MOF, together with NDRC, PBOC, the China Securities Regulatory Commission and the China Banking Regulatory Commission (which was merged with the China Insurance Regulatory Commission to form the China Banking and Insurance Regulatory Commission in April 2018) and the Ministry of Justice of the PRC, released the Notice concerning Further Regulation of Local Government Borrowing and Financing Conduct (《關於進一步規範地方政府舉債融資行為的通知》) (財預[2017]50號) to emphasise the principles and policies set out in Circular 43 in April 2017.

On 8 February 2018, the Circular 194 was released which reiterates the PRC Government's position to isolate the debt of local government financing vehicles from the relevant local government and to control the increase of the local governments' debt. The Circular 194 requires companies that plan to issue bonds to establish a sound and standardised corporate governance structure, management decision-making mechanism and financial management system. The PRC Government issued the Regulation on the Financing Activities Conducted by Financial Institutions for Local Governments and State-owned Enterprises (《財政部關於規範金融企業對地方政府和國有企業投融資行為有關問題的通知》) (財金[2018]23號) (the "**MOF Circular**"), promulgated on 28 March 2018 and took effect on the same day, which aims to increase the responsibility of the PRC state-owned financial institutions to investigate into the financial independence and liquidity level of the local government financing vehicles that they assist in fundraising.

Further, on 6 June 2019, the general office of the NDRC issued the Notice of the General Office of the National Development and Reform Commission on Relevant Requirements for Record-filing and Registration of Issuance of Foreign Debts by Local State-owned Enterprises (《國家發展改革委辦公廳關於對地方國有企業發行外債申請備案登記有關要求的通知》) (發改辦外資[2019]666號) (the "**Circular 666**"), promulgated on 6 June 2019 and took effect on the same day, which aims to strengthen the management of local government debt, prevent the risks of medium and long-term foreign debts and hidden debt of local government and further implement the requirements specified in NDRC Notice. The Circular 666 expressly restricts the use of proceeds of foreign debt issued by local state-owned enterprises which undertake local government financing functions of repaying medium and long-term foreign debts other than those due within one year.

The PRC Government may continue to release new policies or amend existing regulations to control the increase in local government debts in the PRC. There is no assurance that the Group's financing model and business model will not be materially affected by future changes in the regulatory regime concerning the financing platforms of local governments.

The Group's businesses and prospects to a large extent depend upon the spending or budget of the Deqing Government on primary land development, indemnificatory housing and water supply and water treatment.

The Group is indirectly controlled by the Deqing Government and is designated by the Deqing Government to carry out land development and indemnificatory housing within the urban area of Deqing. As many of these businesses operate in sectors of public interest, governmental agencies and state-owned enterprises are among the Group's major customers and the Group's businesses are to a large extent funded by the Deqing Government. Grants and subsidies from the government is an important source of working capital and such support substantially strengthens the Group's profitability and ability to invest in large-scale capital-intensive land development and infrastructure projects. Due to the nature of the Group's businesses, its business and financial performance may be materially affected by changes in the spending or budget of the Deqing Government, especially by any significant reduction in the Deqing Government's public spending. The Group's businesses and prospects have historically been, and may continue to be, affected by the public spending or budget of the Deqing Government on land development and infrastructure construction and fixed asset investments in Deqing.

There are a number of factors affecting the Deqing Government's spending and budget on land development and infrastructure construction and fixed asset investments. The key factors include government policies and priority relating to the development of different industries and the Deqing Government's fiscal and monetary policies. Such spending and budget are also affected by the government income and the general economic condition in the PRC and in Zhejiang Province. Any slowdown in the overall economic conditions of the PRC, Zhejiang Province or Huzhou may affect the economic development of Deqing and the fiscal conditions of the Deqing Government, which may in turn materially and adversely affect the spending and budget of the Deqing Government on primary land development, indemnificatory housing and water supply and water treatment in Deqing. See "*The Group's businesses, financial conditions, results of operations and prospects are heavily dependent on the level of economic development of Deqing, Huzhou, Zhejiang Province and the PRC*". If the spending or budget of the Deqing Government on primary land development, indemnificatory housing and water supply and water treatment decreases, the Group's businesses, financial conditions, results of operations and prospects may be materially and adversely affected.

The Group's business operations are capital intensive and any failure to obtain sufficient capital resources on acceptable terms or in a timely manner may materially and adversely affect its business and prospects.

The Group's business operations require substantial capital resources. For the years ended 31 December 2018, 2019 and 2020, the Group incurred capital expenditures of RMB2,401.5 million, RMB6,912.5 million and RMB3,865.8 million, respectively. The Group has historically satisfied its capital requirement with the cash flow generated from its operating activities, bank loans, issuance of bonds in the PRC, trust financing, financial leasing, other borrowings and subsidies from the Deqing Government. The Group will continue to require substantial capital resources to support its business operations and expansion. Any failure to obtain sufficient capital resources on acceptable terms or in a timely manner may materially and adversely affect its business and prospects.

The ability of the Group to generate sufficient operating cash flow is affected by a number of factors, such as the Group's ability to manage and implement business activities, the local government's payment schedule, due performance of the Group's contractors, changes in the general market conditions and regulatory environment and the competition in certain sectors in which the Group operates. For the years ended 31 December 2018, 2019 and 2020, the Group had net operating cash outflow of RMB3,986.0 million, RMB2,759.4 million and RMB683.6 million, respectively, primarily due to long project construction periods. There can be no assurance that the Group's operations are able to continue to generate sufficient cash inflow to satisfy its cash need at all times, if at all. Any adverse changes in any of these factors, which may be out of the Group's control, may create capital shortfall. There is no assurance that the Group's operations are able to generate sufficient cash to satisfy the Group's cash need at all times, if at all.

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

The Group relies on bank loans to satisfy a portion of its capital requirements and the Group has had a significant amount of outstanding indebtedness. As at 31 December 2020, the Group's total indebtedness (comprising short-term borrowings, long-term borrowings, Bonds payable, non-current liabilities maturing within one year, other payables and long-term payables) was approximately RMB19,661.6 million. As at 31 December 2020, the Group had total credit facilities of approximately RMB20,237.2 million, of which approximately RMB7,812.5 million had not been utilised. Substantial indebtedness could impact on the Group's businesses in a number of ways, including:

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

Certain financing contracts entered into by members of the Group contain operational and financial restrictions 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. Such restrictions may negatively affect the Group's ability to respond to changes in market conditions, pursue the business opportunities the Group believes to be desirable, obtain future financing, fund capital expenditures, or withstand a continuing or future downturn in its business. Any of these factors could materially and adversely affect the Group's ability to satisfy its obligations under outstanding financial obligation, such as the Bonds after issuance.

If the Issuer or any of its relevant subsidiaries is unable to comply with the restrictions (including restrictions on future investments) and covenants in its current or future debt obligations and other financing agreements, a default under the terms of such agreements may occur. In the event of a default under such agreements, the creditors may be entitled to terminate their commitments granted to the Issuer or its subsidiaries, accelerate the debt and declare all amounts borrowed due and payable or terminate the agreements, depending on the provisions of the relevant agreements. Some financing agreements of the Group may contain cross-acceleration or cross-default provisions, which give creditors under these financing agreements to require the Group to immediately repay their loans or declare on the borrower as a result of the acceleration or default of other financing agreements by any other member of the Group. If any of these events occur, there can be no assurance that the Group will be able to obtain the lenders' waiver in a timely manner or that the assets and cash flow of the Issuer or its subsidiaries would be sufficient to repay in full all of their respective debts as they become due, or that the Issuer or its subsidiaries would be able to find alternative financing. Even if the Issuer and its subsidiaries could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the Issuer or, as the case may be, its subsidiaries.

As at 31 December 2020, assets of the Group with a total book value of approximately RMB1,710.7 million were provided as security to secure the loan facilities of the Issuer or its subsidiaries. Third-party security rights may limit the Group's use of the underlying collateral assets and materially and adversely affect its operation efficiency. If the Issuer and its subsidiaries are unable to service and repay their debts under such loan facilities on a timely basis, the assets provided as security for such bank loans may be subject to foreclosure, which may materially and adversely affect the Group's businesses, financial conditions, results of operations and prospects.

The Group faces risks associated with contracting with public bodies.

As a designated entity controlled by the Deqing Government to carry out land development, indemnificatory housing, water supply and water treatment, construction materials trading, construction service and other businesses in Deqing, the Group collaborates with various governmental authorities and their controlled entities in conducting its businesses, particularly primary land development business. Although the Group believes that it currently maintains close working relationships with those governmental authorities and their controlled entities relevant to its businesses, there is no assurance that such close working relationships will be maintained in the future. Local governments and their controlled entities may (i) have economic or business interests or considerations that are inconsistent with the Group's, (ii) take actions contrary to the Group's requests, policies or objectives, (iii) be unable or unwilling to fulfil their contractual obligations in a timely manner, if at all, (iv) change existing policies and project plans without prior notice or consent from the Group for reasons such as government budgeting, (v) encounter financial difficulties, or (v) have disputes with the Group as to the contractual terms or other matters. In addition, the Group mainly contracts with the Deqing Government or other governmental authorities or follows investment plans issued by governmental authorities to develop a large number of land development and infrastructure projects in Deqing. There is no assurance that the Group will be able to successfully resolve any material disagreement with the Deqing Government or any of the contracting counterparties controlled by the Deqing Government in a timely manner, or at all. Disputes with public bodies may last for considerably longer periods of time than for those with private sector counterparties, and payments from the public bodies may be delayed as a result. Any of these may materially and adversely affect the business relationships between the Group and the Deqing Government, which may in turn materially and adversely affect the Group's businesses, financial conditions, results of operations and prospects.

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

The Group's accounts receivable mainly comprise the outstanding amounts on payments owed by Changxing Xinchang Trading Co., Ltd. (長興鑫長貿易有限公司), Huzhou Moganshan High-tech Group Co., Ltd. (湖州莫干山高新集團有限公司), Zhejiang Changcheng Construction Group Material Co., Ltd. (浙江長城建設集團物資有限公司), Hengde Construction Co., Ltd. (恆德建設有限公司) and Xiangsheng Construction Engineering Co., Ltd. (浙江祥生建設工程有限公司), as at 31 December 2020. As at 31 December 2018, 2019 and 2020, the Group's accounts receivable amounted to RMB124.4 million, RMB177.6 million and RMB217.3 million, respectively, representing 0.4 per cent., 0.5 per cent. and 0.6 per cent. of the Group's total assets, respectively.

As at 31 December 2020, the Group's other receivables mainly comprise current payment to be paid by relevant government entities, such as the Deqing SASAC. As at 31 December 2018, 2019 and 2020, the Group's other receivables amounted to RMB9,390.9 million, RMB10,224.2 million and RMB9,711.1 million, respectively, representing 31.6 per cent., 31.1 per cent. and 27.6 per cent. of the Group's total assets, respectively.

There are inherent risks associated with the government and the Group's other customers' ability to make timely payments which may impair the Group's accounts receivable and other receivables. Any failure by governmental authorities or the Group's other customers to make timely payments could materially and adversely affect the value of the Group's accounts receivable, other receivables and its liquidity and in turn affect its businesses, financial conditions or results of operations.

The Group operates in multiple businesses and such business structure exposes the Group to challenges not faced by companies with a single or fewer variety of businesses.

The Issuer has a number of subsidiaries and associated companies operating in multiple industries. Through these subsidiaries and associated companies, the Group focuses on six business segments covering a wide range of industries: (i) land development, (ii) indemnificatory housing, (iii) water supply and water treatment, (iv) construction materials trading, (v) construction service and (vi) other businesses. As such, the Group is exposed to business, market and regulatory risks associated with multiple businesses.

Further, the Group may from time to time expand its businesses to new industries, markets in which it has limited operating experience. Such expansion may require the Group to devote substantial resources to become familiar with, and monitor changes in, different operating environments so that it can succeed in its businesses.

In addition, successful operation of the Group requires an effective management system. As the Group continues to grow its businesses, and expand into various industries, the Group's operations may become more complex, which would increase the difficulty of implementing its management system.

The Issuer also provides loans, guarantees and other support to certain of its subsidiaries in various lines of businesses. For instance, the Issuer provides loans to, or acts as a guarantor for the borrowings of, certain subsidiaries. If a subsidiary defaults on any borrowings lent or guaranteed by the Issuer, the Issuer will not receive the repayment as planned or the relevant creditor may exercise its right under the guarantee to demand repayment from the Issuer. The occurrence of either of these types of events may result in a funding shortage of the Issuer and may materially and adversely affect the Issuer's ability to provide financial support to its other subsidiaries. If the Issuer's financial or non-financial support ceases or diminishes for any reason, the operations of the relevant subsidiaries may be materially and adversely affected, which in turn may have a material and adverse impact on the Group's businesses, financial conditions and results of operations.

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

The Group has substantial indebtedness outstanding. See "*Risk Factors – Risks Relating to the Group's Business – Significant indebtedness may restrict the Group's business activities and increase the Group's exposure to various operational risks*". Much of the Group's indebtedness bears interests that accrue at interest rates linked to benchmark lending rates published by PBOC which is now required to be converted into loan prime rate published by National Interbank Funding Centre as authorised by PBOC. Any material fluctuation in the benchmark lending rate or loan prime rate may have a material impact on the Group's interest expenses and payables under its bank loans and other borrowings and in turn affect its results of operations. The PRC Government from time to time adjusted interest rates as implementation of the PRC Government's economic and monetary policies. Any material fluctuation in the benchmark lending interest rate or loan prime rate could have a material impact on the Group's interest payables under its bank loans and in turn affect its results of operations. The Group's future loan facilities may also carry interest rates based on the loan prime rate and subject to market conditions. There is no assurance, as a result of any increase in PBOC benchmark rate, loan prime rate or otherwise, the Group will be able to service its existing bank borrowings as they become due or obtain sufficient additional bank borrowings going forward on commercially acceptable terms, or at all, which could have a material and adverse effect on the Group's businesses, financial conditions and results of operations.

The Group may not successfully implement its growth strategy.

The Group has historically been focused on land development and indemnificatory housing businesses in Deqing. Over the years, it has diversified its businesses into parking lot management, leasing and others. The Group continues to develop these new businesses while maintaining sustainable growth of its core businesses as one of its strategies for the future. Whether the Group could successfully implement this strategy depends on the Group's ability to identify attractive projects, obtain required approvals from relevant regulatory authorities in the PRC, obtain sufficient capital on acceptable terms in a timely manner and maintain close working relationships with various governmental authorities and agencies. For example, the success of negotiations with respect to any particular project cannot be assured. There can be no assurance that the Group will be able to successfully implement this strategy, manage or integrate newly-acquired operations with its existing operations. Failure to implement the Group's growth strategy could have a material and adverse impact on its businesses, financial conditions and results of operations.

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

The Group relies heavily on its quality control systems to ensure the safety and quality of its projects and products. Therefore, it needs to maintain an effective quality control system for the Group's land development, indemnificatory housing, water supply and water treatment, construction materials trading, construction service and other businesses. The effectiveness of the Group's 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 programs as well as its ability to ensure that the Group's and the contractors' employees adhere to its quality control policies and guidelines. There can be no assurance that the quality of the projects undertaken by the Group will always meet the required standard. Any failure or deterioration of the Group's quality control systems could result in defects in its projects, which in turn may subject the Group to contractual, product liability and other claims. Any such claims, regardless of whether they are ultimately successful, could cause the Group to incur significant costs, harm its business reputation and result in significant disruption to its operations. Furthermore, if any of such claims are ultimately successful, the Group could be required to pay substantial monetary damages or penalties. Although the Group believes that its quality control systems have functioned properly, there can be no assurance that failures in its quality control systems will not occur in the future, and any such failure could have a material and adverse effect on the Group's businesses and operations.

The Group is 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.

The Group is 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 the Group's licenses or permits to conduct its 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 the Group 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 Offering Circular, the Group has not received any notice regarding non-compliance with the applicable safety regulations or requirements from any government authority. In addition, PRC laws and regulations are constantly evolving. There can be no assurance that the PRC Government will not impose additional or stricter laws or regulations, which may increase compliance costs of the Group.

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

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

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

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

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

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

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

The Group may encounter problems with the Group's joint projects and disputes with the Group's business partners may materially and adversely affect the Group's businesses, financial conditions and results of operations.

In the course of the Group's businesses, the Group has in the past formed, and may in the future continue to form, joint ventures or other cooperative relationships with other parties to jointly engage in certain business activities. The Group may bear joint and several liabilities to the project owners or other parties with the Group's business partners under the relevant agreements, and as a result, the Group may incur damages and other liabilities for any defective work or other breaches by other business partners. In addition, if there are disagreements between the Group and its business partners regarding the business and operations of the joint projects, there is no assurance that these disagreements can be resolved in a manner that will be in the Group's best interests. Certain major decisions, such as selling or refinancing these projects, may require the consent of all other partners. These limitations could materially and adversely affect the Group's ability to sell, refinance or otherwise operate and profit from these projects.

Any of these and other factors may have a material and adverse effect on the performance of the Group's joint projects and expose such projects to a number of risks, including the risk that these projects may not be able to fulfil their obligations under contracts with customers, resulting in disputes not only between the Group and its partners, but also between the joint ventures and their customers, or create unexpected complications. Such a material and adverse effect on the performance of the joint projects may in turn materially and adversely affect the Group's businesses, financial conditions and results of operations.

The Group's 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, licences or approvals for its operations may materially and adversely affect the Group.

Certain business activities of the Group, such as land development, indemnificatory housing and construction services are extensively regulated in the PRC. The operation of these business activities requires a number of approvals, licences and permits from different governmental authorities. For example, the Group is required to obtain a project approval and the environmental assessment approval at the outset of the project, and as the projects progress, it needs to receive the construction land planning permit (建設用地規劃許可證), the land use right certificate (土地使用權證書), the environment impact evaluation approval (環境影響評價批覆), the construction project planning permit (建設工程規劃許可證) and the construction permit (建築工程施工許可證) at different stages of development. 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 determining the grant of approvals, licenses, permits and certificates necessary for conducting businesses. As at the date of this Offering Circular, the Group has obtained all aforesaid approvals, licences, permits and certificates for its construction projects under construction save for those which are not required to obtain or complete obtaining as at the date hereof.

Failure to obtain the necessary approvals, licenses or permits in a timely manner could result in delay or suspension of business operations and a failure to obtain the necessary approvals, licenses or permits may subject the relevant entities to regulatory or administrative penalties.

Governmental authorities may adjust existing regulations or promulgate new regulations from time to time. The Group may encounter problems in obtaining or renewing the permits, licenses, certificates and government authorisations necessary to conduct its businesses 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, the Group's permits, licences and certificates may be suspended or revoked, and it may receive fines or other penalties, which could have a material and adverse effect on the Group's businesses, financial conditions, results of operations and prospects.

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

As at 31 December 2018, 2019 and 2020, the Group's inventories amounted to RMB11,277.9 million, RMB13,776.3 million and RMB16,501.3 million, respectively, representing 38.0 per cent., 41.8 per cent. and 46.9 per cent. of the Group's total assets, respectively. As at 31 December 2020, the Group's inventories mainly comprise development costs, development products and entrusted construction. The Group's inventory of development costs amounted to RMB14,924.9 million, accounting for 90.4 per cent of the Group's total inventories as at the same date. Nevertheless, in accordance with the Group's accounting policies, the Group had not made provision for inventory price changes in the past three years. Therefore, a significant decrease in the value of the inventories the Group holds could materially and adversely affect the Group's businesses, financial conditions, results of operations or prospects.

The Group engages in government policy projects which serve the public interest for which the Group may not be able to achieve commercial returns.

The Issuer is a state-owned enterprise under the supervision of the Deqing SASAC. As a state-owned enterprise, it is from time to time required to engage and participate in projects and business which are motivated by public interests and social welfare development, including engaging in land development, indemnificatory housing, water supply and water treatment, construction materials trading, construction service and other businesses. For example, for the years ended 31 December 2018, 2019 and 2020, the Group's gross profit in its land development were RMB134.4 million, RMB43.2 million and RMB64.5 million, respectively, reflecting a gross margin of 28.1 per cent., 16.7 per cent. and 16.7 per cent. respectively. The Group's related profits largely depend on the government's financial subsidies. The profitability of the Group is directly affected by the relevant policy the Deqing Government imposed on the sale of indemnificatory housing and subsidy incomes in Deqing. As such, the availability of the financial subsidies in the future in Deqing will have a significant impact on the income and profits of the Group.

The Group has received fiscal subsidies or asset injections, in the form of cash or other assets, and may receive other financial support from the Deqing Government for such government-sponsored projects. However, such financial support may not always be available due to the government's liquidity, budgeting priority and other considerations or may not be sufficient to cover all the Group's costs and expenses in relation to engaging in such businesses. Additionally, it is uncertain whether the government will be able to provide such financial support in the future. The Group has limited resources, and engagement in such businesses may reduce its ability to participate in other profit-generating projects. As at the date of this Offering Circular, the Group has been involved in various government-sponsored projects and may continue be required to participate in such projects from time to time. There can be no assurance that the Group's businesses, results of operations and financial conditions will not be materially and adversely affected as a result.

The Group is subject to price controls in certain markets and may not be able to pass on its increased costs to its customers.

The Group is subject to government's price controls in certain markets. For example, sales price of the Group's resettlement housing and affordable housing are, to a certain extent, controlled and determined by the Deqing Government and the relevant price control authorities. There can be no assurance that the relevant price control authorities will increase the relevant sales prices to take into account of any future increase in the construction costs such as the raw material cost, or that the price control authorities will not lower the existing sales prices. If the Group is not able to pass on its increased construction costs or the impact of any price adjustments to its customers in a timely manner, the Group's businesses, financial conditions and results of operations may be materially and adversely affected.

Fluctuations in the price of construction materials could adversely affect the Group's business and financial performance.

The cost of construction materials, such as steel, which constitutes a significant portion of the Group's payments to its construction contractors, may fluctuate. Any increase in the cost of construction materials may result in additional costs to the Group and may lead to future increases in construction contract costs. Construction material costs of the Group have fluctuated in recent years. Any increase in the cost of any significant construction materials will adversely impact the Group's overall construction costs, which is generally one of the largest components of the Group's cost of sales for its properties. If the Group cannot pass any or all of the increased costs on to its customers, its profitability could be adversely affected.

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

The Group relies on third-party contractors to carry out its land development, indemnificatory housing, water supply and water treatment and construction service businesses. Such businesses are labour intensive. However, in recent years, work stoppages, employee suicide and other similar events in certain cities in China have caused the government to amend labour laws to enhance protection of employees' rights. Increasing awareness of labour protection as well as increasing minimum wages is likely to increase the labour costs afforded by enterprises in China in general, including the contractors participating in the Group's projects. As the Group is responsible for making progress payments to its third-party contractors in its land development, indemnificatory housing, water supply and water treatment and construction service businesses, any increase in the labour costs of those third-party contractors may negatively affect the Group's cash flow, which could materially and adversely affect the Group's businesses, prospects and results of operations.

In addition, strikes or other labour unrests could directly or indirectly prevent or hinder the construction progress, and, if not resolved in a timely manner, could lead to delays in completing the Group's projects. Such actions are beyond the Group's foreseeability or control. There is no assurance that labour unrest will not affect general labour market conditions or result in further changes to labour laws.

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

The Group's business operation is subject to general economic and social conditions in the PRC. Natural disasters, epidemics and other acts of God which are beyond the Group's control may materially and adversely affect the economy, infrastructure and livelihood of the people in the PRC. Some regions in the PRC are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as Middle East Respiratory Syndrome (MERS), Severe Acute Respiratory Syndrome (SARS), H5N1 avian flu, human swine flu (also known as Influenza A (H1N1)) or, most recently, the novel coronavirus named COVID-19 by the WHO.

In the end of 2019, there was an outbreak of COVID-19, which has spread rapidly to many parts of the world. COVID-19 and the concern about its spread have resulted in disruptions to global markets, including through border closings, restrictions on travel and large gatherings, expedited and enhanced health screenings, quarantines, cancellations, business and school closings, disruptions to employment and supply chains, reduced productivity, and reduced customer and client activity in multiple markets and sectors. On 11 March 2020, the WHO announced that it had made the assessment that COVID-19 can be characterised as a pandemic.

The impacts of COVID-19, and other epidemics and pandemics that may arise in the future, could materially and adversely affect the economies of many nations, particular regions, or the entire global economy, individual companies and the market in general. The full extent of such impacts cannot necessarily be foreseen at the present time. During the pandemic, several areas in China where the Group has operations have been under a lockdown and have imposed travel restrictions in an effort to curb the spread of COVID-19. Supply of the Group's raw materials may be adversely affected since interruption of the Group's supply chains and those of the Group's suppliers. As a result, completion of the Group's projects may be delayed and sales might be lower than expected, which might in turn result in substantial increase in the Group's development costs, late delivery of projects and/or otherwise adversely affect the Group's profitability and cash flows. Further, customers who have previously entered into contracts with the Group may default on their contracts if the economic situation further deteriorates as a result of the epidemic. Given the uncertainty of the outbreak, the spread of COVID-19 may be prolonged and worsened, and the Group may be forced to scale back or even suspend its operations in the affected areas. In addition, the COVID-19 outbreak poses risks to the wellbeing of the Group's employees and the safety of the Group's workplace, which may materially and adversely affect the Group's business operation.

There is no assurance that such measures would be effective, and would not have a negative effect in the Group's business operation and financial conditions. The impacts may be short term or may last for an extended period of time. Consequently, the Group's results of operations will likely be adversely, and may be materially, affected, to the extent that COVID-19 or any other epidemic harms the global economy in general. Any potential impact to the Group's results will depend on, to a large extent, future developments and new information that may emerge regarding the duration and severity of COVID-19 and the actions taken by government authorities and other entities to contain COVID-19 or treat its impact, almost all of which are beyond the Group's control.

Governments and central banks around the globe have introduced or are planning fiscal and monetary stimulus measures including tax cuts, direct subsidies, rates cuts, bond repurchase programmes and suspension or relaxation of prudential bank capital requirements. These measures aim to contain the economic impact of the pandemic, stabilise the markets and provide liquidity easing to the markets. There is no assurance that such measures may be introduced in time or will be sufficient or effective in delivering their policy objectives or be successful in containing the economic impact of the pandemic or stabilising the markets.

As a result, the global economy is facing significant uncertainties and the global financial markets are experiencing significant volatilities which may materially and adversely affect the economy of the PRC, and in turn, affect the Group, its business and financial conditions, as well as outlook and the value of the Bonds.

The Group may become involved in various legal proceedings or other disputes in the normal course of the Group's operations.

In the normal course of the Group's operations, the Group may become involved in, named as a party to, or be the subject of, various legal proceedings or other disputes, including regulatory proceedings, tax proceedings and legal actions, related to personal injuries, property damage, property tax, land rights, the environment and contract disputes. The outcome of outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to the Group and, as a result, could have a material and adverse effect on the Group's assets, liabilities, business, financial conditions and results of operations.

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

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

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

To manage operating risks, the Group maintains insurance policies that provide different types of risk coverage, which the Group believes to be commensurate with industry and business practice in the PRC. However, claims under the insurance policies may not be honoured fully or on time, or the insurance coverage may not be sufficient to cover costs associated with accidents incurred in the Group's operations due to the above-mentioned operational risks. There are also certain types of losses (such as from 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 the Group or any of its subsidiaries suffers loss or damage that is not covered by insurance or that exceeds the limit of its insurance coverage, the Group's results of operations and cash flow may be materially and adversely affected.

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

The Group issued corporate bonds in the domestic capital markets in the PRC. According to applicable PRC securities regulations on debt capital markets, the Group may need to publish its quarterly, half year and annual financial information to satisfy its continuing disclosure obligations relating to its notes in the domestic capital markets. After the Bonds are issued, the Group is obligated by the terms of the Bonds, among others, to provide holders of the Bonds with its audited financial statements and certain unaudited but reviewed periodical financial statements. The quarterly and half year financial information published by the Group in the PRC is normally derived from the Group's management accounts and has not been audited or reviewed by independent auditors. As such, such financial information published in the PRC should not be relied upon by potential purchasers to provide the same quality of information associated with any audited information. The published financial information in the PRC may be adjusted or restated to address subsequent changes in accordance with the accounting standards, the Group's accounting policies and/or applicable laws and regulations affecting the Group's financial reporting or to reflect the subsequent comments given by the independent auditors during the course of their audit or review. Such adjustment or restatement may cause discrepancies between the financial information with respect to a particular period or date contained in the Group's management accounts subsequently published in the PRC and its audited or reviewed financial statements to be provided to holders of the Bonds. The Group is not responsible to holders of the Bonds for the unaudited and unreviewed financial information from time to time published in the PRC and therefore Investors should not place any reliance on any such financial information.

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

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

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

The Group's accounts were prepared in accordance with PRC GAAP and other relevant regulations issued thereafter. Although PRC GAAP are substantively in line with IFRS, PRC GAAP are, to a certain extent, different from IFRS. See "*Summary of Certain Differences between the PRC GAAP and IFRS*". There is no guarantee that the PRC GAAP will fully converge with IFRS or there will be no additional differences between the two accounting standards in the future. Potential investors should consult their own professional advisers for an understanding of any differences that may exist between PRC GAAP and IFRS, and how those differences might affect the financial information included in this Offering Circular.

Risks Relating to the PRC

The Group's businesses, financial conditions, results of operations and prospects could be materially and adversely affected by slowdowns in the PRC economy.

Substantially all of the Group's assets are located in the PRC and substantially all of the Group's revenue is derived from its operating activities in the PRC. Therefore, the performance of the PRC economy affects, to a significant degree, the Group's businesses, prospects, financial conditions and results of operations.

After rapidly growing in the past 30 years, the PRC's economy has slowed down in its growth rate since the second half of 2013, raising market concerns that the historic rapid growth may not be sustainable. According to the National Statistics Bureau of the PRC, the annual growth rate of China's GDP in 2019 slowed down to 6.1 per cent. on a year-on-year basis compared to 6.6 per cent. in 2018 and 6.8 per cent. in 2017. In March 2016, Moody's and S&P changed China's credit rating outlook to "negative" from "stable", which highlighted the country's surging debt burden and questioned the government's ability to enact reforms. In May 2017, Moody's downgraded China's sovereign rating to "A1" from "Aa3" and in September 2017, S&P downgraded China's credit rating to "A+" from "AA-" while changing its outlook to "stable" from "negative". There can be no assurance the economy of the PRC will maintain sustainable growth.

The future performance of China's economy is not only affected by the economic and monetary policies of the PRC Government, but it is also exposed to material changes in global economic and political environments and the performance of certain major developed economies in the world, such as the United States and the European Union. For example, in 2018, the United States government, under the administration of President Donald J. Trump, imposed several rounds of tariffs on various categories of imports from China, and China responded with similarly sized tariffs on U.S. products in retaliation. Since December 2018, both countries began negotiations to resolve the trade conflicts. On 15 January 2020, the U.S. and PRC Government signed the U.S.-China Economic and Trade Agreement (the "**Phase I Agreement**"). However, it remains to be seen whether the Phase I Agreement will be abided by both governments and successfully reduce trade tensions. If either government violates the Phase I Agreement, it is likely that enforcement actions will be taken and trade tensions will escalate. The adoption and expansion of trade restrictions, the occurrence of a trade war, or other governmental action related to tariffs or trade agreements or policies has the potential to materially and adversely affect China's economy, which in turn could materially and adversely impact the Group's businesses, financial conditions and results of operations. In addition, in the United Kingdom, a remain-or-leave referendum on its membership within the European Union was held in June 2016, the result of which favoured the exit of the United Kingdom from the European Union ("**Brexit**"). The United Kingdom (the "**UK**") ceased to be a member of the European Union (the "**EU**") on 31 January 2020. During the period from that date to 31 December 2020, certain transitional arrangements were in effect, such that the UK continued to be treated, in most respects, as if it were still a member of the EU, and generally remained subject to EU law. On 24 December 2020, the EU and the UK reached an agreement in principle on the terms of certain agreements and declarations governing the ongoing relationship between the EU and the UK, including the EU-UK Trade and Cooperation Agreement (the "**TCA**"). On 29 December 2020, the Council of the European Union adopted a decision authorising the signature of the TCA and its provisional application in the EU for a limited period (the "**Provisional Period**"), pending ratification of the TCA by the European Parliament. The TCA was subsequently signed on behalf of the EU on 30 December 2020; and the Provisional Period commenced on 1 January 2021. On 28 April 2021, the European Parliament ratified the TCA. However, the TCA is limited in its scope to primarily the trade of goods, transport, energy links and fishing, and uncertainties remain relating to certain aspects of the UK's future economic, trading and legal relationships with the EU and with other countries. Given the lack of precedent, it is unclear how Brexit would affect the fiscal, monetary and regulatory landscape within the UK, the EU and globally. This event has resulted in a downgrade of the credit ratings of the United Kingdom and the uncertainty before, during and after the period of negotiation may also create a negative economic impact and increase volatility in global markets.

In recent years, as a result of recurring liquidity tightening in the banking system, alternative lending and borrowing outside of traditional banking practices, generally known as "shadow banking", has grown to become an integral and significant aspect of the PRC economy. Such alternative lending is loosely regulated and has led to an increase in the PRC's debt levels leading to concerns over rising bad debts and financial problems. As some of the funds obtained from shadow banking are being used for investments in speculative and risky products, should a widespread default on such investments occur, this could harm the growth prospects of the PRC economy. In 2014, there were reports of a number of shadow banking defaults in the PRC resulting in increased scrutiny and oversight by regulators who have proposed draft rules to control the industry. Even if the PRC Government increases regulation over such alternative lending and borrowing, there can be no assurance that such regulations will be successful, or that they would not have a material and adverse impact on the overall loan markets and liquidity in the PRC, which will negatively impact the PRC economy. Although the PRC Government has taken several measures with the intention of increasing investor confidence in the PRC economy, there can be no assurance that such measures will be effective. There can be no assurance that the PRC Government will not implement any reforms which may conflict with such targeted growth. The Group's businesses, financial conditions and results of operations could be materially and adversely affected by the PRC Government's inability to effect timely economic reforms.

Any slowdown in the PRC economy may increase the Group's exposure to material losses from its investments, decrease the opportunities for developing the Group's businesses, create a credit tightening environment, increase the Group's financing costs, or reduce government grants to the Group, any of which may result in a material and adverse effect on the Group's businesses, results of operations and financial conditions. See "*Risk Factors – Risks Relating to the Group's Business – The Group's businesses, financial conditions, results of operations and prospects are heavily dependent on the level of economic development of Deqing, Huzhou, Zhejiang Province and the PRC*".

Economic, political and social conditions in the PRC and government policies could affect the Group's businesses and prospects.

The PRC economy differs from the economies of developed countries in many respects, including, among other things, government involvement, level of economic development, growth rate, foreign exchange controls and resources allocation.

The PRC economy is in the process of transitioning from a centrally planned economy to a more market-oriented economy. For more than four decades, the PRC Government has implemented economic reform measures to utilise market forces in the development of the PRC economy. In addition, the PRC Government continues to play a significant role in regulating industries and the economy through policy measures. The Group cannot predict whether changes in PRC economic, political or social conditions and in PRC laws, regulations and policies will materially and adversely affect its businesses, financial conditions or results of operations.

In addition, many of the economic reforms carried out by the PRC Government are unprecedented or experimental and are expected to be refined and improved over time. Other political, economic and social factors may also lead to further adjustments of the reform measures. This refining and adjustment process may not necessarily have a positive effect on the Group's operations and business development.

The Group's businesses, financial conditions and results of operations may be materially and adversely affected by:

- changes in PRC political, economic and social conditions;
- changes in policies of the PRC Government, including changes in policies in relation to the Group's business segments;
- changes in laws and regulations or the interpretation of laws and regulations;
- measures that may be introduced to control inflation or deflation;
- changes in the rate or method of taxation;
- the imposition of additional restrictions on currency conversion and remittances abroad; and
- a reduction in tariff protection and other import restrictions.

If the PRC's economic growth slows down or if the PRC economy experiences a recession, the Group's businesses, results of operations and financial conditions could be materially and adversely affected.

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

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

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

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

The Group's core business is conducted in the PRC and substantially all of its operations are located in the PRC, hence its business operations are regulated primarily by PRC laws and regulations. Since 1979, the PRC Government has promulgated laws and regulations in relation to general economic matters, such as foreign investment, corporate organisation and governance, commerce, taxation, foreign exchange and trade, with a view to developing a comprehensive system of commercial law. In particular, legislation has significantly enhanced the protections afforded to various forms of foreign investment in the PRC. The legal system in the PRC is continuing to evolve. Even where adequate laws exist in the PRC, the enforcement of existing laws or contracts based on existing laws may be uncertain and sporadic, and it may be difficult to obtain swift and equitable enforcement or to obtain enforcement of a judgment by a court of another jurisdiction. In addition, the PRC legal system is based on written statutes and their interpretation, where prior court decisions may be cited as reference but have limited weight as precedents. Furthermore, a large number of these written statutes and other regulations promulgated may be relatively new with a limited volume of published decisions and a lack of established practice available for reference. Accordingly, there exists uncertainties about their interpretation, implementation and enforcement, and such uncertainties may have a negative impact on the Group's businesses. The administration of PRC laws and regulations may also be subject to a certain degree of discretion by the executive authorities. This has resulted in the outcome of dispute resolutions not being as consistent or predictable compared to more developed jurisdictions.

The PRC has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in the PRC. The relative inexperience of the PRC's judiciary in many cases also creates additional uncertainty as to the outcome of any litigation. In addition, interpretation of statutes and regulations may be subject to government policies reflecting domestic political changes. The Group cannot predict the effect of future legal development in the PRC, including the promulgation of new laws and regulations, changes to existing laws or regulations or the interpretation or enforcement thereof, or the inconsistencies between local rules and regulations and national law. As a result, there is substantial uncertainty as to the legal protection available to the Group and investors in the Bonds. 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 retroactive effect. As a result, the Group may not be aware of its violation of these policies and rules until sometime after the violation has occurred. This may also limit the remedies available to investors and to the Group in the event of any claims or disputes with third parties.

Any litigation in the PRC may be protracted and result in substantial costs and diversion of the Group's resources and management attention. Each of these factors may have a material and adverse effect on the Group's businesses, results of operations and financial conditions and the interest of holders in the Bonds.

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

Substantially all of the Group's assets and the Group's members are located in the PRC. In addition, substantially all of the assets of the directors of the Issuer and the members of its senior management of the Issuer are located within the PRC. Therefore, it may not be possible for investors to effect service of process upon the Issuer or its directors or members of its senior management outside the PRC. The PRC has not entered into treaties or arrangements providing for the recognition of judgment made by courts of most other jurisdictions. Pursuant to the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (Fa Shi [2008] No. 9) (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (法釋[2008]9號) (the "**Choice of Court Arrangement**") which is effective on 1 August 2008, a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a "choice of court" agreement in writing may apply for recognition and enforcement of the judgment in the PRC. Similarly, a party with a final court judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a "choice of court" agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A "choice of court" agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Choice of Court Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute do not enter into a "choice of court" agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against the Issuer, the Group's assets or the Issuer's directors or members of its senior management outside the PRC and/or to seek recognition and enforcement for foreign judgments 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 "**2019 Arrangement**"), which is not yet effective, seeks to establish a bilateral legal mechanism with greater clarity and certainty for recognition and enforcement of judgments in a wider range of civil and commercial matters between Hong Kong and the PRC. The 2019 Arrangement will be implemented by local legislation in Hong Kong and will take effect after both Hong Kong and the PRC have completed the necessary procedures to enable implementation. However, the recognition and enforcement of foreign judgements in the PRC are subject to the provisions, limitations, procedures and other terms and requirements of the 2019 Arrangement and there may still be hurdles for investors to effect service of process against the Issuer, the Group's assets or the Issuer's directors or members of its senior management outside the PRC and/or to seek recognition and enforcement for foreign judgments in the PRC.

Furthermore, the PRC does not have treaties or agreements providing for the reciprocal recognition and enforcement of judgments awarded by courts of the United States, the United Kingdom, or most other European countries or Japan. Hence, the recognition and enforcement in the PRC of judgment of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

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

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

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

The PRC Government imposes controls on the convertibility of Renminbi into foreign currencies and the remittance of currency out of PRC. Substantially all of the Group's revenues are denominated in Renminbi, a portion of which may need to be converted into other currencies in order to meet the Group's foreign currency obligations, such as overseas acquisitions, and payments of principal and interests under the Bonds or other foreign currency denominated debt, if any.

Under the existing PRC laws and regulations on foreign exchange, payments of current account items, including profit distributions, interest payments and trade and service related foreign exchange transactions, can be made in foreign currencies without prior approval from or registration with the SAFE provided that certain procedural requirements are complied with. Approval from or registration with competent government authorities is required where Renminbi is to be converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of loans denominated in foreign currencies.

The PRC Government may, at its discretion, take measures to restrict access to foreign currencies for current account and capital account transactions under certain circumstances. If the foreign exchange control system prevents the Group from obtaining sufficient foreign currencies to satisfy the Group's foreign currency demands, the Group may not be able to pay interests and/or principal to holders of the Bonds or other foreign currency denominated debt, if any. In addition, there can be no assurance that new laws or regulations will not be promulgated in the future that would have the effect of further restricting the remittance of Renminbi into or out of the PRC.

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

The value of Renminbi against U.S. dollars and other foreign currencies is subject to changes in the PRC's policies, as well as international economic and political developments. On 21 July 2005, the PRC Government adopted a more flexible managed floating exchange rate system to allow the value of Renminbi to fluctuate within a regulated band that is based on market supply and demand with reference to a basket of currencies. From 21 July 2005 to 17 March 2014, the floating band of interbank spot foreign exchange market trading price of Renminbi against U.S. dollars was gradually widened from 0.3 per cent. to 2 per cent. On 11 August 2015, PBOC adjusted the mechanism for market makers to form the central parity rate by requiring them to consider the closing exchange rate of the last trading date, the supply and demand of foreign exchange and the rate change at primary international currencies. On 11 December 2015, the China Foreign Exchange Trade System, a sub-institutional organisation of PBOC, published the 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. Although starting from 1 October 2016, Renminbi has been added to the Special Drawing Rights basket created by the International Monetary Fund, there can be no assurance that the PRC Government will continue to gradually liberalise the control over cross-border Renminbi remittances in the future, that any pilot schemes for Renminbi cross- border utilisation will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting the remittance of Renminbi into or outside the PRC.

In addition, following the gradual appreciation against U.S. dollars in 2017, Renminbi experienced a recent depreciation in value against U.S. dollars followed by a fluctuation in 2018 and early 2019. There can be no assurance that the Renminbi will not experience significant depreciation or appreciation against U.S. dollars or against any other currency in the future. Furthermore, the Group is required to obtain the SAFE's approval before converting significant amounts of foreign currencies into Renminbi. As a result, any significant increase in the value of Renminbi against foreign currencies could reduce the value of the Group's foreign currency-denominated revenue and assets and could materially and adversely affect the Group's businesses, financial conditions, results of operations and prospects.

Labour disruptions and the enforcement of the Labour Contract Law and other labour-related regulations in the PRC may materially and adversely affect the Group's businesses and results of operations.

As at 31 December 2019, the Group had approximately 591 employees. Although the Group enjoys good labour relations with its employees, the Group is unable to predict the outcome of any future labour negotiations. Any conflicts with the Group's employees or contractors and/or their respective unions could have a material and adverse effect on its financial conditions and results of operations.

On 28 December 2012, the PRC Government amended the Labour Contract Law (《勞動合同法》), which amendment became effective on 1 July 2013. The Labour Contract Law establishes additional restrictions and increases the cost to employers upon termination of employees, including specific provisions related to fixed-term employment contracts, temporary employment, probation, consultation with the labour union and employee general assembly, employment without a contract, dismissal of employees, compensation upon termination and overtime work, and collective bargaining. According to the Labour Contract Law, an employer is obligated to sign an unlimited term labour contract with an employee under certain circumstances (including where the employer continues to employ the employee after two consecutive fixed term labour contracts). The employer must also pay compensation to employees if the term of a limited term labour contract expires, unless an employee refuses to extend the labour contract with the employee under the same terms or better terms than those in the original contract. Further, 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 served more than one year with an employer are entitled to a paid vacation ranging from five to fifteen days, depending on their length of service. Employees who waive such vacation time at the request of employers shall be compensated at three times their daily salaries for each waived vacation day. As a result of these protective labour measures or any additional future measures, the Group's labour costs may increase. There can be no assurance that any disputes, work stoppages or strikes will not arise in the future.

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

Facts and other statistics in this Offering Circular relating to the PRC, its economy or the relevant industry in which the Group operates have been directly or indirectly derived from official government publications and certain other public industry sources and although the Group believes such facts and statistics are accurate and reliable, it cannot guarantee the quality or the reliability of such source materials. They have not been prepared or independently verified by the Group, the Managers, the Trustee, the Agents or any of its or their respective affiliates, employees, directors, agents, advisers or representatives, and, therefore, the Group, the Managers, the Trustee, the Agents or any of its or their respective affiliates, employees, directors, agents, advisers or representatives 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

Neither the Deqing SASAC nor any other PRC governmental entity is obligated to repay any amount under the Bonds if the Issuer fails to meet its obligations thereunder and state ownership or control over the Issuer does not provide assurance of the Issuer's financial condition.

The Issuer is beneficially controlled and owned by the Deqing SASAC. Similar to other companies beneficially controlled by the PRC government, the Issuer may be generally perceived to have access to liquidity support from its beneficial controlling shareholder in light of its ownership structures and the nature of its beneficial controlling shareholder, particularly in the event that the Issuer becomes financially distressed. However, neither the Deqing SASAC nor any other PRC governmental entity is under any obligation to pay any amount under the Bonds if the Issuer fails to meet its obligations thereunder.

This position has been reinforced by the MOF Circular and the Circular of the National Development and Reform Commission and the Ministry of Finance on Improvement of Market Regulatory Regime and Strict Prevention of Foreign Debt Risks and Local Government Indebtedness Risks (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)) promulgated on 11 May 2018 and took effect on the same day. Neither the Deqing SASAC nor any other PRC governmental entity has any obligation to pay any amount under the Bonds. Investments in the Bonds are relying on the credit risk of the Issuer. As a result, no financial support from the Deqing SASAC nor any other PRC governmental entity may materialise. The Bonds are to be repaid solely by the Issuer, and the obligations of the Issuer under the Bonds shall solely be fulfilled by the Issuer as independent legal person. If the Issuer does not fulfil its obligations under the Bonds, the Bondholders will only have recourse against the Issuer, and not the Deqing SASAC or any other PRC governmental entity. In addition, the fact that the Issuer is beneficially controlled and owned by the Deqing SASAC, is not an assurance of the Issuer's financial condition. Investors should base their investment decision on the financial conditions of the Issuer and any perceived credit risk associated with an investment in the Bonds based on the Issuer's own financial information reflected in its financial statements.

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

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

The NDRC issued the NDRC Circular on 14 September 2015, which came into effect on the same day. According to the NDRC Circular, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities issued outside the PRC with the NDRC prior to the issue of the securities and notify the particulars of the relevant issues within ten working days after the completion of the issue of the securities. The NDRC Circular is silent on the legal consequences of non-compliance with the pre-issue registration requirement. The Issuer has obtained the NDRC pre-issuance registration on 4 March 2021. Similarly, the legal consequences of non-compliance with the post-issue notification requirement under the NDRC Circular is unclear. In the worst case scenario, such non-compliance with the post-issue notification requirement under the NDRC Circular may result in it being unlawful for the Issuer to perform or comply with any of its obligations under the Bonds and the Bonds might be subject to enforcement as provided in Condition 9 (*Events of Default*) of the Terms and Conditions of the Bonds. Potential investors of the Bonds are advised to exercise due caution when making their investment decisions. The Issuer will undertake to report or cause to be reported to the NDRC the requisite information and documents within ten Registration Business Days after the Issue Date.

In accordance with the Administrative Measures for Foreign Debt Registration (Hui Fa [2013] No. 19) (《外債登記管理辦法》(匯發[2013]19號)) and its operating guidelines (the "**Foreign Debt Registration Measures**") issued by the SAFE on 28 April 2013, which came into effect on 13 May 2013, the Issuer shall complete foreign debt registration in respect of the issue of the Bonds with the local branches of SAFE in accordance with laws and regulations. According to the Operation Guidelines for Administration of Foreign Debt Registration (《外債登記管理操作指引》) promulgated together with the Foreign Debt Registration Measures, as well as the Guidelines for Foreign Exchange Business under the Capital Account (2020 Version) (《資本項目外匯業務指引(2020年版)》), the Issuer is required to register its foreign debt issue within 15 working days after the execution of the financing documents and to complete such registration in accordance with the Foreign Debt Registration Measures. Before such registration of the Bonds is completed, it is uncertain whether the Bonds are enforceable as a matter of PRC law and it may be difficult for Bondholders to recover amounts due from the Issuer, and the Issuer may not be able to remit the proceeds of the offering into the PRC or remit money out of the PRC in order to meet its payment obligations under the Bonds. Pursuant to article 27(5) of the Foreign Debt Registration Measures, a failure to comply with registration requirements may result in a warning and fine as set forth under article 48 of the Foreign Exchange Administrative Regulations (《外匯管理條例》) promulgated by the State Council in 2008. However, pursuant to article 40 of the Foreign Debt Administration Provisional Rules (《外債管理暫行辦法》) promulgated by MOF, the NDRC and SAFE, a failure by a domestic entity to register a foreign debt contract will render the contract not legally binding and unenforceable. Under the Terms and Conditions of the Bonds, the Issuer has undertaken to use its best endeavours, and it intends, to complete the registration of the Bonds with SAFE within 120 Registration Business Days after the Issue Date. The Issuer has already consulted with local SAFE in connection with the registration procedures and documentary requirements. The Issuer does not foresee any obstacle in completing the registration within the abovementioned period. However, in the unlikely event that having exercised its best endeavours, the Issuer is unable to complete such registration within the abovementioned time period, holders will not have the right to require the Issuer to redeem the Bonds and such failure to complete the registration will not, in and of itself, give rise to a right to accelerate the Issuers payment obligations under the Bonds. If the

Issuer is unable to complete the registration with SAFE, the Issuer may have difficulty in remitting funds offshore to service payments in respect of the Bonds and investors may encounter difficulties in enforcing judgments obtained in the Hong Kong courts with respect to the Bonds and the Trust Deed in the PRC. In such circumstances, the value and secondary market price of the Bonds may also be materially and adversely affected.

In addition, on 29 April 2016, the PBOC issued the Circular of the PBOC on Implementing Overall Macro Prudential Management System for Nationwide Cross-border Financing (Yin Fa [2016] No. 132) (《中國人民銀行關於在全國範圍內實施全口徑跨境融資宏觀審慎管理的通知》)(銀發[2016]132號), which came into effect on 3 May 2016. This circular has since been replaced by the Cross Border Financing Circular issued by the PBOC on 12 January 2017 and came into effect on the same date. The Issuer is also required to file the issue of the Bonds with SAFE in accordance with the Cross Border Financing Circular.

