IMPORTANT NOTICE

NOT FOR DISTRIBUTION INTO 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 or the Company (each as defined in the Offering Circular) as a result of such access.

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

THE FOLLOWING OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. 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 Joint Lead Managers (as defined in the Offering Circular) and us (1) that you and any customers you represent are not, and that the electronic mail address that you gave us and to which this e-mail has been delivered is not, located in the United States, its territories or possessions and (2) 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. You should not reply by e-mail to this notice, and you may not purchase any securities by doing so. Any e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

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 us or the Joint Lead Managers in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and any Joint Lead Manager or any affiliate of a Joint Lead Manager is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Joint Lead Manager or such affiliate on behalf of us 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 Joint Lead Managers or any person who controls the Joint Lead Managers nor any director, officer, employee nor agent of the Joint Lead 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 Joint Lead 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

HK ONLINK TECHNOLOGY CO., LIMITED
(香港一聯科技有限公司)

(incorporated with limited liability in Hong Kong)

U.S.$150,000,000 1.90 per cent. credit enhanced bonds due 2023
with the benefit of a keepwell deed provided by

镇江国有投资控股集团

Zhenjiang state—owned Investment Holding Group

ZHENJIANG STATE-OWNED INVESTMENT HOLDING GROUP CO., LTD.
(镇江国有投资控股集团有限公司)

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

and an irrevocable Standby Letter of Credit issued by

Bank of Jiangsu Co., Ltd. Zhenjiang Branch

Issue Price: 100.00 per cent.

The U.S.$150,000,000 1.90 per cent. credit enhanced bonds due 2023 (the "**Bonds**") will be issued by HK ONLINK TECHNOLOGY CO., LIMITED 香港一聯科技有限公司 (the "**Issuer**"), a company incorporated under the laws of Hong Kong. The Issuer is a subsidiary of Zhenjiang State-owned Investment Holding Group Co., Ltd. (镇江国有投资控股集团有限公司) (the "**Company**"), a company incorporated under the laws of the People's Republic of China. Payments of principal and interest in respect of the Bonds will have the benefit of an irrevocable standby letter of credit (the "**Standby Letter of Credit**") issued by Bank of Jiangsu Co., Ltd. Zhenjiang Branch (the "**LC Bank**"). See "*Appendix A – Form of Irrevocable Standby Letter of Credit*" for the form of the Standby Letter of Credit.

The Bonds will bear interest on their outstanding principal amount from and including 12 January 2022 (the "**Issue Date**") at the rate of 1.90 per cent. per annum. Interest on the Bonds is payable on the Maturity Date (as defined in the terms and conditions of the Bonds (the "**Terms and Conditions**")).

The Bonds will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation and at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations. Payments on 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, Hong Kong or any political subdivision or any authority therein or thereof having power to tax to the extent described under Condition 9 (*Taxation*) of the Terms and Conditions.

The Issuer and the Company will enter into a keepwell deed (the "**Keepwell Deed**") on or about 12 January 2022 with The Bank of New York Mellon, London Branch (the "**Trustee**") as trustee of the Bondholders as further described in "*Description of the Keepwell Deed*" (the "**Keepwell**"). The Keepwell Deed does not constitute a guarantee by the Company of the obligations of the Issuer under the Bonds.

The obligations of the Issuer and the Company under the Bonds and the Keepwell Deed shall solely be fulfilled by the Issuer and the Company (as the case may be) as independent legal persons. No PRC governmental agency has any payment or other obligations under the Bonds or the Keepwell; nor will they provide a guarantee of the Bonds. The Bondholders shall have no recourse to any PRC governmental agency in respect of any obligation arising out of or in connection with the Bonds solely by virtue of the Issuer and the Company being state-owned enterprises of the PRC. See "*Risk Factors – Risks relating to the Our Business and the Industry – The PRC Government shall under no circumstances have any obligation arising out of or in connection with the Bonds or the transaction documents in relation to the Bonds, which are solely to be fulfilled by the Issuer and the Company*".

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 11 January 2023 (the "**Maturity Date**"). The Bonds are subject to redemption, in whole but not in part, at their principal amount, together with accrued interest, at the option of the Issuer at any time in the event of certain changes affecting taxes of Hong Kong and the PRC. See Condition 7(b) (*Redemption for Taxation Reasons*) of the Terms and Conditions. Furthermore, at any time following the occurrence of the Change of Control (as defined in the Terms and Conditions), each holder of the Bonds will have the right, at such holder's option, to require the Issuer to redeem all, but not some only, of such holder's Bonds on the Put Settlement Date (as defined in the Terms and Conditions) at 100 per cent. (in the case of a redemption for a Change of Control (as defined in the Terms and Conditions)) of their principal amount, together with interest accrued to but excluding such Put Settlement Date. See Condition 7 (*Redemption and Purchase*) of the Terms and Conditions.

For a more detailed description of the Bonds, see "*Terms and Conditions of the Bonds*" beginning on page 46.

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

Investing in the Bonds involves risks. See "***Risk Factors***" beginning on page 17 for a discussion of certain factors to be considered in connection with an investment in the Bonds.

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. 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*".

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for the listing and quotation of the Bonds on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinion expressed or reports contained in this Offering Circular. Approval in-principle for the listing and quotation of the Bonds on the SGX-ST is not to be taken as an indication of the merits of the Bonds, the Issuer, the Company, the Group, their respective subsidiaries or the quality of disclosure in this Offering Circular. For so long as any of the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Bonds will be traded on the SGX-ST in a minimum board lot size of U.S.$200,000. A paying agent in Singapore will be appointed upon the issue of debt securities in definitive form.

The Bonds will be represented initially by beneficial interests in a global certificate (the "**Global Certificate**") in registered form which will be registered in the name of a nominee of, and shall be deposited on or about the Issue Date with, a common 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 herein, definitive certificates for the Bonds will not be issued in exchange for interests in the Global Certificate.

Joint Global Coordinators

JQ Securities	**China Industrial Securities International**	**Haitong International**

Joint Bookrunners and Joint Lead Managers

JQ Securities	**China Industrial Securities International**	**Haitong International**	**Hung Sing Securities Limited**	**Shanghai Pudong Development Bank Hong Kong Branch**	**Southwest Securities (HK) Brokerage Limited**

Offering Circular dated 7 January 2022

NOTICE TO INVESTORS

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, THE COMPANY OR ANY OF THE COMPANY'S OTHER SUBSIDIARIES (COLLECTIVELY, THE "GROUP") OR THAT THE INFORMATION SET FORTH IN THIS OFFERING CIRCULAR IS CORRECT AS OF ANY DATE SUBSEQUENT TO THE DATE HEREOF.

This document includes particulars given in compliance with the Rules Governing the Listing of Securities on SGX-ST for the purpose of giving information with regard to the Issuer and the Company. The Issuer and the Company accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading. Investors are advised to read and understand the contents of the Offering Circular before investing. If in doubt, investors should consult their advisers.

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

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

This Offering Circular has been prepared by the Issuer and the Company solely for use in connection with the proposed offering of the Bonds, giving of the Keepwell and the Standby Letter of Credit described in this Offering Circular. The distribution of this Offering Circular and the offering of the Bonds and the giving of the Keepwell in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Company, JQ Securities (Hong Kong) Limited, China Industrial Securities International Brokerage Limited, Haitong International Securities Company Limited, Hung Sing Securities Limited, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch and Southwest Securities (HK) Brokerage Limited (the "**Joint Lead Managers**") to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds, giving of the Keepwell and the Standby Letter of Credit or the distribution of this Offering Circular or any offering or publicity material relating to the Bonds in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the Company giving the Keepwell, and the circulation of documents relating thereto, in certain jurisdictions and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds and distribution of this Offering Circular, see "Subscription and Sale". By purchasing the Bonds, investors represent and agree to all of those provisions contained in that section of this Offering Circular. This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for, or otherwise acquire, Bonds. Distribution of this Offering Circular to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised. Each prospective investor, by accepting delivery of this Offering Circular, agrees to the foregoing and to make no photocopies of this Offering Circular or any documents referred to in this Offering Circular.

No person has been or is authorised to give any information or to make any representation not contained in or not consistent with this Offering Circular or any information supplied by the Issuer, the Company, the Group, the LC Bank or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Company, the Group, the LC Bank, the Joint Lead Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents (as defined in the Terms and Conditions) or their respective affiliates, directors, employees, agents, representatives, officers or advisers. 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 Company, the Group or the LC Bank or any of them since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Company, the Joint Lead Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers to subscribe for or purchase the Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

None of the Joint Lead Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents (as defined in the Conditions), or any person who controls any of them, or their respective directors, officers, employees, agents, representatives, advisers and affiliates has separately verified the information contained in this Offering Circular. None of the Joint Lead Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents, or any person who controls any of them, or any director, officer, employee, agent, representative, adviser or affiliate of any such person, makes any representation, warranty or undertaking, express or implied, or accepts any responsibility or liability, with respect to the accuracy or completeness of any of the information contained in this Offering Circular or any information supplied in connection with the Bonds, the Keepwell Deed and the Standby Letter of Credit. Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents, or any person who controls any of them, or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Issuer, the Company, the Group, the LC Bank, the Keepwell Deed, the Standby Letter of Credit and the terms of the offering and the merits and risks involved in investing in the Bonds. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Bonds.

To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents, or any person who controls any of them, or any director, officer, employee, agent, representative, adviser or affiliate of any such person, accepts any responsibility for the contents of this Offering Circular and for accuracy, completeness or sufficiency of any other statement made or purported to be made by a Joint Lead Manager, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or an Agent, or any person who controls any of them, or any director, officer, employee, agent, adviser, representative or affiliate of any such person or on its behalf, in connection with the Issuer, the Company, the Group, the LC Bank, the issue and offering of the Bonds, the giving of the Keepwell Deed or the Standby Letter of Credit. Each of the Joint Lead Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank and the Agents, and any person who controls any of them, and the directors, officers, employees, agents, representatives, advisers and affiliates of such persons accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement. None of the Joint Lead Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents, or any person who controls any of them, or any director, officer, employee, agent, representative, adviser or affiliate of any such person, undertakes to review the financial condition or affairs of the Issuer, the Company, the Group or the LC Bank during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Bonds of any information coming to the attention of the Joint Lead Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents, or any person who controls any of them, or any director, officer, employee, agent, representative, adviser or affiliate of any such person.

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

*Singapore SFA Product Classification: In connection with Section 309B(1) of the Securities and Futures Act (Chapter 289) of Singapore as modified or amended from time to time (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 persons (including 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).*

IN CONNECTION WITH THIS OFFERING, ANY OF THE JOINT LEAD MANAGERS APPOINTED AND ACTING IN ITS CAPACITY AS STABILISATION MANAGER (THE "STABILISATION MANAGER") OR ANY PERSON(S) ACTING ON BEHALF OF THE STABILISATION MANAGER MAY, SUBJECT TO ALL APPLICABLE LAWS, OVER-ALLOT BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE(S) OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR PERSON(S) ACTING ON BEHALF OF THE STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD.

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

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

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

Industry and Market Data

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

Presentation of Financial Information

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

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to "we", "us", "our company", "our" refer to Zhenjiang State-owned Investment Holding Group Co., Ltd. (鎮江國有投資控股集團有限公司), its predecessor entities and its subsidiaries; all references to the "**PRC**" and "**China**" are to the People's Republic of China (excluding Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan for purposes of this Offering Circular); all references to the "**United States**" and "**U.S.**" are to the United States of America; all references to "**PRC Government**" are to the people's government of the PRC; all references to "**Zhenjiang SASAC**" are to the State-owned Assets Supervision and Administration Committee of Zhenjiang; all references to "**Hong Kong**" are to the Hong Kong Special Administrative Region of the People's Republic of China; all references to "**Renminbi**", "**RMB**" and "**CNY**" are to the lawful currency of the PRC; all references to "**HKD**", "**HK$**" and "**HK dollars**" are to the lawful currency of Hong Kong; and all references to "**USD**", "**U.S.$**" and "**U.S. dollars**" are to the lawful currency of the United States of America.

This Offering Circular contains conversions 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 us has been converted into U.S. dollars, it has been so converted, 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 Board of Governors of the Federal Reserve System). 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, or vice versa.

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 purposes only. In the event of any inconsistency, the Chinese names prevail.

FORWARD-LOOKING STATEMENTS

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

These forward-looking statements speak only as at the date of this Offering Circular. Each of us and the Joint Lead Managers expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in our expectations with regard thereto or any change of events, conditions or circumstances, on which any such statement was based.

The factors that could cause our actual results, performances and achievements to be materially different include, among others:

- our ability to successfully implement our business plans and strategies;
- various business opportunities that we may pursue;
- our financial condition, performance and business prospects;
- our capital expenditure plans and our ability to carry out those plans;
- access and cost of capital and financing;
- changes in the competition landscape in the industries where we operate;
- any changes in the laws, rules and regulations of the central and local governments of the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business;
- general political and economic conditions, including those related to the PRC;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industry and markets in which we operate;
- fluctuations in prices of and demand for products and services that we provide;
- macroeconomic measures taken by the PRC government to manage economic growth;
- natural disasters, industrial action, terrorist attacks and other events beyond our control;
- changes in the global economic conditions; and
- other factors, including those discussed in "*Risk Factors*".

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SUMMARY

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

OVERVIEW

We are a major industrial investment platform of the Zhenjiang Municipal People's Government. We are a wholly state-owned enterprise and are under the direct management and supervision of the Zhenjiang SASAC, the local counterpart of the State Administration of State-owned Assets Commission of the PRC. We have a diverse business portfolio and are primarily engaged in six business segments, namely (i) condiment, (ii) chemical products, (iii) paper, (iv) automobile, (v) infrastructure construction and maintenance and (vi) commodity trading. Since our establishment in August 1996, we have played an important role in implementing the Zhenjiang Municipal People's Government's industrial polices and have received strong support from the Zhenjiang Municipal People's Government. Located in a strategic position of the Yangtze River Delta, Zhenjiang City is expected to play an increasingly important role in the national economy and industrial development plans. Accordingly, we believe we will be able to fully leverage our position and achieve robust and steady growth.

As of 30 December 2020, we operated our business through 25 principal subsidiaries. As of 31 December 2018, 2019 and 2020, our consolidated total assets were approximately RMB53.4 billion, RMB56.9 billion and RMB54.9 billion, respectively. For the years ended 31 December 2018, 2019 and 2020, our revenue was approximately RMB7.9 billion, RMB11.1 billion and RMB10.7 billion, respectively.

Condiment

We engage in the manufacturing and the sale of vinegar, cooking wine and other condiment products primarily through our subsidiary Jiangsu Hengshun Group Co., Ltd. (江蘇恒順集團有限公司) ("**Hengshun**"). We are a leading producer of condiment products in China. Our primary products include black vinegar, white vinegar and cooking wine. For the years ended 31 December 2018, 2019 and 2020, our revenue generated from the condiment segment was approximately RMB1,558.4 million, RMB2,291.4 million and RMB2,430.1 million, respectively, representing approximately 19.8 per cent., 20.7 per cent. and 22.7 per cent. of our total revenue, respectively for the same periods.

Chemical Products

We engage in the production of chemical products primarily through our subsidiary Jiangsu Dongpu New Material Technology Co., Ltd. (江蘇東普新材料科技有限公司) ("**Dongpu**"). Our primary chemical products are polymerized ferrous sulfate, ferrous sulfate and sulphuric acid. Before July 2019, we also engaged in chemical products production through our subsidiary Jiangsu Taibai Group Co., Ltd. (江蘇太白集團有限公司) ("**Taibai**") which focused on producing titanium dioxide. In July 2019, we disposed of Taibai and ceased producing titanium dioxide. For the years ended 31 December 2018, 2019 and 2020, our revenue generated from the chemical products segment was approximately RMB1,206.8 million, RMB1,120.6 million and RMB716.1 million, respectively, representing approximately 15.3 per cent., 10.1 per cent. and 6.7 per cent. of our total revenue respectively for the same periods.

Paper

We engage in paper production primarily through our subsidiary Zhenjiang Dadong Paper Co., Ltd. (鎮江大東紙業有限公司) ("**Dadong**"). Our paper products primarily include paper for paper cups, coated paper, tax invoice paper and cultural paper. For the years ended 31 December 2018, 2019 and 2020, our revenue generated from the paper segment was approximately RMB1,205.9 million, RMB886.5 million and RMB807.7 million, respectively, representing approximately 15.3 per cent., 8.0 per cent. and 7.6 per cent. of our total revenue respectively for the same periods.

Automobile

We engage in the manufacturing and sale of automobiles through our subsidiaries Zhenjiang Feichi Commercial Vehicles Co., Ltd. (鎮江飛馳商務車有限公司) ("**Feichi**") and Jiangsu Chechi Automobile Co., Ltd. (江蘇車馳汽車有限公司) ("**Chechi**"). Feichi focuses on the production and sale of refrigerated vehicles. Chechi focuses on the production and sale of commercial vehicles. For the years ended 31 December 2018, 2019 and 2020, our revenue generated from the automobiles segment was approximately RMB1,909.5 million, RMB2,971.2 million and RMB2,674.4 million, respectively, representing approximately 24.3 per cent., 26.9 per cent. and 25.2 per cent. of our total revenue respectively for the same periods.

Infrastructure Construction and Maintenance

We engage in the construction and maintenance of infrastructure facilities through Zhenjiang Road and Bridge Engineering Corporation of Jiangsu (江蘇鎮江路橋工程有限公司) ("**ZRBEC**"). ZRBEC was established in 1989 and primarily engages in the construction of highways and bridges in Jiangsu Province. For the years ended 31 December 2018, 2019 and 2020, our revenue generated from the infrastructure construction and maintenance segment was approximately RMB682.8 million, RMB853.2 million and RMB280.3 million, respectively, representing approximately 8.7 per cent., 7.7 per cent. and 2.6 per cent. of our total revenue respectively for the same periods. We may dispose of businesses in this segment. See "*Risk Factors – We may not be able to successfully manage our growth*".

Commodity Trading

We started our commodity trading business in June 2019 after acquisition of 36 per cent. of equity shares in Zhenjiang Jingkou Petroleum Co., Ltd. (鎮江市京口石油有限責任公司) ("**Jingkou**") and obtained de facto control over it by entering into a voting agreement with two other shareholders of Jingkou. We engages in commodity trading business mainly through Jingkou. Our commodities trading business covers a wide range of products, including oil, gas and coal. We also provide logistic service related to our commodities products. For the years ended 31 December 2019 and 2020, we generated revenue of approximately RMB2,524.8 million, and RMB3,049.4 million from commodity trading business, representing approximately 22.8 per cent. and 28.5 per cent. of our total revenue for the same period.

Other Business Operations

We engage in other business operations including energy trading, real estate development and asset management. For the years ended 31 December 2018, 2019 and 2020, our revenue generated from other business operations was approximately RMB894.1 million, RMB416.8 million and RMB584.8 million, respectively, representing approximately 11.4 per cent., 3.8 per cent. and 5.5 per cent. of our total revenue, respectively for the same periods.

COMPETITIVE STRENGTHS

We believe our competitive strengths outlined below distinguish us from our competitors and are important to our success and development.

- **A leading condiment products producer with strong brand recognition**
- **Strong support from the Zhenjiang Municipal People's Government**
- **Well positioned to benefit from the rapid growth and development of Zhenjiang's economy**
- **Strong financing capabilities and diverse financing channels with strong and long-term relationships with commercial banks and other financial institutions**
- **Experienced management and operational team**

BUSINESS STRATEGIES

We plan to execute the following strategies to grow our business and enhance our competitiveness.

- **Expand financial operations to become a financial holding group.**
- **Optimize our portfolio.**
- **Streamline our management structure.**
- **Increase our investment in innovation.**
- **Attract, retain and motivate high quality talents.**

RECENT DEVELOPMENT OF THE GROUP

In 2020, the Group transferred its 100 per cent equity interests in ZRBEC to Zhengjiang Transportation Industry Group Co., Ltd. (鎮江交通產業集團有限公司) pursuant to the Approval of the Agreement on the Transfer of State-owned Equity Interests in Jiangsu Zhenjiang Road and Bridge Engineering Corporation (Zhen Guo Assets [2020] No. 8)《關於同意江蘇鎮江路橋工程有限公司國有股權協定轉讓的批覆》（鎮國資產[2020]8號）issued by Zhenjiang SASAC (the "**Equity Transfer**"). The business registration of the Equity Transfer was completed on 1 April 2020. The Group conducted its infrastructure construction and maintenance business through ZRBEC and ceased to engage in infrastructure construction and maintenance business in April 2020. The total assets and total liabilities of ZRBEC as on the date of the transfer transaction is approximately of RMB2,495.7 million and RMB2,124.4 million, respectively.

THE OFFERING

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

Issuer	HK ONLINK TECHNOLOGY CO., LIMITED 香港一聯科技有限公司.
Keepwell Provider	Zhenjiang State-owned Investment Holding Group Co., Ltd. (镇江国有投资控股集团有限公司).
LC Bank	Bank of Jiangsu Co., Ltd. Zhenjiang Branch.
Bonds	U.S.$150,000,000 1.90 per cent. credit-enhanced bonds due 2023.
Issue Price	100.00 per cent.
Form and Denomination	The Bonds will be issued in the specified denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
Interest	The Bonds will bear interest on their outstanding principal amount from and including 12 January 2022 at the rate of 1.90 per cent. per annum, payable on the Maturity Date.
Issue Date	12 January 2022.
Maturity Date	11 January 2023.
Standby Letter of Credit	The Bonds will have the benefit of the Standby Letter of Credit in favour of the Trustee, on behalf of itself and the holders of the Bonds, issued by the LC Bank. The Standby Letter of Credit shall be drawable by the Trustee as beneficiary under the Standby Letter of Credit on behalf of itself and the holders of the Bonds upon the presentation of a demand by authenticated SWIFT (or by such other method of communication permitted under the Standby Letter of Credit) sent by or on behalf of the Trustee or by the Delegate (as defined in Condition 4(b)) to the LC Bank in accordance with the Standby Letter of Credit (the "**Demand**") stating that (i) the Issuer has failed to comply with Condition 4(b) in relation to pre-funding the amount that is required to be pre-funded under the Conditions and/or failed to provide the Required Confirmations (as defined below) in accordance with Condition 4(b), (ii) an Event of Default (as defined in Condition 10) has occurred and the Trustee has given notice to the Issuer that the Bonds are immediately due and payable in accordance with Condition 10, or (iii) the Issuer has failed to pay the fees, costs, expenses (including indemnity payments) and other amounts it is obligated to pay under the Conditions or in connection with the Bonds, the Trust Deed, the Agency Agreement and/or any other transaction documents relating to the Bonds when due and such failure has continued for a period of seven days from the date of the Trustee delivering its demand therefor to the Issuer in accordance with the Conditions. Only one drawing under the Standby Letter of Credit is permitted.

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

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

The LC Bank's liability under the Standby Letter of Credit shall be expressed and payable in U.S. dollars and shall not exceed U.S.$153,850,000. The Standby Letter of Credit expires at 6:00 p.m. (Hong Kong time) on 11 February 2023.

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

Pre-funding . . . .

In order to provide for the payment of any amount in respect of the Bonds (other than the amounts payable under Condition 7(d)) (the "**Relevant Amount**")) as the same shall become due, the Issuer shall, in accordance with the Agency Agreement, by no later than 10:00 a.m. (Hong Kong time) on the Business Day falling ten Business Days prior to the due date for such payment (the "**Pre-funding Date**") under the Conditions:

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

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

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

(A) as soon as practicable, and in any event not later than 6:00 p.m. (Hong Kong time) on the Business Day immediately following the Pre-funding Date, notify the LC Bank and the LC Proceeds Account Bank by facsimile of the occurrence of the Pre-funding Failure; and

(B) by no later than 6:00 p.m. (Hong Kong time) on the second Business Day immediately following the Pre-funding Date (x) give notice (the "**Pre-funding Failure Notice**") to the Bondholders of (a) the Pre-funding Failure and (b) the redemption of the Bonds in accordance with Condition 7(d) to occur as a result of the Pre-funding Failure and (y) issue a Demand to the LC Bank (which will be presented by the Trustee or on behalf of the Trustee by The Bank of New York Mellon, Hong Kong Branch acting as the Trustee's delegate in relation to the Standby Letter of Credit (the "**Delegate**")) for the principal amount in respect of all of the Bonds then outstanding, together with interest accrued to but excluding the Mandatory Redemption Date (as defined in Condition 7(d)) and all fees, costs, expenses, indemnity payments and all other amounts payable by the Issuer under or in connection with the Bonds, the Agency Agreement, the Trust Deed and/or any other transaction document relating to the Bonds, *provided that*, in accordance with the Standby Letter of Credit, the Trustee need not physically present the Demand to the LC Bank and shall be entitled to submit the Demand by authenticated SWIFT (provided further that in the event that the SWIFT system is not available for any reason, the Trustee may instead present a Demand via facsimile transmission as specified in the Standby Letter of Credit).

Following receipt by the LC Bank of such Demand by 6:00 p.m. (Hong Kong time) on a Business Day, the LC Bank shall by 10:00 a.m. (Hong Kong time) on the fourth Business Day immediately following such Business Day (or, if such Demand is received after 6:00 p.m. (Hong Kong time) on a Business Day, the fifth Business Day immediately following the date of receipt of the Demand), pay to or to the order of the Trustee the amount in U.S. dollars specified in the Demand to the LC Proceeds Account.

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

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

Status of the Bonds	The Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable laws and regulations, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.
Use of Proceeds	The net proceeds from the issue of the Bonds will be used for the repayment of existing debts, the replenishment of working capital and other general corporate purposes. See "*Use of Proceeds*".
Redemption at Maturity	Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Maturity Date.

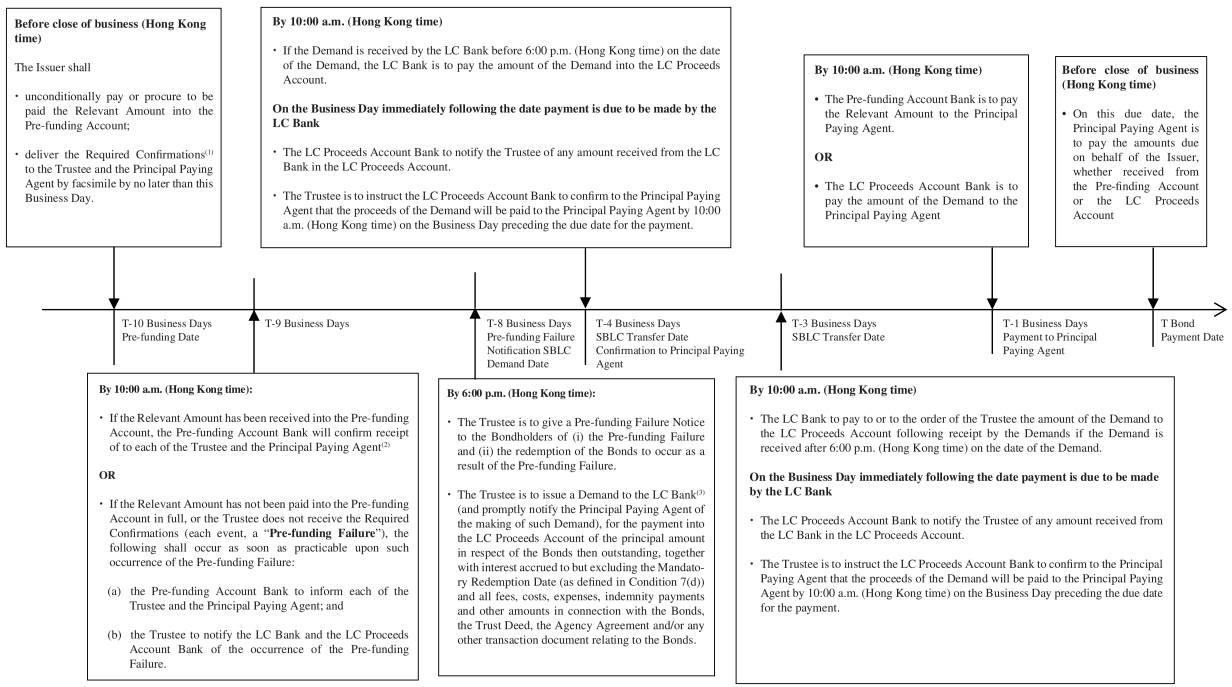
Taxation	All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without set-off, counterclaim, withholding or deduction for or on account of, any present and future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the PRC, Hong Kong or any political subdivision or authority therein or thereof having power to tax, unless such set-off, counterclaim, withholding or deduction is required by law. Where such withholding or deduction is made by the Issuer by or within the PRC or Hong Kong at a rate up to and including the aggregate rate applicable on 7 January 2022 (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 (a) the Issuer is required to make any deduction or withholding by or within Hong Kong or (b) the Issuer is required to make any deduction or withholding by or within the PRC 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 in certain circumstances as set out in Condition 9 (*Taxation*) of the Terms and Conditions.
Redemption for Taxation . . .	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' irrevocable notice (a "**Tax Redemption Notice**") to the Bondholders in accordance with Condition 17 *(Notices)* of the Terms and Conditions and in writing to the Trustee and the Principal Paying Agent, at their principal amount (together with any interest accrued to but excluding the date fixed for redemption), if the Issuer satisfies the Trustee immediately prior to the giving of such notice that: (i) the Issuer has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 9 *(Taxation)* of the Terms and Conditions as a result of any change in, or amendment to, the laws or regulations of Hong Kong, the PRC or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of, such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective, or in the case of change in application or official interpretation which is announced on or after 7 January 2022; 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. See Condition 7(b) *(Redemption for Taxation Reasons)* of the Terms and Conditions.

Redemption for Change of Control	At any time following the occurrence of the Change of Control, the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all, but not some only, of that holder's Bonds on the Put Settlement Date at 100 per cent. of their principal amount, together in each case with any accrued interest to but excluding such Put Settlement Date. See Condition 7(c) (*Redemption for Change of Control*) of the Terms and Conditions.
Events of Default	Upon the occurrence of certain events of default, as further described in "*Terms and Conditions of the Bonds – Events of Default*", in respect of the Issuer, the Company and the LC Bank, the Trustee at its sole discretion may, and if so requested in writing by holders of at least 25 per cent. in aggregate principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution, shall (provided in any such case that the Trustee shall have been first indemnified and/or secured and/or pre-funded to its satisfaction), give notice to the Issuer that the Bonds are, and they shall immediately become, due and payable at their principal amount together (if applicable) with accrued but unpaid interest.
Cross-default	The Bonds are subject to a cross-default provision in relation to the Issuer or the Company or any of their respective Subsidiaries and a cross-default in relation to the LC Bank or any of its Subsidiaries as further described in Condition 10(a)(iii) (*Cross-Default*) and Condition 10(b)(i) (*Cross-Default*) of the Conditions, respectively.
Mandatory Redemption upon Pre-funding Failure	The Bonds shall be redeemed at their principal amount on the Interest Payment Date immediately falling after the date the Pre-funding Failure Notice is given to the Bondholders in accordance with Condition 4(b) (the "**Mandatory Redemption Date**"), together with interest accrued up to, but excluding, the Mandatory Redemption Date, as further described in Condition 7(d). If the holder of any Bond shall have exercised its right to require the Issuer to redeem its Bond under Condition 7(c) and a Pre-funding Failure Notice is given to the Bondholders in accordance with Condition 4(b) as a result of the Pre-funding Failure relating to the amount payable pursuant to such redemption, such holder's Bonds shall be redeemed in whole, but not in part, at their principal amount in accordance with this Condition 7(d) on the Put Settlement Date, together with interest accrued up to, but excluding, such Put Settlement Date, provided that if such Pre-funding Failure occurs and a Pre-funding Failure Notice has been given or is given to the Bondholders in respect of a scheduled payment of principal or interest payable under Condition 6 or Condition 7(a), the Put Settlement Date shall be the Mandatory Redemption Date.
Clearing Systems	The Bonds will be represented by beneficial interests in a 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 depository for Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except in the limited circumstances as described in the Global Certificate, certificates for Bonds will not be issued in exchange for interests in the Global Certificate.
Trustee	The Bank of New York Mellon, London Branch.
Principal Paying Agent	The Bank of New York Mellon, London Branch.

Registrar and Transfer Agent	The Bank of New York Mellon, Hong Kong Branch.
LC Proceeds Account Bank and Pre-funding Account Bank	The Bank of New York Mellon, London Branch.
Further Issues	The Issuer may from time to time without the consent of the Bondholders create and issue further securities 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 so that the same shall be consolidated and form a single series with the outstanding Bonds, as further described in Condition 16 (*Further Issues*) of the Terms and Conditions.
Rating	The Bonds will not be rated.
ISIN	XS2428709211.
Common Code	242870921.
Legal Entity Identifier	300300375BSU61TMU714
Governing Law and Jurisdiction	English law. Exclusive jurisdiction of the Hong Kong courts.
Listing	Approval in-principle has been received from the SGX-ST for the listing and quotation of the Bonds on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Offering Circular. Approval in-principle for the listing and quotation of the Bonds on the SGX-ST is not to be taken as an indication of the merits of the Bonds, the Issuer, the Company, the Group, their respective subsidiaries or the quality of disclosure in this Offering Circular. For so long as any of the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Bonds will be traded on the SGX-ST in a minimum board lot size of U.S.$200,000. For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a Paying Agent in Singapore, where the Bonds may be presented or surrendered for payment or redemption, in the event that the Global Certificate is exchanged for definitive Certificates. In addition, in the event that the Global Certificate is exchanged for definitive Certificates, an announcement of such exchange shall be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Certificates, including details of the Paying Agent in Singapore.
Keepwell Deed	The Issuer, the Company and the Trustee will enter into a keepwell deed as further described in "*Description of the Keepwell Deed*". The Keepwell Deed does not constitute a guarantee by the Company of the payment of any obligation, indebtedness or liability of the Issuer.

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

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



Notes:

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

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

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

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

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

Our certain financial information as at and for the year ended 31 December 2018 was reclassified in our consolidated financial statements as at and for the year ended 31 December 2019, as a result of the Circular on Revising and Issuing the Financial Statement Form of General Enterprise in 2019 (CK [2019] No.6) issued by the MOF on 30 April 2019 and the Circular on Revising and Issuing the Consolidated Financial Statement Form (2019 Version) (CK [2019] No.16), which amended the standard form of the general enterprise financial statements. For more information, please refer to Note V to the Audited Consolidated Financial Statements as at and for the year ended 31 December 2019.

SUMMARY CONSOLIDATED INCOME STATEMENT OF THE GROUP

		For the year ended 31 December		
		2018	**2019**	**2020**
		(Audited)	**(Audited)**	**(Audited)**
		(RMB in thousands)		
I	**Total Revenue**	**7,865,611**	**11,064,685**	**10,689,629**
	Wherein: Revenue	7,865,611	11,064,685	10,689,629
II	**Total Business Costs**	**8,390,676**	**11,664,815**	**11,191,647**
	Wherein: Business Costs	6,583,025	9,688,051	9,451,349
	Business Taxes and Surcharges	66,151	65,212	73,493
	Sales Expenses	384,226	468,099	367,661
	Management Expenses	425,055	403,446	292,571
	R&D Expenses	48,663	90,120	95,255
	Financial Expense	883,556	949,888	911,318
	Wherein: Interest Expenses	846,693	927,880	925,562
	Interest Income	11,137	54,401	133,829
	Impairment Losses on Assets	41,340	78,957	–
	More: Other Income	68,752	30,822	39,731
	Investment Income (or losses with "-")	671,339	919,372	658,216
	Wherein: Investment Income from Joint Ventures and Associates	373,898	391,860	423,576
	Income on Changes in Fair Value (or losses with "-")	-111,956	136,203	30,111
	Income on Disposal of Assets (or losses with "-")	7,511	65,548	-21,904
III	**Business Profits (or losses)**	**69,240**	**472,857**	**253,804**
	More: Income from Non-business Activities	622,351	228,091	456,184
	Less: Expenditure from Non-business Activities	90,686	49,397	29,234
IV	**Total Profits (Fill in Total Losses with "-")**	**600,906**	**651,551**	**680,755**
	Less: Income Tax Expenses	81,012	60,015	87,710
V	**Net Profits (Fill in Net Losses with "-")**	**519,894**	**591,536**	**593,045**
	1. Net Profits from going concern (Fill in Net Losses with "-")	519,894	591,536	593,045
	1. Minority Interest Income (Fill in Net Losses with "-")	167,574	203,783	195,583
	2. Net Profits attributable to Shareholders of the Parent Company (Fill in Net Losses with "-")	352,320	387,752	397,461

	For the year ended 31 December		
	2018	**2019**	**2020**
	(Audited)	**(Audited)**	**(Audited)**
	(RMB in thousands)		
VI Net After-tax Amount of Other Comprehensive Income	**-357,596**	**84,803**	**-157,259**
Net After-tax Amount of Other Comprehensive Income attributable to Shareholders of the Parent Company	-357,596	84,803	-157,259
(B) Other Comprehensive Income that can be reclassified into Profits or Losses	**-357,596**	**84,803**	**-157,259**
Wherein: 1. Other Comprehensive Income that can be reclassified into Profits or Losses under the Equity Method	-165,487	-77,677	23,840
2. Gains or Losses from Changes in Fair Value of Available-for-Sale Financial Assets	-191,249	162,521	-183,330
3. Translation Differences from Foreign Currency Financial Statements	-860	-41	2,230
VII Total Comprehensive Income	**162,298**	**676,339**	**435,785**
Total Comprehensive Income attributable to Shareholders of the Parent Company	-5,276	472,556	240,201
Total Comprehensive Income attributable to Minority Shareholders	167,574	203,783	195,583

SUMMARY CONSOLIDATED BALANCE SHEET OF THE GROUP

	As at 31 December		
	2018	**2019**	**2020**
	(Audited)	**(Audited)**	**(Audited)**
	(RMB in thousands)		
Current Assets:			
Monetary Funds	3,626,165	5,421,170	4,418,063
Financial Assets at Fair Value through Profit or Loss	357,081	461,910	492,920
Notes Receivable	204,996	108,601	110,517
Accounts Receivable	1,453,483	1,219,629	524,875
Accounts Prepaid	1,125,587	938,968	676,353
Other Receivables	8,524,112	9,743,993	7,264,421
Inventories	10,137,303	10,046,247	9,442,742
Non-current Assets due within one year	119,242	96,504	106,859
Other Current Assets	831,972	723,814	1,802,788
Total Current Assets	**26,379,941**	**28,760,836**	**24,839,537**
Loans and Advances	109,425	98,466	91,049
Available-for-Sale Financial Assets	3,084,789	3,483,762	4,407,705
Held-to-maturity Investment	1,250	134,225	134,071
Long-term Accounts Receivable	309,148	224,700	224,784
Long-term Equity Investment	19,147,203	19,829,954	20,710,550
Investment Real Estate	394,212	395,928	462,419
Fixed Assets	2,940,297	3,012,703	2,888,388
Construction in progress	341,689	338,184	366,062
Intangible Assets	495,838	363,600	346,953
Goodwill	–	–	–
Long-term Deferred Expenses	91,915	81,331	54,839
Deferred Income Tax Assets	109,244	116,269	94,799
Other Non-current Assets	38,584	73,423	303,131
Total Non-current Assets	**27,063,594**	**28,152,546**	**30,084,702**
Total Assets	**53,443,534**	**56,913,382**	**54,924,240**
Current Liabilities:			
Short-term Borrowings	4,362,392	3,922,001	3,902,431
Notes payable	2,004,692	2,273,082	1,950,885
Accounts payable	1,689,539	1,789,354	798,530
Receipts in Advance	1,180,887	1,639,195	971,891
Staffs' Salary payable	32,939	31,465	25,745
Taxes and Fees payable	48,946	41,785	46,591
Other payables	5,243,833	3,671,864	4,174,271
Non-current Liabilities due within one year	2,862,840	4,353,379	2,123,076
Other Current Liabilities	2,833,976	6,871,950	4,741,540
Total Current Liabilities	**20,260,043**	**24,594,075**	**18,734,960**

	As at 31 December		
	2018	2019	2020
	(Audited)	(Audited)	(Audited)
	(RMB in thousands)		
Long-term Borrowings	5,336,063	3,602,675	3,667,472
Bonds payable	3,504,574	3,713,035	7,069,059
Long-term Accounts payable	161,973	161,783	105,926
Estimated Liabilities	49,251	–	–
Deferred earnings	87,836	85,538	83,239
Deferred Income Tax Liabilities	49,174	50,018	51,106
Other Non-current Liabilities	90,000	85,000	295,000
Total Non-current Liabilities	**9,278,871**	**7,698,048**	**11,271,802**
Total Liabilities	**29,538,915**	**32,292,123**	**30,006,762**
Capital Stock	1,000,000	1,000,000	1,000,000
Capital Reserve	13,411,020	13,443,705	13,547,812
Other Comprehensive Income	5,711,361	5,796,164	5,638,905
Special Reserve	1,730	1,404	1,385
Surplus Reserve	386,654	425,560	467,190
Retained Earnings	1,693,710	2,042,667	2,380,437
Total Owners' Equities attributable to the Parent Company	22,204,476	22,709,499	23,035,728
Minority Shareholders' equities	1,700,144	1,911,759	1,881,748
Total Owners' Equities	**23,904,620**	**24,621,259**	**24,917,477**
Total Liabilities and Owners' Equities	**53,443,534**	**56,913,382**	**54,924,239**

SUMMARY CONSOLIDATED CASH FLOW STATEMENT OF THE GROUP

	For the year ended 31 December		
	2018	2019	2020
	(Audited)	(Audited)	(Audited)
	(RMB in thousands)		
I Cash Flows from Operating Activities			
Cash received from Sales of Goods or Rendering of Services	8,982,855	12,745,784	11,652,006
Cash received from Interests, Fees and Commissions	275,681	185,205	174,474
Taxes and Surcharges Refunds	8,856	1,205	2,844
Cash received relating to Other Operating Activities	1,225,258	2,660,152	3,385,695
Subtotal of Cash Inflows from Operating Activities	10,492,650	15,592,347	15,215,019
Cash paid for Goods and Services	7,084,698	10,043,560	10,242,865
Net Increase in Loans & Advances	1,895	-10,969	-4,332
Cash paid for Interests, Fees and Commissions	172,332	153,276	158,053
Cash paid to and for Employees	596,398	574,732	524,976
Taxes and Surcharges Cash Payments	414,874	404,986	326,970
Cash paid Relating to Other Operating Activities	1,554,423	3,024,151	1,823,685
Subtotal of Cash Outflows from Operating Activities	9,824,620	14,189,736	13,072,217
Net Cash Flows from Operating Activities	**668,030**	**1,402,611**	**2,142,801**
II Cash Flows from Investing Activities			
Cash received from Withdraw of Investments	1,055,063	854,704	1,012,496
Cash received from Investments Income	186,975	358,036	169,696
Net Cash received from Disposal of Fixed Assets, Intangible Assets and Other Long-term Assets	17,088	73,543	2,103
Net Cash received from Disposal of Subsidiaries and Other Business Units	–	146,500	–
Cash received relating to Other Investing Activities	75	668,100	3,752,850
Subtotal of Cash Inflows from Investing Activities	1,259,201	2,100,884	4,937,144
Cash paid for Fixed Assets, Intangible Assets and Other Long-term Asset	789,685	406,465	367,171
Cash Payments for Investments	963,986	1,193,577	2,538,473
Net Cash paid for Acquiring Subsidiaries and Other Business Units	–	–	–
Cash paid Relating to Other Investing Activities	28,488	642,802	4,210,000
Subtotal of Cash Outflows from Investing Activities	1,782,159	2,242,843	7,115,644
Net Cash Flows from Investing Activities	**-522,958**	**-141,960**	**-2,178,499**
III Cash Flows from Financing Activities			
Cash received from Investments by Others	3,485	80,500	1,395
Including: Cash received by Subsidiaries from Minority Equity holders' Investments	3,485	80,500	1,395
Cash received from Borrowings	9,069,851	8,400,616	–
Cash received from Issuing Bonds	6,214,000	11,349,343	–
Cash received relating to Other Financing Activities	461,384	696,850	189,299
Subtotal of Cash Inflows from Financing Activities	15,748,719	20,527,309	19,208,968

	For the year ended 31 December		
	2018	2019	2020
	(Audited)	(Audited)	(Audited)
	(RMB in thousands)		
Cash Repayments for Debt	13,247,658	18,132,090	18,121,831
Cash Payments for Distribution of Dividends, Profits and Interest Expenditure	1,528,996	1,628,412	1,741,624
Cash Payments relating to Other Financing Activities	1,291,495	692,031	487,252
Subtotal of Cash Outflows from Financing Activities	16,068,149	20,452,533	20,350,708
Net Cash Flows from Financing Activities	**-319,430**	**74,777**	**-1,141,740**
IV Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents	**24**	**–**	**-1,504**
V Net Increase/(Decrease) in Cash and Cash Equivalents	**-174,334**	**1,335,427**	**-1,179**
More: Opening Balance of Cash and Cash Equivalents	2,102,341	1,928,007	3,264,435
VI Closing Balance of Cash and Cash Equivalents	**1,928,007**	**3,263,435**	**2,084,493**

RISK FACTORS

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

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

RISKS RELATING TO OUR BUSINESS AND THE INDUSTRY

Any adverse change in the economic development, social conditions, government policies or natural conditions of Zhenjiang could materially and adversely affect our business, financial condition, results of operations and prospects.

Our business operations and assets are primarily concentrated in Zhenjiang City, which is a prefecture-level city located in Jiangsu Province, China. Due to our business concentration in Zhenjiang, any economic slowdown in Zhenjiang could reduce the demand for our products and services. Furthermore, the Zhenjiang Municipal People's Government has offered us various forms of governmental support, including financial support in the form of capital injection and government subsidies and preferential tax rates. There is no assurance that the Zhenjiang Municipal People's Government will not change or terminate such preferential policies or governmental support. Any adverse change in the economic development, social conditions or government policies in Zhenjiang could materially and adversely affect our business, financial conditions, results of operations and prospects.

The Zhenjiang Municipal People's Government can exert significant influence on us, and could cause us to make decisions or modify the scope of our operations, or impose new obligations on us, which may not be in our best interests.

We are wholly-owned by the Zhenjiang SASAC and, accordingly, the Zhenjiang Municipal People's Government can exert significant influence on our major business decisions and strategies, including the scope of our operations, investment decisions and dividend policy. There is no assurance that the Zhenjiang SASAC would always make decisions in our best interests or with the aim of maximising our profits. For example, the Zhenjiang SASAC may influence our business and strategy in a manner beneficial to Zhenjiang as a whole, which may not necessarily be in our best interests. The Zhenjiang Municipal People's Government could also change its policies, plans, preferences, views, expectations, projections, forecasts and opinions, as a result of changes in the PRC's economic, political and social environment, its projections of population and employment growth. Any such change, including but not limited to reduction or discontinuation of government support or favorable policies, may have a material adverse effect on our business, financial condition, results of operations and prospects.

We face risks associated with cooperation with government authorities and state-owned entities.

As a major industrial investment platform under the Zhenjiang SASAC, we cooperate with a number of government authorities and state-owned entities in Zhenjiang and other regions in the PRC. Although we believe we currently maintain close and good relationships with these authorities and entities, there is no assurance that these relationships will remain close and good in the future. These government authorities and state-owned entities may (i) have economic or business interests or consideration that are inconsistent with ours; (ii) take actions contrary to our requests, policies or objectives; (iii) be unable or unwilling to fulfil their obligations; (iv) have financial difficulties; or (v) have disputes with us as to the contractual terms or other matters. In case disputes arise between us and any of these government authorities or state-owned entities, there is no assurance that we will be able to successfully resolve such disputes in a timely manner. In addition, disputes with public bodies may last for a much longer time than those with private parties, which may also delay payments of compensation. Any of these could materially and adversely affect the relationships between us and government authorities and state-owned entities, which may in turn materially and adversely affect our business, financial condition, results of operations and prospects.

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

Our business activities are extensively regulated by planning policies and other laws and regulations of various levels of the PRC Government. Some of our business operations require approvals, licenses or permits from the relevant governmental authorities, which takes time to obtain. Failures to obtain the necessary approvals, licenses or permits in a timely manner could result in regulatory or administrative penalties.

New laws, regulations or policies may come into effect from time to time with respect to our businesses. Complying with such laws, regulations or policies may require substantial expense and may delay the completion of our planned operations. In case of any non-compliance, we may have to incur significant expense and divert substantial management time to resolve any deficiencies. There is no assurance that we will successfully obtain, renew and fulfil the conditions precedent for all of our required material permits and approvals in the future. Any failure to comply with applicable laws, rules and regulations, including obtaining any necessary permits or approvals, may have a material adverse effect on our business, financial condition and results of operations.

Changes in government grants, subsidies or other incentives currently received by us may adversely affect our business, results of operations and financial conditions.

For the years ended 31 December 2018, 2019 and 2020, we received government grants and subsidies of approximately RMB580.0 million, RMB200.0 million and RMB440.0 million, respectively. There is no assurance that such government grants or subsidies will not be reduced or revoked, or extended upon expiration of the current preferential treatment periods. There also can be no assurance that we will be entitled to other government grants or subsidies in future. A reduction or discontinuance of such government grants, subsidies and other incentives may materially and adversely affect our financial condition and results of operations.

We have a high ratio of other receivables.

As of 31 December 2018, 2019 and 2020, our other receivables were approximately RMB8.5 billion, RMB9.7 billion and RMB7.3 billion, respectively, accounting for approximately 15.9 per cent., 17.0 per cent. and 13.2 per cent. of our total assets, respectively, as of such date. The amount and proportion of total assets are relatively high and stable. If any of these counterparties default on its obligations to us, our business, financial condition and results of operations may be materially and adversely affected.

Our inventory is subject to fluctuations in prices.

As of 31 December 2018, 2019 and 2020, our inventory was approximately RMB10.1 billion, RMB10.0 billion and RMB9.4 billion, respectively, which accounted for approximately 18.9 per cent., 17.6 per cent. and 17.2 per cent. respectively, of our total assets. We typically plan our production and inventory levels based on our forecasts of customer demand, which may be unpredictable and can fluctuate materially. If the prices of our inventory items decrease, the carrying value of our existing inventory may exceed its market price in future periods, thus requiring us to make additional provisions for inventory valuation, which may have a material adverse effect on our financial position and results of operations.

Our business may be adversely affected by fluctuations in interest rates.

Our borrowings are largely from domestic lenders in the PRC. While our domestic bonds are issued on a fixed interest rate basis, a substantial portion of our borrowings from banks are on a floating interest rate basis, which is subject to benchmark lending rates set by the People's Bank of China (the "**PBOC**"). The PBOC may adjust the benchmark rates from time to time in response to macroeconomic conditions and developments, which would in turn affect our finance expenses and results of operations. For the years ended 31 December 2018, 2019 and 2020, our finance expenses amounted to approximately RMB883.6 million, RMB949.9 million and RMB911.3 million, respectively. Any increases in interest rates may raise our finance expenses, which would negatively impact operating profit. Similarly, interest rate volatility can render it difficult for us to formulate concrete development plans and growth strategies. There can be no assurance that prevailing interest rates will not fluctuate significantly in the foreseeable future, and any significant increase may have a material adverse effect on our business, financial condition and results of operations.

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

We rely on external borrowings to satisfy a portion of our capital requirements and, therefore, we have significant outstanding indebtedness. As of 30 September 2019, we had total long-term borrowings of approximately RMB4.0 billion and bonds payable of approximately RMB3.4 billion and short-term borrowings of approximately RMB4.3 billion.

Substantial indebtedness could significantly impact our businesses, such as:

- dedicate part of our operating cash flow to service our indebtedness;
- increase our financing costs, thus affecting our overall profitability;
- limit our ability to adapt to changes in business operations and the market fluctuation;
- together with the financial and other restrictive covenants, among other things, limit our ability to generate additional borrowings; and
- increase our exposure and vulnerability to adverse general economic and industrial conditions.

For the years ended 31 December 2018, 2019 and 2020, our finance expenses were approximately RMB883.6 million, RMB949.9 million and RMB911.3 million, respectively. Some of our indebtedness is secured by encumbrances over our assets such as mortgages over land use rights and buildings, and pledges over our subsidiaries' equity interests, designated accounts and/or account receivables. These third-party security rights may limit our rights over these assets and adversely affect our operational efficiency. In the future, as our operations continue to expand and our capital requirements continue to grow, we may from time to time incur additional indebtedness, which may in turn increase our pressure to control our borrowings. In the event that we fail to keep our indebtedness under a certain level, the funds available for various other business purposes may be limited, and our business, financial condition and results of operations may be materially and adversely affected.

In addition, we provide guarantees for the benefit of our subsidiaries and third parties from time to time and accordingly incur contingent liabilities. Such contingent liabilities may materially and adversely affect our business, financial condition and results of operations in case the creditors request payment from us. Furthermore, most of the guarantees do not explicitly prescribe grace period, during which we may request the primary obligors to repay the relevant indebtedness before we are required to make payment under the relevant guarantees. As of the date of this Offering Circular, we have not received any notice from creditors under these guarantees claiming default or requesting our payments. However, there is no assurance that we will not receive such claims or requests in the future, which could materially and adversely affect our business, financial condition and results of operations.

Certain of our subsidiaries' loan agreements contain restrictive covenants, which prevent these subsidiaries from, among other things, incurring or guaranteeing additional indebtedness, declaring dividends on capital stock, purchasing or redeeming capital stock or making investments. Failure to comply with these restrictive covenants could lead to a default under these agreements. A default under one loan agreement may cause acceleration of repayment or default of another. In this event, our assets and cash flow may not be sufficient to repay in full all of the indebtedness due and payable, and we may not be able to find alternative financing.

We may not be able to successfully manage our growth.

We have a number of operating subsidiaries in various industries. As we continue to grow, our operations will become more widespread and diversified. For example, by acquiring a subsidiary in 2019, we expanded into the commodity trading business, which has since become a major revenue source for us. We also plan to grow our financial and asset management businesses, which are relatively novel to us. We will need to continue to improve our managerial, technical, operational and other abilities, and to implement an effective management and internal control system, which may require additional resources. Moreover, we may encounter capital constraints, construction delays, operational difficulties and lack of enough skilled personnel during our expansion. Our failure to implement our expansion and growth plans in a timely manner could adversely affect our ability to maintain and increase our profitability, which could have a material adverse effect on our business, financial condition, operating results and prospects.

In addition, we may dispose of businesses that do not fit in our long-term strategy such as businesses in our infrastructure construction and maintenance segment. We have been evaluating the feasibility of such disposals. We cannot assure you that our disposal of such businesses will be successful or will increase our profitability. Any failure to manage such disposal may have material adverse effect on our financial conditions and operating results.

Failure to manage acquisitions may have a material adverse effect on our business, financial condition and results of operations.

We may expand our operations by acquisitions. Acquisitions in general involve numerous risks and uncertainties, including but not limited to:

- the suitability of the acquisition targets;
- our ability to complete acquisitions on commercially reasonable terms;
- the availability, terms and costs of financing required to complete an acquisition;
- delays in securing or inability to secure necessary government approvals, third-party consents and land use rights;
- potential unforeseen or hidden legal disputes or financial liabilities or obligations of the acquisition targets;
- our failure to deliver the expected synergies, to achieve the intended objectives or benefits, or to generate sufficient revenue to recover the costs and expenses of an acquisition; and
- potential impairment of acquired goodwill or other intangible assets.

In addition, we may experience difficulties in integrating the acquired businesses and personnel with us due to differences in business models and cultures. Our management's time and attention may be diverted from other business concerns and we may experience difficulties in retaining customers or key employees of the acquired business and their expertise. Furthermore, we may incur higher capital expenditure and integration costs than we initially anticipated. We cannot ensure that we will be successful in realising all of the anticipated benefits in the acquisitions that we make. The occurrence of any of the above may materially and adversely affect our business, financial condition and results of operations.

We may not be able to complete our projects under construction on time or at all.

We have several existing projects under construction and these projects have a certain investment volume and the construction period is long. Although our projects under construction are managed and promoted orderly, there are, however, still some uncertainties in the construction progress, subsequent funding guarantee, and project implementation effects of projects under construction in the future.

The progress, subsequent funding guarantee, and project implementation effects of projects under construction may be materially and adversely affected by many factors, including:

- delays in obtaining necessary licenses, permits or approvals from PRC government agencies or authorities;
- changes in property market conditions;
- changes in PRC government policies, regulations and/or measures;
- relocation of existing residents and/or demolition of existing structures;
- shortages or increased costs of materials, equipment, contractors and skilled labour;
- labour disputes; construction accidents;
- natural disasters or catastrophes; and
- adverse weather conditions.

Furthermore, as a holding company, we carry out our construction projects through our subsidiaries. We have established strict internal compliance systems. However, if we are unable to effectively implement our internal compliance systems or manage our subsidiaries effectively, the projects may not be able to be completed smoothly or on time.

There can be no assurance that we will not experience construction delays or failure to complete the construction of a project according to our planned specifications, schedule or budget as a result of the above or any other factors, or that we will not be subject to any liabilities for any such delays. Any such event could have a material adverse effect on our business, financial condition and results of operations.

We face competition in all our business segments, which may adversely affect our financial condition, results of operations and business prospects.

All the businesses we operate in are generally market-oriented. We face competition in capturing new business opportunities against competitors both inside and outside China. Some of these competitors may have significant financial resources, marketing abilities and other advantages. As a result, they are able to capitalize on their extensive experience and transnational resources to increase their competitiveness in the PRC markets. In addition, competitors may have extensive local knowledge, business relationships and longer operational track record in the relevant markets than us. Our market position depends on our ability to estimate and respond to various competitive factors, including our competitors' pricing strategies, changes in customer preferences, availability of financing resources and the introduction of improved products and services. There is no assurance that we will offer services or products comparable or superior to our current or potential competitors at the same or lower prices, failure to do so may cause us to lose customers to our competitors.

If we fail to maintain effective internal controls and sound corporate governance, our business, financial condition, results of operations and reputation could be materially and adversely affected.

We have implemented various measures to improve and optimize our internal controls and corporate governance. We have a supervisory committee consisting of 5 members, the majority of whom are appointed by the Zhenjiang SASAC. We have established an internal control system to enhance information confidentiality and employee training. However, our internal control system may have deficiencies and there is no assurance that all such measures can be effective. Our efforts to improve and optimize our internal controls and corporate governance require increased costs and significant management time and commitment. If we fail to maintain effective internal controls and corporate governance, our business, financial condition, results of operations and reputation could be materially and adversely affected.

We strive to implement our internal control measures, corporate governance and operational and safety standards to our subsidiaries and affiliated companies in a uniform manner. However, given the large number of our subsidiaries, it may be difficult to implement internal control measures, corporate governance and operational and safety standards to our subsidiaries and affiliated companies. There is no assurance that we can effectively monitor each subsidiary and affiliated company and prevent non-compliance. Failure to do so may result in violations of local regulations, which may materially and adversely affect our business, financial condition, results of operations and prospects.

We are required to comply with extensive environmental, safety and health laws and regulations and quality control standards. Any failure to comply with these regulations or standards may result in suspension of operations, failure in evaluation, substantial penalties and fines, suspension or revocation of licenses or permits, termination of government contracts, administrative proceedings or litigation.

We are required to comply with extensive environmental, safety and health laws and regulations promulgated by the PRC Government, as well as quality control standards. Given the magnitude and complexity of these laws and regulations, compliance with them or the establishment of effective monitoring systems may be onerous or require a significant amount of financial and other resources. If we fail to comply with these laws, regulations and industry standards applicable to our operations, we could be subject to suspension of operations, failure in evaluation when delivering the project, substantial penalties, fines, suspension or revocation of licenses or permits, termination of government contracts, administrative proceedings or litigation. Such events could have a material adverse effect on our business, results of operations, financial condition and reputation. As these laws and regulations continue to evolve, there is no assurance that the PRC Government will not impose additional or more onerous laws or regulations, compliance with which may cause us to incur significantly increased costs.

Labour shortages, labour disputes or increases of labour costs could materially and adversely affect our business and results of operations.

Our primary businesses are labour intensive. We employ a significant number of employees for our operations. Industrial action or other labour unrest, which are beyond our foreseeability or control, could directly or indirectly prevent or hinder normal operating activities, and, if not resolved in a timely manner, could lead to delays in completion of our operations and affect our business. There is no assurance that labour unrest will not affect the general labour market or result in changes to labour laws. In recent years, work stoppages, employee suicide and other similar events in certain cities in the PRC have caused the PRC Government to amend labour laws to enhance protection of employees' labour rights. In addition, the increasing minimum wages and awareness of labour protection also increase the labour costs of the PRC enterprises. There is no assurance that we will be able to pass on such increases to our customers, as some of our customers are local governments. Failure to do so may materially and adversely affect our business, financial condition and results of operations.

We are exposed to general risks associated with the ownership and management of real property.

Real estate investment is subject to risks incidental to the ownership and management of real properties, including, among other things, competition for purchasers and tenants, changes in market rents, inability to renew leases or re-let space as existing leases expire, inability to collect rent from tenants due to the bankruptcy or insolvency of tenants or otherwise, inability to dispose of major investment properties for the values at which they are recorded in financial statements, increased operating costs and the need to renovate, repair and re-let space periodically and to pay the associated costs. Furthermore, investments in property are generally illiquid, which limits the ability of an owner or a developer to convert property assets into cash at short notice or requires a substantial reduction in the price that might otherwise be sought for such assets to ensure a quick sale. Such illiquidity may also limit our ability to vary our portfolio in response to changes in economic or other conditions, as well as present difficulties in obtaining timely and commercially favorable financing for properties that face weak market demand. Any of the above events could have a material adverse effect on our business, financial condition and results of operations.

We are subject to litigation risks and may face significant liabilities as a result.

We may from time to time be involved in disputes with government authorities, contractors, customers, suppliers, employees and other third party service providers during the course of our daily operations. Claims may be brought against us for defective or incomplete work, personal injuries, damage to or destruction of property, breaches of warranty, delay in delivery and late completion of a project. If we were found liable for any of the claims against us, our business, financial condition and results of operations could be materially and adversely affected to the extent the claims were not sufficiently covered by our insurance coverage.

Claims brought against us and by us, if not resolved through negotiation, may be subject to lengthy and expensive litigation or arbitration proceedings. Charges associated with claims brought against us and write downs associated with claims brought by us could have a material adverse impact on our financial condition, results of operations and cash flow.

Our success depends on the continuing efforts of our senior management team and other key personnel and our business may be harmed if we lose their services.

Our future success depends heavily on the continuing services of members of our senior management team. Competition for senior management and key personnel is intense while the pool of qualified candidates is very limited, and we may not be able to retain the services of senior executives or other key personnel, or attract and retain high-quality senior executives or other key personnel in the future. Furthermore, we may lose the services of senior executives or other key personnel if our controlling shareholders choose to reshuffle the management teams of such shareholders' subsidiaries or otherwise choose to change the composition of our management and key personnel team. In addition, if any member of the senior management team or any other key personnel joins a competitor or forms a competing company, we may lose our customers, key professionals and staff members. If one or more of our senior executives or other key personnel are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all, our business may be disrupted and our financial condition, results of operations and prospects may be materially and adversely affected.

Our operating results depends on the availability and pricing of raw materials.

Our operating results depends on the availability and pricing of raw materials. For example, our paper manufacturing relies on wood pulp and recycled white scrap paper as primary raw materials. We also require supplemental raw materials and supply of energy in manufacturing paper. An interruption in the supply of raw materials could cause a material disruption at our mill. In addition, an interruption in the supply of energy could cause a material disruption at our facilities. At present, our raw materials and energy are purchased from a number of suppliers, of which the five largest suppliers account for over 50 per cent. of all purchases. If any of these contracts were to be terminated for any reason, or not renewed upon expiration in commercially reasonable terms, or if market conditions were to substantially change creating a significant increase in the price of natural gas and recycled paper, we may not be able to find alternative, comparable suppliers or suppliers capable of providing coal to us on terms or in amounts satisfactory to us.

Our automobile business depends on strong brand recognition, and failing to maintain or enhance our brand recognition could adversely affect our automobile business and prospects.

Maintaining and enhancing our automobile brand is critical to our automobile business and prospects. We believe that brand recognition will become increasingly important as the number of internet users in China grows and competition in our industry intensifies. A number of factors could prevent us from successfully promoting our brands, including user dissatisfaction with the content offered on our websites or mobile applications, negative publicity involving our business and the failure of our sales and marketing activities. If we fail to maintain and enhance our brands, or if we incur excessive expenses in this effort, our business, results of operations and financial condition will be materially and adversely affected.

If we fail to protect our intellectual property rights, our brand and business may suffer.

We rely on a combination of trademark, patent, copyright and trade secret protection laws in the PRC and other jurisdictions, as well as through confidentiality agreements and other measures, to protect our intellectual property rights. Our major brand names and logos are registered trademarks in China. Most of our original generated content available on our websites and mobile applications and proprietary software are protected by copyright laws. Despite our precautions, third parties may obtain and use our intellectual property without our authorization. Historically, the legal system and courts of the PRC have not protected intellectual property rights to the same extent as the legal system and courts of the United States, and companies operating in the PRC continue to face an increased risk of intellectual property infringement. Furthermore, the validity, application, enforceability and scope of protection of intellectual property rights for many internet-related activities, such as internet commercial methods patents, are uncertain and still evolving in China and abroad, which may make it more difficult for us to protect our intellectual property. From time to time, other websites may use our articles, photos or other content without our proper authorization. Although such use has not in the past caused any material damage to our business, it is possible that there may be misappropriation on a much larger scale with a material adverse impact to our business. If we are unable to adequately protect our intellectual property rights in the future, our brand and business may suffer.

Inaccuracy in pricing and listing information provided by our dealer customers may adversely affect our business and financial performance.

Our automobile listings and promotional information are provided and continuously updated by our dealer customers. Users interested in particular vehicle models can conveniently search for up-to-date information on such models without having to visit the local showrooms of relevant dealers. If such listings and promotional information provided by our dealer customers are frequently inaccurate or not reliable, our users may lose faith in our websites and mobile applications, resulting in reduced user traffic to our websites and mobile applications and diminished value to advertisers. We may receive more customer complaints, and we may need to allocate more resources in responding and handling such complaints. We cannot guarantee that such complaints will be resolved satisfactorily. Our reputation could be harmed by such occurrences, which could adversely affect our business and financial performance.

We may be subject to product liability claims or recalls which could be expensive, damage our reputation or result in a diversion of management resources.

We may be subject to lawsuits resulting from injuries associated with the use of the vehicles that we sell or produce. We may incur losses relating to these claims or the defense of these claims. There is a risk that claims or liabilities will exceed our insurance coverage. In addition, we may be unable to retain adequate liability insurance in the future.

We may also be required to participate in recalls involving our vehicles, if any prove to be defective, or we may voluntarily initiate a recall or make payments related to such claims as a result of various industry or business practices or the need to maintain good customer relationships. Such a recall would result in a diversion of resources. While we do maintain product liability insurance, we cannot assure investors that it will be sufficient to cover all product liability claims, that such claims will not exceed our insurance coverage limits or that such insurance will continue to be available on commercially reasonable terms, if at all. Any product liability claim brought against us could have a material adverse effect on the results of our operations.

Developments in alternative technologies or improvements in the internal combustion engine may materially adversely affect our automobile business.