According to the Cross Border Financing Circular, the Issuer shall file the information relating to the Bonds in the capital project information system with SAFE after signing of the transaction documents in relation to the Bonds and no later than three working days before the withdrawal of money in accordance with the Cross Border Financing Circular. The Issuer, after conducting the contract filing with SAFE, may carry out the relevant capital settlement according to the withdrawal and repayment arrangement, report the relevant clearing information to the relevant systems of the PBOC and SAFE, and complete the update of the transaction information. The Issuer shall update the transaction related information (including offshore creditors, maturity, amount, interest rate and net assets). If the audited net assets, the foreign creditors involved in the financing contract, the term of the debt, or the amount and the interest rate have changed, the Issuer shall go through the formalities for filing the change within time. The PBOC and SAFE no longer adopt an ex ante approval mode for management of foreign debts of enterprises, and so instead, the Issuer shall file ex ante its contracts of foreign debts. If the Issuer fails to report or change the cross-border financing information in time, the PBOC and SAFE shall circulate a criticism against the Issuer after verification, order a rectification, and impose sanctions according to the Law of the People's Republic of China on People's Bank of China and the Law of the People's Republic of China on Foreign Exchange Control. The consequences to Bondholders of any failure to file the Bonds pursuant to the Cross Border Financing Circular or to otherwise comply with any other requirements thereunder are unclear.

The Bonds are unsecured obligations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

An active trading market for the Bonds may not develop.

The Bonds are a new issue of securities for which there is currently no trading market. No assurance can be given as to the ability of holders to sell their Bonds or the price at which holders will be able to sell their Bonds or that a liquid market will develop. The liquidity of the Bonds will be adversely affected if the Bonds are held or allocated to limited investors. The Managers are not obligated to make a market in the Bonds, and if the Managers do so, they may discontinue such market making activity at any time at their sole discretion. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, holders 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.

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

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

Investment in the Bonds is subject to exchange rate risks.

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

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 issues in other countries, including the PRC. Since the global financial crisis in 2008 and 2009, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Bonds could be adversely affected.

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

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

The Bonds may be redeemed by the Issuer prior to maturity at their principal amount.

The Issuer may redeem the Bonds at its option, in whole but not in part, at a redemption price equal to their principal amount, together with interest accrued to but excluding the date fixed for redemption if, subject to certain conditions, as a result of a change in tax law, the Issuer has or will become obliged to pay Additional Tax Amounts (as defined in the Terms and Conditions of the Bonds), as further described in Condition 6(b) (*Redemption for Taxation Reasons*) of the Terms and Conditions of the Bonds.

If the Issuer redeems the Bonds prior to their 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, the Issuer's ability to redeem the Bonds may reduce the market price of the Bonds.

The Issuer may issue additional securities in the future.

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

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

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

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

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

The Terms and Conditions of the Bonds also provide that the Trustee may (but shall not be obliged to) agree, without the consent of Bondholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, or any failure to comply with any of the Terms and Conditions of the Bonds, any of the provisions of the Trust Deed, the Agency Agreement, and/or the Bonds which in the opinion of the Trustee will not be materially prejudicial to the interests of Bondholders, or may agree, without any such consent as aforesaid, to any modification which, in its opinion, is of a formal, minor or technical nature or is to correct a manifest error or to comply with any mandatory provision of applicable law.

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

The Bonds will be represented by the Global Certificate except in certain limited circumstances described in the Global Certificate. The Global Certificate will be registered in the name of a nominee for, and deposited with, a common depositary for Euroclear and Clearstream. Except in the circumstances described in the Global Certificate, investors will not be entitled to receive definitive certificates. Euroclear and Clearstream 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 Euroclear and Clearstream.

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

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

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

In relation to any Bond which has a principal amount consisting of a minimum specified denomination plus a higher integral multiple of another smaller amount, it is possible that the Bonds may be traded in amounts in excess of the minimum specified denomination that are not integral multiples of such minimum specified denomination. In such a case a Bondholder who, as a result of trading such amounts, holds a principal amount of less than the minimum specified denomination will not receive a definitive Certificate in respect of such holding (should definitive 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.

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

Under the Enterprise Income Tax Law of the PRC (the "**EIT Law**") which took effect on 1 January 2008 and its implementation rules, any gains realised on the transfer of the Bonds by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. Under the EIT Law, a "non-resident enterprise" means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. There remains uncertainty as to whether the gains realised on the transfer of the Bonds by enterprise holders would be treated as incomes derived from sources within the PRC and be subject to PRC enterprise income tax. 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 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 (《中國內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the "**Arrangement**") which was promulgated on 21 August 2006, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds if such capital gains are not connected with an office or establishment that the Bondholders have in the PRC and all the other relevant conditions are satisfied.

Pursuant to the EIT Law, the PRC Individual Income Tax Law (《個人所得稅法》) (the "**IIT Law**") which was latterly amended on 31 August 2018 and took effective on 1 January 2019, and the implementation regulations in relation to both the EIT Law and IIT Law, PRC income tax at a rate of 10 per cent. or 20 per cent. is normally applicable to PRC-source income derived by non-resident enterprises or individuals respectively, subject to adjustment by applicable treaty. As the Issuer is a PRC resident enterprise for tax purposes, interest paid to non-resident Bondholders may be regarded as PRC-sourced, and therefore be subject to PRC income tax at a rate of 10 per cent. for non-resident enterprise Bondholders and at a rate of 20 per cent. for non-resident individual Bondholders (or a lower treaty rate, if any).

Certain of the Group's subsidiaries are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to the Group and its subsidiaries.

As a holding company, the Issuer depends on the receipt of dividends and the interest and principal payments on intercompany loans or advances from the Group's subsidiaries, to satisfy the Group's obligations, including the Group's obligations under the Bonds. The ability of the Group's subsidiaries to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of the subsidiaries, restrictions contained in the financing facilities entered into by the subsidiaries and applicable laws. In addition, if any of the subsidiaries raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such shares would not be available to the Group to make payments on the Bonds. These restrictions could reduce the amounts that the Group receives from its subsidiaries, which would restrict the Group's ability to meet its payment obligations under the Bonds.

Additional procedures may be required to be taken to bring English law governed matters or disputes to the Hong Kong courts and the Bondholders 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 Terms and Conditions of the Bonds and the transaction documents are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes, Hong Kong courts may require certain additional procedures to be taken. Under the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《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 "**Reciprocal Arrangement**"), judgments of Hong Kong courts are likely to be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgments have agreed to submit to the exclusive jurisdiction of the Hong Kong courts. However, recognition and enforcement of a Hong Kong court judgment could be refused if the PRC courts consider that the enforcement of such judgment is contrary to the social and public interest of the PRC or meets other circumstances specified by the Reciprocal Arrangement. While it is expected that the PRC courts will recognise and enforce a judgment given by Hong Kong courts governed by English law, there can be no assurance that the PRC courts will do so for all such judgments as there is no established practice in this area. Compared to other similar debt securities issuances in the international capital markets where the relevant holders of the debt securities would not typically be required to submit to an exclusive jurisdiction, the holders of the Bonds will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the holder's ability to initiate a claim outside of Hong Kong will be limited.

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

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

TERMS AND CONDITIONS OF THE BONDS

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

The U.S.$150,000,000 3.60 per cent. bonds due 2024 (the "**Bonds**", which expression, unless the context requires otherwise, includes any further bonds issued pursuant to Condition 15 and to be consolidated and forming a single series therewith) of Deqing Construction & Development Group Co., Ltd. (德清縣建設發展集團有限公司) (the "**Issuer**") are constituted by a trust deed (as amended and/or supplemented from time to time, the "**Trust Deed**") dated on or about 24 June 2021 (the "**Issue Date**") made between the Issuer and CMB Wing Lung (Trustee) Limited (the "**Trustee**", which expression shall include its successor(s)) as trustee for the Holders (as defined below). The statements in these terms and conditions (these "**Conditions**") include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed.

The issue of the Bonds was authorised by resolutions of the board of directors of the Issuer on 4 January 2021 and 12 May 2021 and resolutions of the shareholders of the Issuer on 8 January 2021.

Copies of the Trust Deed and the agency agreement dated on or about 24 June 2021 (as amended or supplemented from time to time, the "**Agency Agreement**") made between the Issuer, the Trustee, CMB Wing Lung Bank Limited as principal paying agent (the "**Principal Paying Agent**"), as registrar (the "**Registrar**") and as transfer agent (the "**Transfer Agent**") and any other Agents appointed thereunder are available for inspection during normal 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)) by the Holders (as defined below) at the specified office of the Principal Paying Agent (being as at the date of issue of the Bonds at 6/F, CMB Wing Lung Building, 45 Des Voeux Road Central, Hong Kong) following prior written request and proof of holding to the satisfaction of the Principal Paying Agent. References herein to "**Paying Agents**" includes the Principal Paying Agent, and "**Agents**" means the Principal Paying Agent, the Registrar, the Transfer Agent and any other agent or agents appointed from time to time under the Agency Agreement with respect to the Bonds. The Holders (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 those provisions of the Agency Agreement applicable to them.

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. The Bonds are represented by registered certificates ("**Certificates**") and, save as provided in Condition 3(b), each Certificate shall represent the entire holding of Bonds by the same Holder (as defined below).

Title to the Bonds shall pass by transfer and registration in the Register as described in Condition 3. The Holder (as defined below) of any Bond shall (except as ordered by a court of competent jurisdiction or as otherwise required by law) be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate (other than the endorsed form of transfer) representing it or the theft or loss of such Certificate and no person shall be liable for so treating the Holder (as defined below).

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

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

2 Status

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

3 Transfers of Bonds and Issue of Certificates

(a) Register

The Issuer will cause the register (the "**Register**") to be kept at the specified office of the Registrar and in accordance with the terms of the Agency Agreement, on which shall be entered the names and addresses of the Holders and the particulars of the Bonds held by them and of all transfers of the Bonds. Each Holder shall be entitled to receive only one Certificate in respect of its entire holding of Bonds.

(b) Transfer

Subject to the Agency Agreement and Conditions 3(e) and 3(f) herein, a Bond may be transferred by depositing the Certificate issued in respect of that Bond, with the form of transfer on the back of the Certificate duly completed and signed, at the specified office of the Registrar or the Transfer Agent and with any other evidence as the Registrar or the 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 (which shall be in a specified denomination), a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of the Bonds to a person who is already a Holder, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. No transfer of title to a Bond will be valid unless and until entered on the Register.

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

(c) Delivery of New Certificates

Each new Certificate to be issued upon transfer of Bonds pursuant to Condition 3(b) shall be made available for delivery within seven business days of receipt by the Registrar or the Transfer Agent of a duly completed form of transfer and surrender of the existing Certificate(s) and provision of any other evidence required by the Transfer Agent or the Registrar pursuant to Condition 3(b). Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer and Certificate and evidence 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 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 3(c), "**business day**" means a day, other than a Saturday, Sunday or public holiday, on which commercial banks are open for business in the place of the specified office of the 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 definitive Certificates in respect of their individual holdings of the Bonds. The Bonds are not issuable in bearer form.

(d) ***Formalities Free of Charge***

Registration of transfer of Bonds and issuance of new Certificates will be effected without charge by or on behalf of the Issuer or any Agent but upon (i) payment (or the giving of such indemnity and/or security and/or pre-funding as or any Agent may require) in respect of any taxes, duties or other governmental charges which may be imposed in relation to such transfer; (ii) the Registrar or the relevant Transfer Agent being satisfied in its absolute discretion with the documents of title or identity of the person making the application and (iii) the relevant Agent being satisfied that the Regulations (as defined in Condition 3(f)) have been complied with.

(e) ***Closed Periods***

No Holder may require the transfer of a Bond to be registered (i) during the period of seven days ending on (but excluding) the due date for any payment of principal (or premium) in respect of that Bond; or (ii) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(a)); or (iii) during the period of seven days prior to (and including) any date on which Bonds may be called for redemption by the Issuer pursuant to Condition 6(b); or (iv) after any such Bond has been put for redemption pursuant to Condition 6(c).

(f) ***Regulations***

All transfers of Bonds and entries on the Register will be made subject to the detailed regulations (the "**Regulations**") concerning transfer of Bonds, the initial form of which is scheduled to the Agency Agreement. 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 for inspection by the Registrar to any Holder who requests one in writing and provides proof of holding to the satisfaction of the Registrar.

4 Covenants

(a) ***Negative Pledge***

So long as any Bond remains outstanding (as defined in the Trust Deed), the Issuer will not, and the Issuer will ensure that none of its Subsidiaries will create, or have outstanding, any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness or to secure any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Bonds (i) the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or (ii) such other security as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.

(b) ***Undertakings relating to Foreign Debt Registration and Applicable PRC Laws***

The Issuer undertakes that it will (i) within 15 Registration Business Days after the Issue Date, register or cause to be registered with SAFE the Bonds in accordance with, and within the time period prescribed by, the Administrative Measures for Foreign Debt Registration (Hui Fa [2013] No.19) (《外債登記管理辦法》(匯發[2013]19號)) and its operating guidelines, effective as of 13 May 2013 and the Capital Account Foreign Exchange Guidelines (2020) (《資本項目外匯業務指引(2020)》) (the "**Foreign Debt Registration**"), (ii) use its best endeavours to complete the Foreign Debt Registration and obtain a registration record (or any other document evidencing the completion of the Foreign Debt Registration issued by SAFE) from SAFE on or before the Registration Deadline, (iii) as soon as possible, if required or requested to do so by any relevant governmental authority, file or cause to be filed with SAFE within the prescribed timeframe the prescribed information in relation to the Bonds pursuant to the Notice of the People's Bank of China on Matters Concerning Macro-prudential Management on Overall Cross-border Financing (Yin Fa [2017] No.9) (《中國人民銀行關於實施全口徑跨境融資宏觀審慎管理有關事宜的通知》(銀發[2017]9號)), effective as of 12 January 2017 (the "**Cross Border Financing Circular**") and (iv) comply with all applicable PRC laws and regulations in relation to the Bonds.

(c) Notification to NDRC

The Issuer undertakes that it will within ten Registration Business Days after the Issue Date report or cause to be reported to the NDRC the requisite information and documents in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations(國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號))issued by the NDRC and effective as of 14 September 2015 and any implementation rules as issued by the NDRC from time to time (the "**NDRC Post-Issue Filing**").

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

The Issuer shall (a) provide the Trustee within ten Registration Business Days after the later of submission of the NDRC Post-Issue Filing and receipt of the registration certificate from SAFE (or any other document evidencing the completion of the Foreign Debt Registration issued by SAFE), and (b) use its best endeavours to provide the Trustee on or before the Registration Deadline with (i) a certificate in English substantially in a form as scheduled to the Trust Deed signed by an Authorised Signatory (as defined in the Trust Deed) confirming (A) the completion of the NDRC Post-Issue Filing and the Foreign Debt Registration and (B) no Change of Control, Event of Default or Potential Event of Default (as defined in the Trust Deed) has occurred; and (ii) copies of the relevant documents evidencing the completion of the NDRC Post-Issue Filing (if any) and the Foreign Debt Registration, each certified in English as being a true and complete copy of the original by an Authorised Signatory (the items specified in (i) and (ii) together, the "**Registration Documents**"). In addition, the Issuer shall within ten Registration Business Days after the documents comprising the Registration Documents are delivered to the Trustee, give notice to the Bondholders (in accordance with Condition 16 and substantially in the form scheduled to the Trust Deed) confirming the completion of the NDRC Post-Issue Filing and the Foreign Debt Registration.

The Trustee may rely conclusively on the Registration Documents and shall have no obligation or duty to monitor or ensure or to assist with the NDRC Post-Issue Filing or the Foreign Debt Registration on or before the Registration Deadline or to verify the accuracy, validity and/or genuineness of any certificates, confirmations or other documents in relation to or in connection with the NDRC Post-Issue Filing and/or the Foreign Debt Registration and/or the Registration Documents or to give notice to the Bondholders (substantially in a form as scheduled to the Trust Deed) confirming the completion of the NDRC Post-Issue Filing and/or the Foreign Debt Registration, and shall not be liable to Bondholders or any other person for not doing so.

(e) Financial Information

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

(A) a Compliance Certificate (on which the Trustee may rely conclusively as to such compliance) and a copy of the relevant Audited Financial Reports, in each case within 150 days of the end of each Relevant Period prepared in accordance with the Accounting Standards for Business Enterprises in China ("**PRC GAAP**") (audited by a nationally or internationally recognised firm of independent accountants) of the Issuer and its subsidiaries (if any) and if such statements shall be in the Chinese language, together with an English translation of the same translated by (aa) a nationally or internationally recognised firm of independent accountants or (bb) a professional translation service provider and checked by a nationally or internationally recognised firm of independent accountants, together with a certificate in English signed by an Authorised Signatory certifying that such translation is complete and accurate;

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

(C) a Compliance Certificate (on which the Trustee may rely conclusively as to such compliance) within 14 days of any request therefor from the Trustee.

The Trustee shall not be required to review the relevant Audited Financial Reports, the Unaudited Financial Reports or any other financial report furnished or delivered to it as contemplated in this Condition 4(e) and, if the same shall not be in the English language, shall not be required to request or obtain or arrange for an English translation of the same, and the Trustee shall not be liable to any Bondholder or any other person for not doing so.

(f) Definitions

In these Conditions:

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

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

(i) no Event of Default (as defined in Condition 9) or Potential Event of Default had occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event had occurred, giving details of it; and

(ii) the Issuer has complied with all its obligations under the Trust Deed, Agency Agreement and the Bonds;

"**Hong Kong**" means the Hong Kong Special Administrative Region of the People's Republic of China;

"**person**" means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organisation or government or any agency or political subdivision thereof;

"**PRC**" means the People's Republic of China, which shall for the purpose of these Conditions only, exclude Hong Kong, 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 Registration Business Days after the Issue Date;

"**Relevant Indebtedness**" means any indebtedness incurred outside the PRC which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market;

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

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

"**Subsidiary**" means, with respect to any person, any corporation, association or other business entity (a) 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 (b) 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;

"**Unaudited Financial Reports**" means, for a Relevant Period, the semi-annual unaudited consolidated balance sheet, income statement, statement of cash flows and statements of changes in owners' equity of the Issuer; 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.

5 Interest

(a) Interest Rate and Interest Payment Dates

The Bonds bear interest on their outstanding principal amount from and including 24 June 2021 (the "**Issue Date**") at the rate of 3.60 per cent. per annum, payable semi-annually in equal instalments in arrear on 24 June and 24 December in each year (each an "**Interest Payment Date**") commencing on 24 December 2021.

Each Bond will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Bond, payment of principal or premium (if any) is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Holders, 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).

6 Redemption and Purchase

(a) Final Redemption

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 24 June 2024 (the "**Maturity Date**"). The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.

(b) Redemption for Taxation Reasons

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**", which shall specify the date for redemption and the names and addresses of all Paying Agents, and the method by which payment shall be made) to the Bondholders in accordance with Condition 16 (which shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent, at their principal amount (together with any interest accrued to but excluding the date fixed for redemption) if (i) the Issuer satisfies the Trustee immediately prior to the giving of such notice that the Issuer has or will become obliged to pay Additional Tax Amounts (as defined below) as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of 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, or any statement of an official position with respect to, 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 17 June 2021, and (ii) such obligation cannot be avoided by the Issuer 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 would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due.

Prior to the giving of any Tax Redemption Notice pursuant to this Condition 6(b), the Issuer shall deliver to the Trustee (A) a certificate in English signed by an Authorised Signatory stating that the obligation referred to in (i) above of this Condition 6(b) cannot be avoided by the Issuer taking reasonable measures available to it, and (B) an opinion, in form and substance satisfactory to the Trustee, of independent tax or legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such Additional Tax Amounts as a result of such change, amendments or statement. 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 6(b), in which event they shall be conclusive and binding on the Bondholders and 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 6(b) has occurred or for calculating or verifying the calculations of any amount payable under any notice of redemption under this Condition 6(b) and none of them shall be liable to the Bondholders or the Issuer 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 6(c)) at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together in each case with accrued interest up to (but excluding) the Put Settlement Date. To exercise such right, the Holder of the relevant Bond must deposit at the specified office of the Principal Paying Agent or any other Paying Agent a duly completed and signed notice of redemption, 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 16.

The "**Put Settlement Date**" shall be the fourteenth 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 the subject of the Put Exercise Notices delivered as aforesaid on the Put Settlement Date.

Not later than 14 days following the day on which the Issuer becomes aware of the occurrence 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 Holders (in accordance with Condition 16) stating:

(i) the Put Settlement Date;

(ii) the date of the Relevant Event and, briefly, the events causing, as applicable, the Change of Control or No Registration Event;

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

(iv) the redemption amount and the method by which such amount will be paid;

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

(vi) the procedures that Holders must follow and the requirements that Holders must satisfy in order to exercise the Relevant Event Put Right; and

(vii) that a Put Exercise Notice, once validly given, may not be withdrawn.

Neither the Trustee nor the Agents 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 any 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 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 Holders, the Issuer or any other person for not doing so.

For the purpose of this Condition 6:

(A) a "**Change of Control**" occurs when:

(i) (x) the State-owned Assets Supervision and Administration Office of the People's Government of Deqing County (德清縣人民政府國有資產監督管理辦公室) (the "**Deqing SASAC**"); and (y) any other Person(s) Controlled (whether directly or indirectly) by the PRC Government (such Person and the Deqing SASAC, a "**PRC Person**"), together cease to directly or indirectly hold or own 100 per cent. of the issued share capital of the Issuer; or

(ii) the Issuer consolidates with or merges into or sells or transfers all or substantially all of its assets to any other Person, unless such Person is a PRC Person or is directly or indirectly 100 per cent. held or owned by a PRC Person(s);

(B) "**Control**" means with respect to a Person (as defined below), (i) the ownership, acquisition or control of more than 50 per cent. of the voting rights of the issued share capital of such Person, whether obtained directly or indirectly or (ii) the right to appoint and/or remove all or the majority of the members of the Person's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise; the term "**Controlled**" has a meaning correlative to the foregoing;

(C) a "**No Registration Event**" occurs when the Registration Conditions have not been satisfied in full on or before the Registration Deadline;

(D) "**PRC Government**" means the central government of the PRC and its provincial, municipal and local counterparts;

(E) a "**Person**" includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity) but does not include the Issuer's board of directors or any other governing board and does not include the Issuer's wholly-owned direct or indirect subsidiaries;

(F) "**Registration Conditions**" means the receipt by the Trustee of the Registration Documents relating to the Foreign Debt Registration as set forth in Condition 4(d); and

(G) a "**Relevant Event**" will be deemed to occur if:

(i) there is a No Registration Event; or

(ii) there is a Change of Control.

(d) Purchase

The Issuer or any of its 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 or any such Subsidiary, shall not entitle the Holder to vote at any meetings of the Holders and shall not be deemed to be outstanding for certain purposes, including without limitation for the purpose of calculating quorums at meetings of the Holders or for the purposes of Condition 9, Condition 12(a) and Condition 13.

(e) ***Notice of Redemption***

All Bonds in respect of which any notice of redemption is given under this Condition 6 shall be redeemed on the date, in such place and in such manner as specified in such notice in accordance with this Condition 6. If there is more than one notice of redemption given in respect of any Bond (which shall include any notice given by the Issuer pursuant to Condition 6(b) and any Put Exercise Notice given by a Bondholder pursuant to Condition 6(c)), the notice given first in time shall prevail and in the event of two notices being given on the same date, the first to be given shall prevail. Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying any calculations of any amounts payable under any notice of redemption or have a duty to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection thereto, and shall not be liable to Holders, the Issuer or any other person for not doing so.

(f) ***Cancellation***

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

7 Payments

(a) ***Method of Payment:***

(i) Payments of principal and premium (if any) shall be made (subject to surrender of the relevant Certificates at the specified office of the Principal Paying Agent or any other Paying Agent if no further payment falls to be made in respect of the Bonds represented by such Certificates) in the manner provided in Condition 7(a)(ii) below.

(ii) Interest on each Bond shall be paid on the due date to the person shown on the Register at the close of business on the seventh Payment Business Day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Bond shall be made in U.S. dollars. Upon application by the Holder to the specified office of the Registrar or the Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in U.S. dollars maintained by the payee with a bank.

(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 premium (if any) or interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of premium (if any) or interest so paid.

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

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

(c) **Payment Initiation**: Where payment is to be made by transfer to a registered account, payment instructions (for value on the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated on the due date for payment (or, if it is not a Payment Business Day, the immediately following Payment Business Day), or, in the case of payments of principal and premium (if any) where the relevant Certificate has not been surrendered at the specified office of the Transfer Agent or of the Registrar, on the first Payment Business Day on which the Principal Paying Agent is open for business and on or following which the relevant Certificate is surrendered.

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

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 16.

(e) **Delay in Payment:** Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a Payment Business Day, if the Bondholder is late in surrendering or cannot surrender its Certificate.

(f) **Non-Payment Business Days:** If any date for payment in respect of any Bond is not a Payment Business Day, the Holder shall not be entitled to payment until the next following Payment Business Day nor to any interest or other sum in respect of such postponed payment. In this Condition 7, "**Payment Business Day**" means a day (other than a Saturday, a Sunday or a public holiday) on which commercial banks and foreign exchange markets are open for business in Beijing, New York and Hong Kong and the place in which the specified office of the Principal Paying Agent is located.

8 Taxation

All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Bonds shall be made 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 PRC or any political subdivision or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

Where such withholding or deduction is made by the Issuer by or within the PRC up to and including the aggregate rate applicable on 17 June 2021 (the "**Applicable Rate**"), the Issuer 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 is required to make a deduction or withholding in respect of PRC tax in excess of the Applicable Rate, the Issuer shall pay such additional amounts ("**Additional Tax Amounts**") as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Bond:

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

(ii) **Surrender more than 30 days after the Relevant Date**: in respect of which the Certificate representing it is presented (where presentation is required) 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.

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

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

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 8 or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, any Bondholder or any third party to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Bonds without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

9 Events of Default

If an Event of Default (as defined below) occurs the Trustee at its discretion may, and if so requested in writing by Holders of at least 25 per cent. of the 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 first 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 any accrued but unpaid interest.

An "**Event of Default**" occurs if:

(a) **Non-Payment**: there has been a failure to pay (i) the principal of any of the Bonds when due or (ii) any interest on any of the Bonds when due and such failure continues for a period of 14 days; or

(b) **Breach of Other Obligations**: the Issuer does not perform or comply with any one or more of its other obligations under the Bonds (other than a No Registration Event which gives rise to a redemption pursuant to Condition 6(c)) or under the Trust Deed, which default is incapable of remedy or, if such default is capable of remedy, such default is not remedied within 45 days after the Trustee has given written notice thereof to the Issuer; or

(c) **Cross-Default**: (i) any other present or future indebtedness of the Issuer or any of its Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 9(c) have occurred equals or exceeds in the aggregate U.S.$30,000,000 or its equivalent in any other currency (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this Condition 9(c) operates); or

(d) **Enforcement Proceedings**: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Issuer or any of the Principal Subsidiaries and is not discharged or stayed within 45 days; or

(e) **Security Enforced**: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of the Principal Subsidiaries on any 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 45 days; or

(f) **Insolvency**: the Issuer or any of the Principal Subsidiaries is (or is, deemed by law 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 its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or a material part of the debts of the Issuer or any of the Principal Subsidiaries; or

(g) **Winding-up**: an order of any court of competent jurisdiction is made or an effective resolution passed for the winding-up or dissolution of the Issuer or any of the Principal Subsidiaries (except for the voluntary solvent winding up of any Principal Subsidiary), or the Issuer or any of the Principal Subsidiaries 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 reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Bondholders, or (ii) in the case of a Principal Subsidiary, whereby the undertaking and assets of such Subsidiary are transferred to or otherwise vested in the Issuer or another Subsidiary of the Issuer; or

(h) **Nationalisation**: any step is taken by any person acting under the authority of any national, regional or local government with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Issuer or any of the Principal Subsidiaries; or

(i) **Authorisation and Consents**: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Bonds and the Trust Deed, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Bonds and the Trust Deed admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or

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

(k) **Analogous Events**: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 9(d) to 9(h) (both inclusive).

In this Condition 9, **"Principal Subsidiary"** means any Subsidiary of the Issuer:

(A) whose total revenue or (in the case of a Subsidiary which itself has Subsidiaries) consolidated total revenue, as shown by its latest audited income statement is at least five per cent. of the consolidated total revenue as shown by the latest published audited consolidated income statement of the Issuer and its Subsidiaries including, for the avoidance of doubt, the Issuer and its consolidated Subsidiaries' share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or

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

(C) whose total assets or (in the case of a Subsidiary which itself has Subsidiaries) consolidated total assets, as shown by its latest audited balance sheet are at least five per cent. of the consolidated total assets of the Issuer and its Subsidiaries as shown by the latest published audited consolidated balance sheet of the Issuer and its Subsidiaries including, the investment of the Issuer in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Issuer 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 forthwith become a Principal Subsidiary and (y) on or after the date on which the first published audited accounts (consolidated, if appropriate) of the Issuer 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 Issuer relate, the reference to the then latest consolidated audited accounts of the Issuer for the purposes of the calculation above shall, until consolidated audited accounts of the Issuer for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published be deemed to be a reference to the then latest consolidated audited accounts of the Issuer adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;

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

(iii) if at any relevant time in relation to any Subsidiary, no accounts are audited, its total revenue, net profit or total assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Issuer; and

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

10 Prescription

Claims against the Issuer for payment in respect of the Bonds shall be prescribed and become void unless made within ten years (in the case of principal or premium (if any)) or five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8) in respect of them.

11 Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations, other relevant regulatory authority regulations and stock exchange requirements, at the specified office of the Registrar or the 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 Transfer Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12 Meetings of Bondholders, Modification, Waiver, Authorisation, Determination and Entitlement of Trustee

(a) Meetings of Bondholders

The Trust Deed contains provisions for convening meetings of the Bondholders to consider any matter affecting their interests, including without limitation the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement. Such a meeting may be convened by the Trustee or the Issuer and shall be convened by the Trustee upon request in writing from Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 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 Bondholders whatever the principal amount of the Bonds held or represented unless the business of such meeting includes the modification or abrogation of certain of the provisions of these Conditions and certain of the provisions of the Trust Deed, including consideration of 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, any premium payable on redemption of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds or (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution (each, a "**Reserved Matter**"), in which case the necessary quorum for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 75 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 Bondholders of not less than 90 per cent. in aggregate principal amount of the Bonds for the time being outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

So long as the Bonds are evidenced by the Global Certificate, Extraordinary Resolution includes a consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of all the Bondholders of not less than 90 per cent. in aggregate principal amount of the Bonds for the time being outstanding.

(b) Modification, Waiver, Authorisation and Determination

The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, or any failure to comply with any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement and/or the Bonds (other than in respect of a Reserved Matter) which in its opinion is not materially prejudicial to the interest of the Bondholders, or may agree, without any such consent as aforesaid, to any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error or to comply with any mandatory provision of applicable law. Any such modification, waiver or authorisation shall be binding on the Bondholders and, unless the Trustee agrees otherwise, such modification, waiver or authorisation shall be notified to the Bondholders by the Issuer as soon as practicable thereafter in accordance with Condition 16.

(c) Entitlement of the Trustee

In connection with the exercise of its functions, rights, powers and/or discretions (including but not limited to those referred to in this Condition 12), the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to any interests arising from circumstances particular to individual Bondholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Bondholders (whatever their number) resulting from them being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

13 Enforcement

The Trustee may, at its discretion and without further notice, take such actions and/or steps and/or institute such proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed, the Agency Agreement and/or the Bonds, but it need not take any such actions and/or steps 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 then outstanding, and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Bondholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

14 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including without limitation provisions relieving it from taking steps, actions or proceedings to enforce payment or taking other actions unless first indemnified and/or secured and/or pre-funded to its satisfaction.

The Trustee and its affiliates are entitled (i) to enter into business transactions with the Issuer and/or any related entity and to act as trustee for the holders of any other securities issued by, or relating to, the Issuer and any entity related to the Issuer, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Bondholders and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

The Trustee may rely without liability to Holders, the Issuer or any other person on any report, information, confirmation or certificate from or any opinion or advice of any accountants, auditors, lawyers, valuers, auctioneers, surveyors, brokers, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, information, confirmation, certificate, opinion or advice, in which case such report, information, confirmation, certificate, opinion or advice shall be binding on the Issuer and the Holders. The Trustee shall not be responsible or liable to the Holders, the Issuer or any other person for any loss occasioned by acting on or refraining from acting on such report, information, confirmation, certificate, opinion or advice.

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

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

Neither the Trustee nor any of the Agents shall have any obligation to monitor compliance with the provisions of the Trust Deed, the Agency Agreement or these Conditions or to take any steps to ascertain whether an Event of Default or a Potential Event of Default or a Relevant Event has occurred or to monitor or investigate the occurrence of any Event of Default, Potential Event of Default or Relevant Event, and shall not be responsible or liable to the Issuer, the Holders or any other person for not doing so.

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

15 Further Issues

The Issuer may from time to time without the consent of the Bondholders in accordance with the Trust Deed, 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, the first payment of interest on them and the timing for complying with the Registration Conditions, for making the NDRC Post-Issue Filing and the Foreign Debt Registration and for filing of the Bonds pursuant to the Cross Border Financing Circular) and so that the same shall be consolidated and form a single series with the outstanding Bonds. References in these Conditions to the Bonds include (unless the context requires otherwise) any further bonds issued pursuant to this Condition 15. However, such further bonds shall be constituted by a deed supplemental to the Trust Deed.

16 Notices

All notices to the Holders will be valid if (i) mailed to them at the Issuer's expense by uninsured mail at their respective addresses in the Register and (ii) published at the Issuer's expense in a leading newspaper having general circulation in Asia. The Issuer shall also ensure that notices are duly published in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed. Any 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 Bank SA/NV or Clearstream Banking S.A. or the Alternative Clearing System (as defined in the form of the Global Certificate), notices to the holders of the Bonds shall be validly given by the delivery of the relevant notice to Euroclear Bank SA/NV or Clearstream Banking S.A. or the Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by these Conditions.

17 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

18 Governing Law and Jurisdiction

(a) Governing Law

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

(b) Jurisdiction

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

(c) Agent for Service of Process

The Issuer has irrevocably appointed in the Trust Deed The Law Debenture Corporation (H.K.) Limited at Suite 1301, Ruttonjee House, Ruttonjee Center, 11 Duddell Street, Central, Hong Kong as its authorised agent in Hong Kong to receive service of process in any Proceedings in Hong Kong based on any of the Bonds. If for any reason the Issuer ceases to have such an agent in Hong Kong, it will promptly appoint a substitute process agent and will notify the Trustee of such appointment within 14 days of such cessation. Nothing herein shall affect the right to serve process in any other manner permitted by law.

(d) Waiver of Immunity

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

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

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

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

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

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

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

The Issuer will cause sufficient individual definitive Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant holders of the Bonds. A person with an interest in the Bonds in respect of which the Global Certificate is issued must provide the Registrar not less than 30 days' notice at its specified office of such holder's intention to effect such exchange and a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Certificates.

In addition, the Global Certificate will contain provisions which modify the Terms and Conditions of the Bonds as they apply to the Bonds evidenced by the Global Certificate. The following is a summary of certain of those provisions:

Payment

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

Calculation of Interest

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

Notices

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

Meetings

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

Authentication

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 6(c) (*Redemption for Relevant Events*) of the Terms and Conditions of the Bonds may be exercised by the holder of the Global Certificate giving notice to the Principal Paying Agent of the principal amount of Bonds in respect of which the option is exercised within the time limits specified in the Conditions.

Issuer's Redemption

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

Transfers

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

Cancellation

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

Trustee's Powers

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

USE OF PROCEEDS

The gross proceeds from the offering of the Bonds will be U.S.$150,000,000. After deducting commissions to be charged by the Managers and other expenses payable in connection with the offering of the Bonds, the Group intends to use the net proceeds from this offering for domestic project construction, replenishing working capital and general corporate purposes.

EXCHANGE RATE INFORMATION

The People's Bank of China (the "**PBOC**"), the central bank of the PRC, sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. The PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. 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. On the same day, the value of the Renminbi appreciated by 2 per cent. against the U.S. dollar. 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 inter-bank spot exchange 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. The floating band was further widened to 1.0 per cent. on 16 April 2012. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 26.9 per cent. from 21 July 2005 to 31 December 2013. On 15 March 2014, the PBOC announced to further widened the floating band against the U.S. dollar to 2.0 per cent since 17 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 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, China Foreign Exchange Trade System (the "**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. There can be no assurance as to how and to what extent the exchange rate of the Renminbi will fluctuate against the U.S. dollar or any other foreign currency in the future. There remains significant market trend and international pressure on the PRC government to adopt a more liberalised and flexible currency policy, which could result in greater fluctuation of the Renminbi against the U.S. dollar.

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

	Exchange Rate			
Period	**Period End**	**Average[(1)]**	**High**	**Low**
	(RMB per U.S.$1.00)			
2013	6.0537	6.1478	6.2438	6.0537
2014	6.2046	6.1704	6.2591	6.0402
2015	6.4778	6.2869	6.4896	6.1870
2016	6.9430	6.6549	6.9580	6.4480
2017	6.5063	6.7569	6.9575	6.4773
2018	6.8755	6.6292	6.9737	6.2649
2019	6.9618	6.9014	7.1786	6.6822
2020	6.5250	6.8878	7.1681	6.5208
2021				
January	6.4282	6.4672	6.4822	6.4282
February	6.4730	6.4601	6.4869	6.4344
March	6.5518	6.5109	6.5716	6.4648
April	6.4749	6.5186	6.5649	6.4710
May	6.3674	6.4321	6.4749	6.3674
June (through 11 June)	6.3967	6.3923	6.4036	6.3796

Note:

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

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the Issuer's consolidated capitalisation and indebtedness as at 31 December 2020 on an actual basis and on an adjusted basis after giving effect to the issuance of the Bonds prior to deducting the commissions and other estimated expenses payable in connection with this offering. The following table should be read in conjunction with the Issuer's audited consolidated financial statements as at and for the years ended 31 December 2020 and the notes to those statements, which are included elsewhere in this Offering Circular.

	As at 31 December 2020			
	Actual	**Actual**	**As adjusted**	**As adjusted**
	(RMB)	**(U.S.$)[1]**	**(RMB)**	**(U.S.$)[1]**
Current liabilities				
Short-term borrowings	1,011,700,000.00	155,049,808.43	1,011,700,000.00	155,049,808.43
Non-current liabilities maturing within one year	3,142,496,097.27	481,608,597.28	3,142,496,097.27	481,608,597.28
Other payables	38,888,888.88	5,959,982.97	38,888,888.88	5,959,982.97
Total current liabilities	4,193,084,986.15	642,618,388.68	4,193,084,986.15	642,618,388.68
Non-current liabilities				
Long-term borrowings	9,465,913,021.04	1,450,714,639.24	9,465,913,021.04	1,450,714,639.24
Bonds payable	5,729,928,268.82	878,149,926.26	5,729,928,268.82	878,149,926.26
Long-term payables	272,680,845.80	41,790,167.94	272,680,845.80	41,790,167.94
Bonds to be issued	–	–	978,750,000.00	150,000,000.00
Total non-current liabilities	15,468,522,135.66	2,370,654,733.43	16,447,272,135.66	2,520,654,733.43
Total liabilities[2]	19,661,607,121.81	3,013,273,122.12	20,640,357,121.81	3,163,273,122.12
Total owners' equity	13,452,519,833.33	2,061,688,863.35	13,452,519,833.33	2,061,688,863.35
Total liabilities and owners' equity[3]	33,114,126,955.14	5,074,961,985.46	34,092,876,955.14	5,224,961,985.46

The Group has, since 31 December 2020, in the ordinary course of business, incurred additional borrowings to finance its business operations. These additional borrowings are not reflected in the table above.

Save as otherwise disclosed in this Offering Circular, there has been no material change in the consolidated capitalisation and indebtedness of the Issuer since 31 December 2020.

1 For convenience only, all conversions from Renminbi into U.S.$ are made at the rate of RMB6.5250 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 31 December 2020.

2 Total liabilities equals the sum of total current liabilities and total non-current liabilities.

3 Total liabilities and owners' equity equals the sum of total liabilities and total owners' equity.

DESCRIPTION OF THE GROUP

Overview

The Group is the primary state-owned assets management and infrastructure construction platform of the Deqing Government focusing on land development and indemnificatory housing in Deqing and is directly controlled by the Deqing SASAC. Established in 2017 and designated to carry out the Deqing Government's blueprint for municipal development in Deqing, the Group has established itself as a leading state-owned asset management company in Deqing and plays an important role in the urbanisation of Deqing.

For the years ended 31 December 2018, 2019 and 2020, the Group's total operating revenue was RMB1,126.2 million, RMB1,456.7 million and RMB1,889.8 million, respectively, and its gross profit was RMB211.5 million, RMB170.3 million and RMB198.1 million, respectively. The Group's net profit was RMB184.9 million, RMB193.0 million and RMB214.7 million, respectively, for the same periods indicated above.

The Group's operation and investment primarily focus on six major business segments, namely (i) land development, (ii) indemnificatory housing, (iii) water supply and water treatment, (iv) construction materials trading, (v) construction service and (vi) other businesses. Set forth below is an overview of the major business segments of the Group:

Land Development. The Group is one of the primary entities designated by the Deqing Government to conduct land development in East New District (東新區), Kangqian New District (康乾新區) and Wukang Central City West Area (武康中心城區城西片) at Wukang City, Deqing County. The Group commenced land development in the urban area of Deqing, primarily through its members, namely Deqing County Hengda Construction Development Co., Ltd. (德清縣恒達建設發展有限公司) and Deqing County Construction Investment Co., Ltd. (德清縣建設投資有限公司). The Group engages in land development in Deqing, and is primarily responsible for land development in the urban area. The Group prepares land for future transfer to the Deqing Government by levelling and clearing undeveloped land. As at 31 December 2020, the Group had completed development of approximately 15,000 square metres of land.

For the years ended 31 December 2018, 2019 and 2020, operating revenue generated from the Group's land development business was RMB477.4 million, RMB259.4 million and RMB387.0 million, respectively, representing 42.4 per cent., 17.8 per cent. and 20.5 per cent. of the Group's total operating revenue for the same periods, respectively.

Indemnificatory Housing. The Group engages in indemnificatory housing business, including resettlement housing and affordable housing business, mainly through four of its members, namely, Deqing County Hengda Construction Development Co., Ltd. (德清縣恒達建設發展有限公司), Deqing County Construction Development Co., Ltd. (德清縣建設開發有限公司), Deqing Weili Housing Development Co., Ltd. (德清縣微利房屋開發有限公司) and Deqing County Construction Investment Co., Ltd. (德清縣建設投資有限公司). The Deqing Government has mandated the Group to construct and sell resettlement housing for the resettlement of former residents of land expropriated for the development of the related area in accordance with the government's policy. In addition, The Deqing Government has mandated the Group to construct and sell affordable housing for residents who meet the application criteria for affordable housing in Deqing County.

For the years ended 31 December 2018, 2019 and 2020, operating revenue generated from the Group's indemnificatory housing business was RMB86.9 million, RMB396.6 million and RMB529.6 million, respectively, representing 7.7 per cent., 27.2 per cent. and 28.0 per cent. of the Group's total operating revenue for the same periods, respectively.

Water Supply and Water Treatment. The Group engages in water supply and water treatment business through two of its members, including Deqing Water Affairs Co., Ltd. (德清縣水務有限公司) and Deqing County Hengfeng Sewage Treatment Co., Ltd. (德清縣恒豐污水處理有限公司).

For the years ended 31 December 2018, 2019 and 2020, operating revenue generated from the Group's water supply and water treatment business was RMB189.5 million, RMB212.7 million and RMB213.0 million, respectively, representing 16.8 per cent., 14.6 per cent. and 11.3 per cent. of the Group's total operating revenue for the same periods, respectively.

Construction Materials Trading. The Group's construction materials trading business primarily consists of trading of steel, ceramic tile, cement and others. The Group engages in construction materials trading business through two of its members, Deqing County Hengda Construction Development Co., Ltd. (德清縣恒達建設發展有限公司) and Deqing County Construction Investment Co., Ltd. (德清縣建設投資有限公司). The Group generates revenue from its construction materials trading business by purchasing construction materials in bulk from large domestic factories for resale to construction companies and small retailing companies in Deqing. The Group plans to further develop its construction materials trading business as a complementary business to its construction service business.

For the years ended 31 December 2018, 2019 and 2020, operating revenue generated from the Group's construction materials trading business was RMB79.0 million, RMB263.4 million and RMB495.6 million, respectively, representing 7.0 per cent., 18.1 per cent. and 26.2 per cent. of the Group's total operating revenue for the same periods, respectively.

Construction Service. The Group's construction business is primarily conducted by its members, namely, Deqing County Decheng Landscaping Engineering Service Co., Ltd. (德清縣德城園林綠化工程服務有限公司), Deqing County Municipal Engineering Co., Ltd. (德清縣市政工程有限公司), Deqing County Jian'an Construction Engineering Inspection Co., Ltd. (德清縣建安建設工程檢測有限公司), Deqing County Urban and Rural Surveying and Mapping Institute Co., Ltd. (德清縣城鄉測繪院有限公司), Deqing County Hengda Construction Development Co., Ltd. (德清縣恒達建設發展有限公司) and Deqing County Construction Investment Co., Ltd. (德清縣建設投資有限公司). The Group generally obtained the construction projects through bidding processes.

For the years ended 31 December 2018, 2019 and 2020, operating revenue generated from the Group's construction service business was RMB251.3 million, RMB238.7 million and RMB197.6 million, respectively, representing 22.3 per cent., 16.4 per cent. and 10.5 per cent. of the Group's total operating revenue for the same periods, respectively.

Other Businesses. The Group also conducts other businesses, including, among others, parking lot management, leasing and others.

Competitive Strengths

The Group believes the following competitive strengths distinguish it from its competitors and are important to its success and future development:

The Group is well positioned to benefit from the economic growth and strategic location of Deqing.

The Group benefits continually and significantly from Deqing's strategic location and rapid economic development. Deqing has undergone a prolonged period of rapid economic development in line with such development in Huzhou. According to the Huzhou Municipal Statistics Bureau, the GDP of Deqing increased from approximately RMB47.0 billion in 2017 to approximately RMB54.4 billion in 2020, representing a CAGR of 4.9 per cent. The Group also benefits from its location in Deqing due to the district's importance in Huzhou and Zhejiang Province. Deqing has an area of approximately 937.9 sq.km. Situated in the north coast of Zhejiang Province at the intersection of Zhejiang Province, Jiangsu Province and Anhui Province, Deqing has been positioned as a comprehensive transportation hub which connects the northern area of Huzhou and two neighbouring cities, including Hangzhou City and Jiaxing City. Deqing has modernised its transportation network and strategically developed its key industries in an effort to claim a leading position in Huzhou and among its neighbouring cities. One of the Deqing Government's priorities in urbanising and modernising Deqing is to continue the improvement of its infrastructure and transportation system. According to the Deqing County Thirteenth Five-Year Plan for National Economic and Social Development (《德清縣國民經濟和社會發展第十三個五年計劃綱要》).

In this regard, leveraging its geographical advantages and coupled with rapid development and growth, Deqing's economy has strengthened significantly over the years. As the Group's business operations and investments are located within Deqing, the Group's business has, and will continue to benefit from, the rapid development, growth and urbanisation of Deqing.

The Group is the primary state-owned assets management and infrastructure construction platform for primary land development, indemnificatory housing development and water supply and water treatment under the Deqing SASAC.

The Group is the primary state-owned assets management and infrastructure construction platform under the supervision of the Deqing SASAC and directly controlled by the Deqing SASAC. Since its establishment in 2017, the Group has played an important role in implementing the Deqing Government's blueprint for urban planning and municipal construction and received strong support from the Deqing Government. The Deqing Government has implemented a variety of favourable policies to ensure the sustainable development of the Group. Accordingly, the Group has been appointed by the Deqing Government as one of the primary entities responsible for carrying out Deqing's land development projects. Since its establishment, the Group has invested RMB15.2 billion and undertook to complete a total of three land development projects on behalf of the Deqing Government, including the Wukang Central City West Area project, East New District project and Kangqian New District project.

The Group's business and investments focus on a number of areas relating to land development and indemnificatory housing under the ultimate supervision of the Deqing Government. The Group's land development business contributes to a substantial portion of its operating revenue. For the years ended 31 December 2018, 2019 and 2020, operating revenue generated from the Group's land development business was RMB477.4 million, RMB259.4 million and RMB387.0 million, respectively, representing 42.4 per cent., 17.8 per cent. and 20.5 per cent. of the Group's total operating revenue for the same periods, respectively. The Deqing Government makes payments to the Group an amount equivalent to 20.0 per cent. of the land development costs for each land parcel developed by the Group. Such arrangement allows the Group to receive a steady stream of income over time. For the years ended 31 December 2018, 2019 and 2020, the Group's gross profit margin was 18.8 per cent., 11.7 per cent. and 10.5 per cent., respectively.

The Group's business segments are strategically aligned with the urban planning and development policies of Deqing. The Group believes that its market position as the primary state-owned assets management and infrastructure construction platform for urban development under the supervision of the Deqing SASAC as well as its track record in a diverse range of business will support and enable the Group's expansion.

The Group benefits from strong support from the Deqing Government.

The Group has played an important role in implementing the Deqing Government's plan with respect to urbanisation and development of Deqing and has received strong operational and financial support (excluding credit support or guarantees provided by the government) from the Deqing Government, including the following:

- *Operation Support*. The Deqing Government has granted permits to the Group for the operation of public utilities businesses, for example, water supply and water treatment. In addition, the local government's budget and development plan provides strong support for the Group's indemnificatory housing business.

- *Capital Injections.* The Issuer was established with an initial registered capital of RMB6.0 billion on 23 May 2017, contributed by the Deqing SASAC.

- *Asset Allocations.* The Deqing Government has injected high-quality assets into the Group since its establishment in 2017. For example, in July 2019, Zhejiang Deqing County Transportation Investment Group Co., Ltd. (浙江省德清縣交通投資集團公司) had transferred 100.0 per cent. of its equity interest in Deqing Water Affairs Co., Ltd. (德清縣水務有限公司) to the Group with no consideration.

- *Fiscal Subsidies from the PRC Government.* For the year ended 31 December 2020, the amount of government grants received by the Group in support of its land development and water supply and water treatment businesses were approximately RMB337.7 million.