Significant developments in alternative technologies, such as advanced diesel, ethanol, fuel cells or compressed natural gas, or improvements in the fuel economy of the internal combustion engine, may materially and adversely affect our business and prospects in ways we do not currently anticipate. Any failure by us to develop new or enhanced technologies or processes, or to react to changes in existing technologies, could materially delay our development and introduction of new and enhanced models of vehicles, which could result in the loss of competitiveness of our vehicles, decreased revenue and a loss of market share to competitors.

If we are unable to keep up with advances in electric vehicle technology, we may suffer a decline in our competitive position.

We may be unable to keep up with changes in electric vehicle technology, and we may suffer a resulting decline in our competitive position. Any failure to keep up with advances in electric vehicle technology would result in a decline in our competitive position which would materially and adversely affect our business, prospects, operating results and financial condition. Our research and development efforts may not be sufficient to adapt to changes in electric vehicle technology. As technologies change, we plan to upgrade or adapt the vehicles and introduce new models in order to continue to provide vehicles with the latest technology, in particular battery cell technology. However, our vehicles may not compete effectively with alternative vehicles if we are not able to source and integrate the latest technology into our vehicles.

Our business is subject to operating risks common to chemical manufacturing businesses, any of which could disrupt manufacturing operations or related infrastructure and adversely affect results of operations.

As a chemicals manufacturer, our chemical products business is subject to operating risks common to chemical manufacturing, storage, handling, and transportation, including explosions, fires, inclement weather, natural disasters, mechanical failure, unscheduled downtime, transportation interruptions, remediation, chemical spills, discharges or releases of toxic or hazardous substances or gases. Significant limitation on our ability to manufacture products due to disruption of manufacturing operations or related infrastructure could have a material adverse effect on our sales revenue, costs, results of operations and financial condition.

Our operations on condiment business are subject to the general risks associated with the food industry, including perceived or real health risks related to our products or the food industry generally and risks associated with government regulations.

We are subject to risks affecting the food industry generally, including risks posed by the following:

- food spoilage,
- food contamination
- food allergens
- evolving consumer preferences and nutritional and health-related concerns,
- consumer product liability claims
- product tampering,
- product labelling errors
- the expense and possible unavailability of product liability insurance, and
- the potential cost and disruption of a product recall

Negative publicity relating to our products, brands, operations, industry or products similar to ours may adversely affect consumer perceptions of our products and result in decreased demand for our products. In particular, negative publicity relating to one of our core brands may be particularly harmful since we face risks from brand concentration. Adverse publicity concerning any perceived or real health risk associated with our brands or our products could also cause customers to lose confidence in the safety and quality of our food products, which could adversely affect our ability to sell our products resulting in material adverse effect on our reputation, business, financial condition, results of operation and prospects, particularly as we expand our branded products business. We could also be adversely affected by perceived or real health risks associated with similar products produced by others to the extent such risks cause customers to lose confidence in the safety and quality of such products generally and, therefore, lead customers to opt for other options that are perceived as safe.

We are subject to the local government debt policies.

The PRC government has in recent years issued multiple regulations intended to restrict the ability of local governments to use state-owned enterprises to incur debt that should be directly incurred by government bodies. In October 2014, the State Council issued the State [2014] No. 43 policy (國發[2014]43號文) which was followed by the issuance of policies by the Ministry of Finance and other departments in relation to local government financing activities, which resulted in the adjustment of local government debt policies. The adjustment of the local government debt policy will influence our financing activities in the future and may also influence our operations within a certain period of time.

Adjustments in local government debt policy creates additional risk for us. There can be no assurance that the local government debt policy will not change in the future. Any release of new policies and amendment of existing regulations intending to control increases in local government debts in China by the PRC government may require us to further change our financing model and business model. Both the risks from the reliance on the local government and the exposure to local government debt policy may have a material adverse effect on our business, financial condition and results of operations.

The PRC Government shall under no circumstances have any obligation arising out of or in connection with the Bonds or the transaction documents in relation to the Bonds, which are solely to be fulfilled by the Issuer and the Company.

Notwithstanding our extensive relationships with PRC government (including the Jiangsu Provincial People's Government, the Zhenjiang Municipal People's Government and the other entities controlled by it), neither the Issuer nor the Company is part of the PRC government. The PRC Government (including the Jiangsu Provincial People's Government and the Zhenjiang Municipal People's Government) is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Bonds, the Keepwell Deed or the transaction documents in relation to the Bonds in lieu of the Issuer or the Company.

This position has been reinforced by the Circular of the Ministry of Finance on Issues relevant to the Regulation on the Financing Activities Conducted by Financial Institutions for Local Governments and State-owned Enterprises (財政部關於規範金融企業對地方政府和國有企業投融資行為有關問題的通知，財金[2018]23號) (the "**MOF Circular**") promulgated on 28 March 2018 and took effect on the same day, and the Circular of the National Development and Reform Commission and the Ministry of Finance on Improvement of Market Regulatory Regime and Strict Prevention of Foreign Debt Risks and Local Government Indebtedness Risks (國家發展改革委財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知，發改外資[2018]706號) (the "**Joint Circular**") promulgated on 11 May 2018 and took effect on the same day, and 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) ("**Circular 666**") promulgated on 6 June 2019. The detailed description of the relationships between the Issuer, the Company and Zhenjiang Municipal People's Government in this Offering Circular does not imply in any way any explicit or implicit credit support by the Zhenjiang Municipal People's Government in respect of the Bonds, the repayment of which remains the sole responsibilities of the Issuer.

The PRC Government as the ultimate shareholder of the Issuer and the Company only has limited liability in the form of its equity contribution in the Issuer through the Company. As such, the PRC Government does not have any payment obligations under the Bonds, or the transaction documents in relation to the Bonds. The Bonds are solely to be repaid by the Issuer as an independent legal person. The Bondholders do not have any recourse against the PRC Government in respect of any obligation arising out of or in connection with the Bonds or the transaction documents. Therefore, investors should make their investment decision only on the basis of the financial conditions of the Issuer or the Company and assess any perceived credit risks associated with an investment in the Bonds only on the basis of financial information of the Issuer or the Company reflected in their respective financial statements.

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

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

For example, in accordance with the Guidance on Further Strengthening Adjustment of Credit Structure to Promote Fast and Smooth Development of National Economy (中國人民銀行、中國銀行業監督管理委員會關於進一步加強信貸結構調整促進國民經濟平穩較快發展的指導意見) issued jointly by the PBOC and 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) (the "**CBRC**") on 18 March 2009, local governments are encouraged to establish financing platforms to issue financing instruments such as enterprise notes and medium-term notes. In order to strengthen the management of financing platforms and effectively prevent fiscal financial risks, the Circular of the State Council on Relevant Issues Concerning Strengthening the Management of Financing Platform Companies of Local Governments (國務院關於加強地方政府融資平臺公司管理有關問題的通知) ("**Circular 19**") and the Circular of the General Office of the NDRC on Relevant Issues Concerning Furthering Regulating the Issuance of Bonds of Local Government Investment and Financing Platform Enterprise (國家發展改革委辦公廳關於進一步規範地方政府投融資平臺公司發行債券行為有關問題的通知) ("**Circular 2881**") were separately promulgated on 10 June 2010 and 20 November 2010, respectively. In accordance with Circular 19, all levels of local governments shall clear up the debts of their respective financing platform. In accordance with Circular 2881, indebtedness of local governments will impact the financing platform's issuance of enterprise notes. For example, an application for issuance of corporate bonds by a local government's financing platform will not be accepted if (i) the operating income generated from the relevant local government's investment in public welfare or quasi-public welfare projects accounts for more than 30 per cent. of such financing platform's total operating income and (ii) the fiscal debt level of the relevant local government exceeds 100 per cent..

On 21 September 2014, the State Council released Several Opinions of the State Council on Strengthening the Administration of Local Government Debts (國務院關於加強地方政府性債務管理的意見) ("**Circular 43**"). In accordance with Circular 43, financing platform companies shall no longer function as a financing vehicle of the local government or incur new government debts. New public interest projects of a local government that are not for profit earning, such as infrastructure construction and primary land development, should not be financed by the investment vehicles of the local government in the form of corporate bond issuances. Instead, local governments should finance the development of such public interest projects by issuance of government bonds. Public interest projects that are profit earning, such as the construction of a non-toll free highway, may be developed either by private investors independently or by a special purpose company jointly set up by the local government and private investors. Such private investors and special purpose companies shall invest in accordance with market-oriented principles and development of the projects may be financed by bank loans, corporate bonds, project revenue bonds and asset-backed securitisation. Furthermore, private investors and the special purpose companies shall bear the obligation to repay their debts and the local government shall not be liable for any of the private investors' or the special purpose companies' debts. Circular 43 also sets forth the general principles of dealing with existing debts of financing platforms. Based on the auditing results of such debts run by the local governments, the existing debts that should be repaid by the local governments shall be identified, reported to the State Council for approval, and then included in the budget plan of local governments. There are a few stray cases where certain debts of the local financing platforms were classified as non-government debts since the release of Circular 43. However, whether the factual basis for such individual cases is comparable or relevant to other local governments' financing platforms or not is unclear, and different local governments' interpretation and application of Circular 43 may vary from one another. It is unclear what impact Circular 43 has on the existing government debts of the local financing platforms in the PRC.

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

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

In addition, MOF, together with NDRC, PBOC, China Securities Regulatory Commission, CBRC and the Ministry of Justice of the PRC, released the Notice concerning Further Regulation of Local Government Borrowing and Financing Conduct (關於進一步規範地方政府舉債融資行為的通知) to emphasise the principles and policies set out in Circular 43 in April 2017.

Also, the PRC government issued the MOF Circular, effective on 28 March 2018, 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. On 11 May 2018, the Joint Circular 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 Joint Circular requires companies that plan to borrow medium and long-term foreign debt to establish a sound and standardised corporate governance structure, management decision-making mechanism and financial management system. It further requires that the assets owned by such companies should be of good quality and clear ownership and it is forbidden to include public interest assets in corporate assets.

On 13 September 2018, the Guiding Opinions on Strengthening Asset-Liability Constraints on State-owned Enterprises (關於加強國有企業資產負債約束的指導意見) (the "**Guiding Opinions**") was promulgated by the General Office of the CPC Central Committee and the General Office of the State Council and become effective on the same date. Pursuant to the Guiding Opinions, the average debt ratio of state-owned enterprises shall decrease by approximately 2 percentage points starting from the end of 2017 and by the end of 2020, and thereupon the debt ratio of state-owned enterprises shall be maintained basically at the average level of enterprises of the same size in the same industry. The Guiding Opinions also set forth the basic principles and indicating standards of constraining the debt ratio of state-owned enterprises.

The PRC government has released several additional regulations and rules relating to the financing vehicles of local governments in the PRC. See *"PRC Regulations – Regulation on Fiscal Debts of Local Governments"* for further details. The PRC government may also continue to release new policies or amend existing regulations to control the increase in local government debts in the PRC. The implementation and interpretation of the legislations, regulations and rules by the PRC central government and different local governments may vary from one to the other. It is uncertain how they will be implemented and how it will affect our business and financial performance in the future. There is also no assurance that our financing model and business model will not be materially affected by future changes in the regulatory regime concerning local government fiscal debts and the financing platforms of local governments.

Government auctions of the land developed by us may not attract interest or profits from prospective buyers.

For our infrastructure construction and maintenance business, the respective land use rights are sold through public auctions. The timing of the sale of land use rights is subject to the sales plan and the development strategies set by the local government. The final prices at which land use rights are sold are ultimately determined by market forces through the auction bidding process. There can be no assurance about the exact timing of the sale of land use rights or the final price at which land use rights are sold.

As the developer of projects, we incur significant costs and generally make payments in connection with the infrastructure construction and maintenance projects prior to the sale of the corresponding land use rights. In addition, as the public auctions, tenders and sale-by-listing are driven by market forces, there can be no assurance by us that sales of the land use rights to the developed land will attract interest or competitive bids from prospective investors.

There may not be sufficient demand for the land use rights to our infrastructure construction and maintenance projects and the number of qualified bidders may be limited as the government authorities require certain qualifications before bidders may participate in land use rights tenders. If the public auctions, tenders or sale-by-listing for the land use rights to our infrastructure construction and maintenance projects fail to attract interest from prospective buyers, the land use rights may be sold at prices below profit expectations. Accordingly, there can be no assurance by us that the construction costs of our projects will not exceed the revenue received in respect of such project. In addition, there can be no assurance as to the exact timing of the sale of land use rights or the final price at which land use rights are sold. Failure or delays in the sale of land use rights may have a material adverse effect on the business, financial condition and results of operations of our business.

Difficult conditions in the global economy may adversely affect our business.

Our activities and results are substantially affected by general global economic conditions. The outlook for the world economy and financial markets remains uncertain. According to IMF, the United States' real GDP growth rate remained relatively low at 2.2 per cent. in 2017, 2.9 per cent. in 2018 and 2.3 per cent. in 2019, respectively, European Union's real GDP also grew slowly at the annual growth rate of 2.5 per cent. in 2017, 2.2 per cent. in 2018 and 1.7 per cent. in 2019, respectively. In addition, global macroeconomic conditions have experienced, and continue to experience, uncertainty brought on by various political events such as Brexit and the US-China trade tensions. As the United Kingdom officially withdrew from the European Union on 31 January 2020, the start of the formal Brexit process may result in economic uncertainty to not only the economies of the United Kingdom and the European Union but also globally. Also, the economic impact on the global economy due to the rising tensions of the trade war between the U.S. and China is uncertain. Starting in April 2018, the United States imposed tariffs on various categories of imports from China, and the PRC responded with similarly sized tariffs on United States' products. If the trade war continues to escalate, it may have a significant impact on the PRC economy and our industries. The outbreak of the coronavirus (COVID-19) has caused significant downward pressure for the global economy and volatility in financial markets across the world. Governments have taken unprecedented actions in an attempt to address and rectify these extreme market and economic conditions by providing liquidity and stability to the financial markets but there can be no assurance that these actions will be successful. Many major economies have lowered their expected economic growth rate for 2020. Any slow-down in the PRC economy may create a credit-tightening environment, increase our financing costs, or reduce government subsidies to us, resulting in a material adverse effect on our business, results of operations and financial condition. The outbreak of the coronavirus (COVID-19) also had an adverse impact on our business operations, see "*– Our operations are subject to force majeure events, natural disasters and outbreaks of contagious diseases (including the coronavirus (COVID-19)), or acts of God.*" below for more details.

Our operations are subject to force majeure events, natural disasters and outbreaks of contagious diseases (including the coronavirus (COVID-19)), or acts of God.

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

For instance, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. The PRC reported a number of cases of SARS in 2003. Since its outbreak in 2004, there have been reports on occurrences of avian flu in various parts of the PRC, including several confirmed human cases and deaths. In addition, the ongoing COVID-19 epidemic is likely to suspend our construction, sales and other operating activities. Given the high uncertainties associated with the COVID-19 epidemic at the moment, it is difficult to predict how long these conditions will last and the extent to which we may be affected. We may experience delays in completion and delivery of our projects due to disruptions to our operations, which may materially and adversely affect our results of operations and financial condition and may also cause reputation damage. In addition, any further disruption to our sales activities may negatively affect our liquidity and access to capital. The outbreak of COVID-19 epidemic also caused the delay in resumption of local business in the PRC after the Chinese New Year holiday and, as the outbreak extended, several countries have arranged to evacuate their nationals from Wuhan and introduced new restrictions on travel to and from China. The COVID-19 epidemic may further create negative economic impact and increase volatility in the PRC and global market and continue to cause increasing concerns over the prospects of the PRC economy. If the epidemic is not contained in Jiangsu Province in a timely manner, there could be material disruptions to our operations and result in a material adverse effect on our business operations, financial condition and results of operations. A recurrence of SARS or an outbreak of a health epidemic or contagious disease, including, for example, the ongoing COVID-19 epidemic, could result in a widespread health crisis and restrict the level of business activities in affected areas, which may in turn adversely affect our business, results of operations and financial condition.

Our insurance coverage may not adequately protect it against all operating risks.

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

operation interruptions due to regulatory measures, operational errors, electricity outages, raw material shortages, equipment failure and others;

- work-related personal injuries;
- on-site production accidents;
- credit risks relating to the its customers and other contractual third parties;
- disruptions in the global capital markets and the economy;
- loss in investments;
- environmental accidents; and
- catastrophic events such as fires, earthquakes, explosions, floods or other natural disasters.

We maintain insurance policies in line with general practices of the relevant industries in the PRC, with policy specifications and insured limits which we believe are adequate. There are, however, certain types of losses (such as losses from wars, acts of terrorism or acts of God, business interruption, property risks and third party (public) liability) generally not insured because they are either uninsurable or not economically insurable. To the extent that we suffer loss or damage that is not covered by insurance or that exceeds the limit of our insurance coverage, our results of operations and cash flow may be materially and adversely affected.

RISKS RELATING TO THE PRC

Our business, financial condition, results of operations and prospects could be adversely affected by slowdowns in the Chinese economy.

We primarily engage in infrastructure construction and property leasing and management in Jiangsu Province and a substantial portion of our revenue is derived from the PRC. We rely, to a significant degree, on domestic demand in the infrastructure construction and property leasing and management industry to achieve revenue growth. Such domestic demand is materially affected by industrial development, the growth of private consumption and overall economic growth in the PRC. The global crisis in financial services and credit markets in 2008 caused a slowdown in the growth of the global economy with a corresponding impact on the Chinese economy. Since 2015, the PRC government has adopted intensive reforms with the primary aim of restructuring and rebalancing the PRC economy towards a more sustainable model by focusing more on domestic consumption and away from investment and export fuelled growth. As a consequence of these reforms and the overall instability in the recovery of the global economy, the year-on-year rate of gross domestic product ("**GDP**") growth in the PRC has generally been slower in the past several years after three decades of rapid growth.

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

The continuing effects of reform in the PRC and the sovereign debt crisis in Europe may have an adverse effect on the global and PRC economies resulting in ongoing uncertainty for their overall prospects in the coming years. Any slowdown of the PRC economy may create a credit-tightening environment, increase our financing costs, negatively affect the PRC government's fiscal income and investment in fixed assets or reduce government subsidies to us, resulting in a material adverse effect on our business, financial condition, results of operations and prospects.

Changes in the economic, political and social conditions in the PRC and government policies adopted by the PRC government could affect our business and prospects.

Our financial condition, results of operations and prospects are, to a material extent, subject to economic, political and social conditions and government policy developments in the PRC. The PRC economy differs from the economies of most developed countries in many respects, including with respect to government involvement, level of development, economic growth rate, economic and political structure, control of foreign exchange, regulation of capital investment and allocation of resources. The PRC economy has been transitioning from a planned economy to a more market-oriented economy. In recent years, the PRC government has implemented a series of measures emphasising market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises. However, there can be no assurance that the PRC government will continue to pursue economic reforms or that any such reforms will not have a material adverse effect on our business.

In addition, a large portion of productive assets in China remain owned by the PRC government. The PRC government retains the power to implement macroeconomic policies affecting the PRC economy and continues to play a significant role in regulating industrial development, allocating resources, setting monetary policy, implementing measures on production, pricing, management and taxation and providing preferential treatment to particular industries or companies. For example, the PRC government may decide to change its current policies with respect to infrastructure construction and property leasing and management, and as such, this could have an adverse impact on our business and results of operations.

Our operations may be affected by rising inflation rates within the PRC.

Inflation rates within the PRC have been on a sharp upward trend in recent years. Increasing inflationary rates are due to many factors beyond our control, such as rising food prices, rising production and labour costs, high lending levels, PRC and foreign governmental policy and regulations, and movements in exchange rates and interest rates. It is impossible to accurately predict future inflationary trends. As a result, further inflationary pressures within the PRC may have a material adverse effect on our business and results of operations, as well as our liquidity and profitability.

The PRC legal system has inherent uncertainties that may affect our business and results of operations as well as the interest of investors in the Bonds.

A substantial share of our business is conducted, and assets located, in the PRC, and our operations are generally affected by, and subject to, the PRC legal system and 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 exist uncertainties about their interpretation, implementation and enforcement, and such uncertainties may have a negative impact on our business. 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. We 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 us and to 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, we may not be aware of our violation of these policies and rules until some time after the violation has occurred. This may also limit the remedies available to investors and to us 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 our resources and management attention. Each of these factors may have a material adverse effect on our business, results of operations and financial condition and the interest of holders in the Bonds.

Investors may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.

The Company and nearly all of our subsidiaries are incorporated in the PRC and substantially all of our assets are located in the PRC. In addition, all of the Company's directors and senior management reside within the PRC and the assets of our directors and officers may be located within the PRC. As a result, it may not be possible to effect service of process outside the PRC upon such directors and senior management, including for matters arising under applicable securities law. The Company have irrevocably submitted to the exclusive jurisdiction of the Hong Kong courts in the transaction documents relating to the Bonds. Hong Kong and the PRC have entered into certain arrangements on the reciprocal recognition and enforcement of judgments in civil and commercial matters (the "**Reciprocal**

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

Our business operations are heavily regulated and any of our failure to comply with applicable laws, rules and regulations, including obtaining or maintaining necessary qualifications, permits and approvals for our operations may adversely affect our business, financial condition and results of operations.

We need to obtain a number of approvals, certificates, licenses and permits from different governmental authorities and to comply with extensive procedural requirements in order to carry on our business activities under PRC law and regulations. For example, we are required to obtain a project approval and environmental assessment approval at the outset of a project. As a project progresses, it also needs to receive a construction land planning permit(建設用地規劃許可證) a land use right certificate, a construction project planning permit (建設工程規劃許可證) and a construction permit (建築工程施工許可證) before it is permitted to commence construction of the relevant project. It normally takes months to obtain all of these approvals and certificates. As of the date of this Offering Circular, we have not received all the permits for all of the projects under construction and part of our real estate development enterprise has expired. We are also required to comply with the laws and regulations relating to the agent-construction and other operating business. Governmental authorities in the PRC have broad discretion in implementing and enforcing applicable laws and regulations and in determining the grant of approvals, licences, permits and certificates necessary for conducting the business. For this reason, there are significant uncertainties in the interpretation and implementation of PRC laws, rules, regulations, policies and measures and verbal clarifications given by the governmental authorities may be inconsistent with the regulations concerned, which consequently could increase our compliance risk. Any failure to obtain necessary approvals, licences or permits in a timely manner could result in delay or suspension of our business operations and result in regulatory or administrative penalties.

We are also required to comply with extensive environmental, safety and health regulations in China. Failure to comply with such regulations may result in fines or suspension or revocation of our licenses or permits to conduct our business. Given the volume and complexity of these regulations, compliance may be difficult or involve significant financial and other resources to establish efficient compliance and monitoring systems. There is no assurance that we will be able to comply with all applicable requirements or obtain these approvals and permits on a timely basis or at all.

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

Our functional currency is Renminbi and substantial portion of our revenue is denominated in Renminbi. We conduct a minority part of our business overseas, and these business contracts may be denominated in foreign currencies. In addition, a portion of our Renminbi reserves may be required to be converted into other currencies in order to meet our foreign currency needs, including interest on the Bonds.

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency to jurisdictions outside China. Under existing PRC foreign exchange regulations, payments of certain current account items can be made in foreign currencies without prior approval from the local branch of SAFE, by complying with certain procedural requirements. However, remittance of Renminbi by foreign investors into the PRC for the purposes of capital account items, such as the repayment of bank loans denominated in foreign currencies, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities and designated foreign exchange banks on a case-by-case basis and is subject to a strict monitoring system. The PRC government may also, at its discretion, restrict access to foreign currencies for current account transactions in the future. These limitations could affect our ability to obtain foreign currencies for capital expenditures.

Future fluctuations in the value of the Renminbi could have an adverse effect on our financial condition and results of operations.

We are subject to risks associated with foreign currency exchange rate fluctuations on our foreign currency-denominated business. The exchange rate of the Renminbi against the Hong Kong dollar, U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in PRC and international political and economic conditions and the PRC government's fiscal and currency policies. Since 1994, the conversion of the Renminbi into foreign currencies, including the Hong Kong dollar and U.S. dollar, has been based on rates set daily by the People's Bank of China (the "**PBOC**"), based on the previous business day's inter-bank foreign exchange market rates and exchange rates in global financial markets. From 1994 to 20 July 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. 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. Under the new policy, Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. Following the implementation of the new policy, Renminbi appreciated more than 20 per cent. against the U.S. dollar for the next three years. The exchange rate between Renminbi and the U.S. dollar had continued to fluctuate in the past three years, in particular in the past three months. It is unclear whether Renminbi will further appreciate against U.S. dollar in the future. With the development of the foreign exchange market and progress towards interest rate liberalisation and Renminbi internationalisation, the PRC government may in the future announce further changes to the exchange rate system. Fluctuations in the value of the Renminbi could adversely affect the value of our foreign currency-denominated transactions along with the value of the cash flow generated from our foreign currency-denominated operations, thereby adversely affecting our profitability and results of operations. This may also have an adverse effect on our plans to expand our international operations.

Certain PRC regulations governing PRC companies are less developed than those applicable to companies incorporated in more developed countries.

Substantially all of our subsidiaries are established in the PRC and are subject to PRC regulations governing PRC companies. These regulations contain certain provisions that are required to be included in the joint venture contracts, articles of association and other major operational agreements of these PRC companies and are intended to regulate the internal affairs of these companies. These regulations, and in particular, the provisions for protection of shareholders' rights and access to information, are less developed than those applicable to companies incorporated in Hong Kong, the United States, the United Kingdom and other developed jurisdictions. In addition, any control which we have over any PRC entities within the Group and the exercise of our corresponding shareholder rights are subject to their respective articles of association and PRC laws applicable to foreign-invested enterprises in the PRC. Such laws and the application thereof may be different from the laws of other developed jurisdictions.

Acts of God, epidemics, and other disasters could affect our business.

Our business is subject to general and social conditions. Natural disasters, epidemics, acts of God and other events and disasters that are beyond our control may materially and adversely affect the economy, infrastructure and livelihoods of the people in the PRC. Some cities in the PRC are under recurring threats of flood, typhoon, earthquake or drought. Moreover, certain areas of the PRC have experienced epidemics such as avian and swine influenza and other epidemics caused by various viruses. For example, China is experiencing serious outbreak of coronavirus. There can be no assurance that this epidemic will not intensify or recur, or that other similar outbreaks or epidemic will not occur, in Asia or the PRC. Any such events could have a material adverse effect on our business, financial condition and results of operations.

Under the Enterprise Income Tax Law (the "EIT Law"), the Issuer or any of our offshore members may be classified as a "resident enterprise" of the PRC, which could result in unfavourable tax consequences to our financial condition and the Bondholders.

Under the EIT Law, an enterprise established outside of China with a "de facto management organisation" located within China will be considered a "resident enterprise", and consequently will be treated in a manner similar to a Chinese enterprise for EIT purposes. The implementing rules of the EIT Law define "de facto management" as "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. However, it is still unclear how the PRC tax authorities will determine whether an entity will be classified as a "resident enterprise". If the PRC tax authorities determine that either the Issuer or any of our offshore subsidiaries is a "resident enterprise" for PRC enterprise income tax purposes, a number of unfavourable PRC tax consequences could follow. For example, the Issuer or our relevant offshore subsidiary may be subject to EIT at a rate of 25 per cent. on its worldwide taxable income as well as PRC EIT reporting obligations. In the present case, this would mean that income such as interest from any investment of any portion of the offering proceeds and other income sourced from outside the PRC would be subject to PRC EIT at a rate of 25 per cent.. If the Issuer is considered a "resident enterprise", interest payable to certain "non-resident enterprise" Bondholders may be treated as income derived from sources within China and be subject to PRC withholding tax at a rate of 10 per cent., unless a lower rate is applicable. Pursuant to the Individual Income Tax Law of the PRC and its implementation regulations, if the Issuer is considered to be a PRC tax resident enterprise, the Issuer may be obliged to withhold such individual income tax on payments of interests to non-resident individual holders of the Bonds, in such case the PRC tax rate will be up to 20 per cent..

If the Issuer is required under the EIT Law to withhold PRC tax on its interest payable to its Bondholders who are "non-resident enterprises", it will be required to pay such additional amounts as will result in receipt by a holder of the Bonds of such amounts as would have been received by the holder had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Bonds, and could have a material adverse effect on the Issuer's or the relevant offshore member of our ability to pay interest on, and repay the principal amount of, the Bonds, as well as their profitability and cash flow.

Our labour costs may increase for reasons such as the implementation of the PRC Labour Contract Law or inflation in the PRC.

The PRC Labour Contract Law (《中華人民共和國勞動合同法》) became effective on 1 January 2008 in the PRC and was amended on 28 December 2012. It imposes more stringent requirements on employers in relation to the entry into of fixed-term employment contracts and the dismissal of employees. Pursuant to the PRC Labour Contract Law, an employer is required to make compensation payments to a fixed-term contract employee when the term of their employment contract expires, unless the employee does not agree to renew the contract even though the conditions offered by the employer for renewal are the same as or better than those stipulated in the current employment contract. In general, the amount of compensation payment is equal to the monthly wage of the employee multiplied by the number of full years that the employee has worked for the employer. A minimum wage requirement has also been incorporated into the PRC Labour Contract Law. In addition, unless otherwise prohibited by the PRC Labour Contract Law or objected to by the employees themselves, an employer is also required to enter into open-ended employment contracts with employees who have previously entered into fixed-term employment contracts for two consecutive terms or have been working for the employer for more than 10 years.

In addition, under the Regulations on Paid Annual Leave for Employees (《職工帶薪年休假條例》), which became effective on 1 January 2008, employees who have worked continuously for more than one year are entitled to paid annual leave ranging from 5 to 15 days, depending on the length of the employees' work time. Employees who consent to waive such vacation at the request of employers shall be compensated with an amount equal to three times their normal daily salaries for each vacation day being waived. Under the National Leisure and Tourism Outline 2013-2020 (《國民旅遊悠閒綱要2013-2020》) which became effective on 2 February 2013, workers shall receive paid annual leave by 2020. As a result of the PRC Labour Contract Law, the Regulations on Paid Annual Leave for Employees and the National Leisure and Tourism Outline 2013-2020 our labour costs (inclusive of those incurred by contractors) may increase. Furthermore, under the PRC Labour Contract Law, when an employer terminates its PRC employees' employment, the employer may be required to compensate them with such amount which is determined based on their length of service with the employer, and the employer may not be able to terminate efficiently open- ended employment contracts under the PRC Labour Contract Law without cause. In the event that we decide to change or decrease our workforce significantly, the PRC Labour Contract Law could adversely affect our ability to effect these changes in a cost-effective manner or in the manner that we desire, which could result in an adverse impact on our businesses, financial condition and results of operations.

To further strengthen the protection on labour remuneration, rest and vacations, social insurance and other basic rights and interests of labourers, the Opinion of the Central Committee of the Communist Party of China and the State Council on Building Harmonious Labour Relationships (《中共中央國務院關於構建和諧勞動關係的意見》) was issued on 21 March 2015, which acts as a guideline on PRC labour legislation.

Furthermore, if there is a shortage of labour or for any reason the labour cost in the PRC rises significantly, the costs of production of our products are likely to increase. This may in turn affect the selling prices of the products and services, which may then affect the demand for such products and services and thereby adversely affect our sales and financial condition. In addition, inflation in the PRC has increased in recent years. Inflation in the PRC increases the costs of labour and the costs of raw materials us must purchase for production. Rising labour costs may increase our operating costs and partially erode the cost advantage of our PRC-based operations and therefore negatively impact our profitability.

RISKS RELATING TO THE BONDS, THE STANDBY LETTER OF CREDIT AND THE KEEPWELL DEED

As a holding company, the Company has only limited sources of funding in order to meet its debt obligations.

As a holding company, the Company operates its business mainly through itself and its subsidiaries. Accordingly, the Company has limited sources of funding available to it to service its debts and its ability to meet the obligations under its debt obligations. These mainly include dividends and repayments on intercompany loans received from its subsidiaries, as well as divestments of investment assets and obtaining external financing.

With respect to dividends and repayments of intercompany loans from its subsidiaries, if a subsidiary of the Company incurs any debt, such debt may impair the Company's subsidiaries from distributing dividends or making other distributions to the Company ultimately. In addition, PRC laws require that dividends can only be paid out of the net income calculated according to PRC GAAP and financial regulations in the PRC. In addition, the PRC laws require the companies incorporated in the PRC to set aside part of their net income as statutory reserves. These statutory reserves are not available for distribution as cash dividends. Such restrictions may have an adverse effect on the Company's ability to service its debts and its ability to meet its debt obligations as the Company relies heavily on dividends and repayments from its subsidiaries.

The Keepwell Deed is not a guarantee of the payment obligations under the Bonds, and enforcement of the Keepwell Deed may be subject to procedural difficulties.

The Company will execute a Keepwell Deed with the Issuer and the Trustee, according to which it will undertake, among other things, to ensure that the Issuer has sufficient liquidity to ensure timely payment of any and all amounts payable by it in respect of the Bonds in accordance with their terms of payment as and when due. See "*Description of the Keepwell Deed*" for further information. Neither the Keepwell Deed nor any actions taken by the Company thereunder can be deemed as a guarantee by the Company for the payment obligations of the Issuer under the Bonds. Accordingly, in the event of a payment default on the part of the Issuer, the Company will only be obliged to make sufficient funds available to the Issuer, rather than to jointly or severally assume the payment obligations as in the case of a guarantee. In addition, the Bondholders will be subject to the conditions provided in the Trust Deed for any actions to be taken against the Company to enforce the Keepwell Deed. Even if the Company intends to perform its obligations under the Keepwell Deed, depending on the manner in which the Company performs its obligations under the Keepwell Deed so as to arrange sufficient funds for the Issuer to meet its payment obligations under the Bonds, such performance may be subject to the prior consents and/or approvals from relevant PRC government authorities, including SAFE. There can be no assurance that the Company will be able to obtain such consents and/or approvals in a timely manner or at all.

Furthermore, subject to the terms of the Keepwell Deed, the rights of the Trustee, on behalf of the Bondholders to obtain any remedy, including specific performance, or to enforce the obligations of the Company under the Keepwell Deed may be subject to procedural and practical difficulties. For example, if the Bondholders were to obtain a successful judgment against the Company under the Keepwell Deed from a Hong Kong court, the judgment of the Hong Kong court would have to be enforced in the PRC, where substantially all of the Company's assets are located.

The Issuer's claims under the Keepwell Deed and/or the Bonds may be structurally subordinated to existing and future liabilities and obligations of the Company and may be structurally subordinated to all existing and future liabilities and obligations of the Company' subsidiaries.

As described above, under the Keepwell Deed, the Company will undertake with the Issuer, among other things, to cause the Issuer to have sufficient liquidity to ensure timely payment of any and all amounts payable by it in respect of the Bonds. Payments could be remitted by the Company out of the PRC to the Issuer either as intercompany loans to, or capital increases in, the Issuer in order for the Issuer to meet its payment obligations under the Bonds. The ability of the Company to make such payments is subject to, among other things, its cash flow conditions, restrictions contained in its articles of association, applicable laws, restrictions contained in its debt instruments and claims by its creditors. As at the date of this Offering Circular, the primary operating activities are conducted by the Company, but there can be no assurance that the Company will not in future derive part of its revenue from its subsidiaries. It thus may need to depend on dividends or interest and principal payments from its subsidiaries to satisfy its obligations, including its obligations under the Keepwell Deed.

As a result, any claim by the Issuer against the Company in relation to the Keepwell Deed will be effectively subordinated to existing and future claims of the secured creditors of the Company and, in the case of payment by the Company to the Issuer in the form of capital increases, also to the claims of the other creditors of the Company. The Issuer's claims will be further effectively subordinated to all existing and future claims of the lenders, holders of debt securities and other creditors, including trade creditors, of the Company' subsidiaries (other than the Issuer), from which the Company derives a portion, though not a majority, of its revenue. In the event of an insolvency, bankruptcy, liquidation, reorganisation, dissolution or winding-up of the business of the Company or any of the Company' subsidiaries (other than the Issuer), the creditors of the Company or the creditors of the Company' subsidiaries, as the case may be, generally will have the right to be paid in full before any distribution is made to the Company or to the Issuer.

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 Company is incorporated under the laws of the PRC, any insolvency proceeding relating to the Company would likely involve insolvency laws of the PRC, as applicable, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Bonds are familiar.

The insolvency laws of Hong Kong and 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 Hong Kong and the Company is incorporated under the laws of the PRC, any insolvency proceeding relating to the Issuer and the Company would likely involve insolvency laws of Hong Kong or the PRC, as applicable, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Bonds are familiar.

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

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

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

A trading market for the Bonds may not develop.

The Bonds are a new issue of securities for which there is currently no trading market. Approval in-principle has been received from the SGX-ST for the listing and quotation of the Bonds on the SGX-ST. There can be no assurance as to the liquidity of the Bonds or that an active trading market will develop. If such a market were to develop, the Bonds could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Group's operations and the market for similar securities. The Placing Agents is not obligated to make a market in the Bonds, and if it does so it may discontinue such market-making activity at any time without notice. Further, the Bonds may be allocated to a limited number of investors, in which case liquidity may be limited. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, the holders of the Bonds will only be able to resell the Bonds in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. It is the obligation of investors to ensure that offers and sales of the Bonds within relevant countries comply with applicable securities laws. Please see "*Placement and Sale*." The Issuer cannot predict whether an active trading market for the Bonds will develop or be sustained.

The Issuer will follow the applicable corporate disclosure standards for debt securities listed on the SGX-ST, which standards may be different from those applicable to companies in certain other countries.

The Issuer will be subject to reporting obligations in respect of the Bonds to be listed on the SGX-ST. The disclosure standards imposed by the SGX-ST may be different than those imposed by securities exchanges in other countries or regions. As a result, the level of information that is available may not correspond to what Noteholders are accustomed to.

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

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

Modifications and waivers may be made in respect of the Terms and Conditions of the Bonds, the Keepwell Deed, the Standby Letter of Credit, the Agency Agreement and the Trust Deed by the Trustee or less than all of the holders of the Bonds.

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

In addition, the Trustee may (but shall not be obliged to), without the consent of the Bondholders, authorise or waive any proposed breach or actual breach of, or any failure to comply with, any of the provisions of the Bonds, the Trust Deed, the Agency Agreement, the Keepwell Deed, the Standby Letter of Credit and/or the Terms and Conditions of the Bonds (other than a proposed breach, or a breach relating to the subject of certain reserved matters) if, in the opinion of the Trustee, the interests of the Bondholders will not be materially prejudiced thereby.

Unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be binding on the Bondholders and shall be notified to the Bondholders as soon as practicable thereafter.

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

In certain circumstances (including without limitation the giving of notice to the Issuer pursuant to Condition 10 (*Events of Default*) of the Conditions and the taking of steps and/or actions and/or the instituting of proceedings against the Issuer, the Company and/or the LC Bank pursuant to Condition 14 (*Enforcement*) of the Conditions), the Trustee may (at its sole discretion) request Bondholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes actions and/or steps and/or institutes proceedings on behalf of Bondholders. The Trustee shall not be obliged to take any such actions and/or steps and/or institute such proceedings if not indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such 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 institute proceedings notwithstanding the provision of an indemnity and or security and or pre-funding to it, in breach of the terms of the Trust Deed (as defined in the Conditions) and in such circumstances or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable law, it will be for the Bondholders to take such actions and/or steps and/or institute such proceedings directly.

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

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

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

Collateral and guarantees: A certain portion of Bank of Jiangsu's loans is secured by collateral and backed by guarantees. If Bank of Jiangsu is unable to realise the collateral or guarantees securing its loans to cover the outstanding principal and interest balance of such loans due to various factors, Bank of Jiangsu's financial condition could be materially and adversely affected.

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

The Issuer may be treated as a PRC resident enterprise for PRC tax purposes which may subject the Issuer to PRC income taxes on its worldwide income and interest payable by the Issuer or the Company to foreign investors in respect of the Bonds may be subject to withholding taxes under PRC tax law.

Under the Enterprise Income Tax Law of the PRC (the "**EIT Law**") which took effect on 1 January 2008 and was amended on 24 February 2017 and 29 December 2018, and its implementation rules, effective since 1 January 2018 and amended on 23 April 2019, enterprises established outside the PRC whose "de facto management bodies" are located in the PRC are considered "resident enterprises" for PRC tax purposes.

The implementation rules define the term "de facto management body" as a management body that exercises full and substantial control and management over the business, personnel, accounts and properties of an enterprise. A circular issued by the SAT on 22 April 2009, as revised in 2013 and 2017 (the "**Circular 82**") provides that a foreign enterprise controlled by a PRC company or a PRC company group will be treated as a "resident enterprise" with a "de facto management body" located within the PRC if all of the following requirements are satisfied at the same time: (i) the senior management and core management departments in charge of daily operations are located mainly within the PRC; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders' meetings are located or kept within the PRC; and (iv) at least half of the enterprise's directors with voting rights or senior management frequently reside within the PRC. On 27 July 2011, the SAT issued the Provisional Administrative Regulations of Enterprise Income Taxation of a Foreign Enterprise Controlled by a PRC Enterprise or a PRC Enterprise Group, as revised in 2015, 2016 and 2018 (the "**Circular 45**"), to further prescribe the rules concerning the recognition, administration and taxation of a foreign enterprise "controlled by a PRC enterprise or PRC enterprise group". Circular 45 identifies and defines two ways in which a foreign enterprise "controlled by a PRC enterprise or a PRC enterprise group" would be treated as a resident enterprise: first, the foreign enterprise may decide on its own whether its de facto management body is located in the PRC based on the criteria set forth in Circular 82, and, if it makes such determination, it shall apply to the competent tax bureau to be treated as a resident enterprise; second, the tax authority may determine that such foreign enterprise is a resident enterprise after its active investigation.

Most of the Issuer's directors and senior management are currently based inside the PRC and it may keep its books of account inside the PRC. The above elements may be relevant for the tax authorities to determine whether the Issuer is a PRC resident enterprise for tax purposes. However, there is no clear standard published by the tax authorities for making such a determination.

Although it is unclear under PRC tax law whether the Issuer has a "de facto management body" located in the PRC for PRC tax purposes, the Group takes the position that the Issuer is not a PRC resident enterprise for tax purposes. There is no assurance that the tax authorities will agree with the Group's position. If the Issuer is deemed to be a PRC resident enterprise for EIT purposes, the Issuer would be subject to the PRC enterprise income tax at the rate of 25 per cent. on its worldwide taxable income. Similarly, in the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities, payments of interest and certain other amounts on the Bonds to a non-resident individual holder may also be regarded as being derived from sources within the PRC and be subject to PRC tax of up to 20 per cent. pursuant to the Individual Income Tax Law of the PRC, as last amended on 31 August 2018 and became effective on 1 January 2019 ("**IIT Law**") and its implementation rules, provided that there are no tax treaties between the PRC and those countries or regions 28 which exempt or reduce such withholding tax. In addition, if the Issuer fails to do so, it may be subject to fines and other penalties.

On 23 March 2016, the Ministry of Finance and the SAT issued the Circular of Full Implementation of Business Tax to Value-added Tax Reform (《關於全面推開營業稅改徵增值稅試點的通知》) (Caishui [2016] No.36) as supplemented by the Notice on Clarification of Value-added Tax Policies for Finance, Real Estate Development, Education Support Services etc. (《財政部、國家稅務總局關於明確金融房地產開發教育輔助服務等增值稅政策的通知》) jointly issued by the Ministry of Finance of the PRC and the SAT on 21 December 2016 and effective retroactively (excluding Article 17 thereof) as of 1 May 2016 and other related rules and regulations (together, the "**Circular 36**") which confirms that business tax will be completely replaced by Value-added Tax ("**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

PRC 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. VAT is unlikely to apply to the Issuer's payments of interest and other amounts on the Bonds to investors who are located outside of the PRC but there is uncertainty as to the applicability of VAT as this will depend on how the PRC tax authorities interpret, apply or enforce the Circular 36 and its implementation rules. In addition, pursuant to the Interim Regulation of the PRC on City Maintenance and Construction Tax (中華人民共和國城市維護建設稅暫行條例(2011修訂)), Interim Provisions on the Collection of Educational Surcharges (徵收教育費附加的暫行規定(2011修訂)), Notice of the Ministry of Finance on the Relevant Matters regarding Unifying the Policies on Local Education Surcharges (財政部關於統一地方教育附加政策有關問題的通知), certain surcharges on VAT may also be applicable and will be required to be withheld by the Issuer, if the Issuer is required to withhold PRC VAT from interest payments made to the holders of the Bonds who are located outside of the PRC. If the Issuer is required under the EIT Law, IIT law, Circular 36 or other related PRC tax laws to withhold PRC income tax or VAT or related surcharges on VAT from interest payments made to the holders of the Bonds who are "non-resident enterprises" or who are located outside of the PRC, the Issuer will be required to pay such additional amounts as will result in receipt by a holder of the Bonds of such amounts as would have been received by the holder had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Bonds, and could have a material adverse effect on its ability to pay interest on, and repay the principal amount of, the Bonds, as well as its profitability and cash flow. It is unclear whether, if the Issuer is considered a PRC "resident enterprise", holders of the Bonds might be able to claim the benefit of income tax treaties or agreements entered into between the PRC and other countries or areas.

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

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

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

Each potential investor in any Bond 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 relevant Bonds, the merits and risks of investing in the relevant Bonds and the information contained in this Offering Circular;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant 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 relevant Bonds;
- understand thoroughly the terms of the relevant Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

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

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

The Bonds will initially be represented by a Global Certificate. Such Global Certificate will be 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 bonds. The relevant clearing system will maintain records of the beneficial interests in the Global Certificate. While the Bonds are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the clearing systems.

While the Bonds are represented by the Global Certificate, the Issuer will discharge its payment obligations under the Bonds by making payments to 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 the relevant clearing system to receive payments under the Bonds. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system 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.

The Bonds are unsecured obligations.

The Bonds are unsecured obligations of the Issuer, respectively. The repayment of the Bonds may be adversely affected if:

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

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

The Bonds may be redeemed by the Issuer prior to maturity.

The Issuer may redeem the Bonds at its option, in whole but not in part, at a redemption price equal to 100 per cent. of their principal amount, together with any interest accrued to (but not including) 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 Condition 9 (*Taxation*) of the Conditions), as further described in Condition 7(b) (*Redemption for Taxation Reasons*) of the Conditions.

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 not be able to meet their outstanding obligations under the Bonds.

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

The Issuer may issue additional Bonds in the future.

The Issuer may, from time to time, and without prior consultation with 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 the Group may consider necessary. There can be no assurance that such future issuance or capital raising activity will not adversely affect the market price of the Bonds.

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

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

The SBLC expires within certain days after the Maturity Date.

The SBLC will expire within certain days after the Maturity Date. In the event that the Trustee does not enforce the SBLC by this expiration date, Bondholders will not be able to benefit from the credit protection provided by the LC Bank.

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

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

EXCHANGE RATES

The People's Bank of China (the "**PBOC**"), the central bank of the PRC, sets and publishes a daily 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 14 March 2014, the PBOC further widened the floating band against the U.S. dollar to 2.0 per cent.. 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. In the past years, Renminbi experienced further fluctuations in value against the U.S. dollar. Following the gradual appreciation of Renminbi in 2017, Renminbi experienced a recent depreciation in value against U.S. dollar following a fluctuation in the first half of 2018. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future.

The following table sets forth information concerning exchange rates between the Renminbi and the U.S. dollar for the periods presented:

	Noon buying rate(1)			
Period	**Low**	**Average(2)**	**High**	**Period End**
	RMB per U.S.$1.00			
2014	6.0402	6.1704	6.2591	6.2046
2015	6.1870	6.2869	6.4896	6.4778
2016	6.4480	6.6549	6.9580	6.9430
2017	6.4773	6.7350	6.9575	6.5063
2018	6.8343	6.8839	6.9077	6.8755
2019	6.9618	6.9081	7.1786	6.6822
2020	6.5208	6.8874	7.1681	6.5250
2021				
June	6.3796	6.4250	6.4811	6.4566
July	6.4562	6.4763	6.5104	6.4609
August	6.4604	6.4768	6.5012	6.4604
September	6.4320	6.4563	6.4702	6.4434
October	6.3822	6.4172	6.4485	6.4050
November	6.3640	6.3889	6.4061	6.3640
December	6.3435	6.3693	6.3772	6.3726

Notes:

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

(2) Annual averages have been calculated from month-end rate. Monthly averages have been calculated using the average of the daily rates during the relevant period.

TERMS AND CONDITIONS OF THE BONDS

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

The issue of the U.S.$150,000,000 in aggregate principal amount of 1.90 per cent. credit enhanced bonds due 2023 (the "**Bonds**", which term shall include, unless the context requires otherwise, any further bonds issued in accordance with Condition 16 and consolidated and forming a single series therewith) was authorised by a written resolution of directors of HK OnLink Technology Co., Limited 香港一聯科技有限公司 (the "**Issuer**") passed on 23 December 2021. The Bonds are constituted by a trust deed (as amended, supplemented and/or replaced from time to time, the "**Trust Deed**") dated 12 January 2022 (the "**Issue Date**") among the Issuer, Zhenjiang State-Owned Investment Holding Group Co., Ltd. (镇江国有投资控股集团有限公司) (the "**Company**") and The Bank of New York Mellon, London Branch, a banking corporation organised and existing under the laws of the State of New York with limited liability and operating through its branch in London at One Canada Square, London E14 5AL, United Kingdom (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for itself and the holders of the Bonds. These terms and conditions (these "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bonds. The Bonds are the subject of an agency agreement (as amended, supplemented and/or replaced from time to time, the "**Agency Agreement**") dated 12 January 2022 between the Issuer, the Company, the Trustee, The Bank of New York Mellon, London Branch as principal paying agent (in such capacity, the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed from time to time with respect to the Bonds, and together with the paying agents with respect to the Bonds, the "**Paying Agents**", which expression includes any additional or successor paying agents appointed from time to time with respect to the Bonds), The Bank of New York Mellon, Hong Kong Branch, a banking corporation organised and existing under the laws of the State of New York with limited liability and operating through its branch in Hong Kong at Level 26, Three Pacific Place, 1 Queen's Road East, Hong Kong as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time with respect to the Bonds) and as transfer agent (in such capacity, the "**Transfer Agent**", which expression includes any successor or additional transfer agents appointed from time to time with respect to the Bonds) and any other agents named therein, The Bank of New York Mellon, London Branch as the account bank (in such capacity, the "**Pre-funding Account Bank**", which expression shall include any successor) with which the Pre-funding Account (as defined below) is held and as the account bank (in such capacity, the "**LC Proceeds Account Bank**", which expression shall include any successor) with which the LC Proceeds Account (as defined below) is held. References herein to "**Agents**" means the Principal Paying Agent, the Registrar, the Transfer Agent and any other agent or agents appointed from time to time with respect to the Bonds. The Bonds will have the benefit of an irrevocable standby letter of credit (the "**Standby Letter of Credit**") dated 12 January 2022 issued by Bank of Jiangsu Co., Ltd. Zhenjiang Branch (the "**LC Bank**") in favour of the Trustee on behalf of itself and the holders of the Bonds. The Bonds will also have the benefit of a keepwell deed (the "**Keepwell Deed**") dated 12 January 2022 entered into by the Issuer, the Company and the Trustee and executed in favour of the Trustee. The entering into of the Keepwell Deed was authorised by a resolution of the board of directors of the Company dated 8 December 2021.

For as long as any Bond is outstanding, copies of the Trust Deed, the Keepwell Deed, the Agency Agreement and the Standby Letter of Credit are available for inspection upon prior written request and satisfactory proof of holding during normal business hours (being between 9:00 a.m. and 3:00 p.m. from Monday to Friday (other than public holidays)) at the specified office of the Principal Paying Agent (being as at the Issue Date at One Canada Square, London E14 5AL, United Kingdom). The Bondholders (as defined below) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Keepwell Deed, and are deemed to have notice of those applicable applicable to them in the Agency Agreement and the Standby Letter of Credit. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the Trust Deed.

1 Form, Specified Denomination and Title

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

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

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

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

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

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

2 Transfers of Bonds

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

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

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

(c) **Formalities Free of Charge:** Certificates, on transfer or exercise of an option, shall be issued and registered without charge by or on behalf of the Issuer, the Registrar or the Transfer Agent, but upon (i) payment by the relevant Bondholder of any taxes, duties or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or pre-funding as the Registrar or the Transfer Agent may require), (ii) the Registrar or the Transfer Agent being satisfied in its sole and absolute discretion with the documents of title or identity of the person making the application, and (iii) the Registrar or the Transfer Agent being satisfied that the regulations concerning transfer of Bonds have been complied with.

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

3 Status

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

4 Standby Letter of Credit and Pre-funding

(a) **Standby Letter of Credit:** The Bonds will have the benefit of the Standby Letter of Credit issued in favour of the Trustee, on behalf of itself and the holders of the Bonds, by the LC Bank. The Standby Letter of Credit shall be drawable by the Trustee as beneficiary under the Standby Letter of Credit on behalf of itself and the holders of the Bonds upon the presentation of a demand by authenticated SWIFT (or by such method of communication otherwise permitted under the Standby Letter of Credit) sent by the Trustee or The Bank of New York Mellon, Hong Kong Branch acting as a delegate of and on behalf of the Trustee to the LC Bank in relation to the Standby Letter of Credit (the "**Delegate**"), in accordance with the Standby Letter of Credit (the "**Demand**") stating that (i) the Issuer has failed to comply with Condition 4(b) in relation to pre-funding the amount that is required to be pre-funded under these Conditions and/or failed to provide the Required Confirmations (as defined below) in accordance with Condition 4(b), (ii) an Event of Default (as defined in these Conditions) has occurred and the Trustee has given notice to the Issuer that the Bonds are due and payable in accordance with these Conditions or (iii) the Issuer has failed to pay the fees, costs, expenses (including indemnity payments) and other amounts it is obliged to pay under these Conditions in connection with the Bonds, the Trust Deed, the Agency Agreement and/or any other transaction documents relating to the Bonds when due and such failure has continued for a period of seven days from the date of the Trustee delivering its demand therefor to the Issuer in accordance with these Conditions.

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

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

The payment made under the Standby Letter of Credit in respect of any amount payable under these Conditions or in connection with the Bonds, the Trust Deed and/or the Agency

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

The LC Bank's liability under the Standby Letter of Credit shall be expressed and payable in U.S. dollars and shall not exceed U.S.$153,850,000 (the "**Maximum Limit**"), representing (i) the aggregate principal amount of the Bonds plus interest payable for one Interest Period (as defined below) and (ii) U.S.$1,000,000 being the maximum amount payable under the Standby Letter of Credit for any fees, costs, expenses (including indemnity payments) and other amounts payable by the Issuer under or in connection with the Bonds, the Trust Deed and/or the Agency Agreement. The Standby Letter of Credit expires at 6:00 p.m. (Hong Kong time) on 11 February 2023.

(b) **Pre-funding:** In order to provide for the payment of any amount in respect of the Bonds (other than the amounts payable under Condition 7(d)) (the "**Relevant Amount**") as the same shall become due, the Issuer shall, in accordance with the Agency Agreement, by no later than 10:00 a.m. (Hong Kong time) on the Business Day falling ten Business Days prior to the due date for such payment (the "**Pre-funding Date**") under these Conditions:

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

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

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

(A) as soon as practicable, and in any event not later than 6:00 p.m. (Hong Kong time) on the Business Day immediately following the Pre-funding Date, notify the LC Bank and the LC Proceeds Account Bank by facsimile of the occurrence of the Pre-funding Failure; and

(B) by no later than 6:00 p.m. (Hong Kong time) on the second Business Day immediately following the Pre-funding Date (x) give notice (the "**Pre-funding Failure Notice**") to the Bondholders of (a) the Pre-funding Failure and (b) the redemption of the Bonds in accordance with Condition 7(d) to occur as a result of the Pre-funding Failure and (y) issue a Demand to the LC Bank (which will be presented by the Delegate) for the principal amount in respect of all of the Bonds then outstanding, together with interest accrued to, but excluding, the Mandatory Redemption Date (as defined in Condition 7(d)) and all fees, costs, expenses, indemnity payments and all other amounts payable by the Issuer under or in connection with the Bonds, the Agency Agreement, the Trust Deed and/or any other transaction document relating to the Bonds, *provided that,* in accordance with the Standby Letter of Credit, the Trustee need not physically present the Demand to the LC Bank and shall be entitled to submit the Demand by authenticated SWIFT (provided further that in the event that the SWIFT system is not available for any reason, the Trustee may instead present a Demand via facsimile transmission as specified in the Standby Letter of Credit).

Following receipt by the LC Bank of such Demand by 6:00 p.m. (Hong Kong time) on a Business Day, the LC Bank shall by 10:00 a.m. (Hong Kong time) on the fourth Business

Day immediately following such Business Day (or, if such Demand is received after 6:00 p.m. (Hong Kong time) on a Business Day, the fifth Business Day immediately following the date of receipt of the Demand), pay to or to the order of the Trustee the amount in U.S. dollars specified in the Demand to the LC Proceeds Account.

For the purposes of these Conditions:

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

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

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

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

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

5 Covenants

(a) **Provision of Financial Information:** So long as any Bond remains outstanding (as defined in the Trust Deed), each of the Issuer and the Company shall furnish the Trustee with:

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

(ii) a copy of the Unaudited Company Financial Reports (prepared on a basis consistent with the Audited Company Financial Reports) and the Unaudited Issuer Semi-annual Financial Reports in English or in Chinese within 90 days of the end of each Relevant Period; and

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

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

The Trustee shall not be required to review any financial reports delivered to it as contemplated in this Condition 5(a) and, if the same shall not be in the English language, shall not be required to request or obtain an English language translation of the same, and the Trustee shall not be liable to any Bondholder or any other person for not doing so.

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

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

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

(i) no Event of Default (as defined in Condition 10) or Potential Event of Default (as defined in the Trust Deed) had occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event had occurred, giving details of it; and

(ii) the Issuer or the Company (as the case may be) has complied with all its obligations under the Trust Deed, the Bonds, the Agency Agreement and the Keepwell Deed or if any non-compliance had occurred, giving details of it;

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

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

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

"**Unaudited Issuer Annual Financial Reports**" means, for a Relevant Period, the annual unaudited consolidated balance sheet, income statement, statement of cash flows and statement 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; and

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

6 Interest

The Bonds bear interest on their outstanding principal amount from and including the Issue Date at the rate of 1.90 per cent. per annum payable on the Maturity Date (the "**Interest Payment Date**") with interest of U.S.$18.95 per Calculation Amount (as defined below).

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 Bondholder, and (b) the day falling seven days after the Trustee or the Principal Paying Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed. In these Conditions, the period beginning on and including the Issue Date and ending on but excluding the Maturity 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 be equal to the product of the rate of interest specified above, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

7 Redemption and Purchase

(a) **Final Redemption:** Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 11 January 2023 (the "**Maturity Date**"). The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 7.

(b) **Redemption for Taxation Reasons:** The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**") to the Bondholders in accordance with Condition 17 (which shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent, at their principal amount (together with interest accrued up to, but excluding, the date fixed for redemption), if (i) the Issuer satisfies the Trustee immediately prior to the giving of such notice that it has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of Hong Kong, the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 7 January 2022; 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 7(b), the Issuer shall deliver to the Trustee (A) a certificate in English signed by any Authorised Signatory of the Issuer stating that the obligation referred to in (i) above of this Condition 7(b) cannot be avoided by the Issuer taking reasonable measures available to it; and (B) an opinion of independent tax or legal advisers of recognised standing with respect to taxation matters addressed to the Trustee stating that the requirement to the effect that the Issuer has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendments. The Trustee shall be entitled (but shall not be obliged) to accept and rely conclusively upon such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above of this Condition 7(b), in which event they shall be conclusive and binding on the Bondholders. The Trustee shall be protected and shall have no liability to any Bondholder or any other person for so accepting and relying conclusively on such certificate or opinion.

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

The "**Put Settlement Date**" shall be the fourteenth day or, if such day is not a Business Day (as defined in Condition 8(f)), the next following Business Day, after the expiry of such period of 30 days as referred to above.

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

Not later than 14 days following the day on which the Issuer becomes aware of the occurrence of the Change of Control, the Issuer shall procure that notice regarding such Change of Control shall be delivered to the Trustee and the Principal Paying Agent in writing and to the Bondholders (in accordance with Condition 17) stating:

(i) the Put Settlement Date;

(ii) the date of the Change of Control;

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

(iv) the redemption amount;

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

(vi) the procedures that Bondholders must follow and the requirements that Bondholders must satisfy in order to exercise the Change of Control Put Right; and

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

Neither the Agents nor the Trustee shall be required to monitor or to take any steps to ascertain whether the Change of Control or any event which could lead to the occurrence of the Change of Control has occurred or may occur and each of them shall be entitled to assume that no such event has occurred until it has received written notice to the contrary from the Issuer and the Company, and none of them shall be liable to Bondholders, the Issuer, the Company or any other person for not doing so.

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

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

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

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

(g) **Calculations:** Neither the Trustee nor the Agents shall be responsible for calculating or verifying any calculations of any amounts payable under any 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 be the Issuer, the Company, the Bondholders or any other person for not doing so.

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

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

(i) the Zhenjiang SASAC together with any other person(s) directly or indirectly Controlled by the central government of the PRC and the Company cease to directly or indirectly hold or own 100 per cent. of the issued share capital of the Issuer; or

(ii) the Zhenjiang SASAC or entities directly or indirectly Controlled by Zhenjiang SASAC or any other person(s) directly or indirectly Controlled by the central or local government of the PRC cease to directly or indirectly hold or own 75 per cent. or more of the issued share capital of the Company; or

(iii) the Company consolidates with or merges into or sells or transfers all or substantially all of its assets to any person or persons, other than the Zhenjiang SASAC, any person or persons Controlled by the Zhenjiang SASAC or the PRC government;

"**Control**" means (i) the ownership, acquisition or control of 100 per cent. of the voting rights of the issued share capital or issued shares of a person, or (ii) the right to appoint and/or remove all or the majority of the members of a person's board of directors or other governing body, in each case whether obtained directly or indirectly, and whether obtained by ownership of share capital, shares, the possession of voting rights, contract or otherwise; the term "**Controlled**" has meanings correlative to the foregoing;

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

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

"**Responsible Officer**" means any managing director, vice president, trust associate, relationship manager, transaction manager, client service manager, any trust officer or any other officer located at the Specified Corporate Trust Office of the Trustee who customarily performs functions similar to those performed by any persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of such person's knowledge of and familiarity with the particular subject and in each such case, who shall have direct responsibility for the day to day administration of the Trust Deed.

"**Specified Corporate Trust Office**" means The Bank of New York Mellon, Hong Kong Branch located at Level 26, Three Pacific Place, 1 Queen's Road East, Hong Kong; Attention: Global Corporate Trust HK Onlink Technology Co., Limited; Facsimile: +852 2295 3283.

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

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

"**Zhenjiang SASAC**" means the State-owned Assets Supervision and Administration Commission of Zhenjiang Municipal People's Government (鎮江市人民政府國有資產監督管理委員會) or its successor;

8 Payments

(a) **Method of Payment:**

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

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

(iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested in writing by the Issuer or a Bondholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of interest so paid.

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

(b) **Payments Subject to Laws:** Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 9, and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 9) any law implementing an intergovernmental approach thereto.

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

(d) **Appointment of Agents:** The Principal Paying Agent, the Registrar, and the Transfer Agent initially appointed by the Issuer and their respective specified offices are listed below. The Agents, subject to the provisions of the Agency Agreement, act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Principal Paying Agent, the Registrar or the Transfer Agent and to appoint additional or other Agents, *provided that* the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, and (iii) a Transfer Agent.

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

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

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

9 Taxation

All payments of principal 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 present and future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by Hong Kong or the PRC or any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

Where such withholding or deduction is made by the Issuer by or within Hong Kong or the PRC at a rate up to and including the aggregate rate applicable on 7 January 2022 (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 by or within Hong Kong or the PRC 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:

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

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

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

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

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

Neither the Agents nor the Trustee shall in any event be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 9 or otherwise in connection with the Bonds or for determining whether such amounts are payable or the amount thereof, nor shall they be responsible or liable for any failure by the Issuer, the Company, the Bondholders or any third party to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information in relation to the Bonds, and nor would they permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Bonds without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

10 Events of Default

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

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

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

(ii) **Breach of Other Obligations:** the Issuer or the Company does not perform or comply with any one or more of their respective obligations under the Bonds or the Trust Deed or the Keepwell Deed and such default (A) is incapable of remedy or (B) being a default which is capable of remedy, remains unremedied for 60 days after notice of such default shall have been given to the Issuer or the Company (as the case may be) by the Trustee; provided that if there has been a breach by the Issuer of its obligations to pre-fund any amount in respect of the Bonds in accordance with Condition 4(b) and such amount has subsequently been paid by the LC Bank following a drawing under the Standby Letter of Credit to or to the order of the Trustee and paid to holders of the Bonds, then such breach will not constitute an Event of Default under this Condition 10(a)(ii); or

(iii) **Cross-Default:** (A) any other present or future indebtedness of the Issuer or the Company or any of their respective Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described); or (B) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period; or (C) the Issuer or the Company or any of their respective Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 10(a)(iii) have occurred in aggregate equals or exceeds U.S.$20,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this Condition 10(a)(iii) operates); or

(iv) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Issuer, the Company or any Principal Subsidiary and is not discharged or stayed within 60 days; or

(v) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer, the Company or any Principal Subsidiary in respect of all or a material part of its assets becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and is not discharged or stayed within 60 days; or

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

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

(viii) **Nationalisation:** any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the undertaking, assets and revenues of the Issuer, the Company or any Principal Subsidiary; or

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

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

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

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

(xiii) **Analogous Events:** any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Condition 10(a)(iv) to Condition 10(a)(xii) (both inclusive).

In this Condition 10(a):

"**Principal Subsidiary**" means any Subsidiary of the Company:

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

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

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

(D) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, provided that (x) the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall become a Principal Subsidiary, and (y) on or after the date on which the first audited accounts (consolidated, if appropriate) of the Company 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 Company relate, the reference to the then latest consolidated audited accounts of the Company and its Subsidiaries for the purposes of the calculation above shall, until consolidated audited accounts of the Company for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published be deemed to be a reference to the then latest consolidated audited accounts of the Company and its Subsidiaries adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has subsidiaries) of such Subsidiary in such accounts;

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

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

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

A certificate signed by any Authorised Signatory of the Company confirming that a Subsidiary is or is not, or was or was not, a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Bondholders.

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

(i) **Cross-Default:**

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

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

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

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

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

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

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

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

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

In this Condition 10(b):

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

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

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

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

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

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

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

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

11 Prescription

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

12 Replacement of Certificates

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

13 Meetings of Bondholders, Modification and Waiver

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

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in aggregate principal amount of the Bonds for the time being outstanding or a resolution approved by an electronic consent communicated through the electronic communications systems of the relevant clearing system by or on behalf of holders of not less than 90 per cent. in aggregate principal amount of the Bonds for the time being outstanding shall, in each case, for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by one or more Bondholders.

(b) **Modification of the Conditions, Trust Deed, Agency Agreement, the Keepwell Deed and Standby Letter of Credit:** The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (i) any modification of any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement, the Keepwell Deed or the Standby Letter of Credit that is, in its opinion, of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of law; and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement, the Keepwell Deed or the Standby Letter of Credit that is, in the opinion of the Trustee, not materially prejudicial to the interests of the Bondholders. Any such modification, authorisation or waiver shall be binding on the Bondholders and, unless the Trustee otherwise agrees, each such modification, authorisation or waiver shall be notified by the Issuer or the Company to the Bondholders in accordance with Condition 17 as soon as practicable.

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

14 Enforcement

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

15 Indemnification of the Trustee

Under the Trust Deed, the Trustee is entitled to be indemnified, secured and/or pre-funded to its satisfaction and to be relieved from responsibility in certain circumstances and to be paid its fees, costs, expenses, indemnity payments, and other amounts in priority to the claims of the Bondholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer, the Company, the LC Bank and/or any entity related (directly or indirectly) to the Issuer, the Company and/or the LC Bank without accounting for any profit.

The Trustee and each Agent may rely conclusively without liability to Bondholders, the Issuer, the Company, the LC Bank or any other person on any report, confirmation, information or certificate from or any opinion or advice of any lawyers, accountants, financial advisers, financial institution or any other expert, whether or not obtained by or addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee and each Agent may accept and shall be entitled to rely conclusively on any such report, confirmation, information, certificate, opinion or advice and, in such event, such report, confirmation, information, certificate, opinion or advice shall be binding on the Issuer, the Company, the LC Bank and the Bondholders. The Trustee and each Agent shall not be responsible or liable to the Issuer, the Company, the Bondholders or any other person for any loss occasioned by acting on or refraining from acting on such report, information, confirmation, certificate, opinion or advice.

None of the Trustee or any of the Agents shall be responsible or liable for the performance by the Issuer, the Company, the LC Bank and any other person appointed by the Issuer and/or the Company and/or the LC Bank in relation to the Bonds of the duties and obligations on their part expressed under the Trust Deed, the Agency Agreement, the Keepwell Deed or these Conditions and, unless it has written notice from the Issuer and/or the Company and/or the LC Bank to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed.

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

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

The Trustee and the Agents shall not be deemed to have knowledge of an Event of Default or any Potential Event of Default unless and until the Agents, or as the case may be, a Responsible Officer of the Trustee obtains written notification of such Event of Default or Potential Event of Default describing the circumstances of such, and identifying the circumstances constituting such Event of Default or any Potential Event of Default.

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

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

16 Further Issues

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

17 Notices

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

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

18 Contracts (Rights of Third Parties) Act 1999

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

19 Governing Law and Jurisdiction

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

(b) **Jurisdiction:** The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds, the Trust Deed, the Agency Agreement, the Keepwell Deed, the Standby Letter of Credit and accordingly any legal action or proceedings arising out of or in connection with any Bonds, the Trust Deed the

Agency Agreement, the Keepwell Deed or the Standby Letter of Credit ("**Proceedings**") may be brought in such courts. Each of the Issuer and the Company has irrevocably submitted to the exclusive jurisdiction of such courts and waived any objection to Proceedings in any such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

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

(d) **Waiver of Immunity:** Each of the Issuer and the Company has waived any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and has irrevocably consented to the giving of any relief or 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.

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

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

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

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

Owners of interests in the Bonds in respect of which the Global Certificate is issued will be entitled to have title to the Bonds registered in their names and to receive individual definitive certificates if either Euroclear or Clearstream or any other clearing system (an "**Alternative Clearing System**") 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.

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

We will cause sufficient individual definitive certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant Bondholders. 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 we and the Registrar may require to complete, execute and deliver such individual definitive certificates.

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

Payment

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

Calculation of Interest

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

Notices

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

Meetings

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

Bondholder's Redemption

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

Issuer's Redemption

The option of the Issuer provided for in Condition 7(b) (*Redemption for Taxation Reasons*) of the Terms and Conditions shall be exercised by the Issuer giving notice to the Bondholders within the time limits set out in and containing the information required by the Terms and Conditions.

Transfers

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

Cancellation

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

Trustee's Powers

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

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

DESCRIPTION OF THE KEEPWELL DEED

The following contains summaries of certain key provisions of the Keepwell Deed. Such statements do not purport to be complete and are qualified in their entirety by reference to the Keepwell Deed.

OWNERSHIP OF THE ISSUER

Under the Keepwell Deed, the Company will undertake in favour of the Issuer and the Trustee that it or any of its Subsidiaries shall directly or indirectly own and hold all the outstanding shares of the Issuer having the right to vote for election of members of the board of directors of the Issuer and will not directly or indirectly pledge or grant a security interest or in any way encumber or otherwise dispose of any such shares, unless required to dispose of any or all such shares pursuant to law or regulation or a court order or a decree of any governmental authority which, in the opinion of a legal adviser to the Company, may not be successfully challenged.

MAINTENANCE OF CONSOLIDATED NET WORTH; LIQUIDITY

In addition, under the Keepwell Deed, the Company will undertake that it shall cause (i) the Issuer to remain solvent and a going concern at all times under the laws of Hong Kong and applicable accounting standards; (ii) the Issuer to have a Consolidated Net Worth of at least US$1.00 at all times and (iii) the Issuer to have sufficient liquidity to ensure timely payment of any and all amounts payable by it in respect of the Bonds in accordance with the Trust Deed and the Terms and Conditions and any and all payments due under the Bonds, the Trust Deed and the Agency Agreement.

NOTIFICATION OF SHORTFALL

If the Issuer at any time determines that it will have insufficient liquidity to meet its payment obligations under the Bonds or the Trust Deed or payments due under the Trust Deed and/or the Agency Agreement, the Issuer shall promptly notify the Company of the shortfall and the Company will cause the Issuer to obtain or make available to the Issuer, before the due date of the relevant payment obligations, funds sufficient by means as permitted by applicable laws and regulations so as to enable the Issuer to pay such payment obligations in full as they fall due, provided, however, that the Company shall not in any event be required to perform any part of the payment obligation in lieu of the Issuer under the Bonds or the Trust Deed. The Issuer shall use any funds it obtains in accordance with the Keepwell Deed solely for the payment, when due, of such payment obligations under the Bonds, the Trust Deed or the Agency Agreement (as the case may be).

OTHER UNDERTAKINGS

At all times during the term of the Keepwell Deed, and so long as the Bonds are outstanding, the Company undertakes to the Trustee:

- to procure that the memorandum or articles of association of the Issuer shall not be amended in a manner that is, directly or indirectly adverse to the interest of Bondholders;
- to cause the Issuer to remain in full compliance with the Conditions, the Trust Deed and all applicable rules and regulations in Hong Kong and any other applicable jurisdictions;
- to procure that the Issuer will not carry on any business or activity other than in connection with the Bonds and to cause the Issuer either to use the proceeds itself or to lend the proceeds from the offering of the Bonds only to the Company and/or the Subsidiaries of the Company (each a "**Relevant Entity**"), and to cause each such Relevant Entity to pay the interest and principal in respect of such intercompany loan(s) on time;
- to the extent a Relevant Entity lends, novates or assigns any of the proceeds it receives from the Issuer from the offering of the Bonds, to cause such Relevant Entity to lend, novate or assign such proceeds only to another Relevant Entity or other Relevant Entities;
- promptly to do all such things and take any and all such actions necessary to comply with its obligations under the Keepwell Deed; and

- to cause the Issuer to do all such things and take any and all such actions necessary in a timely manner to comply with the Issuer's obligations under the Keepwell Deed.

APPROVAL

The performance by the Company of its obligations under the Keepwell Deed will be subject to governmental or regulatory approvals, registrations, permits and filings or other authorisations pursuant to applicable laws, and the Company will undertake to use its best endeavours to obtain all such governmental or regulatory approvals, registrations, permits and filings or other authorisations required for the performance of its obligation under the Keepwell Deed.

WAIVER OF IMMUNITY

The Company will represent and warrant in the Keepwell Deed that it is a separate legal and independent entity organised under the Company Law of the PRC and it is a state-owned enterprise with the capacity independently to assume civil liabilities to the extent permitted by applicable laws. Each of the Issuer and the Company will, in the Keepwell Deed, waive any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and irrevocably consents to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

OTHER PROVISIONS

The Keepwell Deed is not, and nothing therein contained and nothing done pursuant thereto by the Company shall be deemed to constitute, or shall be construed as, or shall be deemed an evidence of, a guarantee by or any legal binding obligation of the Company of the payment of any obligation, responsibilities, indebtedness or liability, of any kind or character whatsoever, of the Issuer under the laws of any jurisdiction, including the PRC. Subject to the provisions of the Conditions and the Trust Deed, the Keepwell Deed may be modified, amended or terminated by the written agreement of the parties to the Keepwell Deed. Neither the Issuer nor the Company may assign its rights or transfer its obligations under the Keepwell Deed, in whole or in part, without the prior written consent of the Trustee. The Keepwell Deed and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law.

USE OF PROCEEDS

The proceeds from the offering of the Bonds, before deducting the offering discount and selling commissions to be charged by the Joint Lead Managers and other expenses to be payable by the Issuer relating to the offering of the Bonds, is approximately U.S.$150,000,000. The Issuer intends to use the proceeds from the offering of the Bonds for repayment of its existing debt, replenishment of its working capital and other general corporate purposes.

CAPITALISATION AND INDEBTEDNESS

The following table sets out our consolidated capitalisation and indebtedness as at 31 December 2020 on an (i) actual basis and (ii) adjusted basis to give effect to the issuance of the Bonds. The summary consolidated financial information below should be read in conjunction with our consolidated financial statements and the notes to those statements included elsewhere in this Offering Circular.

	As at 31 December 2020			
	Actual		As adjusted	
	(RMB'000)	(U.S.$'000)[1]	(RMB'000)	(U.S.$'000)[1]
Current indebtedness				
Short-term borrowings	3,902,431,181.30	598,073,744.26	3,902,431,181.30	598,073,744.26
Non-current liabilities maturing within one year	2,123,075,938.14	325,375,622.70	2,123,075,938.14	325,375,622.70
Other current liabilities	4,741,539,595.43	726,672,734.93	4,741,539,595.43	726,672,734.93
Total current indebtedness	**10,767,046,714.87**	**1,650,122,101.90**	**10,767,046,715.00**	**1,650,122,101.90**
Non-current indebtedness				
Long-term borrowings	3,667,472,481.19	562,064,748.08	3,667,472,481.19	562,064,748.08
Bonds payable	7,069,059,444.16	1,083,380,757.73	7,069,059,444.16	1,083,380,757.73
Other non-current liabilities	295,000,000.00	45,210,727.97	295,000,000.00	45,210,727.97
Bonds to be issued[2]	–	–	978,750,000.00	150,000,000
Total non-current indebtedness	**11,031,531,925.35**	**1,690,656,233.77**	**12,010,281,925.41**	**1,840,656,233.78**
Total indebtedness[3]	**21,798,578,640.22**	**3,340,778,335.67**	**22,777,328,640.31**	**3,490,778,335.68**
Total Owners' Equity	**24,917,476,559.59**	**3,818,770,353.96**	**24,917,476,559.59**	**3,818,770,353.96**
Total capitalisation[4]	**46,716,055,199.81**	**7,159,548,689.63**	**47,694,805,199.90**	**7,309,584,689.64**

Notes:

(1) Based on the exchange rate of RMB6.5250 to U.S.$1.00 as at noon of 31 December 2020.

(2) This amount represents the aggregate principal amount of the Bonds to be issued, before deducting commissions and other estimated expenses payable in connection with the offering of the Bonds.

(3) Total indebtedness equals the sum of total current indebtedness and total non-current indebtedness.

(4) Total capitalisation represents the sum of total indebtedness and total equity.

We incurred additional indebtedness to fund our operations in the ordinary course of business after 31 December 2020. There has been no material change in our capitalisation and indebtedness since 31 December 2020.

DESCRIPTION OF THE LC BANK

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

The Bonds will have the benefit of the Standby Letter of Credit which will be issued by Bank of Jiangsu Co., Ltd. Zhenjiang Branch as the LC Bank.

OVERVIEW

Bank of Jiangsu was officially listed and opened on 24 January 2007, headquartered in Nanjing, Jiangsu Province. On 2 August 2016, Bank of Jiangsu was listed on the main board of Shanghai Stock Exchange with the stock code 600919. Bank of Jiangsu holds a financial institution license numbered B0243H232010001 from the China Banking Regulatory Commission ("**CBRC**") and a legal entity business licenses (unified social credit code: 91320000796544598E) from the Jiangsu Municipal Administration of Industry and Commerce. The registered address of Bank of Jiangsu is No.26, Zhonghua Road, Nanjing, Jiangsu Province, the PRC.

Adhering to the mission of "creating better life and the core values of integration and innovation, pragmatic responsibility and lean growth", Bank of Jiangsu is committed to building a leading service bank that is "Wisdom, characteristic, international and comprehensive". Bank of Jiangsu has 17 branches under its banner and two subsidiaries of Suyin Financial Leasing Co., Ltd., and Baode County Bank of Jiangsu Danyang. The service network radiates three economic circles of the Yangtze River Delta, Pearl River Delta, and Bohai Rim, and achieves full coverage of counties in Jiangsu Province, with more than 530 business outlets and more than 15,000 employees.

BUSINESS ACTIVITIES

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

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

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

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

- **Capital Businesses:** Bank of Jiangsu pays close attention to market changes, flexibly adjusts trading strategies, and makes full use of product tools such as repurchase, issuance of inter-bank certificates of deposit, precious metals and foreign exchange derivatives to effectively reduce the cost of liabilities. Bank of Jiangsu has obtained the qualification of bill brokerage business, further demonstrates the advantages of standardized bill business. In addition, by the end of 2019, a total of 2,368 wealth management products were issued, including a series of net worth products such as "Rongxiang", "Ronghe", "Rongda" and "Ronghui Cash" designed and issued according to the requirements of the new asset management regulations, with a total raised amount of RMB579.8 billion and the entrusted assets amounted RMB2, 519.9 billion.

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

- **Financial Science and Technology:** Bank of Jiangsu also puts the "Wisdom" construction at the top of the "four modernizations" strategy, grasps the trend of digital development, closely follows the development and application of cutting-edge technologies, stimulates vitality, enhances momentum, and strives to create a financial science and technology ecosystem.

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

- In January 2019, it won the "Culture Construction Advanced Unit of National Financial System in China" awarded by the Research Association of Ideological and Political Work of China Financial Institutions.

- In January 2019, it won the "Best growth bank in international business" and "Most innovative bank in international business" awarded by Jiangsu Banking Association.

- In February 2019, it was awarded the "Outstanding Contribution Award for the Integration of Informatization and Industrialization in Jiangsu Province" by Jiangsu Development and Reform Commission and Department of Finance of Jiangsu Province. In April 2019, it was awarded the "Advanced Unit of Financial Services for Small and Micro Enterprises in Jiangsu Province" by China Banking and Insurance Regulatory Commission, Jiangsu Office.

- In April 2019, it was selected into Forbes World's Best Banks List.

- In April 2019, it was awarded the "Best Financial Innovation Award", "Top Ten Investment Bank Innovation Award", "Top Ten Consumer Financial Innovation Award", and "Top Ten Financial Technology Innovation Award" selected by *The Banker* magazine.

- In May 2019, it won the "2019 Jiangsu Financial Innovation Award" awarded by Jiangsu Provincial Department of Finance, Jiangsu Provincial Financial Supervision Bureau, Nanjing Branch of the People's Bank of China, Jiangsu Banking and Insurance Supervision Bureau, Jiangsu Securities Supervision Bureau, etc.

- In May 2019, in the three rankings of Puyi Standard "Comprehensive Financial Management Ability", "Risk Control Ability" and "Information Disclosure Standardization", it ranked first among city commercial banks in the country.

- In June 2019, it ranked 92nd in UK's *The Banker*'s Global 1000 ranking of banks by Tier 1 capital.

- In July 2019, it won the "Best Inclusive Financial Effectiveness Award" awarded by the China Banking Association.

- In November 2019, it was awarded the "Top 100 Financial Enterprises with Outstanding Brand Power in China" selected by *The Economic Observer* and *Modern Advertising* magazine.

- In November 2019, it was awarded the "Outstanding Corporate Citizen of the Year Award" by *National Business Daily*.

- In November 2019, it was awarded the "Special Contribution Award to Corporate Governance" at the 15th Golden Round Table Award of the Board of Directors of Listed Companies in China by *Directors & Boards* magazine.

- In December 2019, it was awarded the 2019 China Securities Market Golden Steed Award for "Outstanding Service to the Real Economy Award" and "Gold Medal Board Secretary Award" by *Securities Daily*.

- In December 2019, it was awarded the "Best Brand Building Small- and Medium-sized Bank" and "Best Service and High-quality Development Centre Bank" by *Financial Times*.

- In December 2019, it was awarded the "Outstanding Competitiveness Risk Management Bank" by *China Business Journal*.

DESCRIPTION OF THE ISSUER

OVERVIEW

The Issuer was incorporated as a business company with limited liability in Hong Kong on 22 January 2013 (Hong Kong Company Number: 1854682). The Issuer's registered office is at Unit A, 3/F., Cheong Sun Tower, 116-118 Wing Lok Street, Sheung Wan, Hong Kong. As at the date of this Offering Circular, the Issuer has issued 10,000 ordinary shares, which are held by Zhenjiang Guotai Asset Management Co., Ltd. (鎮江國泰資產經營管理有限公司), a direct wholly-owned subsidiary of the Company. None of the Issuer's equity securities is listed or dealt with on any stock exchange.

BUSINESS ACTIVITIES

The Issuer is an indirect wholly-owned subsidiary of the Company. As at the date of this Offering Circular, the Issuer has not engaged, since its incorporation, in any material activities other than those relating to the issuance of U.S.$150,000,000 2.4 per cent. credit enhanced bonds due 31 January 2022, the issuance of U.S.$150,000,000 6.6 per cent. guaranteed bonds due on 5 March 2020 and the issuance of U.S.$150,000,000 6.6 per cent. guaranteed bonds due 24 February 2021 (together, the "**Offshore Bonds**"), the proposed issue of the Bonds and the authorisation of documents and agreements referred to in this Offering Circular to which it is or will be party.

DIRECTORS

The directors of the Issuer are Mr. LIU Chang Bo (劉長波), Ms. YIN Xin (殷欣) and Mr. WONG Kui Tong (黃鋸棠).

FINANCIAL INFORMATION

As at the date of this Offering Circular, save for the Offshore Bonds, the proposed issue of the Bonds and other activities reasonably incidental thereto, the Issuer has no business nor assets.

DESCRIPTION OF THE GROUP

OVERVIEW

We are a major industrial investment platform of the Zhenjiang Municipal People's Government. We are a wholly state-owned enterprise and are under the direct management and supervision of the Zhenjiang SASAC, the local counterpart of the State Administration of State-owned Assets Commission of the PRC. We have a diverse business portfolio and are primarily engaged in six business segments, namely (i) condiment, (ii) chemical products, (iii) paper, (iv) automobile, (v) infrastructure construction and maintenance and (vi) commodity trading. Since our establishment in August 1996, we have played an important role in implementing the Zhenjiang Municipal People's Government's industrial polices and have received strong support from the Zhenjiang Municipal People's Government. Located in a strategic position of the Yangtze River Delta, Zhenjiang City is expected to play an increasingly important role in the national economy and industrial development plans. Accordingly, we believe we will be able to fully leverage our position and achieve robust and steady growth.

As of 31 December 2020, we operated our business through 25 principal subsidiaries. As of 31 December 2018, 2019 and 2020, our consolidated total assets were approximately RMB53.4 billion, RMB56.9 billion and RMB54.9 billion, respectively. For the years ended 31 December 2018, 2019 and 2020, our revenue was approximately RMB7.9 billion, RMB11.1 billion and RMB10.7 billion, respectively.

Condiment

We engage in the manufacturing and the sale of vinegar, cooking wine and other condiment products primarily through our subsidiary Jiangsu Hengshun Group Co., Ltd. (江蘇恒順集團有限公司) ("**Hengshun**"). We are a leading producer of condiment products in China. Our primary products include black vinegar, white vinegar and cooking wine. For the years ended 31 December 2018, 2019 and 2020, our revenue generated from the condiment segment was approximately RMB1,558.4 million, RMB2,291.4 million and RMB2,430.1 million, respectively, representing approximately 19.8 per cent., 20.7 per cent. and 22.7 per cent. of our total revenue, respectively for the same periods.

Chemical Products

We engage in the production of chemical products primarily through our subsidiary Jiangsu Dongpu New Material Technology Co., Ltd. (江蘇東普新材料科技有限公司) ("**Dongpu**"). Our primary chemical products are polymerized ferrous sulfate, ferrous sulfate and sulphuric acid. Before July 2019, we also engaged in chemical products production through our subsidiary Jiangsu Taibai Group Co., Ltd. (江蘇太白集團有限公司) ("**Taibai**") which focused on producing titanium dioxide. In July 2019, we disposed of Taibai and ceased producing titanium dioxide. For the years ended 31 December 2018, 2019 and 2020, our revenue generated from the chemical products segment was approximately RMB1,206.8 million, RMB1,120.6 million and RMB716.1 million, respectively, representing approximately 15.3 per cent., 10.1 per cent. and 6.7 per cent. of our total revenue respectively for the same periods.

Paper

We engage in paper production primarily through our subsidiary Zhenjiang Dadong Paper Co., Ltd. (鎮江大東紙業有限公司) ("**Dadong**"). Our paper products primarily include paper for paper cups, coated paper, tax invoice paper and cultural paper. For the years ended 31 December 2018, 2019 and 2020, our revenue generated from the paper segment was approximately RMB1,205.9 million, RMB886.5 million and RMB807.7 million, respectively, representing approximately 15.3 per cent., 8.0 per cent. and 7.6 per cent. of our total revenue respectively for the same periods.

Automobile

We engage in the manufacturing and sale of automobiles through our subsidiaries Zhenjiang Feichi Commercial Vehicles Co., Ltd. (鎮江飛馳商務車有限公司) ("**Feichi**") and Jiangsu Chechi Automobile Co., Ltd. (江蘇車馳汽車有限公司) ("**Chechi**"). Feichi focuses on the production and sale of refrigerated vehicles. Chechi focuses on the production and sale of commercial vehicles. For the years ended 31 December 2018, 2019 and 2020, our revenue generated from the automobiles segment was approximately RMB1,909.5 million, RMB2,971.2 million and RMB2,674.4 million, respectively, representing approximately 24.3 per cent., 26.9 per cent. and 25.2 per cent. of our total revenue respectively for the same periods.

Infrastructure Construction and Maintenance

We engage in the construction and maintenance of infrastructure facilities through Zhenjiang Road and Bridge Engineering Corporation of Jiangsu (江蘇鎮江路橋工程有限公司) ("**ZRBEC**"). ZRBEC was established in 1989 and primarily engages in the construction of highways and bridges in Jiangsu Province. For the years ended 31 December 2018, 2019 and 2020, our revenue generated from the infrastructure construction and maintenance segment was approximately RMB682.8 million, RMB853.2 million and RMB280.3 million, respectively, representing approximately 8.7 per cent., 7.7 per cent. and 2.6 per cent. of our total revenue respectively for the same periods. We may dispose of businesses in this segment. See "*Risk Factors – We may not be able to successfully manage our growth*".

Commodity Trading

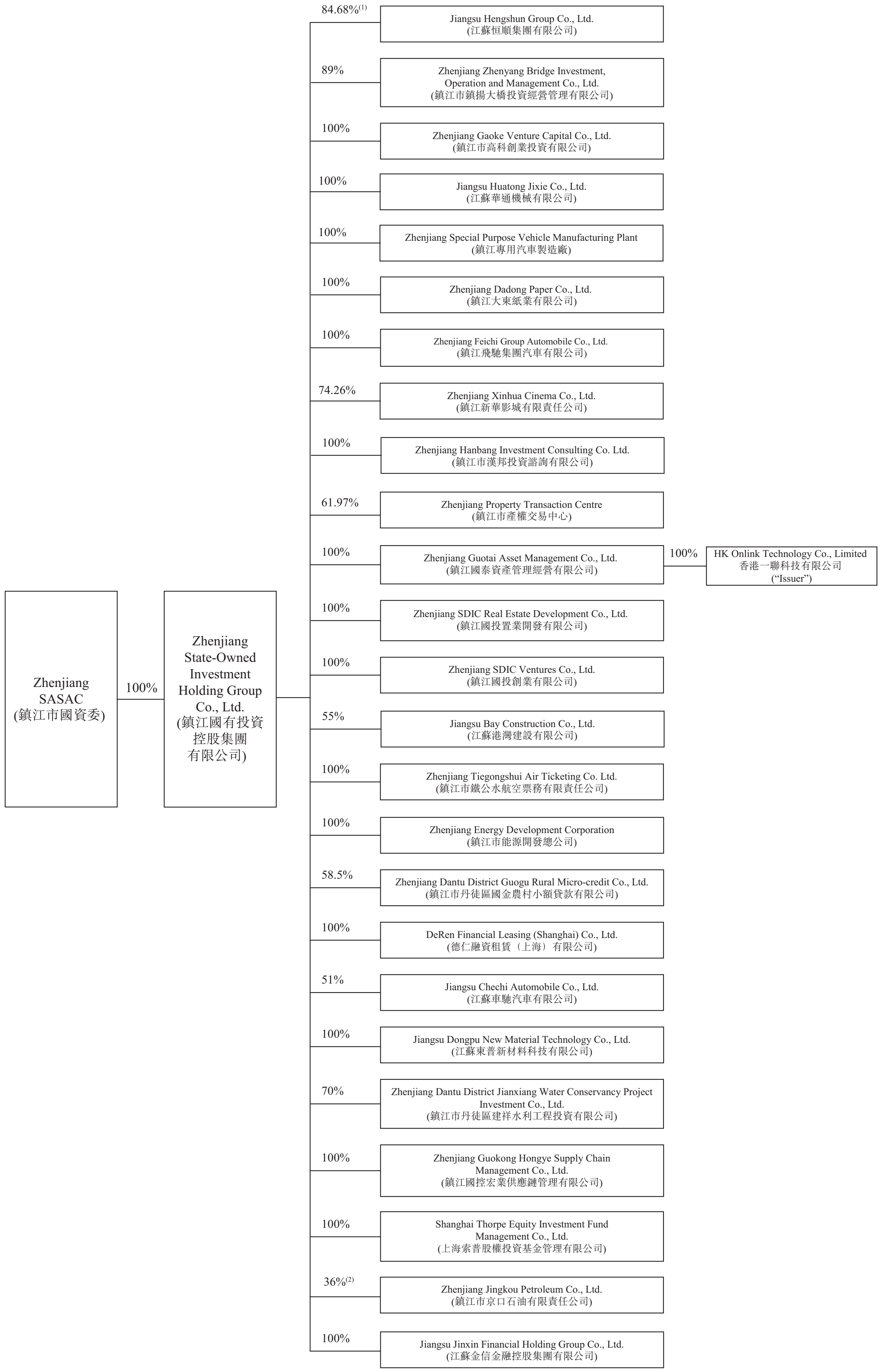
We started our commodity trading business in June 2019 after acquisition of 36 per cent. of equity shares in Zhenjiang Jingkou Petroleum Co., Ltd. (鎮江市京口石油有限責任公司) ("**Jingkou**") and obtained de facto control over it by entering into a voting agreement with two other shareholders of Jingkou. We engages in commodity trading business mainly through Jingkou. Our commodities trading business covers a wide range of products, including oil, gas and coal. We also provide logistic service related to our commodities products. For the years ended 31 December 2019 and 2020, we generated revenue of approximately RMB2,524.8 million, and RMB3,049.4 million from commodity trading business, representing approximately 22.8 per cent. and 28.5 per cent. of our total revenue for the same period.

Other Business Operations

We engage in other business operations including energy trading, real estate development and asset management. For the years ended 31 December 2018, 2019 and 2020, our revenue generated from other business operations was approximately RMB894.1 million, RMB416.8 million and RMB584.8 million, respectively, representing approximately 11.4 per cent., 3.8 per cent. and 5.5 per cent. of our total revenue, respectively for the same periods.

CORPORATE STRUCTURE

As of 31 December 2020, we had 25 principal subsidiaries. The following diagram sets forth our simplified corporate structure reflecting our principal subsidiaries as of 31 December 2020:



Notes:

(1) CDB Development Fund (國開發展基金) invested RMB90 million in Jiangsu Hengshun Group Co., Ltd. in October 2016 (the "**CDB Investment**"). The business registration records of Jiangsu Hengshun Group Co., Ltd. show that as a result of the CDB Investment, the registered capital of Jiangsu Hengshun Group Co., Ltd. increased from RMB470 million to RMB560 million and CDB Development Fund (國開發展基金) holds 16.07 per cent. equity interest in Jiangsu Hengshun Group Co., Ltd. The CDB Investment was, however, treated as our indebtedness given the terms and the nature of such investment under applicable accounting rules. Therefore, the Company was deemed as 100 per cent. equity owner of Jiangsu Hengshun Group Co., Ltd. in our Historical Financial Statements.

(2) In June 2019, we entered into an agreement with two other shareholders of Jingkou, pursuant to which we have the voting power in respect of all of the equity interest held by all of the three shareholders to such agreement, representing 50.4 per cent. of the total equity interest of Jingkou. As a result, we believe we have de facto control over Jingkou.

HISTORY AND DEVELOPMENT

The following sets out the key events in our business and corporate history and development.

Year	Description of Event
1996	Our predecessor, Zhenjiang Asset Management Co., Ltd. (鎮江市資產經營公司), was established by the Zhenjiang Bureau of Finance.
1999	Our registered capital was increased to RMB50 million.
2006	In April, our shareholder was changed to the Zhenjiang SASAC and our Company's name was changed to Zhenjiang State-Owned Assets Investment and Operation Company (鎮江市國有資產投資經營公司).
2009	Our registered capital was increased to RMB200 million.
2012	Our registered capital was increased to RMB500 million.
2013	The Issuer was incorporated in Hong Kong.
2014	In October, our name was changed to Zhenjiang State-Owned Investment Holding Co., Ltd. (鎮江國有投資控股有限公司) and the Zhenjiang SASAC increased our registered capital to RMB1.0 billion. In November, our name was changed to Zhenjiang State-Owned Investment Holding Group Co., Ltd. (鎮江國有投資控股集團有限公司) and Zhenjiang State-Owned Investment Holding Group (鎮江國有投資控股集團) was established with four subsidiaries.

COMPETITIVE STRENGTHS

We believe our competitive strengths outlined below distinguish us from our competitors and are important to our success and development.

A leading condiment products producer with strong brand recognition

We are a leading producer of condiment products in China in terms of market share. Our condiment products primarily include black vinegar, white vinegar and cooking wine. Of the condiment products, vinegar is our major product. We sell our vinegar products under the "Hengshun" brand, which we believe is well known nationally and internationally. Our condiment business has been very profitable. We believe our leading position and our well-known brand in the condiment segment will position us in continuing to benefit from the growth of China's condiment market, and that we will be able to leverage our leading position and well-known brand in developing our other business segments.

Strong support from the Zhenjiang Municipal People's Government

We are wholly owned by the Zhenjiang SASAC. Since our establishment in 1996, the Zhenjiang Municipal People's Government has provided strong financial support to us. We were established by the Zhenjiang Bureau of Finance on behalf of the Zhenjiang Municipal People's Government with an initial registered capital of RMB0.5 million. In 1999, the Zhenjiang Bureau of Finance increased our registered capital to RMB50 million. Since then, the Zhenjiang Municipal People's Government has made several capital injections to us. We currently have a registered capital of RMB1.0 billion.

In additional to capital injections, the Zhenjiang Municipal People's Government also provides us with other support in various forms. For example, we received governments grants of RMB580.0 million, RMB200.0 million and RMB440.0 million, respectively, from the Zhenjiang Municipal People's Government in the years ended 31 December 2018, 2019 and 2020, respectively. In addition, some of our subsidiaries enjoy preferential income tax rates. We believe the support from the local government will help us maintain our financial and operational stability.

Well positioned to benefit from the rapid growth and development of Zhenjiang's economy

In accordance with the goals promulgated by the national 13th Five Year Plan, the Zhenjiang Municipal People's Government formulated the Zhenjiang's 13th Five Year Plan, which aims to develop high-end manufacturing and new materials into two pillars of the city's industry. In addition, the Zhenjiang Municipal People's Government plans to develop financial service businesses, integrate the various industrial sectors in the city and accelerate the reform of state-owned enterprises by introducing private capital to state-owned enterprises. As the major industrial investment platform of the Zhenjiang Municipal People's Government, we are the primary platform to implement this plan. Accordingly, we believe we will be able to play an important role in rationalizing the economic plan of Zhenjiang.

In addition, Zhenjiang occupies a strategic position in the China's Yangtze River Delta integration plan. Therefore, we expect to benefit from the implementation of such plan. We believe Zhenjiang will play an increasingly important role in the development of the Yangtze River Delta's regional economy as well as the development of China's national economy. As a major industrial investment platform of the Zhenjiang Municipal People's Government, we believe we will be able to benefit from the regional and national development plans, and with the strong local government support, we will be able to continue to grow our business. We believe our strategic position in Zhenjiang will allow us to better compete with our competitors and achieve our business goals along with the growth of the local and national economies.

Strong financing capabilities and diverse financing channels with strong and long-term relationships with commercial banks and other financial institutions

As a major industrial investment platform of the Zhenjiang Municipal People's Government, we have been able to build strong and long-term relationships with a number of commercial banks and other financial institutions. Over the years, we have been able to establish a good reputation among the lending institutions, allowing us to have strong financing capabilities and diverse financing channels. As at 30 September 2021, we had total approved credit facilities of RMB12.1 billion, of which RMB3.7 billion remained unutilised. In addition, we have successfully raised capital by issuing corporate bonds, private bonds, short-term financing paper and medium-term notes in the PRC and overseas capital markets. We believe that our strong financing capabilities and diverse financing channels will provide adequate funding sources to contribute towards the refinancing of our debt and fuel the expansion of our business.

Experienced management and operational team

Our management team has extensive experience in our various businesses. The management team members have an average working experience of over 12 years in the management of large corporations.

Many members of our management team also serve, or have served, in positions in various institutions such as public companies, asset management companies, insurance companies, the Zhenjiang SASAC and the Zhenjiang Bureau of Finance. We believe that our management team members' extensive experience in a broad range of industries and strong execution capabilities will continue to be instrumental in executing our business strategies and capturing market opportunities as they arise, and contribute to our sustainable growth. In addition, our operational team is led by a group of professionals with extensive experience in operation and management of the relevant industries and is supported by a highly skilled and well-trained workforce.

Throughout the years of our operation and management of various businesses, we have been able to maintain effective and efficient management and operational control over our key subsidiaries. We have adopted a commercially driven approach to manage our operations.

BUSINESS STRATEGIES

We plan to execute the following strategies to grow our business and enhance our competitiveness.

Expand financial operations to become a financial holding group.

We intend to expand our financial operations and aim to become a financial holding group to gain access to a wider financial resources to support our growth. We have established strong footholds in our existing business segments. In order to increase our competitiveness in those segments and enhance our profitability, we believe access to wider and better managed financial resources is key. To execute our strategy, we plan to:

- Acquire financial institutions with multiple licenses to carry out comprehensive financial operations, including commercial banking, investment banking, insurance, trust and fund management, which will enable us to combine financing, investment, credit support, settlement and securitization capabilities to better support the operation of our industrial segments as well as develop and grow emerging industries with high profitability;

- Establish an internal financial Centre to integrate our financial management and resources to increase the efficiency in utilizing our financial resources and increase our overall profitability and financial strength; and

- Securitize our primary assets to fully utilize the financial markets to increase our liquidity through flexible and multiple channels including the listing of our subsidiaries and the issuance of our asset backed securities.

We believe the implementation of our strategy to become a financial holding group will enable us to integrate our resources and leverage our positions in the market. In particular, we believe our strategy will facilitate the implementation of the economic policies of the Zhenjiang Municipal People's Government and transition of the economy of Zhenjiang City. Zhenjiang City is transitioning from a city focusing on traditional industry to a leading player in high-tech and emerging industries. During this process, as a major industrial investment platform of the Zhenjiang Municipal People's Government, we plan to take advantage of our unique position to facilitate the upgrade of the industry in Zhenjiang while achieving sustainable growth.

Optimize our portfolio.

We plan to optimize the strategic allocations of our investment in various industry sectors to increase our profitability in line with the general national and local strategies. Accordingly, we plan to take the following steps:

- Focus on high-end manufacturing and new material sectors to develop them into two pillars of our business that will support our long-term growth in terms of not only scale but also quality;

- Invest in green energy automobile, environmental protection, energy saving, biotechnology and innovative pharmaceutical sectors to lay a solid foundation for our future growth;

- Increase our investment in financial services business to support our growth as well as the growth and transition of the local economy;

- Upgrade the traditional industries we are already operating in to enhance our competitiveness in those industries by leveraging our existing advantages, introducing new technology, implementing innovative strategies, improving product lines, enhancing our marketing strategy and capability and recruiting of talent; and

- Integrate the function of Zhenjiang Port with the operation of our other businesses to achieve synergies between Zhenjiang Port and our other businesses by leveraging the logistic capability and high quality assets of Zhenjiang Port.

We believe by executing this strategy, we will be able to better utilize our existing resources, in particular, our financial resources and high quality fixed assets, to support the growth of our new businesses as well as our traditional businesses. In particular, we will be able to take advantage of the synergies resulting from the integration of our existing resources to achieve better profitability and a higher growth rate.

Streamline our management structure.

We plan to streamline our management structure to better manage our growth. We expect as we invest in new industrial sectors and expand our operations, the demand for management and risk control will increase. We believe management is the key to our success as we implement our various business strategies and develop new businesses such as financial services business. Therefore, we plan to streamline our corporate management structure in line with our expected growth and expansion. In particular, we plan to increase professionalism in our management and allow professional managers to play a more important role in our management and decision-making processes.

In addition, we plan to take the following initiatives to integrate our management resources, increase our management efficiency and improve our risk management:

- *Streamline major investment decision-making process.* We plan to make all major investment decisions on a group level to better manage our risks and increase our efficiency in utilizing resources;

- *Integrate our capital market operations.* We plan to coordinate all our capital market activities on a group level to better utilize our capital market resources and improve our risk management;

- *Integrate our fund utilization and settlement.* We plan to set up a fund settlement Centre to increase our efficiency in utilizing financial resources through integration;

- *Provide integrated financial services.* We plan to set up a financial services Centre to provide better and more integrated financial services to all of our subsidiaries; and

- *Improve risk management.* We plan to set up a risk management Centre to manage our risks for all of our subsidiaries so that we will be able to evaluate and manage our business on a group level rather on individual subsidiary level.

Increase our investment in innovation.

We plan to increase investment in research and development and encourage innovation. In this regard, we plan to focus on investment in providing additional value to our customers and increase the efficiency in utilizing resources and environmental protection. We plan to support our subsidiaries in implementing their strategies for innovation with financial and other resources. In addition, we plan to focus on the following innovative efforts in our existing businesses:

- *Condiment.* We plan to develop high-end and green condiment products and transform ourselves from a traditional manufacturer into a leading player in the modern food industry;

- *Chemical Products.* We plan to upgrade our production facilities, extend our value chain and focus on developing a basic and efficient chemical industry;

- *Paper.* We plan to develop new products such as high-end thermal transfer paper and specialized paper; and

- *Automobile.* We plan to focus on high-end commercial vehicles, campers and refrigerated vehicles and cooperation with green energy automobile manufacturers.

Attract, retain and motivate high quality talents.

We believe talent is one of our most important assets and that our continued ability to compete effectively in existing businesses and expand into new business areas depends on our ability to attract, motivate and retain talent. The salaries and benefits of our employees depend primarily on their type of work, position, length of service with us and local market conditions. We believe that our compensation packages for our employees are in line with industry standards. We plan to further enhance our comprehensive training programs to improve the skills and knowledge base of our employees. We also seek to motivate and retain high-quality talent through a performance-based compensation system, reinforce their commitment to our culture and promote a cohesive work environment for them.

RECENT DEVELOPMENT OF THE GROUP

In 2020, the Group transferred its 100 per cent equity interests in ZRBEC to Zhengjiang Transportation Industry Group Co., Ltd. (鎮江交通產業集團有限公司) pursuant to the Approval of the Agreement on the Transfer of State-owned Equity Interests in Jiangsu Zhenjiang Road and Bridge Engineering Corporation (Zhen Guo Assets [2020] No. 8)《關於同意江蘇鎮江路橋工程有限公司國有股權協定轉讓的批覆》(鎮國資產[2020]8號) issued by Zhenjiang SASAC (the "**Equity Transfer**"). The business registration of the Equity Transfer was completed on 1 April 2020. The Group conducted its infrastructure construction and maintenance business through ZRBEC and ceased to engage in infrastructure construction and maintenance business in April 2020. The total assets and total liabilities of ZRBEC as on the date of the transfer transaction is approximately of RMB2,495.7 million and RMB2,124.4 million, respectively.

DESCRIPTION OF THE GROUP'S BUSINESSES

We primarily operate in six business segments: (i) condiment, (ii) chemical products, (iii) paper, (iv) automobile, (v) infrastructure construction and maintenance and (vi) commodity trading. The following table sets forth the revenue breakdown by business segment for the periods indicated:

	Year ended 31 December					
	2018		2019		2020	
	Revenue	per cent.	Revenue	per cent.	Revenue	per cent.
	(audited) (in RMB millions)		(audited) (in RMB millions)		(audited) (in RMB millions)	
BUSINESS SEGMENT						
Condiment	1,558.4	19.8	2,291.4	20.7	2,430.1	22.7
Chemical Products	1,206.8	15.3	1,120.6	10.1	716.1	6.7
Paper	1,205.9	15.3	886.5	8.0	807.7	7.6
Automobile	1,909.5	24.3	2,971.2	26.9	2,674.4	25.2
Infrastructure Construction and Maintenance	682.8	8.7	853.2	7.7	280.3	2.6
Commodity Trading	–	–	2,524.8	22.8	3,049.4	28.5
Others[(1)]	894.1	11.4	416.8	3.8	584.8	5.5
Total Revenue	**7,865.6**	**100.0**	**11,064.7**	**100.0**	**10,689.6**	**100.0**

Note:

(1) Other businesses primarily include real estate development interest income, fee and commission income.

Condiment

We engage in condiment production primarily through Hengshun. Hengshun has engaged in producing vinegar and other condiment products since 1988. Our condiment products primarily include black vinegar, white vinegar, cooking wine and others such as soy sauce. For the years ended 31 December 2018, 2019 and 2020, our revenue generated from the condiment segment was approximately RMB1,558.4 million, RMB2,291.4 million and RMB2,430.1 million, respectively, representing approximately 19.8 per cent., 20.7 per cent. and 22.7 per cent. of our total revenue, respectively for the same periods.

Manufacturing Process

We apply solid stratification fermentation process in manufacturing vinegar, which involves three stages:

(i) making wine, (ii) mixing soy solid koji and (iii) washing vinegar. In this process, high-quality sticky rice is processed into rice wine through soaking, steaming and fermentation, and it is further fermented into vinegar through inoculation, acid production and esterification. The vinegar is then washed, sterilized and packaged.

Production Capacity

The following table sets forth our production capacity as of 31 December 2018, 2019 and 2020 and 31 March 2021:

	As of 31 December			As of 31 March
	2018	2019	2020	2021
	(in tonnes)			
Black Vinegar	300,000	300,000	300,000	300,000
White Vinegar	50,000	50,000	50,000	50,000
Cooking Wine	50,000	50,000	80,000	80,000
Total	**400,000**	**410,000**	**430,000**	**430,000**

Research and Development

We have strong research and development capability in condiment. We have established a national level post-doctor's work station for vinegar. In addition, we also operate the Agricultural Products and Biological Separation Engineering Centre of Jiangsu Province and Condiment Research Centre of Jiangsu Province, each of which is dedicated to research and development of condiment products.

Customers, Sales and Marketing

We sell our condiment products primarily in the Yangtze River Delta. Our revenue from the sales of condiment products in the Yangtze River Delta constituted approximately over 80 per cent. of our total sales of condiment products. Meanwhile, we have established a nationwide sales network in China, and our products are sold across China. The sales to the top five customers accounted for 11.7 per cent. 11.1 per cent. and 13.05 per cent., respectively, of our total sales for the years ended 31 December, 2018, 2019 and 2020.

The primary raw materials for vinegar are grains such as rice and packaging materials. Grains accounts for more than 50 per cent. of the total cost of vinegar. We grow grains on our land, which accounts for approximately 50 per cent. of the total supply of grains in producing vinegar. We procure the remaining grains from farmers and distributors.

Chemical Products

Our primary chemical products are polymerized ferrous sulfate, ferrous sulfate and sulphuric acid. Before July 2019, we also produced titanium dioxide. For the years ended 31 December 2018, 2019 and 2020, our revenue generated from the chemical products segment was approximately RMB1,206.8 million, RMB1,120.6 million and RMB716.1 million, respectively, representing approximately 15.3 per cent., 10.1 per cent. and 6.7 per cent. of our total revenue respectively for the same periods. We ceased to conduct the chemical products business in September 2021 due to our business development arrangement.

Production Capacity

The following table sets forth our production capacity for chemical products as of 31 December, 2018, 2019 and 2020 and 31 March 2021:

	As of 31 December			As of 31 March
	2018	**2019**	**2020**	**2021**
	(in tonnes)			
Sulfuric Acid	600,000	600,000	600,000	600,000
Sodium Hydroxide	120,000	200,000	200,000	200,000
Fatty Alcohol	18,000	18,000	20,000	20,000
Dichlorobenzene	20,000	20,000	18,000	18,000
Total	**758,000**	**838,000**	**838,000**	**838,000**

Customers, Sales and Marketing

We sell our chemical products directly to end users, which enables us to compete on prices. In addition, benefiting from our economies of scale, we have significant bargaining power in chemical product sales. We sell chemical products primarily in the Yangtze Delta Region. We also sell chemical products to other regions in China as well as overseas markets. The sales to the top five customers accounted for approximately, 37.7 per cent., 44.0 per cent. 52.45 per cent. and 58.64 per cent., respectively, of the total sales of chemical products for the years ended 31 December 2018, 2019 and 2020 and the three months ended 31 March 2021.

Procurement

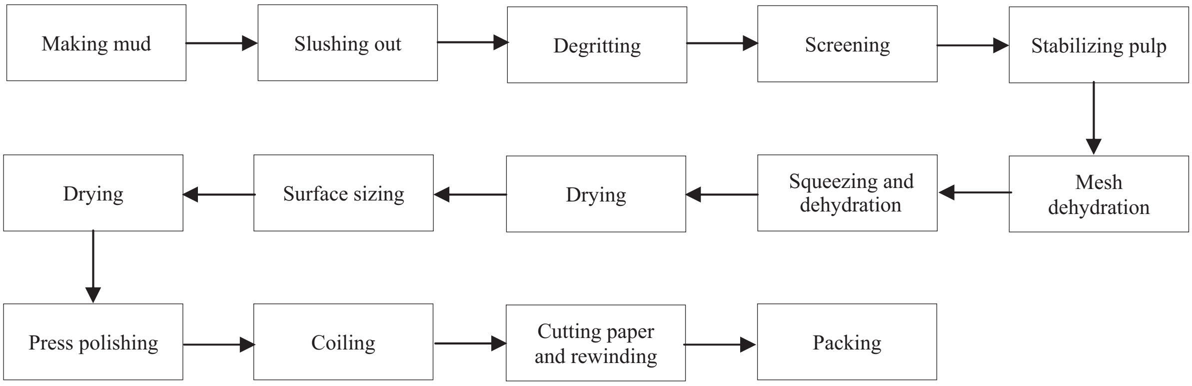
The raw materials for producing our chemical products are primarily liquid sulfur, industrial salt and purified benzene. We are able to procure our raw materials from various suppliers and we have established long-term and stable relationships with some of the suppliers.

Paper

We engage in paper production primarily through our subsidiary Dadong. We produce 35 types of paper in four categories. Our primary products are paper for paper cups, coated paper, tax invoice paper and cultural paper. For the years ended 31 December 2018, 2019 and 2020, our revenue generated from the paper segment was approximately RMB1,205.9 million, RMB886.5 million and RMB807.7 million, respectively, representing approximately 15.3 per cent., 8.0 per cent. and 7.6 per cent. of our total revenue respectively for the same periods.

Production Process

The following diagram sets forth our paper production process:



Production Capacity

The following table sets forth our production capacity for paper products as of 31 December 2018, 2019, 2020 and 31 March 2021:

	As of 31 December			As of 31 March
	2018	**2019**	**2020**	**2021**
	(in tonnes)			
Paper for Paper Cups	30,000	25,000	25,000	25,000
Coated Paper	25,000	20,000	20,000	20,000
Tax Invoice Paper	10,000	10,000	10,000	10,000
Cultural Paper	30,000	30,000	30,000	30,000
Others	25,000	45,000	45,000	45,000
Total	**120,000**	**130,000**	**130,000**	**130,000**

Customers, Sales and Marketing

We sell our paper products primarily to packing material manufacturers and paper manufacturers. The sales to the top five customers accounted for approximately 48.1 per cent., 47.2 per cent. 50.45 per cent. and 45.10 per cent., respectively, of the total sales of paper for the years ended 31 December 2018, 2019 and 2020 and the three months ended 31 March 2021.

Procurement

The primary raw material for paper is pulp, which accounts for approximately 50 per cent. of the total cost of paper. We have established long-term relationships with our major suppliers, most of which have been our suppliers for more than six years.

Infrastructure Construction and Maintenance

We engage primarily in the construction and maintenance of roads and bridges. The projects we undertake are nationwide, although most of them are in Jiangsu Province. For the years ended 31 December 2018, 2019 and 2020, our revenue generated from the infrastructure construction and maintenance segment was approximately RMB682.8 million, RMB853.2 million and RMB280.3 million, respectively, representing approximately 8.7 per cent., 7.7 per cent. and 2.6 per cent. of our total revenue respectively for the same periods. We ceased to conduct infrastructure construction and maintenance business after completion of the Equity Transfer in April 2020.

Phases of Infrastructure Construction and Development Projects

- *Bidding.* We participate in bidding for infrastructure construction projects organized by the relevant government.

- *Entry of Contract.* After we win the bid, we enter into a contract with the municipal government for undertaking the project, which includes the terms on construction period and payment terms.

- *Financing.* We finance the development of our public infrastructure projects primarily with internal cash flow and loans extended by PRC commercial banks, which are secured by the land owned by us.

- *Project planning and design.* We are responsible for forming the development plan of each project and communicating with third-party designers engaged by us to design the projects under construction.

- *Construction.* We generally undertake the development responsibilities as a principal developer and prepare feasibility reports, complete requisite environmental assessments and other regulatory procedures and coordinate the construction of the projects. For minor projects or sub-sections of some of our main projects, we outsource the project construction work to independent third-party subcontractors. These third-party subcontractors are customarily selected through public tender and bidding process as required by national and local regulations. We take into account a number of factors including the bidders' track record performance, work quality, proposed delivery schedules and costs in our selection process and seek to keep our construction costs at a reasonable level without sacrificing quality.

- *Sales.* After we complete the construction and development of public infrastructure projects, such projects are inspected by a government official. Upon passing the inspection, such projects and the related lands are transferred to the relevant government pursuant to a repurchase agreement. The repurchase agreement outlines the procedure to be followed after the completion of the project. In accordance with the repurchase agreement, we are required to transfer certain documents and management rights of the project to the relevant government.

- *Revenue Recognition.* Once the project is completed and passes the government inspection, we recognize revenue.

Qualifications

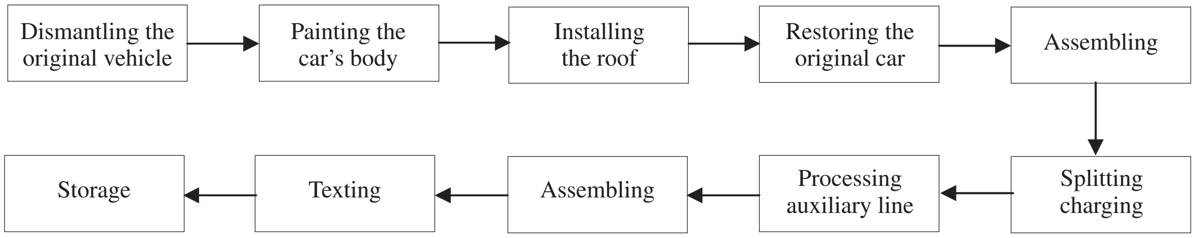
We have the first-class qualification for general contracting of highway engineering construction of the Ministry of construction, the first-class qualification for professional contracting of subgrade, pavement and bridge, the first-class qualification for general contracting of municipal public engineering, the second-class qualification for general contracting of port and waterway engineering, and the third-class qualification for professional contracting of blasting and demolition engineering.

Automobile

We engage in automobile manufacturing primary through our subsidiary Feichi. Our primary automobile products are refrigerated cars and commercial vehicles. Feichi commenced manufacturing refrigerated cars in 1984 and is one of the first Chinese companies to manufacture refrigerated cars. As a result, Feichi has substantial experience and expertise in manufacturing refrigerated cars. In addition, since 1994, Feichi has supplied specialized military and police vehicles to its customers. We also have the qualification to manufacture top quality and performance commercial vehicles based on Mercedes brand vehicles. In addition, we engage in importation and sales of cars. For the years ended 31 December 2018, 2019 and 2020, our revenue generated from the automobiles segment was approximately RMB1,909.5 million, RMB2,971.2 million and RMB2,674.4 million, respectively, representing approximately 24.3 per cent., 26.9 per cent. and 25.2 per cent. of our total revenue respectively for the same periods.

Manufacturing Process

The manufacturing process involves dismantling the base vehicle, refurbishing and assembling. The following diagram sets forth the process of manufacturing automobiles:



Production Capacity

The following table sets forth our production capacity for automobile products as of 31 December 2018, 2019 and 2020 and 31 March 2021:

	As of 31 December			As of 31 March
	2018	**2019**	**2020**	**2021**
		(unit)		
Commercial Vehicle	1,200	6,000	2,000	2,000
Refrigerated Vehicle	6,000	4,000	2,000	2,000
Van Vehicle	4,000	2,000	2,000	2,000
Specialized Vehicle	2,000	1,200	1,200	1,200
Total	**13,200**	**13,200**	**7,200**	**7,200**

Customers, Sales and Marketing

We sell automobile products nationwide and are increasing our efforts to increase the sales of refrigerated cars in the western region of China. The sales to the top five customers accounted for approximately 87.6 per cent., 81.3 per cent. 7.9 per cent. and 3.66 per cent., respectively, of our total sales for the years ended 31 December 2018, 20189 and 2020 and the three months ended 31 March 2021.

Procurement

The primary raw materials for automobile segment include base vehicles, chassis, refrigerators and aluminum plates. We procure base vehicles primarily from the automobiles manufacturers on whose vehicles we manufacture our products. We have maintained relationships with major suppliers for more than six years on average.

Commodity Trading

We commenced our commodity trading business in 2019 and since then commodity trading has been one of our major revenue sources. For the years ended 31 December 2019 and 2020, we generated revenue of approximately RMB2,524.8 million, and RMB3,049.4 million from commodity trading business, representing approximately 22.8 per cent. and 28.5 per cent. of our total revenue for the same period.

Other Business Operations

Our other businesses include real estate development interest income, fee and commission income. For the years ended 31 December 2018, 2019 and 2020, our revenue generated from other business operations was approximately RMB894.1 million, RMB416.8 million and RMB584.8 million, respectively, representing approximately 11.4 per cent., 3.8 per cent. and 5.5 per cent. of our total revenue, respectively for the same periods.

QUALITY SAFETY AND ENVIRONMENTAL PROTECTION

We have established and implemented a group-wide management system for quality, safety and environmental protection control management system. This management system specifies the standards to be met in terms of quality, safety and environmental protection control, clarifies the responsibility of various departments and personnel, identifies procedures, materials and other factors that are subject to the control of management, and provides for the measures to be undertaken to ensure that various standards are met. For example, we apply strict-quality control procedures in manufacturing condiment products in accordance with ISO 9001 quality management standards and ISO 22000:2005 food safety management standards to ensure product quality and compliance with our internal production criteria.

We impose safety and anti-pollution measures, as well as regular internal safety and environmental inspections at all stages of its operational processes to minimize the possibility of work-related accidents and injuries, occupational illness and environmental contamination. We also monitor the safety and environmental protection aspects of our sub-contractors' operations. In addition, we provide safety education to employees and have established safety standards in relation to matters such as purchasing, installing and operating new equipment, constructing new facilities and improving existing facilities.

EMPLOYEES

As of 30 September 2021, we had 3,719 employees.

In accordance with the applicable regulations of local governments of the regions in which we have business operations, we make contributions to the pension contribution plan, medical insurance, unemployment insurance, maternity insurance and personal injury insurance. The amount of contributions is based on the specified percentages of employees' aggregate salaries as required by the relevant PRC authorities. We also make contributions to an employee housing fund according to applicable PRC regulations. In addition to statutory contributions, we provide annual bonuses and supplemental commercial insurance policies to employees.

We enter into an employment contract with each of our employees in accordance with applicable laws.

Such contracts include provisions on wages, vacation, employee benefits, training programs, health and safety, confidentiality obligations and grounds for termination.

INSURANCE

We are required to obtain contractors all-risk and third-party liability insurance for most of the projects we undertake. Such policies generally extend for the entire contract period, including the maintenance period following the completion of the project. We also purchase pension insurance, unemployment insurance and medical insurance for our employees according to the relevant PRC laws and regulations. We maintain insurance coverage in accordance with applicable laws and practice customary in the industry.

Consistent with what we believe to be customary practice in the PRC, we do not carry any business interruption insurance, key-man insurance or insurance covering potential environmental damage claims. Such insurance is not mandatory under the laws and regulations of the PRC, and such insurance is either unavailable in the PRC or requires substantial cost.

LEGAL PROCEEDINGS AND REGULATORY COMPLIANCE

We are from time to time involved in disputes and legal proceedings arising in the ordinary course of business. To the best of our knowledge, there are no current litigation or arbitration proceedings against us or any of our directors as of 30 September 2021 that could have a material adverse effect on our financial condition or results of operations. For further information, see "*Risk Factors – We are subject to litigation risks and may face significant liabilities as a result.*"

DIRECTORS

The board of directors (the "**Board**") is our final decision-making body and is primarily responsible for our overall strategic development, internal control system and risk management system. The board of directors provides guidance on forming business plans, monitors the implementation of such plans, and reviews and approves our annual benefit and major financing activities.

The Board consists of 5 members of directors. The members of the Board as at the date of this Offering Circular are as follows:

Name	Position
Zhou Yi (周毅)	Chairman of the Board
Chen Jiajun (陳家軍)	Director and General Manager
Zuo Peijun (左培君)	Director and General Manager Assistant
Tian Xigao (田習高)	Director and Deputy General Manager
Rong Xufeng (戎旭峰)	Director

Mr. Zhou Yi (周毅) currently serves as our Party Committee Secretary and Chairman. Mr. Zhou will be appointed as the Director of Zhenjiang SASAC and his term as Chairman is expected to end at the end of January 2022. The relevant change of chairmanship process is in the progress and is expected be completed by the end of January 2022. The appointment process for the new Chairman is going through internal procedures and has not yet been formally appointed. He was born in December 1967 in Yancheng, Jiangsu and started working in July 1988. In January 1997, he joined the PRC Communist Party with a master's degree. He is also a qualified economist. From July 1988, he worked in the technical department of Zhenjiang Shipyard (鎮江船廠技術科). Since October 1990, he successively served as the section member, chief section member, director of the division, assistant director and deputy director of Zhenjiang Economic and Information Technology Commission (鎮江市經信委). He served as the member of the Standing Committee of the Yangzhong Municipal Committee and the deputy mayor of Yangzhong from March 2013. He has served as our Party Committee Secretary and Chairman since June 2014.

Mr. Chen Jiajun (陳家軍) currently serves as our director and general manager. He was born in June 1977 in Xuancheng, Anhui Province. He took part in the work in August 1999 and joined the PRC Communist Party in June 1999. In August 1999, he started working in Minzhu village and Xiangshan Industrial Company of Xiangshan Township (象山鄉工業公司). From July 2000 to December 2004, he worked in the office of Jingkou District Committee (京口區委辦公室). From December 2004 to April 2012, he served as the deputy director and principal staff member of the first comprehensive office of Zhenjiang Municipal People's government (鎮江市政府辦公室綜合一處). In April 2012, he started serving as the director of the office of Runzhou District Committee (潤州區委辦公室). From April 2013, he served as the director of the office of Runzhou District Committee and Secretary of the Party Working Committee of Jiang Qiao Street (蔣喬街道黨工委). From February 2015, he served as Secretary of the Party Working Committee of Jiangqiao Street in Runzhou District (潤州區蔣喬街道黨工委). He was a member of the Standing Committee of Runzhou District Committee (潤州區委常委) and the head of the propaganda department of Runzhou District (潤州區宣傳部) since June 2016. From August 2018, he has served as our general manager and director.

Mr. Zuo Peijun (左培君) currently serves as our director and general manager assistant, and the general manager of Zhenjiang SDIC Real Estate Development Co., Ltd. (鎮江國投置業開發有限公司). He was born in Zhenjiang, Jiangsu Province in July, 1974 and started working in September 1991. He is a member of the PRC Communist Party with a college degree. From September 1991, he started working in Zhenjiang Automobile Bridge Factory (鎮江汽車車橋廠). From September 1995, he started working in the Office for Economic Restructuring of Zhenjiang (鎮江市體改辦). From December 2004, he worked in the Zhenjiang SASAC. In July 2009, he started serving as the deputy director of general office of the Zhenjiang SASAC. From April 2011, he served as the deputy general manager and general manager of

Zhenjiang Asset Management Co., Ltd. (鎮江市資產經營管理公司). From October 2012, he served as a member of the Party Committee and deputy general manager of Zhenjiang State-Owned Assets Investment and Operation Company. He has been the general manager of Zhenjiang SDIC Real Estate Development Co., Ltd. since January 2014. He started serving as our assistant general manager and director since September 2014.

Mr. Tian Xigao (田習高) is a director, a Party Committee member and our deputy general manager. He was born in April 1968 in Xuyi, Jiangsu Province and he started working in August 1991. He joined the PRC Communist Party in December 1991 with a bachelor's degree. From August 1991, he worked as the financial manager of Zhenjiang Jingang Magnetic Components Co., Ltd. (鎮江市金港磁性元件有限公司). From December 1992, he served as the chief accountant of Zhenjiang Municipal Bureau of Township Enterprise Management (鎮江市鄉鎮企業管理局). From August 2002, he started working as the member and deputy director of Zhenjiang Economic and Trade Commission (鎮江市經濟貿易委員會). From November 2004, he successively served as the deputy director and director of the Zhenjiang SASAC. He has been a Party Committee member and our deputy general manager since July 2014.

Mr. Rong Xufeng (戎旭峰) currently serves as our director. He joined the PRC Communist Party in January 2007. Mr. Rong had a bachelor's degree and a master's degree. In July 2008, he started serving as the Deputy Party Committee Secretary and the Deputy Secretary of the Youth League Committee of Gu village, Situ Town, Danyang. From July 2012, he served as the Secretary of the Youth League Committee and the deputy director of the Investment Promotion Office of Situ Town, Danyang (丹陽市司徒鎮團委). From January 2013, he started serving as the deputy director of the Management Committee of the Jingkou Industrial Park of Zhenjiang (鎮江京口工業園區管委會). In February 2015, he started serving as the Secretary of the Discipline Work Committee and a member of the Party Working Committee (deputy section) of the Zhengdong road's sub-district office of Jingkou District, Zhenjiang (鎮江市京口區正東路街道辦事處黨工委). He served as our director of Development Department from October 2015. He has served as our director since June 2017.

SUPERVISORS

Our supervisory committee consists of five members, of which two are employee representatives. The primary duties of the supervisory committee include, but are not limited to, the following:

- examining our finance and monitoring our major business activities;
- monitoring our restructuring, reorganisation, mergers and acquisitions, major investments and the returns of the investments;
- monitoring the performance of our directors and senior management and making recommendations for replacement or remedies; and
- reporting to the investors in accordance with the requirements of the investors.

The following table sets forth our supervisors as at the date of this Offering Circular:

Name	Position
Wang Jicheng (王繼承).	Chairman of the Supervisor Committee
Luo Haiyan (駱海燕)	Supervisor
He Jianxiang (何建祥)	Supervisor
Wu Jianying (吳劍瑛)	Employee Supervisor
Shi Jian (施建)	Employee Supervisor

Mr. Wang Jicheng (王繼承) started working in 1984 and joined the PRC Communist Party in January 1999 with a bachelor's degree. In July 1986, he started working as the accountant in Zhenjiang Material Recycling Company (鎮江市物資回收公司). From October 1991, he joined Zhenjiang Audit Bureau (鎮江市審計局) and served consecutively as the staff, deputy division head and division head. In October 2013, he worked as the finance director of Jiangsu Hengshun Group Co., Ltd. Now he serves as the chairman of the Third Supervisory Board of the Zhenjiang SASAC (鎮江市人民政府國有資產監督管理委員會第三監事會) and our chairman of the Supervisor Committee.

Ms. Luo Haiyan (駱海燕) started working in 1995 and joined the PRC Communist Party in May 2012 with a bachelor's degree. She is a senior accountant and certified internal auditor. From August 1995 to November 2003, she served as the chief accountant of Zhenjiang Pharmaceutical Group (鎮江藥業集團). She served as the special administrator of the State-Owned Assets Office of Zhenjiang Bureau of Finance (鎮江市財政局國資辦) from November 2003 to 2004. In 2005, she was engaged in financial work in the office of the Zhenjiang SASAC (鎮江市國資委辦公室). From October 2011 to October 2014, she served as the finance director of Zhenjiang Port International Cargo Terminals Co. Ltd. (鎮江港國際集裝箱碼頭有限公司). Now she is a full-time supervisor of the Second Supervisory Board of Zhenjiang SASAC (鎮江市國資委市屬國有企業第二監事會) and also our supervisor.

Mr. He Jianxiang (何建祥) has a master's degree. He started working in July, 1988 and has served consecutively as the director of the Finance Department of Zhenjiang Electric Industry Bureau (鎮江市電子工業局財務處), head of the Assets and Finance Division of Zhenjiang Assets Operation Co., Ltd. (鎮江市資產經營公司), and head of the Reform and Development Division of Zhenjiang Metallurgy and Electromechanical Industry Administration Office (鎮江市冶機電行業管理辦公室改革發展處). Now he is serving as our employee supervisor.

Mr. Wu Jianying (吳劍瑛) currently serves as a Party Committee and our employee supervisor. He joined the PRC Communist Party in June 1999. Mr. Wu had a bachelor's degree. From November 1999 to April 2002, he was a section member and deputy secretary of the Youth League Committee in the government office of Jianbi Town, Jingkou District, Zhenjiang City (鎮江市京口區諫壁鎮政府辦公室); from April 2002 to February 2003, he was a member of the Organization Section of the Organization Department of the Jingkou District Committee of Zhenjiang City (鎮江市京口區委組織部組織科); from February 2003 to April 2006, he was deputy director and director of the Office of the Organization Department of the Jingkou District Committee of Zhenjiang City (鎮江市京口區委組織部辦公室); from April 2006 to March 2011, he served as a member of the Party Working Committee of Da Shi Kou Street, Zhenjiang City (鎮江市總工會生活保障部); from March 2011 to November 2011, he served as Deputy Director of the Life Security Department of Zhenjiang City Federation of Trade Unions (鎮江市總工會生活保障部); from November 2011 to May 2015, he served as Deputy Director of the Office of Zhenjiang City Federation of Trade Unions (鎮江市總工會辦公室); from May 2015 to June 2016, he served as Deputy Secretary of the Party Committee and Deputy Director of the Office of Zhenjiang City Federation of Trade Unions (鎮江市總工會機關); from 2016 to December 2020, he served as Director of the Office of Zhenjiang City (鎮江市總工會辦公室).