The Group believes that its experience and strong support from the Deqing Government will provide it with additional opportunities to participate in the development of the region. In addition, since the ultimate controlling shareholder of the Group, Deqing SASAC is under the direct leadership of the Deqing Government, Deqing Government closely participates in and affects the decision-making of key investments and appointment of directors, supervisors and senior management of the Group. The Group and the Deqing Government normally conduct detailed discussions and follow requisite appraisal procedures to ensure that informed and viable investment decisions are made. Major transactions require approval from the Deqing Government. As the Group believes that the Deqing Government will continue to be the ultimate controller of the Group in the foreseeable future, the role of the Deqing Government and its participation in the Group's operations distinguish the Group from its competitors in the industries where it operates and that the Deqing Government will provide effective support in implementing the Group's plans and achieving its goals.

The Group has a strong project pipeline with abundant land reserves warranting sustainable revenue and operating cash inflow from land development in the future.

The Group believes that its abundant land reserves are critical for the Group to achieve sustainable operating revenue and operating cash inflow from land development in the future. As at 31 December 2020, the Group held the land use rights of approximately 3,124.6 Mu of developed land for future transfer, which the Group believes if to be transferred in the next three years will generate sufficient income for project construction, continuing investment in land development business and daily operations. The Group believes that this strong project pipeline will provide increasing operating revenue and operating cash inflow after the land is developed and transferred to other parties through public auction.

The Group believes that the prospects of sustainable and increasing operating revenue and operating cash inflow from land development are also warranted by the preferential land development policies in Deqing. According to the Cooperative Development Land Agreement (合作開發土地協議) entered into among the Deqing Government, Deqing County Natural Resources and Planning Bureau (德清縣自然資源和規劃局), Deqing County Hengda Construction Development Co., Ltd. (德清縣恆達建設發展有限公司), Deqing County Construction Development Co., Ltd. (德清縣建設開發有限公司) and Deqing County Construction Investment Co., Ltd. (德清縣建設投資有限公司), the Group would be entitled to an amount equivalent to 20.0 per cent. of the land development costs from its other land development projects it undertakes, after deduction of statutory taxes and charges. The Group expects that with continued urbanisation in Deqing it will continue to drive the demand for land and infrastructure construction and the Group is well-positioned to capture this growth by taking of its abundant land reserves.

The Group has access to diverse sources of funding.

The Group has access to various funding channels, including bank loans and domestic bond offerings in the PRC markets. With well-established operations in various business segments, the Group has a proven track record of creditworthiness, demonstrated by the Issuer's "AA+" rating, with stable outlook, from China Chengxin International Credit Rating Co., Ltd. (中誠信國際信用評級有限責任公司), a PRC rating agency, which allows the Group to secure favourable financing terms. The Group primarily finances its operations using a combination of its internal funding and external funding, such as bank loans and domestic bond offerings in the PRC markets. The Group maintains long-term stable relationships with many major PRC financial institutions, such as Huaxia Bank, China Everbright Bank and China Construction Bank. The Group's borrowings primarily comprise long-term interest-bearing borrowings. As at 31 December 2020, the Group had available credit facilities providing an aggregate of approximately RMB20,237.2 million, of which approximately RMB7,812.5 million had not been utilised. In addition, the Group finances its operations through domestic bond offerings in the PRC markets. For example, the Group issued RMB1.4 billion and RMB0.1 billion corporate bonds in March and April 2020, respectively.

The Group believes that its ability to obtain financing gives it a comparative advantage over competitors with only access to limited funding sources. As such, the Group believes that it has a solid liquidity position with access to diversified funding sources. The Group actively manages its cash flow and capital commitments to ensure that it has sufficient funds to meet its existing and future cash flow requirements. The Group's strong financing capability has enabled it to capitalise on various business opportunities and construct new facilities and equipment for its infrastructure construction and public utilities operation business segments, which are generally highly capital-intensive.

The Group plans to increase the proportion of direct financing from the capital markets in the future and to build a diversified financing structure that is comprised of bank loans, domestic bond offerings and loans from trust institutions and other financial products. With its existing and planned increases in diverse sources of funding, the Group believes that it will continue to have access to sufficient capital to support its business operations and expansion.

The Group is led by an experienced management and operations team.

The Group's management team has extensive experience in its various businesses, in particular with respect to land development, indemnificatory housing and water supply and water treatment businesses. Most of the members of the Group's management team serve, or have served, in various positions in the Deqing Government. The Group believes that its management team's extensive experience in a broad range of industries and strong execution capabilities will continue to be instrumental in executing its business strategies, capturing market opportunities and contributing to the sustainable growth of the Group.

In addition, the Group's operational teams in all of its businesses are led by professionals with extensive experiences in operation and management of the relevant industries. Furthermore, the Group's operational team is supported by a highly skilled and well-trained workforce. Throughout years of operation and management of its various businesses, the Group has been able to maintain effective and efficient management and operational control over its key members. The Group has adopted a commercially driven approach to managing its business operations while leveraging on its established relationships with governmental authorities with a view to maximising its growth potential.

Business Strategies

Actively continue to focus on land development and indemnificatory housing in Deqing.

The Group plans to continue to actively leverage the strategic location of Deqing and increase its focus on land development, indemnificatory housing businesses. See "*Description of the Group – Competitive Strength – Well positioned to benefit from the economic growth and strategic location of Deqing*". According to the Deqing Thirteenth Five-Year Plan for National Economic and Social Development, Deqing will continue to construct a number of important civil projects including, among others, the construction of Moganshan National Medical Centre, City West Sports Hall and Deqing Cultural Centre Project. With the ever-evolving regulatory environment in the PRC, the Group will work closely with the Deqing Government to develop innovative business models, which will further enhance its dominant market position in the land development and indemnificatory housing fields. In the meantime, the Group had abundant land reserve and there were three land development projects under construction as at 31 December 2020. It is expected that there will be a large amount of land parcels in Deqing to be developed in the future, which also are expected to bring steady income to the Group.

Explore new business opportunities and sources of revenue.

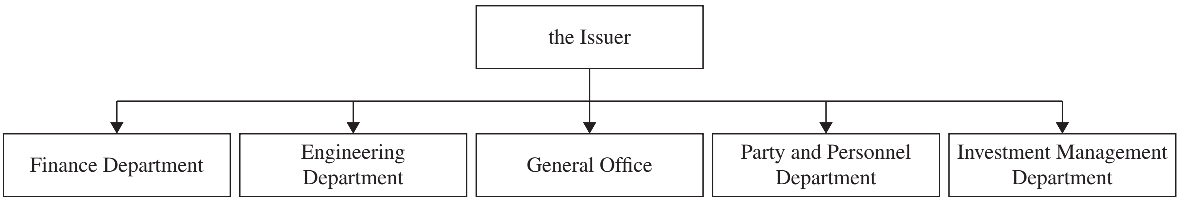
The Group intends to continue operating its current business segments, with a plan to further diversify its business and sources of revenue. The Group is currently expanding and diversifying its businesses to include a broader range of services, such as parking lot operating. In 2019, Deqing County Hengda Construction Development Co., Ltd. (德清縣恒達建設發展有限公司) gained the 20-year concession rights of parking lot with 19,765 parking spaces in the urban areas of Deqing under Deqing County City Parking Lot Construction Project (德清縣城市停車場建設項目). The Group believes that it will be able to benefit from its diversified business models and that it will continue to evaluate business opportunities arising from different business segments from time to time.

Continue to enhance financial management and risk control system.

The Group believes that a prudent financial management system can reduce operational and financial risks and help achieve long-term sustainable growth. The Group will continue to implement and enhance its prudent financial management system with well-defined policies and procedures. For instance, the Group will continue to strengthen its stringent financial reporting and control system which emphasises centralised management and administration, consistent control policies and compliance with legal and regulatory requirements. The Group will also continue to work on establishing a standardised capital management mechanism to monitor capital, capital efficiency and capital risk prevention. The Group aims to effectively enhance the results and efficiency of its overall financial management through implementing a prudent investment policy to balance assets and liabilities and to balance investment returns and risk management.

Organisation Structure

The chart below shows the Group's general organisational structure as at 31 December 2020:



This organisational management structure helps the Group ensure the efficiency and unity carrying out its strategic decisions. Under the Group's operational structure, different departments work closely with each other throughout all stages of the business operation.

The Group has established specialised departments to supervise and manage the major stages of all of its business. The divisions at the Group level are the Finance Department, Engineering Department, General Office, Investment Management Department and Party and Personnel Department.

- Finance Department is primarily responsible for the implementation of the financing plans, the risk analysis of the market and project, the forecast of the Group's short-term and long-term capital needs, establishing corresponding financing plans and supervising the projects whose financing plans are completed.

- Engineering Management Department is primarily responsible for organizing and implementing the project bidding process, reviewing project construction agreements, conducting project supervision, progress control, quality control, cost control, contract management and safety management.

- General Office is primarily responsible for daily administration works, establishing the Group's strategic development plans, guiding the development plan on business segments, establishing evaluation and supervision system over the business segments.

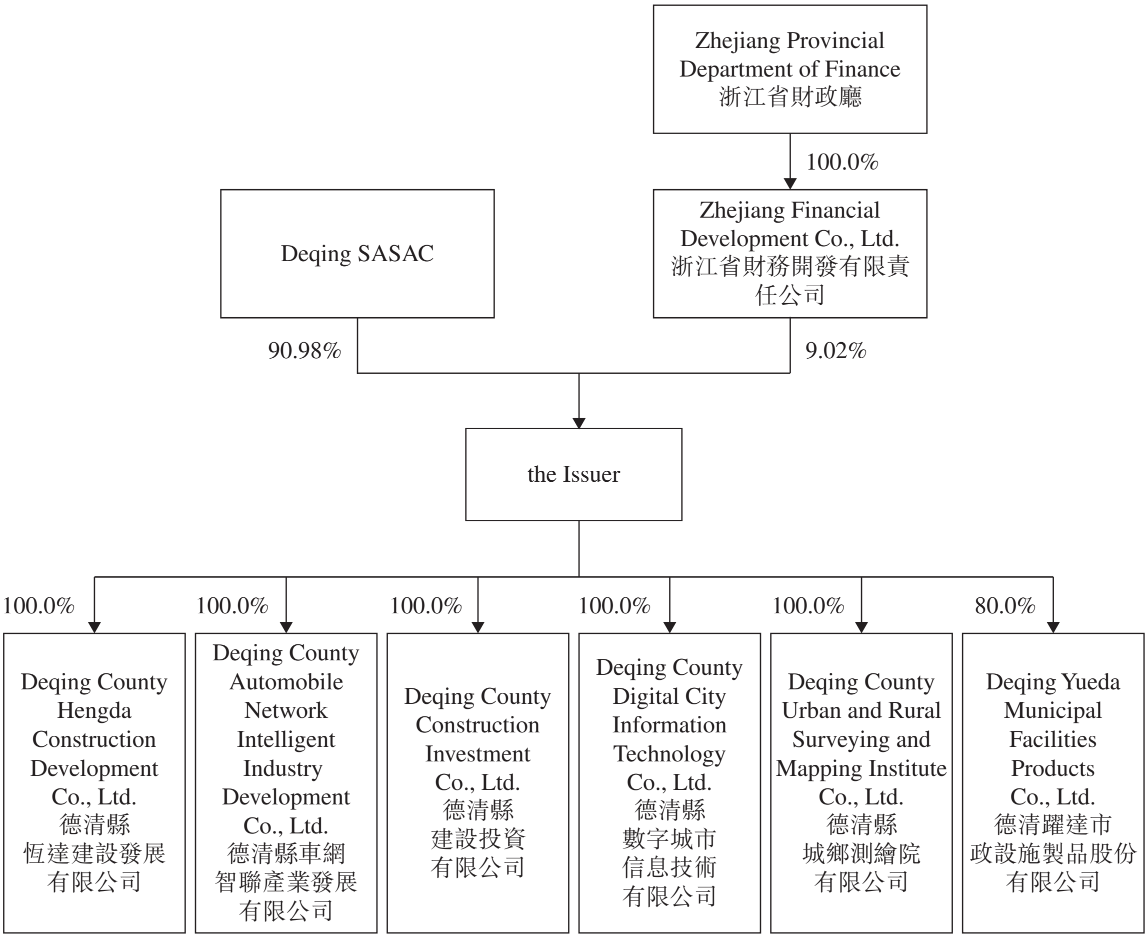
- Investment Management Department is primarily responsible for feasibility analysis of the Group's investment and financing plans and researching development plans.

- Party and Personnel Department is primarily responsible for the Group's human resources planning, employees' performance and compensation management, organisational structure and employee management, recruitment, and training, employee relationship management and other human resources management related work.

In addition, the Group has established several effective internal control systems, including the human resource management system, the project management system, the operation and management system, the investment management system, the accounting management system, the marketing management system, the tender and procurement management system, the external guarantee system and the risk management system.

Corporate Structure

The following table sets forth the Group's structure indicating major members as at 31 December 2020:



History and Development

The following sets forth key milestones in the business and corporate development of the Group since its establishment:

Year	Events
2017	On 23 May 2017, pursuant to the Reply of the People's Government of Deqing County on agreeing to establish Deqing County Construction Development Group Co., Ltd. (De Zheng Han [2017] No. 53) (《德清縣人民政府關於同意設立德清縣建設發展集團有限公司的批復》 (德政函[2017]第53號)), the Issuer was established with a registered capital of RMB6,000.0 million, which was 100.0 per cent. contributed by the Deqing County State-owned Assets Management Committee Office (德清縣國有資產管理委員會辦公室).
2019	In November 2019, pursuant to the Notice of the Deqing County Committee of the Communist Party of China and the People's Government of Deqing County on Printing and Distributing the Institutional Reform Plan of Deqing County (《中共德清縣委、德清縣人民政府關於印發<德清縣機構改革方案>的通知》 (德委發[2019]1號)) and Deqing County Construction Development Group Co., Ltd. Shareholder Decision Letter (《德清縣建設發展集團有限公司股東決定書》), the Issuer's sole shareholder changed its name to the State-owned Assets Supervision and Administration Office of Deqing County People's Government (德清縣人民政府國有資產監督管理辦公室) and the Issuer modified its Article of Association accordingly.

Year	Events
2020..................	On 24 June 2020, the Deqing SASAC issued the Notice on the transfer of state-owned equity (《關於國有股權劃轉的通知》 (德國資辦[2020]18號)) and the Deqing Government issued the Reply of the People's Government of Deqing County on approving the free transfer of state-owned equity to Zhejiang Finance Development Co., Ltd. (《德清縣人民政府關於同意國有股權無償劃轉至浙江省財務開發有限公司的批覆》 (德政函[2020]55號)) (together, the "**Approvals**"). According to the Approvals, the Deqing SASAC shall transfer on 31 December 2021 10.0 per cent. of its equity interest, amount of which shall be calculated based on the Issuer's paid-in capital, in the Issuer to Zhejiang Financial Development Co., Ltd. (浙江省財務開發有限責任公司) ("**Zhejiang Financial**") with no consideration. On 31 December 2020, since the Issuer's paid-in capital was RMB5,411,763,648 as at the relevant benchmark date, namely, 31 December 2018, the Deqing SASAC transferred equity interest of RMB541,176,365 in the Issuer to Zhejiang Financial. As a result of the above equity transfer, the Deqing SASAC and Zhejiang Financial held 90.98 per cent. and 9.02 per cent. equity interest in the Issuer, respectively.

Recent Development

2021 First Quarter Financial Information of the Group

The Group published its unaudited but reviewed consolidated financial statements as at and for the three months ended 31 March 2021 in accordance with the information disclosure rules of the PRC interbank market. None of the Group's unaudited but reviewed consolidated financial statements are incorporated into this Offering Circular. Investors are cautioned against placing undue reliance on any information to be disclosed in the Group's unaudited but reviewed consolidated financial statements since none of such information has been or will be subject to any audit and there is no assurance such unaudited but reviewed financial information has or will have the same quality as the information reported in the Group's historical audited financial statements. The results as at and for the three months ended 31 March 2021 should not be taken as indicative of the Group's financial results for the full year of 2021.

As compared with 31 December 2020, the Group's total liabilities, including short-term borrowings and bonds payable, as at 31 March 2021 increased because of the increase in debt financing.

As compared with the same period in 2020, certain operating costs of the Group, such as costs of sales, general and administrative expenses and interest expenses increased for the three months ended 31 March 2021. Such increases were due to increases in operating costs of construction service segment and debt financing.

As compared with the same period in 2020, the Group's net cash flows from operating activities for the three months ended 31 March 2021 decreased.

As compared with the same period in 2020, the Group's net cash flows from investing activities for the three months ended 31 March 2021 decreased. The decrease was due to the increase in cash paid for investments, in particular the large amounts paid for financial products, entrusted loans and investments in companies.

As compared with the same period in 2020, the Group's net cash flows from financing activities for the three months ended 31 March 2021 decreased. The decrease was due to the increase in cash repayments of debt financing.

The Recent Coronavirus Epidemic Outbreak

Toward the end of 2019, public health officials of the PRC informed the WHO, that a highly infectious novel coronavirus was detected. WHO later named the novel coronavirus as COVID-19. In March 2020, the WHO characterised the outbreak of COVID-19 a pandemic. The COVID-19 pandemic has resulted in a material and adverse impact on the livelihood of the people in and the economy of the PRC.

The PRC central and local governments have taken various measures to manage cases and reduce potential spread and impact of infection, and further introduced various policies to boost the economy and stimulate the local property markets. The PRC industrial market is under pressure in the short term as the COVID-19 pandemic has curbed demand and sales. The PRC Government had implemented preferential policies to small and medium enterprises to ease the financial distress caused by the outbreak of the COVID-19, including reducing rents. As a result, the Group's business had been negatively affected to a relatively small extent. The revenue the Group generated from its business in 2020 reduced by RMB5.8 million consequently. Since April 2020, China and some other countries gradually lifted stay-at-home orders and began to resume work and school at varying levels and scopes. Given the uncertainties as to the development of the outbreak at the moment, it is difficult to predict how long these conditions will persist and to what extent to which the Group may be affected. See "*Risk Factors – Risks Relating to the Group's Business – The Group's businesses may be affected by an outbreak, or threatened outbreak, of any severe contagious disease which may in turn significantly reduce demand for the Group's services and have a material and adverse effect on its financial conditions and results of operations*".

Description of the Group's Businesses

Overview

The Group is the primary state-owned assets management and infrastructure construction platform of the Deqing Government focusing on land development and indemnificatory housing in Deqing and is directly controlled by Deqing SASAC. Established in 2017 and designated to carry out the Deqing Government's blueprint for municipal development in Deqing, the Group has established itself as a leading state-owned asset management company in Deqing and plays an important role in the urbanisation of Deqing. The Group's operation and investment primarily focus on six major business segments, namely (i) land development, (ii) indemnificatory housing, (iii) water supply and water treatment, (iv) construction materials trading, (v) construction service and (vi) others.

The following table sets forth a breakdown of the operating revenue from each business segment of the Group for the periods indicated:

	For the year ended 31 December					
	2018		2019		2020	
	Amount	%	Amount	%	Amount	%
	(RMB in millions, except for percentages)					
Land Development	477.4	42.4	259.4	17.8	387.0	20.5
Indemnificatory Housing	86.9	7.7	396.6	27.2	529.6	28.0
Water Supply and Water Treatment	189.5	16.8	212.7	14.6	213.0	11.3
Construction Materials Trading	79.0	7.0	263.4	18.1	495.6	26.2
Construction Service	251.3	22.3	238.7	16.4	197.6	10.5
Others	42.1	3.7	85.9	5.9	67.0	3.5
Total	**1,126.2**	**100.0**	**1,456.7**	**100.0**	**1,889.8**	**100.0**

The following table sets forth a breakdown of the gross profit from each business segment of the Group for the periods indicated:

	For the year ended 31 December					
	2018		2019		2020	
	Amount	%	Amount	%	Amount	%
	(RMB in millions, except for percentages)					
Land Development	134.4	63.5	43.2	25.4	64.5	32.6
Indemnificatory Housing ...	26.6	12.6	75.7	44.4	140.8	71.1
Water Supply and Water Treatment.......................	-6.4	-3.0	-8.6	-5.1	-12.8	-6.5
Construction Materials Trading	8.3	3.9	12.9	7.6	8.3	4.2
Construction Service	27.5	13.0	29.2	17.1	38.7	19.5
Others................................	21.1	10.0	18.0	10.6	-41.4	-20.9
Total	**211.5**	**100.0**	**170.3**	**100.0**	**198.1**	**100.0**

Land Development

Overview

The Group is one of the primary entities designated by the Deqing Government to conduct land development in East New District (東新區), Kangqian New District (康乾新區) and Wukang Central City West Area (武康中心城區城西片) at Wukang City (武康城), Deqing County. The Group commenced land development in the urban area of Deqing, primarily through its members, namely Deqing County Hengda Construction Development Co., Ltd. (德清縣恒達建設發展有限公司) and Deqing County Construction Investment Co., Ltd. (德清縣建設投資有限公司). The Group engages in land development in Deqing, and is primarily responsible for land development in the urban area. The Group prepares land for future transfer to the Deqing Government by levelling and clearing undeveloped land. As at 31 December 2020, the Group had completed development of approximately 15,000 square metres of land.

Land development involves demolition of buildings, relocation and resettlement of residents, land clearance and construction of networks of electricity, water, transportation, telecommunication, sewerage, gas and heat thereby transforming the land into a condition ready for future transfer to the Deqing Government. The Group normally funds its land development with its internal cash and external funding, such as bank loans.

The Group's operating revenue from land development derives from the land development fee payable by the Deqing Government. The amount of land development fee covers the Group's cost of development (such as quota fee, plan and design fee, maintenance fee, demolition fee and the fee for converting collectively-owned land into state-owned land) and profit which is equal to a certain percentage of the land grant premium. According to the Cooperative Development Land Agreement (合作開發土地協議) entered among the Deqing Government, Deqing County Natural Resources and Planning Bureau (德清縣自然資源和規劃局), Deqing County Hengda Construction Development Co., Ltd. (德清縣恒達建設發展有限公司), Deqing County Construction Development Co., Ltd. (德清縣建設開發有限公司) and Deqing County Construction Investment Co., Ltd. (德清縣建設投資有限公司), the Group would be entitled to an amount equivalent to 20.0 per cent. of the land development costs from its other land development projects it undertakes, after deduction of statutory taxes and charges.

For the years ended 31 December 2018, 2019 and 2020, operating revenue generated from the Group's land development business was RMB477.4 million, RMB259.4 million and RMB387.0 million, respectively, representing 42.4 per cent., 17.8 per cent. and 20.5 per cent. of the Group's total operating revenue for the same periods, respectively.

Business Model

The Group's land development is generally carried out in three steps, namely (i) land development by the Group (including demolition of buildings and relocation and resettlement of residents), (ii) transfer the land to Deqing Government and (iii) payment made by the Deqing Government to the Group. The Group normally funds its land development with its internal cash and external funding, such as bank loans.

Upon completion of the development of a parcel of land, the Deqing Government normally conducts auditing of the costs and fees incurred by the Group. The Deqing Finance Bureau and Deqing County Natural Resources and Planning Bureau will arrange auditing of the cost of development submitted by the Group. According to the Group's accounting policies, the Group recognises its operating revenue from land development upon receiving Deqing Government and other governmental authorities' buyback payment for the developed land. Payment of the land development is made by instalments.

Project Description

For the year ended 31 December 2020, the Group had completed development of approximately 6,070.1 Mu of land parcels, of which approximately 2,945.5 Mu was transferred. As at 31 December 2020, the Group held the land use rights of approximately 3,124.6 Mu of developed land for future transfer.

Completed Projects

The following table sets forth a brief description of the Group's completed land development projects as at 31 December 2020.

<table>
<tr><th>Project/Location</th><th>Site Area</th><th>Invested Amount</th><th>Revenue Recognised</th></tr>
<tr><td></td><td>(Mu)</td><td colspan="2">(RMB in millions)</td></tr>
<tr><td>North of Chunhui Street, Wukang Street, West of Xuanhang Railway (武康街道春暉街北側、宣杭鐵路西側)</td><td>81.8</td><td>120</td><td>120</td></tr>
<tr><td>South of Beihu Street, Wukang Street, West of Xuanhang Railway (武康街道北湖街南側、宣杭鐵路西側)</td><td>41.9</td><td>61</td><td>61</td></tr>
<tr><td>East of Shuangshan Road, Wukang Street, North of Qianqiu Street (武康街道雙山路東側、千秋街北側)</td><td>78.8</td><td>133</td><td>133</td></tr>
<tr><td>West of Yingxi North Road, Wukang Street, South of Beihu Street (武康街道英溪北路西側、北湖街南側)</td><td>82.1</td><td>224</td><td>224</td></tr>
<tr><td>Jineshan Village, Qianyuan Town (乾元鎮金鵝山村)</td><td>41.1</td><td rowspan="2">119</td><td rowspan="2">119</td></tr>
<tr><td>Jineshan Village, Qianyuan Town (乾元鎮金鵝山村)</td><td>55.8</td></tr>
<tr><td>Jineshan Village, Qianyuan Town (乾元鎮金鵝山村)</td><td>51.4</td><td rowspan="2">216</td><td rowspan="2">216</td></tr>
<tr><td>Jineshan Village, Qianyuan Town (乾元鎮金鵝山村)</td><td>104.5</td></tr>
<tr><td>Total</td><td>537.4</td><td>873</td><td>873</td></tr>
</table>

Projects under Construction

The following table sets forth the particulars of land development projects under construction as at 31 December 2020:

Project	Site Area	Total Estimated Investment	Invested Amount
	(thousand square metres)	(RMB in millions)	
Kangqian New District (康乾新區)	11.9	7,377.0	4,525.1
Wukang City East New District (武康城東新區)	3.4	1,987.6	1,552.9
Wukang Central City West Area (武康中心城區城西片)	3.3	8,427.4	7,406.9
Total	**18.6**	**17,792.0**	**13,484.9**

Indemnificatory Housing

Overview

The Group engages in indemnificatory housing business mainly through four of its members, namely, Deqing County Hengda Construction Development Co., Ltd. (德清縣恆達建設發展有限公司), Deqing County Construction Development Co., Ltd. (德清縣建設開發有限公司), Deqing Weili Housing Development Co., Ltd. (德清縣微利房屋開發有限公司) and Deqing County Construction Investment Co., Ltd. (德清縣建設投資有限公司). The Deqing Government has mandated the Group to construct and sell resettlement housing for the resettlement of former residents of land expropriated for the development of the related area in accordance with the government's policy. In addition, The Deqing Government has mandated the Group to construct and sell affordable housing for residents who meet the application criteria for affordable housing in Deqing County.

For the years ended 31 December 2018, 2019 and 2020, operating revenue generated from the Group's indemnificatory housing business was RMB86.9 million, RMB396.6 million and RMB529.6 million, respectively, representing 7.7 per cent., 27.2 per cent. and 28.0 per cent. of the Group's total operating revenue for the same periods, respectively.

Resettlement Housing

The Group's resettlement housing business is carried out through its members, namely Deqing County Hengda Construction Development Co., Ltd. (德清縣恆達建設發展有限公司), Deqing County Construction Development Co., Ltd. (德清縣建設開發有限公司), Deqing Weili Housing Development Co., Ltd. (德清縣微利房屋開發有限公司) and Deqing County Construction Investment Co., Ltd. (德清縣建設投資有限公司). The Group usually self-finances its resettlement housing projects with private capital and external funding, such as bank loans or bonds issuance. The land parcels for the construction of the Group's resettlement housing are all granted and the resettlement housing is mainly used to resettle the demolished households after completion. If there are any surplus resettlement houses and parking spaces, they will be sold by auction through the Deqing County Public Resources Exchange Centre. Upon completion of resettlement housing projects, the Group achieves profits through the sale of resettlement houses and the auction of the surplus resettlement houses.

Completed Projects

As at 31 December 2020, the Group had completed four resettlement housing projects, with a total invested amount of approximately RMB2,537.15 million.

The following table sets forth a brief description of the Group's representative completed resettlement housing projects as at 31 December 2020.

Project Name	**Completion Time**	**Total Invested Amount**
		(RMB in millions)
Qianlong Mingyuan (千龍茗苑)	2016	729.9
Qianqiu Mingyuan (千秋茗苑)	2018	815.1
Xingfu Home (Phase II) (星福家園(二期))	2019	428.6
Xingfu Home (Phase I) (星福家園(一期))	2020	563.6
Total		**2,537.15**

Projects under Construction

As at 31 December 2020, the Group had two resettlement housing projects under construction, namely, New Construction of Resettlement Community in Kanggan New District, Deqing County (Phase I) (德清縣康乾新區安置小區一期新建工程) and New Construction of Resettlement Community in Kanggan New District, Deqing County (Phase II) (德清縣康乾新區安置小區二期新建工程), with a total investment of approximately RMB2,278.0 million. These projects commenced in 2019 and 2018, respectively, and were expected to complete in 2022 and 2021, respectively.

The following table sets forth the particulars of resettlement housing projects under construction as at 31 December 2020:

Project	Start Time	Estimated Completion Time	Total Estimated Investment	Invested Amount
			(RMB in millions)	
Kanggan New District, Deqing County (Phase I) (德清縣康乾新區安置小區一期新建工程)	2019	2022	1,376.0	1,076.9
Kanggan New District, Deqing County (Phase II) (德清縣康乾新區安置小區二期新建工程)	2018	2021	902.0	557.1
Total			**2,278.0**	**1,634.0**

Projects in Pipelines

As at 31 December 2020, the Group did not have any resettlement housing projects in pipeline.

Affordable Housing

The Group's affordable housing business is carried out through its member Deqing Weili Housing Development Co., Ltd. (德清縣微利房屋開發有限公司). The Group's affordable housing projects are entirely financed by financial allocations by the government. The land parcels for the construction of the Group's affordable housing are allotted by the government. Upon completion, the affordable houses will be sold to residents who meet the application criteria for affordable housing in Deqing County, and the sales price will be unified by the Deqing Price Bureau. The Deqing Price Bureau decides the sales price by adding little profit margin to the construction cost of the project. The Group gives the full amount of after-tax revenue from the sale of the affordable housing to the government, recognises revenue based on the sales proceeds received, carries forward costs and recognises profit for this business segment.

Business Model for Resettlement Housing and Affordable Housing

Construction

As the Group currently does not directly employ construction workers, it primarily engages independent third-party contractors to provide construction services in connection with the development of resettlement housing and affordable housing.

Selection of Third-Party Contractors

The Group typically selects third-party contractors through a public bidding process, and enters into contracts with successful bidders.

Construction Contract Terms

The principal terms of contractor construction agreements include the scope of work, timetable for construction, contract value and payment terms. In addition, the agreements typically contain warranties with respect to quality and timely completion of the construction. The value of the contractor construction agreements is determined primarily by the cost of labour and material as well as construction progress, subject to adjustments set forth in the agreements. The contractor is in charge of selecting suppliers and construct the buildings according to the standards set by the Group and relevant laws and regulations. The Group typically makes payments in accordance with the project contract and project progression. In the event of a delay in construction or a breach of warranty, the Group may seek penalties or other remedies against the contractor.

Procurement of Construction Material

The construction materials used in the Group's resettlement housing and affordable housing projects, such as concrete, tar and pipes, are generally procured by contractors. The Group and its contractors typically agree on a fixed fee for work completed within a specified scope. In the event of significant fluctuation in the price of construction materials, the Group and its contractors may renegotiate and adjust fees based on the then prevailing market price of key construction materials. The Group does not partake in any hedging activities with respect to price fluctuations of construction materials for its resettlement housing or affordable housing projects.

Quality Control and Safety

The Group has adopted a number of quality control and safety measures to monitor the quality of construction performed by its contractors. Specifically, the Group has adopted a rigorous selection process for the contractors and established stringent standards for the quality of materials used in its projects. Furthermore, the Group ensures that inspections are conducted by qualified in-house teams and third-party professionals to ensure compliance with applicable PRC laws and regulations.

Payment

Purchasers of the residential units in the resettlement housing and affordable housing pay the entire purchase price before the homes are delivered.

Government Grants

For resettlement housing, due to the nature of the resettlement housing sales business, the price of residential units developed by the Group is strictly controlled by the Deqing Government. The Deqing Government subsidises the Group the difference between the actual sales price of the resettlement housing projects and the operating cost plus a fixed margin. For the years ended 31 December 2018, 2019 and 2020, government grants allocated to the Group for construction and sale of resettlement housing totalled RMB8.2 million, RMB14.1 million and RMB8.8 million, respectively. The government grant the Group received from the Deqing Government depends on various factors, including, among others, the Group's operating performance and the progress of the resettlement housing construction and sales status of the certain year. For affordable housing, the Group's affordable housing projects are entirely financed by financial allocations by the government. The land parcels for the construction of the Group's affordable housing are allotted by the government. Upon completion, the affordable houses will be sold to residents who meet the application criteria for affordable housing in Deqing County, and the sales price will be unified by the Deqing Price Bureau. The Deqing Price Bureau decides the sales price by adding a small amount of profit to the construction cost of the project. The Group gives the full amount of after-tax revenue from the sale of the affordable housing to the government, recognises revenue based on the sales proceeds received, carries forward costs and recognises a small profit.

Water Supply and Water Treatment

Overview

The Group engages in water supply and water treatment business through two of its members, including Deqing Water Affairs Co., Ltd. (德清縣水務有限公司) and Deqing County Hengfeng Sewage Treatment Co., Ltd. (德清縣恆豐污水處理有限公司). For the years ended 31 December 2018, 2019 and 2020, operating revenue generated from the Group's water supply and water treatment business was RMB189.5 million, RMB212.7 million and RMB213.0 million, respectively, representing 16.8 per cent., 14.6 per cent. and 11.3 per cent. of the Group's total operating revenue for the same periods, respectively.

Business Model

The Group supplies water through its supply pipeline network, as at 31 December 2020 total lengths of which are up to 1,002 kilometres, to consumers in a designated area in Deqing with the capability of supplying up to approximately 187.6 thousand tonnes of water per day. The water supplied by the Group is categorised by usage, including residential, commercial and special purpose usages. For water treatment segment, Deqing County Hengfeng Sewage Treatment Co., Ltd. has undertaken the task of collecting and treating sewage from all towns and streets in the county, and currently owns Shishan Sewage Treatment Plant and Chengnan Sewage Treatment Plant, with a sewage treatment capacity of 65,000.0 cubic metres per day and 351.5 kilometres of main sewerage collection pipes of its own.

Fee Collection

The Group records consumer usage and bills consumers on a monthly basis. Consumers pay a monthly fee, which varies depending on the intended usage of the water and volume. These monthly fees are comprised of two components: water supply fees and water treatment fees. The water supply and water treatment fees charged by the Group is subject to the pricing guidance determined by the Deqing Government, which varies depending on the volume and usage of the water supplied. The following table sets forth the details of the Group's water distribution and water treatment fees for the year ended 31 December 2020:

Intended Usage			Total Fee	Water Treatment Fee
			(RMB per tonne)	
Residential	Household	Less than 20 tonnes	3.0	0.85
		21 tonnes – 30 tonnes	4.0	0.85
		More than 31 tonnes	5.0	0.85
	Resident users, hospitals and schools		3.5	0.85
	Property and other users		4.0	0.85
Non-residential	Commercial service industry water		4.7	1.5
	Industrial water		5.0	1.8
	Special water		6.8	1.8
	Settlement price with township water plant bulk sale		1.9	–

Construction Materials Trading

The Group's construction materials trading business primarily consists of trading of steel, ceramic tile, cement and others. The Group engages in construction materials trading business through two of its members, Deqing County Hengda Construction Development Co., Ltd. (德清縣恒達建設發展有限公司) and Deqing County Construction Investment Co., Ltd. (德清縣建設投資有限公司). The Group generates revenue from its construction materials trading business by purchasing construction materials in bulk from large domestic factories for resale to construction companies and small retailing companies in Deqing. The Group plans to further develop its construction materials trading business as a complementary business to its construction service business.

For the years ended 31 December 2018, 2019 and 2020, operating revenue generated from the Group's construction materials trading business was RMB79.0 million, RMB263.4 million and RMB495.6 million, respectively, representing 7.0 per cent., 18.1 per cent. and 26.2 per cent. of the Group's total operating revenue for the same periods, respectively.

Construction Service

The Group's construction business is primarily conducted by its members namely, Deqing County Decheng Landscaping Engineering Service Co., Ltd. (德清縣德城園林綠化工程服務有限公司), Deqing County Municipal Engineering Co., Ltd. (德清縣市政工程有限公司), Deqing County Jian'an Construction Engineering Inspection Co., Ltd. (德清縣建安建設工程檢測有限公司), Deqing County Urban and Rural Surveying and Mapping Institute Co., Ltd. (德清縣城鄉測繪院有限公司), Deqing County Hengda Construction Development Co., Ltd. (德清縣恒達建設發展有限公司) and Deqing County Construction Investment Co., Ltd. (德清縣建設投資有限公司). The Group generally obtained the construction projects through bidding processes. The Group provides construction and maintenance of greenery, inspection and testing and entrusted constructions under its construction service business segment. The Group's construction and maintenance of greenery business mainly includes greening construction, management and maintenance, landscaping construction design, municipal public works construction, earthwork construction and unit greening paid service management. The Group's inspection and testing business mainly includes the testing of construction-related materials and components and engineering quality. For its entrusted constructions business, the Group enters into entrusted construction agreement with the government, carries out constructions of infrastructure projects and transfers them to the government upon completion.

For the years ended 31 December 2018, 2019 and 2020, operating revenue generated from the Group's construction service business was RMB251.3 million, RMB238.7 million and RMB197.6 million, respectively, representing 22.3 per cent., 16.4 per cent. and 10.5 per cent. of the Group's total operating revenue for the same periods, respectively.

Other Businesses

The Group also conducts other businesses, including, parking lot management, leasing and others. For the years ended 31 December 2018, 2019 and 2020, operating revenue generated from the Group's others business was RMB42.1 million, RMB85.9 million, and RMB67.0 million, respectively, representing 3.7 per cent., 5.9 per cent. and 3.5 per cent. of the Group's total operating revenue for the same periods, respectively.

Government Regulations

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

Risk Management

The Group has established a risk management system to ensure compliance with regulatory requirements and to implement risk control measures to lower operational and investment risks. The risk management system covers different aspects of the Group's operations, including budget management, invested projects finance management, guarantee management, remuneration management, safety production, member companies management, investment and financing management, connected transaction, information disclosure and incidents management. Each level and department of the Group is informed of the Group's internal control and risk management policies. The systematic approach adopted by the Group has helped the Group to manage its business in a disciplined manner.

Competition

Due to the Group's status as a state-owned entity and the nature of its business, which requires government authorisation and preferential policies, the Group faces minimal competition within Deqing. The Group has no competitor that is similar business operating in Deqing.

Employees

As at 31 December 2020, the Group had approximately 591 employees.

Employees of the Group participate in various basic pension fund plans and social insurance plans in the PRC whereby the Group is required to make monthly contributions at defined rates as stipulated by the relevant regulations.

As at the date of this Offering Circular, the Group has not experienced any strikes, work stoppages, labour disputes or actions which would have a material adverse effect on its overall business, financial condition or results of operations.

Insurance

The Group maintains a number of insurance policies for each of its business segments consistent with market norms and practices and PRC regulations in China. The Group purchases and maintains a number of insurance policies for its employees relating to personal injuries resulting from accidents, disability, illness and policies covering medical expenses. The Group purchases insurance policies relating to employee liability, public liability and property. Consistent with the industry practice, the Group purchases policies relating to building construction all risks insurance, third party liability insurance, construction materials and equipment insurance. As at the date of this Offering Circular, the Group also requires its contractors to purchase workers' accident insurance and policies relating to machinery and equipment.

Environment Matters

The Group's operations are subject to various environmental laws. Compliance with such laws has not had, and, to the Group's knowledge, is not expected to have, a material adverse effect upon the Group's capital expenditures, earnings or competitive position. As at the date of this Offering Circular, to the best knowledge of the Group, there are no current litigation, arbitration, administrative proceedings or claims, whether pending or threatened, in relation to environment matter, which could have a material adverse effect on the financial condition or results of operations of the Group or which are otherwise material in the context of this offering.

Legal Proceedings and Compliance

As at the date of this Offering Circular, the Group has obtained and maintained all permits, licences and certificates which are material to its operations.

The Group may from time to time become involved in disputes in the ordinary course of business with its suppliers, contractors, government authorities, agencies and other third parties. Some of the Group's members, associate companies, directors or senior officers have, in the past, been involved in legal proceedings, including claims, investigations, litigation or arbitration.

Although the Group cannot predict the outcome of these proceedings, it does not expect any such proceedings, if determined adversely against these member companies or affiliates, to have a material adverse effect on its overall business, financial condition or results of operations.

DIRECTORS AND SENIOR MANAGEMENT OF THE ISSUER

Directors

The Board of Directors of the Issuer consists of four members, of which one is chairman and three are directors. The chairman was appointed by the shareholder of the Issuer.

The table below sets out the information relating to the Issuer's directors as at the date of this Offering Circular:

Name	Age	Position/Title
Mr. DAI Hongxiang (戴紅翔)	49	Chairman; General Manager
Mr. CAI Jianfeng (蔡劍峰)	44	Director
Ms. QIAN Xingxing (錢星星)	30	Director
Mr. JI Ming (嵇鳴)	40	Employee Director

Mr. DAI Hongxiang (戴紅翔), aged 49, is the chairman of the board of directors and general manager of the Issuer. Mr. Dai also serves as the chairman of the board of supervisors of Deqing County Municipal Engineering Co., Ltd (德清縣市政工程有限公司). Prior to joining the Group, Mr. Dai served as a deputy director of the Urban Construction Office of Wukang Town Government, Deqing County (德清縣武康鎮政府城建辦), as a deputy squadron leader of Planning Squadron of Deqing County Urban Management Bureau (德清縣城市管理局規劃中隊), as Chief of Management Section of Deqing County Urban Management Bureau (德清縣城市管理局管理科), as a deputy mayor of Xinshi Town, Deqing County (德清縣新市鎮), as a Deputy Director of the Management Committee of Deqing Economic Development Zone (德清經濟開發區管委會) and as a deputy director of Fuxi Sub-district Office, Deqing County (德清縣阜溪街道辦事處). Mr. Dai holds a bachelor's degree.

Mr. CAI Jianfeng (蔡劍峰), aged 44, is a director of the Issuer and the Chief of Planning and Finance Section of Deqing County Construction Bureau (德清縣建設局計劃財務科). Prior to joining the Group, Mr. Cai served as an accountant of the Deqing County Construction Bureau (德清縣建設局) and as a deputy chief at the Planning and Finance Section of the Deqing County Construction Bureau. Mr. Cai holds a bachelor's degree.

Ms. QIAN Xingxing (錢星星), aged 30, is a director of the Issuer. Ms. Qian also serves as a supervisor at Zhejiang Deqing County Communications Water Conservancy Investment Group Co., Ltd. (浙江省德清縣交通水利投資集團有限公司) and serves at State-owned Enterprise Comprehensive Management Section of Deqing County Finance Bureau (德清縣財政局(國資辦)國有企業綜合管理科). Prior to joining the Group, Ms. Qian served as the chief of Financial Section, Fatou Health Center, Moganshan Town, Deqing County (德清縣莫干山鎮筏頭衛生院財務科). Ms. Qian holds a bachelor's degree.

Mr. JI Ming (嵇鳴), aged 40, is a director of the Issuer. Mr. Ji also serves as the director and general manager at the Deqing County Automobile Network Intelligent Industry Development Co., Ltd. (德清縣車網智聯產業發展有限公司). Prior to joining the Group, Mr. Ji worked at Deqing County Highway Transportation Management Inspection Office (德清縣公路運輸管理稽徵所), as a coordinator of Deqing County Traffic Police Brigade (德清縣交警大隊), served at Deqing County Real Estate Management Office (德清縣房產管理處), as deputy director and director of the office at Deqing County Housing Security Center (德清縣住房保障中心) and served at Deqing County Construction Bureau (德清縣建設局). Mr. Ji holds a bachelor's degree.

Senior Management

The Senior Management of the Issuer consists of five members, of which one is director and general manager, two deputy general managers, one chief engineer and one chief financial officer.

The table below sets forth certain information in respect of each of the Issuer's Senior Management as at the date of this Offering Circular:

Name	Age	Position/Title
Mr. DAI Hongxiang (戴紅翔)	49	General Manager
Mr. XU Xiaojie (許曉杰)	42	Deputy General Manager
Mr. SHEN Xinrong (沈昕榮)	44	Deputy General Manager
Mr. YAN Feng (閆豐)	47	Chief Engineer Officer
Mr. ZHANG Yiping (張毅平)	57	Chief Financial Officer

Mr. DAI Hongxiang (戴紅翔), please see "– *Directors*" above.

Mr. XU Xiaojie (許曉杰), aged 42, is a deputy general manager of the Issuer. Prior to joining the Group, Mr. Xu served as an officer and deputy chief at Planning Management Section, Housing and Urban-Rural Development Bureau of Deqing County (德清縣住房和城鄉建設局規劃管理科) and as a member of the Party Group and a deputy director of the Management Committee of Xiazhu Lake Wetland Scenic Spot in Deqing County (德清縣下渚湖濕地風景區管理委員會). Mr. Xu holds a bachelor's degree.

Mr. SHEN Xinrong (沈昕榮), aged 44, is a deputy general manager of the Issuer. Prior to joining the Group, Mr. Xu served at the Deqing County Public Security Bureau (德清縣公安局), as a team leader of the discipline inspection team at Deqing County Work Safety Bureau (德清縣安監局), as a deputy director of Deqing County Inspection Bureau (德清縣督查局) and as a deputy director of Deqing County Government Affairs Office (德清縣政務辦). Mr. Shen holds a bachelor's degree.

Mr. YAN Feng (閆豐), aged 47, is the chief engineer officer of the Issuer. Prior to joining the Group, Mr. Xu served as a deputy chief at Deqing County Construction Project Tendering and Bidding Management Station (德清縣建設工程招標投標管理站), at Deqing County Housing Construction Bureau dispatched to the County Public Resource Exchange Center (德清縣住建局派駐縣公共資源交易中心), as the chief of Supervision Section, Public Resources Transaction Management Office of Deqing County (德清縣公共資源交易管理辦公室監管科) and as a deputy chief of the Policy and Legal Affairs Section of the County Housing and Urban-rural Development Bureau (德清縣住建局政策法制科). Mr. Yan holds a bachelor's degree.

Mr. ZHANG Yiping (張毅平), aged 57, is the chief financial officer of the Issuer and concurrently the director and the general manager at the Deqing County Urban Asset Management Co., Ltd. (德清縣城市資產經營管理有限公司). Prior to joining the Group, Mr. Zhang served as a savings clerk and director of the savings office of the People's Bank of China Yunhe County Branch (中國人民銀行雲和縣支行), as the chief of the Savings Office and Chief of the Savings Unit, Industrial and Commercial Bank of China Yunhe County Branch (工商銀行雲和縣支行儲蓄所), as the manager of Science and Technology Unit of Deqing County Branch of Industrial and Commercial Bank of China (工商銀行德清縣支行) and a loan officer of Corporate Business Department, as the head of the Investment and Financing Department of Deqing County Urban Construction Development Corporation (德清縣城市建設發展總公司投融資部), as the head of Investment and Financing Department of Deqing County Science and Technology New Town Management Committee (德清縣科技新城管委會財務融資部), as the general manager of Deqing Lianchuang Technology New City Construction Co., Ltd. (德清聯創科技新城建設有限公司) and as the Director of the Finance and Financing Department of the Management Committee of Huzhou Moganshan High-tech Zone (湖州莫干山高新區管委會財務融資部). Mr. Zhang holds a bachelor's degree.

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

Building and Construction

Construction Law of the People's Republic of China (《中華人民共和國建築法》)

In accordance with the Construction Law of the People's Republic of China, prior to the commencement of a construction project, the developer shall apply to the construction administrative authorities of a People's Government of county level and above at the location of the project for a construction permit pursuant to the relevant provisions of the State. Construction enterprises engaging in construction activities shall be classified under different qualification grades based on qualification criteria such as their registered capital, technical professionals, technical equipment owned and track records of completed construction projects, and may engage in construction activities within the scope permitted by their qualification grade upon passing examination of qualifications and obtaining the qualification certificate of the corresponding grade.

Administrative Measures for the Subcontracting of Housing and Municipal Infrastructure Projects (《房屋建築和市政基礎設施工程施工分包管理辦法》)

In accordance with the Administrative Measures for the Subcontracting of Housing and Municipal Infrastructure Projects, the term "subcontracting of specialised project" as mentioned in the present Measures refers to the activity in which an enterprise which undertakes an entire construction project (the "**specialised project contract-letting party**") subcontracts the specialised project of the project to another construction enterprise with appropriate qualifications (the "**specialised project contractor**"). No project developer may directly designate a project subcontractor, and no entity or individual may interfere with subcontracting activities carried out in accordance with the law. A project subcontractor shall have the appropriate qualification and undertake business within the scope of its qualification grade. Apart from being agreed upon in the general construction contract, the subcontracting of specialised project shall also be approved by the project developer concerned. The specialised project subcontractor shall complete the subcontracted project by itself.

Quality Management

Laws and regulations on project quality mainly include the 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》) last amended by the State Council on 23 April 2019 and 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 becoming effective on the same date, Administrative 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 the Ministry of Housing and Urban-Rural Development ("**MOHURD**") and MOF on 20 June 2017 and becoming 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 becoming effective on the same date, Measures for Quality Warranty of Building Construction Projects (《房屋建築工程質量保修辦法》) issued by MOC on 30 June 2000 and becoming effective on the same date, and Provisions on the Administration of Port Works Construction (《港口工程建設管理規定》) amended by MOT on 28 November 2019 and becoming 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.

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》) amended by SCNPC on 27 December 2017 and becoming 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》) amended by State Council on 2 March 2019 and becoming effective on the same day, 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 and becoming effective on 1 May 2003, later amended on 11 March 2013 and becoming effective on 1 May 2013, Administrative Measures for the Bidding and Tendering of Design of Construction Projects (《建築工程設計招標投標管理辦法》) which was revised by MOHURD on 24 January 2017 and became effective on 1 May 2017, 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》) which was amended by MOHURD on 13 March 2019 and became effective on the same date.

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

The process of bidding and tendering consists of five stages including bid invitation, tendering, bid opening, bid evaluation and bid award. The principle of openness, fairness and equal competition are to be followed in the bidding and tendering for construction project contracting, and the contractor is 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 is required by law to undergo a bidding process but fails to do so, 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 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 a punishment on the person directly 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 (《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》) issued by the Supreme People's Court on 25 October 2004 which became effective on 1 January 2005, 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. 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 (II) (《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(二)》), where the substantive contents such as scope of project, construction period, project quality, construction project price, etc. agreed in the construction contract entered into between the tenderee and the bid winner are inconsistent with the bidding contract, the People's Court shall support a party's claim of making the performance in accordance with the bidding contract, and where the tenderee and the bid winner enter into a separate contract for purchase of the constructed building at a price evidently higher than market price, construction of complementary facilities free of charge, surrendering profits, donation of monies and goods to the builder etc. in addition to the awarded contract, so as to reduce the project price covertly, such separate contract is invalid.

Labour

Labour Contract Law (《勞動合同法》)

The Labour Contract Law promulgated by the Standing Committee of the National People's Congress on 29 June 2007, which became effective on 1 January 2008 and was later 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 the entering into of 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.

Laws and Regulations Relating to Employee Funds

Under applicable PRC laws, regulations and rules, including the Social Insurance Law (《社會保險法》), promulgated by the Standing Committee of the National People's Congress on 28 October 2010, which became effective on 1 July 2011 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 later 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 was later amended on 24 March 2002 and 24 March 2019, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance, and to housing provident funds. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to pay the outstanding amount within a stipulated time period.

Work Safety Law (《安全生產法》)

Pursuant to the Work Safety Law of the PRC, effective on 1 November 2002 and amended on 31 August 2014, and the Regulation on Work Safety License, effective on 13 January 2004 and amended on 18 July 2013, and other relevant laws and regulations, the State Supervision and Administration of Work Safety shall regulate and supervise work safety in the PRC.

Environmental Protection Management

Environmental Protection Law (《環境保護法》)

The Environmental Protection Law promulgated on 26 December 1989 by the Standing Committee of the National People's Congress, which became effective on 26 December 1989 and was amended on 24 April 2014, establishes the legal framework for environmental protection in the PRC.

The Ministry of Ecology and Environmental Protection 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 Prevention Law (《大氣污染防治法》)

The Air Pollution Prevention Law, amended on 26 October 2018 by the Standing Committee of the National People's Congress and becoming effective on the same day, 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 Prevention Law (《水污染防治法》)

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

Noise Pollution Prevention Law (《環境噪聲污染防治法》)

The Noise Pollution Prevention Law promulgated by the Standing Committee of the National People's Congress on 29 October 1996, which became effective on 1 March 1997 and was amended on 29 December 2018, establishes the framework for noise pollution prevention in the PRC. Under the Noise Pollution Prevention Law, any person undertaking a construction, renovation 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.

Laws and Regulations Relating to Construction Projects

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

Regulations Relating to Overseas Financing

SAFE Registration

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

PBOC Circular Regarding Cross-border Financing

In early 2016, PBOC introduced a pilot macro-prudential management system for cross-border financing (the "**MP Financing Management System**") which specifically applied to 27 designated banks and non-financial enterprises registered in four free trade zones in Shanghai, Tianjin, Guangdong and Fujian (the "**FTZ**"). On 29 April 2016, the PBOC issued the Circular on Implementing Overall Macroprudential Management System for Nationwide Cross-border Financing (《中國人民銀行關於在全國範圍內實施全口徑跨境融資宏觀審慎管理的通知》) (the "**2016 PBOC Circular**") to extend the MP Financing Management System nationwide. On 11 January 2017, the PBOC issued the Notice on the Relevant Issues of the Full Scale Macro-prudential Management of Cross-border Financing (《中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知》(銀發[2017]9號)) (the "**2017 PBOC Circular**"), which came into effect on the same day. Under the 2017 PBOC Circular, enterprises are required to file with SAFE after a cross-border financing agreement is signed and at least three working days prior to the drawdown of the loan or issue of debt securities, and report the relevant capital settlement information after making such capital settlement. In addition, the enterprises are also required to update the information with respect to the cross-border financing every year. In the event that the audited net assets, or the creditor, loan terms, amount or interest rate of the cross-border financing agreement changes, the enterprises are required to complete the change of the filing in due course. The 2017 PBOC Circular is a new regulation and is subject to interpretation and application by relevant PRC authorities.

TAXATION

The following is a general description of certain tax considerations relating to the Bonds is based upon laws and relevant interpretations thereof in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Bonds or any 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.

Hong Kong

Withholding tax

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

Profits tax

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

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

(a) interest on the Bonds is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;

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

(c) 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

(d) interest on the Bonds is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

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

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

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 profits tax.

Stamp duty

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

PRC

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

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

Income tax

Pursuant to the EIT Law and its implementation regulations and the IIT Law and its implementation regulations, an income tax is imposed on payment of interest by way of withholding in respect of debt securities, issued by PRC enterprises to non-PRC Bondholders, including non-PRC resident enterprises and non-PRC resident individuals. The current rates of such income tax are 10 per cent. for non-PRC resident enterprises and 20 per cent. for non-PRC resident individuals, unless a lower rate is applicable.

Such income tax shall be withheld by the Issuer that is acting as the obligatory withholder and such PRC enterprise shall withhold the tax amount from each payment due. To the extent that the PRC has entered into arrangements relating to the avoidance of double taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified non-PRC resident enterprise Bondholders. The tax so charged on interests paid on the Bonds to non-PRC Bondholders who, or which are residents of Hong Kong (including enterprise holders and individual holders) as defined in the Arrangement will be 7 per cent. of the gross amount of the interest pursuant to the Arrangement and relevant interpretation of the Arrangement formulated by State Administration of Taxation of the PRC ("**SAT**"). To enjoy this preferential tax rate of 7 per cent., the Issuer could apply, on behalf of the Bondholders, to SAT for the application of the tax rate of 7 per cent. in accordance with the Arrangement on the interest payable in respect of the Bonds.

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

Value-add Tax ("VAT")

On 23 March 2016, the Ministry of Finance and the SAT issued the Circular of Full Implementation of Business Tax to VAT Reform (《關於全面推開營業稅改徵增值稅試點的通知》) ("**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 are treated as being provided within China where either the service provider or the service recipient is located in China. 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. Further, given that the Issuer is located in the PRC, the holders of the Bonds would be regarded as providing the financial services within China and consequently, the holders of the Bonds shall be subject to VAT at the rate of 6 per cent. when receiving the interest payments under the Bonds. In addition, the holders of the Bonds shall be subject to the local levies at approximately 12 per cent. of the VAT payment and consequently, the combined rate of VAT and local levies would be around 6.72 per cent. Given that the Issuer pays interest income to Bondholders who are located outside of the PRC, the Issuer, acting as the obligatory withholder in accordance with applicable law, shall withhold VAT and local levies from the payment of interest income to Bondholders who are located outside of 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.

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

Pursuant to the VAT reform detailed above, the Issuer may need to withhold VAT (should such tax apply) from the payments of interest in respect of the Bonds for any Bondholders located outside of the PRC. However, in the event that the Issuer is required to make such a deduction or withholding (whether by way of EIT, IIT, VAT or otherwise), the Issuer has agreed to pay such additional amounts as will result in receipt by the Bondholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required. For more information, see "*Terms and Conditions of the Bonds – Taxation*".

Stamp Duty

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

FATCA

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

SUMMARY OF CERTAIN DIFFERENCES BETWEEN THE PRC GAAP AND IFRS

The consolidated financial statements of the Issuer have been prepared in accordance with PRC GAAP.

PRC GAAP are substantially in line with IFRS, except for certain modifications which reflect China's unique circumstances and environment. The following is a general summary of certain differences between PRC GAAP and IFRS on recognition and presentation as applicable to the Issuer. The differences identified below are limited to those significant differences that are appropriate to the Issuer's consolidated financial statements. Since the summary is not meant to be exhaustive, there is no assurance that the summary below is complete. The Issuer has not prepared a complete reconciliation of the consolidated financial information and related footnote disclosure between PRC GAAP and IFRS and has not quantified such differences. Had any such quantification or reconciliation been undertaken by the Issuer, other potentially significant accounting and disclosure differences may have been required that are not identified below. Additionally, no attempt has been made to identify possible future differences between PRC GAAP and IFRS as a result of prescribed changes in accounting standards. Regulatory bodies that promulgate PRC GAAP and IFRS have significant projects ongoing that could affect future comparisons such as this one. Finally, no attempt has been made to identify future differences between PRC GAAP and IFRS that may affect the financial information as a result of transactions or events that may occur in the future. Accordingly, no assurance is provided that the following summary of differences between PRC GAAP and IFRS is complete. In making an investment decision, you must rely upon your own examination of the Issuer, the terms of the offering and other disclosure contained herein. You should consult your own professional advisers for an understanding of the differences between PRC GAAP and IFRS and/or between PRC GAAP and other generally accepted accounting principles, and how those differences might affect the financial information contained herein.

Land Use Rights

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

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

Non-Controlling Interest/Minority Interest

Under PRC GAAP, the acquirer should always recognize the minority interest at the minority shareholders' proportionate interest in the acquiree's identifiable net assets.

Under IFRS, the acquirer can choose, on an acquisition by acquisition basis, whether to measure components of non-controlling interest in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Government Grant

Under PRC GAAP, an assets-related government grant is only required to be recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset. However, under IFRS, such assets-related government grants are allowed to be presented in the statement of financial position either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset. Under PRC GAAP, the relocation compensation for public interests is required to be recognised as special payables. The income from compensation attributable to losses of fixed assets and intangible assets, related expenses, losses from production suspension incurred during the relocation and reconstruction period and purchases of assets after the relocation shall be transferred from special payables to deferred income and accounted for in accordance with the government grants standard. The surplus reached after deducting the amount transferred to deferred income shall be recognised in capital reserve.

Under IFRS, if an entity relocates for reasons of public interests, the compensation received shall be recognised in profit or loss.

Reversal of an Impairment Loss

Under PRC GAAP, once an impairment loss is recognised for a long-term asset (including fixed assets, intangible assets and goodwill, etc.), it shall not be reversed in any subsequent period.

Under IFRS, an impairment loss recognised in prior periods for an asset other than goodwill could be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount due to reversal should not be more than what the depreciated historical cost would have been if the impairment had not been recognised.

Related Party Disclosure

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

Under IFRS, government-related entities may still be treated as related parties if such government-related entities can exercise significant influence over the reporting entity.

Fixed Assets and Intangible Assets

Under PRC GAAP, only the cost model is allowed.

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

Impairment of Assets (Including Long-term Assets Measured at Historical Cost, such as Fixed Assets and Intangible Assets, and Assets Held for Sale)

Under PRC GAAP, once an impairment loss is recognised, it shall not be reversed in a subsequent period (except for the current assets impairment loss).

Under IFRS, impairment losses recognised in prior periods for an asset other than goodwill should be reversed when the recoverable amount of the asset increases as a result of a change in estimates.

Statement of Cash Flows

Under PRC GAAP, the direct method together with a supporting note reconciling operating results to cash flows arising from operations is the only permitted method.

Under IFRS, enterprises can choose whether to present cash flows from operating activities using the direct method or indirect method. Typically, entities reporting under IFRS use the indirect method.

Classification of Expenses in the Income Statement/Statement of Comprehensive Income

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

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

SUBSCRIPTION AND SALE

The Issuer has entered into a subscription agreement with the Managers dated 17 June 2021 (the "**Subscription Agreement**") pursuant to which and subject to certain conditions contained in the Subscription Agreement, the Issuer has agreed to sell to the Managers, and the Managers have agreed to, subscribe and pay for, or to procure subscribers to subscribe and pay for, the aggregate principal amount of the Bonds set forth opposite its name below:

Managers	**Principal amount of the Bonds to be subscribed**
Central Wealth Securities Investment Limited	U.S.$40,000,000
China Securities (International) Corporate Finance Company Limited	U.S.$40,000,000
Industrial Bank Co., Ltd. Hong Kong Branch	U.S.$30,000,000
China Zheshang Bank Co., Ltd. (Hong Kong Branch)	U.S.$10,000,000
CNCB (Hong Kong) Capital Limited	U.S.$5,000,000
Zhongtai International Securities Limited	U.S.$5,000,000
China Industrial Securities International Brokerage Limited	U.S.$5,000,000
CMBC Securities Company Limited	U.S.$5,000,000
Blackwell Global Securities Limited	U.S.$5,000,000
SunRiver International Securities Group Limited	U.S.$5,000,000
Total	**U.S.$150,000,000**

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

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

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

General

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

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

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Managers or any affiliate of the Managers is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by that the Managers or such affiliate on behalf of the Issuer in such jurisdiction.

United States

The Bonds have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States.

The Bonds are being offered and sold outside of the United States in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Bonds, an offer or sale of Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

United Kingdom

Prohibition of sales to UK Retail Investors

Each Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by this Offering Circular in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

  i. a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or

  ii. a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or

iii. not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA; and

(b) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds.

Other regulatory restrictions

Each Manager represents and agrees that:

(a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell the Bonds other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Bonds would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

The People's Republic of China

Each Manager represents, warrants and agrees that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the PRC.

Hong Kong

Each Manager represents, warrants and agrees 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 (the "**SFO**") and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to 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 SFO and any rules made under the SFO.

Singapore

Each Manager acknowledges that the Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Manager represents, warrants and agrees 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, the Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Bonds, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**") pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A), 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 or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA, except:

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

(iv) as specified in Section 276(7) of the SFA; or

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

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

GENERAL INFORMATION

1. **Clearing Systems:** The Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg under Common Code 233800309 and ISIN XS2338003093. The Legal Entity Identifier of the Issuer is 655600UVXXD8QVG3TT83.

2. **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of its obligations under the Bonds, the Trust Deed and the Agency Agreement. The issue of the Bonds was authorised by resolutions of the board of directors of the Issuer on 4 January 2021 and 12 May 2021 and resolutions of the shareholders of the Issuer on 8 January 2021.

3. **No Material Adverse Change:** There has been no material adverse change, or any development or event likely to involve a prospective change, in the condition (financial or otherwise), prospects, properties, results of operations, profitability or general affairs of the Issuer or the Group since 31 December 2020.

4. **Litigation:** None of the Issuer or any other member of the Group is involved in any litigation or arbitration proceedings that the Issuer believes are material in the context of the Bonds, and so far as the Issuer is aware, no such proceedings are pending or threatened. The Issuer may from time to time become a party to various legal or administrative proceedings arising in the ordinary course of its business.

5. **Available Documents:** Copies of the Trust Deed and the Agency Agreement relating to the Bonds will be available for inspection from the Issue Date upon prior written request and satisfactory proof of holding at the principal place of business of the Trustee or the specified office of the Principal Paying Agent at all reasonable times during normal 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)), so long as any Bond is outstanding.

6. **Financial Statements:** The Issuer's audited financial statements as of and for the years ended 31 December 2018, 2019 and 2020, which are included elsewhere in this Offering Circular have been audited by RSM China as stated in its reports appearing herein.

7. **Listing:** Application will be made to the SEHK 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 25 June 2021.

INDEX TO FINANCIAL STATEMENTS

Auditor's Report

Deqing Construction & Development Group Co., Ltd.

RSM SZ [2021] NO.310Z0512

RSM CHINA CPA LLP

CHINA·BEIJING

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Auditor's Report

RSM SZ [2021] No.310Z0512

To the Shareholders of Deqing Construction & Development Group Co., Ltd.:

Opinion

We have audited the financial statements of Deqing Construction & Development Group Co., Ltd. (hereafter referred to as Deqing Group Company), which comprises the consolidated and the parent company's statement of financial position as at 31 December 2018, 31 December 2019 and 31 December 2020, the consolidated and the parent company's statement of profit or loss and other comprehensive income, the consolidated and the parent company's statement of cash flows, the consolidated and the parent company's statement of changes in equity for the year then ended, and the notes to the financial statements.

In our opinion, the accompanying Deqing Group Company's financial statements present fairly, in all material respects, the consolidated and the company's financial position as at 31 December 2018, 31 December 2019 and 31 December 2020, and their financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises and China Accounting System for Business Enterprises.

Basis for Opinion

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

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

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

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

Those charged with governance are responsible for overseeing Deqing Group Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

iv) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Deqing Group Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Deqing Group Company to cease to continue as a going concern.

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

vi) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Deqing Group Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

(There is no text below, which is the signature and stamp page of RSM SZ [2021] NO.310Z0512, Deqing Group Company's audit report.)

RSM China CPA LLP

China·Beijing

[Name of CPA]:

[Name of CPA]:

[Date]: 7 April 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER

容诚会计师事务所 审核章

Prepared by: Deqing Construction & Development Group Co., Ltd.

Unit: Yuan Currency: CNY

Item	Note	31 Dec 2020	31 Dec 2019	31 Dec 2018	Item	Note	31 Dec 2020	31 Dec 2019	31 Dec 2018
Current assets:					**Current liabilities:**				
Cash and cash equivalents	5.1	3,377,952,667.34	2,944,057,369.58	3,394,619,144.70	Short-term borrowings	5.17	1,011,700,000.00	562,000,000.00	595,580,634.00
Financial assets at fair value through profit or loss					Financial liabilities at fair value through profit or loss				
Derivative financial assets					Derivative financial liabilities				
Notes receivable					Notes payable		-		
Accounts receivable	5.2	217,260,437.14	177,582,072.13	124,418,054.60	Accounts payable	5.18	1,374,802,622.05	1,578,169,963.65	1,751,383,154.99
Prepayments	5.3	71,474,938.15	80,897,474.87	99,398,881.89	Advances from customers	5.19	149,367,799.52	39,009,206.99	14,477,379.98
Other receivables	5.4	9,711,137,680.07	10,224,161,900.07	9,390,889,178.25	Employee benefits payable	5.20	1,064,794.71	1,783,634.09	1,971,363.48
Inventories	5.5	16,501,276,126.00	13,776,298,316.65	11,277,929,202.28	Taxes payable	5.21	54,444,610.72	36,336,943.77	17,470,832.67
Assets classified as held for sale					Other payables	5.22	542,801,827.86	413,992,213.04	974,529,460.12
Non-current assets maturing within one year					Liabilities classified as held for sale				
Other current assets	5.6	275,654,182.96	1,324,696,725.71	2,156,917,830.61	Non-current liabilities maturing within one year	5.23	3,142,496,097.27	3,468,058,920.38	2,279,808,157.88
Total current assets		**30,154,756,031.66**	**28,527,693,859.01**	**26,444,172,292.33**	Other current liabilities				
Non-current assets:					**Total current liabilities**		**6,276,677,752.13**	**6,099,350,881.92**	**5,635,220,983.12**
Available-for-sale financial assets	5.7	359,399,565.51	144,319,565.51	13,669,565.51	**Non-current liabilities:**				
Held-to-maturity investments					Long-term borrowings	5.24	9,465,913,021.04	10,757,393,206.58	11,194,751,608.17
Long-term receivables	5.8	50,000,000.00	40,400,000.00	28,000,000.00	Bonds payable	5.25	5,729,928,268.82	2,987,707,303.07	1,809,668,688.53
Long-term equity investments	5.9	127,796,472.26	130,862,918.13	67,793,350.19	Long-term payables	5.26	272,680,845.80	269,291,081.55	282,728,716.06
Investment properties	5.10	554,759,734.05	611,729,871.17	374,776,011.34	Long-term employee benefits payable				
Property, plant and equipment	5.11	2,935,065,933.99	3,071,608,559.26	2,464,394,756.14	Estimated liabilities				
Construction in progress	5.12	271,833,349.74	241,651,865.62	220,388,757.93	Deferred income				
Productive biological assets					Deferred tax liabilities				
Oil and gas assets					Other non-current liabilities	5.27		100,130,000.00	100,130,000.00
Intangible assets	5.13	46,942,957.18	48,321,410.43	3,692,544.35	**Total non-current liabilities**		**15,468,522,135.66**	**14,114,521,591.20**	**13,387,279,012.76**
Research and development expenditure					**Total liabilities**		**21,745,199,887.79**	**20,213,872,473.12**	**19,022,499,995.88**
Goodwill					**Owners' equity**				
Long-term deferred expenses	5.14	5,758,391.45	8,781,333.56	3,310,492.26	Paid-in capital	5.28	5,512,473,647.99	5,512,473,647.99	5,411,763,647.99
Deferred tax assets	5.15	8,236,085.23	8,111,390.46	7,071,228.09	Other equity instruments				
Other non-current assets	5.16	683,171,200.05	89,646,200.00	100,000,000.00	Including: Preference shares				
Total non-current assets		**5,042,963,689.46**	**4,395,433,114.14**	**3,283,096,705.81**	Perpetual bonds				
					Capital reserves	5.29	6,370,423,801.60	5,837,799,652.68	4,145,302,540.17
					Less: Treasury stock				
					Other comprehensive income				
					Specific reserves				
					Surplus reserves	5.30	71,974,823.81	71,974,823.81	71,974,823.81
					Retained earnings	5.31	1,182,956,402.46	986,152,057.80	796,054,409.60
					Total owner's equity attributable to parent company		**13,137,828,675.86**	**12,408,400,182.28**	**10,425,095,421.57**
					Non-controlling interests		314,691,157.47	300,854,317.75	279,673,580.69
					Total owners' equity		**13,452,519,833.33**	**12,709,254,500.03**	**10,704,769,002.26**
Total assets		**35,197,719,721.12**	**32,923,126,973.15**	**29,727,268,998.14**	**Total liabilities and owners' equity**		**35,197,719,721.12**	**32,923,126,973.15**	**29,727,268,998.14**

Legal Representative: Chief Financial Officer: Finance Manager:

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

容诚会计师事务所 审核章

Prepared by: Deqing Construction & Development Group Co., Ltd. Unit: Yuan Currency: CNY

Item	Note	2020	2019	2018
I. Revenue	5.32	1,889,787,153.05	1,456,661,369.93	1,126,175,520.23
Less: Costs of sales	5.32	1,691,713,723.05	1,286,376,862.24	914,670,979.50
Taxes and surcharges	5.33	41,460,158.78	16,858,219.82	10,519,737.35
Selling and distribution expenses		7,399,194.18	7,232,585.11	6,302,151.73
General and administrative expenses		166,460,855.77	132,152,813.65	106,476,493.37
Research and development expenses				
Finance costs	5.34	93,212,238.78	75,622,380.69	42,288,925.41
Including: Interest expenses		196,398,821.94	88,879,170.77	73,615,349.13
Interest income		111,524,803.32	21,214,603.55	34,469,716.04
Add: Other income	5.35	337,503,823.94	251,034,701.01	159,090,253.24
Investment income/(losses)	5.36	-1,166,445.87	28,150,360.68	-406,649.81
Including: Investment income from associates and joint ventures		-4,266,445.87	-7,059,003.49	-806,649.81
Gains/(losses) from changes in fair values				
Impairment loss of assets	5.37	7,115,882.58	-20,396,798.54	-14,482,375.08
Gains/(losses) from disposal of assets	5.38	160.00	50,434.95	168,369.50
II. Profit/(loss) from operations		**232,994,403.14**	**197,257,206.52**	**190,286,830.72**
Add: Non-operating income	5.39	1,676,658.17	2,569,691.72	753,679.02
Less: Non-operating expenses	5.40	1,229,519.73	921,878.78	926,298.63
III. Profit/(loss) before tax		**233,441,541.58**	**198,905,019.46**	**190,114,211.11**
Less: Income tax expenses	5.41	18,710,421.89	5,950,656.20	5,179,879.48
IV. Net profit/(loss) for the year		**214,731,119.69**	**192,954,363.26**	**184,934,331.63**
(I) Net profit/(loss) by continuity				
Net profit/(loss) from continuing operation		214,731,119.69	192,954,363.26	184,934,331.63
Net profit/(loss) from discontinued operation				
(II) Net profit/(loss) by ownership attribution				
Attributable to owners of the parent		204,294,279.97	193,597,648.20	185,315,204.86
Attributable to non-controlling interests		10,436,839.72	-643,284.94	-380,873.23
V. Other comprehensive income for the year, after tax				
(a) attributable to owners of the parent				
(i) Items that will not be reclassified subsequently to profit or loss				
1. Remeasurement of the net defined benefit liability (asset)				
2. Share of the other comprehensive income of the investee accounted for using the equity method which will not be reclassified subsequently to profit and loss				
(ii) Items that may be reclassified subsequently to profit or loss				
1. Share of the other comprehensive income of the investee accounted for using the equity method which will be reclassified subsequently to profit or loss				
2. Gains/(losses) arising from changes in fair value of available-for-sale financial assets				
3. Gains/(losses) arising from reclassification of held-to-maturity investment as available-for-sale financial assets				
4. The effective portion of the gains /losses on cash flow hedge				
5. Exchange differences on translating foreign operations				
(b) Attributable to non-controlling interests				
VI. Total comprehensive income for the year		**214,731,119.69**	**192,954,363.26**	**184,934,331.63**
Attributable to owners of the parent		204,294,279.97	193,597,648.20	185,315,204.86
Attributable to non-controlling interests		10,436,839.72	-643,284.94	-380,873.23
VII. Earnings per share:				
Basic earnings per share				
Diluted earnings per share				

Legal Representative: Chief Financial Officer: Finance Manager:

容诚会计师事务所 审核章

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER

Prepared by: Deqing Construction & Development Group Co., Ltd.

Unit: Yuan Currency: CNY

Items	Note	2020	2019	2018
I. Cash flows from operating activities				
Cash received from sale of goods or rendering of services		2,096,887,670.01	1,481,564,416.64	1,189,571,716.78
Refund of tax and levies		2,785,005.23	-	15,340,058.14
Other cash received relating to operating activities		3,250,443,158.06	2,461,524,886.35	1,605,557,533.78
Sub-total of cash inflows from operating activities		5,350,115,833.30	3,943,089,302.99	2,810,469,308.70
Cash paid for received commodities or labor		3,798,736,626.90	3,146,343,656.46	2,922,131,100.91
Cash paid to and for employees		77,897,534.90	76,498,235.67	56,836,374.09
Payments of all types of taxes		91,924,862.85	33,531,882.95	34,767,021.56
Other cash paid relating to operating activities		2,065,198,996.62	3,446,134,255.96	3,782,713,314.22
Sub-total of cash outflows from operating activities		6,033,758,021.27	6,702,508,031.04	6,796,447,810.78
Net cash flows from operating activities		**-683,642,187.97**	**-2,759,418,728.05**	**-3,985,978,502.08**
II. Cash flows from investing activities				
Cash received from disposal of investments		4,200,350,000.00	7,349,000,000.00	
Cash received from returns on investments		3,100,000.00	400,000.00	400,000.00
Net cash received from disposals of property, plant and equipment, intangible assets and other long-term assets		1,204.17	67,450.81	452,707.15
Net cash received from disposals of subsidiaries or other business units		-	8,700,000.00	
Other cash received relating to investing activities		-	-	
Sub-total of cash inflows from investing activities		4,203,451,204.17	7,358,167,450.81	852,707.15
Cash paid to acquire property,plant and equipment, intangible assets and other long-term assets		499,208,790.47	354,313,280.15	401,148,052.08
Cash paid to acquire investments		3,366,630,000.00	6,558,140,000.00	2,000,000,000.00
Net cash paid to acquire subsidiaries and other business units		-	-	
Other cash payments relating to investing activities		-	-	380,455.01
Sub-total of cash outflows from investing activities		3,865,838,790.47	6,912,453,280.15	2,401,528,507.09
Net cash flows from investing activities		**337,612,413.70**	**445,714,170.66**	**-2,400,675,799.94**
III. Cash flows from financing activities				
Cash received from capital contributions		3,400,000.00	101,710,000.00	15,000,000.00
Including: Cash receipts from minority shareholders' investments absorbed by subsidiaries				
Cash received from borrowings		7,510,292,301.53	5,568,900,000.00	7,846,410,634.00
Other cash received relating to financing activities		960,034,502.35	1,599,317,390.34	2,070,793,371.13
Sub-total of cash inflows from financing activities		8,473,726,803.88	7,269,927,390.34	9,932,204,005.13
Cash repayments of amounts borrowed		6,104,898,934.18	3,678,338,273.09	1,737,985,337.95
Cash payments for dividends, distribution of profit or interest expenses		1,180,080,042.25	961,765,834.98	612,598,468.03
Including: Cash payments for dividends and distribution of profit to minority shareholders				
Other cash payments relating to financing activities		267,395,728.07	320,051,848.30	381,707,554.05
Sub-total of cash outflows from financing activities		7,552,374,704.50	4,960,155,956.37	2,732,291,360.03
Net cash flows from financing activities		**921,352,099.38**	**2,309,771,433.97**	**7,199,912,645.10**
IV. Effect of foreign exchange rate changes on cash and cash equivalents				
V. Net increase / (decrease) in cash and cash equivalents		**575,322,325.11**	**-3,933,123.42**	**813,258,343.08**
Plus: Cash and cash equivalents at the beginning of the period		2,305,482,467.23	2,309,415,590.65	1,496,157,247.57
VI. Cash and cash equivalents at the end of the period		**2,880,804,792.34**	**2,305,482,467.23**	**2,309,415,590.65**

Legal Representative: Chief Financial Officer: Finance Manager:

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

容诚会计师事务所 审核章

Prepared by: Deqing Construction & Development Group Co., Ltd.

Unit: Yuan Currency: CNY

Item	2020												
	Owners' equity attributable to the parent company												
	Paid-in capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserves	Surplus reserves	Retained earnings	Subtotal	Non-controlling interests	Total owners' equity
		Preference shares	Perpetual capital	Others									
I. Balance at 31 December 2019	5,512,473,647.99				5,837,799,652.68		-		71,974,823.81	986,152,057.80	12,408,400,182.28	300,854,317.75	12,709,254,500.03
Add: Changes in accounting policy											-		-
Correction of prior period errors											-		-
Business combination under common control											-		-
Others											-		-
II. Balance at 1 January 2020	5,512,473,647.99	-	-	-	5,837,799,652.68	-	-	-	71,974,823.81	986,152,057.80	12,408,400,182.28	300,854,317.75	12,709,254,500.03
III. Changes in equity during the reporting period	-	-	-	-	532,624,148.92	-	-	-	-	196,804,344.66	729,428,493.58	13,836,839.72	743,265,333.30
(i) Total comprehensive income							-			204,294,279.97	204,294,279.97	10,436,839.72	214,731,119.69
(ii) Capital contributions or withdrawals by owners	-	-	-	-	532,624,148.92	-	-	-	-	-	532,624,148.92	3,400,000.00	536,024,148.92
1. Ordinary shares contributed by owners											-		-
2. Capital contributed by holders of other equity instruments											-		-
3. Share-based payments recognised in owners' equity											-		-
4. Others					532,624,148.92						532,624,148.92	3,400,000.00	536,024,148.92
(iii) Profit distribution	-	-	-	-	-	-	-	-	-	-7,489,935.31	-7,489,935.31	-	-7,489,935.31
1. Withdrawal of surplus reserves									-	-	-		-
2. Profit distribution to investors (or shareholders)										-7,489,935.31	-7,489,935.31	-	-7,489,935.31
3. Others											-		-
(iv) Transfer between equity	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Capital reserves transfer to paid-in capital											-		-
2. Surplus reserves transfer to paid-in capital											-		-
3. Surplus reserves used to cover accumulated deficits											-		-
4. Defined benefit plan transfer to retained earnings											-		-
5. Others											-		-
(v) Specific reserves	-	-	-	-	-	-	-	-	-	-	-		-
1. Withdrawal during the reporting period											-		-
2. Usage during the reporting period											-		-
(vi) Others										-	-		-
IV. Balance at 31 December 2020	5,512,473,647.99	-	-	-	6,370,423,801.60	-	-	-	71,974,823.81	1,182,956,402.46	13,137,828,675.86	314,691,157.47	13,452,519,833.33

Legal Representativ Chief Financial Officer Finance Manager

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

容诚会计师事务所 审核章

Prepared by: Deqing Construction & Development Group Co., Ltd.

Unit: Yuan Currency: CNY

Item	2019												
	Owners' equity attributable to the parent company											Non-controlling interests	Total owners' equity
	Paid-in capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserves	Surplus reserves	Retained earnings	Subtotal		
		Preference shares	Perpetual capital	Others									
I. Balance at 31 December 2018	**5,411,763,647.99**				**3,851,668,473.19**				**71,974,823.81**	**1,169,931,565.93**	**10,505,338,510.92**	**279,673,580.69**	**10,785,012,091.61**
Add: Changes in accounting policy											-		-
Correction of prior period errors											-		-
Business combination under common control					293,634,066.98					-373,877,156.33	-80,243,089.35		-80,243,089.35
Others											-		-
II. Balance at 1 January 2019	**5,411,763,647.99**	-	-	-	**4,145,302,540.17**	-	-	-	**71,974,823.81**	**796,054,409.60**	**10,425,095,421.57**	**279,673,580.69**	**10,704,769,002.26**
III. Changes in equity during the reporting period	**100,710,000.00**	-	-	-	**1,692,497,112.51**	-	-	-	-	**190,097,648.20**	**1,983,304,760.71**	**21,180,737.06**	**2,004,485,497.77**
(i) Total comprehensive income							-			193,597,648.20	193,597,648.20	-643,284.94	192,954,363.26
(ii) Capital contributions or withdrawals by owners	100,710,000.00	-	-	-	1,692,497,112.51	-	-	-	-	-	1,793,207,112.51	21,824,022.00	1,815,031,134.51
1. Ordinary shares contributed by owners	100,710,000.00										100,710,000.00		100,710,000.00
2. Capital contributed by holders of other equity instruments											-		-
3. Share-based payments recognised in owners' equity											-		-
4. Others					1,692,497,112.51						1,692,497,112.51	21,824,022.00	1,714,321,134.51
(iii) Profit distribution	-	-	-	-		-	-	-	-	-3,500,000.00	-3,500,000.00	-	-3,500,000.00
1. Withdrawal of surplus reserves										-	-		-
2. Profit distribution to investors (or shareholders)										-3,500,000.00	-3,500,000.00		-3,500,000.00
3. Others											-		-
(iv) Transfer between equity	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Capital reserves transfer to paid-in capital											-		-
2. Surplus reserves transfer to paid-in capital											-		-
3. Surplus reserves used to cover accumulated deficits											-		-
4. Defined benefit plan transfer to retained earnings											-		-
5. Others											-		-
(v) Specific reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Withdrawal during the reporting period											-		-
2. Usage during the reporting period											-		-
(vi) Others											-		-
IV. Balance at 31 December 2019	**5,512,473,647.99**	-	-	-	**5,837,799,652.68**	-	-	-	**71,974,823.81**	**986,152,057.80**	**12,408,400,182.28**	**300,854,317.75**	**12,709,254,500.03**

Legal Representative: Chief Financial Officer: Finance Manager:

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

Prepared by: Deqing Construction & Development Group Co., Ltd.

Unit: Yuan Currency: CNY

Item	2018												
	Owners' equity attributable to the parent company											Non-controlling interests	Total owners' equity
	Paid-in capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserves	Surplus reserves	Retained earnings	Subtotal		
		Preference shares	Perpetual capital securities	Others									
I. Balance at 31 December 2017	**5,090,324,707.98**				**863,816,765.70**				**71,974,823.81**	**988,261,428.55**	**7,014,377,726.04**	**201,349,453.92**	**7,215,727,179.96**
Add: Changes in accounting policy											-		-
Correction of prior period errors											-		-
Business combination under common control					593,634,066.98					-374,522,223.81	219,111,843.17		**219,111,843.17**
Others											-		-
II. Balance at 1 January 2018	**5,090,324,707.98**	-	-	-	**1,457,450,832.68**	-	-	-	**71,974,823.81**	**613,739,204.74**	**7,233,489,569.21**	**201,349,453.92**	**7,434,839,023.13**
III. Changes in equity during the reporting period	**321,438,940.01**	-	-	-	**2,687,851,707.49**	-	-	-	-	**182,315,204.86**	**3,191,605,852.36**	**78,324,126.77**	**3,269,929,979.13**
(i) Total comprehensive income							-			185,315,204.86	185,315,204.86	-380,873.23	184,934,331.63
(ii) Capital contributions or withdrawals by owners	321,438,940.01	-	-	-	-	-	-	-	-	-	321,438,940.01	78,705,000.00	400,143,940.01
1. Ordinary shares contributed by owners	321,438,940.01										321,438,940.01		321,438,940.01
2. Capital contributed by holders of other equity instruments											-		-
3. Share-based payments recognised in owners' equity											-		-
4. Others											-	78,705,000.00	78,705,000.00
(iii) Profit distribution	-	-	-	-	2,639,851,707.49	-	-	-	-	-3,000,000.00	2,636,851,707.49	-	2,636,851,707.49
1. Withdrawal of surplus reserves										-	-		-
2. Profit distribution to investors (or shareholders)										-3,000,000.00	-3,000,000.00		-3,000,000.00
3. Others					2,639,851,707.49						2,639,851,707.49		2,639,851,707.49
(iv) Transfer between equity	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Capital reserves transfer to paid-in capital											-		-
2. Surplus reserves transfer to paid-in capital											-		-
3. Surplus reserves used to cover accumulated deficits											-		-
4. Defined benefit plan transfer to retained earnings											-		-
5. Others											-		-
(v) Specific reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Withdrawal during the reporting period											-		-
2. Usage during the reporting period											-		-
(vi) Others					48,000,000.00						48,000,000.00		48,000,000.00
IV. Balance at 31 December 2018	**5,411,763,647.99**	-	-	-	**4,145,302,540.17**	-	-	-	**71,974,823.81**	**796,054,409.60**	**10,425,095,421.57**	**279,673,580.69**	**10,704,769,002.26**

Legal Representative: Chief Financial Officer: Finance Manager:

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER

容诚会计师事务所 审核章

Prepared by: Deqing Construction & Development Group Co., Ltd.　　　　Unit: Yuan　Currency: CNY

Item	Note	31 Dec 2020	31 Dec 2019	31 Dec 2018	Item	Note	31 Dec 2020	31 Dec 2019	31 Dec 2018
Current assets:					**Current liabilities:**				
Cash and cash equivalents		437,749,599.52	10,181,736.34	4,374,656.92	Short-term borrowings		-		
Financial assets at fair value through profit or loss					Financial liabilities at fair value through profit or loss				
Derivative financial assets					Derivative financial liabilities				
Notes receivable					Notes payable				
Accounts receivable		198,000.00			Accounts payable		3,585.85		
Prepayments		-			Advances from customers		1,087,798.77	227,500.00	
Other receivables	14.1	800,158,350.39	76,009,487.32	76,003,913.95	Employee benefits payable				
Inventories		4,869,952.86	4,869,952.86	4,148,228.10	Taxes payable		76,224.27	66,551.35	2,344.17
Assets classified as held for sale					Other payables		314,458,372.47	201,414,901.78	271,758,522.84
Non-current assets maturing within one year					Liabilities classified as held for sale				
Other current assets		13,755,955.98	13,441,167.24	13,258,001.26	Non-current liabilities maturing within one year		204,000,000.00		
Total current assets		**1,256,731,858.75**	**104,502,343.76**	**97,784,800.23**	Other current liabilities				
Non-current assets:					**Total current liabilities**		**519,625,981.36**	**201,708,953.13**	**271,760,867.01**
Available-for-sale financial assets		247,210,000.00	25,780,000.00		**Non-current liabilities:**				
Held-to-maturity investments					Long-term borrowings		397,000,000.00	51,000,000.00	
Long-term receivables					Bonds payable		894,991,315.57		
Long-term equity investments	14.2	5,459,691,383.27	5,261,563,439.91	5,240,612,667.98	Long-term payables				
Investment properties					Long-term employee benefits payable				
Property, plant and equipment		293,969,355.91	309,427,666.13	324,857,782.28	Estimated liabilities				
Construction in progress		-			Deferred income				
Productive biological assets					Deferred tax liabilities				
Oil and gas assets					Other non-current liabilities				
Intangible assets		350,766.68	365,327.48	379,888.30	**Total non-current liabilities**		**1,291,991,315.57**	**51,000,000.00**	-
Research and development expenditure					**Total liabilities**		**1,811,617,296.93**	**252,708,953.13**	**271,760,867.01**
Goodwill					**Owners' equity:**				
Long-term deferred expenses					Paid-in capital		5,512,473,647.99	5,512,473,647.99	5,411,763,647.99
Deferred tax assets		518.59	73.34		Other equity instruments				
Other non-current assets					Including: Preference shares				
Total non-current assets		**6,001,222,024.45**	**5,597,136,506.86**	**5,565,850,338.56**	Perpetual bonds				
					Capital reserves		290,111.93	290,111.93	
					Less: Treasury stock				
					Other comprehensive income				
					Specific reserves				
					Surplus reserves				
					Retained earnings		-66,427,173.65	-63,833,862.43	-19,889,376.21
					Total owner's equity		**5,446,336,586.27**	**5,448,929,897.49**	**5,391,874,271.78**
Total assets		**7,257,953,883.20**	**5,701,638,850.62**	**5,663,635,138.79**	**Total liabilities and owners' equity**		**7,257,953,883.20**	**5,701,638,850.62**	**5,663,635,138.79**

Legal Representative:　　　　Chief Financial Officer:　　　　Finance Manager:

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

容诚会计师事务所
审 核 章

Prepared by: Deqing Construction & Development Group Co., Ltd.

Unit: Yuan Currency: CNY

Item	Note	2020	2019	2018
I. Revenue	14.3	2,520,256.12	506,855.51	
Less: Costs of sales	14.3	9,705,369.17	4,480,230.16	
Taxes and surcharges		139,128.44	2,675,218.60	7,500.00
Selling and distribution expenses				3,301.89
Administrative expenses		20,302,128.86	23,976,717.59	16,496,734.00
Research and development expenses				
Finance costs		26,400,780.06	9,862,541.62	1,653,392.43
Including: Interest expense		27,165,340.26	9,957,872.26	1,674,246.58
Interest income		1,250,896.83	97,477.57	25,010.13
Add: Other income				
Investment income/(losses)	14.4	55,127,943.36	-	
Including: Investment income from associates and joint ventures				
Gains/(losses) from changes in fair values				
Impairment loss of assets		-1,780.98	-293.34	100,000.00
Gains/(losses) from disposal of assets			-	
II. Profit/(loss) from operations		**1,099,011.97**	**-40,488,145.80**	**-18,060,928.32**
Add: Non-operating income		27,505.54	150,000.00	
Less: Non-operating expenses		70,273.98	106,413.76	227,584.73
III. Profit/(loss) before tax		**1,056,243.53**	**-40,444,559.56**	**-18,288,513.05**
Less: Income tax expenses		-445.25	-73.34	25,000.00
IV. Net profit/(loss) for the year		**1,056,688.78**	**-40,444,486.22**	**-18,313,513.05**
Net profit/(loss) from continuing operation		1,056,688.78	-40,444,486.22	-18,313,513.05
Net profit/(loss) from discontinued operation				
V. Other comprehensive income for the year, after tax				
(i) Items that will not be reclassified subsequently to profit or loss				
1. Remeasurement of the net defined benefit liability (asset)				
2. Share of the other comprehensive income of the investee accounted for using the equity method which will not be reclassified subsequently to profit and loss				
(ii) Items that may be reclassified subsequently to profit or loss				
1. Share of the other comprehensive income of the investee accounted for using the equity method which will be reclassified subsequently to profit or loss				
2. Gains/(losses) arising from changes in fair value of available-for-sale financial assets				
3. Gains/(losses) arising from reclassification of held-to-maturity investment as available-for-sale financial assets				
4. The effective portion of the gains /losses on cash flow hedge				
5. Exchange differences on translating foreign operations				
VI. Total comprehensive income for the year		**1,056,688.78**	**-40,444,486.22**	**-18,313,513.05**
VII. Earnings per share:				
Basic earnings per share				
Diluted earnings per share				

Legal Representative: Chief Financial Officer: Finance Manager:

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER

Prepared by: Deqing Construction & Development Group Co., Ltd.

Unit: Yuan Currency: CNY

Items	Note	2020	2019	2018
I. Cash flows from operating activities				
Cash received from sale of goods or rendering of services		3,522,961.00	795,018.27	
Refund of tax and levies				
Other cash received relating to operating activities		109,958,102.37	161,441,125.59	272,109,286.39
Sub-total of cash inflows from operating activities		113,481,063.37	162,236,143.86	272,109,286.39
Cash paid for received commodities or labor		146,687.66	965,553.50	3,343,362.29
Cash paid to and or employees		9,922,718.54	8,091,788.54	4,108,518.27
Payments of all types of taxes		171,892.79	2,675,218.60	7,500.00
Other cash paid relating to operating activities		673,651,422.73	236,047,694.65	75,286,474.76
Sub-total of cash outflows from operating activities		683,892,721.72	247,780,255.29	82,745,855.32
Net cash flows from operating activities		**-570,411,658.35**	**-85,544,111.43**	**189,363,431.07**
II. Cash flows from investing activities				
Cash received from disposal of investments				
Cash received from returns on investments				
Net cash received from disposals of property,piant and equipment, intangible assets and other long-term assets				
Net cash received from disposals of subsidiaries or other business units				
Other cash received relating to investing activities				
Sub-total of cash inflows from investing activities				
Cash paid to acquire property,plant and equipment, intangible assets and other long-term assets		775,138.21	257,914.39	605,573.25
Cash paid to acquire investments		420,430,000.00	46,270,000.00	200,000,000.00
Net cash paid to acquire subsidiaries and other business units		-		
Other cash payments relating to investing activities		-	3,500,000.00	
Sub-total of cash outflows from investing activities		421,205,138.21	50,027,914.39	200,605,573.25
Net cash flows from investing activities		**-421,205,138.21**	**-50,027,914.39**	**-200,605,573.25**
III. Cash flows from financing activities				
Cash received from capital contributions		-	100,710,000.00	15,000,000.00
Cash received from borrowings		1,450,000,000.00	51,000,000.00	
Other cash received relating to financing activities		-		
Sub-total of cash inflows from financing activities		1,450,000,000.00	151,710,000.00	15,000,000.00
Cash repayments of amounts borrowed		-		
Cash payments for dividends, distribution of profit or interest expenses		30,815,340.26	9,820,894.76	
Other cash payments relating to financing activities		-	510,000.00	
Sub-total of cash outflows from financing activities		30,815,340.26	10,330,894.76	-
Net cash flows from financing activities		**1,419,184,659.74**	**141,379,105.24**	**15,000,000.00**
IV. Effect of foreign exchange rate changes on cash and cash equivalents				
V. Net increase/(decrease) in cash and cash equivalents		**427,567,863.18**	**5,807,079.42**	**3,757,857.82**
Plus: Cash and cash equivalents at the beginning of the period		10,181,736.34	4,374,656.92	616,799.10
VI. Cash and cash equivalents at the end of the period		**437,749,599.52**	**10,181,736.34**	**4,374,656.92**

Legal Representative: Chief Financial Officer: Finance Manager:

容诚会计师事务所
审 核 章

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER

Prepared by: Deqing Construction & Development Group Co., Ltd.

Unit: Yuan Currency: CNY

Item	2020										
	Paid-in capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserves	Surplus reserves	Retained earnings	Total owners' equity
		Preference shares	Perpetual capital securities	Others							
I. Balance at 31 December 2019	**5,512,473,647.99**				**290,111.93**		-		-	**-63,833,862.43**	**5,448,929,897.49**
Add: Changes in accounting policy											-
Correction of prior period errors											-
Others											-
II. Balance at 1 January 2020	**5,512,473,647.99**	-	-	-	**290,111.93**	-	-	-	-	**-63,833,862.43**	**5,448,929,897.49**
III. Changes in equity during the reporting period	-	-	-	-	-	-	-	-	-	**-2,593,311.22**	**-2,593,311.22**
(i) Total comprehensive income							-			1,056,688.78	1,056,688.78
(ii) Capital contributions or withdrawals by owners	-	-	-	-	-	-	-	-	-	-	-
1. Ordinary shares contributed by owners											-
2. Capital contributed by holders of other equity instruments											-
3. The amount of share-based payments recorded in owners' equity											-
4. Others											-
(iii) Profit distribution	-	-	-	-	-	-	-	-	-	-3,650,000.00	-3,650,000.00
1. Withdrawal of surplus reserves									-	-	-
2. Profit distribution to investors (or shareholders)										-3,650,000.00	-3,650,000.00
3. Others											-
(iv) Transfer between equity	-	-	-	-	-	-	-	-	-	-	-
1. Capital reserves transfer to paid-in capital											-
2. Surplus reserves transfer to paid-in capital											-
3. Surplus reserves used to cover accumulated deficits											-
4. Defined benefit plan transfer to retained earnings											-
5. Others											-
(v) Specific reserves	-	-	-	-	-	-	-	-	-	-	-
1. Withdrawal during the reporting period											-
2. Usage during the reporting period											-
(vi) Others											-
IV. Balance at 31 December 2020	**5,512,473,647.99**	-	-	-	**290,111.93**	-	-	-	-	**-66,427,173.65**	**5,446,336,586.27**

Legal Representative Chief Financial Officer Finance Manager

14

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER

Prepared by: Deqing Construction & Development Group Co., Ltd.

Unit: Yuan Currency: CNY

Item	2019										
	Paid-in capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserves	Surplus reserves	Retained earnings	Total owners' equity
		Preference shares	Perpetual capital securities	Others							
I. Balance at 31 December 2018	**5,411,763,647.99**	-	-	-	-	-	-	-	-	**-19,889,376.21**	**5,391,874,271.78**
Add: Changes in accounting policy											-
Correction of prior period errors										-	-
Others											-
II. Balance at 1 January 2019	**5,411,763,647.99**	-	-	-	-	-	-	-	-	**-19,889,376.21**	**5,391,874,271.78**
III. Changes in equity during the reporting period	**100,710,000.00**	-	-	-	**290,111.93**	-	-	-	-	**-43,944,486.22**	**57,055,625.71**
(i) Total comprehensive income							-			-40,444,486.22	-40,444,486.22
(ii) Capital contributions or withdrawals by owners	100,710,000.00	-	-	-	290,111.93	-	-	-	-	-	101,000,111.93
1. Ordinary shares contributed by owners	100,710,000.00										100,710,000.00
2. Capital contributed by holders of other equity instruments											-
3. The amount of share-based payments recorded in owners' equity											-
4. Others					290,111.93						290,111.93
(iii) Profit distribution	-	-	-	-	-	-	-	-	-	-3,500,000.00	-3,500,000.00
1. Withdrawal of surplus reserves										-	-
2. Profit distribution to investors (or shareholders)											-
3. Others										-3,500,000.00	-3,500,000.00
(iv) Transfer between equity	-	-	-	-	-	-	-	-	-	-	-
1. Capital reserves transfer to paid-in capital											-
2. Surplus reserves transfer to paid-in capital											-
3. Surplus reserves used to cover accumulated deficits											-
4. Defined benefit plan transfer to retained earnings											-
5. Others											-
(v) Specific reserves	-	-	-	-	-	-	-	-	-	-	-
1. Withdrawal during the reporting period											-
2. Usage during the reporting period											-
(vi) Others											-
IV. Balance at 31 December 2019	**5,512,473,647.99**	-	-	-	**290,111.93**	-	-	-	-	**-63,833,862.43**	**5,448,929,897.49**

Legal Representative: Chief Financial Officer: Finance Manager:

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER

Prepared by: Changxing Urban Construction Investment Group Co., Ltd.