Ms. Shi Jian (施建) started working in August 2011 and joined the PRC Communist Party in June 2007. She served as the deputy director of the party political office of the People's Government of Lingkou, Danyang (丹陽市陵口鎮人民政府黨政辦). In November 2015, she served as our deputy director of the Human Resources Department (Department of Party-Masses Relationship), and now she is our employee supervisor.

Senior Management

The following table sets forth our senior management as of the date of this Offering Circular:

Name	Position
Jiang Jinshu (蔣金署)	Deputy General Manager
Chang Xiaoyu (常嘯宇)	Deputy General Manager
Zhang Yida (張翼達)	Deputy General Manager
Mr. Li Chaoqin (李朝勤). . . .	Deputy General Manager
Mr. Han Xuchao (韓緒超) . . .	Deputy General Manager

Mr. Jiang Jinshu (蔣金署) is a Party Committee member and our deputy general manager. He was born in July, 1968 in Zhenjiang, Jiangsu Province and took part in work in December 1987. He joined the PRC Communist Party in July 1998. From December 1987, he started serving as the director of Dagang substation of Zhenjiang Power Supply Bureau (鎮江供電局大港變電所). He started working for the Communist Youth League of Zhenjiang Municipal Committee (共青團鎮江市委) from May 1997. From December 1999, he worked as the deputy general manager of Zhenjiang Central Branch of China Pacific Insurance Company (太平洋保險鎮江中心支公司). From December 2005, he served as the general manager of Nanjing Branch of Jiang Tai Insurance Brokers Co., Ltd. (江泰保險經紀公司南京分公司). From July 2007, he worked as the general manager of Zhenjiang Central Branch of Bank of China Insurance Co., Ltd. (中銀保險有限公司鎮江中心支公司). He has been a Party Committee member and our deputy general manager since July 2014.

Mr. Chang Xiaoyu (常嘯宇) has been our deputy general manager since June 2020. He previously served as an officer and the deputy director of the Taxation Bureau of Zhenjiang from December 2004 to January 2009, the deputy director and director of Zhenjiang Municipal Party Committee Office from January 2009 to September 2012, the director of Chinese People's Political Consultative Conference Office of Zhenjiang from September 2012 to March 2017, the member of the Party Committee and the secretary of the Disciplinary Committee of Zhenjiang Transportation Industry Group Co., Ltd. (鎮江交通產業集團有限公司). Mr. Chang holds a master's degree.

Mr. Zhang Yida (張翼達) has been our employee supervisor since June 2020. He served as deputy director and director of the Office of the Management Committee of Sanshan Scenic Area, Zhenjiang City from December 2012 to December 2017. He has been the chairman of our trade union since December 2017.

Mr. Li Chaoqing (李朝勤) has been serving as the General Deputy Manager since September 2020. He joined the PRC Communist Party in June 2003. Mr. Li had a bachelor's degree. In August 2004, he was a section clerk in the office of Jurong Municipal People's Court (句容市人民法院); in 2009, he was a section clerk in the comprehensive six division of the Office of the People's Government of Zhenjiang City, Jiangsu Province (Municipal Government Research Office) (江蘇省鎮江市人民政府辦公室(市政府研究室)綜合六處); in 2011, he was the deputy director of the comprehensive six division of the Office of the People's Government of Zhenjiang City, Jiangsu Province (Municipal Government Research Office) (江蘇省鎮江市人民政府辦公室(市政府研究室)綜合六處); in 2014, he was the director of the comprehensive seven division of the comprehensive six division of the Office of the People's Government of Zhenjiang City, Jiangsu Province (Municipal Government Research Office) (江蘇省鎮江市人民政府辦公室(市政府研究室)綜合六處科綜合七處). In 2017, he was appointed as the Director of Comprehensive Four in the Office of the People's Government of Zhenjiang City, Jiangsu Province (Municipal Government Research Office) (江蘇省鎮江市人民政府辦公室(市政府研究室)綜合四處); in 2018, he was appointed as the General Manager of Zhenjiang Sports Industry Company (鎮江體育產業公司).

Mr. Han Xuchao (韓緒超) has been serving as the General Deputy Manager since August 2020. He joined the PRC Communist Party in 1999. Mr. Han had a bachelor's degree. In July 2000, he served as a technician of Zhenjiang Anti-Drainage Engineering Company (鎮江市抗排工程公司技術員); from July 2004 to August 2014, he worked as section chief, deputy director and director of the Water Resources Bureau of Zhenjiang Runzhou District (鎮江市潤州區水利局); in August 2014, he worked as director of Qilidian Street Office of Zhenjiang Runzhou District (鎮江市潤州區七里甸街道辦); and in May 2017, he served as secretary of the Party Working Committee of Baota Road Street of Zhenjiang Runzhou District (鎮江市潤州區寶塔路街道).

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

Laws and Regulations Applicable to Food Production, Sale and Safety

Licencing system for food production and sale

Pursuant to the Food Safety Law promulgated by the SCNPC on 28 February 2009, and last amended on 29 December 2018 and the Implementing Rules on the Food Safety Law of the PRC (中華人民共和國食品安全法實施條例) (the "**Implementing Rules on the Food Safety Law**"), promulgated by the State Council on 20 July 2009 and last amended on 11 October 2019 with effect from 1 December 2019, the state adopts a licencing system for food production and sale. Anyone that wishes to engage in food production, food sale and catering services must obtain a licence in accordance with the law.

According to the Measures for the Administration of Food Production Licensing (食品生產許可管理辦法) promulgated by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (國家質量監督檢驗檢疫總局) (the "**AQSIQ**") on 7 April 2010, which took effect from 1 June 2010, and was last amended on 17 November 2017 with effect from the same day, the validity term for a food production licence is five years. If the enterprise that has the food production licence needs to extend the validity term of its legally obtained food production licence, it shall file an application for replacement of the licence with the original licencing authority within 30 working days prior to the expiry of the validity term of the food production licence. If the extension is approved, the licence number of the food production licence shall remain unchanged. Where no application is filed for extension of the licence upon expiry of the validity term, the original licencing authority shall conduct the cancellation procedures of the food production licence.

Personnel health management system

In accordance with the Food Safety Law as well as the Implementing Rules on the Food Safety Law, food producers and operators shall establish and implement a personnel health management system. The personnel suffering from disease that affects food safety according to the regulations of the health administration department under the State Council shall not engage in work that involves contact with ready-to-eat food. The personnel who engage in work that involves contact with ready-to-eat food shall have physical check-up each year and shall obtain healthy certificates prior to working.

Procurement inspection record system and food pre-delivery examination record system

According to the Food Safety Law as well as the Implementing Rules on the Food Safety Law, when purchasing food raw materials, food additives and food-related products, food producers shall check the licences and food eligibility certification documents of the suppliers. The food raw materials whose eligibility certification documents are unavailable shall be inspected in accordance with the food safety standards; no food raw materials, food additives or food-related products that fail to meet the food safety standards may be procured or used. Food production enterprises shall establish a procurement inspection record system of food raw materials, food additives and food-related products, and truthfully record the names, specifications, quantities, production date or batch numbers, shelf life, names, address and contact information of suppliers, dates of purchase, etc. of the food raw materials, food additives and food-related products. The procurement inspection records of food raw materials, food additives and food-related products shall be true, and shall be kept for at least six months after the expiration of the shelf life; if there is no explicit shelf life, the records shall be kept for at least two years. Food production enterprises shall establish a food pre-delivery examination record system, to check the inspection certificates and the safety conditions of pre-delivery food and truthfully record the names, specifications, quantities, dates of production or batch numbers, shelf life, numbers of inspection certificates, names, address and contact methods of purchasers, dates of sales, etc. of the food. The food pre-delivery examination records shall be true, and shall be kept for at least six months after the expiration of the shelf life; if there is no explicit shelf life, the records shall be kept for at least two years.

Food Safety

According to the Food Safety Law, food producers shall inspect the food produced by themselves in accordance with food safety standards. Food producers may either carry out inspection on the food on their own or entrust the inspection to a food inspection institution complying with the provisions of relevant laws.

According to the Implementation Rules for the Supervision and Administration on the Quality Safety of the Food Manufacturing and Processing Enterprises (For Trial) (食品生產加工企業質量安全監督管理實施細則(試行)), which was promulgated by the AQSIQ on 1 September 2005 and became effective on the same day, an enterprise with an industrial product manufacturing permit shall print (paste) the serial number of its permit on the packaging or label of its products. Based on the Measures for the Administration of Food Production Licensing which was issued by the China Food and Drug

Administration on 31 August 2015, the code of a food production license is combined of "SC" (abbreviation of Chinese Pinyin for "production") and 14 digits of Arabic numbers.

Food recall system

Also under the Food Safety Law as well as the Implementing Rules on the Food Safety Law, the Administrative Measures for Food Recall (食品召回管理辦法) was promulgated by the China Food and Drug Administration on 11 March 2015 and entered into force on 1 September 2015. The Administrative Measures for Food Recall provides the detailed rules on the food recall system. Where a food producer finds that the food produced by it does not comply with the food safety standards, it shall immediately stop the production, recall the food on the market for sale, notify the relevant producers and traders, as well as consumers, and record the recall and notification.

Where a food trader finds that the food traded by it does not comply with the food safety standards, it shall immediately stop the trading, notify the relevant producers and traders, as well as consumers and record the cessation of trading and the notification. Where the food producers consider that the food should be recalled, the food shall be recalled immediately. The food producers shall take such measures as remedy, destruction and harmless treatment for the recalled food, and report the recalling and treatment of the recalled food to the quality supervision department at or above the county level. Where the food producers or traders fail to recall or stop trading of the food failing to comply with the food safety standards in accordance with the provisions of the Food Safety Law as well as the Implementing Rules on the Food Safety Law, the food safety supervision and administration departments at or above the county level shall order them to recall or stop trading.

Regulation of the PRC Automotive Industry

Compulsory Product Certification

Under the Administrative Regulations on Compulsory Product Certification (強制性產品認證管理規定) which was promulgated by the General Administration of Quality Supervision, Inspection and Quarantine, or the QSIQ, on July 3, 2009 and became effective on 1 September 2009 and the List of the First Batch of Products Subject to Compulsory Product Certification which was promulgated by the QSIQ in association with the State Certification and Accreditation Administration Committee on December 3, 2001 and became effective on 1 May 2002, the QSIQ is responsible for the regulation and quality certification of automobiles. Automobiles and parts and components must not be sold, exported or used in operating activities until they are certified by designated certification authorities of the PRC as qualified products and granted certification marks.

Automobile Investment Projects

On 4 June 2017, National Development and Reform Commission or its local counterparts (the "**NDRC**") and the Ministry of Industry and Information Technology (the "**MIIT**") issued the Guiding Opinions on Improving the Management of Automobile Investment Projects (關於完善汽車投資項目管理的意見) which became effective on the same day. Pursuant to such guiding opinions, when applying for pure electric passenger vehicle enterprise investment projects (including existing commercial vehicle enterprises applying for the manufacturing of pure electric passenger vehicles), applicants must comply with the requirements specified in the New Electric Passenger Vehicle Enterprise Regulations.

Automobile Sales

Pursuant to the Administrative Measures on Automobile Sales (汽車銷售管理辦法) promulgated by the Ministry of Commerce, or the Ministry of Commerce of the PRC ("**MOFCOM**") on 5 April 2017, which became effective on 1 July 2017, automobile suppliers and dealers are required to file with relevant authorities through the information system for the national automobile circulation operated by the competent commerce department within 90 days after the receipt of a business license. Where there is any change to the information concerned, automobile suppliers and dealers must update such information within 30 days after such change.

Recall of Defective Automobiles

Pursuant to the Administrative Provisions on Defective Automotive Product Recalls (缺陷汽車產品召回管理條例), promulgated the by State Council on 22 October 2012 effect from 1 January, 2013 and amended on 2 March 2019, the product quality supervision department of the State Council is responsible for the supervision and administration of recalls of defective automotive products nationwide. Pursuant to the administrative provisions, manufacturers of automobile products are required to take measures to eliminate defects in products they sell. A manufacturer must recall all defective automobile products. Failure to recall such products may result in an order to recall the defective products from the quality supervisory authority of the State Council. If any operator conducting sales, leasing, or repair of vehicles discovers any defect in automobile products, it must cease to sell, lease or use the defective products and must assist manufacturers in the recall of those products. Manufacturers must recall their products through publicly available channels and publicly announce the defects. Manufacturers must take measures to eliminate or cure defects, including rectification, identification, modification, replacement or return of the products. Manufacturers that attempt to conceal defects or do not recall defective automobile products in accordance with relevant regulations will be subject to penalties, including fines, forfeiture of any income earned in violation of law and revocation of licenses.

Pursuant to the Implementation Rules on the Administrative Provisions on Defective Automotive Product Recalls (缺陷汽車產品召回管理條例實施辦法) which was promulgated by the QSIQ on 27 November 2015 and became effective on 1 January 2016, if a manufacturer is aware of any potential defect in its automobiles, it must investigate in a timely manner and report the results of such investigation to the QSIQ. Where any defect is confirmed upon the investigations, the manufacturer must cease to manufacture, sell, or import the relevant automobile products and recall such products in accordance with applicable laws and regulations.

Policies and Regulations that Affect the PRC Paper Making Industry

Summary of Paper Making Industry Development Policy

According to the related provisions of the "Paper Making Development Policy" (造紙產業發展政策) promulgated and implemented by the NDRC on 15 October 2007:

Fabric Raw Materials

- promotion of forest-paper integration engineering projects and development of pulp are to be expedited, utilization of leftover materials from wood felling and processing and imported wood and wood chumps to produce pulp is encouraged and pulp is to be imported from foreign countries reasonably.

- existing timber farms and forestry companies are encouraged to establish forest bases for producing raw materials for paper making in collaboration with domestic pulp making companies. Paper making forest bases need to fulfil the overall national requirements of classified operations of forestry, the planning of fast and high production forest establishment and the national forest-paper integration project planning. Furthermore, related regulations with regard to land, ecology, conservation of water and soil and environmental protection shall be complied with.

- paper recycling within the country is to be promoted, rates of collection and reuse of waste paper are to be raised and imported recycled paper shall be used reasonably.

Techniques and Facilities

- techniques of paper making industry should develop towards the direction of high standard, low consumption and low pollution.

- chemical reed pulp making facilities and pulp making technology and facilities such as steam ball that have production capacity under 34,000 tonnes, and paper making machines with narrow paper width, low speed, high consumption rate and low quality are to be eliminated. Use of lime method in pulp-making and use of chlorine-bleaching techniques (which existing enterprises should gradually cease using) in any new projects are forbidden. Import of obsolete second-hand pulp paper making facilities is forbidden.

Product Structure

- a diversified paper and paper board product structure shall be formed to satisfy the market demand.

- new functional paper and new paper board products shall be researched and developed with a focus on developing light-weight papers and paper boards, printing and writing papers with mechanical pulp, liquid wrapping paper boards, food wrapping paper, light-weight and high-strength corrugated paper and paper boards, etc., and active research on development of information-use papers, national security and communicational use special purpose papers, agricultural and medical use special papers, etc, shall be conducted to expand the types of paper products.

- paper making enterprises are encouraged to expand their use of waste papers in making recycled paper products such as news press papers, printed writing papers, office use papers, wrapping papers, etc.

Organizational Structure

- domestic companies would be supported so as to develop around 10 advanced pulp making enterprises with capacity of 1 to 3 million tonnes and a number of cross-region, cross-department and cross-ownership internationally competitive giant pulp and paper making enterprises with annual production capacity of over 3 million tonnes via merger and acquisition, joint-venture, restructuring and expansion, etc.

- while establishing new big-scale pulp making enterprises, expedites the process integrating of existing pulp making enterprises and shuts down small scale and low-tech pulp making companies. Development of a number of medium and large scale commercial pulp making enterprises or groups are encouraged.

- level of concentration of industry in 2010 shall be improved, the aggregate production volume of papers and paper boards produced by the top 30 pulp paper making enterprises is targeted to increase to 40 per cent. from 32 per cent. at present.

Resource Conservation

- "Certain Opinions on Speeding up the Development of Cyclical Economy" (關於加快發展循環經濟的若干意見) of the State Council shall be enforced, the principles of reduce, reuse and recycle shall be observed, effectiveness of the use of water resources, energy, land and wood shall be raised, growth model shall be transformed and the resource conserving model of the paper making industry shall be established.

- water conservation awareness among the industry shall be strengthened and the use of new water conserving technology, methods and facilities to improve the rate of repeated usage of water shall be actively developed and promoted.

- enterprises shall be encouraged to use advanced energy saving technologies, technologies and facilities with high energy-consumption rates shall be reformed and eliminated, the suitability of pulp paper making in relying on heat and power co-generation shall be fully utilized and the effectiveness of integrated energy use shall be raised.

- stringent land management policies to conserve land use shall be implemented.

Environmental Protection

- the awareness towards environmental protection amongst the paper making industry and the sense of social responsibility of the paper making enterprises shall be raised, environmental monitoring systems and the enforcement of environmental protection related laws shall be strengthened, pollution remedial measures shall be improved, emission of pollutants shall be stringently controlled and an environmentally friendly paper making industry shall be established.

- clean making technology and methods shall be promoted and the clean production review systems shall be implemented.

- permit management in relation to waste water emission from pulp and paper making has to be implemented, national and regional emission standards and pollutant volume control targets have to be strictly met; enterprises which are not up to standard are to be ordered to suspend production for undertaking remedial measures. Such enterprises shall be closed down in accordance with law if they still fail to meet the applicable standards or exceed the applicable targets albeit taking such remedial measures.

- forest bases for paper making shall be established in an ecologically and environmentally friendly manner, environmental impact assessment work shall be strengthened, the principles of classified operation shall be observed, advanced technologies to plant trees scientifically shall be applied, the diversity of organisms shall be conserved, deforestation and reforestations shall be forbidden and loss of water and soil shall be prevented.

Entry into the Industry

- development of paper making industry shall demonstrate economy of scale and emphasize the initial scale. The initial scale of the single production lines of newly established and expanded pulp making projects have to meet the following requirements of annual production capacity: 300,000 tonnes for chemical pulp, 100,000 tonnes for chemical mechanical pulp, 300,000 tonnes for chemical bamboo pulp, 50,000 tonnes for wood-free pulp. The initial scale of the single production lines of newly established and expanded paper making project have to meet the following requirements of annual production capacity: 300,000 tonnes for news press papers, 100,000 tonnes for culture use papers, 300,000 tonnes for paperboards and white paper boards and 100,000 tonnes for other paper board projects. Tissue paper, special paper and paper board project, as well as renovation of existing production lines are not subject to such entry requirement of scale.

- a single enterprise (group) which has a single type of paper product that has a market share exceeding 35 per cent. in domestic market shall not apply for the approval or filing to construction projects of that particular type of paper; A single enterprise (group) with an aggregate paper and paper board production capacity exceeding 20 per cent. of the total domestic consumption volume of that year shall not apply for the approval or filing of pulp and paper making projects.

- newly established projects shall meet advanced standard in several aspects such as COD emission, water drawing volume, and consolidated energy consumption (standard coal). Amongst the others, the COD emission, water drawing volume and consolidated energy consumption (standard coal) for bleached chemical pulp, shall be 10 kg, 45 m^3 and 500 kg; for bleached chemical bamboo pulp, shall be 15 kg, 60 m^3 and 600 kg; for chemical and mechanical pulp, shall be 9 kg, 30 m^3 and 1,100 kg; for news press paper, shall be 4 kg, 20 m^3 and 630 kg, for printing and writing papers, shall be 4 kg, 30 m^3 and 680 kg.

Investment and Finance

- qualified pulp and paper making enterprises shall be supported to raise capital through means such as public offering of shares and issue of enterprise debt notes.

- domestic financial institutions, especially political banks, shall provide prioritised financing supports to construction projects of large-scale and major domestic pulp and paper making enterprises. Financial institutions shall not grant any loan to such projects in breach of regulations.

Classification

- papers and paperboards are generally classified by their purposes and are classified into cultural use paper (news press paper, printing and writing paper, carbon paper, chancery paper, etc.); paper for packaging (commercial packaging paper, paper for paper bag, food and candy wrapping paper, etc.); livelihood-use papers (toilet papers, sanitary pad, facial paper, napkins, diaper, etc.) and paper for special use (functional papers for finance, building materials, electricity, micro-electricity, national defence, communication, food, medical use, etc.). Paper boards are classified into paper board for packaging (paperboards, corrugated papers, white paper boards, etc.); paper boards for construction use (gypsum paper boards, sound-proof paper boards, fire-proof paper boards, waterproof paper boards, etc.); paper boards for printing (font paper boards, paper boards for cover pages, paper boards for liner notes, paper boards for certificates, etc.) and paper boards for special use (jacquard boards, steel paper, paper boards for fabric sleeve, paper boards for shoemaking, paper boards for filter, insulation paper boards, high temperature insulation paper boards, etc.).

Sewage Discharge

According to the relevant provisions of the Water Pollution Prevention and Control Law of the People's Republic of China (中華人民共和國水污染防治法) approved by the NPC Standing Committee on 11 May 1984, last amended on 27 June 2017 and implemented on 1 January 2018, an enterprise or public institution which directly or indirectly discharges industrial waste water as well as those that can discharge wastewater or sewage only after obtaining a pollutant discharge license according to relevant provisions shall obtain a pollutant discharge license. An entity operating facilities for the centralized treatment of urban sewage shall also obtain a pollutant discharge license. The pollutant discharge license shall specify the types, concentration, total discharge and discharge direction of water pollutants, etc. The specific measures for the pollutant discharge license shall be prescribed by the State Council.

All enterprises and public institutions and other producers and dealers are prohibited from discharging the waste water and sewage as prescribed in the preceding paragraph to waters without a pollutant discharge license or in violation of the provisions of the pollutant discharge license.

As required under the Environmental Protection Law of the PRC (中華人民共和國環境保護法) promulgated on 26 December 1989, and amended on 24 April 2014 and implemented on 1 January 2015, by the Standing Committee of the NPC, the environmental protection administrative department of the State Council shall develop the national pollutant discharge standards in accordance with the national environmental quality standards and the national economic and technological conditions. In accordance with the aforesaid law, SEPA has established various discharge standards, as amended and revised from time to time, with regards to each of the discharge of water pollutants, solid pollutants, gas exhaust, noise and other pollutants. Since paper making enterprises discharge pollutants in their daily operations, they are required to observe the pollutants discharge standards as established by SEPA from time to time.

Regulations regarding Water Drawing in Paper Making Process

According to the Water Law of the PRC (中華人民共和國水法) which was promulgated by the Standing Committee of the NPC on 21 January 1988 and took effect on 1 July 1988, and last amended and came into force on 2 July 2016, the entities and individuals that collect water resources directly from rivers, lakes, or underground shall, in accordance with the provisions of the water collection license system and the system of paid use of state water resources, apply to the water administration departments or watershed authorities for a water collection license, pay the water resource fees and thus obtain the right to collect water. However, collection of a small amount of water for household use, raising livestock in pens, etc. shall be excepted.

According to the relevant provisions of the Measures for the Management of Water-drawing Permit (取水許可管理辦法) which was promulgated by the Ministry of Water Resources on 9 April 2008, and amended and took effect on 22 December 2017, for construction projects which need to apply for water drawing, the applicant should appoint an unit with the corresponding qualification to prepare a Construction Project Water Resources Analysis Report. For construction projects which draw a comparatively low volume of water and has a comparatively small impact on the surrounding environment, the applicant may be waived from complying with the requirement to prepare a Construction Project Water Resources Analysis Report but should fill out a Construction Project Water Resources Analysis Form.

Regulations on Product Liabilities

Manufacturers and distributors of defective products in the PRC may incur liability for losses and injuries caused by such products. Under the General Rules of the Civil Law of the PRC (中華人民共和國民法總則), which became effective on 1 October 2017, and the PRC Consumer Rights and Interests Protection Law (中華人民共和國消費者權益保護法), which was promulgated on 31 October 1993, became effective on 1 January 1994 and was amended on 27 August 2009 and 25 October 2013, the manufacturers and distributors will be held liable for losses and damages suffered by consumers caused by the defective products manufactured or distributed by them.

Under the above-mentioned laws and regulations, we are required to ensure that products which we produce and sell meet the requirements for safeguarding human health and ensuring human and property safety. Failing to do so will lead to a series of penalties, including the suspension of production and sale, confiscation of the products and earnings, imposition of fines, revocation of business licenses, and/or even criminal liabilities. In addition, if the products cause personal injuries or other form of torts, the manufacturers and distributors of the products may be subject to tort liability.

Regulations on Consumer Rights Protection

PRC Consumer Rights and Interests Protection Law (中華人民共和國消費者權益保護法), as amended and effective as of 15 March 2014 imposes stringent requirements and obligations on business operators. Failure to comply with these consumer protection laws could subject us to administrative sanctions, such as the issuance of a warning, confiscation of illegal income, imposition of fines, an order to cease business operations, revocation of business licenses, as well as potential civil or criminal liabilities.

Regulations on Land and the Development of Construction Projects

Land Grants

Under the Interim Regulations on Assignment and Transfer of the Rights to the Use of the State-owned Urban Land (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例), promulgated by the State Council on 19 May 1990, a system of assignment and transfer of the right to use state-owned land was adopted. A land user must pay land premiums to the state as consideration for the assignment of the right to use a land site within a certain term, and the land user who obtained the right to use the land may transfer, lease out, mortgage or otherwise commercially exploit the land within the term of use. Under the Interim Regulations on Assignment and Transfer of the Rights to the Use of the State-owned Urban Land and the Law of the PRC on Urban Real Estate Administration (中華人民共和國城市房地產管理法), the local land administration authority may enter into an assignment contract with the land user for the assignment of land use rights. The land user is required to pay the land premium as provided in the assignment contract. After the full payment of the land premium, the land user must register with the land administration authority in accordance with regulations and obtain a land use rights certificate which evidences the acquisition of land use rights.

Planning of a Construction Project

Pursuant to the Regulations on Planning Administration regarding Assignment and Transfer of the Rights to Use of the State-Owned Land in Urban Area (城市國有土地使用權出讓轉讓規劃管理辦法) promulgated by the Ministry of Construction in December 1992 and amended in 26 January, 2011, a construction land planning permit shall be obtained from the municipal planning authority with respect to the planning and use of land. According to the Urban and Rural Planning Law of PRC (中華人民共和國城鄉規劃法) promulgated by the SCNPC, on 28 October 2007 and amended on 24 April 2015 and last amended and came into force on 23 April 2019, a construction work planning permit must be obtained from the competent urban and rural planning government authority for the construction of any structure, fixture, road, pipeline or other engineering project within an urban or rural planning area.

After obtaining a construction work planning permit, subject to certain exceptions, a construction enterprise must apply for a construction work commencement permit from the construction authority under the local people's government at the county level or above in accordance with the Administrative Provisions on Construction Permit of Construction Projects (建築工程施工許可管理辦法) promulgated by the Ministry of Housing and Urban-Rural Development, or the MOHURD on 25 June 2014 and implemented on 25 October 2014,and last amended and came into force on 19 September 2018.

Pursuant to the Administrative Measures for Reporting Details Regarding Acceptance Examination upon Completion of Buildings and Municipal Infrastructure (房屋建築和市政基礎設施工程竣工驗收備案管理辦法) promulgated by the Ministry of Construction on April 4, 2000 and amended on 19 October 2009 and the Provisions on Acceptance Examination upon Completion of Buildings and Municipal Infrastructure (房屋建築和市政基礎設施工程竣工驗收規定) promulgated and implemented by the MOHURD on 2 December 2013, upon the completion of a construction project, the construction enterprise must submit an application to the competent department in the people's government at or above county level where the project is located, for examination upon completion of building and for filing purpose; and to obtain the filing form for acceptance and examination upon completion of construction project.

Establishment of a Real Estate Development Enterprise

In accordance with the Law of PRC on Urban Real Estate Administration (the "**Urban Real Estate Law**" 中華人民共和國城市房地產管理法) promulgated on 5 July 1994 and amended on 30 August 2007, 27 August 2009 and 26 August 2019 that will become effective on 1 January 2020, real estate development enterprises are defined as the enterprises that engage in real estate development and operation for the purpose of seeking profits. According to the Regulations on Administration of Development and Operation of Urban Real Estate (the "**Development Regulations**" 城市房地產開發經營管理條例), promulgated and implemented on 20 July 1998 by the State Council, and amended on 8 January 2011, 19 March 2018 and 24 March 2019, the establishment of a real estate development enterprise shall, in addition to the conditions for the enterprise establishment prescribed by relevant laws and administrative regulations, fulfill the following conditions: (i) the registered capital shall be RMB1 million or above; (ii) the enterprise shall have more than 4 full-time technical personnel with certificates of qualifications of real estate specialty and construction engineering specialty and more than 2 full-time accountants with certificates of qualifications.

On 25 May 2009, the Notice on Adjusting the Portion of Capital Fund for Fixed Assets Investment (國務院關於調整固定資產投資項目資本金比例的通知) issued by the State Council, which regulates that the minimum capital ratio of affordable housing and general commodity housing projects is 20 per cent.., and that of other real estate development projects is 30 per cent.. However, under the Notice of the State Council on Adjusting and Improving the Capital System for Fixed Asset Investment (國務院關於調整和完善固定資產投資項目資本金制度的通知) issued on 9 September 2015, the minimum capital requirement remains unchanged at 20 per cent. for affordable housing and ordinary commodity housing projects, the minimum capital requirement is adjusted from 30 per cent. to 25 per cent. for other real estate projects.

Laws and regulations related to production safety

Enterprises engaged in the production of hazardous chemical products in the PRC are required to go through the following procedures and obtain the production safety licence in accordance with the following laws and regulations.

Work Safety Law of the PRC

Pursuant to the Work Safety Law of the PRC (中華人民共和國安全生產法) promulgated on 29 June 2002 and amended on 27 August 2009 and 31 August 2014, any containers of hazardous substances, means of conveyance as well as special equipment concerning life safety or with significant dangers used by any enterprises, shall, according to the relevant provisions of the state, be manufactured by specialised manufacturing enterprises, and may only be utilised after they have passed the examinations and tests of institutions which have relevant professional qualifications and been awarded a certificate for safe use or a mark of safety. In addition, the production, operation, transportation, storage and use of any hazardous substances or the disposal of abandoned hazardous substances shall, according to the provisions of the relevant laws and regulations, national standards and industrial standards, be subject to the approval as well as the supervision and administration of relevant administrative departments.

The major person-in-charge of an enterprise shall undertake the overall responsibility for the safety in production. Enterprises shall provide education and training to employees on safety in production. They shall also provide employees with articles of labour protection which meet the national or industrial standards, and supervise and guide employees to use of these articles according to instructions.

Production safety licence

Pursuant to the Regulations on Production Safety Licences (安全生產許可證條例) which was promulgated on 13 January 2004, subsequently amended on 18 July 2013 and 29 July 2014, respectively, and last amended on 29 July 2014, and Measures for Implementation of the System of Production Safety Licences of Hazardous Chemicals Production Enterprises (危險化學品生產企業安全生產許可證實施辦法) promulgated on 5 August 2011 and last amended on 6 March 2017, the PRC central government has implemented a licensing system for production safety of mining enterprises, construction companies and enterprises producing hazardous chemical products, fireworks and civil explosive materials. No enterprise producing hazardous chemical products may engage in production activities without holding a production safety licence. While the regulatory authorities for production safety of the State Council is responsible for the issuance and administration of production safety licences for hazardous chemical production enterprises (headquarters) under the administration of the central government or directly held by the central government, the regulatory authorities for production safety of the people's governments of provinces, autonomous regions and municipalities directly under the central government of the PRC will be responsible for the issuance and administration of production safety licences for other hazardous chemical production enterprises.

The period of validity of a production safety licence shall be three years. Where any enterprise needs to extend the period of validity of its production safety licence, the enterprise shall apply for extension three months prior to the expiration date.

Operation licence for hazardous chemicals

Pursuant to Administrative Measures on Operating Licence for Hazardous Chemicals (危 險化學品經營許可證管理辦法), promulgated on 17 July 2012 and amended on 27 May 2015, enterprises that engage in operating (including storage) hazardous chemicals which are listed in the Catalogue of Hazardous Chemicals (危險化學品目錄) shall obtain operating licence or hazardous chemicals. However, production enterprises of hazardous chemicals which have obtained work safety licences for hazardous chemicals and sell hazardous chemicals within their factory area, or port operators which have obtained port operation licence and engage in storage of hazardous chemicals within their port area, are not required to obtain operating licences for hazardous chemicals.

Pursuant to applicable PRC laws and regulations, if an enterprise that engages in operation of hazardous chemicals fails to obtain the operating licence for hazardous chemicals, or continues its operation after the expiration date of its operating licence for hazardous chemicals, the enterprise may be subject to suspension of business operations, confiscation of related hazardous chemicals and illegal income and a fine from RMB100,000 to RMB200,000 imposed by work safety administrative department.

Registration of hazardous chemicals

Pursuant to the Regulations on the Administration of the Safety Management of Hazardous Chemicals (危險化學品安全管理條例), promulgated on 26 January 2002 and last amended on 7 December 2013, the Measures for the Administration of Registration of Hazardous Chemicals (危險化學品登記管理辦法), which became effective on 1 August 2012, any entities engaged in the production and import of hazardous chemicals listed in the Catalogue of Hazardous Chemicals (危險化學品目錄) are required to register with the competent offices for chemicals in accordance with the laws of the PRC. The State Administration of Work Safety has established the National Registration Centre for Chemicals (國家化學品登記註冊中心) to take charge of activities and administrative matters of the national registration of hazardous chemicals, while the Administration Departments of Work Safety of provinces, autonomous regions and municipalities directly under the central government of the PRC have established hazardous chemical offices or registration centre to handle the local activities and administrative matters related to hazardous chemical registration. Permission of construction projects with regard to safety issues Pursuant to the Work Safety Law of the PRC (中華人民共和國安全生產法), Regulations on the Administration of the Safety Management of Hazardous Chemicals (危險化學品安全管理條例) and Measures for the Administration of Safety Permission on Hazardous Chemicals Construction Projects (危險化學品建設項目安全監督管理辦法), when an entity has any plans of new construction, extension and reconstruction of production, storage devices and facilities for hazardous chemicals in the PRC, or has any plans of chemical construction projects in China involving the generation of hazardous chemicals, it shall engage a qualified safety assessment institution to evaluate the safety of such construction projects during the stage of the feasibility assessment, and request for the launching of a safety investigation from the competent department in charge of the safety permission on construction projects. After the primary design of all of the safety facilities for such construction project has been completed, prior to the commencement of the detailed design, the entity shall submit the design to the competent department for review of the safety facilities design of the construction project. Before a construction project is put into production or put to use, the construction entity shall arrange for personnel to conduct the as-built acceptance check of the safety facilities, and draw a conclusion of whether the safety facilities of the construction project pass the as-built acceptance check. After the as-built acceptance check of the safety facilities arranged by the construction entity is passed, it shall archive the documents and materials involved during the acceptance check, and apply for other safety permits for the relevant hazardous chemicals in accordance with the relevant laws and regulations and their supporting rules. The enterprises that manufacture or store hazardous chemicals shall entrust institutes, with qualifications in accordance with national requirements, to conduct safety evaluation on their own production safety conditions once every three years and provide safety evaluation report. The safety evaluation report shall include a proposal to make rectification and improvement against the safety problems existing in production safety conditions.

Laws and regulations related to fire prevention

The Fire Prevention Law of the PRC (中華人民共和國消防法), adopted on 29 April 1998 and amended on 28 October 2008 and 23 April 2019, respectively, specifies fire prevention safety responsibilities that should be abided by enterprises, including without limitations the following matters: (i) implement the fire prevention safety responsibility system; (ii) formulate the fire safety regulations, operating rules and fire fighting and emergency evacuation plans; (iii) deploy fire fighting facilities and equipments; (iv) set up fire safety signs and organise inspection and maintenance at regular intervals to ensure their proper functioning; (v) conduct a comprehensive inspection of fire fighting facilities at least once a year to ensure their proper functioning; (vi) the inspection records shall be complete and accurate and shall be archived for the supervision purpose; guarantee that evacuation passages, safety exits and fire truck passages are kept clear and fire and smoke compartmentation as well as fire separation distance meet the relevant fire protection technical standards; (vii) organise fire protection inspections in order to eliminate any potential fire risks in time; and (viii) organise target specific fire drills.

Pursuant to the Provisions on the Supervision and Administration of Fire Protection of Construction Projects ("**Construction Projects Fire Protection Provisions**" 建設工程消防監督管理規定) promulgated by the Ministry of Public Security on 30 April 2009 and last amended on 17 July 2012, for construction of: (i) production and processing workshop of a labour-intensive enterprise with total construction area of more than 2,500 square metres, (ii) staff collective dormitory of a labour-intensive enterprise with total construction area of more than 1,000 square metres, (iii) production plant, warehouse, or special depot or dock for the loading and unloading of inflammable and explosive hazardous materials, etc., the construction enterprise shall apply to the fire safety government authorities for fire protection design review, and apply to the same authorities for the as-built fire protection inspection after the completion of the construction project. For construction projects other than those required to apply for approvals of fire protection design review and as-built fire protection inspection under the Construction Projects Fire Protection Provisions, the construction enterprise shall, within seven days of obtaining the Construction Permit for Construction Projects (the "**Construction Permit**" 建設工程施工許可證), file the fire protection design with the fire safety government authorities, and shall, within seven days of passing the as-built inspection of the construction project, file the as-built inspection of fire protection with the fire safety government authorities.

Environmental Protection Laws

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

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

Employment Contracts

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

Employee Funds

Under applicable PRC laws, regulations and rules, including the Social Insurance Law (社會保險法), promulgated by the 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 and was amended on 24 March 2019, which became effective on 24 March 2019, and Administrative Regulations on the Housing Provident Fund (住房公積金管理條例), promulgated by the State Council on 3 April 1999, which became effective on 3 April 1999 and as 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.

Foreign Exchange Controls

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

Prior to 31 December 1993, a quota system was used for the management of foreign currency. Any enterprise requiring foreign currency was required to obtain a quota from the local SAFE office before it could convert Renminbi into foreign currency through PBOC or other designated banks. Such conversion had to be effected at the official rate prescribed by SAFE on a daily basis. Renminbi could also be converted into foreign currency at swap centres. The exchange rates used by swap centres were largely determined by the demand for, and supply of, the foreign currency and the Renminbi requirements of enterprises in the PRC. Any enterprise that wished to buy or sell foreign currency at a swap centre had to obtain the prior approval of SAFE.

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

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

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

On 20 June 1996, PBOC promulgated the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (the "**Settlement Regulations**" 結匯、售匯及付匯管理規定) which became effective on 1 July 1996. The Settlement Regulations superseded the Provisional Regulations and abolished the remaining restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items. Domestic entities seeking to enter into foreign exchange transactions are required to open up foreign exchange accounts for current account or capital account transactions, as the case may be, at banks involved in foreign exchange business. Interest payments for foreign debt may be made from a foreign exchange account of a domestic entity or using foreign exchange purchased at designated foreign exchange banks after the verification of the bona fide nature of the transaction by SAFE. Domestic entities may apply to SAFE for approval to purchase foreign exchange by presenting valid documents required by the Settlement Regulations for repayment of foreign debt principal and such payment can be made upon the approval of SAFE.

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

On 21 July 2005, PBOC announced that, beginning from 21 July 2005, the PRC will implement a regulated and managed floating exchange rate system based on market supply and demand and by reference to a basket of currencies. The Renminbi exchange rate is no longer pegged to the U.S. dollar only. PBOC will announce the closing price of a foreign currency such as the U.S. dollar traded against Renminbi in the inter-bank foreign exchange market after the closing of the market on each business day, setting the central parity for trading of Renminbi on the following business day.

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. It is possible that the PRC government could adopt a more flexible currency policy in the future, which could result in further and more significant revaluations of Renminbi against the U.S. dollar or any other foreign currency. Any future exchange rate volatility relating to Renminbi or any significant revaluation of Renminbi may materially and adversely affect our cash flows, revenue, earnings and financial position, as well as the value of any distributions payable to us by our PRC subsidiaries.

EIT Law

Prior to 1 January 2008, under the then applicable PRC law and regulations, entities established in the PRC were generally subject to a 33 per cent. EIT. However, entities that satisfied certain conditions enjoyed preferential tax treatment. In accordance with the tax laws and regulations effective until 31 December 2007, foreign invested manufacturing enterprises scheduled to operate for a period no less than ten years were exempted from paying state income tax for two years starting from its first profit making year and were allowed a 50 per cent. reduction in its tax rate in the third, fourth and fifth years ("**two-year exemption and three-year reduction by half**").

On 16 March 2007, the NPC enacted the EIT law, which, together with its related implementation rules issued by the State Council on 6 December 2007, became effective on 1 January 2008. The new EIT law imposes a single uniform income tax rate of 25 per cent. on all Chinese enterprises, including foreign invested enterprises, and eliminates or modifies most of the tax exemptions, reductions and preferential treatments available under the previous tax laws and regulations. On 26 December 2007, the State Council issued a Notice on the Implementation of the Transitional Preferential Tax Policies, or Circular 39. Further, as at 1 January 2008, the enterprises that previously enjoyed "two-year exemption and three-year reduction by half" of EIT and other preferential treatments in the form of tax deductions and exemptions within specified periods may, after the implementation of the new EIT law, continue to enjoy the relevant preferential treatments until the expiration of the time period. However, if such an enterprise has not enjoyed the preferential treatments yet because of its failure to make profits, its preferential time period shall be calculated from 2008.

After the implementation of the new EIT law, the preferential tax treatment for encouraged enterprises located in western China and certain industry-oriented tax incentives are still available. Pursuant to the Notice on Tax Policy Issues Concerning Further Implementing the Western China Development Strategy, effective from 1 January 2011, the enterprises within the state-encouraged industry located in western China are taxed at a preferential income tax rate of 15 per cent. for years from 1 January 2011 to 31 December 2020 after being approved by the competent tax authority.

Value-added Tax ("VAT")

Under the Circular of Full Implementation of Business Tax to VAT Reform (關於全面推開營業税改徵增值税試點的通知 (Caishui [2016] No. 36) issued by the Ministry of Finance of the PRC and the State Administration of Taxation of the PRC ("**SAT**") on 23 March 2016, (a) business tax has been completely replaced by value-added tax in PRC from 1 May 2016; (b) value-added tax is applicable where entities or individuals provide taxable services related to value-added tax within the PRC; (c) the services are treated as being provided within the PRC where either the service provider or the service recipient is located in the PRC; (d) the services which are subject to value-added tax include the provision of financial services which refers to the business activities of financial and insurance operation, including loan processing services, financial services of direct charges, insurance services and the transfer of financial instruments; (e) "loan processing" refers to the activity of lending capital for another's use and receiving the interest income thereon; (f) among others, the interest (principle-guaranteed gains, remunerations, fund occupation fees and compensations, which refer to investment returns whose principal can be fully recovered upon maturity as explicitly committed under the relevant contract) obtained during the holding period (including upon maturity) of financial products shall be treated as interest income related to loan processing and thus shall be subject to value-added tax while such gains, remunerations, fund occupation fees and compensations obtained during the holding period (including upon maturity) of financial products shall not be treated as interest income or income in the nature of interest related to loan processing if their principal is not guaranteed and shall thus not be subject to value-added tax; and (g) the applicable value-added tax rate for provision of financial services is 6 per cent..

According to the Tentative Regulations on the Value-added Tax of the PRC which was revised by the State Council on 10 November 2008 and came into effect on 1 January 2009, and was last amended on 19 November 2017, and the Detailed Implementation Rules of the Tentative Regulations on the Value-added Tax of the PRC promulgated by the PRC Ministry of Finance which came into effect on 1 January 2009 and was amended on 28 October 2011, organisations or individuals who sell commodities, provide processing, repairing or replacement services, or import commodities within the PRC's territories are subject to value-added tax, and shall pay the value-added tax accordingly. The rate of the value-added tax shall be 17 per cent. or 13 per cent., depending on the commodities being sold. For taxpayers exporting commodities, the tax rate shall be zero.

Regulation on the Issuance of Foreign Bonds

NDRC Circular 2044

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

Regulation on Fiscal Debts of Local Governments

In accordance with Guidance on Further Strengthening Adjustment of the Credit Structure to Promote the Fast and Smooth Development of the National Economy (中國人民銀行、中國銀行業監督管理委員會關於進一步加強信貸結構調整促進國民經濟平穩較快發展的指導意見) issued jointly by the PBOC and the CBRC in March 2009, local governments are encouraged to establish financing platforms to issue financing instruments such as enterprise bonds and medium-term notes. In order to strengthen the management of financing platforms and effectively prevent fiscal financial risks, Circular 19 and Circular 2881 were separately promulgated in June 2010 and November 2010, respectively. In accordance with Circular 19, all levels of local governments shall clear up the debts of their respective financing platform. In accordance with Circular 2881, the indebtedness of local governments will impact their financing platform's issuance of enterprise bonds.

On 21 September 2014, Circular 43 was promulgated by the State Council. Circular 43 aims to regulate the financing system of local governments and presents three channels. In accordance with Circular 43, financing platforms shall no longer serve the fiscal financing functions or incur new government debts. Public interest projects may be funded by the PRC government through issuing government bonds since the New Budget Law (中華人民共和國預演算法), which empowers local governments to issue government bonds and carry out public interest projects with the capital generated, such as city infrastructure construction which may be operated independently by social investors or jointly by the PRC government and social investors through the establishment of special purpose companies. Social investors or such special purpose companies shall invest in accordance with market-oriented principles and may be funded by, among other market-oriented approaches, bank loans, enterprise bonds, project revenue bonds and asset-backed securitisation. Social investors or the special purpose companies shall bear the obligation to pay off such debts and the PRC government shall not be liable for any of the social investors' or special purpose companies' debts. Circular 43 also sets forth the general principles of dealing with existing debts of financing platforms. Based on the auditing results of such debts run by the local governments, the existing debts that should be repaid by the local governments shall be identified and reported to the State Council for approval, and then included in the budget plan of local governments.

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

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

- Support stock financing needs for projects under construction. Local governments at all levels and banking financial institutions shall ensure the orderly development of projects under construction. For the loans granted to the projects under construction of financing platform companies, if the legally binding loan contracts were signed before 31 December 2014 and the loans had been granted, so long as the loan contracts have not expired, banking financial institutions shall, under the premises of fully controlling risks and implementing credit conditions, continue to grant loans as agreed in the contracts, and shall neither call in loans in advance nor delay or suspend the granting of loans.

- Regulate increment financing for projects under construction. Local governments at all levels shall pay close attention to the expected incremental financing needs of the projects under construction of the financing platform companies, and shall, under the premises of compliance with laws and regulations and standard administration, make overall arrangements for various kinds of capital, such as fiscal capital and social capital, and ensure the continuation and completion of projects under construction. For the projects under construction of financing platform companies for which the loan amount in the signed contracts fails to meet the construction needs, if it is suitable for them to adopt a government and social capital cooperation mode, they shall prioritise the adoption of such a mode to make up to the construction needs. If they are in compliance with the relevant state provisions without any other funding sources for construction, but the PRC government and social capital cooperation mode is not suitable temporarily, the increment financing needs shall be incorporated into government budget management and resolved through issuing government bonds by local governments as required by law and the relevant regulations.

- Administer in an effective and proper manner to follow-up on financing for projects under construction. Banking financial institutions shall carefully check the destinations of the loans and focus on supporting the projects under construction of financing platform companies such as farmland water conservancy facilities, affordable housing and urban railway systems construction projects.

- Improve supporting measures. Under the premise of ensuring fiscal expenditure needs, in regions where there are corresponding amounts of government bonds issuance and where the treasury balances exceed the treasury payment for 1.5 months, the local financial departments are allowed to, within the limit of the amount of government bonds issuance, use the fiscal funds in the previous years and surplus amount of the treasury for capital flow before government bond issuance, so as to address the time difference between the financing for projects under construction and government bonds issuance.

TAXATION

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

PRC

The following summary accurately describes the principal PRC tax consequences of ownership of the Bonds by beneficial owners who, or which, are not residents of China for PRC tax purposes. These beneficial owners are referred to as non-PRC Bondholders in this "Taxation – 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.

Pursuant to the EIT Law and its implementation regulations, enterprises that are established under laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose "de facto management body" are within the territory of PRC are treated as PRC tax resident enterprises for the purpose of the EIT Law and must pay PRC enterprise income tax at the rate of 25 per cent. in respect of their taxable income. Although the rules are not entirely clear, dividends from a PRC tax resident enterprise should be excluded from the taxable income of a recipient that is also a PRC tax resident enterprise. If relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "de facto management body" is within the territory of PRC, the Issuer may be treated as a PRC tax resident enterprise for the purpose of the EIT Law, and be subject to PRC enterprise income tax at the rate of 25 per cent. on its taxable income sourced from within and outside PRC. At the date of this Offering Circular, neither the Issuer nor the Company has been notified or informed by the PRC tax authorities that the issuer is considered as a PRC tax resident enterprise for the purpose of the EIT Law. For as long as this continues to be the case, holders of the Bonds will not be subject to withholding tax, income tax or any other taxes or duties (including stamp duty) imposed by any governmental authority in the PRC in respect of the holding of the Bonds or any repayment of principal and payment of interest or premium made thereon.

However, there can be no assurance that the Issuer will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future. Pursuant to the EIT Law and its implementation regulations, any non-resident enterprise without an establishment within the PRC or any resident enterprise whose income has no connection to its establishment inside the PRC must pay enterprise income tax on income sourced within the PRC, and such income tax must be withheld at source by the PRC payer. Accordingly, if the Issuer is treated as a PRC tax resident enterprise by the PRC tax authorities, the Issuer shall withhold income tax from the payments of interest in respect of the Bonds to any non-PRC Bondholder, and gains from the disposition of the Bonds between non-PRC Bondholders may be subject to PRC tax, if the income or gain is treated as PRC-source. The tax rate is generally 10 per cent. for non-resident enterprise Bondholders and 20 per cent. in the case of non-resident individuals, subject to the provisions of an applicable tax treaty. We have agreed to pay additional amounts to Bondholders, subject to certain exceptions, so that they would receive the full amount of the scheduled payment, as further set out in the Terms and Conditions of the Bonds.

On 23 March 2016, the Ministry of Finance and SAT issued the Circular of Full Implementation of Business Tax to VAT Reform (關於全面推開營業稅改徵增值稅試點的通知) (Caishui [2016] No. 36) as supplemented by the Notice on Clarification of VAT Policies for Finance, Real Estate Development, Education Support Services etc. (財政部、國家稅務總局關於明確金融房地產開發教育輔助服務等增值稅政策的通知) jointly issued by the Ministry of Finance of the PRC and SAT on 21 December 2016 and effective retroactively (excluding Article 17 thereof) as of 1 May 2016 and other related rules and regulations (together, "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. VAT is unlikely to apply to the Issuer's payments of interest and other amounts on the Bonds to investors who are located outside of the PRC but there is uncertainty as to the applicability of VAT as this will depend on how the PRC tax authorities interpret, apply or enforce the Circular 36 and its implementation rules. In addition, the Bondholders 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 6.7 per cent.. Hence, if the Issuer pays interest income to Bondholders who are located outside the PRC, the Issuer (if VAT applicable), 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.

In addition, pursuant to the Interim Regulation of the PRC on City Maintenance and Construction Tax (中華人民共和國城市維護建設稅暫行條例(2011修訂)), Interim Provisions on the Collection of Educational Surcharges (徵收教育費附加的暫行規定(2011修訂)), Notice of the Ministry of Finance on the Relevant Matters regarding Unifying the Policies on Local Education Surcharges (財政部關於統一地方教育附加政策有關問題的通知), certain surcharges on VAT may also be applicable and will be required to be withheld by the Issuer, if the Issuer is required to withhold VAT from interest payments made to the holders of the Bonds who are located outside of 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 as this will depend on how the PRC tax authorities interpret, apply or enforce the Circular 36 and its implementation rules.

Hong Kong

Withholding Tax

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

Profits Tax

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

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

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

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

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

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

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

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

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

Stamp Duty

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

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. We may be a foreign financial institution for these purposes. A number of jurisdictions have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, are uncertain and may be subject to change.

Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, such withholding would not apply prior to the date that is two years after the date on which final regulations defining "foreign passthru payments" are published in the U.S. Federal Register. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Bonds.

SUBSCRIPTION AND SALE

We have entered into a subscription agreement with the Joint Lead Managers dated 7 January 2022 (the "**Subscription Agreement**"), pursuant to which and subject to certain conditions contained therein, we have agreed to sell to the Joint Lead Managers, and the Joint Lead Managers have agreed to, severally but not jointly, subscribe and pay for, or to procure subscribers to subscribe and pay for, the aggregate principal amount of the Bonds indicated in the following table:

	Principal amount of the Bonds to be subscribed
	U.S.$
JQ Securities (Hong Kong) Limited	62,000,000
China Industrial Securities International Brokerage Limited	30,000,000
Haitong International Securities Company Limited	20,000,000
Hung Sing Securities Limited	15,000,000
Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch	13,000,000
Southwest Securities (HK) Brokerage Limited	10,000,000
Total	**150,000,000**

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

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

In connection with the offering of the Bonds, the Joint Lead Managers and/or their respective affiliates, or our affiliates, may place orders, receive allocations and purchase Bonds for their own account (without a view to distributing such Bonds) and such orders and/or allocations of the Bonds may be material. Such entities may hold or sell such Bonds or purchase further Bonds for their own account in the secondary market or deal in any other securities of us, and therefore, they may offer or sell the Bonds or other securities otherwise than in connection with the offering of the Bonds. Accordingly, references herein to the Bonds being 'offered' should be read as including any offering of the Bonds to the Joint Lead Managers and/or their respective affiliates, or our affiliates for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any legal or regulatory obligation to do so. Furthermore, one or more initial investors are expected to subscribe for a material proportion of the Bonds. As such, liquidity of trading in the Bonds may be constrained (see "*Risk Factors – Risks Relating to the Bonds, the Standby Letter of Credit and the Keepwell Deed – An active trading market for the Bonds may not develop*"). We and the Joint Lead Managers are under no obligation to disclose the extent of the distribution of the Bonds among individual investors.

In the ordinary course of their various business activities, the Joint Lead Managers and their respective affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of us, including the Bonds and could adversely affect the trading prices of the Bonds. The Joint Lead Managers and their affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Bonds or other financial instruments of us, and may recommend to their clients that they acquire long and/or short positions in the Bonds or other financial instruments.

IN CONNECTION WITH THIS OFFERING, ANY OF THE JOINT LEAD MANAGERS APPOINTED AND ACTING IN ITS CAPACITY AS STABILISATION MANAGER (THE "**STABILISATION MANAGER**") OR ANY PERSON(S) ACTING ON BEHALF OF THE STABILISATION MANAGER MAY, SUBJECT TO ALL APPLICABLE LAWS, OVER-ALLOT BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE(S) OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR PERSON(S) ACTING ON BEHALF OF THE STABILISATION MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD.

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 with their own legal advisors 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 us or the Joint Lead Managers that would permit a public offering, or any other offering under circumstances not permitted by applicable law, of the Bonds, or possession or distribution of this Offering Circular, any amendment or supplement thereto issued in connection with the proposed resale of the Bonds or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required. Accordingly, the Bonds may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering or publicity material in connection with the Bonds may be distributed or published, by us, the Joint Lead Managers in or from any country or jurisdiction, except in circumstances which will result in compliance with all applicable rules and regulations of any such country or jurisdiction and will not impose any obligations on us or the Joint Lead Managers.

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

United Kingdom

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

(i) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of any Bonds in circumstances in which Section 21(1) of the FSMA does not apply to us; and

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

Hong Kong

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

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) 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

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

The People's Republic of China

Each of the Joint Lead Managers has represented, warranted and undertaken 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, the Macau Special Administrative Regions or Taiwan), except as permitted by the applicable laws of the PRC.

Singapore

Each of the Joint Lead Managers has acknowledged that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each of the Joint Lead Managers has represented, warranted and undertaken that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds may not be circulated or distributed, nor may the Bonds be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, 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:

(iii) 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

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

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

Any reference to the SFA is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term or provision as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

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

Japan

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

GENERAL INFORMATION

1. **Clearing System:** The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code 242870921 and the ISIN XS2428709211.

2. **Authorisations:** Each of us has obtained all necessary consents, approvals and authorisations in connection with the issue, entering into and performance of our obligations under the Bonds, the Keepwell Deed, the Trust Deed and the Agency Agreement. The issue of the Bonds was authorised by resolutions of the board of directors of the Issuer dated 23 December 2021. The providing of the Keepwell was authorised by resolutions of the board of directors of the Company dated 8 December 2021 and the shareholder resolutions of the Company dated 10 December 2021.

3. **No Material Adverse Change:** There has been no material adverse change in our condition (financial or other), prospects, results of operations or general affairs since 31 December 2020.

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

5. **Reliance on Certificates:** Pursuant to the Bonds and the Trust Deed, the Trustee may rely conclusively without liability to the Bondholders, us or any other person on any report, confirmation, certificate or information from or any advice or opinion of any legal counsel, accountants, financial advisers, financial institution or any other expert, whether or not obtained by or addressed to it and whether or not their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely conclusively on any such report, confirmation, certificate, information, advice or opinion, in which event such report, confirmation, certificate, information, advice or opinion shall be binding on us, the Issuer, the LC Bank and the Bondholders.

6. **Available Documents:** Copies of our Historical Financial Statements, the Trust Deed, the Agency Agreement and the Keepwell Deed relating to the Bonds will be available for inspection from the Issue Date upon prior written request and proof of holding and identity satisfactory to the Principal Paying Agent at the specified office of the Principal Paying Agent, being at the date of this Offering Circular at One Canada Square, London E14 5AL, United Kingdom, at all reasonable times during normal business hours (being between 9:00 a.m. and 3:00 p.m. from Monday to Friday (other than public holidays)), so long as any Bond is outstanding.

7. **Financial Statements:** Our Historical Financial Statements, which are included elsewhere in this Offering Circular, have been audited our independent auditor.

8. **Listing of Bonds:** Approval in-principle has been received from the SGX-ST for the listing and quotation of the Bonds on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Offering Circular. Approval in-principle for the listing and quotation of the Bonds on the SGX-ST is not to be taken as an indication of the merits of the Bonds, the Issuer, the Company, the Group, their respective subsidiaries or the quality of disclosure in this Offering Circular. For so long as any of the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Bonds will be traded on the SGX-ST in a minimum board lot size of U.S.$200,000.

   For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a Paying Agent in Singapore, where the Bonds may be presented or surrendered for payment or redemption, in the event that the Global Certificate is exchanged for definitive Certificates. In addition, in the event that the Global Certificate is exchanged for definitive Certificates, an announcement of such exchange shall be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Certificates, including details of the Paying Agent in Singapore.

9. **Legal Entity Identifier:** Our Legal Entity Identifier number is 300300375BSU61TMU714.

INDEX TO FINANCIAL STATEMENTS

Our consolidated financial statements as at and for the year ended 31 December 2019

Our consolidated financial statements as at and for the year ended 31 December 2020

LC Bank's Consolidated Financial Statements as at and for the year ended 31 December 2020

The Company undertakes that there are no false records, misleading statements or major omissions in the Report, and undertakes the legal liability for the authenticity, accuracy and integrity of the Report.

Zhenjiang State-owned Investment Holding Group Co., Ltd.

Annual Report for the Year of 2019

April 2020

(There is no text on this page, which is the sealing page of the 2019 Annual Report of Zhenjiang State-owned Investment Holding Group Co., Ltd.)

Zhenjiang State-owned Investment Holding Group Co., Ltd.

Zhenjiang State-owned Investment Holding Group Co., Ltd. (seal)

April 30, 2020

Contents

Chapter I. Main Information of the Company in the Report Period

I. Company information

Company name in Chinese	镇江国有投资控股集团有限公司
Abbreviation of the Company name in Chinese	镇江国控
Company name in English	Zhenjiang State-owned Investment Holding Group Company Limited
Abbreviation of the Company name in English	----

II. Basic information

Registered capital of the Company	RMB one billion yuan
Legal representative of the Company	Zhou Yi
Registered address of the Company	No. 61, Nanshan Rd., Runzhou District, Zhenjiang City, Jiangsu Province
Postal code of registered address of the Company	212000
Office address of the Company	No. 61, Nanshan Rd., Runzhou District, Zhenjiang City, Jiangsu Province
Postal code of office address of the Company	212000
Website of the Company	http://www.zjgkjt.com/
E-mail	

III. Business contacts and contacting information of debt financing instruments

Name	Wang Fang
Contact address	No. 61, Nanshan Rd., Runzhou District, Zhenjiang City, Jiangsu Province
Tel	0511-85606372
Fax	0511-85606372
E-mail	Zjjh_wf@163.com

IV. Usage of raised funds

Bond abbreviation	Amount issued (unit: 10,000.00 yuan)	Amount used (unit: 10,000.00 yuan)	Amount unused (unit: 10,000.00 yuan)	Scale of raised funds unused (unit: 10,000.00 yuan)	Retained method of raised funds unused
17 Zh.G.T. MTN001	100000	100000	0	0	N/A
17 Zh.G.T. MTN002	70000	70000	0	0	N/A
18 Zh.G.T. MTN001	80000	80000	0	0	N/A
19 Zh.G.T. MTN001	50000	50000	0	0	N/A
19 Zh.G.T.	70000	70000	0	0	N/A

CP002					
19 Zh.G.T. CP003	70000	70000	0	0	N/A
19 Zh.G.T. SCP009	50000	50000	0	0	N/A
19 Zh.G.T. CP004	50000	50000	0	0	N/A
19 Zh.G.T. SCP010	50000	50000	0	0	N/A
20 Zh.G.T. CP001	40000	40000	0	0	N/A
20 Zh.G.T. SCP001	50000	50000	0	0	N/A
20 Zh.G.T. SCP002	50000	50000	0	0	N/A
20 Zh.G.T. SCP003	50000	30000	20000	20000	Retained at designated account
20 Zh.G.T. MTN001	100000	0	100000	100000	Retained at designated account
20 Zh.G.T. SCP004	50000	0	50000	50000	Retained at designated account

Bond abbreviation	Usage of raised funds	Amount of raised funds used (unit: 10,000.00 yuan)	Usage changed (yes / no)	Is the change disclosed	Whether the usage after change meets the requirements of national laws, regulations and policies
17 Zh.G.T. MTN001	Repayment of interest bearing debt	100000	No	N/A	N/A
17 Zh.G.T. MTN002	Repayment of interest bearing debt	70000	No	N/A	N/A
18 Zh.G.T. MTN001	Repayment of interest bearing debt	80000	No	N/A	N/A
19 Zh.G.T. MTN001	Repayment of interest bearing debt	50000	No	N/A	N/A
19 Zh.G.T. CP002	Repayment of interest bearing debt	70000	No	N/A	N/A
19 Zh.G.T. CP003	Repayment of interest bearing debt	70000	No	N/A	N/A
19 Zh.G.T. SCP009	Repayment of interest bearing debt	50000	No	N/A	N/A
19 Zh.G.T. CP004	Repayment of interest bearing debt	50000	No	N/A	N/A
19 Zh.G.T.	Repayment of	50000	No	N/A	N/A

SCP010	interest bearing debt				
20 Zh.G.T. CP001	Repayment of interest bearing debt	40000	No	N/A	N/A
20 Zh.G.T. SCP001	Repayment of interest bearing debt	50000	No	N/A	N/A
20 Zh.G.T. SCP002	Repayment of interest bearing debt	50000	No	N/A	N/A
20 Zh.G.T. SCP003	Repayment of interest bearing debt	30000	No	N/A	N/A
20 Zh.G.T. MTN001	Repayment of interest bearing debt	0	No	N/A	N/A
20 Zh.G.T. SCP004	Repayment of interest bearing debt	0	No	N/A	N/A

Chapter II. Financial Report

The Company will do a good job of information disclosure within the existing period in strict accordance with the provisions of the guidelines of self-discipline rules of the inter-bank bond market, such as the measures of the People's Bank of China for the *Administration of Non-financial Enterprise Debt Financing Instruments in the Inter-bank Bond Market* and the *Rules for Information Disclosure of Non-financial Enterprise Debt Financing Instruments in the Inter-bank Bond Market*. Investors are requested to pay close attention to it.

It is hereby announced.

Zhenjiang State-owned Investment Holding Group Co., Ltd.

Zhenjiang State-owned Investment Holding Group Co., Ltd. (seal)

Audit Report

00002020040127168423

Report No.: Zh.X.H.Sh.Zi,[2020]No.: 021215

Zhongxinghua Certified Public Accountants LLP

(Special General Partnership)

Zhongxinghua Certified Public Accountants LLP (Special General Partnership)
Add.: F15, Sichuan Building East, No. 1 Fu Wai Da Jie, Xicheng District, Beijing, China

Audit Report

Zh.X.H.Sh.Zi,(2020)No.: 021215

To: All the shareholders of Zhenjiang State-owned Investment Holding Group Co., Ltd.

I. Audit Opinion

We have audited the financial statements of Zhenjiang State-owned Investment Holding Group Co., Ltd. (hereinafter referred to as "Zhenjiang State-owned Holding Group"), including Consolidated and Parent Company's Balance Sheet as of December 31, 2019, Consolidated and Parent Company's Profits Statement, Consolidated and Parent Company's Cash Flow Statement and Consolidated and Parent Company's Statement of Changes in Owners' Equity, as well as Notes to Financial Statements for 2019 then ended.

In our opinion, the accompanying financial statements of Zhenjiang State-owned Holding Group are prepared in accordance with the *Accounting Standards for Business Enterprises* in all material aspects, and reflect the consolidated and parent company's financial conditions as of December 31, 2019 as well as the consolidated and parent company's operating results and the consolidated and parent company's cash flows for 2019 then ended of Zhenjiang State-owned Holding Group truly and fairly.

II. Basis for Forming Audit Opinion

We performed the audit in accordance with the *Auditing Standards for Chinese Certified Public Accountants*. The "CPA's Responsibility for Auditing Financial Statements" section of the audit report further elaborated our responsibilities under these guidelines. According to the *Code of Ethics of Chinese Certified Public Accountants*, we are independent of Zhenjiang State-owned Holding Group and perform other professional ethics duties. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. Management and Governance's Responsibility for Financial Statements

The management of Zhenjiang State-owned Holding Group is responsible for the preparation of financial statements in accordance with the provisions of the *Accounting Standards for Business Enterprises*, to enable them to achieve fair reflection, and for designing, implementing and maintaining necessary internal controls so that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing Zhenjiang State-owned Holding Group's ability to continue as a going concern, disclosing issues related to going concern and applying the going concern assumption unless the management plans to liquidate Zhenjiang State-owned Holding Group or terminate operations, or there are no other realistic options.

The governance is responsible for overseeing Zhenjiang State-owned Holding Group's financial reporting process.

IV. Certified Public Accountant's Responsibility for 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 auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

(4) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Zhenjiang State-owned Holding Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause Zhenjiang State-owned Holding Group to cease to continue as a going concern.

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

(6) Obtain sufficient and appropriate audit evidence on the financial information of the entities or business activities of Zhenjiang State-owned Holding Group, so as to express opinions on the financial statements. We are responsible for guiding, supervising and executing group audit and take full responsibility for audit opinion.

We communicate with the governance regarding the planned scope, timing of the audit, significant audit findings, etc., including any significant deficiencies in internal control that we identify during our audit.

Zhongxinghua Certified Public Accountants LLP (Special General Partnership)	China CPA: Zhao Yongqiang 321100020027 (seal & signature)
Zhongxinghua Certified Public Accountants LLP (Special General Partnership) (seal)	China CPA: Tang Chengliang 321100020026 (seal & signature)
Beijing, China	April 28, 2020

Consolidated Balance Sheet

December 31, 2019

Prepared by: Zhenjiang State-owned Investment Holding Group Co., Ltd. (seal) **Amount Unit: RMB Yuan**

Item	Note	Closing Balance	Beginning Balance
Current Assets:			
Monetary Funds	VIII (I)	5,421,169,870.44	3,626.164,606.17
Financial Assets at Fair Value through Profit or Loss	VIII (II)	461,910.056.00	357.081,141.40
Derivative Financial Assets			
Notes Receivable	VIII (III)	108,601.041.36	204,995,679.72
Accounts Receivable	VIII (IV)	1,219,628.810.03	1,453,483.344.95
Accounts Prepaid	VIII (V)	938,968,241.31	1,125.586,513.77
Other Receivables	VIII (VI)	9,743,993,090.37	8,524,111,728.93
Inventories	VIII (VII)	10,046,246,844,37	10,137,303,436.58
Held-for-Sale Assets			
Non-current Assets Due within One Year	VIII (VIII)	96,503,792.22	119,241,578.70
Other Current Assets	VIII (IX)	723,814,130.41	831,972,474.31
Total Current Assets		28,760.835,876 51	26,379.940,504.53
Non-current Assets:			
Issuing entrusted loans and advances		98,465,630.00	109,424,850.00
Available-for-Sale Financial Assets	VIII (X)	3,483,761,919.57	3,084,788,796.47
Held-to-maturity Investment	VIII (XI)	134,225,492.00	1,250.000.00
Long-term Accounts Receivable	VIII (XII)	224,700,170.46	309,148,305.56
Long-term Equity Investment	VIII (XIII)	19,829,954,258.69	19,147,202,806.86
Investment Real Estate	VIII (XIV)	395,928,407.25	394,211,807.25
Fixed Assets	VIII (XV)	3,012,703,082.94	2,940,296,679.31
Construction in Progress	VIII (XVI)	338,184,420.89	341.688,572.79
Productive Biological Assets			
Oil and Gas Assets			
Intangible Assets	VIII (XVII)	363,599,609.11	495,838,000.24
Development Expenditure			
Goodwill	VIII (XVIII)		
Long-term Deferred Expenses	VIII (XIX)	81,331,309.60	91,915,367.89
Deferred Income Tax Assets	VIII (XX)	116,268,619.90	109,244,414.58
Other Non-current Assets	VIII (XXI)	73,422.923.69	38,584,115.92
Total Non-current Assets		28,152,545,844.10	27,063,593,716.87
Total Assets		56,913,381,720.61	53,443,534,221.40
(The attached notes to the financial statements are an integral part of the financial statements)			
Legal Representative: Zhou Yi (seal) Person in Charge of Accounting Work: Zhu Tao (seal) Leader of Accounting Agency: Wang Wei (seal)			

Consolidated Balance Sheet (Continued)

December 31, 2019

Prepared by: Zhenjiang State-owned Investment Holding Group Co., Ltd. (seal) **Amount Unit: RMB Yuan**

Item	Note	Closing Balance	Opening Balance
Current Liabilities:			
Short-term Borrowings	VIII (XXII)	3,922,001,324.33	4,362,392,431.71
Financial Liabilities at Fair Value through Profit or Loss			
Derivative Financial Liabilities			
Notes Payable	VIII (XXIII)	2,273,082,237.95	2,004,692,138.00
Accounts Payable	VIII (XXIV)	1,789,353,919.00	1,689,539,256.55
Receipts in Advance	VIII (XXV)	1,639,195.20492	1,180,886,854.01
Staffs' Salary Payable	VIII (XXVI)	31,465,247.12	32,938,967.45
Taxes and Fees Payable	VIII (XXVII)	41,784,698.31	48,945,635.25
Other Payables	VIII (XXVIII)	3,671,864,375.51	5,243,832,695.41
Held-for sale liabilities			
Non-current Liabilities Due within One Year	VIII (XXIX)	4,353,378,506.03	2,862,839,508.52
Other Current Liabilities	VIII (XXX)	6,871,949,781.80	2,833,975,722.79
Total Current Liabilities		24,594,075,294.97	20,260,043,209.69
Non-current Liabilities:			
Long-term Borrowings	VIII (XXXI)	3,602,675,084.99	5,336,062,965.71
Bonds Payable	VIII (XXXII)	3,713,034,573.15	3,504,573,904.38
Wherein: Preferred Stocks			
Perpetual Debts			
Long-term Accounts Payable	VIII (XXXIII)	161,782,784.70	161,972,730.11
Long-term Staffs' Salary Payable			
Estimated Liabilities	VIII (XXXIV)		49.250.973.28
Deferred Earnings	VIII (XXXV)	85,537,555.23	87,836,332.82
Deferred Income Tax Liabilities	VIII (XX)	50,017,891.92	49,174,494.34
Other Non-current Liabilities	VIII (XXXVI)	85,000,000.00	90,000,000.00
Total Non-current Liabilities		7,698,047,889.99	9,278,871,400.64
Total Liabilities		32,292,123,184.96	29,538,914,610.33
Owners' Equities			
Paid-in Capital	VIII (XXXVII)	1,000,000,000.00	1,000,000,000.00
Other Equity Instruments			
Wherein: Preferred Stocks			
Perpetual Debts			
Capital Reserve	VIII (XXXVIII)	13,443,705,169.21	13,411,020,323.19
Less: Treasury Stocks			
Other Comprehensive Income	VIII (XXXIX)	5,796,163,910.43	5,711,360,674.02
Special Reserve		1,403,625.89	1,730,204.09
Surplus Reserve	VIII (XXXX)	425,559,728.20	386,654,094.94
Undistributed profits	VIII (XXXXI)	2,042,666,931.79	1,693,710,483.30

Total owner's equity attributable to parent company		22,709,499,365.52	22,204,475,779.54
Minority interests		1,911,759,170.13	1,700,143,831.53
Total Owners' Equities		24,621,258,535.65	23,904,619,611.07
Total Liabilities and Owners' Equities		56,913,381,720.61	53,443,534,221.40
(The attached notes to the financial statements are an integral part of the financial statements)			
Legal Representative: Zhou Yi (seal) Person in Charge of Accounting Work: Zhu Tao (seal) Leader of Accounting Agency: Wang Wei (seal)			

Consolidated Profits Statement

Year of 2019

Prepared by: Zhenjiang State-owned Investment Holding Group Co., Ltd. (seal) Amount Unit: RMB Yuan

Item	Note	Current Amount	Prior Amount
I. Total Income from Business	VIII(XXXXII)	11,064,684,940.76	7,865,610,562.02
Wherein: Income from Business		11,064,684,940.76	7,865,610,562.02
II. Total business cost		11,664,814,937.40	8,390,675,998.96
Wherein: Business Costs	VIII(XXXXII)	9,688,050,547.20	6,583,025,466.30
Business Taxes and Surcharges	VIII(XXXXIII)	65,212,159.07	66,150,916.54
Sales Expenses	VIII(XXXXIV)	468,098,808.42	384,226,188.83
Management Expenses	VIII(XXXXV)	403,445,866.50	425,054,857.69
R&D Expenses		90,119,781.19	48,662,991.90
Financial Expenses	VIII(XXXXVI)	949,887,775.02	883,555,577.70
Wherein: Interest Expenses		927,880,143.23	846,692,517.95
Interest Income		54,401,290.69	11,136,857.13
More: Other Income		30,821,790.77	68,752,045.53
Investment Income (Fill in Losses with "-")	VIII(XXXXVIII)	919,371,801.27	671,338,781.87
Wherein: Investment Income from Joint Ventures and Associates		391,859,892.43	373,897,882.31
Income on Changes in Fair Value (Fill in Losses with "-")	VIII(XXXXIX)	136,202,625.64	-111,956,220.29
Impairment Losses on Assets (Fill in Losses with "-")	VIII(XXXXVII)	-78,956,756.06	-41,339,786.06
Income on Disposal of Assets (Fill in Losses with "-")		65,547,880.15	7,510,964.58
III. Business Profits (Fill in Losses with "-")		472,857,345.13	69,240,348.69
More: Income from Non-business Activities	VIII(XXXXX)	228,091,068.49	622,351,429.02
Less: Expenditure from Non-business Activities	VIII(XXXXXI)	49,397,202.36	90,686,201.01
IV. Total Profits (Fill in Total Losses with "-")		651,551,211.26	600,905,576.70
Less: Income Tax Expenses	VIII(XXXXXII)	60,015,351.42	81,011,623.44
V. Net Profits (Fill in Net Losses with "-")		591,535,859.84	519,893,953.26
(I) Classification by operation continuity:			
1. Net Profits from Going Concern (Fill in Net Losses with "-")		591,535,859.84	519,893,953.26
2. Net Profits from Disconnected Operations (Fill in Net Losses with "-")			
(II) Classification by ownership:			
1. Minority interests (Fill in Net Losses with "-")		203,783,468.09	167,574,172.10
2. Net profit attributable to shareholders of parent company (Fill in Net Losses with "-")		387,752,391.75	352,319,781.16
VI. Net After-tax Amount of Other Comprehensive Income		84,803,236.41	-357,596,055.93
Net after tax amount of other comprehensive income attributable to the owner of the parent company		84,803,236.41	-357,596,055.93
(I) Other Comprehensive Income That Can Not Be Reclassified Into Profits or Losses			
1. Re-measurement of Changes in Defined Benefit Plan			
2. Other Comprehensive Income That Can Not Be Reclassified Into Profits or Losses under the Equity Method			
(II) Other Comprehensive Income That Can Be Reclassified Into Profits or Losses		84,803,236.41	-357,596,055.93
1. Other comprehensive income that can be reclassified into profits or losses under the equity method		-77,677,340.33	-165,486,980.43
2. Gains or losses from changes in fair value of available-for-sale financial assets		162,521,365.62	-191,248,883.48
3. Gains or Losses from Held-to-maturity Investments Reclassified as Available-for-Sale Financial Assets			

4. Effective Portion of Gains or Losses of Cash Flow Hedges			
5. Translation Differences from Foreign Currency Financial Statements		-40,788.88	-860,192.02
6. Others			
After-tax net amount of other comprehensive income attributable to minority shareholders			
VII. Total Comprehensive Income		676,339,096.25	162,297,897.33
Total comprehensive income attributable to the owners of the parent company		472,555,628.16	-5,276,274.77
Total comprehensive income attributable to minority shareholders		203,783,468.09	167,574,172.10
(The attached notes to the financial statements are an integral part of the financial statements)			
Legal Representative: Zhou Yi (seal) Person in Charge of Accounting Work: Zhu Tao (seal) Leader of Accounting Agency: Wang Wei (seal)			

Consolidated Cash Flow Statement

Year of 2019

Prepared by: Zhenjiang State-owned Investment Holding Group Co., Ltd. (seal) **Amount Unit: RMB Yuan**

Item	Note	Current Amount	Prior Amount
I. Cash Flows from Operating Activities			
Cash Received from Sales of Goods or Rendering of Services		12,745,783.792.85	8,982,854,877.87
Cash for interest, handling charge and commission		185,205.274.41	275,680,616.05
Taxes and Surcharges Refunds		1,205,269.83	8,856,012.10
Cash Received Relating to Other Operating Activities		2,660,152.470.45	1,225,258,430.27
Subtotal of Cash Inflows from Operating Activities		15,592,346,807.54	10,492,649,936.29
Cash Paid for Goods and Services		10,043,560,484.60	7,084,698,393.66
Net increase in customer loans and advances		-10,969,000.00	1,895,000.00
Cash paid for interest, handling charge and commission		153,276,169.02	172,331,732.34
Cash Paid to and for Employees		574,731,846.47	596,398,003.13
Taxes and Surcharges Paid		404,986,094.66	414,874,082.98
Cash Paid Relating to Other Operating Activities		3,024,150,622.82	1,554,422,797.67
Subtotal of Cash Outflows from Operating Activities		14,189,736,217.57	9,824,620,009.78
Net Cash Flows from Operating Activities		1,402,610,589,97	668,029,926.51
II. Cash Flows from Investing Activities:			
Cash Received from Withdraw of Investments		854,704,185.63	1,055,062,760.77
Cash Received from Investments Income		358,036,395.43	186,974,762.64
Net Cash Received from Disposal of Fixed Assets, Intangible Assets and Other Long-term Assets		73,543,022.75	17,088,003.67
Net Cash Received from Disposal of Subsidiaries and Other Business Units		146,500,000.00	
Cash Received Relating to Other Investing Activities		668,100,000.00	76,464.83
Subtotal of Cash Inflows from Investing Activities		2,100,883,603.81	1,259,200,991.91
Cash Paid for Fixed Assets, Intangible Assets and Other Long-term Assets		406,464,707.15	789,685,388.95
Cash Payments for Investments		1,193,577,209.01	963,986,000.00
Cash Paid Relating to Other Investing Activities		642,801,522.52	28,487,824.68
Subtotal of Cash Outflows from Investing Activities		2,242,843,438.68	1,782,159,213.63
Net Cash Flows from Investing Activities		-141,959,834.87	-522,958,221.72
III. Cash Flows from Financing Activities:			
Cash Received from Investments by Others		80,500,000.00	3,485,000.00
Wherein: Cash received by subsidiaries from minority shareholders’ investment		80,500,000.00	3,485,000.00
Cash Received from Borrowings		8,400,616,268.19	9,069,850,590.43
Cash Received from Issuing Bonds		11,349,342.565.59	6.214,000,000.00
Cash Received Relating to Other Financing Activities		696,850,291.54	461,383,782.57
Subtotal of Cash Inflows from Financing Activities		20,527,309,125.32	15,748,719,373.00
Cash Repayments for Debt		18,132,089,639.28	13,247,657,984.73
Cash Payments for Distribution of Dividends, Profits and Interest Expenditure		1,628,411,695.39	1,528,995,752.71
Wherein: Dividends and profits paid by subsidiaries to minority shareholders			
Cash Payments Relating to Other Financing Activities		692,031,193.23	1,291,495,221.28
Subtotal of Cash Outflows from Financing Activities		20,452,532,527.90	16,068,148,958.72
Net Cash Flows from Financing Activities		74,776,597.42	-319,429,585.72

IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents			23,868.56
V. Net Increase/(Decrease) in Cash and Cash Equivalents		1,335,427,352.52	-174,334.012.37
More: Opening Balance of Cash and Cash Equivalents		1,928,007,339.97	2,102,341,352.34
VI. Closing Balance of Cash and Cash Equivalents		3,263,434,692.49	1,928,007,339.97
(The attached notes to the financial statements are an integral part of the financial statements)			
Legal Representative: Zhou Yi (seal) Person in Charge of Accounting Work: Zhu Tao (seal) Leader of Accounting Agency: Wang Wei (seal)			

Consolidated Statement of Changes in Owners' Equity

Year of 2019

Prepared by: Zhenjiang State-owned Investment Holding Group Co., Ltd. (seal) **Amount Unit: RMB Yuan**

Item	Current Amount											
	Owners' Equities Attributable to of the Parent Company										Minority Shareholders' Interest	Total Owners' Equities
	Stock Capital	Other Equity Instrument			Capital Reserve	Less: Treasury Stocks	Other Comprehensive Income	Special Reserve	Surplus Reserve	Retained Earnings	Subtotal		
		Preferred Stocks	Perpetual Debts	Others									
I. Balance at End of Prior Year	1,000,000,000.00				13,411,020,323.19		5,711,360,674.02	1,730,204,09	386,654,094.94	1,693,710,483.30	22,204,475,779.54	1.700.U3.831.53	23,904,619,611.07
More: Changes in Accounting Policies													
Correction of Prior Period Errors													
Business Combination under the Same Control													
Others													
II. Balance at Beginning of the Year	1,000,000,000.00				13,411,020,323.19		5,711,360,674.02	1,730,204,09	386,654,094.94	1,693,710,483.30	22,204,475,779.54	1,700,143,831.53	23,904,619,611.07
III. Movements during This Year (Fill in Decrease with "-")					32,684,846.02		84,803,236.41	-326,578.20	38,905.633.26	348,956,448.49	505.023.585.98	211,615,338.60	716,638,924.58
(A) Other Comprehensive Income							84,803,236.41			387,752,391.75	472.555.628.16	203,783,468.09	676,339,096.25
(B) Capital Increase and Decrease of Owners					32,684,846.02						32.684.S46.02	69,348,021.56	102,032,867.58
1. Ordinary Shares Invested in by Owners					-349,509,781.88						· S49.509.781.88	63,826,617.49	-285,633,164.39
2. Other Equity					307,498,942.93						307.498.942.93		307,498,942.93

Instrument Invested in by Owners													
3. Amount of Shares Payment Credited into Owners' Equities													
4. Others					74,695,684.97						74.695.68497	5,521,404.07	80,217,089.04
(C) Profit Distribution									38,905,633.26	-38,905,633.26		-61,516,151.05	-61,516,151.05
1. Extraction of Surplus Reserve									38,905,633.26	-38,905,633.26			
2. Extraction of general risk preparation													
3. Distribution to Shareholders												-61,516,151.05	-61,516,151.05
4. Others													
(D) Internal Transfer of Owners' Equities													
1. Capital Reserve Converted into Capital (or Capital Stock)													
2. Surplus Reserve Converted into Capital (or Capital Stock)													
3. Surplus Reserve to Cover Losses													
4. Changes to Defined Benefit Plan to Carry Forward Retained Earnings													
5. Others													
(E) Special								-326,578.20		109,690.00	•216.888 20		-216,888.20

Reserve													
1. Current Extraction								5,060,622.50		109,690.00	5.170.312.50		5,170,312.50
2. Current Use								5,387,200.70			5.337.200.70		5,387,200.70
(F) Others													
IV. Closing Balance of Current Year	1,000,000,000.00				13,443,705,189.21		5.796.163.910.43	1,403,625.89	425,559,728.20	2,042,666,901.79	1.911.759.170.13	24,621,258,535.65	23,904,619,611.07

(The attached notes to the financial statements are an integral part of the financial statements)

Legal Representative: Zhou Yi (seal)   Person in Charge of Accounting Work: Zhu Tao (seal)   Leader of Accounting Agency: Wang Wei (seal)

Consolidated Statement of Changes in Owners' Equity (Continued)

Year of 2019

Prepared by: Zhenjiang State-owned Investment Holding Group Co., Ltd. (seal) **Amount Unit: RMB Yuan**

Item	Prior Amount												
	Owners' Equities Attributable to of the Parent Company											Minority Shareholders' Interest	Total Owners' Equities
	Stock Capital	Other Equity Instrument			Capital Reserve	Less: Treasury Stocks	Other Comprehensive Income	Special Reserve	Surplus Reserve	Retained Earnings	Subtotal		
		Preferred Stocks	Perpetual Debts	Others									
I. Balance at End of Prior Year	1,000,000,000.00				11,148,790,096.63		8,245,069,436.47	2,114,385.89	348,577,099.75	1,600,522,449.45	22,345,073,468.19	1,619,785,481.31	23,964,858,949.50
More: Changes in Accounting Policies													
Correction of Prior Period Errors													
Business Combination under the Same Control													
Others													
II. Balance at Beginning of the Year	1,000,000,000.00				11,148,790,096.63		8,245,069,436.47	2,114,385.89	348,577,099.75	1,600,522,449.45	22,345,073,468.19	1,619,785,481.31	23,964,858,949.50
III. Movements during This Year (Fill in Decrease with "-")					2,262,230,226.56		-2,533,708,762.45	-384,181.80	38,076,995.19	93,188,033.85	-140,597,688.65	80,358,350.22	-60,239,338.43
(A) Other Comprehensive Income							-357,596,055.93			352,319,781.16	-5,276,274.77	167,574,172.10	162,297,897.33
(B) Capital Increase and Decrease of Owners					86,117,520.04						86,117,520.04	66,217,737.70	152,335,257.74
1. Ordinary Shares Invested in by Owners													

2.Other Equity Instrument Invested in by Owners					86,117,520.04						86,117,520.04	66,217,737.70	152,335,257.74
3. Amount of Shares Payment Credited into Owners' Equities													
4. Others													
(C) Profit Distribution									38,076,995.19	-251,948,495.19	-213,871,500.00	-53,311,779.58	-267,183,279.58
1. Extraction of Surplus Reserve									38,076,995.19	-38,076,995.19			
2. Extraction of general risk preparation													
3. Distribution to Shareholders										-213,871,500.00	-213,871,500.00	-53,311,779.58	-267,183,279.58
4. Others													
(D) Internal Transfer of Owners' Equities												-100,121,780.00	-100,121,780.00
1. Capital Reserve Converted into Capital (or Capital Stock)												-100,121,780.00	-100,121,780.00
2. Surplus Reserve Converted into Capital (or Capital Stock)													
3. Surplus Reserve to Cover Losses													
4. Changes to Defined Benefit Plan to Carry Forward Retained Earnings													
5. Others													

(E) Special Reserve								-384,181.80		-7,183,252.12	-7,567,433.92		-7,567,433.92
1. Current Extraction								7,183,252.12		-7,183,252.12			
2. Current Use								7,567,433.92			7,567,433.92		7,567,433.92
(F) Others					2,176,112,706.52		-2,176,112,706.52						
IV. Closing Balance of Current Year	1,000,000,000.00				13,411,020,323.19		5,711,360,674.02	1,730,204.09	386,654,094.94	1,693,710,483.30	22,204,475,779.54	1,700,143,831.53	23,904,619,611.07

(The attached notes to the financial statements are an integral part of the financial statements)

Legal Representative: Zhou Yi (seal)　　Person in Charge of Accounting Work: Zhu Tao (seal)　　Leader of Accounting Agency: Wang Wei (seal)

Balance Sheet

December 31, 2019

Prepared by: Zhenjiang State-owned Investment Holding Group Co., Ltd. (seal) **Amount Unit: RMB Yuan**

Item	Note	Closing Balance	Beginning Balance
Current Assets:			
Monetary Funds		2,984,698,923.47	1,588,210,943.35
Financial Assets at Fair Value through Profit or Loss		461,648,000.00	346,846,000.00
Derivative Financial Assets			
Notes Receivable			3,600,000.00
Accounts Receivable	XII (I)		
Accounts Prepaid		31,685,004.33	31,685,004.33
Other Receivables	XII (II)	10,722,955,009.14	8,578,799,564.77
Inventories		4,055,718,699.12	4,386,962,159.33
Held-for-Sale Assets			
Non-current Assets Due within One Year			
Other Current Assets		185,321.10	91,447,777.77
Total Current Assets		18,256,890,957.16	15,027,551,449.55
Non-current Assets:			
Available-for-Sale Financial Assets		3,294,623,861.66	2,936,841,454.10
Held-to-maturity Investment		1,250,000.00	1,250,000.00
Long-term Accounts Receivable			
Long-term Equity Investment	XII (III)	21,810,521,446.22	21,252,188,226.52
Investment Real Estate			
Fixed Assets		133,665,737.98	97,351,165.48
Construction in Progress		124,982,125.45	113,550,237.50
Productive Biological Assets			
Oil and Gas Assets			
Intangible Assets		10,107,079.73	107,947,810.98
Development Expenditure			
Goodwill			
Long-term Deferred Expenses		23,589,909.09	20,037,533.33
Deferred Income Tax Assets			
Other Non-current Assets			
Total Non-current Assets		25,398,740,160.13	24,529,166,427.91
Total Assets		43,655,631,117.29	39,556,717,877.46
(The attached notes to the financial statements are an integral part of the financial statements)			
Legal Representative: Zhou Yi (seal) Person in Charge of Accounting Work: Zhu Tao (seal) Leader of Accounting Agency: Wang Wei (seal)			

Balance Sheet (Continued)

December 31, 2019

Prepared by: Zhenjiang State-owned Investment Holding Group Co., Ltd. (seal) **Amount Unit: RMB Yuan**

Item	Note	Closing Balance	Opening Balance
Current Liabilities:			
Short-term Borrowings		673,882,600.00	600,000,000.00
Financial Liabilities at Fair Value through Profit or Loss			
Derivative Financial Liabilities			
Notes Payable		500,000,000.00	975,000,000.00
Accounts Payable		55,916,120.34	42,690,672.99
Receipts in Advance			
Staffs' Salary Payable			
Taxes and Fees Payable		1,195,299.37	33,025,148.31
Other Payables		3,619,431,780.62	3,736,489,821.64
Held-for sale liabilities			
Non-current Liabilities Due within One Year		4,101,958,610.20	2,495,374,999.88
Other Current Liabilities		6,293,499,466.66	2,697,066,000.00
Total Current Liabilities		15,245,883,877.19	10,579,646,642.82
Non-current Liabilities:			
Long-term Borrowings		1,000,000,000.00	2,330,742,965.71
Bonds Payable		3,713,034,573.15	3,504,573,904.38
Wherein: Preferred Stocks			
Perpetual Debts			
Long-term Accounts Payable			
Long-term Staffs' Salary Payable			
Estimated Liabilities			
Deferred Earnings			
Deferred Income Tax Liabilities			
Other Non-current Liabilities			
Total Non-current Liabilities		4,713,034,573.15	5,835,316,870.09
Total Liabilities		19,958,918,450.34	16,414,963,512.91
Owners' Equities			
Paid-in Capital		1,000,000,000.00	1,000,000,000.00
Other Equity Instruments			
Wherein: Preferred Stocks			
Perpetual Debts			
Capital Reserve		13,191,338,968.58	13,109,035,024.50
Less: Treasury Stocks			
Other Comprehensive Income		5,791,208,545.83	5,707,610,520.08
Special Reserve			
Surplus Reserve		425,559,728.20	386,654,094.94
Undistributed profits		3,288,605,424.34	2,938,454,725.03

Total Owners' Equities		23,696,712,666.95	23,141,754,364.55
Total Liabilities and Owners' Equities		43,655,631,117.29	39,556,717,877.46
(The attached notes to the financial statements are an integral part of the financial statements)			
Legal Representative: Zhou Yi (seal) Person in Charge of Accounting Work: Zhu Tao (seal) Leader of Accounting Agency: Wang Wei (seal)			

Profits Statement

Year of 2019

Prepared by: Zhenjiang State-owned Investment Holding Group Co., Ltd. (seal) **Amount Unit: RMB Yuan**

Item	Note	Current Amount	Prior Amount
I. Income from Business		923,246,077.01	169,969,816.68
Less: Business Costs		914,203,412.51	136,897,755.21
Taxes and Surcharges		2,371,370.22	2,315,408.75
Sales Expenses		310,184.73	1,525,570.76
Management Expenses		21,073,534.42	23,180,601.80
R&D Expenses			
Financial Expenses		686,749,979.62	534,511,086.15
Wherein: Interest Expenses		663,225,530.68	511,839,121.93
Interest Income		23,960,304.49	1,126,375.38
More: Other Income		5,870,985.00	4,300.00
Investment Income (Fill in Losses with "-")	XX (VI)	798,622,117.39	475,600,677.96
Wherein: Investment Income from Joint Ventures and Associates		434,731,412.69	388,829,089.32
Income on Changes in Fair Value (Fill in Losses with "-")		114,802,000.00	-158,478,000.00
Impairment Losses on Assets (Fill in Losses with "-")		-9,750,423.40	37,681,730.23
Income on Disposal of Assets (Fill in Losses with "-")			5,210,535.40
II. Business Profits (Fill in Losses with "-")		208,082,274.50	-168,441,362.40
More: Income from Non-business Activities		200,462,032.96	580,307,292.19
Less: Expenditure from Non-business Activities		19,487,974.89	31,095,977.92
III. Total Profits (Fill in Total Losses with "-")		389,056,332.57	380,769,951.87
Less: Income Tax Expenses			
IV. Net Profits (Fill in Net Losses with "-")		389,056,332.57	380,769,951.87
1. Net Profits from Going Concern (Fill in Net Losses with "-")		389,056,332.57	380,769,951.87
2. Net Profits from Disconnected Operations (Fill in Net Losses with "-")			
V. Net After-tax Amount of Other Comprehensive Income		83,598,025.75	-355,381,943.15
(I) Other Comprehensive Income That Can Not Be Reclassified Into Profits or Losses			
1. Re-measurement of Changes in Defined Benefit Plan			
2. Other Comprehensive Income That Can Not Be Reclassified Into Profits or Losses under the Equity Method			
(II) Other Comprehensive Income That Can Be Reclassified Into Profits or Losses		83,598,025.75	-355,381,943.15
1. Other comprehensive income that can be reclassified into profits or losses under the equity method		-77,677,340.33	-165,486,980.43
2. Gains or losses from changes in fair value of available-for-sale financial assets		161,275,366.08	-189,894,962.72
3. Gains or Losses from Held-to-maturity Investments Reclassified as Available-for-Sale Financial Assets			
4. Effective Portion of Gains or Losses of Cash Flow Hedges			
5. Translation Differences from Foreign Currency Financial Statements			
6. Others			
VI. Total Comprehensive Income		472,654,358.32	25,388,008.72

(The attached notes to the financial statements are an integral part of the financial statements)
Legal Representative: Zhou Yi (seal)   Person in Charge of Accounting Work: Zhu Tao (seal) Leader of Accounting Agency: Wang Wei (seal)

Cash Flow Statement

Year of 2019

Prepared by: Zhenjiang State-owned Investment Holding Group Co., Ltd. (seal) **Amount Unit: RMB Yuan**

Item	Note	Current Amount	Prior Amount
I. Cash Flows from Operating Activities			
Cash Received from Sales of Goods or Rendering of Services		880,992,420.04	
Taxes and Surcharges Refunds			
Cash Received Relating to Other Operating Activities		2,146,852,713.14	182,017,943.24
Subtotal of Cash Inflows from Operating Activities		3,027,845,133.18	182,017,943.24
Cash Paid for Goods and Services		1,183,687,641.62	
Cash Paid to and for Employees		12,864,372.75	11,332,087.92
Taxes and Surcharges Paid		10,135,704.26	22,854,068.53
Cash Paid Relating to Other Operating Activities		1,221,421,941.82	304,622,905.53
Subtotal of Cash Outflows from Operating Activities		2,428,109,660.45	338,809,061.98
Net Cash Flows from Operating Activities		599,735,472.73	-156,791,118.74
II. Cash Flows from Investing Activities:			
Cash Received from Withdraw of Investments		166,274,259.84	386,516,787.30
Cash Received from Investments Income		321,321,758.52	123,894,727.15
Net Cash Received from Disposal of Fixed Assets, Intangible Assets and Other Long-term Assets			7,979,979.20
Cash Received Relating to Other Investing Activities		516,000,000.00	
Subtotal of Cash Inflows from Investing Activities		1,003,596,018.36	518,391,493.65
Cash Paid for Fixed Assets, Intangible Assets and Other Long-term Assets		47,714,824.47	54,190,181.89
Cash Payments for Investments		413,484,752.00	201,500,000.00
Cash Paid Relating to Other Investing Activities		486,000,000.00	
Subtotal of Cash Outflows from Investing Activities		947,199,576.47	255,690,181.89
Net Cash Flows from Investing Activities		56,396,441.89	262,701,311.76
III. Cash Flows from Financing Activities:			
Cash Received from Investments by Others			
Cash Received from Borrowings		2,494,372,630.95	4,117,195,329.06
Cash Received from Issuing Bonds		10,910,000,000.00	6,214,000,000.00
Cash Received Relating to Other Financing Activities		282,434,000.00	975,000,000.00
Subtotal of Cash Inflows from Financing Activities		13,686,806,630.95	11,306,195,329.06
Cash Repayments for Debt		11,190,538,899.47	9,568,500,000.00
Cash Payments for Distribution of Dividends, Profits and Interest Expenditure		1,053,477,665.98	1,087,556,678.99
Cash Payments Relating to Other Financing Activities		420,000,000.00	1,325,880,455.64
Subtotal of Cash Outflows from Financing Activities		12,664,016,565.45	11,981,937,134.63
Net Cash Flows from Financing Activities		1,022,790,065.50	-675,741,805.57
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents			-12.12
V. Net Increase/(Decrease) in Cash and Cash Equivalents		1,678,921,980.12	-569,831,624.67
More: Opening Balance of Cash and Cash Equivalents		551,210,943.35	1,121,042,568.02
VI. Closing Balance of Cash and Cash Equivalents		2,230,132,923.47	551,210,943.35

(The attached notes to the financial statements are an integral part of the financial statements)
Legal Representative: Zhou Yi (seal)   Person in Charge of Accounting Work: Zhu Tao (seal) Leader of Accounting Agency: Wang Wei (seal)

Statement of Changes in Owners' Equity

Year of 2019

Prepared by: Zhenjiang State-owned Investment Holding Group Co., Ltd. (seal) **Amount Unit: RMB Yuan**

Item	Current Amount										
	Owners' Equities Attributable to of the Parent Company										Total Owners' Equities
	Stock Capital	Other Equity Instrument			Capital Reserve	Less: Treasury Stocks	Other Comprehensive Income	Special Reserve	Surplus Reserve	Retained Earnings	
		Preferred Stocks	Perpetual Debts	Others							
I. Balance at End of Prior Year	1,000,000,000.00				13,109,035,024.50		5,707,610,520.08		386,654,094.94	2,938,454,725.03	23,141,754,364.55
More: Changes in Accounting Policies											
Correction of Prior Period Errors											
Others											
II. Balance at Beginning of the Year	1,000,000,000.00				13,109,035,024.50		5,707,610,520.08		386,654,094.94	2,938,454,725.03	23,141,754,364.55
III. Movements during This Year (Fill in Decrease with "-")					82,303,944.08		83,598,025.75		38,905,633.26	350,150,699.31	554,958,302.40
(A) Other Comprehensive Income							83,598,025.75			389,056,332.57	472,654,358.32
(B) Capital Increase and Decrease of Owners					82,303,944.08						82,303,944.08
1. Ordinary Shares Invested in by Owners					-299,890,683.82						-299,890,683.82
2. Other Equity Instrument Invested in by Owners					307,498,942.93						307,498,942.93
3. Amount of Shares Payment Credited into Owners' Equities											

4. Others					74,695,684.97						74,695,684.97
(C) Profit Distribution									38,905,633.26	-38,905,633.26	
1. Extraction of Surplus Reserve									38,905,633.26	-38,905,633.26	
2. Extraction of general risk preparation											
3. Distribution to Shareholders											
4. Others											
(D) Internal Transfer of Owners' Equities											
1. Capital Reserve Converted into Capital (or Capital Stock)											
2. Surplus Reserve Converted into Capital (or Capital Stock)											
3. Surplus Reserve to Cover Losses											
4. Changes to Defined Benefit Plan to Carry Forward Retained Earnings											
5. Others											
(E) Special Reserve											
1. Current Extraction											
2. Current Use											
(F) Others											
IV. Closing Balance of Current Year	1,000,000,000.00				13,191,338,968.58		5,791,208,545.83		425,559,728.20	3,288,605,424.34	23,696,712,666.95

(The attached notes to the financial statements are an integral part of the financial statements)

Legal Representative: Zhou Yi (seal) Person in Charge of Accounting Work: Zhu Tao (seal) Leader of Accounting Agency: Wang Wei (seal)

Statement of Changes in Owners' Equity (Continued)

Year of 2019

Prepared by: Zhenjiang State-owned Investment Holding Group Co., Ltd. (seal) **Amount Unit: RMB Yuan**

Item	Prior Amount										
	Owners' Equities Attributable to of the Parent Company										Total Owners' Equities
	Stock Capital	Other Equity Instrument			Capital Reserve	Less: Treasury Stocks	Other Comprehensive Income	Special Reserve	Surplus Reserve	Retained Earnings	
		Preferred Stocks	Perpetual Debts	Others							
I. Balance at End of Prior Year	1,000,000,000.00				10,859,173,572.40		8,239,105,169.75		348,577,099.75	2,769,633,268.35	23,216,489,110.25
More: Changes in Accounting Policies											
Correction of Prior Period Errors											
Others											
II. Balance at Beginning of the Year	1,000,000,000.00				10,859,173,572.40		8,239,105,169.75		348,577,099.75	2,769,633,268.35	23,216,489,110.25
III. Movements during This Year (Fill in Decrease with "-")					2,249,861,452.10		-2,531,494,649.67		38,076,995.19	168,821,456.68	-74,734,745.70
(A) Other Comprehensive Income							-355,381,943.15			380,769,951.87	25,388,008.72
(B) Capital Increase and Decrease of Owners					73,748,745.58						73,748,745.58
1. Ordinary Shares Invested in by Owners					20,268,799.71						20,268,799.71
2. Other Equity Instrument Invested in by Owners					53,479,945.87						53,479,945.87
3. Amount of Shares Payment Credited into Owners' Equities											
4. Others											

(C) Profit Distribution									38,076,995.19	-211,948,495.19	-173,871,500.00
1. Extraction of Surplus Reserve									38,076,995.19	-38,076,995.19	
2. Extraction of general risk preparation											
3. Distribution to Shareholders										-173,871,500.00	-173,871,500.00
4. Others											
(D) Internal Transfer of Owners' Equities											
1. Capital Reserve Converted into Capital (or Capital Stock)											
2. Surplus Reserve Converted into Capital (or Capital Stock)											
3. Surplus Reserve to Cover Losses											
4. Changes to Defined Benefit Plan to Carry Forward Retained Earnings											
5. Others											
(E) Special Reserve											
1. Current Extraction											
2. Current Use											
(F) Others					2,176,112,706.52		-2,176,112,706.52				
IV. Closing Balance of Current Year	1,000,000,000.00				13,109,035,024.50		5,707,610,520.08		386,654,094.94	2,938,454,725.03	23,141,754,364.55

(The attached notes to the financial statements are an integral part of the financial statements)

Legal Representative: Zhou Yi (seal) Person in Charge of Accounting Work: Zhu Tao (seal) Leader of Accounting Agency: Wang Wei (seal)

I. Basic Information about the Company

(1) Place of Registration, Organization Form and Address of Headquarters

Established in 1996 and operating as a wholly state-owned company, Zhenjiang State-owned Investment Holding Group Co., Ltd. (hereinafter referred to as the Company, collectively referred to as the Group or the Company when it includes subsidiaries) was formerly known as Zhenjiang Assets Management Company. Established on June 06, 1996 with the approval of Zhenjiang Municipal People's Government ([1996] Zh. Zh. B. No. 477 Document), the Company obtained the business license for enterprise legal person with the unified code of social credit of 913211007115100239 as issued by Zhenjiang Administration for Industry and Commerce. Its registered capital is RMB one billion, contributed by the State-owned Assets Supervision and Management Committee of Zhenjiang Municipal People's Government (hereinafter referred to as Zhenjiang SASAC), accounting for 100% of the registered capital. Its legal representative is Zhou Yi, and its registered address is No. 61, Nanshan Road, Runzhou District, Zhenjiang.

On August 08, 1996, it was approved by and registered with Zhenjiang Administration for Industry and Commerce of Jiangsu Province with a registered capital of RMB 500,000.00 yuan and the contributor is Zhenjiang Municipal Finance Bureau. On July 19, 1999, with the approval of the former Zhenjiang State-owned Assets Management Bureau, the registered capital increased to RMB 50 million. Due to the establishment of the State-owned Assets Supervision and Management Committee of Zhenjiang Municipal People's Government (hereinafter referred to as Zhenjiang SASAC), on April 17, 2006, teh General Office of Zhenjiang Municipal People's Government issued the *Letter on Adjusting the Affiliation of Zhenjiang Assets Management Companies* (Zh. Zh. B. H. [2006] No. 9), the Company was placed under the management of Zhenjiang SASAC in the whole system, and the contributor was adjusted to Zhenjiang SASAC, and on April 28 of the same year, the Company was renamed Zhenjiang State-owned Assets Investment and Operation Company. On June 02, 2009, the registered capital of the Company changed to RMB 200 million after being approved by Zhenjiang SASAC and as stipulated in the amended articles of association of the Company; and in June 2012, the registered capital of the Company changed to RMB 500 million after being approved by Zhenjiang SASAC and as stipulated in the amended articles of association of the Company, and the contributor is still Zhenjiang SASAC. On September 12, 2014, according to Zh. G. Z. G. [2014] No. 7 Document of the State-owned Assets Supervision and Management Committee of Zhenjiang Municipal People's Government the Company transformed from an enterprise owned by the whole people to a wholly state-owned holding company, and increased its registered capital from RMB 500 million to RMB one billion. And on October 20, 2014, the Company changed its name to Zhenjiang State-owned Investment Holding Group Co., Ltd.

(2) Business Nature and Primary Business Activities

The Company is mainly engaged in public assets operation within the scope as authorized by the government, economic information consulting services, corporate reorganization, restructuring and transformation planning, business training for property rights management, equipment leasing, wholesale of edible agricultural products (primary), pre-packaged food and bulk food, sales of automobiles, auto parts and auto supplies, as well as import and export sales of automobiles. (Any item legally subject to approval may only be operated after being approved by relevant departments)

(3) Name of Parent Company and Group Headquarters

The controlling shareholder of the Group is State-owned Assets Supervision and Administration Commission of Zhenjiang Municipal People's Government. The Company sets up such functional management departments as the Development Department, the Financial Department, the Accounting Department, etc., as well as the Board of Directors and the General Manager Office which shall be responsible for the operations and management of the Group and exercise management and control over major decision-making and daily work of the Group.

(4) Approval and Release of Financial Report

The Group's financial report shall be approved and released by Zhou Yi on April 28, 2019.

(5) Term of Operation

The term of operation of the Company is from August 8, 1996.

II. Preparation Basis of Financial Statements

(1) Preparation Basis

The financial statements compiled by the Group are based on the assumption that the Group is going to operate on a continuous basis and, according to actually occurred transactions and events, and in compliance with the *Accounting Standards for Business Enterprises* issued by the Ministry of Finance and its application guidelines, explanations and other relevant stipulations (hereinafter collectively referred to as the "Accounting Standards for Business Enterprises"), as well as on the basis of the accounting policies and estimates described in Note 4 "Significant Accounting Policies and Accounting Estimates".

(2) Going Concern

The Company has the continued viability within at least 12 months since the end of the reporting period, and has no major issues affecting the continued viability.

III. Statement on Observing Accounting Standards for Business Enterprises

The Group states that the financial statements prepared comply with the requirements of the accounting standards for business enterprises, and fully and accurately reflect the financial standing of the Group, as well as the operating results, cash flows and other information concerned.

IV. Significant Accounting Policies and Accounting Estimates

(1) Fiscal Year

The Company's fiscal year is from Gregorian calendar 1st January to 31st December.

(2) Bookkeeping Currency

The bookkeeping currency of the Group is RMB.

(3) Accounting Basis and Valuation Principle

The Group's accounting is based on the accrual basis, and the historical cost is taken as the valuation principle except for transactional financial assets, available-for-sale financial assets and investment real estates are measured at fair value.

(4) Business Combination

1. Business combination under the same control

The assets and liabilities that the combining party obtains in a business combination shall be measured on the basis of their book amount in the combined party on the combining date. As for the balance between the book amount of the net assets obtained and the book 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.

2. Business combination not under the same control

All identifiable assets, liabilities and contingent liabilities obtained from the acquiree during the business combination not under the same control shall be measured at the fair value on the acquisition date. The combination costs shall be the fair values, on the acquisition date, of the assets paid, the liabilities incurred or assumed and the equity securities issued by the acquirer in exchange for the control on the acquiree, and all relevant direct costs incurred to the acquirer for the business combination. (For a business combination realized by two or more transactions of exchange, the combination costs shall be the summation of the costs of all separate transactions.) The acquirer shall recognize the positive balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree as goodwill. The acquirer shall, pursuant to the following provisions, treat the balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree: (a) It shall reexamine the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities it obtains from the acquiree as well as the combination costs; and (b) If, after the reexamination, the combination costs are still less than the fair value of the identifiable net assets it obtains from the acquiree, it shall record the balance into the non-operating income of the current period.

(5) Investment Entity

1. Judgment basis for investment entity

It is an investment entity when the following conditions are met at the same time:

(a) The Group obtains funds from one or more investors for the purpose of providing investment management services to investors; (b) the sole operating purpose of the Group is to let investors get returns through capital appreciation, investment income or both; and (c) the Group considers and evaluates the performance of almost all investments at fair value.

If a group is an investment entity, it shall normally meet all the following characteristics:

(a) Having more than one investment; (b) owning more than one investor; (c) the investor is not a related party of the entity; and (d) its owner's equity exists in the form of stock rights or similar equity.

2. Determination of the scope of consolidation

As an investment entity, only the subsidiaries that provide related services for its investment activities should be included in the scope of consolidation to prepare the consolidated financial statements; but other subsidiaries should not be consolidated, and investments in other subsidiaries should be measured at fair value through profit and loss.

The parent company of an investment entity is not the investment entity itself, so all entities it controls, including those indirectly controlled by investment entities, should be included in the scope of consolidated financial statements. When the parent company changes from a non-investment entity to an investment entity, except that only the subsidiaries that provide relevant services for its investment activities are included in the scope of consolidated financial statements to prepare the consolidated financial statements, the enterprise will no longer merge other subsidiaries from the date of transformation, and will conduct accounting treatment in accordance with the principle of disposing of the subsidiary but retaining the remaining equity on the date of transformation. When the parent company changes from an investment entity to a non-investment entity, the subsidiaries that were not included in the scope of consolidated financial statements should be included in the scope of consolidated financial statements on the date of transformation, and the fair value of the subsidiaries that were not included in the scope of consolidated financial statements on the date of transformation shall be deemed to be the transaction consideration for purchase.

(6) Method for Preparation of Consolidated Financial Statements

1. Recognition principle on the scope of consolidation

The Group incorporates all controlled subsidiaries into the scope of the consolidated financial statements.

2. Preparation principles, procedures and methods of consolidated financial statements

In preparing consolidated financial statements, where the accounting policy adopted by the combined party is different from that adopted by the combining party, the combining party shall, according to accounting policy and accounting period it adopts, adjust the relevant items in the financial statements of the combined party.

All major current balance, transaction and unrealized profit shall be eliminated in preparing financial statements. Shareholders equity of the subsidiary and the parts in its net profit or loss not owned by the

Company appear respectively on the consolidated financial statements as the item of minority shareholders equity and the item of shareholders equity and net profit. The shares owned by minority shareholders in current net profit or loss of the subsidiary show under the item of net profit on the consolidated profit statements as minority shareholders equity.

For the subsidiaries acquired through business combination under the same control, the operating results and cash flows shall be included in the consolidated financial statements from the beginning of the current period. When comparative consolidated financial statements are prepared, adjust relevant items in the financial statements for the previous year, and treat that the report subject formed after the combination is always there since the final control party begins to control.

The equities of the investee under the same control obtained through a number of transactions step by step ultimately form business combination; when consolidated statements are prepared, they shall be deemed to be adjusted according to the current state since the final control party begins to control; when comparative consolidated statements are prepared, they shall be subject to the time at which the Group and the combined party are under the control of the ultimate controlling party, relevant assets and liabilities of the combined party shall be incorporated into the comparative statements of the consolidated financial statements of the Group and the net assets increased due to combination shall be adjusted in the comparative statement to adjust relevant items under the owner’s equity. In order to avoid repeated calculation of the value of the net assets of the combined party, the long-term equity investment held by the Group prior to the consolidation, in respect of the recognized relevant gains and losses, other comprehensive income and other changes in net assets from the late date between the date of acquisition of the original equities and the date on which the Group and the combined party are under the final control of the same party, shall be used to offset the initial retained earnings and the current profits and losses in the comparative statement period.

For the subsidiaries acquired through business combination not under the same control, the operating results and cash flows shall be included in the consolidated financial statements from the date on which the Group controls. When consolidated financial statements are prepared, the financial statements of the subsidiaries shall be adjusted on the basis of the fair value of the identifiable assets, liabilities and contingent liabilities as determined on the date of purchase.

The equities of the investee not under the same control obtained through a number of transactions step by step ultimately form business combination; when consolidated statements are prepared, the equities of the acquiree held before the date of purchase shall be re-measured at the fair value of the equities at the date of purchase, and the difference between the fair value and its book value shall be recognized in the current investment income; other comprehensive income under the equity method involved in the equities of the acquiree as held before relevant date of purchase and the changes in other owners’ equity other than net profit or loss, other comprehensive income and profit distribution shall change to investment gains and losses in the period of purchase, except for other consolidated income arising from the investee’s re-measurement of net profits or net assets of defined benefit plans.

When the Group purchases equities from minority shareholders of a subsidiary, the difference between the disposal price obtained due to part disposal of the equity investment in the subsidiary without losing control and the net assets of the subsidiary enjoyed due to disposal of long-term equity investment shall be referred to when adjusting the capital reserve in consolidated balance sheet; and if the capital reserve is not sufficient to be offset, the retained earnings shall be adjusted.

When the controlling right over original subsidiary is forfeited due to dealing with partial equity investment or other reason, the remaining equity shall make another measurement at the fair value at the date of forfeiting controlling right. The difference between the sum of the consideration acquired in dealing with equity and fair value of the remaining equity (less net asset calculated continuously from purchasing date at original share proportion) is charged to investment gains at current period of forfeiting controlling right. Other comprehensive income in relation with the investment of original subsidiary shall be converted into the current investment income at the time of forfeiting controlling rights.

In case the Group disposes of the equity investments in subsidiaries through multiple transactions until forfeits controlling right, if such multiple transactions are a package deal, such transactions should be conducted accounting treatment as disposal of a subsidiary and forfeiting of controlling right; but before forfeiting controlling right, the price for each disposal and the difference from shares in net assets of the subsidiary corresponding to the investment should be recognized as other comprehensive income in the consolidated financial statements, and together transferred to the current investment profits and losses during forfeiting controlling right.

3. Reflection of subsidiaries' excess losses in the consolidated financial statements

In the consolidated financial statements, where the parent company's share of the current loss exceeds its share of the owner's equity at the beginning of the subsidiary, the balance shall be used to offset the owner's equity (retained earnings) of the parent company; while where the minority shareholders' share of the current loss exceeds their share of the owner's equity at the beginning of the subsidiary, the balance shall be used to continue to offset the minority interests.

(7) Classification of Joint Arrangements and Accounting Methods of Joint Operations

The Group's joint arrangements include joint operations and joint ventures. For jointly operated projects, the Group as a joint venture party in the joint operations confirms the assets held and the liabilities assumed separately, as well as the assets held and the liabilities assumed by share, and relevant income and expenses shall be recognized separately or by share according to relevant agreements. For an asset transaction that involves purchase and sales with joint operations but does not constitute a business, only confirm the proportion in the profits and loss attributable to other participants of joint operations as generated from the transaction.

(8) Foreign Currency Transactions and Foreign Currency Statement Translation

1. Foreign currency transactions

The Group's foreign currency transactions shall be translated into bookkeeping currency according to the spot exchange rate on the transaction date. The Group shall, on the balance sheet date, translate foreign currency monetary items according to the spot exchange rate on the balance sheet date. The exchange difference arising from the difference between the spot exchange rate on the balance sheet date and the spot exchange rate at the time of initial recognition or prior to the balance sheet date shall be recorded in the profits and losses in the current period, except in the period of capitalization, the exchange balance on foreign currency borrowings shall be capitalized, and shall be recorded into the cost of assets eligible for capitalization.

2. Foreign currency statement translation

To translate foreign currency financial statements, the Company shall comply with the following provisions: the asset and liability items in the balance sheet shall be translated at a spot exchange rate on the balance sheet date. Among the owner's equity items, except for the items as "retained earnings", other items shall be translated at the approximate spot exchange rate at the time when they are incurred. The income and expense items in the profit statements shall be translated at the spot exchange rate of the transaction date. The translation difference in foreign currency financial statements generated in accordance with the above translation shall be recognized in other comprehensive income. The comparison of the translation of financial statements shall be with reference to the above provisions.

(9) Recognition Standard of Cash and Cash Equivalents

Cash refers to all cash in hand and banks deposits readily available for making payments. Cash equivalents refers to, highly-liquid investments with a maturity of less than three months from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(10) Financial Assets and Financial Liabilities

1. Financial assets

A financial asset or financial liability shall be recognized when the Group becomes a party to a financial instrument contract.

(a) Classification, recognition and measurement of financial assets

According to investment purpose and economic nature, financial assets of the Group are divided into financial assets at fair value through profit or loss, held-to-maturity investment, loans and the account receivables, and available-for-sale financial assets.

Financial assets at fair value through profit or loss include trading financial assets and directly specified financial assets at fair value through profit or loss during initial recognition. A financial asset held for trading is the financial asset that meets one of the following conditions: the financial asset is acquired for the purpose of selling it in a short term; the financial asset is a part of a portfolio of identifiable financial instruments that are collectively managed, and there is objective evidence indicating that the enterprise recently manages this portfolio for the purpose of short-term profits; and the financial asset is a derivative, except for a derivative that is designated and effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price from an active market) whose fair value cannot be reliably measured. A financial asset is designated on initial recognition as at fair value through profit or loss only when it meets one of the following conditions: the designation eliminates or significantly reduces the inconsistency in the measurement or recognition of relevant gains or losses that would otherwise arise from measuring the financial instruments on different bases; a group of financial instruments is managed and its performance is evaluated on a fair value basis, and is reported to the enterprise’s key management personnel. Formal documentation regarding risk management or investment strategy has prepared; one contract containing one or more embedded derivative financial instruments, i.e., mixed instruments, except that the embedded derivative financial instruments have no material change to the cash flow of mixed instruments, or derivative financial instruments embedded in similar mixed instruments should obviously not be separated from relevant mixed instruments; contains a hybrid tool of the embedded derivative financial instruments that requires spin-off but can not be individually measured at the time of acquisition or subsequent balance sheet date. Financial assets at fair value through profit or loss shall make subsequent measurement according to their fair value. The profits and losses that arise when fair value changes as well as dividend and interest income relate to the said financial assets shall be recorded into the current profits and losses.

The term "held-to-maturity investment" refers to a non-derivative financial asset with a fixed date of maturity, a fixed or determinable amount of repo price and which the Group holds for a definite purpose or is able to hold until its maturity. Held-to-maturity investment shall make subsequent measurement on the basis of the post-amortization costs by adopting the actual interest rate method. The profits and losses that arise when such financial assets are terminated from recognition, or are impaired of amortized, shall be recorded into the current profits and losses.

Accounts receivable refers to the non-derivative financial assets for which there is no quoted price in the active market and of which the repo amount is fixed or determinable. The accounts receivable of the Group shall make subsequent measurement on the basis of the post-amortization costs by adopting the actual interest rate method. The profits and losses that arise when such financial assets are terminated from recognition, or are impaired of amortized, shall be recorded into the current profits and losses.

Available-for-sale financial assets include non-derivative financial assets that are designated as available for sale at initial recognition and financial assets that are not classified as other categories. The equity instrument investments for which there is no quotation in the active market and whose fair value cannot be measured reliably, and the derivative financial assets which are connected with the said equity instrument and must be settled by delivering the said equity instrument shall be measured on the basis of their costs; and if there are other active market quotations or if there is no active market quotation but the fair value can be measured reliably, such assets are measured at fair value and recorded their changes to fair value in other comprehensive income. The financial assets available for sales shall make subsequent measurement at their fair value. The profits and losses arising from the change in the fair value shall be recognized as other comprehensive income and included in capital reserve with the exception of impairment losses and the gap arising from foreign exchange convention of cash financial assets in any foreign currency and post-amortization cost, and when the said financial asset is stopped from recognition and is transferred out, it shall be recorded into the current profits and losses. It shall be accounted for as current profit or loss when the financial assets stop recognition to be transferred. The equity instrument investments for which there is no quotation in the active market and whose fair value cannot be measured reliably, and the derivative financial assets which are connected with the said equity instrument and must be settled by delivering the said equity instrument shall be measured subsequently on the basis of their costs.

(b) Recognition basis and measurement method of the transfer of financial assets

Where a financial asset satisfies any of the following requirement, the recognition shall be terminated: ① where the contractual rights for collecting the cash flow of the said financial asset are terminated; ② where the said financial asset has been transferred and nearly all of the risks and rewards related to the ownership of the financial asset has been transferred to the transferee; ③ where an enterprise does not transfer or retain nearly all of the risks and rewards related to the ownership of a financial asset, but it gives up its control over the financial asset.

Where the Group does not transfer or retain nearly all of the risks and rewards related to the ownership of a financial asset, and it does not give up its control over the financial asset, it shall, according to the extent of its continuous involvement in the transferred financial asset, recognize the related financial asset and recognize the relevant liability accordingly. The term "continuous involvement in the transferred financial asset" shall refer to the risk level that the Group faces resulting from the change of the value of the financial asset.

If the transfer of an entire financial asset satisfies the conditions for stopping recognition, the difference between the amounts of the book value of the transferred financial asset and the sum of consideration received from the transfer, and the accumulative amount of the changes of the fair value originally recorded in the owner’s equities (in the event that the financial asset involved in the transfer is a financial asset available for sale), shall be recorded in the current profits and losses.

If the transfer of partial financial asset satisfies the conditions to stop the recognition, the entire book value of the transferred financial asset shall, between the portion whose recognition has been stopped and the portion whose recognition has not been stopped, be apportioned according to their respective relative fair value, and the difference between the amounts of the sum of the consideration obtained for the transfer and the accumulative amount of the changes in the fair value originally recorded in the comprehensive income which shall be amortized to the portion whose recognition has been stopped, and amortized above-mentioned book amounts shall be included into the current profits and losses.

(c) Testing method and accounting treatment of financial assets impairment

The Group shall carry out an inspection, on each balance sheet day, on the book amount of other financial assets other than those measured at their fair values and of which the variation is recorded into the current profits and losses. Where there is any objective evidence proving that such financial asset has been impaired, an impairment provision shall be made.

For held-to-maturity investments, loans and receivables: When an impairment occurs, the carrying value of the financial assets should be written down to the present value of the expected future cash flows, and the write-down amount shall be recognized as a loss on asset impairment and included in the current profits or losses. If there is objective evidence indicating that the value of the financial asset has been restored, the originally recognized impairment loss shall be reversed and included in the current profits or losses (while offset the loss on asset impairment).

For available-for-sale financial assets: (1) When an impairment occurs, the carrying value of the financial assets should be written down to the present value of the estimated future cash flows. The cumulative losses due to decrease in fair value that were originally directly included in the owner’s equity should also be transferred out and included in the current profits or losses. (2) When the impairment provision reverses: for available-for-sale debt instruments, where the fair value has increased in subsequent accounting periods and is objectively related to events that occurred after the original impairment loss was recognized, the originally recognized impairment loss should be reversed and included in the current profits or losses (while offset the loss on asset impairment); the impairment loss on available-for-sale equity instrument investment shall not be reversed through profit or loss, and the increase in fair value shall be included in capital reserve.

For long-term equity investments (those that do not have control, joint control or significant impact, have no quotation in an active market and whose fair value cannot be reliably measured): When an impairment occurs, the carrying amount of the financial assets should be written down to the present value of the estimated future cash flows, the write-down amount shall be recognized as a loss on asset impairment and included in the current profits or losses. And the provision for impairment shall not be reversed.

2. Financial liabilities

(a) Classification, recognition and measurement of financial liabilities

When they are initially recognized, financial liabilities of the Group are divided into financial liabilities at fair value through profit or loss and other financial liabilities.

Those liabilities include transactional financial liabilities and the designated financial liabilities at fair value through profit or loss on the initial recognition, which is the same as the financial assets classified into transactional financial assets and the designated financial assets at fair value through profit or loss on the initial recognition. The financial liabilities at fair value through profit or loss shall make subsequent measurement according to their fair value. The profits and losses that arise when fair value changes as well as dividend and interest income relate to the said financial liabilities shall be recorded into the current profits and losses.

Other financial liabilities are measured at the amortized cost using the effective interest method. Where there is an active market for financial instruments, market quotes in active markets are used to determine their fair value. In active markets, the financial assets held by the Group or the financial liabilities to be assumed shall take the current offer as the fair value of corresponding assets or liabilities. The financial assets to be purchased by the Group or the financial liabilities assumed shall take the current charge as the fair value of corresponding assets or liabilities. If financial assets or financial liabilities are not subject to current offer and charge, but the economic environment has not changed significantly since the latest trading day, the fair value of financial assets or financial liabilities shall be determined by the market quotation of the latest transaction. In the event of a significant change in the economic environment in recent days, refer to the current price or interest rate of a similar financial asset or financial liability to adjust the market quotation of the latest transaction so s to determine the fair value of financial assets or financial liabilities. If the Group has sufficient evidence that the market price of the latest transaction is not the fair value, make appropriate adjustments to the market quotation of the latest transaction to determine the fair value of financial assets or financial liabilities.

(b) Termination of financial liabilities

A financial liability is derecognized when one of the following conditions is met: when the underlying present obligation (or part of it) specified in the contracts is discharged, cancelled or expired; or an agreement between the Group and an existing lender to replace the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. The difference between the book amount of the derecognized financial liability and the consideration paid is recognized in the current profit or loss.

(11) Accounts Receivable

The Group recognizes the following as the standard of bad debt loss for accounts receivable: The debtor is dissolved or declared bankruptcy or becomes insolvent or is badly in short of cash flows, or it ceases production due to the occurrence of a severe natural disaster and therefore cannot repay its debt in the foreseeable future; the debtor has not serviced its debts due for over 5 years; and there is other absolute proof that the debts cannot be recovered or are least likely to be recovered.

Possible loss of bad debts shall be accounted for using the allowance method. At the end of the period, the impairment test shall be carried out separately or in combination, and the provision for bad debts shall be made and recorded into the current profits and losses. For accounts receivable with conclusive evidence that it can not be recovered, the Group shall approve them as loss of bad debts according to specifies procedures and then write off the provision for bad debts.

1. Accounts receivable with a significant single amount and made provisions for impairment separately

Judgment basis or amount standard for significant single amount	An single amount of over RMB three million (inclusive) deemed as significant accounts receivable
Method for significant single amount and made provisions for impairment separately	Made provisions for impairment in accordance with the difference between the present value of expected future cash flows and the book value.

2. Accounts receivable made provisions for impairment according to credit risk characteristics

(a) Basis for determining different combinations:

Item	Basis for Determining Combination
Aging combination	The same aging of accounts receivable with similar credit risk characteristics
No-risk combination	Accounts receivable from government units, related party funds, security and equity receivables

(b) Provision method for specific combination and provision for bad debts

Item	Provision Method
Aging combination	Aging analysis method
No-risk combination	Individual identification method

(c) Aging analysis method

Aging	Provision Proportion of Accounts Receivable (%)	Provision Proportion of Other Receivables (%)
Within 1 year	5	5
1 to 2 years	10	10
2 to 3 years	30	30
Over 3 years	50	50

3. Accounts receivable with an insignificant single amount and made provisions for impairment separately

Reason for making provisions for impairment separately	Any accounts receivable with an insignificant single amount needing separate impairment tests due to failure to reflect risk characteristics under special circumstances
Provision method of impairment	Recognize impairment loss and make a provision for bad debts in accordance with the difference between the present value of expected future cash flows and the book value

(12) Inventory

The Group's inventory mainly includes raw materials, products in process, finished goods, developed products and development costs in the development process.

Inventories are implemented the perpetual inventory system and valuated at the actual cost when acquired; and are adopted the weighted average method to determine their actual costs when requisitioned or issued.

The closing inventories are valuated at the lower of the cost and the net realizable value, and the inventory depreciation reserve shall be withdrawn for the portion whose costs are not recoverable as expected due to damage, obsolescence in whole or in part or selling price lower than the cost. The inventory depreciation reserve of finished goods and bulk raw materials shall be withdrawn according to the difference between the cost of a single inventory item and its net realizable value; and the inventory depreciation reserve of other numerous lower priced raw and auxiliary materials shall be withdrawn by category.

The net realizable value of finished products is the amount after using the estimated selling price to deduct estimated selling expenses and relevant taxes; for materials held for production, etc., measure at cost when the net realizable value of such finished products for production is higher than the cost; and when the decline in material prices shows the net realizable value of finished products is lower than the cost, net realizable value is the amount after using the estimated selling price to deduct the estimated costs to be incurred upon completion, estimated selling expenses and relevant taxes.

(13) Held-for-sale Non-current Assets and Disposal Group

If the Group recovers its book value mainly through sales (including non-monetary asset exchange with commercial substance, the same below) instead of continuing to use a non-current asset or disposal group, it will be classified as held for sale. The specific criteria are to meet the following conditions at the same time: a non-current asset or disposal group can be sold immediately under current conditions based on the convention of selling such assets or disposal groups in similar transactions; the Group has already made a resolution on the sale plan and has obtained a determined purchase commitment; and expected sales will be completed within one year. Among them, a disposal group refers to a group of assets that are disposed of as a whole through sale or other means in a transaction, and the liabilities directly related to these assets transferred in the transaction. If the asset group or combination of asset groups to which the disposal group belongs apportions the goodwill obtained in the business combination in accordance with the *Accounting Standards for Business Enterprises No. 8 - Asset Impairment*, the disposal group shall include the goodwill allocated to the disposal group.

When the Group initially measures or re-measures the held-for-sale non-current assets and the disposal groups on the balance sheet date, if its book value is higher than the net amount after the fair value minus the sale expenses, the book value will be reduced to the net amount after the fair value minus the sale expenses, the amount of write-down shall be recognized as impairment loss of assets and recorded in the current profit or loss; and meanwhile, the provision for impairment of held-for-sale assets shall be made. For disposal group, the recognized impairment loss of assets shall be first offset the book value of the goodwill in the disposal group, and then according to a proportion shall be offset the book value of various non-current assets specified according to the measurements within the disposal group applicable to the *Accounting Standards for Business Enterprises No. 42 - Held-for-sale Non-current Assets, Disposal Group and Terminated Operations* (hereinafter referred to as "Held-for sale Rules"). If the net amount after the fair value of the disposal group held for sale on the subsequent balance sheet date minus the sale expenses increases, the amount of the previous write-down shall be restored, and shall be reversed in the loss of assets impairment recognized according to the non-current assets applicable to the measurement regulations of held-for-sale rules after being classified to the held-for-sale category, the reversed amount shall be included in the current profit or loss, and the book value shall be increased proportionally according to the proportion of the book value of various non-current assets specified according to the measurements within the disposal group applicable to the held-for-sale rules, other than goodwill; and the book value of the goodwill that has been offset and the loss of asset impairment recognized before the non-current assets specified according to the measurements applicable to the held-for-sale rules are classified to the held-for-sale category are not allowed to be reversed.