容诚会计师事务所 审核章

Unit: Yuan Currency: CNY

Item	2018										
	Paid-in capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserves	Surplus reserves	Retained earnings	Total owners' equity
		Preference shares	Perpetual capital securities	Others							
I. Balance at 31 December 2017	**5,090,324,707.98**									**-1,575,863.16**	**5,088,748,844.82**
Add: Changes in accounting policy											-
Correction of prior period errors										-	-
Others											-
II. Balance at 1 January 2018	**5,090,324,707.98**	-	-	-	-	-	-	-	-	**-1,575,863.16**	**5,088,748,844.82**
III. Changes in equity during the reporting period	**321,438,940.01**	-	-	-	-	-	-	-	-	**-18,313,513.05**	**303,125,426.96**
(i) Total comprehensive income							-			-18,313,513.05	-18,313,513.05
(ii) Capital contributions or withdrawals by owners	321,438,940.01	-	-	-	-	-	-	-	-	-	321,438,940.01
1. Ordinary shares contributed by owners	321,438,940.01										321,438,940.01
2. Capital contributed by holders of other equity instruments											-
3. The amount of share-based payments recorded in owners' equity											-
4. Others											-
(iii) Profit distribution	-	-	-	-	-	-	-	-	-	-	-
1. Withdrawal of surplus reserves										-	-
2. Profit distribution to investors (or shareholders)											-
3. Others											-
(iv) Transfer between equity	-	-	-	-	-	-	-	-	-	-	-
1. Capital reserves transfer to paid-in capital											-
2. Surplus reserves transfer to paid-in capital											-
3. Surplus reserves used to cover accumulated deficits											-
4. Defined benefit plan transfer to retained earnings											-
5. Others											-
(v) Specific reserves	-	-	-	-	-	-	-	-	-	-	-
1. Withdrawal during the reporting period											-
2. Usage during the reporting period											-
(vi) Others											-
IV. Balance at 31 December 2018	**5,411,763,647.99**	-	-	-	-	-	-	-	-	**-19,889,376.21**	**5,391,874,271.78**

Legal Representative Chief Financial Officer Finance Manager

Deqing Construction Development Group Co., Ltd.

Notes to the Financial Statements

For the year ended 31 December 2018, 31 December 2019, 31 December 2020

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

1. BASIC INFORMATION ABOUT THE COMPANY

1.1 Corporate Information

Deqing Construction Development Group Co., Ltd. (hereinafter referred to as "the Company"), was established approved by Deqing County People's Government Letter No.53 (2017) on 23 May 2017. It has obtained the enterprise legal person business license with the registration NO.330521000148809 issued by Deqing County Administration for Industry and Commerce. And the Enterprise unified social credit code was 91330624749803788E. The registered capital was CNY6,000 million.

Residence of a company: No.228 Wuyang street, Wukang street, Deqing County, Huzhou City, Zhejiang Province.

Legal representative: Dai, Hongxiang.

Scope of business: Urban construction and public service investment, project investment and asset management, industrial investment, equity investment, self owned asset leasing, real estate development and business operation. (for projects that need to be approved according to law, business activities can only be carried out with the approval of relevant departments.)

Ultimate Controlling Owners: Deqing County State-owned Assets Supervision and Administration Commission Office.

The financial statements were approved and authorized to issue on 7 April 2021.

1.2 Scope of Consolidation

(a) The Company's subsidiaries consolidated:

Sequence number	Name of Subsidiaries	Proportion of ownership interest (%)		Combination Period
		Direct	Indirect	
1	Deqing Hengda Construction Development Co., Ltd.	100.00		From 2018 to 2020
2	Deqing County Construction and Development Co., Ltd.		82.51	From 2018 to 2020
3	Deqing Jian'an Construction Engineering		100.00	From 2018 to 2020

Sequence number	Name of Subsidiaries	Proportion of ownership interest (%)		Combination Period
		Direct	Indirect	
	Testing Co., Ltd.			
4	Deqing Decheng Landscape Engineering Service Co., Ltd.		100.00	From 2018 to 2020
5	Deqing County Municipal Engineering Co., Ltd.		100.00	From 2018 to 2020
6	Deqing City Investment Development Co., Ltd.		100.00	From 2018 to 2020
7	Deqing County Zhonghui Property Brokerage Co., Ltd.		100.00	From 2018 to 2020
8	Deqing Chunhui Real Estate Development Co., Ltd.		100.00	From 2018 to 2020
9	Deqing County City Assets Management Co., Ltd.		100.00	From 2018 to 2020
10	Deqing Construction Development Group Parking Management Co., Ltd.		100.00	From December 2018 to 2020
11	Zhejiang Deqing Zhixin Information Technology Co., Ltd.		60.00	From July 2020 to December 2020
12	Deqing jinruida Investment Management Co., Ltd.		51.39	From March 2019 to 2020
13	Deqing County Market Management Co., Ltd.		100.00	From November 2018 to 2020
14	Deqing County Water Service Co., Ltd.		100.00	From 2018 to 2020
15	Deqing County Water Department Plumbing Co., Ltd.		100.00	From 2018 to 2020
16	Deqing Xingyuan Municipal Engineering Co., Ltd.		100.00	From 2018 to 2020
17	Deqing County Hengfeng Sewage Treatment Co., Ltd.		100.00	From 2018 to 2020
18	Deqing County Construction Investment Co., Ltd.	100.00		From 2018 to 2020
19	Deqing Weili Housing Development Co., Ltd.		100.00	From 2018 to 2020
20	Deqing County Yong'an Construction and Development Co., Ltd.		100.00	From 2018 to 2020
21	Deqing Yonghui Asset Management Co., Ltd.		100.00	From 2018 to 2020
22	Deqing Boshi Tourism Development Co., Ltd.		100.00	From August 2018 to 2020
23	Deqing Borui Engineering Project Management Co., Ltd.		100.00	From August 2018 to 2020

Sequence number	Name of Subsidiaries	Proportion of ownership interest (%)		Combination Period
		Direct	Indirect	
24	Deqing Boxin Tourism Development Co., Ltd.		100.00	From April 2019 to 2020
25	Deqing Boheng Real Estate Co., Ltd.		70.00	From April 2020 to December 2020
26	Deqing Digital City Information Technology Co., Ltd.	100.00		From 2018 to 2020
27	Deqing County Urban and Rural Surveying and Mapping Institute Co., Ltd.	100.00		From 2018 to 2020
28	Deqing Yueda Municipal Facilities Products Co., Ltd.	80.00	20.00	From 2018 to 2020
29	Deqing Automobile Network Intelligent Industrial Development Co., Ltd.	100.00		From October 2019 to 2020

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

(b) Change of the scope of consolidation

The newly incorporated subsidiaries in 2018 are as follows:

Sequence Number	Name of Subsidiaries	Reason of incorporation
1	Deqing County City Assets Management Co., Ltd.	Business combination under common control
2	Deqing County Market Management Co., Ltd.	Newly established
3	Deqing Hui'an Real Estate Co., Ltd.	Division
4	Deqing Boshi Tourism Development Co., Ltd.	Newly established
5	Deqing Borui Engineering Project Management Co., Ltd.	Newly established
6	Deqing Construction Development Group Parking Management Co., Ltd.	Newly established

The subsidiaries not consolidated in 2018 are as follows:

Sequence Number	Name of Subsidiaries	Reason of incorporation
1	Deqing Zhongda Real Estate Surveying and Mapping Co., Ltd.	Cancellation

The newly incorporated subsidiaries in 2019 are as follows:

Sequence Number	Name of Subsidiaries	Reason of incorporation
1	Deqing Jinruida Investment Management Co., Ltd.	Newly established
2	Deqing County Water Service Co., Ltd.	Business combination under common control
3	Deqing County Water Department Plumbing Co., Ltd.	Business combination under common control
4	Deqing Xingyuan Municipal Engineering Co., Ltd.	Business combination under common control
5	Deqing County Hengfeng Sewage Treatment Co., Ltd.	Business combination under common control
6	Deqing Boxin Tourism Development Co., Ltd.	Newly established
7	Deqing Automobile Network Intelligent Industrial Development Co., Ltd.	Newly established

The subsidiaries not consolidated in 2019 are as follows:

Sequence Number	Name of Subsidiaries	Reason of incorporation
1	Deqing Hui'an Real Estate Co., Ltd.	Loss of control

The newly incorporated subsidiaries in 2020 are as follows:

Sequence Number	Name of Subsidiaries	Reason of incorporation
1	Zhejiang Deqing Zhixin Information Technology Co., Ltd.	Newly established
2	Deqing Boheng Real Estate Co., Ltd.	Newly established

The subsidiaries not consolidated in 2020 are as follows:

Sequence Number	Name of Subsidiaries	Reason of incorporation
1	Deqing Jierui Information Technology Co., Ltd.	Cancellation

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

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Basis of Preparation

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

Ministry of Finance of PRC").

2.2 Going Concern

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

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

3.1 Statement of Compliance with the Accounting Standards for Business Enterprises

The financial statements prepared by the Company meet the requirements of the Accounting Standards for Business Enterprises and truly and completely reflect the Company's financial position as at 31 December 2019, and its operating results, cash flows and other related information for the year then ended.

3.2 Accounting Period

The accounting year of the Company is from January 1 to December 31 in calendar year. The accounting period of this report is from 1 January 2018 to 31 December 2020.

3.3 Operating Cycle

The normal operating cycle of the Company is one year.

3.4 Functional Currency

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

The Company's overseas subsidiaries choose the currency of the primary economic environment in which the subsidiaries operate as the functional currency.

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

(a) Business combinations under common control

The assets and liabilities that the Company obtains in a business combination under common control shall be measured at their carrying amount of the acquired entity at the combination date. If the accounting policy adopted by the acquired entity is different from that adopted by the acquiring entity, the acquiring entity shall, according to accounting policy it adopts, adjust the relevant items in the financial statements of the acquired party based on the principal of materiality. As for the difference between the carrying amount of the net assets obtained by the acquiring entity and the carrying amount of the consideration paid by it, the capital reserve shall be adjusted. If the capital reserve is not sufficient to be offset, the retained earnings shall be adjusted.

The accounting treatment of business combinations under common control through step-by-step transactions, please refer to *Note 3.6 (f) Accounting for Special Transactions*.

(b) Business combinations not under common control

The assets and liabilities that the Company obtains in a business combination not under common control shall be measured at their fair value at the acquisition date. If the accounting policy adopted by the acquired entity is different from that adopted by the acquiring entity, the acquiring entity shall, according to accounting policy it adopts, adjust the relevant items in the financial statements of the acquired entity based on the principal of materiality. The acquiring entity shall recognize the positive balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquired entity as goodwill. The acquiring entity shall, pursuant to the following provisions, treat the negative balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquired entity:

(i) It shall reexamine the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities it obtains from the acquired entity as well as the combination costs;

(ii) If, after the reexamination, the combination costs are still less than the fair value of the identifiable net assets it obtains from the acquired entity, the balance shall be recognized in profit or loss of the reporting period.

(iii) The accounting treatment of business combinations not under common control through step-by-step transactions, please refer to *Note 3.6 (f) Accounting for Special Transactions*.

(c) Accounting treatment of transaction costs in business combinations

Intermediary expenses such as auditing, legal services, evaluation and consulting, and other related administrative expenses incurred for the business consolidations shall be included in the current profits or losses. The transaction costs of equity securities or debt securities issued as a consolidation consideration shall be included in the initial recognition amount of equity securities or debt securities.

3.6 Method of Preparing the Consolidated Financial Statements

(a) Scope of consolidation

The scope of consolidated financial statements shall be determined on the basis of control.

It not only includes subsidiaries determined based on voting power (or similar) or other arrangement, but also structured entities under one or several contract arrangements.

Control exists when the Company has all the following: power over the investee; exposure, or rights to variable returns from the Company's involvement with the investee; and the ability to use the Company's power over the investee to affect the amount of the investor's returns. Subsidiaries are the entities that the Company has the power to govern (including enterprise, a divisible part of the investee, and structured entity controlled by the enterprise). A structured entity (sometimes called a Special Purpose Entity) is an entity designed not determining its controlling party based on the voting power (or similar).

(b) The special regulations about the parent company being an investment subject

If the parent company is an investment subject, only those subsidiaries that provide relevant services for the investment activities of the investment subject shall be included in the consolidation scope. Other subsidiaries are not be consolidated. The equity investors of the subsidiaries that are not included in the consolidation scope will be recognized as financial assets at fair value through profit or loss.

When the parent company satisfies the following conditions at the same time, the parent company is an investment subject:

(i) The purpose of the Company is to provide investment management services to investors and obtain funds from one or more investors.

(ii) The Company's sole operating purpose is to allow investors to obtain returns through capital appreciation, investment income or both.

(iii) The Company measures and evaluates the performance of almost all investments based on fair value.

When the parent company transforms from a non-investment subject to an investment subject, except that the preparation of consolidated financial statements by including only subsidiaries that provide relevant services for its investment activities within the consolidated financial statements, the other subsidiaries of the Company will not be consolidated from the date of transform, and refer to the principle of partially disposing the subsidiary's equity without losing the control right.

When the parent company transforms from an investment subject to a non-investment subject, Subsidiaries not previously included in the consolidated financial statements shall be included in the consolidated financial statements on the date of transforms, the fair value of a subsidiary not previously included in the consolidated financial statements shall be regarded as the transaction consideration of the purchase at the date of transforms, according to accounting treatment of business combinations not under common control for processing.

(c) Method of preparing the consolidated financial statements

The consolidated financial statements shall be prepared by the Company based on the financial statements of the Company and its subsidiaries and using other related information.

When preparing consolidated financial statements, the Company shall consider the entire group as an accounting entity, adopt uniform accounting policies and apply the requirements of Accounting Standard for Business Enterprises related to recognition, measurement and presentation. The consolidated financial statements shall reflect the overall financial position, operating results and cash flows of the group.

(i) Combine items of assets, liabilities, owner's equity, income, expenses and cash flows of the Company with those of the Company's subsidiaries.

(ii) Offset the carrying amount of the Company's long-term equity investment in the subsidiaries and the Company's share of owner's equity of the subsidiaries.

(iii) Eliminate the impact of intragroup transactions between the Company and the subsidiaries or between subsidiaries, and when intragroup transactions indicate an impairment of related assets, the losses shall be recognized in full.

(iv) Make adjustments to special transactions from the perspective of the group.

(d) Method of preparation of the consolidated financial statements when subsidiaries are acquired or disposed in the reporting period

(i) Addition of subsidiaries or business

Addition of subsidiaries or business through business combination under common control

When preparing consolidated statements of financial position, the beginning balance of the consolidated balance sheet shall be adjusted. Related items of comparative financial statements shall be adjusted as well, deeming that the combined entity has always existed ever since the ultimate controlling party began to control.

Incomes, expenses and profits of the subsidiary incurred from the beginning of the reporting period to the end of the reporting period shall be included into the consolidated statement of profit or loss. Related items of comparative financial statements shall be adjusted as well, deeming that the combined entity has always existed ever since the ultimate controlling party began to control.

Cash flows from the beginning of the reporting period to the end of the reporting period shall be included into the consolidated statement of cash flows. Related items of comparative financial statements shall be adjusted as well, deeming that the combined entity has always existed ever since the ultimate controlling party began to control.

Addition of subsidiaries or business through business combination not under common control

When preparing the consolidated statements of financial position, the beginning balance of the consolidated statements of financial position shall not be adjusted.

Incomes, expenses and profits of the subsidiary incurred from the acquisition date to the end of the reporting period shall be included into the consolidated statement of profit or loss.

Cash flows from the acquisition date to the end of the reporting period shall be included into the consolidated statement of cash flows.

(ii) Disposal of subsidiaries or business

When preparing the consolidated statements of financial position, the beginning balance of the consolidated statements of financial position shall not be adjusted.

Incomes, expenses and profits incurred from the beginning of the subsidiary to the disposal date shall be included into the consolidated statement of profit or loss.

Cash flows from the beginning of the subsidiary to the disposal date shall be included into the consolidated statement of cash flows.

(e) Special consideration in consolidation elimination

(i) Long-term investment held by the subsidiaries to the Company shall be recognized as treasury stock of the Company, which is offset with the owner's equity, represented as "loss: treasury stock" under owner's equity in the statement of financial position.

Investment held by subsidiaries between each other is accounted for taking long-term investment held by the Company to its subsidiaries as reference. That is, the long-term investment is eliminated with the share of the corresponding subsidiary's equity.

(ii) Due to not belonging to paid-in capital and capital reserve, and being different from retained earnings and undistributed profit, "Special provision" and "General risk provision" shall be recovered at the share of the parent after long-term investment to the subsidiaries is eliminated with the subsidiaries' equity.

(iii) If temporary timing difference between the book value of the assets and liabilities in the consolidated balance sheet and their tax basis is generated as a result of unrealized inter-company transaction profit or loss elimination, deferred tax assets of deferred tax liabilities shall be recognized, and adjusting income expense simultaneously, excluding deferred taxes related to transactions or events recognized in owner's equity or business combination.

(iv) Unrealized inter-company transactions profit or loss generated from the Company selling assets to its subsidiaries shall be eliminated with "net profit attributed to the owners of the parent company" in full. Unrealized inter-company transactions profit or loss generated from the subsidiaries selling assets to the Company shall be eliminated with "net profit attributed to the owners of the parent company" and "non-controlling interests" pursuant to the proportion that the related subsidiaries distribute to the Company. Unrealized inter-company transactions profit or loss generated from the assets sales between the subsidiaries shall be eliminated with "net profit attributed to the owners of the parent company" and "non-controlling interests" pursuant to the proportion that the selling subsidiaries distribute to the Company.

(v) If loss attributed to the minority shareholders of a subsidiary in current period is more than the minority shareholders' share of this subsidiary's owner's equity at the beginning of the period, non-controlling interest is still written down.

(f) Accounting for Special Transactions

(i) Purchasing of non-controlling interests

Where, the Company purchases non-controlling interests of its subsidiary, in the individual financial statements of the Company, the cost of the long-term investment obtained in purchasing non-controlling interests is measured at the fair value of the consideration paid. In the consolidated financial statements, difference between the cost of the long-term investment newly obtained in purchasing non-controlling interests and share of the subsidiary's net assets from the purchasing date or combination date continuingly calculated pursuant to the newly acquired shareholding proportion shall be adjusted in capital reserve (capital premium or share premium). If capital reserve is not enough to be offset, surplus reserve and undistributed profit shall be offset in turn.

(ii) Gaining control over the subsidiary in stages through multiple transactions

Business combination under common control in stages through multiple transactions

At the combination date, preliminary cost of the long-term investment is determined according to the share of book value of the acquiree's net assets in the ultimate controlling entity's consolidated financial statements calculated at the accumulated shareholding percentage. The difference between the preliminary cost of the long-term investment and the carrying amount of the long-term investment prior of control is gained plus book value of additional consideration paid at consolidation date is adjusted in capital reserve (capital premium or share premium). If the capital reserve (capital premium or share premium) is not enough to be offset, surplus reserve and undistributed profit shall be offset in turn.

In the consolidated financial statements, the assets and liabilities of the combined party acquired by the combining party in the merger, except for adjustments due to different accounting principles, they shall be measured pursuant to their carrying amount in the consolidated financial statements of the final control party on the date of consolidation; The sum of the book value of the investment held before merger plus the book value of the consideration paid by the merger on a daily basis, as for the difference between the book value of the net assets obtained in the merger, the capital reserve shall be adjusted. If the capital reserve is not sufficient to be offset, the retained earnings shall be adjusted.

If the acquiring entity holds equity investment in the acquired entity prior of the combination date and the equity investment is accounted for on equity method, related income or loss, other comprehensive income and other equity movement which have been recognized during the period form the later of the date of the Company obtaining original equity interest and both the acquirer and the acquiree being common controlled by the same ultimate controlling entity to combination date should be offset with the retained earnings at the beginning of the period of the comparative financial statements.

Business combination not under common control in stages through multiple transactions

In individual financial statements, equity investment is always recognized as long-term investment in each transaction prior of the combination date, and the preliminary cost of the investment is determined according to the fair value of the consideration paid.

In the consolidated financial statements, the share of the acquired entity's equity held prior of the acquisition date shall be re-measured at its fair value at the acquisition date. Difference between the fair value of the equity share and its book value is recognized as investment income. If other comprehensive income was recognized concerning the equity interest held prior of the acquisition date, the other comprehensive income should be transferred to investment income of reporting period which the acquisition belongs to, excluding other comprehensive income recognized due to the movement of net assets or net liabilities under the circumstances of beneficiary plan being re-defined. The Company shall disclose in the note the fair value at the acquisition date of the equity interest held by it prior of the acquisition date, and the amount of related gains or losses due to re-measurement at fair value.

(iii) Disposing investment in subsidiaries with no controlling right lost

For partial disposal of the long-term investment in the subsidiaries with no controlling right lost, when the Company prepares consolidated financial statements, difference between consideration received for the disposal and the corresponding subsidiary's net assets continuingly calculated from the acquisition date or combination date shall be adjusted in capital reserve (capital premium or share premium). If the balance of capital reserve is not enough, retained earnings shall be adjusted.

(iv) Disposing investment in subsidiaries with controlling right lost

Disposal through one transaction

For partial disposal of the long-term investment in the subsidiaries with controlling right lost, when the Company prepares consolidated financial statements, the remaining equity interest shall be re-measured at its fair value at the date when the controlling right is lost.

Consideration received for disposal of the equity interest, plus the fair value of the remaining equity interest, minus share of the former subsidiary's net assets continuingly calculated from the acquisition date or combination date, shall be recognized in investment income of the period when the controlling right is lost.

Moreover, other comprehensive income and other equity movement related to the equity investment in the original subsidiary shall be transferred to investment income of the consolidation date, excluding other comprehensive income recognized due to the movement of net assets or net liabilities under the circumstances of beneficiary plan being re-defined.

Disposal in stages

In business combination, first of all, disposal in stages should be assessed whether they should be classified as "a package deal".

If the disposal in stages should not be classified as "a package deal", in the individual financial statements, the transaction before the loss of control of the subsidiary shall be carried forward to the book value of the long-term equity investment corresponding to each disposal of the equity, and the difference between the proceeds and the book value of the disposal of the long-term equity investment shall be booked into the current investment income; In the consolidated financial statements, it should be accounted for according to related policy in "Disposing investment in subsidiaries with no controlling right lost".

If the disposal in stages should be classified as "a package deal", these transactions should be considered as a single transaction and accounted for according to related policy in "Disposing investment in subsidiaries with controlling right lost". In the individual financial statements, for transactions prior of the date when controlling right is lost, difference between consideration received and share of corresponding subsidiary's net assets is recognized as other comprehensive income in the consolidated financial statements, which as a whole is recognized as profit or loss when the controlling right is lost. In the consolidated financial statements, for transactions prior of the date when controlling right is lost, difference between consideration received and share of corresponding subsidiary's net assets is recognized as other comprehensive income in the consolidated financial statements, which as a whole is recognized as profit or loss when the controlling right is lost.

If one or more of the following situations exist in trade terms, conditions and economic effect, the multiple transactions are usually accounted for as "a package deal":

- These transactions are made at the same time or under the condition of considering the influence of each other.
- These transactions as a whole can achieve a complete business result.

- The occurrence of one transaction depends on occurrence of at least another transaction.
- One transaction is not economic when considered separately, but economic when considered together with other transactions.

(v) Diluting equity share of parent company in its subsidiaries due to additional capital injection by the subsidiaries' minority shareholders.

Other shareholders (minority shareholders) of the subsidiaries inject additional capital in the subsidiaries, which resulted in the dilution of equity interest of parent company in these subsidiaries. In the consolidated financial statements, difference between share of the corresponding subsidiaries' net assets calculated based on the parent's equity interest before and after the capital injection shall be adjusted in capital reserve (capital premium and share premium). If the balance of capital reserve is not enough, retained earnings should be adjusted.

3.7 Classification of Joint Arrangements and Accounting for Joint Operation

A joint arrangement is an arrangement of which two or more parties have joint control. A joint arrangement of the Company is classified as either a joint operation or a joint venture.

(a) Joint operation

A joint operation is a joint arrangement whereby the joint operators have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Company shall recognize the following items in relation to its interest in a joint operation, and account for them in accordance with relevant accounting standards:

(i) its solely held assets, and its share of any assets held jointly;

(ii) its solely assumed liabilities, and its share of any liabilities incurred jointly;

(iii) its revenue from the sale of its share of the output arising from the joint operation;

(iv) its share of the revenue from the sale of the output by the joint operation; and

(v) its solely incurred expenses, and its share of any expenses incurred jointly.

(b) Joint venture

A joint venture is a joint arrangement whereby the joint ventures have rights to the net assets of the arrangement.

The Company accounts for its investment in the joint venture by using the long-term equity investment equity method.

3.8 Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits with banks and other financial institutions. Cash equivalents include short-term (generally within three months of maturity at acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

3.9 Foreign Currency Transactions and Foreign Currency Financial Statements Translation

(a) Selection of foreign exchange rate when foreign currency transactions occur

Foreign currency transactions are converted into reporting currency at spot exchange rates prevailing on the day when the transactions occur or the exchange rate similar to the spot exchange rate on the date of transaction determined in a systematic and reasonable way (hereinafter referred to as the approximate spot exchange rate).

(b) Translation of foreign currency monetary items on the balance sheet date

On the balance sheet date, foreign currency monetary items shall be converted at the spot rates prevailing on the balance sheet date. Foreign exchange difference resulted from the difference of the spot rates prevailing on the balance sheet date and the spot rates prevailing on the day when the transactions occur or the sport rate prevailing on the last balance sheet date is recognized as profit or loss of the reporting period. For foreign currency non-monetary items measured at historical cost, the spot exchange rate on the transaction date shall still be used for translation; For foreign currency non-monetary items measured at fair value, the spot exchange rate on the fair value determination date shall be used for translation, and the difference between the converted amount of the functional currency and the original functional currency is included in the current profit and loss.

(c) Foreign currency financial statements translation

Before translating the financial statements of foreign entities, the accounting period and accounting policy shall be adjusted so as to conform to that of the Company. The adjusted foreign entities' financial statements shall be converted in accordance with the following method:

(i) The asset and liability items in the statement of financial position shall be converted at the spot exchange rates prevailing on the balance sheet date. The owners' equity items except "retained earnings" shall be converted at the spot exchange rates on the occurrence date.

(ii) The income and expense items in the statement of profit and other comprehensive income shall be converted at the spot exchange rates on the occurrence date or other approximate exchange rate.

(iii) Foreign currency cash flows and foreign entity's statement of cash flows shall be converted at the spot exchange rate on the occurrence date or other approximate exchange rate. Effect on cash due to exchange rate fluctuation shall be presented separately in the statement of cash flows as an adjustment item.

(iv) The differences arising from the conversion of financial statements denominated in foreign currency in compliance with the aforesaid principle shall be presented separately as "other comprehensive income" under the owners' equity of the consolidated statement of financial position.

When disposing of overseas operation and losing control, the foreign currency statements translation difference related to the overseas operation listed under the owner's equity item in the statement of financial position shall be transferred to the current profit or loss of the disposal of the overseas operation in full or in proportion to the disposal of the overseas operation.

3.10 Financial Instruments

(a) Classification of financial assets

(i) Financial assets at fair value through profit or loss

This category comprises financial assets defined as held for trading, or those designated as at fair value through profit or loss. The former mainly includes shares, bonds, funds, and derivative financial instruments investment that are not designated effective hedging instruments that are acquired principally for the purpose of sale in the near future. Such financial assets are initially recognized at fair values when acquired. Relevant transaction expenses are included in the current profit or loss. Cash dividends that have been declared but not distributed and bond interests that have matured but not been drawn included in the consideration paid are recognized as receivables separately. The interests or cash dividends to be received during the holding period are recognized as investment income. On the balance sheet date, this category of financial assets is measured at fair value and change in fair values is included in the current profit or loss. Difference between the fair value and initial measurement amount is recognized as investment income upon disposal; meanwhile, gains or losses from changes in fair values are written-off.

(ii) Held-to-maturity investments

This category of financial assets comprises non-derivative financial assets with fixed or determinable payments and fixed maturity, other than loans and receivables, for which there is a positive intention and ability to hold to maturity. Held-to-maturity investments are initially measured at fair values plus the related transaction costs when acquired. Bond interests that have matured but not been drawn included in the consideration paid is recognized as a receivable separately. The interest income calculated at amortization cost and effective interest rate during the holding period is recognized as investment income. The difference between the amount received and the book value of the investment is included in the investment profit or loss upon disposal.

(iii) Receivables

Receivables include accounts receivable, other receivables, notes receivable and prepayments, etc. Receivables arise from external sales of goods or rendering of service by the Company. They are recognized initially at the contract price or agreement price receivable from the purchasing party.

(iv) Available-for-sale financial assets

This category of financial assets comprises those financial assets that cannot be classified as financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables. Available-for-sale financial assets are initially recognized at fair values plus the related transaction costs when acquired. Cash dividends that have been declared but not distributed and bond interests that have matured but not been drawn included in the consideration paid are recognized as receivables separately. The interests or cash dividends to be received during the holding period are recognized as investment income.

If the available-for-sale financial assets are foreign currency monetary financial assets, the exchange gains and losses arising therefrom shall be included in the profits and losses of the current period. Interest on available-for-sale debt instrument investments calculated using the actual interest rate method is included in profit or loss for the current period. The cash dividends of available-for-sale equity instrument investments are included in the current profit or loss when the investee declares the distribution of dividends. It is measured at fair value at the end of the period and change in fair value is included in other comprehensive income at the end of the period. The difference between the amount received and the book value of the financial asset is included in the investment profit or loss upon disposal. Meanwhile, the corresponding accumulated change in fair value recognized in other comprehensive income is transferred into investment profit or loss.

(b) Classification of financial liabilities

(i) Financial liabilities at fair value through profit or loss

This category of financial liabilities comprises financial liabilities that are defined as held for trading, or those that are designated as at fair value through profit or loss. This category of financial liabilities is initially measured at fair value. Relevant transaction costs are included in the current profit or loss. On the balance sheet date, change in fair values is included in the current profit or loss.

(ii) Other financial liabilities

Other financial liabilities are those financial liabilities excluding financial liabilities at fair value through profit or loss.

(c) Reclassification of financial assets

An investment will be reclassified as available-for-sale if, as a result of a change in intention or ability, it fails to meet the requirements for classification as held-to-maturity. After the reclassification, it will be subsequently measured at fair value. If the held-to maturity investment is partially disposed, or a large part of it has been reclassified, and not included in the exceptions illustrated in provision 16 of "Enterprise and business accounting standards No.22-Recognition and measurement of financial instruments", as a result of which, the remaining of the investment fails to meet the requirements for classification as held-to-maturity, any remaining held-to-maturity investments should also be reclassified as available-for-sale, and subsequently measured at fair value. However, it is prohibited that the above available-for-sale is reclassified back to held-to-maturity within current fiscal year and the following two fiscal years.

On the date of reclassification, difference between carrying value of the investment and its fair value is recorded in other comprehensive income, which shall be transferred out and recognized as profit or loss upon incurrence of impairment or de-recognition of the investment.

Due to changes in holding intention or ability, or the fair value can no longer can be reliably measured, or the held-to-maturity investment is reclassified as available-for-sale financial assets and the holding period has exceeded two complete accounting years, the financial assets are not when it isagain suitable to be measured at fair value, the Company will change available-for-sale of financial assets to be measured at cost or amortized cost. Cost or amortized cost is the fair value or book value of the financial asset on the reclassification date.

If the financial asset has a fixed maturity date, the gain or loss related to the financial asset that was directly included in other comprehensive income shall be amortized by the effective interest rate method during the remaining period of the financial asset and recorded into the current profit and loss; The difference between the amortized cost of the financial asset and the amount at maturity shall be amortized by the effective interest rate method during the remaining period of the financial asset and recorded into the current profit and loss. If there is no fixed maturity date for the financial asset, the gains or losses related to the financial asset that were directly recorded in other comprehensive income will remain in the owner's equity, and will be transferred out when the financial asset is disposed of and recorded in the current profit or loss.

(d) Classification of financial liabilities and equity instruments

Except for special situation, financial liabilities and equity instrument should be classified in accordance with the following principles:

(i) If the Company has no unconditional right to avoid delivering cash or another financial instrument to fulfill a contractual obligation, this contractual obligation meets the definition of financial liabilities. Some financial instruments do not comprise terms and conditions related to obligations of delivering cash or another financial instrument explicitly, they may include contractual obligation indirectly through other terms and conditions.

(ii) If a financial instrument must or may be settled in the entity's own equity instruments, it should be considered that the entity's own equity instruments are alternatives of cash or another financial instrument, or to entitle the holder of the equity instruments to sharing the remaining rights over the net assets of the issuer. If the former is the case, the instrument is a liability of the issuer, otherwise, it is an equity instrument of the issuer. Under some circumstances, it is regulated in the contract that the financial instrument must or may be settled in the entity's own equity instruments, where, amount of contractual rights and obligations are calculated by multiplying the number of the equity instruments to be available or delivered by its fair value upon settlement. Such contacts shall be classified as financial liabilities, regardless that the amount of contractual rights and liabilities is fixed or fluctuate totally or partially with variables (such as the interest rate, the price of a good or a financial instrument) other than market price of the entity's own equity instruments.

(e) Transfer of Financial Assets

Transfer of financial assets include below situations:

- The contractual rights to receive cash flows from the asset are transferred to another entity; or
- The financial assets are totally or partially transferred to another entity, while the rights to receive cash flows from the asset or obligations to pay the received cash flows to one or several payees are retained.

Cease to confirm the transferred financial assets

The financial assets should be derecognized if the Company has transferred substantially all the risks and rewards of the asset, or the Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When judging whether control of the asset has been transferred or not, the Company shall lay emphasis on the transferee's substantial capability to sell the financial asset. If the transferee itself can sell the financial asset as a whole to a third party that has no any relationship with it, without any restrictions on this sale through supplemental terms, it is shown that the control of the asset has been given up.

The principle of substance over form is adopted to determine whether the transfer of a financial asset satisfies the criteria described above for derecognition of a financial asset.

If the entire transfer of financial asset satisfies the criteria for derecognition, the difference between the amounts of the following two items shall be included in the current profit or loss:

- The book value of the transferred financial asset;
- The sum of the consideration received from the transfer and the accumulated amount of the changes in fair value originally and directly included in owners' equity (where the financial asset transferred is an available-for-sale financial asset).

If the partial transfer of financial asset satisfies the criteria for derecognition, the entire book value of the transferred financial asset shall be split into the derecognized and recognized part according to their respective fair value and the difference between the amounts of the following two items shall be included in the current profit or loss:

- The book value of derecognized part;
- The sum of the consideration for the derecognized part and the portion of derecognition corresponding to the accumulated amount of the changes in fair value originally and directly included in owners' equity (where the financial asset transferred is an available-for-sale financial asset).

Continue to involve the transferred financial assets

If the transfer of financial assets does not meet the derecognition criteria, the financial assets shall continue to be recognized, and the consideration received will be recognized as a financial liability.

The extent to which the transferred financial assets continue to be involved refers to the level of risk the enterprises are exposed to due to the changes in the value of the financial assets.

Continue to confirm the transferred financial assets

If the ownership of the transferred financial asset still retains almost all the risks and rewards, the entire transferred financial asset shall continue to be recognized, and the consideration received will be recognized a financial liability.

The financial assets and confirmed related financial liabilities shall not offset each other. In the subsequent accounting period, the Company should continue to confirm the income generated by the financial assets and the expenses incurred by the financial liabilities. If the transferred financial assets are measured at amortized cost, the related liabilities that are recognized may not be designated as financial liabilities at fair value through profit or loss.

(f) Derecognition of financial liability

A financial liability shall be totally or partly derecognized if its present obligations are totally or partly dissolved.

If the assets to be used to settle a financial liability is transferred to another institute or establish a trust, where the present obligations still exist, either the financial liability or the assets transferred shall not be derecognized.

Where the Company enters into an agreement with a creditor so as to substitute the existing financial liabilities with any new financial liability, and the new financial liability is substantially different from the contractual stipulations regarding the existing financial liability, it shall derecognize the existing financial liability, and shall at the same time recognize a new financial liability.

Where substantial revisions are made to some or all of the contractual stipulations of the existing financial liability, the Company shall derecognize the existing financial liability totally or partly, and at the same time recognize the financial liability with revised contractual stipulations as a new financial liability.

Upon total or partial derecognition of financial liabilities, the difference between the book value of the financial liabilities derecognized and the consideration paid (including non-cash assets surrendered or new financial liabilities assumed) shall be included in the current profit or loss.

(g) Offsetting financial assets and liabilities

Financial assets and liabilities shall be presented separately in the statement of financial position and shall not be offset. However, they shall be presented on a net basis after offset if the following criteria are both satisfied.

(i) The Company has a legal right to offset the recognized amounts, and the right is executable at present; and

(ii) The Company has an intention to settle on a net basis or liquidate the asset and settle the liability simultaneously.

Asset transfer that does not satisfy the criteria for derecognition of this asset, the transferor shall not offset the asset and the liability.

(h) Impairment testing and impairment provision of financial assets

(i) Objective evidence for the impairment of the financial assets

- The issuer or debtor encounters serious financial difficulties;
- The debtor violates the terms of contract, for example, it cannot repay the interest or the principal of the loan on schedule;
- The creditor makes concessions to the debtor in financial difficulties from the respect of economy or law;
- The creditor is possible to bankrupt or execute other financial restructuration;
- The financial asset is no longer traded in the active market since the issuer encounters significant financial difficulties;

- It is unrecognizable whether cash flows from an asset in one group of financial assets has Decreased, however, it is identifiable that the estimated future cash flows of the group of financial assets has Decreased and measurable since they are initially recognized through overall assessment on them on the basis of public data;
- The debtor's technological, market, economic or legal environment encounters significant unfavorable change, as a result of which investment cost may not be recovered;
- A serious or prolonged decline in the fair value of equity instrument; and
- Other objective evidence that indicate impairment of financial assets.

(ii) Impairment provision of the financial assets (excluding receivables)

Financial assets measured at amortized cost

If there is objective evidence that the financial asset is impaired, the carrying amount of the financial asset shall be written down to the present value of its expected future cash flows (excluding future credit loss that have not occurred), the amount written down shall be recognized as impairment loss in current profit or loss.

The present value of the estimated future cash flows is determined by discounting at the original effective rate of the financial asset, considering the value of related guaranty (deducting expense incurred for obtaining or selling this guaranty). The original effective rate is the effective rate calculated when the financial asset is initially recognized. For the financial asset with variable interest rates, the current effective interest rate as stipulated in the contract may be used as the discount rate in calculating the present value of future cash flows.

The Company was carried out on the amortized cost measurement of financial assets impairment test, the amount is greater than or equal to CNY1 million of financial assets as a single large sum of financial assets, under this standard as a single amount is not significant financial assets.

The Company shall conduct impairment tests on a single financial asset with a significant amount separately. If there is objective evidence that such asset has experienced impairment, the impairment loss shall be recognized and recorded into the current profit and loss; For single amount is not significant financial assets, impairment test alone or include in combination of financial assets with similar credit risk characteristics in the impairment test.

Separately test the financial assets that have not suffered any impairment (including the financial assets with significant or insignificant amount of a single item), including conducting a further impairment test in the financial asset portfolio with similar credit risk characteristics; Financial assets that have recognized impairment losses separately shall not be included in the impairment test of financial asset portfolios with similar credit risk characteristics.

After the Company recognizes the impairment loss of a financial asset measured at the amortized cost, if there is objective evidence that the value of the financial asset has been restored and is objectively related to the events occurred after the recognition of the loss, the previously recognized impairment loss will be reversed and recorded into the current profit and loss. However, the carrying value after the reversal does not exceed the amortized cost of the financial asset on the day of the reversal assuming no provision for impairment.

Impairment provision of available-for sale financial assets

When recognizing impairment loss, the cumulative loss due to decreases in fair value shall be removed from equity to profit or loss. After impairment loss related to an available-for-sale debt instrument has been recognized, interest income of the instrument is calculated at the discount rate used in determining present value of the future cash flows when calculating impairment provision of the instrument.

If, in a subsequent period, the carrying amount of available-for-sale debt instruments investments increases and the increase is related objectively to an event occurring after the impairment was recognized, the previously recognized impairment losses are reversed, and included in current profit or loss. The impairment losses of available-for-sale equity instruments cannot be reversed through profit or loss.

(i) Method of determining the fair value of financial assets and financial liabilities

Method of determining the fair value of financial assets and financial liabilities, please refer to *Note 3.11 Measured at fair value*.

3.11 Measured at fair value

Fair value refers to the price that market participants can receive from the sale of an asset or pay for the transfer of a liability in an orderly transaction that occurs on the measurement date.

The Company determines fair value of the related assets and liabilities based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The Company using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The principal market refers to the market with the largest trading volume and the highest trading activity of related assets or liabilities; The most advantageous market refers to the market that can sell related assets for the maximum amount or transfer related liabilities for the minimum amount after considering transaction costs and transportation costs.

Where there are financial assets or financial liabilities in an active market, the Company shall determine their fair value by quoting from the active market. If there is no active market for financial instruments, the Company shall use valuation technology to determine their fair value.

At fair value measurement of financial assets, the ability of a market participant to generate economic benefits by using the asset for the best use, or by selling the asset to another market participant who can use it for the best use, is taken into account.

- Valuation techniques

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, including the market method, the revenue method and the cost method. The Company uses fair value measurement in accordance with one or more of the valuation techniques to measure fair value. When using various techniques to measure fair value, the Company shall consider the reasonableness of each valuation result and select the most representative the amount of fair value as the fair value.

In the application of valuation techniques, the Company will give priority to the relevant observable inputs and only use unobservable inputs if the relevant observable inputs cannot be obtained or made impracticable. Observable inputs can be acquired from the market data, which reflect the assumptions used by market participants in pricing the underlying assets or liabilities. Unobservable inputs cannot be acquired form the market data, but it is based on the best available information from market participants on the assumptions used in pricing the underlying asset or liability.

- Fair value hierarchy

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

3.12 Receivables

(a) Receivable with individually significant balance and recognized provision for

bad debts individually

Assessment basis or standard of amount individually significant: The amounts of accounts receivable over CNY100 million and other receivables over CNY500 million is assessed individually significant.

Method of provision for bad debts of receivables that are individually significant: After separate impairment test, if there is objective evidence of impairment, the impairment loss of receivables that are individually significant shall be measured at the difference between the individual receivable's carrying amount and the present value of estimated future cash flows, and shall be included in current profit or loss.

Where there is a small difference between the estimated future cash flows of the short-term accounts receivable and its present value, the estimated future cash flows may not be discounted when determining the related impairment losses.

(b) Receivables with provision for bad debts recognized on the basis of similar credit risk characteristics

Determine the basis of the portfolio:

Portfolio 1: According to the combination of credit risk characteristics after the combination of the smaller risk, a separate test does not indicate a significant impairment in receivables.

Portfolio 2: Remaining receivables excluding Portfolio 1.

Accrual method for bad debt provision by portfolio:

Portfolio 1: No provision for bad debts will be made due to very little possibility of bad debt losses

Portfolio 2: Aging analysis method.

The proportion of bad debt provision in the receivables portfolio of each aging section is as follows:

Aging	Proportion of provision for accounts receivable (%)	Proportion of provision for other receivables (%)
Within 1 year (including 1 year)	5.00	5.00
1 to 2 years	20.00	20.00
2 to 3 years	50.00	50.00
Over 3 years	100.00	100.00

(c) Receivables that are individually insignificant but with bad debt provided on an individual basis

For receivables that are individually insignificant with objective evidence of impairment, they shall be separated from relevant portfolios and separately assessed for impairment to recognize the impairment losses. Bad debts are provided at the difference between the present value of estimated future cash flows of the receivable and its carrying value.

3.13 Inventories

(a) Classification of inventories

Inventories refer to the finished products or commodities held by the Company for sale in the daily activities, the products in the production process, the materials and materials consumed during the production process or the provision of labor services, etc., including the raw materials, the development cost, product development, construction and so on.

(b) Measurement method of cost of inventories sold or used

The cost of inventories used or sold is determined on the weighted average (first in- first out or individual pricing method) basis.

Real estate development business is disclosed as follows:

Inventories mainly include stock materials, development products under construction, completed development products and development products intended for sale but temporarily rented. Inventory is initially measured at actual cost. The actual cost of product development includes land transfer cost, infrastructure expenditure, construction and installation project expenditure, borrowing expenses incurred before the completion of the development project and other related expenses in the development process. When product is developed and shipped, the actual cost is determined by individual pricing.

(c) Inventory system

The perpetual inventory system is adopted. The inventories should be counted at least once a year, and surplus and losses of inventory counting shall be included in current year profit and loss.

(d) Provision for impairment of inventory

Inventories are stated at the lower of cost and net realizable value. The excess of cost over net realizable value of the inventories is recognized as provision for impairment of inventory and recorded in profit or loss.

Net realizable value of the inventory should be determined on the basis of reliable evidence obtained, and factors such as purpose of holding the inventory and events occur after balance sheet date shall be considered.

(i) In normal operation process, for merchandise inventories for direct sale, including stock commodities and materials for sale, their net realizable values are determined at estimated selling prices less estimated selling expenses and relevant taxes and surcharges; for inventories held to execute sales contract or service contract, their net realizable values are calculated on the basis of contract price. If the quantities of inventories specified in sales contracts are less than the quantities held by the

Company, the net realizable value of the excess portion of inventories shall be based on general selling prices.

(ii) In the course of normal production and operation, the estimated price of the finished product shall be deducted from the estimated cost of the finished product, the estimated sales cost and the amount of the relevant taxes and fees to determine the net realizable value. If the net realizable value of the finished product is higher than the cost, the material is measured at cost. If the decrease of the material price indicates that the net realizable value of the finished product is lower than the cost, the material is measured on the net realizable value and is prepared according to its difference.

(iii) At the end of the period, provisions for inventory impairment are determined on an individual basis. For inventories with large quantity and low unit price, the provisions for inventory impairment are determined on a category basis.

(iv) If any factor rendering write-downs of the inventories has been eliminated, the amounts written down are recovered and reversed from the inventory impairment, which has been provided for. The reversed amounts are included into the current profit or loss.

(e) Amortization method of low-value consumables

(i) One-off writing off method is adopted in amortization of low-value consumables.

(ii) One-off writing off method is adopted in amortization of wrappages.

3.14 Assets Held for Sale

(a) Classification of non-current assets (or disposal groups) as held for sale

The Company classifies a non-current asset (or disposal group) as held for sale if the following requirements are met simultaneously:

(i) The asset or disposal group must be available for immediate sale in its present condition subject only to the terms that are usual and customary for sales of such asset components.

(ii) Its sale must be highly probable, i.e, the Company must be committed to a plan to sell the asset (or disposal group) and obtain definite purchase commitment, and the sale is expected to complete within one year.

When the Company acquires a non-current asset (or disposal group) exclusively with a view to its subsequent disposal, it shall classify the non-current asset (or disposal group) as held for sale at the acquisition date only if the one-year requirement is met and it is highly probable that any other criteria that are not met at that date will be met within a short period following the acquisition (usually within three months).

The Company that is committed to dispose its equity investment in a subsidiary which will lead to its loss of control of the subsidiary shall classify the investment as held for sale in the separate financial statements of the Company, and classify all the assets and liabilities of that subsidiary as held for sale in the consolidated financial statements of the group, when the above criteria are met, regardless of whether the Company will remain part of equity investment in the subsidiary.

(b) Measurement of non-current assets (or disposal groups) held for sale

The principal of measurement of non-current assets (or disposal groups) held for sale does not apply to the following assets: investment properties that are measured in accordance with the fair value model, biological assets that are measured at fair value less costs to sell, assets arising from employee benefits, deferred tax assets, financial assets within the scope of relevant accounting standards related to financial instruments and contractual rights under insurance contracts as defined in accounting standards related to insurance contracts.

When the non-current assets (or disposal groups) are initially measured or subsequently measured at balance sheet date, if the carrying value of the asset (or disposal group is higher than the fair value less cost to sell, it shall be written-down to its fair value, and the difference shall be recognized as impairment loss of the reporting period, and provision for asset impairment shall be recognized simultaneously. If on the subsequent balance sheet date, the net amount of the non-current assets held for sale or the fair value of the disposal group minus the selling expenses increases, the previously written-down amount shall be restored, and the assets shall be recognized after being classified as held for sale The impairment loss is reversed within the amount of asset impairment loss recognized after being classified as held for sale, and the reversed amount is included in the current profit or loss. The book value of goodwill that has been deducted cannot be reversed.

When the assets (or disposal groups) ceases to be classified as held for sale or the non-current assets are removed from disposal groups since the criteria for held for sale are no longer met, the assets shall be measured at the lower of:

(i) its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had the asset (or disposal group) not been classified as held for sale, and

(ii) its recoverable amount at the date of the subsequent decision not to sell.

(c) Presentation

An entity shall present a non-current asset classified as held for sale and the assets of a disposal group classified as held for sale separately from other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale shall be presented separately from other liabilities in the statement of financial position. Those assets and liabilities shall not be offset and presented as a single amount.

3.15 Long-term Equity Investments

Long-term equity investments refer to equity investments where an investor has control of, or significant influence over, an investee, as well as equity investments in joint ventures.

(a) Determination basis of joint control or significant influence over the investee

Joint control is the relevant agreed sharing of control over an arrangement, and the arranged relevant activity must be decided under unanimous consent of the parties sharing control. In determining whether there is a common control, it is first determined whether all parties or combinations of parties have collective control of the arrangement. If all parties or a group of parties must act in unison to determine the relevant activities of an arrangement, it is considered that all parties or a group of participants collectively control the arrangement. Secondly, it is necessary to decide whether the decision-making related to the arrangement must be unanimously approved by the participants who collectively control the arrangement. If there is a combination of two or more parties that can collectively control an arrangement, it does not constitute a common control. To determine whether there is common control, not to consider the protection of the rights.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but not be able to exercise control or joint control over those polices. When indenting an investing enterprise whether can exercise significant influences over the investee, it shall consider the effects of the voting shares directly or indirectly held by the investee and the current enforceable voting rights held by the investee and other parties on the assumption of conversion to the equity of the investee, including the issuance by the investee current convertible warrants, share options and convertible corporate bonds and so on.

When the Company indirectly owns more than 20% (including 20%) but less than 50% of the voting shares of the investee directly or through its subsidiaries, it is generally considered to have a material impact on the investee unless there is clear evidence that such circumstances cannot participate in the decision of production and operation of the invested unit. Under this circumstance, it does not have a significant impact.

(b) Determination of initial investment cost

(i) Long-term equity investments generated in business combinations

For a business combination involving enterprises under common control: if the Company makes payment in cash, transfer non-cash assets or bear debts and issues equity securities as the consideration for the business combination, book value of the owners' equity of the acquiree obtained is recognized as the initial cost of the long-term equity investment on the combination date. The difference between the initial investment cost and the carrying amount of cash paid, non-cash assets transferred, liabilities assumed and par value of share issued shall be adjusted to the stock premium in the capital reserve; if there is no sufficient premium in the capital reserve for write-downs, the retained earnings shall be adjusted.