Held-for-sale non-current assets or non-current assets in the disposal group are not subject to depreciation or amortization. Interest and other expenses of liabilities in the disposal group held for sale continue to be recognized.

When a non-current asset or disposal group no longer meets the classification criteria for held-for-sale category, the Group will no longer continue to classify it as a held-for-sale category or remove the non-current assets from the disposal group held for sale. It shall be measured based on the following two: (1) The amount after the book value before being classified to the held-for-sale category is adjusted according to the depreciation, amortization or impairment that would have been recognized if they are assumed not to be classified as held for sale; and (2) the recoverable amount.

(14) Long-term Equity Investment

1. Judgment of control, joint control or significant influence over the investee

The Group’s long-term equity investments mainly include the equity investments held by the Group that can control and significantly influence the investee, and the equity investments in its joint ventures.

Control means the power over an investee exercised by the Group, which enjoys variable returns by participating in the relevant activities of the investee and has the ability to use its power over the investee to influence the amount of the returns.

Joint control refers to the common control over an arrangement in accordance with relevant stipulations, and related activities of the arrangement must obtain unanimous consent of the participants sharing control before decision-making. Joint arrangement refers to an arrangement in which two or more parties jointly control. Joint venture refers to the joint venture party enjoys the joint arrangements of arranging related assets and assuming related liabilities associated with such an arrangement.

Significant influence refers to the investor has the right to participate in decision-making of the financial and operating policies of the investee, but can not control or jointly control with other parties over the development of those policies. The major basis for determining significant influence is based primarily on the presence of representatives in the board of directors or similar authorities of the investee who implement significant influence through their right to speak in the financial and operational decision-making process of the investee. When the Group directly or indirectly through a subsidiary company holds 20% (inclusive) or more but less than 50% of the voting shares of the investee, unless there is clear evidence showing that in this case it can not get involved in the production and business decision-making of the investee and does not form significant influence, it is considered having a significant influence over the investee. In determining whether significant influence on the investee can be exerted, the Group will consider the voting shares of the investee directly or indirectly held by itself, while considering the influence from the conversion of the current enforceable potential voting rights held by the Group and other parties to the equity over the investee, such as the influence of the current convertible warrants, stock options and convertible corporate bonds issued by the investee.

2. Cost determination, subsequent measurement and profit and loss confirmation method of long-term equity investment

For the business combination under the same control, if the consideration of the combining enterprise is that it will make payment in cash, transfer non-cash assets or bear its debts, it shall, on the day of combination, treat the share of the book amount of the owner's equity of the combined enterprise as the initial cost of the long-term equity investment. The difference between the initial cost of the long-term equity investment and the payment in cash, non-cash assets transferred as well as the book amount of the debts borne by the combining party shall offset against the capital reserve. If the capital reserve is insufficient, the retained earnings shall be adjusted.

If the consideration of the combining enterprise is that it will issue equity securities, it shall, on the day of combination, regard the share of the book amount of the owner's equity of the combined enterprise as the initial cost of the long-term equity investment. The total par value of the stocks issued shall be regarded as the capital stock, while the difference between the initial cost of the long-term equity investment and total par value of the shares issued shall offset against the capital reserve. If the capital reserve is insufficient, the retained earnings shall be adjusted.

For the combination under the same control, the combining party shall, on the day of combination, regard the combination costs as the initial cost of long-term equity investment.

The audit fees, legal fees, consulting services fees, other intermediary costs and other administrative expenses for business combination shall be recorded into the current profit or loss when incurred; and the transaction costs for the issuance of equity securities or debt securities for business combination shall be recognized in the initially recognized amount of equity securities or debt securities;

Besides the long-term equity investments formed by business combination, the initial cost of a long-term equity investment obtained by making payment in cash shall be the purchase cost which is actually paid; the initial cost of a long-term equity investment obtained on the basis of issuing equity securities shall be the fair value of the equity securities issued; the initial cost of a long-term equity investment made by an investor shall be the value stipulated in the investment contract or agreement; and the initial cost of a long-term equity investment obtained by recombination of liabilities, non-monetary assets exchange, etc. shall be ascertained in accordance with the principle for debt restructuring.

The Group adopts the cost method to calculate the long-term equity investment which can control the investee, and adopts the equity method for the investment in joint ventures and the associates.

By employing the cost method, long-term equity investments shall be included at its initial investment cost, and additional or recovered investments shall be adjusted the cost of long-term equity investments. The current income shall be recognized according to the dividends in cash or profits declared to distribute by the investee with the exception of the actually-paid amount or the dividends in cash or profits included in the consideration which have been declared to distribute.

By employing the equity method, if the initial cost of a long-term equity investment is more than the investing enterprise' attributable share of the fair value of the investee's identifiable net assets for the investment, the initial cost of long-term equity investments may not be adjusted. If the initial cost of a long-term equity investment is less than the investing enterprise' attributable share of the fair value of the investee's identifiable net assets for the investment, the difference shall be included in the current profits and losses and the cost of long-term equity investments shall be adjusted simultaneously. By employing the equity method, the profits and losses of the current investment and other comprehensive income shall be the attributable share of the net profits or losses of the investee, while adjusted the book value of long-term equity investments; the enjoyed part should be calculated according to the profits or cash dividends declared by the investee, and the book value of long-term equity investments should be reduced accordingly; and other changes in owners' equities of the investee except for net profits or losses, other comprehensive income and profit distribution should be included in capital reserve after being adjusted the book value of long-term equity investments. The investing enterprise shall, on the ground of the fair value of all identifiable assets of the investee when it obtains the investment, and in accordance with the Company's accounting policies and accounting period, recognize the attributive share of the net profits and losses of the investee after it adjusts the net profits of the investee. For the unrealized profits and losses of internal transaction incurred between the Company and its joint enterprise and associated entity, the part owned by the Company calculated according to the proportion of shares shall be set off and on this basis investment profits and losses shall be recognized.

3. Changes to long-term equity investment

If the Group is able to exert joint control or significant influence, which does not constitute control, over the investee as a result of additional investment or other reasons, the Group shall take the sum of the fair value of the equity investment previously held and the cost of new investments as the initial investment cost accounted for with the equity method. If the equity investment previously held is classified as financial assets available for sale, the difference between the fair value and the book value, and the cumulative change in fair value recorded in other comprehensive income shall be transferred to the current profits and losses under the equity method. If the initial cost of long-term equity investment is more than the Group's attributable share of the fair value of the identifiable net assets of the investee for the investment, the initial cost may not be adjusted. If the initial cost of long-term equity investment is less than the Group's attributable share of the fair value of the identifiable net assets of the investee for the investment, the difference shall be included in the current profits and losses and the cost of the long-term equity investment shall be adjusted simultaneously.

If the Group is able to exert control over the investee not under the same control as a result of additional investment or other reasons, in the preparation of individual financial statements, the Group shall take the sum of the book value of the equity investment previously held and the cost of new investments as the initial investment cost accounted for with the cost method. For other comprehensive income recognized and accounted for with the equity method against the equity investment held before the acquisition date, the disposal of the investment shall be conducted accounting treatment in accordance with the same basis for direct disposal of relevant assets or liabilities adopted by the investee. If the equity investment held before the acquisition date is conducted accounting treatment in accordance with relevant regulations about financial instruments, the cumulative change in fair value previously recorded into other comprehensive income shall be transferred to the current profits and losses under the cost method.

When the Group loses its joint control or significant influence over the investee due to disposal of part of equity investments, the remaining equities after the disposal shall be accounted for using the standards for recognition and measurement of financial instruments; and the difference between the fair value and the book value after the date of loss of joint control or significant influence shall be recorded into the current profits and losses. For other comprehensive income of the original equity investments accounted for using the equity method, it shall be conducted accounting treatment on the same basis that the investee directly disposes of relevant assets or liabilities when terminated adopting the equity method, and owners' equities of the investee recognized due to changes in other owners' equities other than net profit or loss, other comprehensive income and profit distribution shall be carried forward to the current investment income when terminated adopting the equity method.

When the Group loses its control over the investee due to disposal of part of equity investments, in the preparation of individual financial statements, when the remaining equities after the disposal can exercise joint control or significant influence over the investee, just account for using the equity method, and adjust the remaining equities as they are accounted for using the equity method at the time of acquisition; and when the remaining equities after the disposal cannot exercise joint control or significant influence over the investee, conduct accounting treatment in accordance with relevant provisions of the standards for recognition and measurement of financial instruments, and record the difference between the fair value and the book value after the date of loss of control into the current profits and losses.

4. Disposal of long-term equity investment

During the disposal of long-term equity investments, the Group shall record the difference between the book value and the actual purchase price into the current profit or loss. For long-term equity investments accounted for using the equity method, during the disposal of such investments, adopt the basis the same to the direct disposal of related assets or liabilities by the investee, and conduct accounting treatment to the part originally recorded into other comprehensive income according to corresponding proportion.

(15) Investment Real Estate

The Group's investment real estates are mainly leased houses and buildings.

The Group adopts the fair value model for subsequent measurement of investment real estates, does not depreciate or amortize investment real estate, adjusts the carrying value based on the fair value of investment real estate on the balance sheet date, and includes the difference between fair value and original carrying value in the current profits or losses.

(16) Fixed Assets

Fixed assets refer to tangible assets that are held for the production of goods, provision of labor services, leases or business management, with a service life of over one accounting year and the unit value of over 2,000 Yuan.

Fixed assets include houses and buildings, machinery and equipment, transportation equipment, office equipment and others, and are initially measured at cost. The cost of purchased fixed assets includes the purchase price, relevant taxes and expenses and the expenses attributable to the asset before the asset reaches its intended usable condition. The cost of self-constructed fixed assets includes engineering supplies, direct labor costs and other necessary expenses incurred before the asset reaches its intended usable condition. The cost invested to a fixed asset by the investor shall be ascertained in accordance with the value as stipulated in the investment contract or agreement, other than those of unfair value as stipulated in the contract or agreement. The entry value of fixed assets under financing lease shall be the lower one of the fair value of the leased asset and the present value of the minimum lease payments on the lease beginning date.

Subsequent expenditure relating to fixed assets, including repair expenses, renovation and other expenses, can be recognized as the cost of fixed assets when the recognition criteria set above is met, and the replaced book amount shall be derecognized. Otherwise, such expenditure is to be charged to the income statement in the period when it is incurred.

Except for the fixed assets that have been fully depreciated but are still in use and the land separately accounted for and recorded, the Group makes a provision for depreciation for all the fixed assets. The depreciation is calculated using the average age method and is included in the cost of relevant assets or the current expenses, respectively, depending on the purpose. The depreciation period, estimated net residual value rate and depreciation rate of the fixed assets of the Group are as follows:

No.	Category	Depreciation Period (Year)	Estimated Residual Rate (%)	Annual Depreciation Rate (%)
1	Houses and buildings	30-35	5	2.71-3.7
2	Mechanical equipment	10	5	9.5
3	Transportation equipment	5-8	5	19-11.88
4	Electronic and other equipment	5-10	5	19-9.5

At the end of each year, the Group reviews the estimated service life, estimated net residual value and depreciation method of fixed assets, and handles the changes as changes of accounting estimates.

Where a fixed asset is in a state of disposal or a fixed asset is unable to generate any economic benefits through use or disposal as expected, derecognize the fixed asset. When the Group sells, transfers or discards any fixed asset, or when any fixed asset is damaged or destroyed, the Group shall deduct the book value and relevant taxes from the disposal income, and include the amount in the current profits and losses.

Recognition basis, valuation and depreciation method of fixed assets

Where a lease satisfies one or more of the following criteria, it shall be recognized as a fixed asset under financial lease: ① The ownership of the leased asset is transferred to the lessee when the term of lease expires; ② The lessee has the option to buy the leased asset at a price which is expected to be far lower than the fair value of the leased asset at the date when the option becomes exercisable. Thus, on the lease beginning date, it can be reasonably determined that the option will be exercised; ③ Even if the ownership of the asset is not transferred, the lease term covers the major part of the use life of the leased asset; ④ In the case of the lessee, the present value of the minimum lease payments on the lease beginning date amounts to substantially all of the fair value of the leased asset on the lease beginning date; and ⑤ The leased assets are of a specialized nature that only the lessee can use them without making major modifications. On the lease beginning date, a lessee shall record the lower one of the fair value of the leased asset and the present value of the minimum lease payments on the lease beginning date as the entering value in an account, recognize the amount of the minimum lease payments as the entering value in an account of long-term account payable, and treat the balance between the recorded amount of the leased asset and the long-term account payable as unrecognized financing charges. The initial direct costs such as commissions, attorney's fees and traveling expenses, stamp duties directly attributable to the leased item incurred during the process of lease negotiating and signing the leasing agreement shall be recorded in the asset value of the current period. The unrecognized financing charge shall be amortized to each period during the lease term according to the effective interest method. In calculating the depreciation of a leased asset, the lessee should adopt a depreciation policy for leased assets consistent with that for depreciable assets which are owned by the lessee. If it is reasonable to be certain that the lessee will obtain the ownership of the leased asset when the lease term expires, the leased asset shall be fully depreciated over its useful life. If it is not reasonable to be certain that the lessee will obtain the ownership of the leased asset at the expiry of the lease term, the leased asset shall be fully depreciated over the shorter one of the lease term or its useful life.

(17) Construction in Progress

The construction in progress shall be measured at the actual cost incurred. The self-operated construction project shall be measured according to direct materials, direct salary, direct construction costs, etc. The subcontracted construction projects shall be measured according to the project price paid, etc. The equipment installation works shall be determined the costs according to the value of installed equipment, installation costs, engineering commissioning and other expenses, etc. The cost of construction in progress also includes capitalized borrowing costs and exchange gains and losses.

The construction in progress shall be carried forward to fixed assets according to project budget, cost or actual project cost, etc. from the date of the intended use, started the depreciation from the second month, and adjusted the original value difference of fixed assets after the completion of final settlement procedures.

(18) Borrowing Costs

Borrowing costs include borrowing interest, discounts or premium amortization, ancillary expenses and exchange differences arising from foreign currency borrowings. Where the borrowing costs incurred to the Group can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, they shall not be capitalized unless they simultaneously meet the following requirements: the asset disbursements have already incurred; the borrowing costs has already incurred; and the acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started. When the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs shall be ceased. The remaining borrowing costs are recognized as expenses in the current period.

The to-be-capitalized amount of interests shall be determined in light of the actual cost incurred of the specially borrowed loan at the present period minus the income of interests earned on the unused borrowing loans as a deposit in the bank or as a temporary investment. For general borrowing, the Group shall calculate and determine the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the general borrowing by the capitalization rate of the general borrowing used.

The term "assets eligible for capitalization" shall refer to the fixed assets, investment real estate, inventories and other assets, of which the acquisition and construction or production may take quite a long time (usually more than 1 year) to get ready for its intended use or for sale.

Where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended. The borrowing costs incurred during such period shall be recognized as expenses, and shall be recorded into the current profits and losses.

(19) Intangible Assets

The intangible assets of the Group include land use rights, patented technologies, non-patented technologies, software, etc., which are measured at the actual cost at the time of acquisition; among which, the cost of outsourced intangible assets shall include the purchase price, relevant taxes and other necessary expenditures directly attributable to intangible assets for the expected purpose; and the cost invested into intangible assets by investors shall be determined according to the conventional value in the investment contract or agreement, except for those of unfair value in the contract or agreement.

Land use rights shall be amortized on average according to their transfer years from the date of transfer; patented technologies, non-patented technologies and other intangible assets shall be amortized by stages and on average according to the shortest one of the estimated service life, the contracted benefit life and the effective life specified by law. The amount of amortization shall be recognized in the costs of relevant assets and the current profit and loss according to the beneficiaries.

The subsequent measurement of intangible assets shall be respectively: intangible assets with a finite service life shall be amortized using the straight-line method; and at the end of the year, the service life and amortization method of intangible assets should be reviewed and adjusted accordingly if there are differences with the original estimates; and intangible assets with an infinite service life shall not be amortized, but at the end of the year, the service life should be reviewed, and estimated and amortized using the straight-line method if there is conclusive evidence indicating its service life is finite.

(20) Research and Development

The research and development expenditures of the Company can be divided into research expenditures and development expenditures according to their nature and whether there is greater uncertainty concerning R & D activities will ultimately form intangible assets. The research expenditures for its internal research and development projects shall be recorded into the profit or loss for the current period. The development expenditures for its internal research and development projects may be confirmed as intangible assets when they satisfy the following conditions simultaneously:

1. It is feasible technically to finish intangible assets for use or sale;

2. It is intended to finish and use or sell the intangible assets;

3. The usefulness of methods for intangible assets to generate economic benefits shall be proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets itself or the intangible assets will be used internally;

4. It is able to finish the development of the intangible assets, and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources; and

5. The development expenditures of the intangible assets can be reliably measured.

Expenditures on the development phase not meeting the above conditions shall be recorded into the current profits and losses when incurred. Development expenditures already recorded into the profit or loss will no longer be recognized as assets in subsequent periods. Capitalized expenditures on the development phase shall be recognized as development expenditures on the balance sheet, and changed to intangible assets for presentation on the date when they reach the intended use.

(21) Long-term Deferred Expenses

Long-term prepayments are various expenditures like renovation costs and rental costs incurred but that should be allocated over the current and future periods of more than one year (excluding one year). Long-term prepayments are evenly amortized over the respective beneficial period. If long-term deferred expenses cannot make future accounting periods benefit, the amortized value of unamortized items shall be fully transferred to the current profits and losses.

(22) Goodwill

Goodwill is the difference between the cost of business combination not under the same control and the fair value of the investee or the acquiree's identifiable net assets that should be enjoyed on the acquisition date or the purchase date.

Goodwill relating to subsidiaries shall be presented in the consolidated financial statements separately, goodwill relating to associates and joint ventures shall be included in the book value of long-term equity investments.

(23) Impairment of Non-financial Long-term Assets

The Group shall inspect long-term equity investments, fixed assets, construction in progress and intangible assets with uncertain service lives on each balance sheet date. When there are the following signs indicating that the asset may have been impaired, the Group may impose an impairment on the assets. No matter whether there is any sign of possible assets impairment, the business reputation and intangible assets with uncertain service lives shall be subject to impairment test every year. Where it is difficult to test the recoverable amount of an individual asset, it is based on the asset group or group of assets to which the asset belongs.

After the impairment test, if the book amount of the asset exceeds its recoverable amount, the difference shall be recognized as impairment loss. Once the impairment loss of the aforesaid asset is confirmed, it will not be reversed in the subsequent accounting period. The recoverable amount shall be determined in light of the higher one of the net amount of the fair value of the assets minus the disposal expenses and the current value of the expected future cash flow of the assets.

There may be an impairment of assets when one of the following signs occurs:

1. The current market price of assets falls, and its decrease is obviously higher than the expected drop over time or due to the normal use;

2. The economic, technological or legal environment in which the enterprise operates, or the market where the assets is situated will have any significant change in the current period or in the near future, which will cause adverse impact on the enterprise;

3. The market interest rate or any other market investment return rate has risen in the current period, and thus the discount rate of the enterprise for calculating the expected future cash flow of the assets will be affected, which will result in great decline of the recoverable amount of the assets;

4. Any evidence shows that the assets have become obsolete or have been damaged substantially;

5. The assets have been or will be left unused, or terminated for use, or disposed ahead of schedule;

6. Any evidence in the internal report of the enterprise shows that the economic performance of the assets have been or will be lower than the expected performance, for example, the net cash flow created by assets or the operating profit (or loss) realized is lower (higher) than the excepted amount, etc.; and

7. Other evidence indicates that the impairment of assets has probably occurred.

Goodwill separately presented in the financial statements is subject to an impairment test at least at the end of each year, regardless of whether there is any indication of impairment. During the test, the book value of goodwill shall be allocated to the benefited asset group or asset group combination based on related asset groups or the circumstance in which the asset group combination can benefit from the synergistic effect of business combination. Where the recoverable amount of an asset group or a combination of asset groups is lower than its book value, it shall be recognized as the corresponding impairment loss. The amount of the impairment loss shall first charge against the book value of the assets and business reputation which are apportioned to the asset group or combination of asset groups, then charge it against the book value of other assets in proportion to the weight of other assets in the asset group or combination of asset groups with the business reputation excluded.

Once the impairment loss of the above asset is recognized, the portion of the asset whose value can be recovered will not be reversed in the subsequent period.

(24) Employee Compensation

The term "employee compensation" refers to all kinds of remunerations and other relevant disbursements given by enterprises in exchange of the employees' services. The employee compensation of the Group mainly includes short-term employee compensation, post-employment benefits, termination benefits and other long-term employee benefits. The compensation provided to employee spouses, children, dependents, survivors of deceased employees and other beneficiaries, etc. by the Group also belong to employee compensation.

1. Short-term compensation refers to all payrolls needed to be paid by the Company within 12 months after the end of the annual reporting period in which its employees provide services, with the exception of the compensation given due to lifting of the labor relationship with the workers. The short-term remuneration of the Group includes salaries, bonuses, allowances and subsidies, employee benefits, medical insurance premiums, work-related injury insurance premiums, maternity insurance premiums and other social insurance premiums, as well as housing provident funds, trade union funds, staff education expenses, short-term compensated absences, short-term profit sharing plans, non-monetary benefits and other short-term pay.

The Company recognizes the short-term compensation incurred in the accounting period in which an employee renders services to the Company as liabilities, and records it into the current profits and losses or costs of associated assets. If the short-term remuneration is non-monetary welfare, it shall be measured at fair value.

2. Post-employment benefits refers to various forms of compensation and benefits provided by the Company after employees retire or terminate labor relationships with the Company so as to obtain services from them, with the exception of short-term compensation and termination benefits.

3. The defined contribution plan of post-employment benefits is primarily to participate in basic social pension insurance, unemployment insurance, etc. organized and implemented by labor and social security institutions of different places. The Group shall recognize, in the accounting period in which an employee provides services, the contribution payable to a defined contribution plan as liability, with a corresponding charge to profit or loss for the current period or the cost of a relevant asset.

4. Termination benefits is a kind of compensation to employees if the Group cancels the labor relationship with any employee prior to the expiration of a relevant labor contract or brings forward any compensation proposal for the purpose of encouraging employees to accept a layoff. For employees who do not cancel a labor contract with the Group but are no longer serving the Group in the future and can not bring economic benefits to the Group, the Group undertakes to provide economic compensation with substantially the nature of the termination benefits, in the event of an "early retirement", it shall be dealt with in accordance with the termination benefits before the official retirement date, and in accordance with the post-employment benefits after the official retirement date.

The Group shall, when it can not unilaterally withdraw the termination benefits arising from termination of employment relationships or layoff proposal or confirm the costs or expenses associated with the reorganization of termination benefits payment (whichever is earlier), recognize the employee remuneration liabilities from termination benefits and record into the current profit or loss.

For the termination benefits that are not expected to be fully paid within 12 months of the end of the annual reporting period, and the termination plan whose substantive termination has been completed within one year but the compensation has been paid for over one year, the Group shall choose an appropriate discount rate to measure the amount termination benefits of the accrued current profits and losses with the discounted amount.

5. Other long-term employee benefits refers to all other employee benefits other than short-term compensation, post-employment benefits and termination benefits, including short-term compensated absences, long-term disability benefits, long-term profit sharing plans, etc.

If other long-term employee compensation provided by the Group to employees meet the conditions for a defined contribution plan, they shall be handled in accordance with a defined contribution plan, otherwise handled in accordance with a defined income plan. At the end of the reporting period, the Group recognizes the employee compensation costs arising from other long-term employee benefits as the following components: service costs; net interest on net liabilities or net assets of other long-term employee benefits; and changes arising from re-measuring net liabilities or net assets of other long-term employee benefits. The total amount shall be recorded into the current profit or loss or costs of related assets.

(25) Bonds Payable

The bonds payable of the Group shall be measured at fair value at the time of initial recognition and at amortized cost, and relevant transaction costs shall be charged to the initial recognition amount.

The difference between the bond payment price and the total book value as bond premiums or discounts shall be amortized at the interest rate during the duration of the bond and is treated on the basis of the principle of borrowing costs.

(26) Estimated Liabilities

When the following conditions are met simultaneously with the business of external guarantees, discounted commercial bills of exchange, pending litigation or arbitration, product quality assurance, etc., the obligation pertinent to contingencies shall be recognized as estimated liabilities when the following conditions are satisfied simultaneously: That obligation is a current obligation of the Group; it is likely to cause any economic benefit to flow out of the Group as a result of performance of the obligation; and the amount of the obligation can be measured in a reliable way.

Included amount of estimated liabilities is the best estimated number of the needed expenditure for paying the liability off. In determining the best estimate, comprehensively consider the risks relating to contingencies, uncertainties and time value of money and other factors. If the influence of the time value of money is significant, determine the best estimate after discounting relevant future cash outflows. On the balance sheet date, it is required to review the book value of estimated liabilities; and if there is conclusive evidence indicating that the book value can not really reflect the current best estimates, the book value should be adjusted in accordance with current best estimates.

(27) Preferred Shares, Permanent Debts and Other Financial Instruments

The Group shall determine the accounting treatment of interest expense or dividend distribution of the instrument based on the classification of financial instruments issued. For equity instruments, permanent debts and other financial instruments classified as financial instruments, regardless of whether their names contain "debts", the interest expenses or dividend distribution are used as profit distribution, the repurchase, write-off, etc. shall be treated as changes to equities; and for preferred stocks, permanent debt and other financial instruments classified as financial liabilities, regardless of whether their names contain "shares", the interest expense or dividend distribution shall be treated as borrowing costs in principle, and the gains or losses generated from repurchase or redemption, etc. shall be included in the current profits and losses.

For preferred shares, permanent debts and other financial instruments issued by the Group, the transaction fees, commissions and other transaction costs incurred shall be measured at amortized cost if classified as debt instruments, and included in the initial measurement amount of the issued instruments; and shall be deducted from the equities if classified as equity instruments.

(28) Recognition Principles of Revenue

The Group’s operating income mainly includes income from comprehensive transportation development and operations, income from supervision fees, income from comprehensive development of land use rights, housing demolition service fees, income from housing sales, income from property management and advertising, income from transportation, income from sales of materials, etc.

1. In terms of income from sales of materials, the commodities sold by the Group shall be recognized as income when satisfying the following conditions at the same time: the Group has transferred to the buyer the significant risks and rewards of ownership of the goods; the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the Group; and the associated costs incurred or to be incurred can be measured reliably.

The principle of recognizing the income from housing sales is that a sales contract has been signed; the advance payment has been received and relevant procedures have been completed; the house has reached the sales conditions and the cost of the sale can be reliably measured.

2. The income from the Group's external services shall be recognized when the total labor income and the total cost can be reliably measured, the economic benefits related to labor service are likely to flow into the Group, and the completion progress of the service can be reliably determined. The completion of the labor service shall be determined by the measurement of the completed work.

3. The recognition principle of other operating income is that when the economic benefits related to the transaction are likely to flow into the Group and the amount of income can be measured reliably; and the income shall be recognized on an accrual basis.

(29) Construction Contract

The contract income and contract costs shall be recognized in light of the percentage-of- completion method on the balance sheet date, if the total contract income can be measured in a reliable way; the economic benefits pertinent to the contract will flow into the Group; the actual contract costs incurred can be clearly distinguished and can be measured in a reliable way; and both the schedule of the contracted project and the contract costs to complete the contract can be measured in a reliable way. In applying the percentage-of- completion method, the contract completion progress shall be determined based on the proportion of the actual contractual costs incurred to the estimated total contract costs.

If the outcome of a construction contract can not be estimated in a reliable way, it shall be treated in accordance with the circumstances as follows, respectively: If the contract costs can be recovered, the contract income shall be acknowledged in accordance with contract costs that can be recovered and the contract costs shall be acknowledged as contract expenses in the current period they are incurred; and if the contract costs cannot be recovered, these costs shall be acknowledged as contract expenses immediately when incurred and no contract revenue shall be acknowledged.

The Group shall check the construction contract at the end of the period. If the estimated total cost of the construction contract is expected to exceed the estimated total contract income, the loss shall be extracted and the estimated loss shall be recognized as current expenses.

(30) Government Subsidy

A government subsidy means the monetary or non-monetary assets obtained free by the Group the government, but excluding the capital invested by the government as an investor and with the corresponding ownership interest. Government subsidies consist of the government subsidies pertinent to assets and government subsidies pertinent to income. The government subsidies pertinent to assets mean the government assets that are obtained by the Company used for purchase or construction, or forming the long-term assets by other ways. The government subsidies pertinent to income refer to all the government subsides except those pertinent to assets. If government document does not specify the subsidy object, the subsidy shall be divided into government subsidies pertinent to assets and government subsidies pertinent to income in the following way: (a) The government document specifies the specific item to which the subsidy is directed, the division shall be based on relative proportion of the amount of expenditure to form assets in the budget for a particular item and the amount of expenditure of included expenses, and the division proportion shall be reviewed on each balance sheet date and changed when necessary; (b) The government document only gives general expressions of the usage but does not specify a specific item, it shall serve as government subsidies pertinent to income. If a government subsidy is a monetary asset, it shall be measured in the light of the received or receivable amount. If a government subsidy is a non-monetary asset, it shall be measured at its fair value. If its fair value cannot be obtained in a reliable way, it shall be measured at its nominal amount. Government subsidies measured at nominal amounts shall be directly charged to the current profits or losses.

The Company shall recognize and measure according to the actual amount of government subsidies received. However, where there is conclusive evidence at the end of the period showing that it is expected that financial support funds are expected to meet the requirements of the financial support policy, they shall be measured in accordance with the amounts receivable. The government subsidies measured in accordance with the amounts receivable shall meet the following conditions: (a) The amount of the subsidy receivable has been approved by competent government departments or it can be reasonably calculated according to relevant provisions of formal financial management methods, and it is expected that there is no significant uncertainty in its amount; (b) it is based on the documents officially released by the local financial sector and in accordance with the provisions of the "Government Information Disclosure Ordinance" to take the initiative to open financial support projects and its financial management approach, and the management approach should be universal (any enterprise meeting the regulations can apply), rather than developed specifically for specific enterprises; (c) The period of appropriation has been expressly committed in the approvals of relevant subsidies, and the appropriation of that amount is guaranteed by corresponding budgets, so it can reasonably be guaranteed that it can be received within the prescribed time limit; and (d) Other relevant conditions should be met according to specific conditions of the Company and the subsidy.

The government subsidies pertinent to assets shall be offset against the book amount of relevant assets or recognized as deferred income. The government subsidies pertinent to income shall be treated respectively in accordance with the circumstances as follows: those subsidies used for compensating the related future expenses or losses of the enterprise shall be recognized as deferred income and shall included in the current profits and losses during the period when the relevant expenses are recognized; or those subsidies used for compensating the related expenses or losses incurred to the enterprise shall be directly included in the current profits or losses.

Meanwhile, government subsidies that include both asset-related and income-related components shall be distinguished from each other for separate accounting treatment; and if it is difficult to distinguish, the whole shall be classified as the government subsidies pertinent to income.

Government subsidies related to the daily activities of the Group shall be included in other income or offset against relevant cost in accordance with the nature of economic business. Government subsidies not related to daily activities of the Group shall be included in the non-operating income and expenditure. When the recognized government subsidies need to be returned, if there is a related deferred income balance, the income shall offset against the book amount of the deferred income, and the excess shall be credited to the current profits or losses or (for government subsidies pertinent to assets that offset the book value of relevant assets at initial recognition) used to adjust book value of assets; and if it belongs to other situations, it shall be directly included in the current profits or losses.

(31) Deferred Income Tax Assets and Deferred Income Tax Liabilities

The Group adopts the balance sheet liability method to calculate income tax.

1. Recognition of deferred income tax assets or deferred income tax liabilities

(a) Where the Company obtains assets or liabilities, it shall determine its tax base. In the year of the balance sheet date, the Group shall compare and analyze the book value of assets and liabilities and their tax bases. If there is a temporary difference between the book value of assets and liabilities and their tax bases, in the event that the temporary differences occur and meet the conditions for recognition, the Group recognizes deferred income tax liabilities or deferred income tax assets respectively for taxable temporary differences or deductible temporary differences.

(b) Basis for recognition of deferred income tax assets

① An enterprise shall recognize the deferred income tax liabilities arising from a deductible temporary difference to the extent of the amount of the taxable income which it is most likely to obtain and which can be deducted from the deductible temporary difference. In determining the taxable income that is likely to be obtained in the future, it includes the taxable income realized by normal production and business activities in the future and the taxable income due to reversal of taxable temporary differences during the reversal of deductible temporary differences.

② As for any deductible loss or tax deduction that can be carried forward to the next year, the corresponding deferred income tax assets shall be determined to the extent that the amount of future taxable income to be offset by the deductible loss or tax deduction to be likely obtained.

③ The book amount of deferred income tax assets shall be reexamined on balance sheet day. If it is unlikely to obtain sufficient taxable income taxes to offset the benefit of the deferred income tax assets, the book amount of the deferred income tax assets shall be written down. When it is probable to obtain sufficient taxable income taxes, such write-down amount shall be subsequently reversed.

(c) Basis for recognition of deferred income tax liabilities

The Group shall recognize the taxable temporary differences of the current period and prior periods as a liability, but excluding goodwill, transaction not formed from business combination and the the temporary differences generated by the transaction neither affecting accounting profit nor affecting taxable income.

2. Measurement of deferred income tax assets or deferred income tax liabilities

On the balance sheet day, the deferred income tax assets and deferred income tax liabilities shall be measured at the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

(a) In case the applicable tax rate changes, the deferred income tax assets and deferred income tax liabilities which have been recognized shall be re-measured, excluding the deferred income tax assets and deferred income tax liabilities arising from any transaction or event directly recognized as the owners' rights and interests, and the amount affected by them shall be recorded into the income tax expenses of the current period during which the change occurs.

(b) When the Group is measuring deferred income tax assets and deferred income tax liabilities, it shall be identical with those of expected asset recovery or liability settlement method.

(c) The Group shall not discount any deferred income tax asset or deferred income tax liability.

(32) Financing Lease and Operating Lease

The Group shall classify a lease as a financing lease or an operating lease on the lease beginning date.

The "financing lease" shall refer to a lease that has transferred in substance all the risks and rewards related to the ownership of an asset.

1. The Group as a lessor

For financing lease, on the beginning date of the lease term, a lessor shall recognize the sum of the minimum lease receipts on the lease beginning date and the initial direct costs as the entering value in an account of the financing lease values receivable, and record the unguaranteed residual value at the same time. The balance between the sums of the minimum lease receipts, the initial direct costs and the unguaranteed residual value, and the sum of their present values shall be recognized as unrealized financing income. The unrealized financing income shall be allocated to each period at the current period by adopting the effective interest rate method.

2. The Group as a lessee

Please see Note IV (16) for relevant provisions about fixed assets under financing lease

The term "operating lease" shall refer to a lease other than a financing lease. The rents from operating leases shall be recorded by the Group in the relevant asset costs or the current profits and losses by using the straight-line method over each period of the lease term. The rent of the Group as a lessor shall be recognized as income in accordance with the straight-line method for each period of the lease term.

(33) Measurement of Fair Value

1. Initial measurement of fair value

For assets and liabilities measured at fair value, the Group considers characteristics of the assets or liabilities and measures the fair value according to the price paid by the market participant in the orderly transaction in which the asset is required to receive or transfer a liability for the sale of an asset. When relevant assets or liabilities are measured at fair value, the transactions about market participants sell the assets or transfer liabilities on the measurement day are orderly transactions under the current market conditions; and the orderly transactions for the sale of assets or the transfer of liabilities are carried out in the major markets for relevant assets or liabilities. Where there are no major markets, assume that the transactions are carried out in the most favorable markets for relevant assets or liabilities; and use the assumptions used by market participants to maximize their economic benefits when pricing their assets or liabilities. When calculating non-financial assets at fair value, consider the ability of market participants to use the assets for optimal use to generate economic benefits, or the ability to sell the assets to other market participants who can generate economic benefits at the best use.

2. Valuation techniques

The Group measures relevant assets or liabilities at fair value, and adopts the valuation techniques that are applicable in the current context and are sufficiently available to support data and other information, and such valuation techniques mainly include the market method, the income method and the cost method. In applying valuation techniques, relevant observable input values are preferentially used and unobservable input values are used only if relevant observable input values are not available or are not practicable.

3. Level of fair value

The Group determines the level of fair value measurement results based on the lowest value of the input value that is of significant importance to the fair value measurement as a whole: Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date. An active market refers to the market in which the transaction volume and transaction frequency of relevant assets or liabilities is sufficient to continuously provide pricing information; Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and Level 3 inputs are unobservable inputs for the asset or liability.

V. Statement of Changes in Accounting Policies and Accounting Estimates and Corrections to Errors

(1) Changes in Accounting Policies and Their Impact

Changes in significant accounting policies and their impact

According to the document issued by the Ministry of Finance on June 15, 2019, i.e. *Notice on Amending, Printing and Issuing the Format for 2019 Annual General Financial Statements* (C. K. [2019] No. 15), in view of the relevant circumstances in the implementation of accounting standards for business enterprises, the format of financial statements of general enterprises has been revised, and the Company has made adjustments according to the requirements of the notice. The management of the Company believes that the adoption of the above standards has no significant impact on the financial statements of the Company. And the retrospective adjustments for the presentation items of the financial statements at the beginning of the period are as follows:

Projects significantly affected at the beginning of the period	Before Adjustment	After Adjustment	Change Amount
Notes receivable and accounts receivable	1,658,479,024.67	-	-1,658,479,024.67
Notes receivable	-	204,995,679.72	204,995,679.72
Accounts receivable	-	1,453,483,344.95	1,453,483,344.95
Notes payable and accounts payable	3,694,231,394.55	-	-3,694,231,394.55
Notes payable	-	2,004,692,138.00	2,004,692,138.00
Accounts payable	-	1,689,539,256.55	1,689,539,256.55
Total	5,352,710,419.22	5,352,710,419.22	0.00

(2) Changes in Accounting Estimates and Their Impact

The Group has no significant changes in accounting estimates and their impact in 2019.

(3) Significant Corrections to Prior Errors and Their Impact

There are no corrections to prior accounting errors in 2019.

VI. Taxes

1. Major Taxes and Tax Rates

Tax Category	Tax Basis	Tax Rate
VAT	The goods sales and taxable labor income calculated according to the provisions of the tax law are the output tax, and the difference after the current input tax is allowed to deduct shall be paid the VAT; and the construction project commenced before the business tax to VAT shall be levied VAT at the charge rate of 3%.	3%, 5%, 6%, 9%, 10%, 11%, 13%, 16%
Urban maintenance and construction tax	Actual amount of turnover tax paid	5%, 7%
Education surcharge	Actual amount of turnover tax paid	5%
Land value added tax	Value added amount	2%
Corporate income tax	Taxable income tax	0%, 15%, 20%, 25%

Tax Category	Tax Basis	Tax Rate
Property rate	30% of rental income or original property value	Levied according to price: 1.2% Levied according to rental: 12%

If there are taxpayers implementing different corporate income tax rates, the disclosure situations shall be explained as follows:

Name of Taxpayer	Income Tax Rate
Jiangsu Hengshun Vinegar Industry Co., Ltd.	15%
Zhenjiang Hengshun Rice Industry Co., Ltd.	0%
Jiangsu Hengshun Vinegar Industry Yunyang Seasoning Co., Ltd.	15%
Shanghai Zhenjiang Hengshun Soy Sauce & Vinegar Distribution Co., Ltd.	20%
Zhenjiang Henxin Biotechnology Co., Ltd.	20%
Xinjiang Hengshun Shalin Food Co., Ltd.	0%
Other companies	25%

2. Tax Incentives and Approvals

(1) In accordance with the spirit of the "Notice on the Treatment of Corporate Income Tax Concerning Special Purpose Financial Funds" (Documents C. S. [2009] No. 87 and C. S. [2011] No. 70) issued by the Ministry of Finance and the State Administration of Taxation, the Company's relevant income from 2008 to 2019 is regarded as non-taxable income, and the financial funds are also regarded as non-taxable income.

The profits from government revenue of the Company are treated as non-taxable income.

The corporate income taxes of the Company and its controlling subsidiaries are subject to the approval amounts of competent tax authorities.

(2) VAT

The primary agricultural products self-produced and sold by Zhenjiang Hengshun Tea House Co., Ltd., a subsidiary of the Group, are exempted from VAT;

Zhenjiang Hengda Packaging Co., Ltd., a subsidiary of the Group, is a welfare enterprise. According to Document C.Sh.[2016] No. 52, for units with disabled persons, the tax authorities will implement the method of immediate levy and refund of VAT or business tax reduction according to the number of disabled persons as placed, and exempt from corporate income tax against the VAT rebate or business tax deduction income obtained;

Zhenjiang Hengxin Biotechnology Co., Ltd., a subsidiary of the Company, produces organic fertilizer. According to Document C.Sh.[2008] No. 56, the taxpayer is exempt from VAT on the production, sales, wholesale and retail of organic fertilizer products since June 1, 2008.

(3) Corporate income tax

Jiangsu Hengshun Vinegar Industry Co., Ltd., a sub-subsidiary of the Company, was jointly recognized as a high-tech enterprise again in 2018, with No. GR201832006608 High-tech Enterprise Certificate and an identification valid period of 3 years. According to the relevant provisions of the *Corporate Income Tax Law of the People's Republic of China*, Jiangsu Hengshun Vinegar Industry Co., Ltd. shall pay Corporate Income Tax at a reduced rate of 15%.

Zhenjiang Hengshun Rice Industry Co., Ltd., a subsidiary of the Company, belongs to a primary processing enterprise for agricultural products and is exempt from corporate income tax;

Zhenjiang Hengda Packaging Co., Ltd., a subsidiary of the Company, is a welfare enterprise. According to C.Sh.[2009] No. 70 Document *Notice of the Ministry of Finance and the State Administration* *of Taxation on the Preferential Policies of Corporate Income Tax for the Placement of Disabled Persons*, the actual salaries paid to the disabled can be deducted before the corporate income tax, and can be deducted based on 100% of the actual salaries paid to the disabled;

Xinjiang Hengshun Shalin Food Co., Ltd., a subsidiary of the Company, is a new enterprise founded in Horgos in 2013. According to Document C.Sh.[2011] No. 112 *Notice on Preferential Corporate Income Tax Policies for Two Special Economic Development Zones in Horgos, Kashgar, Xinjiang* issued by the Ministry of Finance and the State Administration of Taxation, new enterprise established in Horgos from Jan. 01, 2010 to Dec. 31, 2020 will be exempted from income tax for 5 years from the first operating income;

Jiangsu Hengshun Vinegar Industry Yunyang Seasoning Co., Ltd., a subsidiary of the Company, is an encouraged industrial enterprise located in the western region. According to Document C. S. [2011] No. 58 *Notice on Issues Concerning Tax Preferential Policies for In-depth Implementation of the Western Development Strategy* issued by the Ministry of Finance and the State Administration of Taxation, corporate income tax will be levied at a reduced rate of 15% on encouraged industrial enterprises located in the western region from January 01, 2011 to December 31, 2020.

Shanghai Zhenjiang Hengshun Soy Sauce & Vinegar Distribution Co., Ltd. and Zhenjiang Hengxin Biotechnology Co., Ltd., the subsidiaries of the Company, comply with the conditions for small and low profit enterprises specified in C.Sh.[2018] No. 77 *Notice of the Ministry of Finance and the State Administration of Taxation on Further Expanding the Scope of Income Tax Preferential Policies for Small and Low Profit Enterprises*, from Jan. 01, 2018 to Dec. 31, 2020, if the annual taxable income is less than one million yuan (including one million yuan), 50% of the income shall be included in the taxable income, and the corporate income tax shall be paid at the rate of 20%.

According to C.Sh.[2019] No. 13 Document *Notice on the Implementation of Inclusive Tax Relief Policy for Small and Micro Enterprises* issued by the Ministry of Finance and the State Administration of Taxation, the Company’s the subsidiaries Shanghai Zhenjiang Hengshun Soy Sauce & Vinegar Distribution Co., Ltd., Zhenjiang Hengxin Biotechnology Co., Ltd., Shanxi Hengshun Aged Vinegar Co., Ltd., Zhenjiang Runyang Condiment Co., Ltd. and Zhenjiang Hengshun Vinegar Expo Cultural Tourism Development Co., Ltd., all meet the conditions of inclusive tax relief for small and micro enterprises, and the part of annual taxable income not exceeding one million yuan shall be reduced 25% of the annual taxable income and shall be included in the taxable income, and the corporate income tax shall be paid at the rate of 20%; for the annual taxable income exceeding one million yuan but not exceeding three million yuan, 50% of the annual taxable income shall be included in the taxable income, and the corporate income tax shall be paid at the rate of 20%.

According to the provisions of C.Sh.[2018] No. 54 *Notice on Deduction of Relevant Corporate income Tax Policies for Equipment and Appliances*, Jiangsu Dongpu New Material Technology Co., Ltd., a subsidiary of the Company, chooses to purchase new equipment and appliances during the period from Jan. 01, 2018 to Dec. 31, 2020. If the unit value of the equipment and appliances does not exceed five million yuan, it shall be included in the current cost at one time and deducted the tax preference when calculating the taxable income.

VII. Scope of Consolidation

The scope of consolidation of the consolidated financial statements of the Group is based on control.

(1) Information about subsidiaries

No.	Enterprise Name	Level	Enterprise Type	Place of Registration	Main Business Place	Business Nature	Paid-in Capital (10000 yuan)	Shareholding Ratio (%)	Voting Rights Ratio (%)	Investment Amount (10000 yuan)
1	Jiangsu Hengshun Group Co., Ltd.	1	1	Jiangsu	Jiangsu	Manufacturing	55,500.00	100.00	100.00	21,290.31
2	Zhenjiang Zhenyang Bridge Investment, Operation and Management Co., Ltd.	1	2	Jiangsu	Jiangsu	Investment	1,000.00	81.00	81.00	810.00
3	Zhenjiang Gaoke Venture Capital Co., Ltd.	1	2	Jiangsu	Jiangsu	Investment	10,000.00	100.00	100.00	10,248.43
4	Jiangsu Huatong Machinery Co., Ltd.	1	1	Jiangsu	Jiangsu	Manufacturing	3,079.86	100.00	100.00	2,888.91

5	Zhenjiang Special Vehicle Manufactory	1	1	Jiangsu	Jiangsu	Manufacturing	2,000.00	100.00	100.00	2000.00
6	Zhenjiang Dadong Paper Co., Ltd.	1	1	Jiangsu	Jiangsu	Manufacturing	32,785.20	100.00	100.00	32,785.20
7	Zhenjiang Road and Bridge Engineering Corporation of Jiangsu Province	1	5	Jiangsu	Jiangsu	Construction	20,048.00	100.00	100.00	20,048.00
8	Zhenjiang Feichi Group Automobile Co., Ltd.	1	1	Jiangsu	Jiangsu	Manufacturing	2,300.00	100.00	100.00	536.00
9	Zhenjiang Xinhua Studios Co., Ltd.	1	1	Jiangsu	Jiangsu	Culture	1,980.00	51.00	51.00	1,009.80
10	Zhenjiang Hanbang Investment Consulting Co., Ltd.	1	2	Jiangsu	Jiangsu	Investment	500.00	100.00	100.00	500.00
11	Zhenjiang Property Exchange Center	1	1	Jiangsu	Jiangsu	Consulting / service	355.00	61.97	61.97	220.00
12	Zhenjiang Guotai Asset Management Co., Ltd.	1	2	Jiangsu	Jiangsu	Investment	100.00	100.00	100.00	100.00
13	Zhenjiang SDIC Real Estate Development Co., Ltd.	1	1	Jiangsu	Jiangsu	Real estate	5,000.00	100.00	100.00	5,000.00
14	Zhenjiang SDIC Ventures Co., Ltd.	1	2	Jiangsu	Jiangsu	Investment / consulting	10,000.00	100.00	100.00	10,000.00
15	Jiangsu Harbor Construction Co., Ltd.	1	5	Jiangsu	Jiangsu	Construction	1,120.00	55.00	55.00	627.34
16	Zhenjiang Tiegongshui Air Ticketing Co., Ltd.	1	1	Jiangsu	Jiangsu	Service	158.00	100.00	100.00	158.00
17	Zhenjiang Energy Development Corporation	1	1	Jiangsu	Jiangsu	Energy / development	5,000.00	100.00	100.00	7,895.75
18	Zhenjiang Dantu District Guogu Rural Micro-credit Co., Ltd.	1	2	Jiangsu	Jiangsu	Finance	18,000.00	58.5	58.5	9,018.90
19	Deren Financial Leasing (Shanghai) Co., Ltd.	1	2	Shanghai	Shanghai	Lease	20,000.00	100.00	100.00	20,000.00
20	Jiangsu Chechi Automobile Co., Ltd.	1	1	Jiangsu	Jiangsu	Manufacturing	3,000.00	51.00	51.00	1530.00
21	Jiangsu Dongpu New Material Technology Co., Ltd.	1	1	Jiangsu	Jiangsu	Manufacturing	26,000.00	100.00	100.00	26,000.00
22	Zhenjiang Dantu District Jianxiang Water Conservancy Project Investment Co., Ltd.	1	1	Jiangsu	Jiangsu	Construction	57,500.00	70.00	70.00	40,250.00
23	Zhenjiang Guokong Hongye Supply Chain Management Co., Ltd.	1	1	Jiangsu	Jiangsu	Commerce and trade	4,200.00	70.00	70.00	2,100.00
24	Shanghai Sopo Equity Investment Fund Management Co., Ltd.	1	1	Jiangsu	Jiangsu	Investment / consulting	3000.00	100.00	100.00	3,092.96
25	Zhenjiang Jingkou Petroleum Co., Ltd.	1	1	Jiangsu	Jiangsu	Material Trade	10,000.00	36.00	50.375	3,600.00

Note: Enterprise type: 1. Domestic non-financial sub-enterprise; 2. Domestic financial sub-enterprise; 3. Overseas sub-enterprise; 4. Institution unit; 5. Infrastructure unit.

(2) Information about the Entities Newly Incorporated into the Scope of Consolidation in the Year

Enterprise Name	Shareholding Ratio (%)	Closing Net Assets (10000 yuan)	Net Profits in the Year (10000 yuan)	Remark
Zhenjiang Jingkou Petroleum Co., Ltd.	36.00	10,821.86	638.44	Equity acquisition

According to the cooperation agreement on equity transfer and paid-in capital contribution signed by the Group, Zhenjiang Automobile Industry Investment Co., Ltd. and Zhenjiang Jingkou Petroleum Co., Ltd. in June 2019, the Company holds 36% of the voting shares of Zhenjiang Jingkou Petroleum Co., Ltd. According to the concerted action agreement signed by the Group, Zhenjiang Automobile Industry Investment Co., Ltd. and Wei Shengping, a natural person, the Group enjoys 50.375% of the voting shares of Zhenjiang Jingkou Petroleum Co., Ltd. At the end of the period, Zhenjiang Jingkou Petroleum Co., Ltd. is included in the scope of the Group’s consolidation.

(3) Information about the Entities Reduced in the Scope of Consolidation

Enterprise Name	Shareholding Ratio (%)	Total Assets (10000 yuan)	Total Liabilities (10000 yuan)	Remark
Jiangsu Taibai Group Co., Ltd.	100	85,907.20	95,052.07	Equity transfer
Zhenjiang Chengxin Guarantee Co., Ltd.	92.38%	25,466.30	7,206.98	Equity transfer

1. According to the equity transfer contract of state-owned enterprises signed by the Company and Jinpu Investment Holding Group Co., Ltd. on July 11, 2019, the Company has transferred 100% equity of Jiangsu Taibai Group Co., Ltd. to Jinpu Group Holding Co., Ltd., and Jiangsu Taibai Group Co., Ltd. is no longer included in the consolidation scope of the Group at the end of the period.

2. According to Zh.G.Z. [2019] No. 44 *Reply on Agreeing to Transfer the Equity of Zhenjiang Chengxin Guarantee Co., Ltd. Held by Zhenjiang State-owned Holding Group to Zhenjiang Automobile Investment Co., Ltd.*, the group has transferred 92.38% equity of Zhenjiang Chengxin Guarantee Co., Ltd., a subsidiary of the Group on Dec. 30, 2019, and Zhenjiang Chengxin Guarantee Co., Ltd. will no longer be included in the consolidation scope of the Group at the end of the period.

VIII. Notes to Main Items in the Consolidated Financial Statements

Unless otherwise stated, the "opening" refers to January 1, 2019, the "closing" refers to December 31, 2019, the "current" refers to the year of 2019, and the "prior" refers to the year of 2017. Unless otherwise specified, all amounts are denominated in RMB Yuan.

(I) Monetary funds

1. Balance of monetary funds

Item	Closing Balance	Opening Balance
Cash	4,964,071.38	1,179,105.15
Bank deposits	3,258,470,621.11	1,839,999,364.12
Other monetary funds	2,157,735,177.95	1,784,986,136.90
Total	5,421,169,870.44	3,626,164,606.17

2. Closing unrestricted use of monetary funds

Item	Amount	Reason for Restricted Use
Other monetary funds	2,157,735,177.95	Loan margin and note margin
Total	2,157,735,177.95	

(II) Financial assets measured at fair value through profit or loss

Item	Closing Fair Value	Opening Fair Value
Transactional financial assets		
Of which: investment in debt instruments		
Investment in equity instruments		
Others		
Designated financial assets measured at fair value through profit or loss	461,910,056.00	357,081,141.40
Investment in debt instruments		
Investment in equity instruments		

Item	Closing Fair Value	Opening Fair Value
Others		
Total	461,910,056.00	357,081,141.40

(III) Notes receivable

1. Category details

Note Category	Closing Balance	Opening Balance
Bank acceptance bills	108,601,041.36	204,995,679.72
Commercial acceptance bills		
Total	108,601,041.36	204,995,679.72

2. Closing notes receivable pledged

Item	Closing Amount Pledged
Bank acceptance bills	9,959,000.00
Total	9,959,000.00

(IV) Accounts receivable (which should be provided by key subsidiaries for 2019)

Category	Closing Balance				Opening Balance			
	Carrying Balance		Provision for Bad Debts		Carrying Balance		Provision for Bad Debts	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable with a significant single amount and individually made a provision for bad debts	455,100,070.28	25.40	455,100,070.28	100.00	455,100,070.28	22.59	455,100,070.28	100.00
Accounts receivable made a provision for bad debts according to credit risk characteristics								
Combination 1: Aging combination	1,306,403,987.29	72.91	113,062,399.57	8.65	1,119,118,205.34	55.53	102,836,484.00	9.19
Combination 2: No-risk combination	26,287,222.31	1.47			437,201,623.61	21.69		
Subtotal of combination	1,332,691,209.60	74.38	113,062,399.57	8.48	1,556,319,828.95	77.22	102,836,484.00	6.61
Accounts receivable without a significant single amount but individually made a provision for bad debts	3,893,477.52	0.22	3,893,477.52	100.00	3,893,477.52	0.19	3,893,477.52	100.00
Total	1,791,684,757.40	100	572,055,947.37		2,015,313,376.75	100	561,830,031.80	

1. Closing accounts receivable with a significant single amount and individually made a provision for bad debts

Name of Debtor	Carrying Balance	Provision for Bad Debts	Aging	Accrual Proportion (%)	Reason for Accrual
Debt package of Oriental Company	74,988,685.60	74,988,685.60	Over 3 years	100.00	Unexpected to recover
Debt package of Xinda Company	216,556,175.72	216,556,175.72	Over 3 years	100.00	Unexpected to recover
Debt package of Huarong Company	163,555,208.96	163,555,208.96	Over 3 years	100.00	Unexpected to recover
Total	455,100,070.28	455,100,070.28			

2. Accounts receivable made a provision for bad debts according to credit risk characteristics

(1) Accounts receivable made a provision for bad debts in the aging analysis method

Aging	Closing Balance			Opening Balance		
	Carrying Balance		Provision for Bad Debts	Carrying Balance		Provision for Bad Debts
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year	1,158,608,708.20	88.69	57,930,435.41	914,651,010.20	81.73	45,732,550.51
1 to 2 years	38,245,978.10	2.93	3,824,597.81	96,079,773.50	8.59	9,607,977.35
2 to 3 years	17,336,420.73	1.33	5,200,926.22	33,488,773.40	2.99	10,046,632.02
Over 3 years	92,212,880.26	7.05	46,106,440.13	74,898,648.24	6.69	37,449,324.12
Total	1,306,403,987.29	100.00	113,062,399.57	1,119,118,205.34	100.00	102,836,484.00

(2) Accounts receivable made a provision for bad debts in other combination methods

Item	Closing Balance			Opening Balance		
	Carrying Balance	Accrual Proportion (%)	Provision for Bad Debts	Carrying Balance	Accrual Proportion (%)	Provision for Bad Debts
No-risk combination	26,287,222.31	—		437,201,623.61	—	
Total	26,287,222.31	—		437,201,623.61	—	

3. Closing accounts receivable without a significant single amount but individually made a provision for bad debts

Name of Debtor	**Carrying Balance**	**Provision for Bad Debts**	**Aging**	**Accrual Proportion (%)**	**Reason for Accrual**
Long-term dormant account	3,893,477.52	3,893,477.52	Over 3 years	100.00	Unexpected to recover
Total	3,893,477.52	3,893,477.52			

4. Accounts receivable of Top 5 closing balance according to debt collection

Name of Debtor	**Relation with the Company**	Amount in Arrears	Years in Arrears	Proportion to Total Accounts Receivable (%)
Changshu Traffic Engineering Management Office	Unrelated party	226,770,979.94	Within 1 year	12.66
China Nuclear Industry Huaxing Construction Co., Ltd.	Unrelated party	51,322,873.80	Within 1 year	2.86
Zhejiang Linjin Expressway Co., Ltd.	Unrelated party	46,292,668.00	Within 1 year	2.58
Jiangsu Dewo Construction Development Co., Ltd.	Unrelated party	38,322,959.59	Within 1 year	2.14
Taizhou Coastal High Speed Command	Unrelated party	34,805,338.00	Within 1 year	1.94
Total		397,514,819.33		22.18

(V) Accounts prepaid

1. Accounts prepaid by aging

Aging	**Closing Balance**			**Opening Balance**		
	Carrying Balance		**Provision for Bad Debts**	**Carrying Balance**		**Provision for Bad Debts**
	Amount	**Proportion (%)**		**Amount**	**Proportion (%)**	
Within 1 year	889,920,858.34	94.78		1,077,998,019.48	95.77	
1 to 2 years	4,034,252.08	0.43		4,304,980.29	0.38	
2 to 3 years	2,552,331.15	0.27		4,371,754.28	0.39	

Aging	Closing Balance			Opening Balance		
	Carrying Balance		Provision for Bad Debts	Carrying Balance		Provision for Bad Debts
	Amount	Proportion (%)		Amount	Proportion (%)	
Over 3 years	42,460,799.74	4.52		38,911,759.72	3.46	
Total	938,968,241.31	100.00		1,125,586,513.77	100.00	

2. Accounts prepaid of Top 5 closing balance according to accounts prepaid object

Unit Name	Relation with the Company	Amount in Arrears	Years in Arrears	Reason for Non-settlement
Zhenjiang Baixiang Trading Co., Ltd.	Unrelated party	164,610,103.10	Within 1 year	Payment for goods
Zhoushan Huacai Petrochemical Co., Ltd.	Unrelated party	106,559,225.47	Within 1 year	Payment for goods
Gassan Abo Auto Trading Company	Unrelated party	47,838,701.73	Within 1 year	Payment for goods
Zhejiang Zhoushan Zhongsheng Petrochemical Co., Ltd.	Unrelated party	38,748,172.07	Within 1 year	Payment for goods
Zhenjiang City Construction Industry Group Co., Ltd.	Unrelated party	35,000,000.00	Within 1 year	Payment for goods
Total		392,756,202.37		

(VI) Other receivables

Item	Closing Balance	Opening Balance
Other receivables	9,673,073,090.28	8,484,154,671.23
Interest receivable	17,209,578.68	6,727,057.70
Dividend receivable	53,710,421.41	33,230,000.00
Total	9,743,993,090.37	8,524,111,728.93

(1) Interest receivable

Item	Closing Balance	Opening Balance
Interest on borrowings receivable	17,209,578.68	6,727,057.70
Total	17,209,578.68	6,727,057.70

(2) Dividend receivable

Item	Opening Balance	Increase in the Year	Decrease in the Year	Closing Balance	Reason for Non-recovery	Impairment or Not
Dividend receivable	33,230,000.00	51,995,122.37	31,514,700.96	53,710,421.41	Stock pledge interest	No
Total	33,230,000.00	51,995,122.37	31,514,700.96	53,710,421.41		

(3) Other receivables

① Disclosed by category

Category	Closing Balance			Opening Balance		
	Carrying Balance		Provision for Bad Debts	Carrying Balance		Provision for Bad Debts
	Amount	Proportion (%)	Amount	Amount	Proportion (%)	Amount
Other receivables with a significant single amount and individually made a provision for bad debts						
Other receivables made a provision for bad debts according to credit risk characteristics						
Combination 1: Aging combination	2,230,683,971.42	22.35	306,804,605.32	1,140,932,092.87	13.09	232,758,469.68
Combination 2: No-risk combination	7,749,193,724.18	77.65		7,575,981,048.04	86.91	
Subtotal of combination	9,979,877,695.60	100.00	306,804,605.32	8,716,913,140.91	100.00	232,758,469.68
Other receivables without a significant single amount but individually made a provision for bad debts						

Total	9,979,877,695.60	100.00	306,804,605.32	8,716,913,140.91	100.00	232,758,469.68

② Other receivables made a provision for bad debts according to credit risk characteristics

A. Other receivables made a provision for bad debts in the aging analysis method

Aging	Closing Balance			Opening Balance		
	Carrying Balance		Provision for Bad Debts	Carrying Balance		Provision for Bad Debts
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year	1,531,604,477.80	68.66	76,580,223.89	526,419,586.60	46.14	26,320,979.33
1 to 2 years	229,064,910.30	10.27	22,906,491.03	170,504,385.00	14.94	17,050,438.50
2 to 3 years	138,447,006.30	6.21	41,534,101.89	163,085,043.93	14.29	48,925,513.18
Over 3 years	331,567,577.02	14.86	165,783,788.51	280,923,077.34	24.62	140,461,538.67
Total	2,230,683,971.42	100.00	306,804,605.32	1,140,932,092.87	100.00	232,758,469.68

B. Other receivables made a provision for bad debts in other combination methods

Item	Closing Balance			Opening Balance		
	Carrying Balance	Accrual Proportion (%)	Provision for Bad Debts	Carrying Balance	Accrual Proportion (%)	Provision for Bad Debts
No-risk combination	7,749,193,724.18			7,575,981,048.04		
Total	7,749,193,724.18			7,575,981,048.04		

③ Other receivables of Top 5 closing balance according to debt collection

Name of Debtor	Relation with the Company	Amount in Arrears	Years in Arrears	Proportion to Total Other Accounts (%)
Zhenjiang Automobile Industry Investment Co., Ltd.	Third party	1,891,635,087.84	Within 1 year	34.50
Zhenjiang Automobile Industry Investment Co., Ltd. BAIC Project	Third party	1,551,129,563.87		
Zhenjiang Municipal Financial Bureau	Administrative organ	2,336,250,000.00	Within 3 years	23.41
Zhenjiang Urban Development Investment Group Corporation	Third party	1,233,000,000.00	Within 1 year	12.35
Zhenjiang State-owned Assets Supervision and Administration Commission	Administrative organ	400,000,000.00	Within 2 year	4.01
Zhenjiang Dongfang Technical School	Third party	335,922,096.61	Over three years	3.37
Total		7,747,936,748.32		77.64

(VII) Inventories

Item	Closing Balance			Opening Balance		
	Carrying Balance	Falling Price Reserves	Carrying Value	Carrying Balance	Falling Price Reserves	Carrying Value
Raw materials	219,268,451.71		219,268,451.71	263,579,993.44		263,579,993.44
Finished products	420,876,348.15		420,876,348.15	162,793,319.61		162,793,319.61
Stock items	65,293,423.55	12,345,840.04	52,947,583.51	223,604,838.53	8,926,118.67	214,678,719.86
Products in process	129,551,556.69		129,551,556.69	192,254,819.14		192,254,819.14
Low-value consumables	17,539,070.50		17,539,070.50	2,381,425.87		2,381,425.87
Development costs	5,691,061,707.74		5,691,061,707.74	6,155,369,097.14		6,155,369,097.14

Item	Closing Balance			Opening Balance		
	Carrying Balance	Falling Price Reserves	Carrying Value	Carrying Balance	Falling Price Reserves	Carrying Value
Developed products	239,089,831.08		239,089,831.08	102,056,327.44		102,056,327.44
Engineering construction	3,275,912,294.99		3,275,912,294.99	3,044,189,734.08		3,044,189,734.08
Total	10,058,592,684.41	12,345,840.04	10,046,246,844.37	10,146,229,555.25	8,926,118.67	10,137,303,436.58

(VIII) Non-current assets due within one year

Item	Closing Balance	Opening Balance
Long-term receivables due within one year	96,503,792.22	119,241,578.70
Total	96,503,792.22	119,241,578.70

(IX) Other current assets

Item	Closing Balance	Opening Balance
VAT to be deducted	94,858,988.70	29,811,995.03
Export tax rebate / factoring receivable	36,000,000.00	9,000,000.00
Entrusted loan	17,289,414.39	51,482,149.00
Insurance premiums	28,163,807.76	2,044,556.12
Financial lease security	490,000,000.00	578,700,000.00
Acting business assets	13,419,387.79	91,300,000.00
Interest expenses		58,761,321.14
Financial products	41,079,648.82	5,339,208.39
Other deferred expenses	3,002,882.95	5,533,244.63
Total	723,814,130.41	831,972,474.31

(X) Available-for-sale financial assets

1. Details

Item	Closing Balance			Opening Balance		
	Carrying Balance	Provision for Impairment	Carrying Value	Carrying Balance	Provision for Impairment	Carrying Value
Available-for-sale debt instruments						
Available-for-sale equity instruments	3,483,761,919.57		3,483,761,919.57	3,084,788,796.47		3,084,788,796.47
Measured at fair value	1,011,501,253.44		1,011,501,253.44	848,979,887.82		848,979,887.82
Measured at cost	2,472,260,666.13		2,472,260,666.13	2,235,808,908.65		2,235,808,908.65
Total	3,483,761,919.57		3,483,761,919.57	3,084,788,796.47		3,084,788,796.47

2. Closing details

Investee	Investment Ratio %	Carrying Balance			
		Opening Balance	Current Increase	Current Decrease	Closing Balance
Jiangsu Port Group Co., Ltd.	4.19%	1,188,000,000.00			1,188,000,000.00
Fulan Equity Investment Partnership (Limited Partnership) in Ningbo Meishan Free Trade Zone	26.46%	90,000,000.00			90,000,000.00

Rudong Xinquan New Materials Equity Investment Fund Partnership (Limited Partnership)	28.14%	37,000,000.00			37,000,000.00
Zhenjiang Puhe Equity Investment Fund Partnership (Limited Partnership)	28.37%	20,000,000.00	20,000,000.00		40,000,000.00
Jiangsu Liquan Anpeng Advanced Manufacturing Industry Investment Fund (Limited Partnership)	30.00%	15,000,000.00	60,000,000.00		75,000,000.00
Yangtze River Economic Joint Development (Group) Co., Ltd.	0.37%	2,882,080.72			2,882,080.72
Nanjing Changjiang Development Co., Ltd.	0.68%	1,222,718.99			1,222,718.99
Zhenjiang Rural Commercial Bank	13.54%	20,512,800.00			20,512,800.00
Zhenjiang Rural Commercial Bank (SDIC Ventures)		25,012,800.00			25,012,800.00
Zhenjiang Rural Commercial Bank (Hengshun)		13,689,000.00			13,689,000.00
Jiangsu Jiecheng Vehicle Electronic Information Engineering Co., Ltd.	8.18%	18,942,005.28			18,942,005.28
Zhenjiang Shuanghuan Auto Parts	10.00%	5,000,000.00		5,000,000.00	
Bank of Jiangsu	1.29%	786,893,425.68	167,396,088.88		954,289,514.56
Bank of Jiangsu (Hengshun)		5,857,178.94	1,245,999.54		7,103,178.48
Aojie International Trade Co., Ltd.	10.00%	238,000.00			238,000.00
Zhenjiang Peilei Matrix Technology Development Co., Ltd.	20.00%	2,000,000.00		2,000,000.00	
Hualing Coating Co., Ltd.	0.89%	114,000.00		114,000.00	
Jiangsu Jiangnan Diene Graphene Technology Co., Ltd.	4.00%	600,000.00		600,000.00	
Zijin Property Insurance Co., Ltd.	1.25%	31,500,000.00			31,500,000.00
Jiangsu Weiteng Busbar Co., Ltd.	16.00%	86,493,050.00			86,493,050.00
Aerospace High-tech (Zhenjiang) Venture Capital Co., Ltd.	18.00%	88,000,000.00	82,252,252.00		170,252,252.00
Aerospace High-tech (Zhenjiang) Venture Capital Co., Ltd. (A small loan company)		12,000,000.00	11,216,216.00		23,216,216.00
Aerospace High-tech (Suzhou) Venture Capital Management Co., Ltd.	5.60%	80,000,000.00			80,000,000.00
Bank of Communications Culture (Shanghai) Equity Investment Fund Partnership	5.00%	53,000,000.00			53,000,000.00
Zhenjiang Runyu Biological Technology Development Co., Ltd.	6.58%	5,000,000.00		2,710,000.00	2,290,000.00
Zhenjiang Junding Xieli Venture Capital Co., Ltd.	8.33%	12,500,113.43			12,500,113.43
Zhenjiang Yinhe Venture Capital Co., Ltd.	10.00%	15,000,000.00		5,250,000.00	9,750,000.00
Hailong Nuclear Material Technology (Jiangsu) Co., Ltd.	5.17%	7,200,000.00			7,200,000.00
Zhenjiang Kangchengheng Venture Capital Partnership (Limited Partnership)	11.49%	4,000,000.00			4,000,000.00
Zhenjiang University Campus Technology Small Loan Co., Ltd.	5.00%	10,000,000.00			10,000,000.00
Zhenjiang Zhongjin Guoxin Technology Micro-loan Company	15.00%	22,500,000.00			22,500,000.00
Zhenjiang Automobile Group Co., Ltd.	10.00%	3,000,000.00			3,000,000.00
Zhenjiang Xiaocun Hanxin Investment Management Co., Ltd.	8.00%	160,000.00		160,000.00	
Zhenjiang Chuanshan Mining Group Co., Ltd.	3.75%	810,000.00			810,000.00
Hangzhou Antong Equity Investment Fund Partnership (Limited Partnership)	97.56%	40,000,000.00			40,000,000.00
Zhenjiang Letai Digital Industry Venture Capital Fund Partnership	38.88%	14,420,000.00			14,420,000.00
Jiangsu Quanzhen Optical Technology Co., Ltd.	2.90%	5,000,000.00			5,000,000.00
Jiangsu Huadian Qishuyan Power Generation Co., Ltd.	15.66%	24,164,250.00			24,164,250.00
Zhuhai Hengqin Tianrun Hongchang Equity Investment Partnership (Limited Partnership)	47.57%	50,000,000.00		50,000,000.00	
Jiangsu Tongling Electric Co., Ltd.	3.83%	47,937,524.64			47,937,524.64
Shenzhen Hongyuan Taiping Fund (Mindray Medical)	15.00%	45,000,000.00		45,000,000.00	
Shenzhen Qingsong Phase III Equity Investment Fund Partnership (Limited Partnership)	4.64%	33,831,665.59	14,682,289.48		48,513,955.07
Nuode Logistics Co., Ltd.	4.02%	22,000,000.00	2,000,000.00		24,000,000.00

Shenzhen Hechuang Intelligent and Healthy Venture Capital Fund (Limited Partnership)	14.28%	50,000,000.00			50,000,000.00
Zhenjiang Zhirun Intelligent Manufacturing Industry Investment Fund Partnership (Limited Partnership)	35.56%	16,000,000.00			16,000,000.00
Fund Investment by Jiangsu Anpeng Investment Management Co., Ltd.	24.00%	1,836,000.00			1,836,000.00
Fund Investment by Shanghai Suishuo Investment Partnership (Limited Partnership)	24.85%	12,000,000.00	28,000,000.00		40,000,000.00
Aerospace Electronics	0.16%	34,229,283.20		8,120,722.80	26,108,560.40
Aerospace Huachuang Industrial Development Jiangsu Company	2.86%	14,242,900.00			14,242,900.00
Jiangsu Sopo Port Group Co., Ltd.	2.01%	10,000,000.00			10,000,000.00
Jiangsu United Credit Reference Co., Ltd.	2.00%		10,000,000.00		10,000,000.00
Jiangsu Shengyu Heike Medical & Health Investment Fund (limited partnership)	20.00%		80,000,000.00		80,000,000.00
Zhenjiang Dingqiang Intelligent Manufacturing Investment Partnership (limited partnership)	99.00%		1,732,500.00		1,732,500.00
Jiguang Dadong Special Paper (Zhenjiang) Co., Ltd.	40.00%		6,600,000.00		6,600,000.00
Zhejiang Sanshui Liuqi	10.00%		31,730,000.00		31,730,000.00
Zhenjiang Heda Artificial Intelligence Industry Fund Partnership (limited partnership)	1.00%		205,000.00		205,000.00
Zhenjiang Dingqiang Intelligent Manufacturing Investment Partnership (limited partnership)	1.00%		17,500.00		17,500.00
Zhenjiang Industrial Development Guidance Fund (limited partnership)	1.00%		850,000.00		850,000.00
Total		3,084,788,796.47	517,927,845.9	118,954,722.80	3,483,761,919.57

3. Description of the enterprises whose investment ratio is over 20%

	Investment Ratio	Description
Zhenjiang Letai Digital Industry Venture Capital Fund	38.88%	Limited partner of fund partnership under regular distribution of income
Hangzhou Antong Equity Investment Fund Partnership	97.56%	Limited partner of fund partnership under regular distribution of income
Jiguang Dadong Special Paper (Zhenjiang) Co., Ltd.	40.00%	Having no significant impact on financial and production and operation policies
Zhenjiang Zhirun Intelligent Manufacturing Industry Investment Fund	35.56%	Limited partner of fund partnership under regular distribution of income
Fund of Jiangsu Anpeng Investment Management Co., Ltd.	24.00%	Limited partner of fund partnership under regular distribution of income
Fund Investment by Shanghai Suishuo Investment Partnership	24.85%	Limited partner of fund partnership under regular distribution of income
Fulan Equity Investment Partnership (Limited Partnership) in Ningbo Meishan Free Trade Zone)	26.46%	Limited partner of fund partnership under regular distribution of income
Rudong Xinquan New Materials Equity Investment Fund Partnership (Limited Partnership)	28.14%	Limited partner of fund partnership under regular distribution of income
Zhenjiang Puhe Equity Investment Fund Partnership (Limited Partnership)	28.37%	Limited partner of fund partnership under regular distribution of income
Jiangsu Liquan Anpeng Advanced Manufacturing Industry Investment Fund (Limited Partnership)	30.00%	Limited partner of fund partnership under regular distribution of income
Jiangsu Shengyu Heike Medical & Health Investment Fund (limited partnership)	20.00%	Limited partner of fund partnership under regular distribution of income
Zhenjiang Dingqiang Intelligent Manufacturing Investment Partnership (limited partnership)	99.00%	Limited partner of fund partnership under regular distribution of income

(XI) Held-to-maturity investment

1. Details

Item	Closing Balance			Opening Balance		
	Carrying Balance	Provision for Impairment	Carrying Value	Carrying Balance	Provision for Impairment	Carrying Value
Bond Investment of Zhenjiang Grand Restaurant	1,250,000.00		1,250,000.00	1,250,000.00		1,250,000.00

Item	Closing Balance			Opening Balance		
19 Zh.Ch. 04	132,975,492.00		132,975,492.00			
Total	134,225,492.00		134,225,492.00	1,250,000.00		1,250,000.00

Note: after the 10th meeting of the 7th board of directors held on Aug. 06, 2019, Jiangsu Hengshun Vinegar Co., Ltd., a subsidiary of the Company, deliberated and passed the Proposal on *Subscribing Corporate Bonds of Zhenjiang Urban Construction Industry Group Co., Ltd. for Non-public Issuance Corporate Bond in 2019*, and agreed to use its own idle funds to subscribe for *Zhenjiang Urban Construction Industry Group Co., Ltd.* non-public issuance of corporate bonds in 2019 (the fourth issue). The term of the bond is three years, with the option of interest rate adjustment of the issuer and the option of investors to sell back at the end of the first and second year. The face value of the bond is 100 yuan, and it is issued according to the face value: simple interest is adopted, and the interest is calculated annually without compound interest. The interest is paid once a year, and the principal is repaid once at maturity. The last interest is paid together with the cash of the principal, and the cash date is August 09, 2022.

(XII) Long-term accounts receivable

Item	Closing Balance	Opening Balance
Finance lease receivables	224,700,170.46	309,148,305.56
Total	224,700,170.46	309,148,305.56

(XIII) Long-term equity investment

1. Classification

Item	Opening Balance	Increase in the Year	Decrease in the Year	Closing Balance
Investments in joint ventures				
Investments in associates	19,147,202,806.86	823,194,775.44	140,443,323.61	19,829,954,258.69
Subtotal	19,147,202,806.86	823,194,775.44	140,443,323.61	19,829,954,258.69
Less: Provision for impairment of long-term equity investment				
Total	19,147,202,806.86	823,194,775.44	140,443,323.61	19,829,954,258.69

2. Details

Investee	Opening Balance	Investment Ratio %	Current Movement								Closing Balance
			Additional Investment	Reduced Investment	Investment Gains and Losses Recognized under the Equity Method	Adjustment to Other Comprehensive Income	Other Equity Changes	Cash Dividend or Profit Declared	Provision for Impairment	Others	
Associates:											
Zhenjiang Transportation Industry Group Co., Ltd.	18,548,815,643.71	45.00			348,386,193.74	-70,661,115.00	314,822,385.35				19,141,363,107.80
Zhenjiang Tianrun Pawn Co., Ltd.	6,534,867.76	25.00			-1,584,705.14						4,950,162.62
Zhenjiang Chuanshan Limestone Mine Co., Ltd.	315,783,303.92	20.00		9,309,598.48	87,335,021.22		-7,323,442.42				386,485,284.24
Zhenjiang Guoguang Cultural Tourism Operation Co., Ltd.	420,062.56	45.00			-3.69						420,058.87
Hongtu Venture Capital Company	15,168,012.68	27.27		5,454,546.00	-524,099.94	-5,974.49					9,183,392.25
Yangzhong Venture Capital Company	26,506,418.88	23.26			1,338,452.08						27,844,870.96
Zhenjiang Leading Talent Innovation Venture Capital Co., Ltd.	30,408,272.49	45.00			-219,445.58	-7,010,250.84					23,178,576.07
Zhejiang Sanshui Liuqi	31,730,000.00	10.00		31,730,000.00							0.00
Zhenjiang Huanyu Technical Service Co., Ltd.	371,667.26	20.00		371,667.26							0.00
Zhenjiang Huatai Solid Waste Storage and Recycling Company	741,071.54	25.00		741,071.54							0.00
Zhenjiang Runtai Cycle Technology Co., Ltd.	15,159,100.00	15.00		15,159,100.00							0.00
Jiangsu Hengshun Jieyuan Investment Development Co., Ltd.	4,019,778.73	33.33			-4,019,778.73						0.00
Zhenjiang Hengxin Pharmaceutical Co., Ltd.	15,750,024.53	44.88			-15,750,024.53						0.00
Zhenjiang Hengshun Glass Products Co., Ltd.	1,298,048.04	30.00			-742,551.35						555,496.69
Jiangsu Hengshun Financial Guarantee Co., Ltd.	50,746,285.41	48.00			-3,202,220.03						47,544,065.38
Jiangsu Wenrun Optoelectronics Co., Ltd.	46,916,786.36	25.47			-2,626,441.07						44,290,345.29
Zhenjiang Xingfu Commune Asset Management Co., Ltd.	391,088.85	40.00			-391,088.85						0.00
Zhenjiang Renji Medical Development Co., Ltd.	4,264,002.66	51.00			394,939.12						4,658,941.78
Zhenjiang Gaotou Venture Capital Co., Ltd.	24,593,082.57	24.00			-69,995.18						24,523,087.39

Jiangsu Hengshun Zhenjiang International Trade Co., Ltd.	7,585,288.91	50.00			819,307.37						8,404,596.28
Hangzhou Qiying Holding Management Co., Ltd.		40.00	2,000,000.00		11,733,363.20						13,733,363.20
Zhenjiang Henghua Color Printing & Packaging Co., Ltd.		45.37	121,835,940.08		-29,017,030.21						92,818,909.87
Total	19,147,202,806.86		123,835,940.08	62,765,983.28	391,859,892.43	-77,677,340.33	307,498,942.93				19,829,954,258.69

(XIV) Investment real estate

1. Investment real estate measured at fair value

Item	Houses and Buildings (Closing)	Houses and Buildings (Opening)
I. Opening balance	394,211,807.25	345,681,507.25
II. Changes in the year	1,716,600.00	48,530,300.00
More: Outsourcing	1,654,486.17	
Transfer in from inventories, fixed assets and construction in progress		
Increase in business combinations		
Less: Disposal		
Other transfer-out		
Changes in fair value	62,113.83	48,530,300.00
III. Closing balance	395,928,407.25	394,211,807.25

2. There is no closing investment real estate completed warrant

(XV) Fixed assets

Item	Closing Balance	Opening Balance
Fixed assets	2,976,311,442.47	2,880,861,174.91
Disposal of fixed assets	36,391,640.47	59,435,504.40
Total	3,012,703,082.94	2,940,296,679.31

(1) Movements of fixed assets

Item	House and Buildings	Mechanical Equipment	Transport Equipment	Electronic Equipment	Other Equipment	Total
I. Original book value						
1. Opening balance	2,090,677,473.91	2,257,052,574.68	53,883,931.01	131,112,121.65	23,148,514.80	4,555,874,616.05
2. Current increase	348,198,203.83	188,879,104.92	13,666,817.93	6,152,144.50	1,620,775.13	558,517,046.31
(1) Outsourcing		188,879,104.92	7,415,659.93	6,075,696.40	1,620,775.13	203,991,236.38
(2) Transfer-in from construction in progress	348,198,203.83					348,198,203.83
(3) Increase in corporate combinations			6,251,158.00	76,448.10	0.00	6,327,606.10
3. Current decrease	174,241,011.09	380,685,153.23	10,128,074.84	5,771,077.39	129,200.57	570,954,517.12
(1) Disposal or retirement	46,375,751.12	68,567,529.15	8,367,485.19	4,621,770.10	129,200.57	128,061,736.13
(2) Other transfer-out						0.00
(3) Transfer-out of corporate combinations	127,865,259.97	312,117,624.08	1,760,589.65	1,149,307.29	0.00	442,892,780.99
4. Closing balance	2,264,634,666.65	2,065,246,526.37	57,422,674.10	131,493,188.76	24,640,089.36	4,543,437,145.24
II. Accumulated depreciation						
1. Opening balance	424,390,979.23	944,409,977.84	38,149,559.62	82,810,074.20	5,252,850.25	1,495,013,441.14

Item	House and Buildings	Mechanical Equipment	Transport Equipment	Electronic Equipment	Other Equipment	Total
2. Current increase	79,081,757.09	144,469,006.62	11,967,416.65	11,145,522.97	4,438,348.44	251,102,051.77
(1) Accrual	79,081,757.09	144,469,006.62	4,280,901.00	11,093,262.40	3,693,483.78	242,618,410.89
(2) Merger increase			6,251,158.00	52,260.57	0.00	6,303,418.57
(3) Others			1,435,357.65		744,864.66	2,180,222.31
3. Current decrease	72,346,499.14	273,293,309.65	8,126,770.10	5,153,799.24	69,412.01	358,989,790.14
(1) Disposal or retirement	6,483,246.08	37,042,168.98	6,605,748.22	3,526,625.22	69,412.01	53,727,200.51
(2) Other transfer-out	1,938,165.70	1,762,264.50	0.00	680,811.97	0.00	4,381,242.17
(3) Merger transfer-out	63,925,087.36	234,488,876.17	1,521,021.88	946,362.05	0.00	300,881,347.46
4. Closing balance	431,126,237.18	815,585,674.81	41,990,206.17	88,801,797.93	9,621,786.68	1,387,125,702.77
III. Provision for impairment						
1. Opening balance		180,000,000.00				180,000,000.00
2. Current increase						
(1) Accrual						
3. Current decrease						
(1) Disposal or retirement						
(2) Other transfer-out						
4. Closing balance		180,000,000.00				180,000,000.00
IV. Carrying value						
Closing carrying value	1,833,508,429.47	1,069,660,851.56	15,432,467.93	42,691,390.83	15,018,302.68	2,976,311,442.47
Opening carrying value	1,666,286,494.68	1,132,642,596.84	15,734,371.39	48,302,047.45	17,895,664.55	2,880,861,174.91

(2) Disposal of fixed assets

Item	Closing Balance	Opening Balance	Reason for Disposal
Disposal of real estate and equipment in Zhongshan Road Plant of Hengshun Vinegar Co., Ltd.	36,391,640.47	59,435,504.40	
Total	36,391,640.47	59,435,504.40	

According to Document Zh.G.Z.Ch. [2009] No. 10 *Approval Requirements for Disposal of Assets at the Old Factory Area of Hengshun Group* as issued by Zhenjiang SASAC, the factory area at No. 84, Zhongshan West Road was relocated as a whole, and all the houses, buildings and mechanical equipment have been demolished in 2011. The net carrying value of this part of buildings above the ground was RMB 9.216 million, the net carrying value of the land was RMB 27.082 million, the disposal expenses incurred was RMB RMB 93,600.00.

(XVI) Construction in progress

Item	Closing Balance	Opening Balance
Construction in progress	338,184,420.89	341,688,572.79

Item	Closing Balance	Opening Balance
Project materials	-	-
Total	338,184,420.89	341,688,572.79

1. Details

Item	Closing Balance			Opening Balance		
	Carrying Balance	Falling Price Reserves	Carrying Value	Carrying Balance	Falling Price Reserves	Carrying Value
Feichi automobile project	14,906,277.41		14,906,277.41	12,680,897.29		12,680,897.29
Titanium dioxide project				37,145,764.86		37,145,764.86
Sauce and vinegar products project	75,869,683.94		75,869,683.94	29,597,771.50		29,597,771.50
Paper products project	36,158,173.79		36,158,173.79	86,454,307.98		86,454,307.98
Others	132,919,100.55		132,919,100.55	124,101,536.83		124,101,536.83
Chemical materials project	78,331,185.20		78,331,185.20	51,708,294.33		51,708,294.33
Total	338,184,420.89		338,184,420.89	341,688,572.79		341,688,572.79

(XVII) Intangible assets

1. Details

Item	Land Use Rights	Software	Trademark	Others	Total
I. Original book value					
1. Opening balance	563,800,808.55	11,560,297.72	3,306,000.00	1,550,000.00	580,217,106.27
2. Current increase	5,426,138.85	3,119,519.36			8,545,658.21
(1) Purchase	5,426,138.85	3,119,519.36			8,545,658.21
3. Current decrease	165,393,947.10	6,885.50	2,500,000.00	1,550,000.00	169,450,832.60
(1) Disposal					
(2) Other transfer-out	165,393,947.10	6,885.50	2,500,000.00	1,550,000.00	169,450,832.60
4. Closing balance	403,833,000.30	14,672,931.58	806,000.00		419,311,931.88
II. Accumulated amortization					
1. Opening balance	74,013,466.13	7,015,639.94	1,799,999.96	1,550,000.00	84,379,106.03
2. Current increase	8,576,212.51	2,405,306.40			10,981,518.91
(1) Amortization	8,576,212.51	2,405,306.40			10,981,518.91
3. Current decrease	37,104,302.21		993,999.96	1,550,000.00	39,648,302.17
(1) Disposal					
(2) Other transfer out	37,104,302.21		993,999.96	1,550,000.00	39,648,302.17
4. Closing balance	45,485,376.43	9,420,946.34	806,000.00		55,712,322.77

Item	Land Use Rights	Software	Trademark	Others	Total
III. Provision for impairment					
1. Opening balance					
2. Current increase					
(1) Provision					
3. Current decrease					
(1) Disposal					
4. Closing balance					
IV. Carrying value					
Closing carrying value	358,347,623.87	5,251,985.24			363,599,609.11
Opening carrying value	489,787,342.42	4,544,657.78	1,506,000.04		495,838,000.24

(XVIII) Goodwill

1. Original value

Name of Investee or Goodwill Matter	Opening Balance	Current Increase		Current Decrease		Closing Balance
		Corporate combination	Other	Disposal	Other	
Zhenjiang Hengxin Biological Technology Co., Ltd.	303,621.72					303,621.72
Zhenjiang Hengshun Beverage Co., Ltd.	424,387.22					424,387.22
Total	728,008.94					728,008.94

2. Original value

Name of Investee or Goodwill Matter	Opening Balance	Current Increase		Current Decrease		Closing Balance
		Provision	Other	Disposal	Other	
Zhenjiang Hengxin Biological Technology Co., Ltd.	303,621.72					303,621.72
Zhenjiang Hengshun Beverage Co., Ltd.	424,387.22					424,387.22
Total	728,008.94					728,008.94

(XIX) Long-term expenses to be deferred

Item	Opening Balance	Current Increase	Current Amortization	Current Other Decrease	Closing Balance	Reason for Other Decrease
Renovation costs	7,535,496.46	714,370.25	1,023,306.04	2,821,075.98	4,405,484.69	Merger transfer-out
Equipment testing fee	62,255,791.73	30,216,592.61	38,935,538.61	1,841,187.06	51,695,658.67	Merger transfer-out
Announcement fee	1,336,030.07	185,321.10	1,336,030.07		185,321.10	
Compensation	780,516.30	63,849.56	639,745.82		204,620.04	
Financing expenses	20,007,533.33	31,461,281.05	26,628,589.28		24,840,225.10	
Total	91,915,367.89	62,641,414.57	68,563,209.82	4,662,263.04	81,331,309.60	

(XX) Deferred income tax assets and deferred income tax liabilities

1. Net amount of deferred income tax assets and deferred income tax liabilities not allowed to offset

Item	Closing Balance		Opening Balance	
	Deferred Income Tax Assets / Liabilities	Deductible / Taxable Temporary Differences	Deferred Income Tax Assets / Liabilities	Deductible / Taxable Temporary Differences
Deferred income tax assets				
Provision for impairment of assets	105,971,845.10	423,887,380.40	97,991,795.50	391,966,182.07
Performance incentive fund	4,935,000.00	32,900,000.00	4,935,000.00	32,900,000.00
Deductible loss	236,577.29	946,309.16	2,637,931.08	10,551,724.34
Deferred income	3,016,885.39	18,195,902.62	1,969,209.99	11,811,399.93
Unrealized profit on inventory	2,108,312.12	10,071,144.81	1,710,478.01	6,841,912.04
Total	116,268,619.90	486,000,736.99	109,244,414.58	454,071,218.38
Deferred income tax liabilities				
Valuation of transactional financial instruments and derivative financial instruments	1,787,098.32	7,148,393.28	3,521,524.85	14,086,099.40
Changes in fair value of investment real estates	48,230,793.60	195,467,875.10	45,652,969.49	182,611,877.96
Total	50,017,891.92	202,616,268.38	49,174,494.34	196,697,977.36

(XXI) Other non-current assets

Item	Closing Balance	Opening Balance
Payment for long-term asset purchases	73,422,923.69	38,584,115.92
Total	73,422,923.69	38,584,115.92

(XXII) Short-term borrowings

1. Classification

Category	Closing Balance	Opening Balance
Pledge borrowings	15,000,000.00	348,164,580.91
Mortgage borrowings	173,459,748.42	633,500,000.00
Guarantee borrowings	3,716,586,958.24	3,273,837,850.80
Credit borrowings	16,954,617.67	106,890,000.00
Total	3,922,001,324.33	4,362,392,431.71

(XXIII) Notes payable

Category	Closing Balance	Opening Balance
Bank acceptance bills	2,173,082,237.95	979,692,138.00
Commercial acceptance bills	100,000,000.00	1,025,000,000.00
Total	2,273,082,237.95	2,004,692,138.00

The Group has no due and un-repaid notes payable at the end of the year.

(XXIV) Accounts payable

1. Details

Item	Closing Balance	Opening Balance
Within 1 year	1,618,738,663.72	1,518,269,442.96
1 to 2 years	108,757,221.52	107,954,021.55
2 to 3 years	29,392,205.53	22,127,497.76
Over 3 years	32,465,828.23	41,188,294.28
Total	1,789,353,919.00	1,689,539,256.55

2. There is no shareholder amount payable that holds over 5% (inclusive) of the voting shares of the Company in the closing balance.

3. There is no significant accounts payable aged over 1 year in the closing balance.

(XXV) Receipts in advance

1. Details

Item	Closing Balance	Opening Balance
Within 1 year	1,588,539,169.79	1,133,410,450.03
1 to 2 years	33,268,594.73	33,404,538.51
2 to 3 years	1,944,714.46	1,030,734.07
Over 3 years	15,442,725.94	13,041,131.40
Total	1,639,195,204.92	1,180,886,854.01

2. There is no shareholder amount received in advance that holds over 5% (inclusive) of the voting shares of the Company in the closing balance.

(XXVI) Staffs' salary payable

1. Details

Item	Opening Balance	Current Increase	Current Decrease	Closing Balance
Short-term remuneration	32,810,405.09	519,079,339.11	520,710,056.66	31,179,687.54
Post-employment benefits - defined contribution plan	128,562.36	55,164,162.54	55,007,165.32	285,559.58
Termination benefits				
Total	32,938,967.45	574,243,501.65	575,717,221.98	31,465,247.12

2. Short-term remuneration

Item	Opening Balance	Current Increase	Current Decrease	Closing Balance
Salaries, bonuses, allowances and subsidies	25,524,672.02	446,195,968.96	445,560,712.09	26,159,928.89
Employee welfare	1,510,762.43	25,248,472.10	26,693,947.66	65,286.87
Social insurance premiums	3,619,702.54	21,573,296.30	21,612,254.69	3,580,744.15
Wherein: Medical insurance premiums	3,619,702.54	18,335,016.95	18,373,975.34	3,580,744.15
Work-related injury insurance premiums		2,267,025.24	2,267,025.24	

Item	Opening Balance	Current Increase	Current Decrease	Closing Balance
Maternity insurance premiums		971,254.11	971,254.11	
Housing funds	162,771.00	20,573,697.57	20,273,238.57	463,230.00
Labor union funds and employee education funds	1,992,497.10	5,487,904.18	6,569,903.65	910,497.63
Total	32,810,405.09	519,079,339.11	520,710,056.66	31,179,687.54

3. Defined contribution plan

Item	Opening Balance	Current Increase	Current Decrease	Closing Balance
Basic endowment insurance premiums	128,562.36	54,313,037.16	54,156,039.94	285,559.58
Unemployment insurance premiums		851,125.38	851,125.38	
Enterprise annuity payment				
Total	128,562.36	55,164,162.54	55,007,165.32	285,559.58

(XXVII) Taxes and fees payable

Item	Closing Balance	Opening Balance
Added-value tax	2,327,415.06	5,138,592.30
Consumption tax	1,311,011.06	434,301.05
Corporate income tax	33,769,571.62	32,066,373.00
Urban maintenance and construction tax	348,314.61	2,626,862.51
Property tax	1,069,275.93	1,380,828.09
Individual income tax	427,898.20	1,114,362.92
Educational surcharge	217,057.47	1,870,948.97
Land use tax	1,014,094.51	1,035,442.15
Others	1,300,059.85	3,277,924.26
Total	41,784,698.31	48,945,635.25

(XXVIII) Other payables

Item	Closing Balance	Opening Balance
Other payables	3,221,924,335.70	4,885,161,583.42
Interest payable	442,279,346.28	337,888,331.49
Dividend payable	7,660,693.53	20,782,780.50
Total	3,671,864,375.51	5,243,832,695.41

(1) Interest payable

Item	Closing Balance	Opening Balance
Loan interest	82,237,965.52	46,880,127.20
Bond interest payable	360,041,380.76	291,008,204.29

Item	Closing Balance	Opening Balance
Total	442,279,346.28	337,888,331.49

(2) Dividend payable

Item	Closing Balance	Opening Balance	Reason for Non-payment over 1 Year
Due to other shareholders	7,660,693.53	20,782,780.50	To be paid at year end
Total	7,660,693.53	20,782,780.50	—

(3) Other payables

1. Listed by fund nature

Fund Nature	Closing Balance	Opening Balance
Security and deposits	8,527,686.05	8,434,257.14
Operating capital transactions	3,099,973,725.96	4,718,143,210.36
Long-term asset purchases payable	73,422,923.69	38,584,115.92
Others	40,000,000.00	120,000,000.00
Total	3,221,924,335.70	4,885,161,583.42

2. There is no shareholder amount payable that holds over 5% (inclusive) of the voting shares of the Company in the closing balance.
3. There are no significant other payables aged for more than 1 year.

(XXIX) Non-current liabilities due within one year

Item	Closing Balance	Opening Balance
Long-term borrowings due within one year	1,855,662,861.54	288,280,000.00
Bonds payable due within one year	2,497,715,644.49	2,495,374,999.88
Long-term payables due within one year		19,184,508.64
Other long-term liabilities due within one year		60,000,000.00
Total	4,353,378,506.03	2,862,839,508.52

Please refer to Note (XXXII) 2 for details of bonds payable due within one year

(XXX) Other current liabilities

Item	Closing Balance	Opening Balance
Short-term financial bonds	6,293,499,466.66	2,697,066,000.00
2019 Zhongda Security USD Bond [Note]	416,704,726.30	
Others	161,745,588.84	136,909,722.79
Total	6,871,949,781.80	2,833,975,722.79

Please refer to Note (XXXII) 2 for details of short-term financial bonds

Note: in March 2019, Hong Kong Yilian Technology Co., Ltd., a subsidiary of the Group, successfully issued US$ 60 million bonds with interest rate of 6.6%, value date of March 08, 2019 and maturity date of

March 05, 2020.

(XXXI) Long-term borrowings

1. Classification

Category	Closing Balance	Opening Balance
Pledge borrowings	400,000,000.00	1,077,522,965.71
Mortgage borrowings	1,255,370,000.00	1,891,540,000.00
Guarantee borrowings	1,947,305,084.99	2,367,000,000.00
Total	3,602,675,084.99	5,336,062,965.71

(XXXII) Bonds payable

1. Classification

Item	Closing Balance	Opening Balance
Bonds payable	3,713,034,573.15	3,504,573,904.38
Total	3,713,034,573.15	3,504,573,904.38

2. Movements

Item Name	Bond Period		Coupon Rate	Face Value	Interest Adjustment	Opening Balance	Face Value	Interest Adjustment	Closing Balance
	Value Date	Due Date							
Other current liabilities									
2018 Issue 4 ultra short-term financing bill	2018-4-27	2019-1-22	7.80%	300,000,000.00		300,000,000.00			
2018 Issue 6 ultra short-term financing bill	2018-7-25	2019-1-21	7.30%	500,000,000.00		500,000,000.00			
2018 Issue 7 ultra short-term financing bill	2018-8-3	2019-4-30	7.00%	500,000,000.00	684,000.00	499,316,000.00			
2018 Issue 8 short-term financing bill	2018-11-1	2019-7-29	6.80%	500,000,000.00	583,333.34	499,416,666.66			
2018 Issue 9 ultra short-term financing bill	2018-11-23	2019-8-20	6.80%	500,000,000.00	1,166,666.66	498,833,333.34			
2018 Issue 10 ultra short-term financing bill	2018-12-10	2019-4-9	6.80%	400,000,000.00	500,000.00	399,500,000.00			
2019 Issue 1 ultra short-term financing bill	2019-4-23	2020-4-23	5.37%				500,000,000.00	494,056.67	499,505,943.33
2019 Issue 2 ultra short-term financing bill	2019-6-3	2020-6-3	5.48%				700,000,000.00	1,162,704.43	698,837,295.57
2019 Issue 3 ultra short-term financing bill	2019-7-12	2020-7-12	5.50%				700,000,000.00	1,044,484.53	698,955,515.47
2019 Issue 4 ultra short-term financing bill	2019-11-18	2020-11-18	5.20%				500,000,000.00	1,250,000.00	498,750,000.00
2019 Issue 4 ultra short-term financing bill	2019-4-19	2020-1-14	5.20%				1,000,000,000.00		1,000,000,000.00
2019 Issue 5 ultra short-term financing bill	2019-4-30	2020-1-25	5.35%				400,000,000.00	123,371.09	399,876,628.91
2019 Issue 7 ultra short-term financing bill	2019-7-29	2020-4-24	5.30%				500,000,000.00	307,698.12	499,692,301.88
2019 Issue 8 ultra short-term financing bill	2019-9-19	2020-3-17	5.20%				500,000,000.00	368,218.50	499,631,781.50
2019 Issue 9 ultra short-term financing bill	2019-10-24	2020-7-20	5.20%				500,000,000.00	875,000.00	499,125,000.00
2019 Issue 10 ultra short-term financing bill	2019-11-28	2020-8-24	4.92%				500,000,000.00	875,000.00	499,125,000.00
2019 Issue 1 non-public short-term corporate bill	2019-12-30	2020-12-30	6.50%				500,000,000.00		500,000,000.00
2019 Zhongda Security USD Bond	2019-3-8	2020-3-5	6.6%				418,573,299.60	1,868,573.30	416,704,726.30
Total				**2,700,000,000.00**	**2,934,000.00**	**2,697,066,000.00**	**6,718,573,299.60**	**8,369,106.64**	**6,710,204,192.96**
Non-current liabilities due within one year									
2014 Issue 1 Non directional financing instrument	2014-7-31	2019-7-31	7.50%	2,500,000,000.00	4,625,000.12	2,495,374,999.88			
2017 Issue 1 medium-term note	2017-8-16	2020-8-16	6.70%				1,000,000,000.00	827,555.54	999,172,444.46
2018 Issue 1 medium-term note	2018-9-28	2020-9-28	7.20%				800,000,000.00	480,000.00	799,520,000.00
2017 Issue 2 medium-term note	2017-10-24	2020-10-24	7.07%				700,000,000.00	976,799.97	699,023,200.03
Total				**2,500,000,000.00**	**4,625,000.12**	**2,495,374,999.88**	**2,500,000,000.00**	**2,284,355.51**	**2,497,715,644.49**
Bond payables									
2017 Issue 1 medium-term note	2017-8-16	2020-8-16	6.70%	1,000,000,000.00	2,332,333.34	997,667,666.66			
2017 Issue 2 medium-term note	2017-10-24	2020-10-24	7.07%	700,000,000.00	1,328,366.67	698,671,633.33			
2018 Issue 1 non-public issuance of corporate bond	2018-3-30	2021-3-30	7.80%	714,000,000.00	3,176,506.70	710,823,493.30	714,000,000.00	1,710,426.74	712,289,573.26
2018 Issue 1 medium-term note	2018-9-28	2020-9-28	7.20%	800,000,000.00	1,422,222.24	798,577,777.76			
2018 corporate bond (Issue 1)	2018-12-5	2021-12-5	7.99%	300,000,000.00	1,166,666.67	298,833,333.33	300,000,000.00	550,000.00	299,450,000.00
2019 Issue 1 medium-term note	2019-1-28	2022-1-28	7.50%				500,000,000.00	2,083,333.37	497,916,666.63
2019 Issue 1 small public offering corporate bonds	2019-1-16	2022-1-16	7.75%				210,000,000.00	455,000.00	209,545,000.00
2019 Issue 2 small public offering corporate bonds	2019-4-1	2021-4-1	6.00%				1,000,000,000.00	2,500,000.06	997,499,999.94
2019 Issue 4 small public offering corporate bonds	2019-11-25	2022-11-25	6.30%				1,000,000,000.00	3,666,666.68	996,333,333.32
Total				**3,514,000,000.00**	**-9,426,095.62**	**3,504,573,904.38**	**3,724,000,000.00**	**10,965,426.85**	**3,713,034,573.15**

(XXXIII) Long-term payables

Item	Closing Balance	Opening Balance
Long-term payables	121,365,006.61	125,471,134.63
Special payables	40,417,778.09	36,501,595.48
Total	161,782,784.70	161,972,730.11

1. Details of long-term payables

Item	Closing Balance	Opening Balance
Long-term financing payables	121,365,006.61	125,471,134.63
Total	121,365,006.61	125,471,134.63

2. Special payables

Item	Opening Balance	Increase in the Year	Decrease in the Year	Closing Balance
Staff placement allowance	3,713,448.02		21,148.00	3,692,300.02
Demolition compensation	17,063,547.46		1,810,000.00	15,253,547.46
Shantytown renovation expenses	15,724,600.00	14,288,151.20	8,540,820.59	21,471,930.61
Total	36,501,595.48	14,288,151.20	10,371,968.59	40,417,778.09

(XXXIV) Estimated liabilities

Item	Opening Balance	Increase in the Year	Decrease in the Year	Closing Balance
Guarantee [Note]	49,250,973.28		49,250,973.28	
Total	49,250,973.28		49,250,973.28	

Note: Zhenjiang Chengxin Guarantee Co., Ltd., a former subsidiary of the Group, was transferred out at the end of this year. The original provision for guarantee compensation of 35,599,472.79 yuan and the provision for short-term liability of 13,651,500.49 yuan decreased in this period.

(XXXV) Deferred income

Item/Category	Opening Balance	Increase in the Year	Decrease in the Year	Closing Balance
Land compensation	43,815,390.60		936,469.80	42,878,920.80
Equipment relocation compensation	30,199,468.12		606,436.39	29,593,031.73
Compensation for house structure demolition	13,821,474.10		755,871.40	13,065,602.70
Total	87,836,332.82		2,298,777.59	85,537,555.23

(XXXVI) Other non-current liabilities

Item/Category	Opening Balance	Increase in the Year	Decrease in the Year	Closing Balance
Equity financing payables	90,000,000.00		5,000,000.00	85,000,000.00
Total	90,000,000.00		5,000,000.00	85,000,000.00

(XXXVII) Paid-in capital

Name of Investor	Opening Balance		Current Increase	Current Decrease	Closing Balance	
	Investment Amount	Proportion			Investment Amount	Proportion

Name of Investor	Opening Balance		Current Increase	Current Decrease	Closing Balance	
	Investment Amount	Proportion			Investment Amount	Proportion
Zhenjiang Municipal People's Government State-owned Assets Supervision and Administration Commission	1,000,000,000.00	100.00%			1,000,000,000.00	100.00%
Total	1,000,000,000.00	100.00%			1,000,000,000.00	100.00%

On Sep. 12, 2014, as approved by Zhenjiang Municipal People's Government State-owned Assets Management Supervision Committee by virtue of Document [2014] No. 7, the Company was restructured from an enterprise owned by the whole people to a wholly state-owned holding company. And the paid-in capital increased to RMB one billion from capital reserve.

(XXXVIII) Capital reserve

Item	Opening Balance	Increase in the Year	Decrease in the Year	Closing Balance
Capital premium	3,946,824,405.49		349,509,781.88	3,597,314,623.61
Other capital reserves	9,464,195,917.70	382,194,627.90		9,846,390,545.60
Total	13,411,020,323.19	382,194,627.90	349,509,781.88	13,443,705,169.21

The increase of RMB 382.1946 million in other capital reserves during the period was mainly due to the increase in other capital reserves under equity method accounting of participating companies such as Zhenjiang Transportation Industry Group Co., Ltd. The decrease of capital premium by RMB 349.5098 million is due to the sale and equity transfer of Jiangsu Taibai Group Co., Ltd. and Zhenjiang Chengxin Guarantee Co., Ltd., which are the group's subsidiaries in the current period, and the corresponding adjustment reduces the share of capital reserve formed by their original equity holdings.

(XXXIX) Other comprehensive income

Item	Opening Balance	Increase in the Year	Decrease in the Year	Closing Balance
Other comprehensive income	5,711,360,674.02	84,803,236.41		5,796,163,910.43
Total	5,711,360,674.02	84,803,236.41		5,796,163,910.43

Other comprehensive income in the period decreased by RMB 84.8032 million, due to decrease in the change in the share price of available-for-sale financial assets of Bank of Jiangsu.

(XXXXI) Surplus reserve

Item	Opening Balance	Increase in the Year	Decrease in the Year	Closing Balance
Statutory surplus reserve	386,654,094.94	38,905,633.26		425,559,728.20
Total	386,654,094.94	38,905,633.26		425,559,728.20

(XXXXI) Retained earnings

Item	Current Amount	Prior Amount
Current opening balance	1,693,710,483.30	1,600,522,449.45
Current opening adjustments		
Current increase		
Wherein: Net profit transferred in attributable to owners of the parent company in the year	387,752,391.75	352,319,781.16
Other adjustment factors		

Item	Current Amount	Prior Amount
Current decrease		
Wherein: Amount of surplus reserve extracted in the year	38,905,633.26	38,076,995.19
General risk preparation extracted in the year	-109,690.00	7,183,252.12
Cash dividends distributed in the year		40,000,000.00
Capital delivery		173,871,500.00
Current closing balance	2,042,666,931.79	1,693,710,483.30

(XXXXII) Operating income and operating cost

Operating income and cost

Item	Current Amount		Prior Amount	
	Income	Cost	Income	Cost
(1) Subtotal of primary business	10,914,123,450.61	9,546,161,153.75	7,695,640,745.34	6,446,127,711.09
Paper products	886,548,914.60	832,319,933.50	1,205,898,038.92	1,087,188,328.93
Road and bridge construction	853,198,438.16	760,342,101.09	682,808,221.12	594,286,744.03
Titanium dioxide	349,069,503.20	307,440,450.38	664,017,022.80	574,057,727.53
Automobile	2,971,226,217.69	2,854,261,112.89	1,909,531,204.43	1,827,472,076.12
Sauce and vinegar seasoning	2,291,415,449.51	1,313,067,748.16	1,558,424,597.21	863,167,509.07
Chemical	771,551,081.35	748,979,595.61	542,783,606.71	481,962,910.97
Real estate	154,214,976.72	124,404,728.71	199,957,798.77	139,410,356.46
Energy			408,003,852.56	403,956,734.92
Material trade (including energy)	2,524,848,846.54	2,506,017,023.72		
Others	112,050,022.84	99,328,459.69	524,216,402.82	474,625,323.06
(2) Subtotal of other business	150,561,490.15	141,889,393.45	169,969,816.68	136,897,755.21
Other income (interest)	145,897,856.61	138,578,960.29	166,985,135.86	135,510,723.53
Handling charge and commission	4,663,633.54	3,310,433.16	2,984,680.82	1,387,031.68
Total	11,064,684,940.76	9,688,050,547.20	7,865,610,562.02	6,583,025,466.30

(XXXXIII) Taxes and surcharges

Item	Current Amount	Prior Amount
Consumption tax	10,526,661.61	3,950,852.21
Urban maintenance and construction tax	14,333,066.08	18,604,980.10
Education surcharge	10,483,048.75	13,213,779.93
Property tax	13,295,768.05	13,650,089.38
Land value added tax	6,454,401.96	5,254,311.52
Others	10,119,212.62	11,476,903.40
Total	65,212,159.07	66,150,916.54

(PP) Sales expenses

Item	Current Amount	Prior Amount
Salary and surcharge	107,936,310.30	89,504,121.71

Item	Current Amount	Prior Amount
Long-term asset amortization expenses	31,299,302.62	10,274,309.56
Shipping fee	120,633,990.83	108,640,687.50
Freight	16,689,294.25	16,309,874.04
Travel expenses	16,461,490.52	16,724,522.13
Storage fee	2,555,207.08	2,406,380.50
Depreciation	6,563,012.80	4,055,362.36
Office fee	129,409,384.33	95,045,229.79
Advertising fee	3,635,860.66	4,533,326.03
Business entertainment fee	32,914,955.03	36,732,375.21
Others	468,098,808.42	384,226,188.83
Total		

(XXXXV) Administration expenses

Item	Current Amount	Prior Amount
Salary and surcharge	217,261,475.55	228,469,470.05
Office fee	17,074,799.20	15,117,815.92
Depreciation	35,490,571.26	33,439,215.40
Amortization of intangible assets	10,981,518.91	12,764,160.48
Repair fee	13,079,667.93	10,869,843.46
Car expenses	10,436,506.09	11,754,822.14
Transport fee	6,377,164.35	4,108,537.81
Conference expenses	1,169,634.87	1,195,312.92
Travel expenses	4,770,616.71	6,522,547.07
Consulting and audit service fee	11,295,963.30	10,001,058.16
Amortization of other assets	30,142,018.57	32,473,654.35
Others	45,365,929.76	58,338,419.93
Total	403,445,866.50	425,054,857.69

(XXXXVI) Financial expenses

Item	Current Amount	Prior Amount
Interest expense	927,880,143.23	846,692,517.95
Less: Interest income	54,401,290.69	11,136,857.13
More: Exchange loss	11,136,459.27	10,184,077.94
More: Other expenses	65,272,463.21	37,815,838.94
Total	949,887,775.02	883,555,577.70

(XXXXVII) Impairment losses on assets

Item	Current Amount	Prior Amount
Losses on bad debts	45,987,318.64	7,987,377.12
Losses on falling inventory prices	3,369,999.41	
Losses on loan impairment	29,599,438.01	32,624,400.00
Provision for impairment of goodwill		728,008.94
Total	78,956,756.06	41,339,786.06

(XXXXVIII) Investment income

Source of Investment Income	Current Amount	Prior Amount
Income from long-term equity investment under equity method	391,859,892.43	373,897,882.31
Investment income generated by disposing of long-term equity investment	315,257,781.72	88,764,451.76
Investment income obtained during holding financial assets measured at fair value through profit or loss	25,064,830.18	32,232,350.04
Investment income from disposal of financial assets measured at fair value with changes included in current profits and losses	19,553,053.65	
Investment income obtained during holding available-for-sale financial assets	127,166,201.12	154,043,430.37
Others (financing products)	40,470,042.17	22,400,667.39
Total	919,371,801.27	671,338,781.87

(XXXXIX) Gains or losses from changes in fair value

Source of Income from Changes in Fair Value	Current Amount	Prior Amount
Financial assets at fair value through profit or loss	136,140,511.81	-160,486,520.29
Wherein: Earnings in fair value gains and losses produced by derivative financial instruments		
Investment real estate measured at fair value	62,113.83	48,530,300.00
Total	136,202,625.64	-111,956,220.29

(XXXXX) Non-operating income

1. Non-operating income

Item	Current Amount	Prior Amount
Government subsidy	200,000,000.00	580,000,000.00
Others	28,091,068.49	42,351,429.02
Total	228,091,068.49	622,351,429.02

(XXXXXI) Non-operating expenses

Item	Current Amount	Prior Amount
Various funds	21,500.00	56,573.26
Liquidated damages, etc.	2,790,960.66	3,612,593.92

Item	Current Amount	Prior Amount
Losses on debt restructuring		14,251,388.56
Abnormal losses	10,084,615.06	23,225,143.30
Others	36,500,126.64	49,540,501.97
Total	49,397,202.36	90,686,201.01

(XXXXXII) Income tax expense

Item	Current Amount	Prior Amount
Current income tax expenses according to tax laws and relevant provisions	66,196,159.16	66,527,414.48
Adjustment to deferred income tax	-6,180,807.74	14,484,208.96
Total	60,015,351.42	81,011,623.44

(XXXXXIII) Information about cash flow from adjusting net profits into operating activities

Item	Current Amount	Prior Amount
1. Cash flow from adjusting net profits into operating activities		
Net profits	591,535,859.84	519,893,953.26
More: Provision for assets impairment allowances	78,956,756.06	41,339,786.06
Depreciation of fixed assets, depletion of oil and gas assets and depreciation of productive biological assets	242,618,410.89	210,495,545.97
Amortization of intangible assets	10,981,518.91	13,891,135.09
Amortization of long-term deferred expenses	68,563,209.82	39,215,539.96
Loss from disposing of fixed assets, intangible assets and other long-term assets (Fill in "-" for earnings)		
Loss on retirement of fixed assets (Fill in "-" for earnings)	8,711,906.63	8,355,781.05
Loss from changes in fair value (Fill in "-" for earnings)	-136,202,625.64	111,956,220.29
Financial expenses (Fill in "-" for earnings)	920,799,856.62	858,836,609.47
Loss from investment (Fill in "-" for earnings)	-919,371,801.27	-671,338,781.87
Decrease in deferred income assets (Fill in "-" for increase)	-7,024,205.32	-2,170,276.97
Increase in deferred income assets (Fill in "-" for decrease)	843,397.58	16,654,485.93
Decrease in inventories (Fill in "-" for increase)	91,056,592.21	-492,379,389.86
Decrease in operating receivables (Fill in "-" for increase)	447,570,149.34	-1,520,940,689.59
Increase in operating payables (Fill in "-" for decrease)	69,119,444.45	1,528,564,261.90
Others		-1,855,218.76
Net cash flows arising from operating activities	1,402,610,589.97	668,029,926.51
2. Investment and financing activities not involved in cash receipts and payments		
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Fixed assets under financial lease		

Item	Current Amount	Prior Amount
3. Net increase in cash and cash equivalents		
Closing balance of cash	3,263,434,692.49	1,928,007,339.97
Less: Opening balance of cash	1,928,007,339.97	2,102,341,352.34
More: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	1,335,427,352.52	-174,334,012.37

2. Cash and cash equivalents

Item	Current Amount	Prior Amount
Cash	3,263,434,692.49	1,928,007,339.97
Wherein: Cash on hand	4,964,071.38	1,179,105.15
Bank deposits available for payments at any time	3,258,470,621.11	1,839,999,364.12
Other monetary funds available for payments at any time		86,828,870.70
Cash equivalents		
Wherein: Bond investment due within three months		
Closing balance of cash and cash equivalents	3,263,434,692.49	1,928,007,339.97

IX. Description of Contingencies

(1) As of December 31, 2019, the information about that the Group provides security to the following units is as follows:

Name of Surety	Name of the Secured	Involved Amount (10000 yuan)	Start Date	Due Date	Remark
Zhenjiang State-owned Investment Holding Group Co., Ltd.	Zhenjiang Port International Container Terminal Co., Ltd.	54,360	2012-8-30	2022-7-30	
Zhenjiang State-owned Investment Holding Group Co., Ltd.	Weiteng Electric Group	1,000	2019-1-8	2020-1-7	
Zhenjiang State-owned Investment Holding Group Co., Ltd.	Zhenjiang Xijindu Cultural Tourism Co., Ltd.	180,000	2018-3-5	2021-3-5	
Zhenjiang State-owned Investment Holding Group Co., Ltd.	Zhenjiang Public Housing Investment and Construction Co., Ltd.	10,000	2018-12-28	2020-12-28	
Zhenjiang State-owned Investment Holding Group Co., Ltd.	Zhenjiang Chengtou Construction Industry Group Co., Ltd.	26,500	2019-10-24	2020-10-20	
Zhenjiang State-owned Investment Holding Group Co., Ltd.	Zhenjiang Xingyi Water Conservancy Investment Co., Ltd.	24,000	2015-11-11	2028-12-21	
Zhenjiang State-owned Investment Holding Group Co., Ltd.			2015-12-21	2028-12-21	
Zhenjiang State-owned Investment Holding Group Co., Ltd.			2016-1-30	2028-12-21	

Zhenjiang State-owned Investment Holding Group Co., Ltd.		5,260	2019-6-26	2021-6-26	
Zhenjiang State-owned Investment Holding Group Co., Ltd.		5,490	2019-6-28	2021-6-28	
Zhenjiang State-owned Investment Holding Group Co., Ltd.		2,000	2019-7-3	2021-7-3	
Zhenjiang State-owned Investment Holding Group Co., Ltd.		4,090	2019-7-5	2021-7-5	
Zhenjiang State-owned Investment Holding Group Co., Ltd.		3,950	2019-7-10	2021-7-10	
Zhenjiang State-owned Investment Holding Group Co., Ltd.		1,550	2019-7-12	2021-7-12	
Zhenjiang State-owned Investment Holding Group Co., Ltd.		3,300	2019-7-17	2021-7-17	
Zhenjiang State-owned Investment Holding Group Co., Ltd.		2,870	2019-7-19	2021-7-19	
Zhenjiang State-owned Investment Holding Group Co., Ltd.		1,310	2019-7-23	2021-7-23	
Zhenjiang State-owned Investment Holding Group Co., Ltd.	Zhenjiang Dantu Jianyi Water Conservancy Investment Co., Ltd.	34,000	2016-1-26	2024-1-1	
Zhenjiang State-owned Investment Holding Group Co., Ltd.	Zhenjiang Dantu Shiyezhou New Rural Development and Construction Co., Ltd.	5,000	2019-1-4	2020-6-30	
Zhenjiang State-owned Investment Holding Group Co., Ltd.	Zhenjiang Dantu New Rural Development and Construction Co., Ltd.	11,070	2019-3-1	2021-3-1	
Zhenjiang State-owned Investment Holding Group Co., Ltd.		3,800	2019-3-8	2021-3-8	
Zhenjiang State-owned Investment Holding Group Co., Ltd.		1,080	2019-3-15	2021-3-15	
Zhenjiang State-owned Investment Holding Group Co., Ltd.	Zhenjiang Dantu New Rural Development and Construction Co., Ltd.	21,300	2019-7-26	2021-7-26	
Zhenjiang State-owned Investment Holding Group Co., Ltd.	Zhenjiang Huajian Real Estate Co., Ltd.	13,000	2019-6-25	2031-6-24	
		8,600	2019-12-5	2031-6-24	
Zhenjiang State-owned Investment Holding Group Co., Ltd.	Zhenjiang Hengrui High Tech Industry Group	30,000	2019-10-30	2034-10-29	
Zhenjiang State-owned Investment Holding Group Co., Ltd.	Jiangsu Sopo (Group) Co., Ltd.	5,000	2019-10-11	2020-4-10	
Zhenjiang State-owned Investment Holding Group Co., Ltd.	Jiangsu Sopo (Group) Co., Ltd.	3,000	2019-10-17	2020-4-15	
Zhenjiang State-owned Investment Holding Group Co., Ltd.	Jiangsu Sopo (Group) Co., Ltd.	4,000	2019-6-12	2020-6-12	
Zhenjiang State-owned Investment Holding Group Co., Ltd.	Jiangsu Sopo (Group) Co., Ltd.	5,000	2019-7-15	2020-7-15	

Zhenjiang State-owned Investment Holding Group Co., Ltd.	Jiangsu Sopo (Group) Co., Ltd.	3,500	2019-2-2	2022-1-20	
Zhenjiang State-owned Investment Holding Group Co., Ltd.	Jiangsu Sopo (Group) Co., Ltd.	5,800	2019-4-25	2024-4-24	
Zhenjiang State-owned Investment Holding Group Co., Ltd.	Jiangsu Sopo (Group) Co., Ltd.	4,000	2019-6-27	2020-6-27	
Zhenjiang State-owned Investment Holding Group Co., Ltd.	Jiangsu Zhentai Chemical Co., Ltd.	6,500	2019-7-18	2020-7-17	
Zhenjiang State-owned Investment Holding Group Co., Ltd.		4,300	2019-4-3	2020-4-3	
Zhenjiang State-owned Investment Holding Group Co., Ltd.		2,000	2019-4-22	2020-4-22	
Zhenjiang State-owned Investment Holding Group Co., Ltd.		4,400	2019-3-19	2020-3-18	
Zhenjiang State-owned Investment Holding Group Co., Ltd.		4,500	2019-6-26	2020-6-25	
Zhenjiang State-owned Investment Holding Group Co., Ltd.		2,400	2019-8-12	2020-8-12	
Zhenjiang State-owned Investment Holding Group Co., Ltd.		4,000	2019-8-5	2020-8-4	
Zhenjiang State-owned Investment Holding Group Co., Ltd.		4,000	2019-1-29	2022-1-31	
Zhenjiang State-owned Investment Holding Group Co., Ltd.		392.5	2019-7-16	2020-1-16	
Zhenjiang State-owned Investment Holding Group Co., Ltd.		392.5	2019-8-8	2020-2-8	
Zhenjiang State-owned Investment Holding Group Co., Ltd.		700	2019-8-19	2020-2-19	
Zhenjiang State-owned Investment Holding Group Co., Ltd.		1,500	2019-3-25	2020-3-24	
Zhenjiang State-owned Investment Holding Group Co., Ltd.		9,000	2019-11-27	2020-12-31	
Zhenjiang State-owned Investment Holding Group Co., Ltd.	Zhenjiang Cultural Tourism Industry Group	30,880	2019-5-24	2024-5-24	
Zhenjiang State-owned Investment Holding Group Co., Ltd.		10,000	2019-7-22	2024-7-22	
Zhenjiang State-owned Investment Holding Group Co., Ltd.		800	2019-7-24	2020-1-24	
Zhenjiang State-owned Investment Holding Group Co., Ltd.	Zhenjiang Dantu Kechuang Construction Co., Ltd.	29,850	2019-8-16	2021-8-15	
Zhenjiang State-owned Investment Holding Group Co., Ltd.	Zhenjiang University Investment Construction Development Group Co., Ltd.	3,000	2019-9-29	2020-9-29	
Zhenjiang State-owned Investment Holding Group Co., Ltd.		1,000	2019-11-8	2020-11-8	

Zhenjiang State-owned Investment Holding Group Co., Ltd.		1,000	2019-11-15	2020-11-15	
Zhenjiang State-owned Investment Holding Group Co., Ltd.		8,880	2019-9-29	2021-3-29	
Zhenjiang State-owned Investment Holding Group Co., Ltd.		2,160	2019-9-29	2021-9-29	
Zhenjiang State-owned Investment Holding Group Co., Ltd.		6,380	2019-11-1	2021-11-1	
Zhenjiang State-owned Investment Holding Group Co., Ltd.		11,580	2019-11-8	2021-11-8	
Zhenjiang State-owned Investment Holding Group Co., Ltd.	Zhenjiang Hongxing Real Estate Co., Ltd.	60,000	2019-3-5	2021-3-5	
Zhenjiang State-owned Investment Holding Group Co., Ltd.	Zhenjiang Transportation Industry Group Co., Ltd.	39,800	2019-5-31	2021-5-31	
Hengshun Group	Zhenjiang Transportation Industry Group Co., Ltd.	50,000	2017-1-4	2021-1-3	
Hengshun Group	Zhenjiang Chengtou Construction Industry Group Co., Ltd.	5,600	2019-10-14	2020-10-9	USD 8 million
Hengshun Group	Jiangsu Sopo (Group) Co., Ltd.	5,000	2019-4-11	2020-4-10	
Hengshun Group		5,000	2019-10-17	2020-4-15	
Hengshun Group		3,000	2019-4-25	2023-12-31	
Hengshun Group		500	2019-5-21	2023-12-31	
Hengshun Group		1,800	2019-7-10	2021-6-30	
Hengshun Group		500	2019-5-27	2023-12-31	
Total		804,645			

(2) As of December 31, 2019, the Group had no contingent liabilities formed from other matters.
(3) As of December 31, 2019, the Group had no contingent assets.

X. Events after the Balance Sheet Date

The Company has no other significant events after the balance sheet date that should be disclosed but have not yet been disclosed.

XI. Relations with Related Parties and Their Transactions

(1) Relations with related parties

1. Controlling shareholder and ultimate controlling party

Name of Controlling Shareholder and Ultimate Controlling Party	Place of Registration	Business Nature	Shareholding Ratio (%)	Voting Ratio (%)
Zhenjiang State-owned Assets Supervision and Administration Commission	Zhenjiang	Administrative organ	100.00	100.00

2. Subsidiaries

The information about subsidiaries of the Group is as detailed in Note VII (1), i.e. Relevant information disclosed in the scope of consolidation.

3. Joint ventures and associates

The information about joint ventures and associates of the Group is as detailed in Note VIII (XII), i.e. Relevant information disclosed in the long-term equity investments.