For business combination not under common control, the Company recognizes the combination cost determined on the combination date as the initial cost of long-term equity investment. When exercising control over an investee not under common control due to additional investment or other reasons, in separate financial statements, the investor shall change to the cost method and use the carrying amount of the previously held equity investment, together with the additional investment cost, as the initial investment cost under the cost method. The audit, legal, valuation and consulting fees, other intermediary fees, and related administrative fees paid by the acquiring entity or acquirer for the business combination, shall be recognized in profit or loss as incurred.

(ii) Long-term equity investments acquired by other means

For long-term equity investments acquired by payments in cash, the initial cost is the actually paid purchase cost. The initial investment cost includes expenses directly related to obtaining long-term equity investment, taxes and other necessary expenses.

For long-term equity investments acquired through issuance of equity securities, the initial cost is the fair value of the issued equity securities.

For the long-term equity investments obtained through exchange of non-monetary assets, if the exchange has commercial substance, and the fair values of assets traded out and traded in can be measured reliably, the initial cost of long-term equity investment traded in with non-monetary assets are determined based on the fair values of the assets traded out together with relevant taxes. Difference between fair value and book value of the assets traded out is recorded in profit or loss. If the exchange of non-monetary assets does not meet the above criteria, the book value of the assets traded out and relevant taxes are recognized as the initial cost of long-term equity investment traded in.

For long-term equity investment acquired through debt restructuring, the book value is determined by the fair value of the abandoned creditor's rights and other costs such as taxes directly attributable to the asset, and the difference between the fair value of the abandoned creditor's rights and the book value is recorded into the current profit or loss.

(c) Subsequent measurement and recognition of profit or loss

Long-term equity investment to an entity over which the Company has ability of control shall be accounted for at cost method. Long-term equity investment to a joint venture or an associate shall be accounted for at equity method. The Company's equity investments in associates are measured at fair value through profit and loss through a portion indirectly held by a venture capital institution, mutual funds, trust companies or similar entities (including a joint venture insurance fund), and the remaining part are measured by the equity method.

(i) Cost method

For Long-term equity investment at cost method, cost of the long-term equity investment shall be adjusted when additional amount is invested or a part of it is withdrawn. The Company recognizes its share of cash dividends or profits which have been declared to distribute by the investee as current investment income.

(ii) Equity method

Generally, for long term equity investment with equity method, accounting practice is as below:

If the initial cost of the investment is in excess of the share of the fair value of the net identifiable assets in the investee at the date of investment, the difference shall not be adjusted to the initial cost of long-term equity investment; if the initial cost of the investment is in short of the share of the fair value of the net identifiable assets in the investee at the date investment, the difference shall be included in the current profit or loss and the initial cost of the long-term equity investment shall be adjusted accordingly.

The Company recognizes the share of the investee's net profits or losses, as well as its share of the investee's other comprehensive income, as investment income or losses and other comprehensive income respectively. Meanwhile the Company adjusts the carrying amount of the investment accordingly. The carrying amount of the investment shall be reduced by the share of any profit or cash dividends declared to distribute by the investee. The investor's share of the investee's owners' equity changes, other than those arising from the investee's net profit or loss, other comprehensive income or profit distribution, would be recognized in the investor's equity, and the carrying amount of the long-term equity investment shall be adjusted accordingly. The Company recognizes its share of the investee's net profits or losses after making appropriate adjustments based on the fair values of the investee's identifiable net assets at the investment date. If the accounting policy and accounting period adopted by the investee is not in consistency with the Company, the financial statements of the investee shall be adjusted according to the Company's accounting policies and accounting period, based on which, investment income or loss and other comprehensive income, etc., shall be adjusted. The unrealized profits or losses resulting from inter-company transactions between the Company and its associate or joint venture are eliminated in proportion to the Company's equity interest in the investee, based on which investment income or losses shall be recognized. Any losses resulting from inter-company transactions between the investor and the investee, which are attributable to asset impairment, shall be recognized in full.

Where the Company obtains the power of joint control or significant influence, but not control, over the investee, due to additional investment or other reason, the relevant long-term equity investment shall be accounted for by using the equity method, initial cost of which shall be the fair value of the original investment plus the additional investment. Where the original investment is classified as available-for sale investment, difference between its fair value and its carrying value, in addition to the cumulated fair value fluctuation recorded in other comprehensive income, shall be recognized as profit or loss.

Due to the disposal of part of the equity investment and other reasons lost the joint control or significant impact on the investee, the remaining after the disposal of equity measured at fair value, the difference between the proceeds actually received and the carrying amount shall be recognized in profit or loss for the reporting period. For a long-term equity investment accounted for using the equity method, any other comprehensive income previously recognized shall be accounted for on the same basis as would have been required if the investee had directly disposed the related assets or liabilities on a pro-rata basis upon the disposal of the equity investment.

(d) Equity Investment Held for Sale

Accounting of equity method ceases when the equity investment in an associates or joint venture which is classified in whole or in part as holding assets for sale, the relevant accounting treatment, please refer to *Note 3.14 ASSETS HELD FOR SALE*.

For residual equity investments that is not classified as holding for sale, the equity method shall continue to be used for accounting treatment prior to the sale of the portion of equity investments that is classified as holding for sale.

If the equity investment in an associated enterprise or joint venture that has been classified as holding for sale no longer qualifies the conditions for the classification of assets for sale, the equity method shall be applied for retroactive adjustment from the date when the investment is classified as holding assets for sale. The equity investments are classified as financial statements held for sale and adjusted accordingly.

(e) Impairment testing and impairment provision

For the investment of subsidiaries, associates and joint ventures, please refer to *Note 3.22 Impairment of Long-Term Assets*.

3.16 Investment Properties

(a) Classification of investment properties

Investment properties are properties to earn rentals or for capital appreciation or both. Examples include land leased out under operating leases, land held for long-term capital appreciation, buildings leased out under operating leases.

(b) The measurement model of investment property

The Company adopts the cost model for measurement of investment properties, please refer to *Note 3.22 Impairment of Long-Term Assets*.

The Company calculates the depreciation or amortization after deducting the accumulated impairment and net residual value from the cost of the investment properties according to the straight-line method. The depreciation life and annual depreciation rate of the investment properties are determined according to the category, estimated economic useful life and estimated net residual value rate of the investment properties as follows:

Categories of investment property	Estimated useful life (years)	Residual rates (%)	Annual depreciation rates (%)
Buildings and constructions	20.00	5.00	4.75

3.17 Property, Plant and Equipment

Property, plant and equipment refer to the tangible assets held for the purpose of producing commodities, rendering services, renting or business management with useful lives exceeding one year.

(a) Recognition criteria of property, plant and equipment

Property, plant and equipment will only be recognized at the actual cost paid when obtaining when all the following criteria are satisfied:

(i) it is probable that the economic benefits relating to the property, plant and equipment will flow into the Company;

(ii) the costs of the property, plant and equipment can be measured reliably.

Subsequent expenditure for property, plant and equipment shall be recorded in cost of property, plant and equipment, if above criteria are satisfied, whereas, recorded in current profit or loss if the above criteria cannot be satisfied.

(b) Depreciation methods of property, plant and equipment

Depreciation is provided on a category basis using the straight-line method. The depreciation rates are determined according to the categories, estimated useful lives and estimated net residual rates of property, plant and equipment.

The estimated useful lives and annual depreciation rates of property, plant and equipment are listed by their respective categories as follows:

Categories of property, plant and equipment	Depreciation methods	Estimated useful life (years)	Residual rates (%)	Annual depreciation rates (%)
Buildings and constructions	straight-line method	10.00 to 50.00	5.00	1.90 to 9.50
Machinery equipment	straight-line method	5.00 to 10.00	5.00	9.50 to 19.00

Categories of property, plant and equipment	Depreciation methods	Estimated useful life (years)	Residual rates (%)	Annual depreciation rates (%)
Vehicles	straight-line method	4.00 to 8.00	5.00	11.88 to 23.75
Electrical equipment	straight-line method	20.00 to 30.00	5.00	3.17 to 4.75
Special equipment	straight-line method	10.00 to 15.00	5.00	6.33 to 9.50
Electronic and office equipment	straight-line method	5.00 to 10.00	5.00	9.50 to 19.00
Others	straight-line method	5.00 to 10.00	5.00	9.50 to 19.00

For the property, plant and equipment with impairment provided, the impairment provision should be excluded from the cost before calculating depreciation.

At the end of reporting period, the Company shall review the useful life, estimated net residual value and depreciation method of the property, plant and equipment. Estimated useful life of the property, plant and equipment shall be adjusted if it is changed.

(c) Criteria, valuation and depreciation methods of property, plant and equipment obtained through a finance lease.

If the entire risk and rewards related to the leased assets have been transferred, the lease shall be a finance lease. The cost of the property, plant and equipment obtained through a finance lease is determined at the lower of the present value of the fair value of the leased assets and the minimum lease payment on the day of the lease. The property, plant and equipment obtained by a finance lease are depreciated in the method which is in consistency with the property, plant and equipment owned by the Company itself. For property, plant and equipment obtained through a finance lease, if it is reasonably certain that the ownership of the leased assets will be transferred to the lessee by the end of the lease term, they shall be depreciated over their remaining useful lives; otherwise, the leased assets shall be depreciated over the shorter of the lease terms or their remaining useful lives.

3.18 Construction in Progress

(a) Classification of construction in progress

(b) Criteria and timing of transfer from construction in progress to property, plant and equipment

The initial book values of the property, plant and equipment are stated at total expenditures incurred before they are ready for their intended use. For construction in progress that has been ready for intended use but relevant budgets for the completion of projects have not been completed, the estimated values of project budgets, prices, or actual costs should be included in the costs of relevant property, plant and equipment, and depreciation should be provided according to relevant policies of the Company when the property, plant and equipment are ready for intended use. After the completion of budgets needed for the completion of projects, the estimated values should be substituted by actual costs, but depreciation already provided is not adjusted.

3.19 Borrowing Costs

(a) Recognition criteria for capitalization of borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets form part of the costs of those assets and satisfy the following factors could be capitalized:

(i) expenditures are being incurred, which comprise disbursements incurred in the form of payments of cash, transfer of non-monetary assets or assumption of interest-bearing debts;

(ii) borrowing costs are being incurred, and;

(iii) acquisition, construction or production activities that are necessary to prepare the assets for their intended use or sale have commenced.

Interest on bank overdrafts and borrowings, amortization of discounts or premiums on borrowings, finance charges on finance leases and exchange differences on foreign currency borrowings where they are regarded as an adjustment to interest costs are recognized as expenses and charged to profit or loss in the reporting period.

Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally and when the interruption is for a continuous period of more than 3 months, until the acquisition, construction or production is resumed.

Capitalization of such borrowing costs ceases when the qualifying assets being acquired, constructed or produced become ready for their intended use or sale. The expenditure incurred subsequently shall be recognized as expenses.

(b) Measurement of capitalized amounts of borrowing costs

Where funds are borrowed specifically for purchase, construction or manufacturing of assets eligible for capitalization, costs eligible for capitalization are the actual costs incurred less any income earned on the temporary investment of such borrowings.

Where funds allocated for purchase, construction or manufacturing of assets eligible for capitalization are part of a general pool, the eligible amounts are determined by applying a capitalization rate to the weighted average excess of accumulated capital expenditures over those on specific borrowings. The capitalization rate will be the weighted average of the borrowing costs applicable to the general pool.

3.20 Biological Assets

(a) Recognition criteria of biological assets

A biological asset is a living animal or plant. The Company recognizes a biological asset when all of the following criteria are satisfied:

(i) the Company owns or controls the asset as a result of past events;

(ii) it is probable that future economic benefits associated with the asset will flow to the Company; and;

(iii) the fair value or cost of the asset can be measured reliably.

(b) Classification of biological assets

The Company's biological assets include consumptive biological assets. The Company's subsequent measurement of biological assets is measured at cost.

(i) The consumptive biological assets

The consumptive biological assets refer to the biological assets held for sale, or biological assets to be harvested as agricultural products in the future, consisting of growing field crops, vegetables, commercial forests, livestock on hand, etc. The consumptive biological assets are measured at cost at acquisition. The cost of an expendable biological asset that is self-cultivated, constructed, propagated or farmed shall be the necessary expenditure incurred before the asset is (harvested/closed/sold/sold or put into storage) that can be directly attributed to the asset, including the capitalized borrowing costs. The subsequent expenses of management and maintenance, feeding and other expenses incurred after (harvesting/canopy closure/warehousing) of consumable biological assets shall be recorded into the current profit and loss.

Consumptive biological assets at the time of harvest or sale, the use of the individual valuation method according to the book value of transaction costs.

(c) Useful life and depreciation methods for productive biological assets

The company shall review the useful life, estimated net residual value and depreciation method of productive biological assets at least at the end of the year. Any change shall be treated as accounting estimate change.

3.21 Intangible Assets

(a) Measurement method of intangible assets

Intangible assets are stated at actual cost at acquisition.

(b) The useful life and amortization of intangible assets

(i) The estimated useful lives of the intangible assets with limited useful lives are as follows:

Category	Useful life (years)	Basis
Software; special technology	1 to 10	Refer to the period that can bring economic benefits to the company to determine the useful life
Land use right	40	The useful life indicated in the land use right certificate

For intangible assets with finite useful life, the estimated useful life and amortization method are reviewed annually at the end of each reporting period and adjusted when necessary. No change incurs in current year in the estimated useful life and amortization method upon review.

(ii) Assets of which economic benefits are unforeseeable are regarded as intangible assets with indefinite useful lives. The Company reassesses the useful lives of those assets at every year end. If the useful lives of those assets are still indefinite, impairment test should be performed on those assets at the balance sheet date.

(iii) Amortization of the intangible assets

For intangible assets with finite useful lives, their useful lives should be determined upon their acquisition. They are amortized on a straight-line basis over the period during which they can bring economic benefits to the Company. The amount to be amortized is cost deducting residual value. For intangible assets which has impaired, the cumulated impairment provision shall be deducted as well, with a residual value of nil. For intangible assets which are not expected to bring economic benefits to the Company, they are deemed as intangible assets with uncertain useful lives and are not amortized.

Intangible assets with indefinite useful lives shall not be amortized. The Company reassesses the useful lives of those assets at every year end. If there is evidence to indicate that the useful lives of those assets become finite, the useful lives shall be estimated, and the intangible assets shall be amortized systematically and reasonably within the estimated useful lives.

(c) Criteria of classifying expenditures on internal research and development projects into research phase and development phase

The Company classifies expenditures on internal research and development projects into research costs and development costs.

Research is original and planned investigation, undertaken with the prospect of gaining new scientific or technical knowledge and understanding.

Development is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, or products before the start of commercial production or use.

Expenditures incurred during the research phase of internal research and development projects shall be written off to profit or loss of the reporting period.

(d) Criteria for capitalization of qualifying expenditures during the development phase

Expenditures arising from development phase on internal research and development projects must be capitalized if the Company can satisfy all of the following criteria:

(i) there is technical feasibility of completing the intangible assets (so that they will be available for use or sale);

(ii) there is intention to complete and use or sell the assets;

(iii) the method that the intangible assets generate economic benefits, including existence of a market for products produced by the intangible assets or for the intangible assets themselves, shall be proved. Or, if to be used internally, the usefulness of the assets shall be proved;

(iv) adequate technical, financial, and other resources are available to complete the assets, and the Company has the ability to use or sell the assets; and

(v) the costs of the assets can be measured reliably.

3.22 Impairment of Long-Term Assets

Impairment of the long-term equity investments of subsidiaries, or associates and joint ventures, property, plant and equipment, construction in progress, intangible assets, goodwill etc. (Inventories, investment properties measured according to the fair value model, deferred tax assets and financial assets are excluded), according to the following methods:

On the balance sheet date, the Company makes a judgment on each asset. If there is an evidence of impairment and the estimated recoverable amount is lower than its book value, impairment test assets should be performed. The impairment test shall be performed at least annually on the goodwill acquired in a business combination, intangible assets with indefinite useful lives or intangible assets that have not yet reached usable state of whether there is any indication of impairment.

The recoverable amount is determined by the higher value between the net value of the asset after deducting the disposal expense and the present value of the asset's expected future cash flow. The Company estimates the recoverable amount on the basis of a single asset; If it is difficult to estimate the recoverable amount of a single asset, the recoverable amount of the asset group shall be determined on the basis of the asset group to which the asset belongs. The determination of an asset group is based on whether the main cash inflow generated by the asset group is independent of other assets or the cash inflow generated by the asset group.

When the recoverable amount of an asset or asset group is lower than its book value, the Company shall reduce to the recoverable amount, the amount shall be recognized in the current profit and loss, while making provision for the corresponding asset impairment.

As for the impairment test of goodwill, the book value of the goodwill formed by business combination shall be allocated to the relevant asset group in a reasonable way from the date of purchase; Difficult to spread to the relevant asset groups of goodwill, shoule divide it to related to the combination of group assets. The relevant asset groups or combination of asset groups, it is able to benefit from the enterprise merger synergies of the asset group or combination of group assets, and not greater than the portion of the report determined by the Company.

During the impairment test, if impairment indication exists in the assets or a group of assets, firstly, impairment testing for asset or assets group excluding goodwill shall be conducted. Impairment loss is recognized through comparing the recoverable amount of the assets and assets group with their carrying amount; then, impairment testing for assets or assets group including goodwill shall be conducted. The excess of the carrying amount of the assets or assets group (including goodwill allocated to the assets or assets group) over their recoverable amount is recognized as impairment loss.

Once the asset impairment loss is confirmed, it will not be reversed in subsequent accounting periods.

3.23 Long-term Deferred Expenses

Long-term deferred expenses are various expenses already incurred, which shall be amortized over current and subsequent periods with the amortization period exceeding one year.

Long-term deferred expenses are evenly amortized over the beneficial period.

3.24 Employee Benefits

Employee benefits refer to all forms of consideration or compensation given by an enterprise in exchange for service rendered by employees or for the termination of employment relationship. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits. Benefits provided to an employee's spouse, children, dependents, family members of decreased employees, or other beneficiaries are also employee benefits.

According to liquidity, employee compensation shall be presented in the "Employee benefits payable" item and the "Long-term Employee benefits payable" item respectively on the statement of financial position.

(a) Short-term employee benefits

The Company recognizes, in the accounting period in which an employee provides service, actually occurred short-term employee benefits as a liability, with a corresponding charge to current profit or loss or relevant cost of assets.

Employee benefit expenses incurred by the Company are charged to the profits and losses of the current period or the related asset costs, according to the actual amount actually occurred. Employee benefits are non-monetary benefits measured at their fair value.

Payments made by the Company of social security contributions for employees, such as premiums or contributions on medical insurance, pensions, work injury insurance and maternity insurance, payments of housing funds, and union running costs and employee education costs provided in accordance with relevant requirements, in the accounting period in which employees provide services, is calculated according to prescribed bases and percentages of provision in determining the amount of employee benefits.

Paid absences are classified into accumulating paid absences and non-accumulating paid absences. The Company shall recognize the related employee benefits arising from accumulating paid absences when the employees render service that increases their entitlement to future paid absences. The additional payable amounts shall be measured at the expected additional payments as a result of the unused entitlement that has accumulated.

The Company shall recognize the related employee benefits payable under a profit-sharing plan when all of the following conditions are satisfied:

(i) the Company has a present legal or constructive obligation to make such payments as a result of past events; and

(ii) a reliable estimate of the amounts of employee benefits obligation arising from the profit- sharing plan can be made.

(b) Post-employment benefits

The Company shall recognize, in the accounting period in which an employee provides service, the contribution payable to a defined contribution plan as a liability, with a corresponding charge to the profit or loss for the reporting period or the cost of a relevant asset.

Post-employment benefits falling due for more than 12 months after the end of the reporting period are discounted to their present values.

Determining the present value of defined benefit plan obligations and current service costs

Based on the expected unit benefit method, the unbiased and mutually consistent actuarial assumptions are used to estimate the relevant demographic variables and financial variables, etc., to measure the obligations arising from the defined benefit plans and to determine the vesting period of the relevant obligations. The Company will set a benefit plan based on the corresponding discount rate (based on the market rate of return of government bonds or high-quality corporate bonds in active markets that match the maturity and currency of the defined benefit plan at the balance sheet date) of the obligation to be discounted to determine the present value of the defined benefit plan obligations and current service costs.

Determining the net liabilities or net assets of defined benefit plan

If there is any asset in the defined benefit plan, the Company will recognize the deficit or surplus as a net debt or net asset of the defined benefit plan, which caused from the current value of the defined benefit plan obligations less of the fair value of the defined benefit plan assets.

If there is a surplus in the defined benefit plan, the Company measures the net profit of the defined benefit plan based on the lower of the surplus of the defined benefit plan and the upper limit of the asset.

Determining the amount that should be included in the cost of assets or current profits and losses

Service costs include current service costs, past service costs and settlement gains or losses. Except for the current service costs that are required or permitted to be included in the cost of an asset by other accounting standards, other service costs are included in the profit or loss for the current period.

Net interest on the net liabilities or net assets of the defined benefit plan, including the interest income of the scheme assets, the interest expenses of the defined benefit plan obligations and the interest rates affected by the asset cap, shall be included in the profits and losses of the current period.

Determine the amount that should be included in other comprehensive income

Changes arising from the remeasurement of net liabilities or net assets of defined benefit plans, including:

(i) actuarial gains or losses: the increase or decrease in the present value of the previously defined benefit plan obligations as a result of actuarial assumptions and experience adjustments.

(ii) Planned return on assets: deducing the amount of net interest included in the net liabilities or net assets of defined benefit plans.

(iii) Changes in the upper limit of assets: deducing the amount of net interest included in the net liabilities or net assets of defined benefit plans.

The above changes in the net liabilities or net assets of the re-measured defined benefit plan are directly charged to other comprehensive income and are not permitted to be reversed to profit or loss in subsequent accounting periods, but the Company can transfer these changes in other comprehensive income within the scope of equity.

(c) Termination benefits

The Company providing termination benefits to employees shall recognize an employee benefits liability for termination benefits, with a corresponding charge to the profit or loss of the reporting period, at the earlier of the following dates:

(i) when the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal.

(ii) when the Company recognizes costs or expenses related to a restructuring that involves the payment of termination benefits.

Termination benefits falling due for more than 12 months after the end of the reporting period are discounted to their present values.

(d) Other long-term employee benefits

(i) Other long-term employee benefits fit the Defined Contribution Plan

If other long-term employee benefits provided by the Company meet the conditions of the established withdrawal plan, the total amount due for deposit shall be calculated as the discounted amount to pay the employee remuneration.

(ii) Other long-term employee benefits fit the Defined Benefit Plans

At the end of the reporting period, the Company recognized employee compensation costs arising from other long-term employee benefits as the following components:

- Service costs;
- Net interest on the other long-term employee benefits liability (asset);
- Remeasurement of changes in net liabilities or net assets of other long-term employee benefits.

In order to simplify the relevant accounting treatment, the total net amount of the above items is included in the profit or loss of the reporting period or the cost of a relevant asset.

3.25 Estimated Liabilities

(a) Recognition criteria of estimated liabilities

The Company recognizes the estimated liabilities when obligations related to contingencies satisfy all the following conditions:

(i) that obligation is a current obligation of the Company;

(ii) it is likely to cause any economic benefit to flow out of the Company as a result of performance of the obligation;

(iii) the amount of the obligation can be measured reliably.

(b) Measurement method of estimated liabilities

The estimated liabilities of the Company are initially measured at the best estimate of expenses required for the performance of relevant present obligations. The Company, when determining the best estimate, has had a comprehensive consideration of risks with respect to contingencies, uncertainties and the time value of money. The carrying amount of the estimated liabilities shall be reviewed at the end of every reporting period. If conclusive evidence indicate that the carrying amount fails to be the best estimate of the estimated liabilities, the carrying amount should be adjusted based on the updated best estimate.

3.26 Other Financial Instrument Such as Preference Share and Perpetual Bonds

(a) Recognition criteria of preference share and perpetual bonds

Upon initial recognition, the Company categorizes such financial instruments as issued preference shares and perpetual bonds or their components into financial liabilities or equity instruments in accordance with the financial instruments principles and by reference to the contract terms and the reflected economic substance of such financial instruments. Preference shares, perpetual bonds and other financial instruments issued by the company are classified as equity instruments if they do not include the contractual obligation to deliver cash or other financial assets to other parties, or to exchange financial assets or financial liabilities with other parties under other potential adverse conditions.

(b) Accounting for preference share and perpetual bonds

Based on the classification of financial instruments issued, the company determines the accounting treatment of interest expense or dividend distribution of such instruments. As equity instruments, the interest expenses or dividends should be treated as profit distribution, and its buy-back and write-off should be treated as changes of equity; As financial liabilities, the interest expenses or dividends should be handled as borrowing costs, and the profit or losses arising from its buy-back or redemption should be recorded in current profit or loss.

3.27 Revenue

(a) Revenue from sale of goods

Revenue from sales of goods shall be recognized if the following criteria are all Revenue from sale of goods is recognized when the following criteria are satisfied:

(i) significant risks and rewards related to ownership of the goods have been transferred to the buyer;

(ii) the Company retains neither continuous management rights associated with ownership of the goods sold nor effective control over the goods sold;

(iii) relevant amount of revenue can be measured reliably;

(iv) it is probable that the economic benefits associated with the transaction will flow into the Company;

(v) relevant amount of cost incurred or to be incurred can be measured reliably.

(b) Revenue from rendering of services

When the outcome of rendering of services can be estimated reliably at the balance sheet date, revenue associated with the transaction is recognized using the percentage of completion method. Percentage of completion is determined by using the proportion of services performed to date to the total services that should be performed, or the proportion of cost incurred for rendering of the services to date to the total estimated cost.

The outcome of rendering of services can be estimated reliably when all of the following conditions are satisfied: the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the Company; the percentage of completion of the transaction can be measured reliably; the costs incurred and to be incurred for the transaction can be measured reliably.

The Company shall determine the total income from rendering of services in accordance with the price of the contract or agreement received or receivable, except the price of the contract or agreement received or receivable is not fair. On the balance sheet date, the total amount of labor services provided is multiplied by the progress of completion and deducted the accumulated amount of labor service income confirmed in the previous accounting period to confirm the income from providing labor service. Meanwhile, the carrying amount of labor costs incurred for the current period is calculated by multiplying the estimated total cost of rendering of services by the completion progress deducting the accumulated recognized service costs in previous accounting periods.

If the outcome of rendering of services cannot be estimated reliably at the balance sheet date, deal with the following situations:

(i) If the labor cost incurred is expected to be compensated, the labor service income will be recognized according to the cost of labor service already incurred and the service cost will be carried forward at the same amount.

(ii) If the cost of the service that has occurred is not expected to be compensated, the cost of the service that has occurred shall be included in the current profits and losses, and the service income shall not be confirmed.

(c) Revenue from alienating the right to use assets

Revenue from alienating of right to use assets consists of interest revenue and royalty revenue. The Company shall recognize the amount of revenue from the alienating of right to use assets based on the following circumstances, respectively:

(i) interest revenue should be calculated in accordance with the period for which the enterprise's cash is used by others and the effective interest rate;

(ii) the amount of royalty revenue should be calculated in accordance with the period and method of charging as stipulated in the relevant contract or agreement.

(d) Revenue from construction contracts

Under the circumstances that result of the construction contracts can be estimated reliably, contract revenue and contract cost shall be recognized by using percentage of completion method, which is determined according to the completion stages of the construction contracts. The completion stages of the contracts shall be calculated at the portion of the contract costs incurred to the total estimated contract costs.

Under the circumstances that the result of the construction contracts cannot be estimated reliably, while the estimated contact costs can be recovered, the revenue shall be recognized to the extent of costs incurred that are expected to be recoverable, contract costs shall be recognized as expense upon incurrence. If the estimated contract costs cannot be recovered, they shall be charged in expenses upon incurrence, without any revenue recognized.

If the estimated contract costs exceed estimated contract revenue, the estimated loss shall be recognized as expenses in current period.

(e) The Company's revenue specific confirmation method

(e.1) Revenue from real estate sales

After the development product has been completed and accepted, the sales contract has been signed and the obligations specified in the contract have been fulfilled; that is when the main risks and rewards in the ownership of the development product are transferred to the purchaser, the Company no longer retains the continuing management rights which is usually associated with the ownership, and no longer exercises the influence on the project. When the amount of income can be reliably measured; relevant economic benefits are likely to flow in; and the cost of project has incurred or will incurred can be reliably measured, the revenue should be recognized.

(e.2) Revenue from land development and leveling

(i) Land transfer mode: The land has been leveled and transferred to the Natural Resources and Planning Bureau; and the Company has settled the land revenue with the Finance Bureau and the Natural Resources and Planning Bureau. (ii) Land transfer mode: After the land demolition and consolidation has been completed and the land reserve has been transferred, that is, the main risks and rewards of the labor ownership of land demolition and consolidation are transferred to the purchaser; the Company no longer retains the continuous management right which is usually associated with the ownership, and no longer controls the transferred land effectively. When the amount of income can be reliably measured; the economic benefits of the project are likely to flow in, and the costs incurred or to be incurred can be reliably measured, the realization of revenue is recognized.

(e.3) Revenue from building materials trade

The income can be recognized when the building materials is delivered to and received by the other party.

(e.4) Revenue from project construction and greening maintenance

The income shall be recognized according to the completion progress. The confirmation method of the completion progress for the Company is according to the proportion of the accumulated actual contract cost to the estimated total contract cost.

(e.5) Revenue from entrusted construction

The income shall be recognized according to the entrusted construction agreement signed by the Company and relevant parties, and the stipulation of accounting standards for business enterprises. The income is recognized according to the completion schedule, which is confirmed according to the proportion of the accumulated actual contract cost to the estimated total contract cost.

(e.6) Revenue from water sales

The water consumption of each customer in current month is based on the meter data at the end of the month, and the income is recognized according to the unit water price stipulated by the Price Bureau.

(e.7) Revenue from sewage disposal

The income shall be recognized according to the discharge amount and unit price.

(e.8) Revenue from other categories

According to the relevant contracts and agreements, the income is recognized when the economic benefits related to the transaction can flow into the enterprise and the cost related to the income can be reliably measured.

3.28 Government Grants

(a) Recognition of government grants

A government grant shall not be recognized until there is reasonable assurance that:

(i) the Company will comply with the conditions attaching to them; and

(ii) the grants will be received.

(b) Measurement of government grants

Monetary grants from the government shall be measured at amount received or receivable, and non-monetary grants from the government shall be measured at their fair value or at their nominal value when reliable fair value is not available.

(c) Accounting for government grants

(i) Government grants related to assets

Government grants pertinent to assets mean the government grants that are obtained by the Company used for purchase or construction or forming the long-term assets by other ways.

Government grants pertinent to assets shall be recognized as deferred income, and should be recognized in profit or loss on a systematic basis over the useful lives of the relevant assets. Grants measured at their nominal value shall be directly recognized in profit or loss of the period when the grants are received. When the relevant assets are sold, transferred, written off or damaged before the assets are terminated, the remaining deferred income shall be transferred into profit or loss of the period of disposing relevant assets.

(ii) Government grants related to income

Government grants other than related to assets are classified as government grants related to income. Government grants related to income are accounted for in accordance with the following principles:

- if the government grants related to income are used to compensate the enterprise's relevant expenses or losses in future periods, such government grants should be recognized as deferred income on acquisition and be recognized in profit or loss in the period of recognizing relevant expenses;
- if the government grants related to income are used to compensate the enterprise's relevant expenses or losses incurred, such government grants are directly recognized in profit or loss of the current period.
- For government grants comprised of part related to assets as well as part related to income, each part is accounted for separately; if it is difficult to identify different part, the government grants are accounted for as government grants related to income as a whole.
- Government grants related to daily operation are recognized in other income in accordance with their nature, and government grants irrelevant to daily operation activities are recognized in non-operating income.

(iii) Loan interest subsidy

When the loan interest subsidy is allocated to the Company, the subsidy is written off with corresponding loan interest.

(iv) Repayment of the government grants

Repayment of the government grants shall be recognized by increasing the carrying amount of the asset if the book value of the asset has been written down, or reducing the balance of relevant deferred income if deferred income balance exists, or directly recognized in profit or loss of the current period for other circumstances.

3.29 Deferred Tax Assets and Deferred Tax Liabilities

Temporary differences are differences between the carrying amount of an asset or liability in the statement of financial position and its tax base. The Company recognizes the effect of taxable temporary differences and deductible temporary differences on income tax as deferred tax liabilities or deferred tax assets using liability method. Deferred tax assets and deferred tax liabilities shall not be discounted.

(a) Recognition of deferred tax assets

Deferred tax assets should be recognized for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized at the tax rates that are expected to apply to the period when the asset is realized, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

(i) is not a business combination; and

(ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss)

The Company recognize a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint arrangements, to the extent that, and only to the extent that, it is probable that:

(i) the temporary difference will reverse in the foreseeable future;

(ii) taxable profit will be available against which the deductible temporary difference can be utilized.

At the end of each reporting period, if there is sufficient evidence that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized, the Company recognizes a previously unrecognized deferred tax asset.

The carrying amount of a deferred tax asset shall be reviewed at the end of each reporting period. An entity shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

(b) Recognition of deferred tax liabilities

A deferred tax liability shall be recognized for all taxable temporary differences at the tax rate that are expected to apply to the period when the liability is settled, except to the extent that the deferred tax liability arises from:

(i) the initial recognition of goodwill; or

(ii) the initial recognition of an asset or liability in a transaction which:

- is not a business combination; and
- at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss)

An entity shall recognize a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint arrangements, except to the extent that both of the following conditions are satisfied:

(i) the Company is able to control the timing of the reversal of the temporary difference; and

(ii) it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Recognition of deferred tax liabilities or assets involved in special transactions or events

(i) Deferred tax liabilities or assets related to business combination

For the taxable temporary difference or deductible temporary difference arising from a business combination not under common control, a deferred tax liability or a deferred tax asset shall be recognized, and simultaneously, goodwill recognized in the business combination shall be adjusted.

(ii) Items directly recognized in equity

Current tax and deferred tax related to items that are recognized directly in equity shall be recognized in equity. Such items include:

- other comprehensive income generated from fair value fluctuation of available for sale investments.
- an adjustment to the opening balance of retained earnings resulting from either a change in accounting policy that is applied retrospectively or the correction of an error.
- amounts arising on initial recognition of the equity component of a compound financial instrument.

(iii) Unused tax losses and unused tax credits

Unused tax losses and unused tax credits generated from daily operation of the Company itself

The criteria for recognizing deferred tax assets arising from the carryforward of unused tax losses and tax credits are the same as the criteria for recognizing deferred tax assets arising from deductible temporary differences. The Company recognizes a deferred tax asset arising from unused tax losses or tax credits only to the extent that there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilized by the Company. Income taxes in current profit or loss shall be deducted as well.

Unused tax losses and unused tax credits arising from a business combination

The potential benefit of the acquiree's income tax loss carryforwards or other deferred tax assets might not satisfy the criteria for separate recognition when a business combination is initially accounted for but might be realized subsequently. An entity shall recognize acquired deferred tax benefits that it realizes after the business combination as follows:

- acquired deferred tax benefits recognized within 12 months after acquisition date that result from new information about facts and circumstances that existed at the acquisition date shall be applied to reduce the carrying amount of any goodwill related to that acquisition. If the carrying amount of that goodwill is zero, any remaining deferred tax benefits shall be recognized in profit or loss.
- All other acquired deferred tax benefits realized shall be recognized in profit or loss.

(iv) Temporary difference generated in consolidation elimination

When preparing consolidated financial statements, if temporary difference between carrying value of the assets and liabilities in the consolidated financial statements and their taxable bases is generated from elimination of inter-company unrealized profit or loss, deferred tax assets or deferred tax liabilities shall be recognized in the consolidated financial statements, and income taxes expense in current profit or loss shall be adjusted as well (except for deferred tax related to transactions or events recognized directly in equity and business combination).

(v) Share-based payment settled by equity

If tax authority permits tax deduction that relates to remuneration paid in shares, share options or other equity instruments of the Company, during the period in which a remuneration expense is recognized according to the accounting standards, the Company estimate the tax base in accordance with available information at the end of the accounting period and the temporary difference arising from it. Deferred tax shall be recognized when criteria of recognition are satisfied. If the amount of estimated future tax deduction exceeds the amount of the related cumulative remuneration expense, the excess of the associated current or deferred tax should be recognized directly in equity.

3.30 Operating Leases and Finance Leases

A lease that risks and rewards related to relevant assets' ownership are transferred in substance shall be classified as a finance lease. Other leases shall be classified as an operating lease.

(a) Accounting for operating leases

(i) The Company as a lessee

The lease payments should be recognized as expenses of the reporting period over the lease terms (including rent-free periods) on a straight-line basis. If expenses relating to lease which should be borne by the Company are paid by the lessor of the assets, they shall be deducted from the total lease expenses and the balances shall be amortized over the lease terms and charged to expenses of the reporting period.

Initial direct costs relating to lease transactions incurred by the Company shall be recognized as expenses of the reporting period. Contingent rental, if included in the lease contract, shall be recognized as profit or loss upon incurrence.

(ii) The Company As a lessor

Lease income should be recognized over the lease terms (including rent-free periods) on a straight-line basis. If expenses relating to leases which should be borne by the lessee of the assets are paid by the Company, they shall be deducted from the total lease income and the balances shall be amortized over the lease terms by the Company.

Initial direct costs relating to lease transactions incurred by the Company shall be recognized as expenses of the reporting period; if the amounts are material, they shall be capitalized and amortized over the lease terms on the same basis as the recognition of lease income. Contingent rental, if included in the lease contract, shall be recognized as profit or loss upon incurrence.

(b) Accounting for finance leases

(i) The Company as a lessee

At commencement of the lease, assets obtained through finance leases should be recorded at the lower of their fair values and the present values of the minimum lease payments. The Company shall recognize long-term payables at amounts equal to the minimum lease payments, and shall record the differences between carrying amounts of the leased assets and the long-term payables as unrecognized finance charges. The Company adopts effective interest rate method, which shall be amortized over the lease terms as finance expenses by using effective interest rate method.

Initial direct costs are recorded in the value of the leased assets.

The Company adopts the same depreciation policy for the leased assets as its own property, plant and equipment. Depreciation period is determined according to the lease contract. If it is reasonably certain that the Company will obtain the ownership of the assets when the lease expires, the depreciation period will be the useful lives of the leased assets. If it is difficult to reasonably determine whether the Company can obtain the ownership of the underlying assets when the lease expires, depreciation period is the lower of the lease period and their useful lives.

(ii) The Company as a lessor

At commencement of the lease, rental receivables shall be measured at minimum lease receivables plus initial direct costs relating to lease transactions incurred by the Company. Unguaranteed residual values are recorded simultaneously. The differences between the undiscounted rental receivables plus unguaranteed residual values and their present values shall be recognized as unearned finance income and shall amortized over the lease terms as lease income at the effective rate.

3.31 Changes in Significant Accounting Policies and Accounting Estimates

(a) Changes in accounting polices

In accordance with requirement of <*the Notice about Modifying and Publishing the Format of Financial Statements of General Enterprises in 2018*> announced by the Ministry of Finance on June 15, 2018 (Caikuai [2018] No.15), <*the Notice on Revising and Issuing the Format of General Corporate Financial Statements for 2019*> issued by the Ministry of Finance on April 30, 2019 (Cai Kuai [2019] No.6) and <*the Notice on Revising and Issuing the Format of Consolidated Financial Statements (2019 Edition)*> (Cai Kuai [2019] No.16) issued by the Ministry of Finance on September 19, 2019, for enterprises which have not adopted new accounting standards related to financial instruments and new standards of revenue, financial statements shall be prepared in line with the following rules:

In the Statement of Financial Position, accounts receivable and notes receivable are combined with and recorded in the newly added item, notes receivable and accounts receivable; dividend receivable and interest receivable are combined with and recorded in other receivables; disposal of property, plant and equipment are combined with the item of property, plant and equipment; construction materials are combined with the item of construction in progress; accounts payable and notes payable are combined with and recorded in the newly added item, notes payable and accounts payable; notes receivable and accounts receivable; dividend payable and interest payable are combined with and recorded in other payables; specific items payable are combined with long-term payables.

In the Statement of Profit or Loss and Other Comprehensive Income, research and development expenses are divided from administrative expenses and presented as a separate item; interest expense and interest income are presented under finance cost.

The Company prepares financial statements for the year of 2019 in accordance with Caikuai [2018] No.15, Caikuai [2019] No.6, Caikuai [2019] No.16 and the prescribed financial statement format, and adopted the retrospective adjustment method to change the presentation of relevant financial statements. The impact of the relevant presentation adjustments is as follows.

Consolidated Statement of Financial Position and the parent company's Statement of Financial Position as at 31 December 2018:

Items	Consolidated		Parent Company	
	Before adjustment	After Adjustment	Before adjustment	After Adjustment
Notes receivable				
Accounts receivable		124,418,054.60		
Notes receivable and accounts receivable	124,418,054.60			
Notes payable				
Accounts payable		1,751,383,154.99		
Notes payable and accounts payable	1,751,383,154.99			

On May 9, 2019, the Ministry of Finance issued <*Accounting Standards for Enterprises No.7 - Exchange of Non-monetary Assets*> (Caikuai [2019] No.8). According to the requirements, the exchange of non-monetory assets occurred between January 1, 2019 and the execution date should be adjusted. For those occurred before January 1, 2019, no retrospective adjustment applied. The Company implements this standard on June 10, 2019.

On May 16, 2019, the Ministry of Finance issued <*Accounting Standards for Enterprises No.12 - Debt Restructuring*> (Caikuai [2019] No.9) according to the requirements, the Company's restructuring debts incurred between January 1, 2019 and the implementation date is adjusted in accordance with this standard. For debt restructuring that occurred before January 1, 2019, no retrospective adjustments will be made. The Company implemented this standard on June 17, 2019.

On December 10, 2019, the Ministry of Finance issued the interpretation of accounting standards for Business Enterprises No.13. The Company implemented the interpretation on January 1, 2020, and did not apply retrospective adjustment for the previous years.

(b) Changes in accounting estimates

The Company has no change in accounting estimates for reporting period.

4. TAXATION

4.1 Major Categories of Tax and Tax Rates Applicable to the Company

Categories of tax	Sales of goods or provision of taxable services	Tax rate (%)
Value added tax (VAT)	Sales of goods or provision of taxable services	3, 5, 6, 9, 10, 13, 16,17;
Urban maintenance and construction tax	Turnover taxes payable	5

Categories of tax	Sales of goods or provision of taxable services	Tax rate (%)
Educational surcharge	Turnover taxes payable	3
Local Education and supplementary tax	Turnover taxes payable	2
Property tax	Residual taxable value of building; Lease income	1.2, 12
Enterprise income tax	Taxable income	25

4.2 Others

There is no such item.

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.1 Cash and Cash Equivalents

Items	31 Dec 2020	31 Dec 2019
Cash on hand		671.09
Cash in bank	3,373,834,792.34	2,928,140,698.49
Other monetary funds	4,117,875.00	15,916,000.00
Total	3,377,952,667.34	2,944,057,369.58

At the end of the period, bank deposits CNY30,000 is reserved for vehicle ETC; CNY50 million is asset pool doposits; and CNY443 million is time deposit used as pledge for bank loans. CNY2,717,875.00 of other monetary funds is margin deposit, and CNY1.4 million is trust guarantee fund, cash and cash equivalents in cash flow statement have been deducted.

5.2 Accounts Receivable

(a) Accounts receivable by category

Items	31 Dec 2020				
	Accounts receivable		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with individually significant balance and provision for bad debt recognized individually					
Accounts receivable with bad debt provision recognized collectively by similar credit risk characteristics	259,592,965.38	99.18	42,332,528.24	16.31	217,260,437.14

Items	31 Dec 2020				
	Accounts receivable		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Portfolio 1:	20,849,076.59	7.97			20,849,076.59
Portfolio 2:	238,743,888.79	91.21	42,332,528.24	17.73	196,411,360.55
Accounts receivable with individually insignificant balance but provision for bad debt recognized individually	2,134,524.03	0.82	2,134,524.03	100.00	
Total	261,727,489.41	100.00	44,467,052.27	16.99	217,260,437.14

(Continued)

Items	31 Dec 2019				
	Accounts receivable		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with individually significant balance and provision for bad debt recognized individually					
Accounts receivable with bad debt provision recognized collectively by similar credit risk characteristics	215,549,833.45	98.88	37,967,761.32	17.61	177,582,072.13
Portfolio 1:	11,306,563.56	5.19			11,306,563.56
Portfolio 2:	204,243,269.89	93.69	37,967,761.32	18.59	166,275,508.57
Accounts receivable with individually insignificant balance but provision for bad debt recognized individually	2,438,196.03	1.12	2,438,196.03	100.00	
Total	217,988,029.48	100.00	40,405,957.35	18.54	177,582,072.13

(a.1) Accounts receivable with individually significant balance and provision for bad debt recognized individually: There is no such item.

(a.2) In portfolio 1, details of accounts receivables are as follows:

Entity name	Accounts receivable	Provision for bad debt	Provision ratio (%)
Deqing Comprehensive Administrative Law Enforcement Bureau	4,730,212.45		

Entity name	Accounts receivable	Provision for bad debt	Provision ratio (%)
Deqing City Construction Development Corporation	4,156,809.40		
People's Government of Qianyuan Town, Deqing County	4,000,000.00		
Hangzhou Municipal Engineering Group Co., Ltd.	1,238,378.91		
Deqing Municipal Administration Office	1,163,125.00		
Deqing Moganshan Urban Construction Development Co., Ltd.	562,864.00		
Deqing Xin'an New Rural Construction Co., Ltd.	428,251.00		
Others	4,569,435.83		
Total	20,849,076.59		

(a.3) In portfolio 2, accounts receivable with bad debt provision recognized collectively by aging analysis method:

Aging	31 Dec 2020		
	Accounts receivable	Provision for bad debt	Provision ratio (%)
Within 1 year (including 1 year)	130,458,771.89	6,522,938.59	5.00
1 to 2 years	88,984,655.47	17,796,931.11	20.00
2 to 3 years	2,575,605.78	1,287,802.89	50.00
Over 3 years	16,724,855.65	16,724,855.65	100.00
Total	238,743,888.79	42,332,528.24	

(a.4) Accounts receivable with individually insignificant balance but provision for bad debt recognized individually in the current period are mainly water charges not recovered for a long time.

(b) Provision, recovery or reversal of bad debt

Bad debt provided during the reporting period amounted to CNY4,061,094.92.

(c) Accounts receivable written off in the current period

There is no such item.

(d) Top five closing balances by entity

Entity name	Balance at 31 Dec 2020	Proportion of the balance to the total accounts receivable (%)	Provision for bad debt
Changxing Xinchang Trading Co., Ltd.	50,673,235.42	19.36	2,533,661.77
Huzhou Moganshan High-tech Group Co., Ltd.	39,516,210.28	15.10	7,903,242.06
Zhejiang Changcheng Construction Group Material Co., Ltd.	23,721,118.26	9.06	1,186,055.91
Hengde Construction Group Co., Ltd.	18,727,059.37	7.16	936,352.97
Xiangsheng Construction Engineering Co., Ltd.	13,003,554.40	4.97	2,266,249.14
Sub-total	145,641,177.73	55.65	14,825,561.85

5.3 Prepayments

(a) Prepayments by aging

Aging	31 Dec 2020		31 Dec 2019	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year (including 1 year)	19,312,846.80	27.02	68,432,683.16	84.59
1 to 2 years	51,886,047.00	72.59	8,227,970.00	10.17
2 to 3 years			4,061,277.36	5.02
Over 3 years	276,044.35	0.39	175,544.35	0.22
Total	71,474,938.15	100.00	80,897,474.87	100.00

(b) Top five closing balances by entity

Entity name	Balance at 31 Dec 2020	Proportion of the balance to the total prepayments (%)
China Mcc20 Group Co., Ltd.	38,328,489.00	53.63
Hangzhou Railway Hub Project Construction Headquarters of China Railway Shanghai Bureau Group Co., Ltd.	13,370,000.00	18.71
Hangzhou Ciec Group Co., Ltd.	8,345,762.48	11.68
Zhenjiang Installation Group Co., Ltd.	2,211,056.00	3.09
Deqing Yonggao Shuhang Building Materials Co., Ltd.	600,000.00	0.84
Total	62,855,307.48	87.95

5.4 Other Receivables

(a) Other receivables by category

Items	31 Dec 2020	31 Dec 2019
Interest receivables	10,421,342.46	10,761,666.67
Dividend receivables		
Other receivables	9,700,716,337.61	10,213,400,233.40
Total	9,711,137,680.07	10,224,161,900.07

(b) Interest Receivables

(b.1) Interest receivables by category

Items	31 Dec 2020	31 Dec 2019
Time deposit	10,421,342.46	10,230,000.00
Entrusted Loan		531,666.67
Total	10,421,342.46	10,761,666.67

(c) Dividend receivables

There is no such item.

(d) Other Receivables

(d.1) Other receivables by category

Items	31 Dec 2020				
	Other receivables		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables with individually significant balance and provision for bad debt recognized individually					
Other receivables with bad debt provision recognized collectively by similar credit risk characteristics	9,737,837,652.45	99.89	37,121,314.84	0.38	9,700,716,337.61
Portfolio 1:	9,678,347,420.73	99.28			9,678,347,420.73
Portfolio 2:	59,490,231.72	0.61	37,121,314.84	62.40	22,368,916.88
Other receivable with individually insignificant balance but recognized provision for bad debt individually	10,352,324.58	0.11	10,352,324.58	100.00	
Total	9,748,189,977.03	100.00	47,473,639.42	0.49	9,700,716,337.61

(Continued)

Items	31 Dec 2019				
	Other receivables		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables with individually significant balance and provision for bad debt recognized individually					
Other receivables with bad debt provision recognized collectively by similar credit risk characteristics	10,261,698,525.74	99.90	48,298,292.34	0.47	10,213,400,233.40
Portfolio 1:	10,156,666,105.56	98.88			10,156,666,105.56
Portfolio 2:	105,032,420.18	1.02	48,298,292.34	45.98	56,734,127.84
Other receivables with individually insignificant balance but recognized provision for bad debt individually	10,352,324.58	0.10	10,352,324.58	100.00	
Total	10,272,050,850.32	100.00	58,650,616.92	0.57	10,213,400,233.40

(d.1.1) Other receivables with individually significant balance and recognized provision for bad debt individually: There is no such item.

(d.1.2) In portfolio 1, no provision for bad debts will be made due to very little possibility of bad debt losses, the details are as follows:

Entity name	Other receivables	Provision for bad debt	Provision ratio (%)
Deqing City Construction Development Corporation	4,766,811,221.43		
Deqing New Rural Construction Investment Co., Ltd.	1,015,000,000.00		
Deqing Education Development Co., Ltd.	1,008,936,664.20		
Deqing Qianqiu Property Management Co., Ltd.	881,040,000.00		
Deqing County Forestry Development Co., Ltd.	728,000,000.00		
Deqing Qingcheng Service Co., Ltd.	442,000,000.00		
Deqing Housing and Urban-Rural Development Bureau	235,580,000.00		

Entity name	Other receivables	Provision for bad debt	Provision ratio (%)
People's Government of Qianyuan Town, Deqing County	161,817,874.00		
Zhejiang Deqing County Traffic Investment Group Co., Ltd.	147,075,369.82		
Deqing County State-owned Assets Supervision and Administration Commission Office.	83,844,715.53		
Deqing County Unified Land Acquisition Office	39,907,275.00		
Deqing Qianyuan Sewage Treatment Co., Ltd.	29,502,598.00		
Fuxi sub district office of Deqing County People's Government	17,093,480.00		
KangQian sub district office of Deqing County People's Government	14,805,889.00		
Deqing Municipal Administration Office	14,568,215.68		
Deqing Hengfeng Construction Development Co., Ltd.	13,869,650.00		
Xiazhuhu sub district office of Deqing County People's Government	13,334,650.00		
Others	65,159,818.07		
Total	9,678,347,420.73		

(d.1.3) In portfolio 2, other receivables with bad debt provision recognized collectively by aging analysis method:

Aging	31 Dec 2020		
	Other receivables	Provision for bad debt	Provision ratio(%)
Within 1 year (including 1 year)	8,440,287.87	422,014.42	5.00
1 to 2 years	17,182,745.08	3,436,549.01	20.00
2 to 3 years	1,208,894.74	604,447.38	50.00
Over 3 years	32,658,304.03	32,658,304.03	100.00
Sub-total	59,490,231.72	37,121,314.84	

(d.1.4) Accounts receivable with individually insignificant balance but provision for bad debt recognized individually

Entity name	Other receivables	Provison for bad debt	Provision ratio (%)	Reason
Deqing dakuo water Co., Ltd.	3,750,367.20	3,750,367.20	100.00	Not expected to be recovered

Entity name	Other receivables	Provison for bad debt	Provision ratio (%)	Reason
Deqing Qianyuan Urban Construction Development Co., Ltd.	3,000,000.00	3,000,000.00	100.00	Not expected to be recovered
Deqing County Administration Bureau of the xianghekou reservoir	1,430,000.00	1,430,000.00	100.00	Not expected to be recovered
Deqing Qianyuan sewage treatment plant of urban construction and Development Corporation	492,370.00	492,370.00	100.00	Not expected to be recovered
People's Government of Wukang Town, Deqing County	300,000.00	300,000.00	100.00	Not expected to be recovered
Deqing County Qianyuan Town Environmental Sanitation Management Institute	300,000.00	300,000.00	100.00	Not expected to be recovered
Zhejiang Hangning Expressway Co., Ltd.	200,000.00	200,000.00	100.00	Not expected to be recovered
Others	879,587.38	879,587.38	100.00	Not expected to be recovered
Total	10,352,324.58	10,352,324.58		

(d.2) Provision, recovery or reversal of bad debt

Bad debt reversed during the reporting period amounted to CNY11,176,977.50.

(d.3) Other receivables written off in the current period

There is no such item.

(d.4) Top five closing balances by entity

Entity name	Nature	Carrying amount	Aging	Proportion of the balance to the total other receivables (%)	Provision for bad debt
Deqing City Construction Development Corporation	Current payment	4,766,811,221.43	Within 1 year; 1 to 2 years; 2 to 3 years; over 3 years	48.90	
Deqing New Rural Construction Investment Co., Ltd.	Current payment	1,015,000,000.00	Within 1 year; 1 to 2 years; 2 to 3 years	10.41	
Deqing Education Development Co., Ltd.	Current payment	1,008,936,664.20	Within 1 year; 1 to 2 years; 2 to 3 years	10.35	
Deqing Qianqiu Property Management Co., Ltd.	Current payment	881,040,000.00	Within 1 year	9.04	

Entity name	Nature	Carrying amount	Aging	Proportion of the balance to the total other receivables (%)	Provision for bad debt
Deqing County Forestry Development Co., Ltd.	Current payment	728,000,000.00	Within 1 year	7.47	
Sub-total		8,399,787,885.63		86.17	

5.5 Inventories

(a) Inventories by category

Items	31 Dec 2020			31 Dec 2019		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Raw Materials	514,706.38		514,706.38	598,918.45		598,918.45
Stock Product	8,875,106.86		8,875,106.86	30,929,371.92		30,929,371.92
Development Costs	14,924,926,599.25		14,924,926,599.25	12,130,138,776.00		12,130,138,776.00
Development Products	971,564,747.08		971,564,747.08	1,034,195,701.50		1,034,195,701.50
Construction Project	46,505,019.16		46,505,019.16	47,203,721.87		47,203,721.87
Consumptive biological assets Asset	5,362,358.81		5,362,358.81	4,217,347.80		4,217,347.80
Entrusted construction	543,527,588.46		543,527,588.46	529,014,479.11		529,014,479.11
Total	16,501,276,126.00		16,501,276,126.00	13,776,298,316.65		13,776,298,316.65

(b) Provision for impairment:

There is no such item.

5.6 Other Current Assets

Items	31 Dec 2020	31 Dec 2019
Structural deposit		650,000,000.00
Reclassification of VAT debit balance	275,251,576.56	274,453,614.40

Items	31 Dec 2020	31 Dec 2019
Prepaid tax	402,606.40	243,111.31
Entrusted Loan		400,000,000.00
Total	275,654,182.96	1,324,696,725.71

5.7 Available-for-sale Financial Assets

(a) General information of available-for-sale financial assets

Items	31 Dec 2020			31 Dec 2019		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Available-for-sale equity instruments						
Measured at fair value						
Measured at cost	359,399,565.51		359,399,565.51	144,319,565.51		144,319,565.51
Total	359,399,565.51		359,399,565.51	144,319,565.51		144,319,565.51

(b) Available-for-sale financial assets measured at cost

Investees	Book value			
	31 Dec 2019	Increase during the reporting period	Decrease during the reporting period	31 Dec 2020
Deqing Qianjin Landscape Maintenance Co., Ltd.	100,000.00			100,000.00
Bank of Huzhou Co., Ltd.	100,710,000.00			100,710,000.00
Zhejiang Fengqihu Culture Development Co., Ltd.	25,270,000.00	217,930,000.00		243,200,000.00
Xiamen International Trust Co., Ltd.	3,590,000.00		3,590,000.00	
Warburg Trust Co., Ltd.	2,160,000.00		2,160,000.00	
Anhui Guoyuan Fiduciary Co., Ltd.	4,600,000.00		4,600,000.00	
Qingdao Hisyn Trust & Investment Co., Ltd.	2,000,000.00			2,000,000.00
Citic Trust Co., Ltd.	510,000.00	3,500,000.00		4,010,000.00
Deqing Huanzhong Water Co., Ltd.	5,379,565.51			5,379,565.51
Deqing Chebai High-tech Equity Investment Partnership (Limited Partnership)		4,000,000.00		4,000,000.00
Deqing Hengji Construction Co., Ltd.				
Total	144,319,565.51	225,430,000.00	10,350,000.00	359,399,565.51

(Continued)

Investees	Provision for impairment				Share of interest in investee (%)	Cash dividends for the year ended 31 Dec 2020
	31 Dec 2019	Increase during the reporting period	Decrease during the reporting period	31 Dec 2020		
Deqing Qianjin landscape maintenance Co., Ltd.					5.00	
Bank of Huzhou Co., Ltd.					2.96	2,700,000.00
Zhejiang fengqihu Culture Development Co., Ltd.					19.00	
Xiamen International Trust Co., Ltd.						
Warburg Trust Co., Ltd.						
Anhui Guoyuan Fiduciary Co., Ltd.						
Qingdao Hisyn Trust & Investment Co., Ltd.						
Citic Trust Co., Ltd.						
Deqing Huanzhong water Co., Ltd.					11.69	400,000.00
Deqing Chebai High-tech Equity Investment Partnership (Limited Partnership)					8.00	
Deqing Hengji Construction Co., Ltd.					5.00	
Total						3,100,000.00

Note:

(i) The Company's investment in Deqing Hengji Construction Co., Ltd. has not been actually contributed as of December 31, 2020.

(c) Changes in provision for impairment during the reporting period:

There is no such item.

(d) Notes on the serious decline or non temporary decline of the fair value of available for sale equity instruments at the end of the period without provision for impairment:

There is no such item.

5.8 Long-term Receivables

(a) General information of long-term receivables

Items	31 Dec 2020			31 Dec 2019		
	Book value	Provision for bad debt	Carrying amount	Book value	Provision for bad debt	Carrying amount
Financial leasing deposit	50,000,000.00		50,000,000.00	40,400,000.00		40,400,000.00
Total	50,000,000.00		50,000,000.00	40,400,000.00		40,400,000.00

(b) Long term receivables derecognized due to transfer of financial assets:

There is no such item.

(c) Amount of assets and liabilities formed by transferring long-term receivables and continuing involvement:

There is no such item.

5.9 Long-term Equity Investments

Investees	31 Dec 2019	Changes during the reporting period				
		Increase during the reporting period	Decrease during the reporting period	Gains /(losses) on investments under the equity method	Adjustments of other comprehensive income	Changes in other equity
Associates						
Deqing Xiangsheng Real Estate Co., Ltd.	127,329,469.42			-3,923,086.99		
Deqing Hui'an Real Estate Co., Ltd.	3,533,448.71	1,200,000.00		-343,358.88		
Total	130,862,918.13	1,200,000.00		-4,266,445.87		

(Continued)

Investees	Changes during the reporting period			31 Dec 2020	Provision for impairment at 31 Dec 2020
	Declaration of cash dividends or distribution of profit	Provision for impairment	Others		
Associates					
Deqing Xiangsheng Real Estate Co., Ltd.				123,406,382.43	
Deqing Huian Real Estate Co., Ltd.				4,390,089.83	
Sub-total				127,796,472.26	
Total				127,796,472.26	

5.10 Investment Properties

(a) Investment properties accounted for using fair value model

Items	Building and constructions	Total
I. Initial cost:		
Balance at 31 Dec 2019	659,646,748.87	659,646,748.87
Increase during the reporting period		
(i) Acquisition		
Decrease during the reporting period	30,102,054.61	30,102,054.61
(i) Disposal		
(ii) Gratuitous transfer	30,102,054.61	30,102,054.61
Balance at 31 Dec 2020	629,544,694.26	629,544,694.26
II. Accumulated amortization:		
Balance at 31 Dec 2019	47,916,877.70	47,916,877.70
Increase during the reporting period	30,379,988.88	30,379,988.88
(i) Provision	30,379,988.88	30,379,988.88
Decrease during the reporting period	3,511,906.37	3,511,906.37
(i) Disposal		
(ii) Gratuitous transfer	3,511,906.37	3,511,906.37
Balance at 31 Dec 2020	74,784,960.21	74,784,960.21
III. Provision for impairment:		
Increase during the reporting period		
(i) Provision		
Decrease during the reporting period		
(i) Disposal		
(ii) Gratuitous transfer		
Balance at 31 Dec 2020		
IV. Carrying amount:		
Balance at 31 Dec 2020	554,759,734.05	554,759,734.05
Balance at 31 Dec 2019	611,729,871.17	611,729,871.17

(b) Investment properties without certificate of title

There is no such item.

5.11 Property, plant and equipment

(a) Property, plant and equipment by category

Items	31 Dec 2020	31 Dec 2019
Property, plant and equipment	2,935,065,933.99	3,071,608,559.26
Disposal of property, plant and equipment		
Total	2,935,065,933.99	3,071,608,559.26

(b) Property, plant and equipment

(b.1) General information of property, plant and equipment

Items	Buildings and constructions	Machinery equipment	Vehicles	Electrical equipment
I. Initial cost:				
Balance at 31 Dec 2019	2,350,090,924.24	56,138,593.26	11,739,543.12	482,127,210.00
Add: Increase during the reporting period	1,766,970.99	4,344,448.16	863,988.51	5,584,806.89
(i) Acquisition	1,766,970.99	4,344,448.16	863,988.51	5,584,806.89
Less: Decrease during the reporting period		5,130,028.73	587,963.00	
(i) Disposal		5,130,028.73	587,963.00	
Balance at 31 Dec 2020	2,351,857,895.23	55,353,012.69	12,015,568.63	487,712,016.89
II. Accumulated depreciation:				
Balance at 31 Dec 2019	212,018,837.61	44,879,155.70	7,874,914.95	144,830,548.41
Add: Increase during the reporting period	111,262,058.75	2,856,906.72	993,587.21	10,553,839.00
(i) Provision	111,262,058.75	2,856,906.72	993,587.21	10,553,839.00
Less: Decrease during the reporting period		4,539,076.58	512,487.00	
(i) Disposal		4,539,076.58	512,487.00	
Balance at 31 Dec 2020	323,280,896.36	43,196,985.84	8,356,015.16	155,384,387.41
III. Provision for impairment				
Balance at 31 Dec 2019			2,000.00	
Add: Increase during the reporting period				
(i) Provision				
Less: Decrease during the reporting period				
(i) Disposal				
Balance at 31 Dec 2020			2,000.00	
IV. Carrying amount				
Balance at 31 Dec 2020	2,028,576,998.87	12,156,026.85	3,657,553.47	332,327,629.48
Balance at 31 Dec 2019	2,138,072,086.63	11,259,437.56	3,862,628.17	337,296,661.59

(Continue)

Items	Special equipment	Electronic and office equipment	Others	Total
I. Initial cost:				
Balance at 31 Dec 2019	525,223,386.43	87,670,942.73	182,655.16	3,513,173,254.94
Add: Increase during the reporting period	194,084.26	2,797,781.54	109,847.70	15,661,928.05
(i) Acquisition	194,084.26	2,797,781.54	109,847.70	15,661,928.05
Less: Decrease during the reporting period	10,916.67	227,950.00	168,000.00	6,124,858.40
(i) Disposal	10,916.67	227,950.00	168,000.00	6,124,858.40
Balance at 31 Dec 2020	525,406,554.02	90,240,774.27	124,502.86	3,522,710,324.59
II. Accumulated depreciation:				
Balance at 31 Dec 2019	26,920,018.84	4,876,139.57	163,080.60	441,562,695.68
Add: Increase during the reporting period	24,982,239.46	867,248.89	4,494.75	151,520,374.78
(i) Provision	24,982,239.46	867,248.89	4,494.75	151,520,374.78
Less: Decrease during the reporting period	10,916.67	218,599.61	159,600.00	5,440,679.86
(i) Disposal	10,916.67	218,599.61	159,600.00	5,440,679.86
Balance at 31 Dec 2020	51,891,341.63	5,524,788.85	7,975.35	587,642,390.60
III. Provision for impairment				
Balance at 31 Dec 2019				2,000.00
Add: Increase during the reporting period				
(i) Provision				
Less: Decrease during the reporting period				
(i) Disposal				
Balance at 31 Dec 2020				2,000.00
IV. Carrying amount				
Balance at 31 Dec 2020	473,515,212.39	84,715,985.42	116,527.51	2,935,065,933.99
Balance at 31 Dec 2019	498,303,367.59	82,794,803.16	19,574.56	3,071,608,559.26

(b.3) Property, plant and equipment acquired under finance leases

There is no such item.

(b.4) Property, plant and equipment leasing out under operating leases

There is no such item.

(c) Disposal of property, plant and equipment: There is no such item.

5.12 Construction in Progress

(a) Construction in progress by category

Items	31 Dec 2020	31 Dec 2019
Construction in progress	271,833,349.74	241,651,865.62
Construction materials		
Total	271,833,349.74	241,651,865.62

(b) Construction in progress

(b.1) General information of construction in progress

Items	31 Dec 2020			31 Dec 2019		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Eastern Water supply Network	210,456,521.69		210,456,521.69	209,114,739.75		209,114,739.75
Mogan Mountain Tourism Development Project	28,616,964.36		28,616,964.36	17,146,281.11		17,146,281.11
Water Intake Main Pipe Reconstruction Project	2,668,162.66		2,668,162.66	2,668,162.66		2,668,162.66
Intelligent Water Project	5,059,165.00		5,059,165.00	2,165,083.00		2,165,083.00
Longkan Mountain DN1000 Steel Pipe Displacement Project of Provincial Road 304	1,438,915.61		1,438,915.61	1,438,915.61		1,438,915.61
Wukang Water Works Pool Renovation Project	1,333,809.00		1,333,809.00	1,333,809.00		1,333,809.00
County Beauty Promotion Project	1,076,663.00		1,076,663.00	1,076,663.00		1,076,663.00
Nanyang Intersection DN1400 Steel	754,467.00		754,467.00	754,467.00		754,467.00

Items	31 Dec 2020			31 Dec 2019		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Pipe Displacement Project of Provincial Road 304						
Leidian Water Supply Network	4,431,912.70		4,431,912.70			
Equipment Renewal and Process Optimization Project	8,309,035.72		8,309,035.72			
Other projects	7,687,733.00		7,687,733.00	5,953,744.49		5,953,744.49
Total	271,833,349.74		271,833,349.74	241,651,865.62		241,651,865.62

(b.2) Changes in significant projects of construction in progress

There is no such item.

(b.3) Provision for impairment during the reporting period

There is no such item.

(c) Construction Materials:

There is no such item.

5.13 Intangible Assets

Items	Land use right	Office software	Total
I. Initial cost:			
Balance at 31 Dec 2019	47,856,582.02	1,665,859.28	49,522,441.30
Add: increase during the reporting period			
(i) Acquisition			
Less: decrease during the reporting period			
(i) Disposal			
Balance at 31 Dec 2020	47,856,582.02	1,665,859.28	49,522,441.30
II. Accumulated amortization:			
Balance at 31 Dec 2019	439,813.92	761,216.95	1,201,030.87
Add: increase during the reporting period	1,217,668.09	160,785.16	1,378,453.25

Items	Land use right	Office software	Total
(i) Provision	1,217,668.09	160,785.16	1,378,453.25
Less: decrease during the reporting period			
(i) Disposal			
Balance at 31 Dec 2020	1,657,482.01	922,002.11	2,579,484.12
III. Provision for impairment			
Balance at 31 Dec 2019			
Add: increase during the reporting period			
(i) Provision			
Less: decrease during the reporting period			
(i) Disposal			
(ii) Others			
Balance at 31 Dec 2020			
IV. Carrying amount			
Balance at 31 Dec 2020	46,199,100.01	743,857.17	46,942,957.18
Balance at 31 Dec 2019	47,416,768.10	904,642.33	48,321,410.43

5.14 Long-term Deferred Expenses

Items	31 Dec 2019	Increase during the reporting period	Amortisation during the reporting period	Other decrease during the reporting period	31 Dec 2020
Decoration and renovation costs	2,354,450.78		740,178.45		1,614,272.33
Financing costs	6,387,777.81		2,246,666.76		4,141,111.05
Rents	39,104.97		36,096.90		3,008.07
Total	8,781,333.56		3,022,942.11		5,758,391.45

5.15 Deferred Tax Assets and Deferred Tax Liabilities

(a) Deferred tax assets before offsetting

Items	31 Dec 2020		31 Dec 2019	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment loss	32,944,340.92	8,236,085.23	32,445,561.84	8,111,390.46
Total	32,944,340.92	8,236,085.23	32,445,561.84	8,111,390.46

(b) Deferred tax liabilities before offsetting

There is no such item.

(c) Deferred income tax assets or liabilities presented at net amount after offset

There is no such item.

(d) Unrecognized deferred tax assets

Items	31 Dec 2020	31 Dec 2019
Deductible temporary differences	58,996,350.77	66,613,012.43
Total	58,996,350.77	66,613,012.43

5.16 Other Non-current Assets

Items	31 Dec 2020	31 Dec 2019
Prepayment for house purchasing	79,646,200.00	89,646,200.00
Franchise of parking charges	603,525,000.05	
Total	683,171,200.05	89,646,200.00

5.17 Short-term Borrowings

(a) Disclosure of short-term borrowings by category

Items	31 Dec 2020	31 Dec 2019
Credit loans	60,000,000.00	20,000,000.00
Guarantee loans	479,000,000.00	448,000,000.00
Mortgage loans		16,000,000.00
Pledge loans	422,700,000.00	35,000,000.00
Pledge and guarantee loans		43,000,000.00
Mortgage and guarantee loans	50,000,000.00	
Total	1,011,700,000.00	562,000,000.00

(a.1) Credit loans

Borrowing unit	Loan bank	Amount
Deqing Yonghui Asset Management Co., Ltd.	Zhejiang Deqing Rural Commercial Bank Co., Ltd.	20,000,000.00
Deqing County Water Service Co., Ltd.	China Merchants Bank Huzhou Deqing Sub-branch	40,000,000.00
Sub-total		60,000,000.00

(a.2) Guarantee loans

Borrowing unit	Guarantor	Loan bank	Amount
Deqing County Municipal Engineering Co., Ltd.	Deqing Hengda Construction Development Co., Ltd.	Industrial Bank Deqing sub-branch	100,000,000.00

Borrowing unit	Guarantor	Loan bank	Amount
Deqing County Water Service Co., Ltd.	Zhejiang Deqing County Traffic Investment Group Co., Ltd.	China CITIC Bank Deqing sub-branch	80,000,000.00
Deqing County Water Service Co., Ltd.	Deqing Hengda Construction Development Co., Ltd.	Industrial Bank Deqing sub-branch	150,000,000.00
Deqing County Water Service Co., Ltd.	Deqing Hengda Construction Development Co., Ltd.	China Merchants Bank Huzhou Branch	30,000,000.00
Deqing County Water Service Co., Ltd.	Zhejiang Deqing County Traffic Investment Group Co., Ltd.; Deqing County Construction Investment Co., Ltd.	Hengfeng Bank Huzhou Branch	54,000,000.00
Deqing Decheng Landscape Engineering Service Co., Ltd.	Deqing Hengda Construction Development Co., Ltd.	Industrial Bank Deqing sub-branch	50,000,000.00
Deqing County Hengfeng Sewage Treatment Co., Ltd.	Deqing Hengda Construction Development Co., Ltd.	China CITIC Bank Deqing sub-branch	10,000,000.00
Deqing County Hengfeng Sewage Treatment Co., Ltd.	Deqing City Construction Development Corporation	Huaxia Bank Deqing sub-branch	5,000,000.00
Sub-total			479,000,000.00

(a.3) Pledge loans

Borrowing unit	Pledgor	Loan bank	Pledge	Amount
Deqing County Water Department Plumbing Co., Ltd.	Deqing Xingyuan Municipal Engineering Co., Ltd.	Industrial Bank Deqing sub-branch	Time deposit	49,000,000.00
Deqing County Water Department Plumbing Co., Ltd.	Deqing County Water Department Plumbing Co., Ltd.	China CITIC Bank Deqing sub-branch	Time deposit	10,000,000.00
Deqing County Water Service Co., Ltd.	Deqing County Water Service Co., Ltd.	China CITIC Bank Deqing sub-branch	Time deposit	20,500,000.00
Deqing Hengda Construction Development Co., Ltd.	Deqing Hengda Construction Development Co., Ltd.	Everbright Bank Hangzhou Chengxi sub-branch	Time deposit	228,000,000.00
Deqing County Construction Investment Co., Ltd.	Deqing County Construction Investment Co., Ltd.	Everbright Bank Hangzhou Chengxi sub-branch	Time deposit	115,200,000.00
Sub-total				422,700,000.00

(a.4) Mortgage and guarantee loans

Borrowing unit	Gurantee units	Mortgager	Loan bank	Collateral	Amount
Deqing County Water Service	Deqing City Construction	Deqing County Water	Shanghai Pudong Development	Land use rights	50,000,000.00

Borrowing unit	Gurantee units	Mortgager	Loan bank	Collateral	Amount
Co., Ltd.	Development Corporation	Service Co., Ltd.	Bank Deqing sub-branch		
Sub-total					50,000,000.00

5.18 Accounts Payable

(a) Accounts payable categorized by ages:

Aging	31 Dec 2020	31 Dec 2019
Within 1 year (including 1 year)	340,683,393.15	408,497,801.02
1 to 2 years	243,294,180.84	177,165,008.07
2 to 3 years	145,045,695.54	828,912,253.62
Over 3 years	645,779,352.52	163,594,900.94
Total	1,374,802,622.05	1,578,169,963.65

(b) Top five closing balances by entity

Items	Nature	31 Dec 2020	Proportion of the balance to the total trade payable (%)
Deqing City Construction Development Corporation	Operating right transfer fee	189,260,000.00	13.77
Hengde Construction Group Co., Ltd.	Project funds	89,512,782.31	6.51
Zhejiang Zhongrong Construction Co., Ltd.	Project funds	39,300,542.55	2.86
Deqing Xindian Power Construction Co., Ltd.	Project funds	12,959,405.20	0.94
Duihekou Reservoir Administration Bureau of Deqing County	Water charges	9,620,242.07	0.70
Sub-total		340,652,972.13	24.78

5.19 Advances from Customers

(a) Details of advances from customers

Items	31 Dec 2020	31 Dec 2019
Within 1 year (including 1 year)	140,086,486.75	38,003,401.12
1 to 2 years	8,838,516.79	255,102.36
2 to 3 years	156,771.32	395,937.96
Over 3 years	286,024.66	354,765.55
Total	149,367,799.52	39,009,206.99

(b) Top five closing balances by entity

Items	Nature	31 Dec 2020	Proportion of the balance to the total advances from customers (%)
Deqing Hengfeng Construction Development Co., Ltd.	House purchase fund	102,312,951.50	68.50
Deqing Housing and Urban-Rural Development Bureau	Project funds	10,100,000.00	6.76
Deqing Wukang Health Care group	Project funds	10,000,000.00	6.69
Deqing County Federation of trade unions	Project funds	3,300,000.00	2.21
Huzhou Interprovincial Undertake Industrial Transfer Demonstration Zone Anji Zone Management Committee	Project funds	2,516,361.50	1.68
Sub-total		128,229,313.00	85.84

5.20 Employee Benefits Payable

(a) Details of employee benefits payable

Items	31 Dec 2019	Increase during the reporting period	Decrease during the reporting period	31 Dec 2020
I. Short-term employee benefits	1,782,315.75	75,893,042.27	76,610,563.31	1,064,794.71
II. Post-employment benefits-defined contribution plans	1,318.34	1,300,827.41	1,302,145.75	
III. Termination benefits				
IV. Other benefits due within one year				
Total	1,783,634.09	77,193,869.68	77,912,709.06	1,064,794.71

(b) Short-term employee benefits

Items	31 Dec 2019	Increase during the reporting period	Decrease during the reporting period	31 Dec 2020
I. Salaries, bonuses, allowances and subsidies	1,606,180.00	60,198,718.68	60,804,898.68	1,000,000.00
II. Employee benefits		8,146,236.96	8,146,236.96	
III. Social insurance	772.82	2,016,631.84	2,011,975.15	5,429.51
Including: Health insurance	636.44	1,886,022.08	1,881,229.01	5,429.51

Items	31 Dec 2019	Increase during the reporting period	Decrease during the reporting period	31 Dec 2020
Injury insurance	54.55	60,885.53	60,940.08	
Birth insurance	81.83	69,724.23	69,806.06	
IV. Housing accumulation fund		4,690,074.06	4,690,074.06	
V. Labour union funds and employee education funds	175,362.93	841,380.73	957,378.46	59,365.20
VI. Short-term absence pays				
VII. Short-term profit-sharing plan				
Sub-total	1,782,315.75	75,893,042.27	76,610,563.31	1,064,794.71

(c) Defined contribution plans

Items	31 Dec 2019	Increase during the reporting period	Decrease during the reporting period	31 Dec 2020
Basic endowment insurance	1,272.88	1,231,544.46	1,232,817.34	
Unemployment insurance	45.46	69,282.95	69,328.41	
Enterprise annuity				
Sub-total	1,318.34	1,300,827.41	1,302,145.75	

5.21 Taxes Payable

Items	31 Dec 2020	31 Dec 2019
Value added tax (VAT)	2,618,491.42	18,746,374.04
Business tax	61,702.82	61,702.82
Enterprise income tax	21,832,339.19	9,171,339.19
Urban maintenance and construction tax	116,260.87	1,041,952.27
Property tax	4,607,456.89	4,728,310.81
Land usage tax	522,284.00	1,082,297.15
Land value added tax	24,362,386.61	
Individual income tax	78,353.42	71,191.59
Stamp duty	127,742.47	390,905.85
Education surcharge	70,830.16	625,996.60
Local Education surcharge	45,702.87	415,813.45
Water project construction fund	1,060.00	1,060.00
Total	54,444,610.72	36,336,943.77

5.22 Other Payables

(a) Other payables by category

Items	31 Dec 2020	31 Dec 2019
Interest payable	194,496,980.17	129,161,319.44
Dividend payable		
Other payables	348,304,847.69	284,830,893.60
Total	542,801,827.86	413,992,213.04

(b) Interest payable

Items	31 Dec 2020	31 Dec 2019
Interest on long-term borrowings with installment interest payments and the repayment of the principal at maturity	47,204,163.77	58,489,579.43
Bond interest payable	145,934,526.04	68,935,241.54
Interest on short-term borrowings	1,358,290.36	1,736,498.47
Sub-total	194,496,980.17	129,161,319.44

As at 31 December 2020, the Company has no significant amount of unpaid overdue interest.

(c) Dividends payable

There is no such item.

(d) Other payables

(d.1) Disclosure of other payables by aging

Aging	31 Dec 2020	31 Dec 2019
Within 1 year (including 1 year)	200,826,753.68	55,790,854.74
1 to 2 years	53,571,870.99	74,137,849.62
2 to 3 years	44,296,264.41	97,226,574.17
Over 3 years	49,609,958.61	57,675,615.07
Total	348,304,847.69	284,830,893.60

(d.2) Top five closing balances by entity

Items	Nature	Balance as at 31 Dec 2020	Aging	Proportion (%)
Zhejiang fengqihu Culture Development Co., Ltd.	Current payment	143,894,485.00	Within 1 year	41.31
People's Government of Moganshan Town, Deqing County	Policy processing fee	39,624,500.00	Within 1 year	11.38
Deqing County Water Conservancy Construction Development Co.,	Borrowings	38,888,888.88	Over 3 years	11.17

Items	Nature	Balance as at 31 Dec 2020	Aging	Proportion (%)
Ltd.				
Zhejiang Gaorong Qiqing Construction Co., Ltd.	Deposits	27,957,429.40	2 to 3 years	8.03
Beijing GeoEnviron Engineering & Technology, Inc.	Deposits	21,136,011.00	1 to 2 years	6.07
Sub-total		271,501,314.28		77.96

5.23 Non-current Liabilities Maturing within One Year

(a) Non-current liabilities maturing within one year by category

Items	31 Dec 2020	31 Dec 2019
Long-term borrowings maturing within one year	2,968,496,097.27	3,203,058,920.38
Bonds payable maturing within one year	174,000,000.00	265,000,000.00
Total	3,142,496,097.27	3,468,058,920.38

5.24 Long-term Borrowings

(a) Long-term borrowings by category

Items	31 Dec 2020	31 Dec 2019
Credit loans	1,450,000,000.00	1,314,000,000.00
Guarantee loans	3,335,899,706.69	4,056,504,183.63
Mortgage loans		359,000,000.00
Pledge loans	1,631,240,000.00	2,131,760,000.00
Mortgage and guarantee loans	1,005,313,314.35	751,739,022.95
Pledge and guarantee loans	1,822,460,000.00	1,915,390,000.00
Mortgage, pledge and guarantee loans	221,000,000.00	229,000,000.00
Total	9,465,913,021.04	10,757,393,206.58

(a.1) Credit loans

Borrowing units	Creditor	Amount	Including: long-term loan within one year
Deqing County Construction Investment Co., Ltd.	Zhejiang Jianrong Investment Development Co., Ltd.	1,314,000,000.00	60,000,000.00
Deqing Construction Development Group Co., Ltd.	Huaxia Bank Deqing sub-branch	200,000,000.00	4,000,000.00
Sub-total		1,514,000,000.00	64,000,000.00

(a.2) Guarantee loans

Borrowing units	Gurantee units	Loan banks	Amount	Including: long-term loan within one year
Deqing County Municipal Engineering Co., Ltd.	Deqing County Construction Investment Co., Ltd.	Rural Commercial Bank Deqing Sub-branch	11,000,000.00	11,000,000.00
Deqing Hengda Construction Development Co., Ltd.	Zhejiang Deqing County Traffic Investment Group Co., Ltd.	Bank of Hangzhou Deqing Sub-branch	25,000,000.00	25,000,000.00
Deqing Hengda Construction Development Co., Ltd.	Deqing County Construction Investment Co., Ltd.	China Resources Financial Leasing Co., Ltd.	45,000,000.00	20,000,000.00
Deqing Hengda Construction Development Co., Ltd.	Deqing County Construction Investment Co., Ltd.	Nanjing International Leasehold Co., Ltd.	64,072,852.00	19,905,569.00
Deqing Hengda Construction Development Co., Ltd.	Deqing County Construction Investment Co., Ltd.	Huarong Financial Leasing Co., Ltd.	160,076,120.15	37,696,263.56
Deqing Hengda Construction Development Co., Ltd.	Deqing County Construction Investment Co., Ltd.; Deqing Construction Development Group Co., Ltd.	China CITIC Bank Deqing sub-branch	600,000,000.00	
Deqing Hengda Construction Development Co., Ltd.	Deqing County Construction Investment Co., Ltd.; Deqing Construction Development Group Co., Ltd.	China CITIC Bank Deqing sub-branch	100,000,000.00	
Deqing County construction and Development Co., Ltd.	Deqing City Construction Development Corporation	Industrial Bank Huzhou Branch	300,000,000.00	300,000,000.00
Deqing County construction and Development Co., Ltd.	Deqing Hengfeng Construction Development Co., Ltd.	Zheshang Bank Huzhou Branch	92,000,000.00	92,000,000.00
Deqing County construction and Development Co., Ltd.	Deqing County Construction Investment Co., Ltd.; Zhejiang Deqing County Traffic Investment Group Co., Ltd.	Bank of Hangzhou Deqing Sub-branch	970,000,000.00	300,683,010.00
Deqing County	Zhejiang Deqing County	Bank of Hangzhou	300,000,000.00	200,000,000.00

Borrowing units	Gurantee units	Loan banks	Amount	Including: long-term loan within one year
construction and Development Co., Ltd.	Traffic Investment Group Co., Ltd.	Deqing Sub-branch		
Deqing County construction and Development Co., Ltd.	Zhejiang Deqing County Traffic Investment Group Co., Ltd.	Rural Commercial Bank Deqing Sub-branch	110,000,000.00	30,000,000.00
Deqing County construction and Development Co., Ltd.	Deqing Construction Development Group Co., Ltd.; Deqing County Construction Investment Co., Ltd.	Far Eastern International Financial Leasing Co., Ltd.	76,487,589.36	33,994,112.31
Deqing County construction and Development Co., Ltd.	Deqing Hengfeng Construction Development Co., Ltd.	Zhejiang zheyin Financial Leasing Co., Ltd.	434,094,875.55	92,148,669.70
Deqing County construction and Development Co., Ltd.	Deqing Construction Development Group Co., Ltd.; Zhejiang Deqing County Traffic Investment Group Co., Ltd.	Bank of Chouzhou Deqing sub-branch	75,000,000.00	75,000,000.00
Deqing County City Assets Management Co., Ltd.	Deqing Construction Development Group Co., Ltd.; Deqing County Construction Investment Co., Ltd.; Deqing Hengda Construction Development Co., Ltd.	Haitong Hengxin International Leasing Co., Ltd.	50,403,858.19	15,305,334.07
Deqing Decheng Landscape Engineering Service Co., Ltd.	Deqing County Construction Investment Co., Ltd.	Huaxia Bank Deqing sub-branch	29,000,000.00	29,000,000.00
Deqing Decheng Landscape Engineering Service Co., Ltd.	Deqing County Construction Investment Co., Ltd.	Rural Commercial Bank Deqing Sub-branch	24,000,000.00	24,000,000.00
Deqing Decheng Landscape Engineering Service Co., Ltd.	Deqing County Construction Investment Co., Ltd.; Deqing Hengda Construction Development Co., Ltd.; Deqing Construction Development Group Co., Ltd.	Haitong Hengxin International Leasing Co., Ltd.	16,801,286.08	5,101,778.04

Borrowing units	Gurantee units	Loan banks	Amount	Including: long-term loan within one year
Deqing County Hengfeng Sewage Treatment Co., Ltd.	Deqing County Water Service Co., Ltd.	Rural commercial bank Deqing Development Zone sub-branch	14,000,000.00	
Deqing County Hengfeng Sewage Treatment Co., Ltd.	Deqing County Water Service Co., Ltd.	Rural commercial bank Deqing Development Zone sub-branch	4,000,000.00	20,000.00
Deqing County Hengfeng Sewage Treatment Co., Ltd.	Deqing City Construction Development Corporation	Bank of Huzhou Deqing sub-branch	6,000,000.00	6,000,000.00
Deqing County Water Service Co., Ltd.	Deqing County Construction Investment Co., Ltd.	China Merchants Bank Deqing sub-branch	15,000,000.00	5,000,000.00
Deqing County Water Service Co., Ltd.	Deqing City Construction Development Corporation	Huaxia Bank Deqing Xinhua sub-branch	23,000,000.00	1,000,000.00
Deqing County Water Service Co., Ltd.	Zhejiang Deqing County Traffic Investment Group Co., Ltd.; Deqing County Hengfeng Sewage Treatment Co., Ltd.	Guangzhou Yuexiu Financing Lease Co., Ltd.	140,000,000.00	40,000,000.00
Deqing County Water Service Co., Ltd.	Zhejiang Deqing County Traffic Investment Group Co., Ltd.	Maxwealth Finanical Leasing Co., Ltd.	185,000,000.00	10,000,000.00
Deqing County Water Service Co., Ltd.	Deqing County Construction Investment Co., Ltd.	Ping An International Financial Leasing Co., Ltd.	97,282,028.95	40,050,966.04
Deqing County Water Service Co., Ltd.	Zhejiang Deqing County Traffic Investment Group Co., Ltd.	Junchuang International Finance Leasing Co., Ltd.	138,582,150.32	39,396,634.06
Deqing County Water Service Co., Ltd.	Zhejiang Deqing County Traffic Investment Group Co., Ltd.	Zhejiang zheyin Financial Leasing Co., Ltd.	151,267,967.79	36,190,646.17
Deqing County Water Service Co., Ltd.	Zhejiang Deqing County Traffic Investment Group Co., Ltd.; Deqing Hengfeng Construction Development Co., Ltd.; Zhejiang Deqing communications and Water	Harbinbank Financial Leasing Co., Ltd.	146,561,634.33	38,582,868.97

Borrowing units	Gurantee units	Loan banks	Amount	Including: long-term loan within one year
	Conservancy Investment Group Co., Ltd.			
Deqing County Water Department Plumbing Co., Ltd.	Deqing City Construction Development Corporation	Bank of Huzhou Deqing sub-branch	30,000,000.00	30,000,000.00
Deqing County Water Department Plumbing Co., Ltd.	Zhejiang Deqing County Traffic Investment Group Co., Ltd.	Rural Commercial Bank Deqing Sub-branch	29,000,000.00	29,000,000.00
Deqing County Construction Investment Co., Ltd.	Zhejiang Deqing County Traffic Investment Group Co., Ltd.	Huaxia Bank Deqing sub-branch	13,125,000.00	13,125,000.00
Deqing County Construction Investment Co., Ltd.	Zhejiang Deqing County Traffic Investment Group Co., Ltd.	Huaxia Bank Deqing sub-branch	74,375,000.00	74,375,000.00
Deqing County Construction Investment Co., Ltd.	Zhejiang Deqing County Traffic Investment Group Co., Ltd.	China Everbright Bank Hangzhou Branch	190,000,000.00	190,000,000.00
Deqing County Construction Investment Co., Ltd.	Deqing City Construction Development Corporation	Bank of Huzhou Deqing sub-branch	70,000,000.00	70,000,000.00
Deqing County Construction Investment Co., Ltd.	Zhejiang Deqing County Traffic Investment Group Co., Ltd.	Bank of Jiangsu Hangzhou Branch	100,000,000.00	100,000,000.00
Deqing County Construction Investment Co., Ltd.	Deqing City Construction Development Corporation	Maxwealth Finanical Leasing Co., Ltd.	200,000,000.00	17,500,000.00
Deqing County Construction Investment Co., Ltd.	Zhejiang Deqing County Traffic Investment Group Co., Ltd.; Deqing County Water Service Co., Ltd.	Hebei Financial Leasing Co., Ltd.	96,715,069.24	29,833,863.17
Deqing County Construction Investment Co., Ltd.	Deqing Construction Development Group Co., Ltd.	Qingdao Hisyn Trust & Investment Co., Ltd.	200,000,000.00	200,000,000.00
Deqing County Construction Investment Co., Ltd.	Zhejiang Deqing County Traffic Investment Group Co., Ltd.	Changjiang United Financial Leasing Co., Ltd.	118,024,663.40	28,060,673.58

Borrowing units	Gurantee units	Loan banks	Amount	Including: long-term loan within one year
Deqing Automobile Network Intelligent Industrial Development Co., Ltd.	Deqing Construction Development Group Co., Ltd.	China Development Bank Zhejiang Branch	120,000,000.00	
Sub-total			5,644,870,095.36	2,308,970,388.67

(a.3) Pledge loans

Borrowing units	Pledgor	Loan banks	Pledge	Amount	Including: long-term loan within one year
Deqing City Investment Development Co., Ltd.	Deqing City Investment Development Co., Ltd.	Agricultural Bank of China Deqing sub-branch	Right to future benefits of the project	890,160,000.00	54,920,000.00
Deqing County Construction Investment Co., Ltd.	Deqing County Construction Investment Co., Ltd.	Agricultural Development Bank of China Deqing sub-branch	Right to future benefits of the project	932,000,000.00	136,000,000.00
Total				1,822,160,000.00	190,920,000.00

(a.4) Mortgage and guarantee loans

Borrowing units	Gurantee units	Mortgager	Bank	Collateral	Amount	Including: long-term loan within one year
Deqing Hengda Construction Development Co., Ltd.	Deqing Construction Development Group Co., Ltd.	Deqing Hengda Construction Development Co., Ltd.	Zheshang Bank Deqing sub-branch	Buildings and constructions	200,000,000.00	
Deqing Hengda Construction Development Co., Ltd.	Zhejiang Deqing County Traffic Investment Group Co., Ltd.	Deqing Hengda Construction Development Co., Ltd.	China Everbright Bank Hangzhou Branch	Land use rights	340,000,000.00	40,000,000.00
Deqing County Construction Investment Co., Ltd.	Zhejiang Deqing County Traffic Investment Group Co., Ltd.	Deqing County Construction Investment Co., Ltd.	Huaxia Bank Deqing sub-branch	Buildings and constructions, Land use rights	90,000,000.00	1,500,000.00

Borrowing units	Gurantee units	Mortgager	Bank	Collateral	Amount	Including: long-term loan within one year
Deqing County Construction Investment Co., Ltd.	Zhejiang Deqing County Traffic Investment Group Co., Ltd.	Deqing Construction Development Group Co., Ltd.	Chongqing Rural Commercial Financial Leasing Co., Ltd.	Land use rights; housing ownership	160,739,022.95	77,425,708.60
Deqing Boshi Tourism Development Co., Ltd.	Deqing Construction Development Group Co., Ltd.	Deqing Boshi Tourism Development Co., Ltd.	China Everbright Bank Hangzhou Branch	Buildings and constructions, Land use rights	136,000,000.00	3,500,000.00
Deqing Construction Development Group Co., Ltd.	Zhejiang Deqing County Traffic Investment Group Co., Ltd.	Deqing County construction and Development Co., Ltd.	Citic Trust Co., Ltd.	Land use rights	51,000,000.00	50,000,000.00
Deqing Construction Development Group Co., Ltd.	Zhejiang Deqing County Traffic Investment Group Co., Ltd.	Deqing County construction and Development Co., Ltd.	Citic Trust Co., Ltd.	Land use rights	129,600,000.00	8,400,000.00
Deqing Construction Development Group Co., Ltd.	Zhejiang Deqing County Traffic Investment Group Co., Ltd.	Deqing County construction and Development Co., Ltd.	Citic Trust Co., Ltd.	Land use rights	220,400,000.00	141,600,000.00
Sub-total					1,327,739,022.95	322,425,708.60

(a.5) Pledge and guarantee Loans

Borrowing units	Gurantee units	Pledgor	Bank	Pledge	Amount	Including: long-term loan within one year
Deqing County construction and Development Co., Ltd.	Deqing Hengda Construction Development Co., Ltd.	Deqing County construction and Development Co., Ltd.	Industrial and Commercial Bank of China Deqing sub-branch	Right to future benefits of the project	72,000,000.00	22,000,000.00

Borrowing units	Gurantee units	Pledgor	Bank	Pledge	Amount	Including: long-term loan within one year
Deqing County construction and Development Co., Ltd.	Deqing City Construction Development Corporation	Deqing County construction and Development Co., Ltd.	Agricultural Bank of China Deqing sub-branch	Right to future benefits of the project	564,000,000.00	
Deqing County construction and Development Co., Ltd.	Deqing City Construction Development Corporation	Deqing County construction and Development Co., Ltd.	China Development Bank Zhejiang Branch	Right to future benefits of the project	292,500,000.00	5,000,000.00
Deqing County construction and Development Co., Ltd.	Deqing City Construction Development Corporation	Deqing County construction and Development Co., Ltd.	China Construction Bank Deqing square sub-branch	Right to future benefits of the project	292,500,000.00	5,000,000.00
Deqing City Investment Development Co., Ltd.	Deqing Hengda Construction Development Co., Ltd.; Deqing County construction and Development Co., Ltd.	Deqing City Investment Development Co., Ltd.	Industrial and Commercial Bank of China Deqing sub-branch	Right to future benefits of the project	300,000,000.00	
Deqing City Investment Development Co., Ltd.	Deqing Hengda Construction Development Co., Ltd.	Deqing City Investment Development Co., Ltd.	Bank of Communications Huzhou branch	Right to future benefits of the project	89,000,000.00	5,500,000.00
Deqing City Investment Development Co., Ltd.	Deqing Construction Development Group Co., Ltd.	Deqing City Investment Development Co., Ltd.	Postal Savings Bank of China Deqing Sub-branch	Right to future benefits of the project	266,640,000.00	16,680,000.00
Deqing County Water Service Co., Ltd.	Deqing City Construction Development Corporation	Deqing County Water Service Co., Ltd.	Agricultural Bank of China Deqing sub-branch	Right to Water revenue	20,000,000.00	20,000,000.00
Sub-total					1,896,640,000.00	74,180,000.00

(a.6) Mortgage, pledge and guarantee Loans

Borrowing units	Mortgager	Collateral	Gurantee units	Pledgor	Bank	Pledge	Amount	Including: long-term loan within one year
Deqing County City Assets Management Co., Ltd.	Deqing Hengda Construction Development Co., Ltd.	Buildings and constructions	Deqing City Construction Development Corporation	Deqing County City Assets Management Co., Ltd.	China CITIC Bank Deqing sub branch	Right to future benefits of the project	229,000,000.00	8,000,000.00
Sub-total							229,000,000.00	8,000,000.00

5.25 Bonds payable

(a) General information of bonds payable

Items	31 Dec 2020	31 Dec 2019
PR Deqing Investment; 16 Deqing Construction Investment Bond	346,973,818.02	518,503,098.53
18 Deqing Bond I	248,960,956.95	248,251,190.94
18 Deqing Bond II	49,484,160.95	446,189,180.75
19 Deqing Bond I	697,394,653.11	696,647,633.05
19 Hengda Bond I	745,688,484.91	745,079,176.23
Asset Support Plan for Water Supply Charging Right		333,037,023.57
20 Deqing Bond I	757,056,960.50	
20 Hengda Private Placement Bond	496,862,428.09	
20 Deqing I	1,387,791,108.22	
20 Deqing II	104,724,382.50	
20 Deqing Development Bond I	894,991,315.57	
Total	5,729,928,268.82	2,987,707,303.07

(b) Changes in bonds payable

Bonds	Par value	Issue date	Bonds duration	Amount issued	31 Dec 2019	Including: bonds payable due within one year
PR Deqing Investment; 16 Deqing Construction Investment Bond	100.00	11 Nov. 2016	7 years	870,000,000.00	692,503,098.53	174,000,000.00
18 Deqing Bond I	100.00	9 Feb. 2018	5 years	250,000,000.00	248,251,190.94	
18 Deqing Bond II	100.00	7 Sep. 2019	5 years	450,000,000.00	446,189,180.75	
19 Deqing Bond I	100.00	28 Oct. 2019	7 years	700,000,000.00	696,647,633.05	

Bonds	Par value	Issue date	Bonds duration	Amount issued	31 Dec 2019	Including: bonds payable due within one year
19 Hengda Bond I	100.00	27 Jun. 2019	5 years	750,000,000.00	745,079,176.23	
Asset Support Plan for Water Supply Charging Right	100.00	23 Nov. 2016	2,288 days	610,000,000.00	424,037,023.57	91,000,000.00
20 Deqing Bond I	100.00	16 Jan. 2020	7 years	760,000,000.00		
20 Hengda Private Placement Bond	100.00	4 Aug. 2020	10 years	500,000,000.00		
20 Deqing I	100.00	27 Mar. 2020	5 years	1,395,000,000.00		
20 Deqing II	100.00	24 Apr 2020	5 years	105,000,000.00		
20 Deqing Development Bond I	100.00	26 Nov. 2020	5 years	900,000,000.00		
Total				7,290,000,000.00	3,252,707,303.07	265,000,000.00

(Continued)

Bonds	Issued amount during the reporting period	Bond issuing expense	Amortization of issue fees	Repayment during the reporting period	31 Dec 2020	Including: bonds payable due within one year
PR Deqing Investment; 16 Deqing Construction Investment Bond			2,470,719.49	174,000,000.00	346,973,818.02	174,000,000.00
18 Deqing Bond I			709,766.01		248,960,956.95	
18 Deqing Bond II			3,294,980.20	400,000,000.00	49,484,160.95	
19 Deqing Bond I			747,020.06		697,394,653.11	
19 Hengda Bond I			609,308.68		745,688,484.91	
Asset Support Plan for Water Supply				424,037,023.57		

Bonds	Issued amount during the reporting period	Bond issuing expense	Amortization of issue fees	Repayment during the reporting period	31 Dec 2020	Including: bonds payable due within one year
Charging Right						
20 Deqing Bond I	760,000,000.00	-3,584,905.66	641,866.16		757,056,960.50	
20 Hengda Private Placement Bond	500,000,000.00	-3,301,886.79	164,314.88		496,862,428.09	
20 Deqing I	1,395,000,000.00	-8,370,000.00	1,161,108.22		1,387,791,108.22	
20 Deqing II	105,000,000.00	-315,000.00	39,382.50		104,724,382.50	
20 Deqing Development Bond I	900,000,000.00	-5,094,339.63	85,655.20		894,991,315.57	
Total	3,660,000,000.00	-20,666,132.08	9,924,121.40	998,037,023.57	5,729,928,268.82	174,000,000.00

5.26 Long-term Payables

(a) Long-term payables by category

Items	31 Dec 2020	31 Dec 2019
Long-term payables	243,073,653.60	239,688,130.67
Specific items payable	29,607,192.20	29,602,950.88
Total	272,680,845.80	269,291,081.55

(b) Long-term payables by nature

Items	31 Dec 2020	31 Dec 2019
Present value of interest on investment funds of China Development Fund	15,105,253.60	16,271,106.67
Relocation of household phase III	213,858,568.00	223,417,024.00
Acquisition of household phase V	14,109,832.00	
Sub-total	243,073,653.60	239,688,130.67

(c) Specific items payable

Items	31 Dec 2019	Increase during the reporting period	Decrease during the reporting period	31 Dec 2020
Special fund for pipe network of urban sewage treatment facilities	1,602,950.88	4,241.32		1,607,192.20

Items	31 Dec 2019	Increase during the reporting period	Decrease during the reporting period	31 Dec 2020
Eastern water supply network project	28,000,000.00			28,000,000.00
Sub-total	29,602,950.88	4,241.32		29,607,192.20

5.27 Other Non-current Liabilities

Items	31 Dec 2020	31 Dec 2019
Project usufruct products		100,130,000.00
Total		100,130,000.00

5.28 Paid-in Capital

Items	31 Dec 2019		Increase during the reporting period	Decrease during the reporting period	31 Dec 2020	
	Amount	Shareholding ratio (%)			Amount	Shareholding ratio (%)
Deqing County State-owned Assets Supervision and Administration Commission Office	5,512,473,647.99	100.00		541,176,365.00	4,971,297,282.99	90.18
Zhejiang Finance Development Company			541,176,365.00		541,176,365.00	9.82
Total	5,512,473,647.99	100.00	541,176,365.00	541,176,365.00	5,512,473,647.99	100.00

Note: According to Dezhenghan (2020) No.55 document, 10% of the state-owned equity of the paid-in capital is transferred to Zhejiang Financial Development Co., Ltd. free of charge according to the benchmark date of December 31, 2018.

(Continued)

Items	31 Dec 2018		Increase during the reporting period	Decrease during the reporting period	31 Dec 2019	
	Amount	Shareholding ratio (%)			Amount	Shareholding ratio (%)
Deqing County State-owned Assets Supervision and Administration Commission Office	5,411,763,647.99	100.00	100,710,000.00		5,512,473,647.99	100.00
Total	5,411,763,647.99	100.00	100,710,000.00		5,512,473,647.99	100.00

Note: According to the document Dezhenghan [2017] No.53, the registered capital of the Company is 6 billion, and the Deqing County State-owned Assets Supervision and Administration Commission Office makes contributions by stages in the form of currency, physical assets and equity. The current capital increase is CNY100,710,000.00.

(Continued)

Items	31 Dec 2017		Increase during the reporting period	Decrease during the reporting period	31 Dec 2018	
	Amount	Shareholding ratio (%)			Amount	Shareholding ratio (%)
Deqing County State-owned Assets Supervision and Administration Commission Office	5,090,324,707.98	100.00	321,438,940.01		5,411,763,647.99	100.00
Total	5,090,324,707.98	100.00	321,438,940.01		5,411,763,647.99	100.00

Note: According to the document Dezhenghan [2017] No.53, the registered capital of the company is CNY6 billion, and the Deqing County State-owned Assets Supervision and Administration Commission Office contributes by stages in the form of currency, physical assets and equity. In this period, CNY306,438,940.01 of physical assets and CNY15,000,000.00 of currency are received.

5.29 Capital Reserves

Items	31 Dec 2019	Increase during the reporting period	Decrease during the reporting period	31 Dec 2020
Capital premium	1,457,450,832.68			1,457,450,832.68
Other capital reserves	4,380,348,820.00	562,277,600.00	29,653,451.08	4,912,972,968.92
Total	5,837,799,652.68	562,277,600.00	29,653,451.08	6,370,423,801.60

(Continued)

Items	31 Dec 2018	Increase during the reporting period	Decrease during the reporting period	31 Dec 2019
Capital premium	1,457,450,832.68	-64,970,400.02	-64,970,400.02	1,457,450,832.68
Other capital reserves	2,687,851,707.49	1,692,497,112.51		4,380,348,820.00
Total	4,145,302,540.17	1,627,526,712.49	-64,970,400.02	5,837,799,652.68

(Continued)

Items	31 Dec 2017	Increase during the reporting period	Decrease during the reporting period	31 Dec 2018
Capital premium	1,457,450,832.68	296,203,828.95	296,203,828.95	1,457,450,832.68
Other capital reserves		2,687,851,707.49		2,687,851,707.49
Total	1,457,450,832.68	2,984,055,536.44	296,203,828.95	4,145,302,540.17

Note: Changes and relevant reasons for capital reserves

(a) Reasons for the change of capital reserve in 2020:

(a.1) Other capital reserves increased by CNY562,277,600.00.

(a.1.1) According to the financial documents, the subsidiary Deqing County Urban Investment and Development Co., Ltd. received CNY231,680,000.00 from Deqing County Finance Bureau;

(a.1.2) According to the financial documents, the subsidiary Deqing County Construction Investment Co., Ltd. received CNY321,760,000.00 from Deqing County Finance Bureau, and the subsidiary Deqing Weili Housing Development Co., Ltd., received CNY8,837,600.00 from Deqing County Finance Bureau.

(a.2) Other capital reserves decreased by CNY29,653,451.08.

(a.2.1) According to the documents of the people's government, the assets of the subsidiary Deqing Hengda Construction Development Co., Ltd. were transferred out free of charge, and other capital reserves decreased by CNY29,653,451.08.

(b) Reasons for the change of capital reserve in 2019:

(b.1) Capital premium increased by CNY-64,970,400.02: Deqing County Water Service Co., Ltd., the acquiree under the common control, increased capital reserve by CNY-64,970,400.02 free of charge.

(b.2) The capital premium decreased by CNY-64,970,400.02 in 2019: the investment of Deqing County Water Service Co., Ltd., the acquiree under the common control, has been realized, the net assets of the acquiree on the acquisition day under the common control would be transferred out by CNY313,634,066.98, and the retained earnings belonging to the parent company before the combination under the common control will be transferred from the capital reserve to the undistributed profit by CNY-378,604,467.00.

(b.3) Other capital reserves increased by CNY1,692,497,112.51:

(b.3.1) According to the Huzhen Appraisal Report No.59 in 2019, the value of property, plants and equipments of the Company was increased by CNY339,340.00.

(b.3.2) According to the financial documents, the subsidiary Deqing County Construction Investment Co., Ltd. received a grant of CNY350,370,000.00 from Deqing

County Finance Bureau, and the subsidiary Deqing County Weili Housing Development Co., Ltd. received a grant of CNY14,062,424.34 from Deqing County Finance Bureau;

(b.3.3) The capital reserve of Deqing Xiangsheng Real Estate Co., Ltd. increased by CNY58,400,000.00 due to other equity changes.

(b.3.4) According to the financial documents, the subsidiary Deqing Hengda construction and Development Co., Ltd. received a grant of CNY125,702,466.00 from Deqing County Finance Bureau;

(b.3.5) According to the financial documents, the subsidiary Deqing County construction and Development Co., Ltd. received CNY124,780,000.00 from Deqing County Finance Bureau, which increased the capital reserve by CNY102,955,978.00 according to 82.51% of the shareholding ratio;

(b.3.6) According to the financial documents, the subsidiary Deqing County Urban Investment and Development Co., Ltd. received CNY238,250,000.00 from Deqing County Finance Bureau;

(b.3.7) According to the documents of the state-owned Assets Management Office, three assets were transferred to the subsidiary Deqing Hengda construction and Development Co., Ltd. free of charge, resulting in an increase of CNY712,971,615.00 in capital reserve; two land assets were transferred to the subsidiary Deqing urban investment and Development Co., Ltd. free of charge, resulting in an increase of CNY89,445,289.17 in capital reserve.

(c) Reasons for changes in capital reserve in 2018:

(c.1) The capital premium increased by CNY296,203,828.95: under the common control, Deqing County Urban Assets Management Co., Ltd., the acquiree, increased the capital reserve by CNY296,203,828.95 free of charge.

(c.2) The capital premium decreased by CNY296,203,828.95: the investment of Deqing County Urban Assets Management Co., Ltd., the acquiree of business combination under the common control, has been realized, and the net assets of the acquiree under the common control at the acquisition day are CNY300,000. The retained earnings of the parent company before the combination under the common control were transferred from the capital reserve to the undistributed profit of CNY-3,796,171.05.

(c.3) Other capital reserves increased by CNY2,687,851,707.49:

(c.3.1) According to the financial documents, the capital reserve of the subsidiary Deqing Hengda Construction Development Co., Ltd. increased by CNY260,829,959.73; due to assets transferred to by Deqing County Finance Bureau free of charge.

(c.3.2) According to the financial documents, the county financial allocation as state-owned capital was allocated to the subsidiary Deqing Hengda construction and Development Co., Ltd., which increased the capital reserve by CNY144,652,691.00.

(c.3.3) According to the financial documents, the capital reserve of Deqing County construction and Development Co., Ltd. was increased by CNY371,295,000.00 calculated according to 82.51% of the shares held by the county government after financial allocation.

(c.3.4) According to the financial documents, the capital reserve of Deqing County Urban Assets Management Co., Ltd. will be increased by CNY48,6420,000.00 calculated according to the 100.00% shareholding ratio held by the county government after financial allocation.

(c.3.5) According to Deqing Finance Budgeting Document [2018] No.188, the subsidiary Deqing County Construction Investment Co., Ltd. received CNY846,872,062.00 from the Finance Bureau, and the subsidiary Deqing County Weili Housing Development Co., Ltd. received CNY8,162,583.76 from the Finance Bureau;

(c.3.6) According to the transfer documents, the subsidiary Deqing County Construction Investment Co., Ltd. transferred CNY521,019,411.00 of property, plants and equipments in free of charge in this period.

(c.3.7) The subsidiary Deqing County Construction Investment Co., Ltd. confirmed the change of other equity of the joint venture, which increased the other capital reserve by CNY48,600,000.00 in 2018.

5.30 Surplus Reserves

Items	31 Dec 2019	Increase during the reporting period	Decrease during the reporting period	31 Dec 2020
Statutory surplus reserves	71,974,823.81			71,974,823.81
Total	71,974,823.81			71,974,823.81

(Continued)

Items	31 Dec 2018	Increase during the reporting period	Decrease during the reporting period	31 Dec 2019
Statutory surplus reserves	71,974,823.81			71,974,823.81
Total	71,974,823.81			71,974,823.81

(Continued)

Items	31 Dec 2017	Increase during the reporting period	Decrease during the reporting period	31 Dec 2018
Statutory surplus reserves	71,974,823.81			71,974,823.81
Total	71,974,823.81			71,974,823.81

5.31 Retained Earnings

Items	2020	2019	2018
Balance at the end of last period before adjustments	986,152,057.80	1,169,931,565.93	988,261,428.55
Adjustments for the opening balance (increase /(decrease))		-373,877,156.33	-374,522,223.81
Balance at the beginning of the reporting period after adjustments	986,152,057.80	796,054,409.60	613,739,204.74
Add: net profit attributable to owners of the parent company for the reporting period	204,294,279.97	193,597,648.20	185,315,204.86
Less: appropriation to statutory surplus reserves			
Appropriation to discretionary surplus reserves			
Provision for general risk reserves			
Payment of ordinary share dividends	7,489,935.31	3,500,000.00	3,000,000.00
Ordinary shares dividends converted into share capital			
Balance at the end of the reporting period	1,182,956,402.46	986,152,057.80	796,054,409.60

5.32 Revenue and Cost of Sales

(a) Revenue and cost of sales

Items	2020		2019		2018	
	Revenue	Costs of sales	Revenue	Costs of sales	Revenue	Costs of sales
Principal activities	1,835,710,726.18	1,636,453,575.14	1,380,192,192.79	1,227,214,377.19	1,084,823,914.16	894,177,428.42
Other activities	54,076,426.87	55,260,147.91	76,469,177.14	59,162,485.05	41,351,606.07	20,493,551.08
Total	1,889,787,153.05	1,691,713,723.05	1,456,661,369.93	1,286,376,862.24	1,126,175,520.23	914,670,979.50

(b) Revenue and cost of sales by categories

Items	2020		2019		2018	
	Revenue	Costs of sales	Revenue	Costs of sales	Revenue	Costs of sales
Building material sales	495,593,042.48	487,302,449.88	263,400,997.62	250,529,297.09	78,992,368.37	70,734,385.77
Land development	387,000,000.00	322,481,748.68	259,373,129.20	216,144,274.34	477,409,328.00	343,035,121.82
Real estate sales	529,605,584.14	388,775,764.42	396,554,327.07	320,891,615.14	86,882,271.19	60,256,380.28
Water sevice sales	212,983,638.95	225,823,850.87	212,677,339.05	221,279,003.66	189,497,646.21	195,858,561.20
Engineering project	197,610,790.47	158,926,674.84	238,677,645.24	209,520,763.28	251,308,319.68	223,787,748.22
Others	12,917,670.14	53,143,086.45	9,508,754.61	8,849,423.68	733,980.71	505,231.13
Total	1,835,710,726.18	1,636,453,575.14	1,380,192,192.79	1,227,214,377.19	1,084,823,914.16	894,177,428.42

5.33 Taxes and Surcharges

Items	2020	2019	2018
Urban maintenance and construction tax	2,138,905.84	1,687,890.84	1,353,333.73
Educational surcharge	1,282,811.44	1,011,855.75	806,319.48
Local education surcharge	855,207.63	675,577.34	537,287.50
Property tax	5,085,515.16	5,007,754.16	4,803,081.20
Land usage tax	2,454,622.32	1,267,716.63	405,276.38
Vehicleand vessel use tax	12,985.18	36,326.34	3,888.30
Stamp duty	1,283,939.05	6,798,786.80	532,136.28
Land value-added tax	28,325,885.71	105,597.71	1,767,523.72
Others	20,286.45	266,714.25	310,890.76
Total	41,460,158.78	16,858,219.82	10,519,737.35

5.34 Finance Costs

Items	2020	2019	2018
Interest expenses	196,398,821.94	88,879,170.77	73,615,349.13
Less: Interest income	111,524,803.32	21,214,603.55	34,469,716.04
Net interest expenses	84,874,018.62	67,664,567.22	39,145,633.09
Bank charges	6,390,736.56	1,791,903.75	708,942.45
Others	1,947,483.60	6,165,909.72	2,434,349.87
Total	93,212,238.78	75,622,380.69	42,288,925.41

5.35 Other Income

Items	2020	2019	2018
Government grants	336,458,000.00	251,026,225.26	144,704,897.14

Items	2020	2019	2018
Tax return	1,045,823.94	8,475.75	14,385,356.10
Total	337,503,823.94	251,034,701.01	159,090,253.24

5.36 Investment Income

Items	2020	2019	2018
Investment income from long-term equity investments under equity method	-4,266,445.87	-7,059,003.49	-806,649.81
Gains on disposal of long-term equity investments		24,366,554.92	
Investment income from available-for-sale financial assets during holding period	3,100,000.00	400,000.00	400,000.00
Profit generated from the re-measurement of the remaining equity at fair value after the loss of control		10,442,809.25	
Total	-1,166,445.87	28,150,360.68	-406,649.81

5.37 Impairment Loss of Assets

Items	2020	2019	2018
Bad debt of receivables	7,115,882.58	-20,396,798.54	-14,482,375.08
Total	7,115,882.58	-20,396,798.54	-14,482,375.08

5.38 Gains/ (losses) from Disposal of Assets

Items	2020	2019	2018
Gains/(losses) from disposal of property, plant and equipment, construction in progress, and intangible assets not classified as held for sale	160.00	50,434.95	168,369.50
Including: Gains/(losses) from disposal of property, plant and equipment	160.00	50,434.95	168,369.50
Total	160.00	50,434.95	168,369.50

5.39 Non-operating Income

Items	2020	2019	2018
Gain from damage or scrappage of non-current assets		2,000.25	57,948.08
Government grant unrelated to daily activities	153,729.88	10,030.00	
Penalty income	50,000.00	110,000.00	10,000.00
Others	1,472,928.29	2,447,661.47	685,730.94
Total	1,676,658.17	2,569,691.72	753,679.02

5.40 Non-operating Expenses

Items	2020	2019	2018
Loss from damage or scrappage of non-current assets	90,719.50	26,727.84	130,947.78
Donations	111,220.00	95,498.00	362,826.00
Overdue payment of penalty		125,481.05	49,471.96
Others	1,027,580.23	674,171.89	383,052.89
Total	1,229,519.73	921,878.78	926,298.63

5.41 Income Tax Expenses

Items	2020	2019	2018
Current tax expenses	18,835,116.66	6,990,818.57	5,728,799.45
Deferred tax expenses	-124,694.77	-1,040,162.37	-548,919.97
Total	18,710,421.89	5,950,656.20	5,179,879.48

5.42 Supplementary Information to the Statement of Cash Flows

(a) Supplementary information to the statement of cash flows

Supplementary information	2020	2019	2018
(i) Adjustments of net profit to cash flows from operating activities:			
Net profit	214,731,119.69	192,954,363.26	184,934,331.63
Add: Provisions for impairment of assets	-7,115,882.58	20,396,798.54	14,482,375.08
Depreciation of property, plant and equipment, investment properties, oil and gas asset and productive biological assets	181,900,363.66	147,102,377.87	94,805,439.90
Amortization of intangible assets	244,931.55	212,747.09	202,221.76
Amortization of long-term deferred expenses	3,022,942.11	6,200,265.29	1,008,448.47
Losses /(gains) on disposal of property, plant and equipment, intangible assets and other long-term assets	-160.00	-50,434.95	-168,369.50
Losses /(gains) on scrapping of property, plant and equipment	90,719.50	24,727.59	72,999.70
Losses /(gains) on changes in fair value			
Finance costs /(income) recognized in profit or loss	196,398,821.94	88,879,170.77	73,615,349.13
Investment losses /(income) recognized in profit or loss	1,166,445.87	-28,150,360.68	406,649.81
Decreases /(increases) in deferred tax	-124,694.77	-1,040,162.37	-548,919.97

Supplementary information	2020	2019	2018
assets			
Increases /(decreases) in deferred tax liabilities			
Decreases /(increases) in inventories	-1,745,280,154.24	-1,684,517,878.01	-1,891,298,539.86
Decreases /(increases) in operating receivables	164,926,252.45	-1,890,264,510.27	-3,728,767,407.77
Increases /(decreases) in operating payables	306,397,106.85	388,834,167.82	1,265,276,919.54
Others			
Net cash flows from operating activities	-683,642,187.97	-2,759,418,728.05	-3,985,978,502.08
(ii) Significant investing and financing activities not involving cash receipts and payments:			
Conversion of debt into capital			
Convertible corporate bonds maturing within one year			
Property, plant and equipment acquired under finance leases			
(iii) Net increases in cash and cash equivalents:			
Cash at the end of the reporting period	2,880,804,792.34	2,305,482,467.23	2,309,415,590.65
Less: Cash at the beginning of the reporting period	2,305,482,467.23	2,309,415,590.65	1,496,157,247.57
Add: Cash equivalents at the end of the reporting period			
Less: Cash equivalents at the beginning of the reporting period			
Net increase in cash and cash equivalents	575,322,325.11	-3,933,123.42	813,258,343.08

(b) The components of cash and cash equivalents

Items	31 Dec 2020	31 Dec 2019	31 Dec 2018
(i) Cash	2,880,804,792.34	2,305,482,467.23	2,309,415,590.65
Including: Cash on hand		671.09	5,827.99
Cash in bank available for immediate use	2,880,804,792.34	2,293,999,796.14	2,309,409,762.66
Other monetary funds available for immediate use		11,482,000.00	
Due from central banks available			

Items	31 Dec 2020	31 Dec 2019	31 Dec 2018
for immediate use			
(ii) Cash equivalents			
Including: Bond investments maturing within three months			
(iii) Cash and cash equivalents at the end of the reporting period	2,880,804,792.34	2,305,482,467.23	2,309,415,590.65

5.43 Restricted Assets

Items	31 Dec 2020	Reason
Cash and cash equivalents	497,147,875.00	Pledge for bank loans; loans deposits
Inventories	619,695,477.05	Mortgage for bank loans and bonds
Investment properties	165,656,889.95	Mortgage for bank loans
Property, plant and equipment	428,209,732.31	Mortgage for bank loans
Total	1,710,709,974.31	

5.44 Government Grants

(a) Government grants related to income

Categories	2020	2019	2018	Accounts recorded
Fiscal grants	336,458,000.00	251,026,225.26	144,704,897.14	Other income
Tax return	1,045,823.94	8,475.75	14,385,356.10	Other income
Government grants unrelated to daily activities	153,729.88	10,030.00		Non-operating Income
Total	337,657,553.82	251,044,731.01	159,090,253.24	

(b) Government grants related to assets

There is no such item.

6. CHANGES IN THE SCOPE OF CONSOLIDATION

6.1 Business Combination not Under Common control

There is no such item.

6.2 Business Combination under Common Control

(a) Business combination under common control during the reporting period

Name of the combined party	Percentage of equity interest acquired during the combination (%)	Basis for the determination of business combination under common control	Combination date	Basis for the determination of the combination date
Deqing County City Assets Management	100.00	Under common control	September 2018	Acquisition of control

Name of the combined party	Percentage of equity interest acquired during the combination (%)	Basis for the determination of business combination under common control	Combination date	Basis for the determination of the combination date
Co., Ltd.				
Deqing County Water Service Co., Ltd.	100.00	Under common control	June 2019	Acquisition of control

(Continued)

Name of the combined party	Revenue of the combined entity from the beginning of the reporting period to the combination date	Net profits of the combined entity from the beginning of the reporting period to the combination date	Revenue of the combined entity during the reporting period of comparison	Net profits of the combined entity during the reporting period of comparison
Deqing County City Assets Management Co., Ltd.	26,621,175.48	-454,472.61	72,423,671.28	-1,733,052.92
Deqing County Water Service Co., Ltd.	105,365,598.79	-36,328,063.83	82,393,768.40	-32,854,178.93

(b) Business combination costs

There is no such item.

6.3 Reverse Purchase

There is no such item.

6.4 Disposal of Subsidiaries

(a) Disposal investment in subsidiaries with controlling right lost through one transaction

Name of subsidiary	Disposal price of equity	Disposal ratio of equity (%)	Disposal method of equity	Time point of losing control	The basis for determining the time point of lossing of control	The difference between consideration received and share of corresponding subsidiary's net assets
Deqing Huian Real Estate Co., Ltd.	8,700,000.00	70.00	Share transfer	31 Augest 2019	The transaction of Assets	24,366,554.92

(Continue)

Name of subsidiary	The proportion of the remaining equity on the date of lossing control	The book value of the remaining equity on the date of lossing control	The fair value of the remaining equity on the date of lossing control	Gain or loss on the remeasure ment of the remaining interest at fair value	The determination method and main assumptions of the fair value of the remaining equity on the date of lossing control	The amount of other comprehensive income transferred to investment income related to the original equity held
Deqing Huian Real Estate Co., Ltd.	30.00	0.00	3,728,571.43	10,442,809.25	Price by agreement	0.00

6.5 Other Situations Leading to Changes in the Scope of Consolidation

(a) Deqing Zhongda real estate surveying and mapping Co., Ltd. was cancelled in November 2018, Zhonghui Real Estate Co., Ltd. absorbed and merged Zhongda Real Estate Co., Ltd., and the industrial and commercial changes were completed on November 6, 2018.

(b) Deqing County Market Operation Management Co., Ltd. was established by the Company's subsidiary Deqing County Hengda Construction Development Co., Ltd. on November 16, 2018. As of December 31, 2018, it has not made actual investment.

(c) Deqing Huian Real Estate Co., Ltd., established on August 1, 2018, was approved by the document No.25 by Deqing County State-owned Assets Supervision and Administration Commission Office on the division of Deqing Yonghui Asset Management Co., Ltd.

(d) Deqing Boshi Real Estate Co., Ltd. was established on August 27, 2018. It was approved by the Deqing County State-owned Assets Supervision and Administration Commission Office No.48 document to invest the land certificate Zhejiang (2018) Deqing real estate No.0004929 held by Deqing Construction Investment Co., Ltd.

(e) Deqing Borui Engineering Project Management Co., Ltd. was established on August 8, 2018. As of December 31, 2018, Deqing Construction Investment Co., Ltd., has not contributed to it.

(f) Deqing Construction Development Group Parking Management Co., Ltd. was established on December 21, 2018 by the document No.95 on Approving the establishment of Deqing Construction Development Group Parking Management Co., Ltd. by Deqing County State-owned Assets Supervision and Administration Commission Office.

(g) On March 25, 2019, Deqing County jinruida Investment Management Co., Ltd. was jointly established by Deqing County Hengda construction and Development Co., Ltd., Huzhou Moganshan Hi-Tech Group Co., Ltd., Zhejiang Deqing transportation investment and Construction Co., Ltd.; and Deqing County Xiazhu Lake Wetland

Tourism Development Co., Ltd. with a capital contribution of CNY370 million, Huzhou Moganshan High-Tech Group Co., Ltd. subscribed CNY150 million, holding 20.83%, Zhejiang Deqing transportation investment and Construction Co., Ltd. subscribed CNY150 million, holding 20.83%, and Deqing Xiazhuhu Wetland Tourism Development Co., Ltd. subscribed CNY50 million, holding 6.94%. As at December 31, 2019, no actual contribution has been made.

(h) In June 2019, according to the document of Deqing County State-owned Assets Supervision and Administration Commission Office, the equity of Deqing County Water Servive Co., Ltd. was agreed to transfer to Deqing Construction and Development Group Co., Ltd. free of charge.

(i) Deqing Boxin Tourism Development Co., Ltd. was established on April 19, 2019 with a registered capital of CNY10 million. As at December 31, 2019, no actual contribution has been made.

(j) Deqing Automobile Network Intelligent Industrial Development Co., Ltd. was established on October 21, 2019 with a registered capital of CNY10 million. As at December 31, 2019, it has actually contributed CNY1 million.

(k) Zhejiang Deqing Zhixin Information Technology Co., Ltd. was established on July 31, 2020, jointly funded by Deqing Construction Development Group Parking Management Co., Ltd. and Zhejiang laishang Information Technology Co., Ltd. Deqing Construction Development Group Parking Management Co., Ltd. invested CNY600,000, with a shareholding ratio of 60%, and Zhejiang laishang Information Technology Co., Ltd. invested CNY400,000, with a shareholding ratio of 40%.

(l) On April 16, 2020, Deqing Boheng Real Estate Co., Ltd. was jointly established by Deqing County construction and Investment Co., Ltd., Deqing County Dongheng Zhongchuang construction and Development Co., Ltd. and Deqing County Luoshe Town Construction and Development Co., Ltd. Deqing County construction and Investment Co., Ltd. invested CNY7 million, with a shareholding ratio of 70.00%, and Deqing County Dongheng Zhongchuang construction and Development Co., Ltd. invested CNY2 million with the share of 20%; while Deqing County Luoshe Town Construction and Development Co., Ltd. invested CNY1 million, holding 10%.

7. INTERESTS IN OTHER ENTITIES

7.1 Interests in Subsidiaries

(a) Constitution of enterprise group

Name of subsidiary	Principal place of business	Registered Address	Nature of business	Percentage of equity interests by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
Deqing Hengda Construction Development Co., Ltd.	Deqing, Huzhou	Deqing, Huzhou	Non-financial enterprises	100.00		Business combination under common control.
Deqing County construction and Development Co., Ltd.	Deqing, Huzhou	Deqing, Huzhou	Non-financial enterprises		82.51	Business combination under common control.
Deqing Jian'an Construction Engineering Testing Co., Ltd.	Deqing, Huzhou	Deqing, Huzhou	Non-financial enterprises		100.00	Business combination under common control.
Deqing Decheng Landscape Engineering Service Co., Ltd.	Deqing, Huzhou	Deqing, Huzhou	Non-financial enterprises		100.00	Business combination under common control.
Deqing County Municipal Engineering Co., Ltd.	Deqing, Huzhou	Deqing, Huzhou	Non-financial enterprises		100.00	Business combination under common control.
Deqing City Investment Development Co., Ltd.	Deqing, Huzhou	Deqing, Huzhou	Non-financial enterprises		100.00	Business combination under common control.
Deqing County Zhonghui Property Brokerage Co., Ltd.	Deqing, Huzhou	Deqing, Huzhou	Non-financial enterprises		100.00	Business combination under common control.
Deqing Chunhui Real Estate Development Co., Ltd.	Deqing, Huzhou	Deqing, Huzhou	Non-financial enterprises		100.00	Business combination under common control.
Deqing County City Assets Management Co.,	Deqing, Huzhou	Deqing, Huzhou	Non-financial enterprises		100.00	Business combination

Name of subsidiary	Principal place of business	Registered Address	Nature of business	Percentage of equity interests by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
Ltd.						under common control.
Deqing Construction Development Group Parking Management Co., Ltd.	Deqing, Huzhou	Deqing, Huzhou	Non-financial enterprises		100.00	Established
Zhejiang Deqing Zhixin Information Technology Co., Ltd.	Deqing, Huzhou	Deqing, Huzhou	Non-financial enterprises		51.39	Established
Deqing jinruida Investment Management Co., Ltd.	Deqing, Huzhou	Deqing, Huzhou	Non-financial enterprises		100.00	Established
Deqing County Market Management Co., Ltd.	Deqing, Huzhou	Deqing, Huzhou	Non-financial enterprises		60.00	Established
Deqing County Water Service Co., Ltd.	Deqing, Huzhou	Deqing, Huzhou	Non-financial enterprises		100.00	Business combination under common control.
Deqing County Water Department Plumbing Co., Ltd.	Deqing, Huzhou	Deqing, Huzhou	Non-financial enterprises		100.00	Business combination under common control.
Deqing Xingyuan Municipal Engineering Co., Ltd.	Deqing, Huzhou	Deqing, Huzhou	Non-financial enterprises		100.00	Business combination under common control.
Deqing County Hengfeng Sewage Treatment Co., Ltd.	Deqing, Huzhou	Deqing, Huzhou	Non-financial enterprises		100.00	Business combination under common control.
Deqing County Construction Investment Co., Ltd.	Deqing, Huzhou	Deqing, Huzhou	Non-financial enterprises	100.00		Business combination under common control.
Deqing Weili Housing	Deqing,	Deqing,	Non-financial		100.00	Business combination

Name of subsidiary	Principal place of business	Registered Address	Nature of business	Percentage of equity interests by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
Development Co., Ltd.	Huzhou	Huzhou	enterprises			under common control.
Deqing County Yong'an Construction and Development Co., Ltd.	Deqing, Huzhou	Deqing, Huzhou	Non-financial enterprises		100.00	Business combination under common control.
Deqing Yonghui Asset Management Co., Ltd.	Deqing, Huzhou	Deqing, Huzhou	Non-financial enterprises		100.00	Business combination not under common control
Deqing Boshi Tourism Development Co., Ltd.	Deqing, Huzhou	Deqing, Huzhou	Non-financial enterprises		100.00	Established
Deqing Borui Engineering Project Management Co., Ltd.	Deqing, Huzhou	Deqing, Huzhou	Non-financial enterprises		100.00	Established
Deqing Boxin Tourism Development Co., Ltd.	Deqing, Huzhou	Deqing, Huzhou	Non-financial enterprises		100.00	Established
Deqing Boheng Real Estate Co., Ltd.	Deqing, Huzhou	Deqing, Huzhou	Non-financial enterprises		70.00	Established
Deqing Digital City Information Technology Co., Ltd.	Deqing, Huzhou	Deqing, Huzhou	Non-financial enterprises	100.00		Business combination under common control.
Deqing County Urban and Rural Surveying and Mapping Institute Co., Ltd.	Deqing, Huzhou	Deqing, Huzhou	Non-financial enterprises	80.00	20.00	Business combination under common control.
Deqing Yueda Municipal Facilities Products Co., Ltd.	Deqing, Huzhou	Deqing, Huzhou	Non-financial enterprises	100.00		Business combination under common control.
Deqing Automobile Network Intelligent Industrial Development Co., Ltd.	Deqing, Huzhou	Deqing, Huzhou	Non-financial enterprises	100.00		Established

(a.1) Explanation on the difference between shareholding ratio and voting right ratio in subsidiaries:

There is no such item.

(a.2) Basis for holding half or less voting rights but still controlling the invested party, and holding more than half of the voting rights but not controlling the invested party:

There is no such item.

(a.3) The basis for the control of important structured entities included in the scope of combination:

There is no such item.

(a.4) The basis for determining whether the Company is an agent or a principal:

There is no such item.

(b) Important non-wholly owned subsidiary

Name of subsidiary	Percentage of equity interests held by minority shareholders (%)	Profit or loss attributable to non-controlling interests in 2020	Dividends paid to non-controlling interests in 2020	Non-controlling interests at the end of 2020
Deqing County construction and Development Co., Ltd.	17.49	10,477,257.12		311,450,637.47
Deqing jinruida Investment Management Co., Ltd.	48.61	-314.69		-119,377.29
Zhejiang Deqing Zhixin Information Technology Co., Ltd.	40.00	-28,100.92		371,899.08
Deqing Boheng Real Estate Co., Ltd.	40.00	-12,001.79		2,987,998.21

(Continued)

Name of subsidiary	Percentage of equity interests held by minority shareholders (%)	Profit or loss attributable to non-controlling interests in 2019	Dividends paid to non-controlling interests in 2019	Non-controlling interests at the end of 2019
Deqing County construction and Development Co., Ltd.	17.49	-524,222.34		300,973,380.35
Deqing jinruida Investment	48.61	-119,062.60		-119,062.60

Name of subsidiary	Percentage of equity interests held by minority shareholders (%)	Profit or loss attributable to non-controlling interests in 2019	Dividends paid to non-controlling interests in 2019	Non-controlling interests at the end of 2019
Management Co., Ltd.				

(Continued)

Name of subsidiary	Percentage of equity interests held by minority shareholders (%)	Profit or loss attributable to non-controlling interests in 2018	Dividends paid to non-controlling interests in 2018	Non-controlling interests at the end of 2018
Deqing County construction and Development Co., Ltd.	17.49	-380,873.23		279,673,580.69

(c) Main financial information of important non-wholly owned subsidiaries

Subsidiaries	31 Dec 2020					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Deqing County construction and Development Co., Ltd.	5,622,164,686.07	24,027,357.45	5,646,192,043.52	1,427,594,625.52	2,437,861,926.50	3,865,456,552.02
Deqing jinruida Investment Management Co., Ltd.	15,418.25		15,418.25	261,000.00		261,000.00
Zhejiang Deqing Zhixin Information Technology Co., Ltd.	912,950.69	17,294.00	930,244.69	497.00		497.00
Deqing Boheng Real Estate Co., Ltd.	9,915,357.72	44,863.11	9,960,220.83	226.80		226.80

(Continued)

Subsidiaries	31 Dec 2019					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Deqing County construction and Development Co., Ltd.	6,865,641,715.30	26,665,687.47	6,892,307,402.77	2,028,078,648.86	3,143,397,534.12	5,171,476,182.98
Deqing jinruida Investment Management Co., Ltd.	16,065.63		16,065.63	261,000.00		261,000.00

(Continued)

Subsidiaries	31 Dec 2018					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Deqing County construction and Development Co., Ltd.	6,846,455,921.30	26,797,785.16	6,873,253,706.46	1,193,244,801.14	4,080,960,416.55	5,274,205,217.69

(Continued)

Subsidiaries	2020			
	Revenue	Net profit/(loss) for the year	Total comprehensive income for the year	Net cash flows from operating activities
Deqing County construction and Development Co., Ltd.	274,790,288.21	59,904,271.71	59,904,271.71	1,396,571,564.60
Deqing jinruida Investment Management Co., Ltd.		-647.38	-647.38	-647.38
Zhejiang Deqing Zhixin Information Technology Co., Ltd.		-70,252.31	-70,252.31	-75,070.69
Deqing Boheng Real Estate Co., Ltd.		-40,005.97	-40,005.97	-8,489,693.39

(Continued)

Subsidiaries	2019			
	Revenue	Net profit/(loss) for the year	Total comprehensive income for the year	Net cash flows from operating activities
Deqing County construction and Development Co., Ltd.	60,480,963.30	-2,997,268.98	-2,997,268.98	207,351,350.61
Deqing jinruida Investment Management Co., Ltd.		-244,934.37	-244,934.37	16,100.26

(Continued)

Subsidiaries	2018			
	Revenue	Net profit/(loss) for the year	Total comprehensive income for the year	Net cash flows from operating activities
Deqing County construction and Development Co., Ltd.		-2,177,662.86	-2,177,662.86	-1,275,586,295.43

7.2 Interests in Joint Arrangements or Associates

(a) Material joint ventures or associates

Company name	Principal place of business	Registered address	Nature of business	Percentage of equity interests by the Company (%)		Measurement methods
				Direct	Indirect	
Deqing Xiangsheng Real Estate Co., Ltd.	Deqing County	Deqing County	Real estate industry	40.00		Equity method

(b) Main financial information of the important associates

Items	Deqing Xiangsheng Real Estate Co., Ltd.		
	31 Dec 2020/2020	31 Dec 2019/2019	31 Dec 2018/2018
Current assets	1,403,975,788.58	1,087,580,283.26	753,843,229.00
Non-current assets	13,572,021.55	7,842,974.79	627,948.88
Total assets	1,417,547,810.13	1,095,423,258.05	754,471,177.88
Current liabilities	962,031,854.06	697,099,584.51	574,487,802.40
Non-current liabilities	147,000,000.00	80,000,000.00	
Total liabilities	1,109,031,854.06	777,099,584.51	574,487,802.40
Non-controlling interests			
Total owner's equity attributable to parent company	308,515,956.07	318,323,673.54	179,983,375.48
Share of net assets calculated at the proportion of equity interests	123,406,382.43	127,329,469.42	67,793,350.19
Carrying amount of investment in the associate	123,406,382.43	127,329,469.42	67,793,350.19
Revenue	52,615.00		
Net profit/(loss)	-9,807,717.47	-17,159,759.86	-2,016,624.52
Total comprehensive income	-9,807,717.47	-17,159,759.86	-2,016,624.52
Dividends received from the joint venture			

7.3 Important Joint Operations

As at 31 December 2020, the Company has no important operations.

8. FAIR VALUE DISCLOSURES

There is no such item.

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

9.1 Basic Information of Parent Company

Name of the parent	Registered address	Nature of the business	Registered capital	Percentage of equity interests in the Company (%)	Voting rights in the Company (%)
Deqing County State-owned Assets Supervision and Administration Commission Office	Deqing County			90.18	100.00

Ultimate controlling party of the Company: Deqing County State-owned Assets Supervision and Administration Commission Office.

9.2 Basic Information of Subsidiaries

Details of the subsidiaries please refer to *Notes 7 INTERESTS IN OTHER ENTITIES*.

9.3 Joint Ventures and Associates of the Company

(a) Basic information of significant joint ventures and associates

Details of significant joint ventures and associates please refer to *Notes 7 INTERESTS IN OTHER ENTITIES.*

(b) Details of other joint ventures or associates trading with the Company during the reporting period, or with outstanding balances arising in prior periods

There is no such item.

9.4 Other Related Parties of the Company

There is no such item.

9.5 Related Party Transactions

(a) Purchases or sales of goods, rendering or receiving of services

(a.1) Purchases of goods, receiving of services:

There is no such item.

(a.2) Sales of goods and rendering of services:

There is no such item.

(b) Entrusted management / contracting and entrusted management / outsourcing

There is no such item.

(c) Leasing

There is no such item.

(d) Guarantees

(b.1) The Company as guarantor:

Details of The Company as guarantor please refer to *Notes 5.17 Short-term Borrowings* and *5.24 Long-term Borrowings.*

(b.2) The Company as the secured party:

Details of the Company as the secured party refer to *Notes 5.17 Short-term Borrowings* and *5.24 Long-term Borrowings.*

9.6 Receivables and Payables with Related Parties

There is no such item.

9.7 Related Parties Commitment

There is no such item.

9.8 Others

There is no such item.

10. SHARE-BASED PAYMENT

There is no such item.

11. COMMITMENTS AND CONTINGENCIES

11.1 Significant Commitments

As at 31 December 2020, the Company has no significant commitments need to be disclosed.

11.2 Contingencies

(a) Contingent liabilities arising from outstanding litigations and the estimate of the financial effects

As at 31 December 2020, the Company has no contingent liabilities arising from pending litigation arbitration and their financial implications need to be disclosed.

(b) Contingent liabilities resulting from debt guarantees of other entities and the estimate of the financial effects

Guarantor	Guarantee	Bank	Guarantee amount ('000)	Guarantee balance ('000)	Guarantees maturity date
Deqing County Construction Investment Co., Ltd.	Deqing Lianchuang Technology New City Construction Co., Ltd.	Agricultural Development Bank of China Deqing sub-branch	1,100,000.00	448,460.00	26 Aug 2030
Deqing County Construction Investment Co., Ltd.	Deqing City Construction Development Corporation	Huarong Financial Leasing Co., Ltd.	300,000.00	205,882.50	28 Mar 2024
Deqing County Construction Investment Co., Ltd.	Deqing City Construction Development Corporation	AVIC International Leasing Co., Ltd.	240,253.80	105,025.30	9 May 2022

Guarantor	Guarantee	Bank	Guarantee amount ('000)	Guarantee balance ('000)	Guarantees maturity date
Deqing County Construction Investment Co., Ltd.	Zhejiang Deqing transportation investment and Construction Co., Ltd.	Rural Commercial Bank Deqing Sub-branch	100,000.00	90,000.00	31 Dec 2025
Deqing County Construction Investment Co., Ltd.	Deqing Lianchuang Technology New City Construction Co., Ltd.	Bank of Huzhou Deqing sub-branch	60,000.00	46,500.00	20 Dec 2024
Total			1,800,253.80	895,867.80	

(c) Other contingent liabilities and the estimate of the financial effects

As at 31 December 2020, the Company has no significant contingencies need to be disclosed.

12. EVENTS AFTER THE REPORTING PERIOD

12.1 Important non-adjustment items

There is no such item.

12.2 Profit distribution

There is no such item.

12.3 Sales return

There is no such item.

12.4 Notes on other events after the reporting period

The people's Court of Deqing County, Zhejiang Province filed a case on October 20, 2020 (the case number is [2020] Z0521 Basic People's Court No.3997), and then heard the case in public on December 22, 2020. The trial of the case was completed on January 8, 2021, and a civil judgment was issued. The defendant Deqing County Construction Investment Co., Ltd. was ordered to pay the plaintiff Hengde Construction Group Co., Ltd. CNY16,983,224.63 of project payment, interest on overdue payment and CNY63,425.50 of acceptance fee for the case, which was reduced by half, within 10 days from the effective date of the judgment. After consultation between Deqing County Construction Investment Co., Ltd., and Hengde Construction Group Co., Ltd., Hengde construction exempted Deqing construction investment from overdue payment interest. As of the announcement date, Deqing County Construction Investment Co., Ltd. has paid off the project payment and acceptance fee.

The project payment has been adjusted to 2020.

13. OTHER SIGNIFICANT MATTERS

13.1 Corrections of Prior Period Accounting Errors

(a) Retrospective restatement

In 2019, according to the documents of the state-owned assets supervision and administration office, No.159 Dongsheng Street, No.75 Yunxiu South Road, Wukang street, room 201-601, building 2, Huinan community, No.7 Yunxiu South Road, Wukang street, and No.155 Wulipai Road, Wukang street, will be transferred to the subsidiary Deqing Hengda Construction Development Co., Ltd. free of charge. The input tax will be calculated according to the full amount when it is accounted and the difference when it is actually collected. The specific impacts are as follows:

Corrections of accounting errors	Account affected for each comparison period	Cumulative impact
Correction of original value of property, plant and equipment at the beginning of the period	Property, plant and equipment	50,934,592.49
Correction of original value of property, plant and equipment at the beginning of the period	Other Current assets	-50,934,592.49

In 2020, the subsidiary Deqing Boxin Tourism Development Co., Ltd. will adjust the land use right and other related costs in the construction in progress to intangible assets, with specific impacts as follows:

Corrections of accounting errors	Account affected for each comparison period	Cumulative impact
Correction of book value of intangible assets at the beginning of the period	Construction in progress	-44,490,726.53
Correction of book value of intangible assets at the beginning of the period	Intangible assets	44,490,726.53

(b) Prospective Application

There is no such item.

13.2 Debt restructuring

There is no such item.

13.3 Asset replacement

There is no such item.

13.4 Annuity plan

There is no such item.

13.5 Termination of operation

There is no such item.

14. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

14.1 Other Receivables

(a) Other receivables by category

Items	31 Dec 2020	31 Dec 2019
Interest receivable		
Dividend receivable	56,000,000.00	
Other receivables	744,158,350.39	76,009,487.32
Total	800,158,350.39	76,009,487.32

(b) Interest receivable

There is no such item.

(c) Dividends receivable:

Items	31 Dec 2020	31 Dec 2019
Deqing County Construction Investment Co., Ltd.	56,000,000.00	
Total	56,000,000.00	

(d) Other receivables

(d.1) Other receivables by category

Items	31 Dec 2020				
	Other receivables		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables with individually significant balance and provision for bad debt recognized individually					
Other receivables with bad debt provision recognized collectively by similar credit risk characteristics	744,160,424.71	100.00	2,074.32	0.00	744,158,350.39
Portfolio 1:	744,118,938.39	99.99			744,118,938.39
Portfolio 2:	41,486.32	0.01	2,074.32	5.00	39,412.00
Other receivables with individually insignificant balance but provision for bad debt recognized individually					
Total	744,160,424.71	100.00	2,074.32	0.00	744,158,350.39

(Continued)

Items	31 Dec 2019				
	Other receivables		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables with individually significant balance and provision for bad debt recognized individually					
Other receivables with bad debt provision recognized collectively by similar credit risk characteristics	76,009,780.66	100.00	293.34	0.00	76,009,487.32
Portfolio 1:	76,003,913.95	99.99			76,003,913.95
Portfolio 2:	5,866.71	0.01	293.34	5.00	5,573.37
Other receivables with individually insignificant balance but provision for bad debt recognized individually					
Total	76,009,780.66	100.00	293.34	0.00	76,009,487.32

(d.1.1) Other receivables with individually significant balance and provision for bad debt recognized individually: There is no such item.

(d.1.2) In portfolio 1, other receivables with no provision for bad debts, the details are as follows:

Entity name	Carrying amount	Provision for bad debt	Provision ratio (%)
Deqing County Construction Investment Co., Ltd.	406,321,382.77		
Deqing Hengda Construction Development Co., Ltd.	228,201,589.79		
Deqing County State-owned Assets Supervision and Administration Commission Office	76,003,913.95		
Deqing County construction and Development Co., Ltd.	20,466,932.03		
Deqing Yonghui Asset Management Co., Ltd.	11,061,029.85		
Deqing Boxin Tourism Development Co., Ltd.	2,064,090.00		
Sub-total	744,118,938.39		

(d.1.3) In portfolio 2, other receivables with bad debt provision recognized collectively by aging analysis

Aging	31 Dec 2020		
	Other receivables	Provision for bad debt	Provision ratio(%)
Within I year	41,486.32	2,074.32	5.00
Sub-total	41,486.32	2,074.32	

(d.1.4) Other receivable with individually insignificant balance but recognized provision for bad debt individually

There is no such item.

(d.2) Provision, recovery or reversal of bad debt

Bad debt provided during the reporting period amounted to CNY1,780.98.

(d.3) Other receivables written-off during the reporting period

At 31 December 2020, the parent company has no other receivables written-off during the reporting period.

(d.4) Top five closing balances by entity

Entity name	Nature	Carrying amount	Aging	Proportion of the balance to the total other receivables (%)	Provision for bad debt
Deqing County Construction Investment Co., Ltd.	Current account	406,321,382.77	Within 1 year	54.60	
Deqing Hengda Construction Development Co., Ltd.	Current account	228,201,589.79	Within 1 year	30.67	
Deqing County State-owned Assets Supervision and Administration Commission Office	Current account	76,003,913.95	2 to 3 years	10.21	
Deqing County construction and Development Co., Ltd.	Current account	20,466,932.03	Within 1 year	2.75	
Deqing Yonghui Asset Management Co., Ltd.	Current account	11,061,029.85	Within 1 year	1.49	
Sub-total		742,054,848.39		99.72	

14.2 Long-term Equity Investments

Items	31 Dec 2020			31 Dec 2019		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Subsidiaries	5,459,691,383.27		5,459,691,383.27	5,261,563,439.91		5,261,563,439.91
Total	5,459,691,383.27		5,459,691,383.27	5,261,563,439.91		5,261,563,439.91

(a) Investments in subsidiaries

Investees	31 Dec 2019	Increase	Decrease	31 Dec 2020	Provision for impairment during the reporting period	Provision for impairment at 31 Dec 2020
Deqing Hengda Construction Development Co., Ltd.	2,879,835,560.03			2,879,835,560.03		
Deqing County Construction Investment Co., Ltd.	2,370,697,828.25			2,370,697,828.25		
Deqing Yueda Municipal Facilities Products Co., Ltd.	196,912.27			196,912.27		
Deqing County Urban and Rural Surveying and Mapping Institute Co., Ltd.	7,957,300.00			7,957,300.00		
Deqing Jierui Information Technology Co., Ltd.	872,056.64		872,056.64			
Deqing Digital City Information Technology Co., Ltd.	1,003,782.72			1,003,782.72		
Deqing Automobile Network Intelligent Industrial Development Co., Ltd.	1,000,000.00	199,000,000.00		200,000,000.00		
Sub-total	5,261,563,439.91	199,000,000.00	872,056.64	5,459,691,383.27		

14.3 Revenue and Cost of Sales

Items	2020		2019		2018	
	Revenue	Costs of sales	Revenue	Costs of sales	Revenue	Costs of sales
Principal activities	2,520,256.12	9,705,369.17	506,855.51	4,480,230.16		
Other activities						
Total	2,520,256.12	9,705,369.17	506,855.51	4,480,230.16		

14.4 Investment Income

Items	2020	2019	2018
Investment income from long-term equity investments under equity method	-872,056.64		
Others	56,000,000.00		
Total	55,127,943.36		

Name of the Company: Deqing Construction Development Group Co., Ltd.

Legal Representative: Chief Financial Officer: Finance Manager:

Date: 7 April 2021

ISSUER

Deqing Construction & Development Group Co., Ltd.
(德清縣建設發展集團有限公司)
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