(II) Related transactions

1. Commodity purchase/labor acceptance

Name of Related Party	Contents of Relation Transaction	Current Amount	Prior Amount
Zhenjiang Energy Development Co., Ltd.	Dongpu Technology purchased liquid sulfur	39,520,815.47	38,606,902.52
Zhenjiang Guokong Energy Development Co., Ltd.	Photovoltaic power of Dongpu Technology	232,964.73	77,695.06
Total		39,753,780.20	38,684,597.58

2. Commodity sales/labor provision

Name of Related Party	Contents of Relation Transaction	Current Amount	Prior Amount
Zhenjiang Dadong Paper Industry Co., Ltd.	Dongpu Technology sold 32 alkali	533,599.99	318,341.25
Total		533,599.99	318,341.25

3. Related guarantee

Name of Surety	Name of the Secured	Involved Amount (10000 yuan)	Start Date	Due Date	Remark
Hengshun Group	Jiangsu Henghong Packaging Co., Ltd.	8,000	2019-3-7	2021-3-6	
Hengshun Group	Jiangsu Henghong Packaging Co., Ltd.	7,900	2019-7-22	2020-7-24	
Hengshun Group	Jiangsu Henghong Packaging Co., Ltd.	1,000	2019-11-28	2020-11-28	
Hengshun Group	Jiangsu Henghong Packaging Co., Ltd.	1,000	2019-9-27	2020-9-26	
Hengshun Group	Jiangsu Henghong Packaging Co., Ltd.	500	2019-9-25	2020-9-25	

Hengshun Group	Jiangsu Hengshun Vinegar Co., Ltd.	4,000	2017-2-14	2020-2-14	
Hengshun Group	Zhenjiang Xin'an Building Materials Co., Ltd.	500	2019-5-5	2020-5-4	
Hengshun Group	Zhenjiang Xin'an Building Materials Co., Ltd.	1,500	2019-4-18	2020-4-18	
State-owned Investment Holding Group	Zhenjiang Dantu Jianxiang Water Conservancy Project Investment Co., Ltd.	92,000	2016-3-30	2031-3-29	
State-owned Investment Holding Group	Zhenjiang Dantu Jianxiang Water Conservancy Project Investment Co., Ltd.		2016-4-18	2031-3-29	
State-owned Investment Holding Group	Zhenjiang Dantu Jianxiang Water Conservancy Project Investment Co., Ltd.		2016-6-12	2031-3-29	
State-owned Investment Holding Group	Zhenjiang Dantu Jianxiang Water Conservancy Project Investment Co., Ltd.		2016-7-26	2031-3-29	
State-owned Investment Holding Group	Zhenjiang Dantu Jianxiang Water Conservancy Project Investment Co., Ltd.		2016-11-28	2031-3-29	
State-owned Investment Holding Group	Zhenjiang Dantu Jianxiang Water Conservancy Project Investment Co., Ltd.		2018-7-1	2031-3-29	
State-owned Investment Holding Group	Zhenjiang Dantu Jianxiang Water Conservancy Project Investment Co., Ltd.	5,000	2019-1-30	2020-7-4	
State-owned Investment Holding Group	Zhenjiang Feichi Automobile Group Co., Ltd.	1,000	2019-10-23	2020-10-22	
State-owned Investment Holding Group	Zhenjiang Feichi Automobile Group Co., Ltd.	1,000	2019-6-12	2020-6-11	
State-owned Investment Holding Group	Zhenjiang Feichi Automobile Group Co., Ltd.	2,000	2019-6-18	2020-6-17	
State-owned Investment Holding Group	Zhenjiang Feichi Automobile Group Co., Ltd.	1,500	2019-7-19	2020-7-19	
State-owned Investment Holding Group	Zhenjiang Feichi Automobile Group Co., Ltd.	4,000	2019-10-16	2020-10-16	
State-owned Investment Holding Group	Zhenjiang Feichi Automobile Group Co., Ltd.	1,000	2019-11-29	2020-11-20	
State-owned Investment Holding Group	Zhenjiang Feichi Automobile Group Co., Ltd.	1,600	2019-1-10	2020-1-10	
State-owned Investment Holding Group	Zhenjiang Feichi Automobile Group Co., Ltd.	1,700	2019-3-15	2022-3-15	
State-owned Investment Holding Group	Zhenjiang Feichi Automobile Group Co., Ltd.	1,000	2019-6-1	2020-6-1	
State-owned Investment Holding Group	Jiangsu Chechi Automobile Co., Ltd.	30,000	2019-6-18	2020-6-2	
State-owned Investment Holding Group	Jiangsu Chechi Automobile Co., Ltd.	2,000	2019-11-14	2021-11-13	
State-owned Investment Holding Group	Jiangsu Chechi Automobile Co., Ltd.	2,000	2017-12-31	2020-12-31	
State-owned Investment Holding Group	Jiangsu Chechi Automobile Co., Ltd.	18,000	2019-6-18	2020-6-5	

State-owned Investment Holding Group	Jiangsu Chechi Automobile Co., Ltd.	3,000	2019-12-11	2020-12-10	
State-owned Investment Holding Group	Jiangsu Chechi Automobile Co., Ltd.	2,400	2019-7-26	2020-7-25	
State-owned Investment Holding Group	Jiangsu Chechi Automobile Co., Ltd.	3,133	2019-11-19	2020-11-19	
State-owned Investment Holding Group	Jiangsu Chechi Automobile Co., Ltd.	7,000	2019-10-27	2020-10-26	
State-owned Investment Holding Group	Jiangsu Chechi Automobile Co., Ltd.	3,400	2019-2-1	2020-1-30	
State-owned Investment Holding Group	Zhenjiang Feichi Business Car Co., Ltd.	1,000	2019-5-6	2020-5-6	
State-owned Investment Holding Group	Zhenjiang Feichi Business Car Co., Ltd.	2,500	2019-7-26	2020-7-25	
State-owned Investment Holding Group	Zhenjiang Energy Development Corporation	500	2019-7-4	2020-7-4	
State-owned Investment Holding Group	Zhenjiang Energy Development Corporation	500	2019-2-28	2020-2-28	
State-owned Investment Holding Group	Zhenjiang Energy Development Corporation	1,000	2019-11-15	2020-11-19	
State-owned Investment Holding Group	Zhenjiang Energy Development Corporation	1,000	2019-7-31	2020-7-24	
State-owned Investment Holding Group	Zhenjiang Dadong Paper Co., Ltd.	4,500	2019-1-2	2020-1-2	
State-owned Investment Holding Group	Zhenjiang Dadong Paper Co., Ltd.	2,500	2019-7-23	2020-7-22	
State-owned Investment Holding Group	Zhenjiang Dadong Paper Co., Ltd.	3,000	2019-8-13	2020-8-13	
State-owned Investment Holding Group	Zhenjiang Dadong Paper Co., Ltd.	3,000	2019-3-31	2021-3-31	
State-owned Investment Holding Group	Zhenjiang Dadong Paper Co., Ltd.	370	2017-3-15	2020-3-15	
State-owned Investment Holding Group	Zhenjiang Dadong Paper Co., Ltd.	22,000	2017-10-26	2020-10-25	
State-owned Investment Holding Group	Zhenjiang Dadong Paper Co., Ltd.	2,500	2017-4-19	2020-4-19	
State-owned Investment Holding Group	Zhenjiang Dadong Paper Co., Ltd.	1,500	2018-6-15	2021-6-15	
State-owned Investment Holding Group	Zhenjiang Dadong Paper Co., Ltd.	5,000	2018-12-13	2019-12-13	
State-owned Investment Holding Group	Zhenjiang Dadong Paper Co., Ltd.	3,000	2019-5-29	2020-5-29	
State-owned Investment Holding Group	Zhenjiang Dadong Paper Co., Ltd.	3,000	2019-11-11	2020-11-11	
State-owned Investment Holding Group	Zhenjiang Dadong Paper Co., Ltd.	3,990	2019-9-18	2020-9-6	
State-owned Investment Holding Group	Zhenjiang Dadong Paper Co., Ltd.	2,000	2019-3-12	2020-3-12	

State-owned Investment Holding Group	Zhenjiang Dadong Paper Co., Ltd.	2,250	2019-3-20	2022-3-20	
State-owned Investment Holding Group	Zhenjiang Dadong Paper Co., Ltd.	2,000	2019-7-19	2020-3-19	
State-owned Investment Holding Group	Zhenjiang Dadong Paper Co., Ltd.	1,500	2019-7-15	2020-7-15	
State-owned Investment Holding Group	Jiangsu Dongpu New Material Technology Co., Ltd.	22,000	2016-4-29	2021-4-28	
State-owned Investment Holding Group	Jiangsu Dongpu New Material Technology Co., Ltd.	14,000	2016-6-27	2023-6-20	
State-owned Investment Holding Group	Jiangsu Dongpu New Material Technology Co., Ltd.	1,500	2019-1-4	2020-1-4	
State-owned Investment Holding Group	Jiangsu Dongpu New Material Technology Co., Ltd.	2,000	2018-12-29	2020-12-29	
State-owned Investment Holding Group	Jiangsu Dongpu New Material Technology Co., Ltd.	2,000	2018-12-29	2020-1-20	
State-owned Investment Holding Group	Jiangsu Dongpu New Material Technology Co., Ltd.	4,600	2019-1-15	2024-4-14	
State-owned Investment Holding Group	Jiangsu Dongpu New Material Technology Co., Ltd.	4,000	2019-11-20	2020-12-18	
State-owned Investment Holding Group	Jiangsu Dongpu New Material Technology Co., Ltd.	4,000	2019-2-28	2020-2-27	
State-owned Investment Holding Group	Jiangsu Dongpu New Material Technology Co., Ltd.	2,900	2019-7-31	2020-7-25	
State-owned Investment Holding Group	Jiangsu Dongpu New Material Technology Co., Ltd.	5,000	2019-10-28	2020-10-27	
State-owned Investment Holding Group	Jiangsu Hengshun Group Co., Ltd.	5,000	2019-2-25	2024-2-25	
State-owned Investment Holding Group	Jiangsu Hengshun Group Co., Ltd.	20,000	2019-5-28	2020-5-27	
State-owned Investment Holding Group	Jiangsu Hengshun Group Co., Ltd.	4,995	2019-12-19	2020-12-18	
State-owned Investment Holding Group	Zhenjiang Guokong Hongye Supply Chain Management Co., Ltd.	500	2019-9-23	2020-9-22	
State-owned Investment Holding Group	Zhenjiang Guokong Hongye Supply Chain Management Co., Ltd.	500	2019-12-27	2020-12-22	
State-owned Investment Holding Group	Zhenjiang Guotou Real Estate Development Co., Ltd.	65,000	2018-1-5	2043-1-1	
State-owned Investment Holding Group	Zhenjiang Jingkou Petroleum Co., Ltd.	4,900	2019-9-30	2020-9-19	
State-owned Investment Holding Group	Zhenjiang Jingkou Petroleum Co., Ltd.	4,400	2019-10-18	2020-9-26	
Total		443,038			

(3) Receivables and payables of related party

(1) Receivables

Item	Name of Related Party	Closing Balance		Opening Balance	
		Carrying Balance	Provision for Bad Debts	Carrying Balance	Provision for Bad Debts
Accounts receivable	Zhenjiang Transportation Industry Group Co., Ltd.			368,738,393.44	
Other receivables	Zhenjiang Transportation Industry Group Co., Ltd.	311,368,501.00		20,941,600.00	
Total		311,368,501.00		1,888,410,705.15	

XII. Notes to Main Items in the Financial Statements of the Parent Company

(I) Accounts receivable

① Category details

Category	Closing Balance				Opening Balance			
	Carrying Balance		Provision for Bad Debts		Carrying Balance		Provision for Bad Debts	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable with a significant single amount and individually made a provision for bad debts	455,100,070.28	99.16	455,100,070.28	100.00	455,100,070.28	99.16	455,100,070.28	100.00
Accounts receivable made a provision for bad debts according to credit risk characteristics	-	-	-	-	-	-	-	-
Accounts receivable without a significant single amount but individually made a provision for bad debts	3,893,477.52	0.84	3,893,477.52	100.00	3,893,477.52	0.84	3,893,477.52	100.00
Total	458,993,547.80	100.00	458,993,547.80	100.00	458,993,547.80	100.00	458,993,547.80	100.00

A. Closing accounts receivable with a significant single amount and individually made a provision for bad debts

Name of Debtor	Carrying Balance	Provision for Bad Debts	Aging	Accrual Proportion (%)	Reason for Accrual
Debt package of Oriental Company	74,988,685.60	74,988,685.60	Over 3 years	100.00	Unexpected to recover
Debt package of Xinda Company	216,556,175.72	216,556,175.72	Over 3 years	100.00	Unexpected to recover
Debt package of Huarong Company	163,555,208.96	163,555,208.96	Over 3 years	100.00	Unexpected to recover
Total	455,100,070.28	455,100,070.28		—	—

B. Closing accounts receivable without a significant single amount but individually made a provision for bad debts

Name of Debtor	Carrying Balance	Provision for Bad Debts	Aging	Accrual Proportion (%)	Reason for Accrual
Long-term dormant account	3,893,477.52	3,893,477.52	Over 3 years	100.00	Unexpected to recover
Total	3,893,477.52	3,893,477.52		—	—

(II) Other receivables

Item	Closing Balance	Opening Balance
Other receivables	10,670,425,009.14	8,545,569,564.77
Interest receivable		
Dividend receivable	52,530,000.00	33,230,000.00
Total	10,722,955,009.14	8,578,799,564.77

(1) Other receivables

① Disclosed by category

Category	Closing Balance				Opening Balance			
	Carrying Balance		Provision for Bad Debts		Carrying Balance		Provision for Bad Debts	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables with a significant single amount and individually made a provision for bad debts								
Other receivables made a provision for bad debts according to credit risk characteristics								
Combination 1: Aging combination	488,728,604.22	4.52	130,488,593.10	26.70	639,249,453.90	7.38	120,738,169.70	18.89
Combination 2: No-risk combination	10,312,184,998.02	95.48			8,027,058,280.57	92.62		
Subtotal of combination	10,800,913,602.24	100	130,488,593.10	1.21	8,666,307,734.47	100.00	120,738,169.70	1.39
Other receivables without a significant single amount but individually made a provision for bad debts								
Total	10,800,913,602.24	100	130,488,593.10	—	8,666,307,734.47	100.00	120,738,169.70	—

② Other receivables made a provision for bad debts according to credit risk characteristics

A. Other receivables made a provision for bad debts in the aging analysis method

Aging	Closing Balance			Opening Balance		
	Closing Carrying Balance		Provision for Bad Debts	Opening Carrying Balance		Provision for Bad Debts
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year	134,067,656.20	27.43	6,703,382.81	283,408,339.00	44.33	14,170,416.95
1 to 2 years	81,872,676.90	16.75	8,187,267.69	104,729,808.60	16.38	10,472,980.86
2 to 3 years	103,980,964.80	21.28	31,194,289.44	147,304,406.30	23.04	44,191,321.89
Over 3 years	168,807,306.32	34.54	84,403,653.16	103,806,900.00	16.24	51,903,450.00
Total	488,728,604.22	100.00	130,488,593.10	639,249,453.90	100.00	120,738,169.70

B. Other receivables made a provision for bad debts in other combination methods

Item	Closing Balance			Opening Balance		
	Carrying Balance	Accrual Proportion (%)	Provision for Bad Debts	Carrying Balance	Accrual Proportion (%)	Provision for Bad Debts

No-risk combination	10,312,184,998.02			8,027,058,280.57		
Total	10,312,184,998.02	—		8,027,058,280.57	—	

③ Other receivables of Top 5 closing balance according to debt collection

Name of Debtor	Relation with the Company	Amount in Arrears	Years in Arrears	Proportion to Total Other Accounts (%)
Zhenjiang Automobile Industry Investment Co., Ltd.	Third party	3,442,764,651.71	Within 1 year	31.87
Zhenjiang Finance Bureau	Administrative organ	2,336,250,000.00	Within 3 years	21.63
Zhenjiang Urban Construction Investment Group Co., Ltd.	Third party	1,233,000,000.00	Within 1 year	11.42
Zhenjiang State-owned Assets Supervision and Administration Commission	Administrative organ	400,000,000.00	Within 2 years	3.70
Zhenjiang Dongfang Technical School	Third party	335,922,096.61	Over 3 years	3.11
Total		7,747,936,748.32		71.73

(1) Dividend receivable

① Disclosed by category

Item	Closing Balance	Opening Balance
Bank of Jiangsu Co., Ltd.	46,530,000.00	24,230,000.00
China Pacific Corporation	6,000,000.00	9,000,000.00
Total	52,530,000.00	33,230,000.00

(III) Long-term equity investment

1. Classification

Item	Opening Balance	Increase in the Year	Decrease in the Year	Closing Balance
Investments in subsidiaries	2,308,551,644.52	153,658,599.38	245,114,250.49	2,217,095,993.41
Investments in joint ventures				
Investments in associates	18,943,636,582.00	664,587,896.49	14,799,025.68	19,593,425,452.81
Subtotal	21,252,188,226.52	818,246,495.87	259,913,276.17	21,810,521,446.22
Less: Provision for impairment of long-term equity investment				

2. Details

Investee	Investment Cost	Opening Balance	Current Movement								Closing Balance
			Additional Investment	Reduced Investment	Investment Gains and Losses Recognized under the Equity Method	Adjustment to Other Comprehensive Income	Other Equity Changes	Cash Dividend or Profit Declared	Provision for Impairment	Others	
I. Joint ventures											
II. Associates											
Zhenjiang Transportation Industry Group Co., Ltd.	191,300,000.00	18,548,815,643.71			348,386,193.74	-70,661,115.00	314,822,385.35				19,141,363,107.80
Zhenjiang Tianrun Pawn Co., Ltd.	5,000,000.00	6,534,867.76			-1,584,705.14						4,950,162.62
Zhenjiang Chuanshan Limestone Mine Co., Ltd.	124,109,343.77	315,783,303.92		9,309,598.48	87,335,021.22		-7,323,442.42				386,485,284.24
Zhenjiang Guoguang Cultural Tourism Co., Ltd.	562,500.00	420,062.56			-3.69						420,058.87
Hongtu Venture Capital Co., Ltd.	18,000,000.00	15,168,012.68		5,454,546.00	-524,099.94	-5,974.49					9,183,392.25
Yangzhong Innovation Investment Co., Ltd.	25,000,000.00	26,506,418.88			1,338,452.08						27,844,870.96
Zhenjiang Leading Talent Venture Capital Co., Ltd.	22,500,000.00	30,408,272.49			-219,445.58	-7,010,250.84					23,178,576.07
Total	387,971,843.77	18,943,636,582.00		14,764,144.48	434,731,412.69	-77,677,340.33	307,498,942.93				19,593,425,452.81

(IV) Investment income

Source of Investment Income	Current Amount	Prior Amount
Income from long-term equity investment under equity method	434,731,412.69	388,829,089.32
Income from long-term equity investment under cost method	12,424,000.00	3,600,000.00
Investment Income generated by disposing of long-term equity investment	167,387,141.18	-102,534,667.51
Investment income obtained during holding financial assets measured at fair value through profit or loss	31,753,053.65	13,960,000.00
Investment income obtained during holding available-for-sale financial assets		
Investment income from available-for-sale financial assets	125,261,725.12	35,761,575.43
Investment income from disposing of financial assets measured at fair value through profit or loss		
Investment income from disposing of held-to-maturity investment		
Investment income from disposing of available-for-sale financial assets		115,488,980.94
Other investment income	27,064,784.75	20,495,699.78
Total	798,622,117.39	475,600,677.96

(V) Supplementary information about cash flow statement of the parent company

Item	Current Amount	Prior Amount
1. Cash flow from adjusting net profits into operating activities		
Net profits	389,056,332.57	380,769,951.87
More: Provision for assets impairment allowances	9,750,423.40	-37,681,730.23
Depreciation of fixed assets, depletion of oil and gas assets and depreciation of productive biological assets	4,362,611.72	4,111,298.80
Amortization of intangible assets	679,780.90	3,444,338.73
Amortization of long-term deferred expenses	27,094,226.39	20,860,986.67
Loss from disposing of fixed assets, intangible assets and other long-term assets (Fill in "-" for earnings)		-5,210,535.40
Loss on retirement of fixed assets (Fill in "-" for earnings)		
Loss from changes in fair value (Fill in "-" for earnings)	-114,802,000.00	158,478,000.00
Financial expenses (Fill in "-" for earnings)	639,265,226.19	511,839,121.93
Loss from investment (Fill in "-" for earnings)	-798,622,117.39	-475,600,677.96
Decrease in deferred income assets (Fill in "-" for increase)		
Increase in deferred income assets (Fill in "-" for decrease)		
Decrease in inventories (Fill in "-" for increase)	331,243,460.21	-12,640,954.06
Decrease in operating receivables (Fill in "-" for increase)	-72,956,887.18	-939,067,481.39

Item	Current Amount	Prior Amount
Increase in operating payables (Fill in "-" for decrease)	184,664,415.92	233,906,562.30
Others		
Net cash flows arising from operating activities	599,735,472.73	-156,791,118.74
2. Investment and financing activities not involved in cash receipts and payments		
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Fixed assets under financial lease		
3. Net increase in cash and cash equivalents		
Closing balance of cash	2,230,132,923.47	551,210,943.35
Less: Opening balance of cash	551,210,943.35	1,121,042,568.02
More: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	1,678,921,980.12	-569,831,624.67

Zhenjiang State-owned Investment Holding Group Co., Ltd. (seal)

April 28, 2020

Zhenjiang State-owned Investment Holding Group Co., Ltd.

Zhenjiang State-owned Investment Holding Group Co., Ltd. (seal)

Audit Report

00002021040116289916
Report No.: Zh.X.H.Sh.Zi,[2021]No.: 021449

Zhongxinghua Certified Public Accountants LLP
(Special General Partnership)

Zhongxinghua Certified Public Accountants LLP (Special General Partnership)
Add.: 20/F, Tower B, Lize SOHO, 20 Lize Road, Fengtai District, Beijing, PR China
Tel: 010-51423818 Fax: 010-51423816

Zhenjiang State-owned Investment Holding Group Co., Ltd. (seal)

Audit Report

Zh.X.H.Sh.Zi,(2021)No.: 021449

To: All the shareholders of Zhenjiang State-owned Investment Holding Group Co., Ltd.

I. Audit Opinion

We have audited the financial statements of Zhenjiang State-owned Investment Holding Group Co., Ltd. (hereinafter referred to as "Zhenjiang State-owned Holding Group"), including Consolidated and Parent Company's Balance Sheet as of December 31, 2020, Consolidated and Parent Company's Profits Statement, Consolidated and Parent Company's Cash Flow Statement and Consolidated and Parent Company's Statement of Changes in Owners' Equity, as well as Notes to Financial Statements for 2020 then ended.

In our opinion, the accompanying financial statements of Zhenjiang State-owned Holding Group are prepared in accordance with the *Accounting Standards for Business Enterprises* in all material aspects, and reflect the consolidated and parent company's financial conditions as of December 31, 2020 as well as the consolidated and parent company's operating results and the consolidated and parent company's cash flows for 2020 then ended of Zhenjiang State-owned Holding Group truly and fairly.

II. Basis for Forming Audit Opinion

We performed the audit in accordance with the *Auditing Standards for Chinese Certified Public Accountants*. The "CPA's Responsibility for Auditing Financial Statements" section of the audit report further elaborated our responsibilities under these guidelines. According to the *Code of Ethics of Chinese Certified Public Accountants*, we are independent of Zhenjiang State-owned Holding Group and perform other professional ethics duties. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. Management and Governance's Responsibility for Financial Statements

The management of Zhenjiang State-owned Holding Group is responsible for the preparation of financial statements in accordance with the provisions of the *Accounting Standards for Business Enterprises*, to enable them to achieve fair reflection, and for designing, implementing and maintaining necessary internal controls so that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing Zhenjiang State-owned Holding Group's ability to continue as a going concern, disclosing issues related to going concern and applying the going concern assumption unless the management plans to liquidate Zhenjiang State-owned Holding Group or terminate operations, or there are no other realistic options.

The governance is responsible for overseeing the financial reporting process of Zhenjiang State-owned Holding Group.

IV. Certified Public Accountant's Responsibility for 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 auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

(2) Obtain an understanding of internal control relevant to the audit in order to design

audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

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

(4) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Zhenjiang State-owned Holding Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause Zhenjiang State-owned Holding Group to cease to continue as a going concern.

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

(6) Obtain sufficient and appropriate audit evidence on the financial information of the entities or business activities of Zhenjiang State-owned Holding Group, so as to express opinions on the financial statements. We are responsible for guiding, supervising and executing group audit and take full responsibility for audit opinion.

We communicate with the governance regarding the planned scope, timing of the audit, significant audit findings, etc., including any significant deficiencies in internal control that we identify during our audit.

Zhongxinghua Certified Public Accountants LLP (Special General Partnership)	China CPA: Zhao Yongqiang 321100020027 (seal & signature)
Zhongxinghua Certified Public Accountants LLP (Special General Partnership) (seal)	China CPA: Tang Chengliang 321100020026 (seal & signature)
Beijing, China	April 28, 2021

Consolidated Balance Sheet

December 31, 2020

Prepared by: Zhenjiang State-owned Investment Holding Group Co., Ltd. (seal) **Amount Unit: RMB Yuan**

Item	Note	Closing Balance	Beginning Balance
Current Assets:			
Monetary Funds	VIII (I)	4,418,062,668.57	5,421,169,870.44
Financial Assets at Fair Value through Profit or Loss	VIII (II)	492,919,642.01	461,910.056.00
Derivative Financial Assets			
Notes Receivable	VIII (III)	110,517,494.67	108,601.041.36
Accounts Receivable	VIII (IV)	524,875,305.87	1,219,628.810.03
Accounts Prepaid	VIII (V)	676,353,372.25	938,968,241.31
Other Receivables	VIII (VI)	7,264,420,661.28	9,743,993,090.37
Inventories	VIII (VII)	9,442,742,016.46	10,046,246,844,37
Held-for-Sale Assets			
Non-current Assets Due within One Year	VIII (VIII)	106,858,594.81	96,503,792.22
Other Current Assets	VIII (IX)	1,802,787,673.77	723,814,130.41
Total Current Assets		24,839,537,429.69	28,760.835,876 51
Non-current Assets:			
Issuing entrusted loans and advances		91,048,570.00	98,465,630.00
Available-for-Sale Financial Assets	VIII (X)	4,407,705,033.80	3,483,761,919.57
Held-to-maturity Investment	VIII (XI)	134,070,821.90	134,225,492.00
Long-term Accounts Receivable	VIII (XII)	224,783,889.96	224,700,170.46
Long-term Equity Investment	VIII (XIII)	20,710,549,877.75	19,829,954,258.69
Investment Real Estate	VIII (XIV)	462,419,336.29	395,928,407.25
Fixed Assets	VIII (XV)	2,888,338,328.33	3,012,703,082.94
Construction in Progress	VIII (XVI)	366,062,429.92	338,184,420.89
Productive Biological Assets			
Oil and Gas Assets			
Intangible Assets	VIII (XVII)	346,953,298.41	363,599,609.11
Development Expenditure			
Goodwill	VIII (XVIII)		
Long-term Deferred Expenses	VIII (XIX)	54,839,357.94	81,331,309.60
Deferred Income Tax Assets	VIII (XX)	94,799,316.20	116,268,619.90
Other Non-current Assets	VIII (XXI)	303,131,270.38	73,422.923.69
Total Non-current Assets		30,084,701,530.88	28,152,545,844.10
Total Assets		54,924,238,960.57	56,913,381,720.61
(The attached notes to the financial statements are an integral part of the financial statements)			
Legal Representative: Zhou Yi (seal) Person in Charge of Accounting Work: Chang Xiaoyu (seal) Leader of Accounting Agency: Wang Wei (seal)			

Consolidated Balance Sheet (Continued)

December 31, 2020

Prepared by: Zhenjiang State-owned Investment Holding Group Co., Ltd. (seal) **Amount Unit: RMB Yuan**

Item	Note	Closing Balance	Opening Balance
Current Liabilities:			
Short-term Borrowings	VIII (XXII)	3,902,431,181.30	3,922,001,324.33
Financial Liabilities at Fair Value through Profit or Loss			
Derivative Financial Liabilities			
Notes Payable	VIII (XXIII)	1,950,885,411.99	2,273,082,237.95
Accounts Payable	VIII (XXIV)	798,530,245.07	1,789,353,919.00
Receipts in Advance	VIII (XXV)	971,891,136.80	1,639,195.20492
Staffs' Salary Payable	VIII (XXVI)	25,745,210.85	31,465,247.12
Taxes and Fees Payable	VIII (XXVII)	46,591,004.83	41,784,698.31
Other Payables	VIII (XXVIII)	4,174,270,660.65	3,671,864,375.51
Held-for sale liabilities			
Non-current Liabilities Due within One Year	VIII (XXIX)	2,123,075,938.14	4,353,378,506.03
Other Current Liabilities	VIII (XXX)	4,741,539,595.43	6,871,949,781.80
Total Current Liabilities		18,734,960,385.06	24,594,075,294.97
Non-current Liabilities:			
Long-term Borrowings	VIII (XXXI)	3,667,472,481.19	3,602,675,084.99
Bonds Payable	VIII (XXXII)	7,069,059,444.16	3,713,034,573.15
Wherein: Preferred Stocks			
Perpetual Debts			
Long-term Accounts Payable	VIII (XXXIII)	105,925,727.92	161,782,784.70
Long-term Staffs' Salary Payable			
Estimated Liabilities			
Deferred Earnings	VIII (XXXIV)	83,238,777.64	85,537,555.23
Deferred Income Tax Liabilities	VIII (XX)	51,105,585.01	50,017,891.92
Other Non-current Liabilities	VIII (XXXV)	295,000,000.00	85,000,000.00
Total Non-current Liabilities		11,271,802,015.92	7,698,047,889.99
Total Liabilities		30,006,762,400.98	32,292,123,184.96
Owners' Equities			
Paid-in Capital	VIII (XXXVI)	1,000,000,000.00	1,000,000,000.00
Other Equity Instruments			
Wherein: Preferred Stocks			
Perpetual Debts			
Capital Reserve	VIII (XXXVII)	13,547,812,126.75	13,443,705,169.21
Less: Treasury Stocks			
Other Comprehensive Income	VIII (XXXVIII)	5,638,904,512.25	5,796,163,910.43
Special Reserve		1,385,069.84	1,403,625.89
Surplus Reserve	VIII (XXXVIX)	467,189,519.65	425,559,728.20
Undistributed profits	VIII (XXXX)	2,380,437,090.54	1,693,710,483.30
Total owner's equity attributable to parent company		23,035,728,319.03	22,204,475,779.54

Minority interests		1,881,748,240.56	1,700,143,831.53
Total Owners' Equities		24,917,476,559.59	23,904,619,611.07
Total Liabilities and Owners' Equities		54,924,238,960.57	53,443,534,221.40
(The attached notes to the financial statements are an integral part of the financial statements)			
Legal Representative: Zhou Yi (seal) Person in Charge of Accounting Work: Chang Xiaoyu (seal) Leader of Accounting Agency: Wang Wei (seal)			

Consolidated Profits Statement

Year of 2020

Prepared by: Zhenjiang State-owned Investment Holding Group Co., Ltd. (seal) **Amount Unit: RMB Yuan**

Item	Note	Current Amount	Prior Amount
I. Total Income from Business	VIII(XXXXI)	10,689,629,445.31	11,064,684,940.76
Wherein: Income from Business		10,689,629,445.31	11,064,684,940.76
II. Total business cost		11,191,647,440.95	11,664,814,937.40
Wherein: Business Costs	VIII(XXXXI)	9,451,348,992.91	9,688,050,547.20
Business Taxes and Surcharges	VIII(XXXXII)	73,493,397.80	65,212,159.07
Sales Expenses	VIII(XXXXIII)	367,661,170.26	468,098,808.42
Management Expenses	VIII(XXXXIV)	292,570,512.51	403,445,866.50
R&D Expenses		95,255,049.76	90,119,781.19
Financial Expenses	VIII(XXXXV)	911,318,317.71	949,887,775.02
Wherein: Interest Expenses		925,562,426.02	927,880,143.23
Interest Income		133,829,479.22	54,401,290.69
More: Other Income		39,731,237.48	30,821,790.77
Investment Income (Fill in Losses with “-”)	VIII(XXXXVII)	658,215,912.57	919,371,801.27
Wherein: Investment Income from Joint Ventures and Associates		423,576,490.44	391,859,892.43
Income on Changes in Fair Value (Fill in Losses with “-”)	VIII(XXXXVIII)	30,111,224.77	136,202,625.64
Impairment Losses on Assets (Fill in Losses with “-”)	VIII(XXXXVI)	49,667,745.07	-78,956,756.06
Income on Disposal of Assets (Fill in Losses with “-”)		-21,903,828.60	65,547,880.15
III. Business Profits (Fill in Losses with “-”)		253,804,295.65	472,857,345.13
More: Income from Non-business Activities	VIII(XXXXIX)	456,184,467.89	228,091,068.49
Less: Expenditure from Non-business Activities	VIII(XXXXX)	29,234,005.68	49,397,202.36
IV. Total Profits (Fill in Total Losses with “-”)		680,754,757.86	651,551,211.26
Less: Income Tax Expenses	VIII(XXXXXI)	87,710,118.95	60,015,351.42
V. Net Profits (Fill in Net Losses with “-”)		593,044,638.91	591,535,859.84
(I) Classification by operation continuity:			
1. Net Profits from Going Concern (Fill in Net Losses with “-”)		593,044,638.91	591,535,859.84
2. Net Profits from Disconnected Operations (Fill in Net Losses with “-”)			
(II) Classification by ownership:			
1. Minority interests (Fill in Net Losses with “-”)		195,583,244.76	203,783,468.09
2. Net profit attributable to shareholders of parent company (Fill in Net Losses with “-”)		397,461,394.15	387,752,391.75
VI. Net After-tax Amount of Other Comprehensive Income		-157,259,398.18	84,803,236.41
Net after tax amount of other comprehensive income attributable to the owner of the parent company		-157,259,398.18	84,803,236.41
(I) Other Comprehensive Income That Can Not Be Reclassified Into Profits or Losses			
1. Re-measurement of Changes in Defined Benefit Plan			
2. Other Comprehensive Income That Can Not Be Reclassified Into Profits or Losses under the Equity Method			
(II) Other Comprehensive Income That Can Be Reclassified Into Profits or Losses		-157,259,398.18	84,803,236.41
1. Other comprehensive income that can be reclassified into profits or losses under the equity method		23,840,384.94	-77,677,340.33

2. Gains or losses from changes in fair value of available-for-sale financial assets		-183,330,085.11	162,521,365.62
3. Gains or Losses from Held-to-maturity Investments Reclassified as Available-for-Sale Financial Assets			
4. Effective Portion of Gains or Losses of Cash Flow Hedges			
5. Translation Differences from Foreign Currency Financial Statements		2,230,301.99	-40,788.88
6. Others			
After-tax net amount of other comprehensive income attributable to minority shareholders			
VII. Total Comprehensive Income		435,785,240.73	676,339,096.25
Total comprehensive income attributable to the owners of the parent company		240,201,995.97	472,555,628.16
Total comprehensive income attributable to minority shareholders		195,583,244.76	203,783,468.09
(The attached notes to the financial statements are an integral part of the financial statements)			
Legal Representative: Zhou Yi (seal) Person in Charge of Accounting Work: Chang Xiaoyu (seal) Leader of Accounting Agency: Wang Wei (seal)			

Consolidated Cash Flow Statement

Year of 2020

Prepared by: Zhenjiang State-owned Investment Holding Group Co., Ltd. (seal) **Amount Unit: RMB Yuan**

Item	Note	Current Amount	Prior Amount
I. Cash Flows from Operating Activities			
Cash Received from Sales of Goods or Rendering of Services		11,652,006,050.39	12,745,783.792.85
Cash for interest, handling charge and commission		174,473,822.41	185,205.274.41
Taxes and Surcharges Refunds		2,844,206.99	1,205,269.83
Cash Received Relating to Other Operating Activities		3,385,694,708.73	2,660,152.470.45
Subtotal of Cash Inflows from Operating Activities		15,215,018,788.52	15,592,346,807.54
Cash Paid for Goods and Services		10,242,865,481.00	10,043,560,484.60
Net increase in customer loans and advances		-4,332,000.00	-10,969,000.00
Cash paid for interest, handling charge and commission		158,052,635.56	153,276,169.02
Cash Paid to and for Employees		524,976,368.14	574,731,846.47
Taxes and Surcharges Paid		326,969,812.34	404,986,094.66
Cash Paid Relating to Other Operating Activities		1,823,685,185.07	3,024,150,622.82
Subtotal of Cash Outflows from Operating Activities		**13,072,217,482.11**	**14,189,736,217.57**
Net Cash Flows from Operating Activities		**2,142,801,306.41**	**1,402,610,589,97**
II. Cash Flows from Investing Activities:			
Cash Received from Withdraw of Investments		1,012,495,592.87	854,704,185.63
Cash Received from Investments Income		169,696,099.75	358,036,395.43
Net Cash Received from Disposal of Fixed Assets, Intangible Assets and Other Long-term Assets		2,102,628.77	73,543,022.75
Net Cash Received from Disposal of Subsidiaries and Other Business Units			146,500,000.00
Cash Received Relating to Other Investing Activities		3,752,850,000.00	668,100,000.00
Subtotal of Cash Inflows from Investing Activities		**4,937,144,321.39**	2,100,883,603.81
Cash Paid for Fixed Assets, Intangible Assets and Other Long-term Assets		367,170,759.83	406,464,707.15
Cash Payments for Investments		2,538,473,015.75	1,193,577,209.01
Cash Paid Relating to Other Investing Activities		4,210,000,000.00	642,801,522.52
Subtotal of Cash Outflows from Investing Activities		**7,115,643,775.58**	**2,242,843,438.68**
Net Cash Flows from Investing Activities		**-2,178,499,454.19**	**-141,959,834.87**
III. Cash Flows from Financing Activities:			

Cash Received from Investments by Others		1,395,000.00	80,500,000.00
Wherein: Cash received by subsidiaries from minority shareholders' investment		1,395,000.00	80,500,000.00
Cash Received from Borrowings		19,018,274,184.09	19,749,958,833.78
Cash Received Relating to Other Financing Activities		189,298,806.32	696,850,291.54
Subtotal of Cash Inflows from Financing Activities		**19,208,967,990.41**	**20,527,309,125.32**
Cash Repayments for Debt		18,121,831,039.53	18,132,089,639.28
Cash Payments for Distribution of Dividends, Profits and Interest Expenditure		1,741,624,284.75	1,628,411,695.39
Wherein: Dividends and profits paid by subsidiaries to minority shareholders		100,219,947.12	
Cash Payments Relating to Other Financing Activities		487,252,201.72	692,031,193.23
Subtotal of Cash Outflows from Financing Activities		**20,350,707,526.00**	**20,452,532,527.90**
Net Cash Flows from Financing Activities		**-1,141,739,535.59**	**74,776,597.42**
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		-1,504,428.14	
V. Net Increase/(Decrease) in Cash and Cash Equivalents		-1,178,942,111.51	1,335,427,352.52
More: Opening Balance of Cash and Cash Equivalents		3,263,434,692.49	1,928,007,339.97
VI. Closing Balance of Cash and Cash Equivalents		**2,084,492,580.98**	**3,263,434,692.49**
(The attached notes to the financial statements are an integral part of the financial statements)			
Legal Representative: Zhou Yi (seal) Person in Charge of Accounting Work: Chang Xiaoyu (seal) Leader of Accounting Agency: Wang Wei (seal)			

Consolidated Statement of Changes in Owners' Equity

Year of 2020

Prepared by: Zhenjiang State-owned Investment Holding Group Co., Ltd. (seal) **Amount Unit: RMB Yuan**

Item	Current Amount												
	Owners' Equities Attributable to of the Parent Company											Minority Shareholders' Interest	Total Owners' Equities
	Stock Capital	Other Equity Instrument			Capital Reserve	Less: Treasury Stocks	Other Comprehensive Income	Special Reserve	Surplus Reserve	Retained Earnings	Subtotal		
		Preferred Stocks	Perpetual Debts	Others									
I. Balance at End of Prior Year	1,000,000,000.00				13,443,705,169.21		5,796,163,910.43	1,403,625.89	425,559,728.20	2,042,666,931.79	22,709,499,365.52	1,911,759,170.13	24,621,258,535.65
More: Changes in Accounting Policies													
Correction of Prior Period Errors													
Business Combination under the Same Control													
Others													
II. Balance at Beginning of the Year	1,000,000,000.00				13,443,705,169.21		5,796,163,910.43	1,403,625.89	425,559,728.20	2,042,666,931.79	22,709,499,365.52	1,911,759,170.13	24,621,258,535.65
III. Movements during This Year (Fill in Decrease with "-")					104,106,957.54		-157,259,398.18	-18,556.05	41,629,791.45	337,770,158.75	326,228,953.51	-30,010,929.57	296,218,023.94
(A) Other Comprehensive Income							-157,259,398.18			397,461,394.15	240,201,995.97	195,583,244.76	435,785,240.73
(B) Capital Increase and Decrease of Owners					104,106,957.54						104,106,957.54	-127,799,227.21	-23,692,269.67
1. Ordinary Shares Invested in by Owners					-361,226,698.85						-361,226,698.85	-118,098,505.78	-479,325,204.63
2. Other Equity Instrument Invested in by Owners					465,333,656.39						465,333,656.39	-9,700,721.43	455,632,934.96
3. Amount of Shares Payment Credited into Owners' Equities													
4. Others													
(C) Profit Distribution									41,629,791.45	-59,709,791.45	-18,080,000.00	-97,794,947.12	-115,874,947.12
1. Extraction of Surplus Reserve									41,629,791.45	-41,629,791.45			
2. Extraction of general risk preparation													
3. Distribution to Shareholders										-18,080,000.00	-18,080,000.00	-97,794,947.12	-115,874,947.12
4. Others													
(D) Internal Transfer of Owners' Equities													
1. Capital Reserve Converted into Capital (or Capital Stock)													
2. Surplus Reserve Converted into													

Capital (or Capital Stock)													
3. Surplus Reserve to Cover Losses													
4. Changes to Defined Benefit Plan to Carry Forward Retained Earnings													
5. Others													
(E) Special Reserve								-18,556.05		18,556.05	0.00		0.00
1. Current Extraction								5,583,926.67		18,556.05	5,602,482.72		5,602,482.72
2. Current Use								5,602,482.72			5,602,482.72		5,602,482.72
(F) Others													
IV. Closing Balance of Current Year	1,000,000,000.00				13,547,812,126.75		5,638,904,512.25	1,385,069.84	467,189,519.65	2,380,437,090.54	23,035,728,319.03	1,881,748,240.56	24,917,476,559.59

(The attached notes to the financial statements are an integral part of the financial statements)

Legal Representative: Zhou Yi (seal)   Person in Charge of Accounting Work: Chang Xiaoyu (seal)   Leader of Accounting Agency: Wang Wei (seal)

Consolidated Statement of Changes in Owners' Equity (Continued)

Year of 2020

Prepared by: Zhenjiang State-owned Investment Holding Group Co., Ltd. (seal) **Amount Unit: RMB Yuan**

Item	Prior Amount												
	Owners' Equities Attributable to of the Parent Company											Minority Shareholders' Interest	Total Owners' Equities
	Stock Capital	Other Equity Instrument			Capital Reserve	Less: Treasury Stocks	Other Comprehensive Income	Special Reserve	Surplus Reserve	Retained Earnings	Subtotal		
		Preferred Stocks	Perpetual Debts	Others									
I. Balance at End of Prior Year	1,000,000,000.00				13,411,020,323.19		5,711,360,674.02	1,730,204.09	386,654,094.94	1,693,710,483.30	22,204,475,779.54	1,700,143,831.53	23,904,619,611.07
More: Changes in Accounting Policies													
Correction of Prior Period Errors													
Business Combination under the Same Control													
Others													
II. Balance at Beginning of the Year	1,000,000,000.00				13,411,020,323.19		5,711,360,674.02	1,730,204.09	386,654,094.94	1,693,710,483.30	22,204,475,779.54	1,700,143,831.53	23,904,619,611.07
III. Movements during This Year (Fill in Decrease with "-")					32,684,846.02		84,803,236.41	-326,578.20	38,905,633.26	348,956,448.49	505,023,585.98	211,615,338.60	716,638,924.58
(A) Other Comprehensive Income							84,803,236.41			387,752,391.75	472,555,628.16	203,783,468.09	676,339,096.25
(B) Capital Increase and Decrease of Owners					32,684,846.02						32,684,846.02	69,348,021.56	102,032,867.58
1. Ordinary Shares Invested in by Owners					-349,509,781.88						-349,509,781.88	63,826,617.49	-285,683,164.39
2.Other Equity Instrument Invested in by Owners					307,498,942.93						307,498,942.93		307,498,942.93
3. Amount of Shares Payment Credited into Owners' Equities													
4. Others					74,695,684.97						74,695,684.97	5,521,404.07	80,217,089.04
(C) Profit Distribution									38,905,633.26	-38,905,633.26		-61,516,151.05	-61,516,151.05

1. Extraction of Surplus Reserve									38,905,633.26	-38,905,633.26			
2. Extraction of general risk preparation													
3. Distribution to Shareholders												-61,516,151.05	-61,516,151.05
4. Others													
(D) Internal Transfer of Owners' Equities													
1. Capital Reserve Converted into Capital (or Capital Stock)													
2. Surplus Reserve Converted into Capital (or Capital Stock)													
3. Surplus Reserve to Cover Losses													
4. Changes to Defined Benefit Plan to Carry Forward Retained Earnings													
5. Others													
(E) Special Reserve								-326,578.20		109,690.00	-216,888.20		-216,888.20
1. Current Extraction								5,060,622.50		109,690.00	5,170,312.50		5,170,312.50
2. Current Use								5,387,200.70			5,387,200.70		5,387,200.70
(F) Others													
IV. Closing Balance of Current Year	1,000,000,000.00				13,443,705,169.21		5,796,163,910.43	1,403,625.89	425,559,728.20	2,042,666,931.79	22,709,499,365.52	1,911,759,170.13	24,621,258,535.65
(The attached notes to the financial statements are an integral part of the financial statements)													
Legal Representative: Zhou Yi (seal) Person in Charge of Accounting Work: Chang Xiaoyu (seal) Leader of Accounting Agency: Wang Wei (seal)													

Balance Sheet

December 31, 2020

Prepared by: Zhenjiang State-owned Investment Holding Group Co., Ltd. (seal) **Amount Unit: RMB Yuan**

Item	Note	Closing Balance	Beginning Balance
Current Assets:			
Monetary Funds		2,548,238,830.83	2,984,698,923.47
Financial Assets at Fair Value through Profit or Loss		468,480,000.00	461,648,000.00
Derivative Financial Assets			
Notes Receivable		1,180,724.00	
Accounts Receivable	XII (I)		
Accounts Prepaid		36,383,379.07	31,685,004.33
Other Receivables	XII (II)	8,498,530,780.12	10,722,955,009.14
Inventories		4,427,057,468.21	4,055,718,699.12
Held-for-Sale Assets			
Non-current Assets Due within One Year			
Other Current Assets		541,453,901.28	185,321.10
Total Current Assets		**16,521,325,083.51**	**18,256,890,957.16**
Non-current Assets:			
Available-for-Sale Financial Assets		3,830,020,557.37	3,294,623,861.66
Held-to-maturity Investment		1,250,000.00	1,250,000.00
Long-term Accounts Receivable			
Long-term Equity Investment	XII (III)	22,784,612,033.21	21,810,521,446.22
Investment Real Estate			
Fixed Assets		130,639,027.74	133,665,737.98
Construction in Progress		148,422,105.82	124,982,125.45
Productive Biological Assets			
Oil and Gas Assets			
Intangible Assets		9,766,590.20	10,107,079.73
Development Expenditure			
Goodwill			
Long-term Deferred Expenses		15,206,550.61	23,589,909.09
Deferred Income Tax Assets			
Other Non-current Assets			
Total Non-current Assets		**26,919,916,864.95**	**25,398,740,160.13**
Total Assets		**43,441,241,948.46**	**43,655,631,117.29**
(The attached notes to the financial statements are an integral part of the financial statements)			
Legal Representative: Zhou Yi (seal) Person in Charge of Accounting Work: Chang Xiaoyu (seal) Leader of Accounting Agency: Wang Wei (seal)			

Balance Sheet (Continued)

December 31, 2020

Prepared by: Zhenjiang State-owned Investment Holding Group Co., Ltd. (seal) **Amount Unit: RMB Yuan**

Item	Note	Closing Balance	Opening Balance
Current Liabilities:			
Short-term Borrowings		1,134,500,645.08	673,882,600.00
Financial Liabilities at Fair Value through Profit or Loss			
Derivative Financial Liabilities			
Notes Payable		140,000,000.00	500,000,000.00
Accounts Payable		55,674,556.43	55,916,120.34
Receipts in Advance		118,003,738.74	
Staffs' Salary Payable			
Taxes and Fees Payable		701,349.43	1,195,299.37
Other Payables		3,807,769,786.83	3,619,431,780.62
Held-for sale liabilities			
Non-current Liabilities Due within One Year		1,726,355,653.22	4,101,958,610.20
Other Current Liabilities		3,694,850,000.01	6,293,499,466.66
Total Current Liabilities		**10,677,855,729.74**	15,245,883,877.19
Non-current Liabilities:			
Long-term Borrowings		1,449,099,548.34	1,000,000,000.00
Bonds Payable		7,069,059,444.16	3,713,034,573.15
Wherein: Preferred Stocks			
Perpetual Debts			
Long-term Accounts Payable			
Long-term Staffs' Salary Payable			
Estimated Liabilities			
Deferred Earnings			
Deferred Income Tax Liabilities			
Other Non-current Liabilities			
Total Non-current Liabilities		**8,518,158,992.50**	**4,713,034,573.15**
Total Liabilities		**19,196,014,722.24**	**19,958,918,450.34**
Owners' Equities			
Paid-in Capital		1,000,000,000.00	1,000,000,000.00
Other Equity Instruments			
Wherein: Preferred Stocks			
Perpetual Debts			
Capital Reserve		13,490,045,313.53	13,191,338,968.58
Less: Treasury Stocks			
Other Comprehensive Income		5,631,718,845.66	5,791,208,545.83
Special Reserve			
Surplus Reserve		467,189,519.65	425,559,728.20
Undistributed profits		3,656,273,547.38	3,288,605,424.34
Total Owners' Equities		**24,245,227,226.22**	**23,696,712,666.95**
Total Liabilities and Owners' Equities		**43,441,241,948.46**	**43,655,631,117.29**
(The attached notes to the financial statements are an integral part of the financial statements)			
Legal Representative: Zhou Yi (seal) Person in Charge of Accounting Work: Chang Xiaoyu (seal) Leader of Accounting Agency: Wang Wei (seal)			

Profits Statement

Year of 2020

Prepared by: Zhenjiang State-owned Investment Holding Group Co., Ltd. (seal) **Amount Unit: RMB Yuan**

Item	Note	Current Amount	Prior Amount
I. Income from Business		**806,544,739.60**	**923,246,077.01**
Less: Business Costs		790,967,695.93	914,203,412.51
Taxes and Surcharges		2,606,884.01	2,371,370.22
Sales Expenses		632,438.51	310,184.73
Management Expenses		23,780,974.15	21,073,534.42
R&D Expenses			
Financial Expenses		674,124,048.48	686,749,979.62
Wherein: Interest Expenses		640,673,373.21	663,225,530.68
Interest Income		104,359,414.93	23,960,304.49
More: Other Income			5,870,985.00
Investment Income (Fill in Losses with “-”)	XII(VI)	648,857,760.68	798,622,117.39
Wherein: Investment Income from Joint Ventures and Associates		414,186,648.10	434,731,412.69
Income on Changes in Fair Value (Fill in Losses with “-”)		6,832,000.00	114,802,000.00
Impairment Losses on Assets (Fill in Losses with “-”)		6,214,013.05	-9,750,423.40
Income on Disposal of Assets (Fill in Losses with “-”)			
II. Business Profits (Fill in Losses with “-”)		**-23,663,527.75**	**208,082,274.50**
More: Income from Non-business Activities		440,119,201.80	200,462,032.96
Less: Expenditure from Non-business Activities		157,759.56	19,487,974.89
III. Total Profits (Fill in Total Losses with “-”)		**416,297,914.49**	**389,056,332.57**
Less: Income Tax Expenses			
IV. Net Profits (Fill in Net Losses with “-”)		**416,297,914.49**	**389,056,332.57**
1. Net Profits from Going Concern (Fill in Net Losses with “-”)		**416,297,914.49**	389,056,332.57
2. Net Profits from Disconnected Operations (Fill in Net Losses with “-”)			
V. Net After-tax Amount of Other Comprehensive Income		**-159,489,700.17**	**83,598,025.75**
(I) Other Comprehensive Income That Can Not Be Reclassified Into Profits or Losses			
1. Re-measurement of Changes in Defined Benefit Plan			
2. Other Comprehensive Income That Can Not Be Reclassified Into Profits or Losses under the Equity Method			
(II) Other Comprehensive Income That Can Be Reclassified Into Profits or Losses		**-159,489,700.17**	83,598,025.75
1. Other comprehensive income that can be reclassified into profits or losses under the equity method		**23,840,384.94**	-77,677,340.33
2. Gains or losses from changes in fair value of available-for-sale financial assets		**-183,330,085.11**	161,275,366.08
3. Gains or Losses from Held-to-maturity Investments Reclassified as Available-for-Sale Financial Assets			
4. Effective Portion of Gains or Losses of Cash Flow Hedges			
5. Translation Differences from Foreign Currency Financial Statements			
6. Others			
VI. Total Comprehensive Income		**256,808,214.32**	**472,654,358.32**

(The attached notes to the financial statements are an integral part of the financial statements)

Legal Representative: Zhou Yi (seal) Person in Charge of Accounting Work: Chang Xiaoyu (seal)
Leader of Accounting Agency: Wang Wei (seal)

Cash Flow Statement

Year of 2020

Prepared by: Zhenjiang State-owned Investment Holding Group Co., Ltd. (seal) **Amount Unit: RMB Yuan**

Item	Note	Current Amount	Prior Amount
I. Cash Flows from Operating Activities			
Cash Received from Sales of Goods or Rendering of Services		1,018,445,584.66	880,992,420.04
Taxes and Surcharges Refunds			
Cash Received Relating to Other Operating Activities		2,474,255,239.80	2,146,852,713.14
Subtotal of Cash Inflows from Operating Activities		**3,492,700,824.46**	**3,027,845,133.18**
Cash Paid for Goods and Services		1,406,577,831.35	1,183,687,641.62
Cash Paid to and for Employees		12,990,200.25	12,864,372.75
Taxes and Surcharges Paid		9,016,782.76	10,135,704.26
Cash Paid Relating to Other Operating Activities		493,881,926.44	1,221,421,941.82
Subtotal of Cash Outflows from Operating Activities		**1,922,466,740.80**	**2,428,109,660.45**
Net Cash Flows from Operating Activities		**1,570,234,083.66**	**599,735,472.73**
II. Cash Flows from Investing Activities:			
Cash Received from Withdraw of Investments		262,180,173.61	166,274,259.84
Cash Received from Investments Income		126,867,287.56	321,321,758.52
Net Cash Received from Disposal of Fixed Assets, Intangible Assets and Other Long-term Assets			
Cash Received Relating to Other Investing Activities		3,350,000,000.00	516,000,000.00
Subtotal of Cash Inflows from Investing Activities		**3,739,047,461.17**	1,003,596,018.36
Cash Paid for Fixed Assets, Intangible Assets and Other Long-term Assets		15,627,870.22	47,714,824.47
Cash Payments for Investments		1,104,940,338.41	413,484,752.00
Cash Paid Relating to Other Investing Activities		3,850,000,000.00	486,000,000.00
Subtotal of Cash Outflows from Investing Activities		**4,970,568,208.63**	**947,199,576.47**
Net Cash Flows from Investing Activities		**-1,231,520,747.46**	**56,396,441.89**
III. Cash Flows from Financing Activities:			
Cash Received from Investments by Others			
Cash Received from Borrowings		13,828,444,215.77	13,404,372,630.95
Cash Received Relating to Other Financing Activities			282,434,000.00
Subtotal of Cash Inflows from Financing Activities		13,828,444,215.77	**13,686,806,630.95**
Cash Repayments for Debt		**13,373,742,965.71**	11,190,538,899.47
Cash Payments for Distribution of Dividends, Profits and Interest Expenditure		1,229,874,678.90	1,053,477,665.98
Cash Payments Relating to Other Financing Activities		383,214,206.10	420,000,000.00
Subtotal of Cash Outflows from Financing Activities		**14,986,831,850.71**	12,664,016,565.45
Net Cash Flows from Financing Activities		**-1,158,387,634.94**	1,022,790,065.50
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents			
V. Net Increase/(Decrease) in Cash and Cash Equivalents		-819,674,298.74	1,678,921,980.12
More: Opening Balance of Cash and Cash Equivalents		2,230,132,923.47	551,210,943.35
VI. Closing Balance of Cash and Cash Equivalents		**1,410,458,624.73**	2,230,132,923.47
(The attached notes to the financial statements are an integral part of the financial statements)			
Legal Representative: Zhou Yi (seal) Person in Charge of Accounting Work: Chang Xiaoyu (seal) Leader of Accounting Agency: Wang Wei (seal)			

Statement of Changes in Owners' Equity

Year of 2020

Prepared by: Zhenjiang State-owned Investment Holding Group Co., Ltd. (seal) **Amount Unit: RMB Yuan**

Item	Current Amount										
	Owners' Equities Attributable to of the Parent Company										Total Owners' Equities
	Stock Capital	Other Equity Instrument			Capital Reserve	Less: Treasury Stocks	Other Comprehensive Income	Special Reserve	Surplus Reserve	Retained Earnings	
		Preferred Stocks	Perpetual Debts	Others							
I. Balance at End of Prior Year	1,000,000,000.00				13,191,338,968.58		5,791,208,545.83		425,559,728.20	3,288,605,424.34	**23,696,712,666.95**
More: Changes in Accounting Policies											
Correction of Prior Period Errors											
Others											
II. Balance at Beginning of the Year	1,000,000,000.00				13,191,338,968.58		5,791,208,545.83		425,559,728.20	3,288,605,424.34	**23,696,712,666.95**
III. Movements during This Year (Fill in Decrease with "-")					298,706,344.95		-159,489,700.17		41,629,791.45	367,668,123.04	**548,514,559.27**
(A) Other Comprehensive Income							-159,489,700.17			416,297,914.49	**256,808,214.32**
(B) Capital Increase and Decrease of Owners					298,706,344.95						**298,706,344.95**
1. Ordinary Shares Invested in by Owners					-166,627,311.44						**-166,627,311.44**
2. Other Equity Instrument Invested in by Owners											
3. Amount of Shares Payment Credited into Owners' Equities											
4. Others					465,333,656.39						**465,333,656.39**
(C) Profit Distribution									41,629,791.45	-48,629,791.45	**-7,000,000.00**
1. Extraction of Surplus Reserve									41,629,791.45	-41,629,791.45	
2. Extraction of general risk preparation											
3. Distribution to Shareholders										-7,000,000.00	**-7,000,000.00**
4. Others											

(D) Internal Transfer of Owners' Equities											
1. Capital Reserve Converted into Capital (or Capital Stock)											
2. Surplus Reserve Converted into Capital (or Capital Stock)											
3. Surplus Reserve to Cover Losses											
4. Changes to Defined Benefit Plan to Carry Forward Retained Earnings											
5. Others											
(E) Special Reserve											
1. Current Extraction											
2. Current Use											
(F) Others											
IV. Closing Balance of Current Year	1,000,000,000.00				13,490,045,313.53		5,631,718,845.66		467,189,519.65	3,656,273,547.38	**24,245,227,226.22**

(The attached notes to the financial statements are an integral part of the financial statements)

Legal Representative: Zhou Yi (seal) Person in Charge of Accounting Work: Chang Xiaoyu (seal) Leader of Accounting Agency: Wang Wei (seal)

Statement of Changes in Owners' Equity (Continued)

Year of 2020

Prepared by: Zhenjiang State-owned Investment Holding Group Co., Ltd. (seal) **Amount Unit: RMB Yuan**

Item	Prior Amount										
	Owners' Equities Attributable to of the Parent Company										Total Owners' Equities
	Stock Capital	Other Equity Instrument			Capital Reserve	Less: Treasury Stocks	Other Comprehensive Income	Special Reserve	Surplus Reserve	Retained Earnings	
		Preferred Stocks	Perpetual Debts	Others							
I. Balance at End of Prior Year	1,000,000,000.00				13,109,035,024.50		5,707,610,520.08		386,654,094.94	2,938,454,725.03	**23,141,754,364.55**
More: Changes in Accounting Policies											
Correction of Prior Period Errors											
Others											
II. Balance at Beginning of the Year	1,000,000,000.00				13,109,035,024.50		5,707,610,520.08		386,654,094.94	2,938,454,725.03	**23,141,754,364.55**
III. Movements during This Year (Fill in Decrease with "-")					82,303,944.08		83,598,025.75		38,905,633.26	350,150,699.31	**554,958,302.40**
(A) Other Comprehensive Income							83,598,025.75			389,056,332.57	**472,654,358.32**
(B) Capital Increase and Decrease of Owners					82,303,944.08						**82,303,944.08**
1. Ordinary Shares Invested in by Owners					-299,890,683.82						**-299,890,683.82**
2. Other Equity Instrument Invested in by Owners					307,498,942.93						**307,498,942.93**
3. Amount of Shares Payment Credited into Owners' Equities											
4. Others					74,695,684.97						**74,695,684.97**
(C) Profit Distribution									38,905,633.26	-38,905,633.26	
1. Extraction of Surplus Reserve									38,905,633.26	-38,905,633.26	
2. Extraction of general risk preparation											
3. Distribution to Shareholders											
4. Others											

(D) Internal Transfer of Owners' Equities											
1. Capital Reserve Converted into Capital (or Capital Stock)											
2. Surplus Reserve Converted into Capital (or Capital Stock)											
3. Surplus Reserve to Cover Losses											
4. Changes to Defined Benefit Plan to Carry Forward Retained Earnings											
5. Others											
(E) Special Reserve											
1. Current Extraction											
2. Current Use											
(F) Others											
IV. Closing Balance of Current Year	1,000,000,000.00				13,191,338,968.58		5,791,208,545.83		425,559,728.20	3,288,605,424.34	**23,696,712,666.95**

(The attached notes to the financial statements are an integral part of the financial statements)

Legal Representative: Zhou Yi (seal)　　Person in Charge of Accounting Work: Chang Xiaoyu (seal)　　Leader of Accounting Agency: Wang Wei (seal)

I. Basic Information about the Company

(1) Place of Registration, Organization Form and Address of Headquarters

Established in 1996 and operating as a wholly state-owned company, Zhenjiang State-owned Investment Holding Group Co., Ltd. (hereinafter referred to as the Company, collectively referred to as the Group or the Company when it includes subsidiaries) was formerly known as Zhenjiang Assets Management Company. Established on June 06, 1996 with the approval of Zhenjiang Municipal People's Government ([1996] Zh.Zh.B. No. 477 Document), the Company obtained the business license for enterprise legal person with the unified code of social credit of 913211007115100239 as issued by Zhenjiang Administration for Industry and Commerce. Its registered capital is RMB one billion, contributed by the State-owned Assets Supervision and Management Committee of Zhenjiang Municipal People's Government (hereinafter referred to as Zhenjiang SASAC), accounting for 100% of the registered capital. Its legal representative is Zhou Yi, and its registered address is No. 61, Nanshan Road, Runzhou District, Zhenjiang City.

On August 08, 1996, it was approved by and registered with Zhenjiang Administration for Industry and Commerce of Jiangsu Province, with a registered capital of RMB 500,000.00 yuan, and the contributor is Zhenjiang Municipal Finance Bureau. On July 19, 1999, with the approval of the former Zhenjiang State-owned Assets Management Bureau, the registered capital was increased to RMB 50 million. Due to the establishment of the State-owned Assets Supervision and Management Committee of Zhenjiang Municipal People's Government (hereinafter referred to as Zhenjiang SASAC), on April 17, 2006, the General Office of Zhenjiang Municipal People's Government issued the *Letter on Adjusting the Affiliation of Zhenjiang Assets Management Companies* (Zh.Zh.B.H. [2006] No. 9), the Company was placed under the management of Zhenjiang SASAC in the whole system, and the contributor was adjusted to Zhenjiang SASAC, and on April 28 of the same year, the Company was renamed Zhenjiang State-owned Assets Investment and Operation Company. On June 02, 2009, the registered capital of the Company changed to RMB 200 million after being approved by Zhenjiang SASAC and as stipulated in the amended articles of association of the Company; and in June 2012, the registered capital of the Company changed to RMB 500 million after being approved by Zhenjiang SASAC and as stipulated in the amended articles of association of the Company, and the contributor is still Zhenjiang SASAC. On September 12, 2014, according to Zh.G.Z.G. [2014] No. 7 Document of the State-owned Assets Supervision and Management Committee of Zhenjiang Municipal People's Government, the Company transformed from an enterprise owned by the whole people to a wholly state-owned holding company, and increased its registered capital from RMB 500 million to RMB one billion. And on October 20, 2014, the Company changed its name to Zhenjiang State-owned Investment Holding Group Co., Ltd.

(2) Business Nature and Primary Business Activities

The Company is mainly engaged in public assets operation within the scope as authorized by the government, economic information consulting services, corporate reorganization, restructuring and transformation planning, business training for property rights management, equipment leasing, wholesale of edible agricultural products (primary), pre-packaged food and bulk food, sales of automobiles, auto parts and auto supplies, as well as import and export sales of automobiles. (Any item legally subject to approval may only be operated after being approved by relevant departments)

(3) Name of Parent Company and Group Headquarters

The controlling shareholder and ultimate controller of the Group is State-owned Assets Supervision and Administration Commission of Zhenjiang Municipal People's Government. The Company sets up such functional management departments as the Development Department, the Financial Department, the Accounting Department, the Auditing Department, etc., as well as the Board of Directors and the General Manager Office which shall be responsible for the operations and management of the Group and exercise management and control over major decision-making and daily work of the Group.

(4) Approval and Release of Financial Report

The Group's financial report shall be approved and released by Zhou Yi on April 28, 2020.

(5) Term of Operation

The term of operation of the Company is from August 8, 1996 on.

II. Preparation Basis of Financial Statements

(1) Preparation Basis

The financial statements compiled by the Group are based on the assumption that the Group is going to operate on a continuous basis and, according to actually occurred transactions and events, and in compliance with the *Accounting Standards for Business Enterprises* issued by the Ministry of Finance and its application guidelines, explanations and other relevant stipulations (hereinafter collectively referred to as the "Accounting Standards for Business Enterprises"), as well as on the basis of the accounting policies and estimates described in Note 4 "Significant Accounting Policies and Accounting Estimates".

(2) Going Concern

The Group has the ability to continue as a going concern for at least 12 months from the end of the reporting period, and there are no major events affecting the ability to continue as a going concern.

III. Statement on Observing Accounting Standards for Business Enterprises

The Group states that the financial statements prepared comply with the requirements of the accounting standards for business enterprises, and fully and accurately reflect the financial standing of the Group, as well as the operating results, cash flows and other information concerned.

IV. Significant Accounting Policies and Accounting Estimates

(1) Fiscal Year

The Company's fiscal year is from Gregorian calendar 1st January to 31st December.

(2) Bookkeeping Currency

The bookkeeping currency of the Group is RMB.

(3) Accounting Basis and Valuation Principle

The Group's accounting is based on the accrual basis, and the historical cost is taken as the valuation principle except for transactional financial assets, available-for-sale financial assets and investment real estates are measured at fair value.

(4) Business Combination

1. Business combination under the same control

The assets and liabilities that the combining party obtains in a business combination shall be measured on the basis of their book amount in the combined party on the combining date. As for the balance between the book amount of the net assets obtained and the book 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.

2. Business combination not under the same control

All identifiable assets, liabilities and contingent liabilities obtained from the acquiree during the business combination not under the same control shall be measured at the fair value on the acquisition date. The combination costs shall be the fair values, on the acquisition date, of the assets paid, the liabilities incurred or assumed and the equity securities issued by the acquirer in exchange for the control on the acquiree, and all relevant direct costs incurred to the acquirer for the business combination. (For a business combination realized by two or more transactions of exchange, the combination costs shall be the summation of the costs of all separate transactions.) The acquirer shall recognize the positive balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree as goodwill. The acquirer shall, pursuant to the following provisions, treat the balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree: (a) It shall reexamine the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities it obtains from the acquiree as well as the combination costs; and (b) If, after the reexamination, the combination costs are still less than the fair value of the identifiable net assets it obtains from the acquiree, it shall record the balance into the non-operating income of the current period.

(5) Investment Entity

1. Judgment basis for investment entity

It is an investment entity when the following conditions are met at the same time:

(a) The Group obtains funds from one or more investors for the purpose of providing investment management services to investors; (b) the sole operating purpose of the Group is to let investors get returns through capital appreciation, investment income or both; and (c) the Group considers and evaluates the performance of almost all investments at fair value.

If a group is an investment entity, it shall normally meet all the following characteristics:

(a) Having more than one investment; (b) owning more than one investor; (c) the investor is not a related party of the entity; and (d) its owner's equity exists in the form of stock rights or similar equity.

2. Determination of the scope of consolidation

As an investment entity, only the subsidiaries that provide related services for its investment activities should be included in the scope of consolidation to prepare the consolidated financial statements; but other subsidiaries should not be consolidated, and investments in other subsidiaries should be measured at fair value through profit and loss.

The parent company of an investment entity is not the investment entity itself, so all entities it controls, including those indirectly controlled by investment entities, should be included in the scope of consolidated financial statements. When the parent company changes from a non-investment entity to an investment entity, except that only the subsidiaries that provide relevant services for its investment activities are included in the scope of consolidated financial statements to prepare the consolidated financial statements, the enterprise will no longer merge other subsidiaries from the date of transformation, and will conduct accounting treatment in accordance with the principle of disposing of the subsidiary but retaining the remaining equity on the date of transformation. When the parent company changes from an investment entity to a non-investment entity, the subsidiaries that were not included in the scope of consolidated financial statements should be included in the scope of consolidated financial statements on the date of transformation, and the fair value of the subsidiaries that were not included in the scope of consolidated financial statements on the date of transformation shall be deemed to be the transaction consideration for purchase.

(6) Method for Preparation of Consolidated Financial Statements

1. Recognition principle on the scope of consolidation

The Group incorporates all controlled subsidiaries into the scope of the consolidated financial statements.

2. Preparation principles, procedures and methods of consolidated financial statements

In preparing consolidated financial statements, where the accounting policy adopted by the combined party is different from that adopted by the combining party, the combining party shall, according to accounting policy and accounting period it adopts, adjust the relevant items in the financial statements of the combined party.

All major current balance, transaction and unrealized profit shall be eliminated in preparing financial statements. Shareholders equity of the subsidiary and the parts in its net profit or loss not owned by the

Company appear respectively on the consolidated financial statements as the item of minority shareholders equity and the item of shareholders equity and net profit. The shares owned by minority shareholders in current net profit or loss of the subsidiary show under the item of net profit on the consolidated profit statements as minority shareholders equity.

For the subsidiaries acquired through business combination under the same control, the operating results and cash flows shall be included in the consolidated financial statements from the beginning of the current period. When comparative consolidated financial statements are prepared, adjust relevant items in the financial statements for the previous year, and treat that the report subject formed after the combination is always there since the final control party begins to control.

The equities of the investee under the same control obtained through a number of transactions step by step ultimately form business combination; when consolidated statements are prepared, they shall be deemed to be adjusted according to the current state since the final control party begins to control; when comparative consolidated statements are prepared, they shall be subject to the time at which the Group and the combined party are under the control of the ultimate controlling party, relevant assets and liabilities of the combined party shall be incorporated into the comparative statements of the consolidated financial statements of the Group and the net assets increased due to combination shall be adjusted in the comparative statement to adjust relevant items under the owner’s equity. In order to avoid repeated calculation of the value of the net assets of the combined party, the long-term equity investment held by the Group prior to the consolidation, in respect of the recognized relevant gains and losses, other comprehensive income and other changes in net assets from the late date between the date of acquisition of the original equities and the date on which the Group and the combined party are under the final control of the same party, shall be used to offset the initial retained earnings and the current profits and losses in the comparative statement period.

For the subsidiaries acquired through business combination not under the same control, the operating results and cash flows shall be included in the consolidated financial statements from the date on which the Group controls. When consolidated financial statements are prepared, the financial statements of the subsidiaries shall be adjusted on the basis of the fair value of the identifiable assets, liabilities and contingent liabilities as determined on the date of purchase.

The equities of the investee not under the same control obtained through a number of transactions step by step ultimately form business combination; when consolidated statements are prepared, the equities of the acquiree held before the date of purchase shall be re-measured at the fair value of the equities at the date of purchase, and the difference between the fair value and its book value shall be recognized in the current investment income; other comprehensive income under the equity method involved in the equities of the acquiree as held before relevant date of purchase and the changes in other owners’ equity other than net profit or loss, other comprehensive income and profit distribution shall change to investment gains and losses in the period of purchase, except for other consolidated income arising from the investee’s re-measurement of net profits or net assets of defined benefit plans.

When the Group purchases equities from minority shareholders of a subsidiary, the difference between the disposal price obtained due to part disposal of the equity investment in the subsidiary without losing control and the net assets of the subsidiary enjoyed due to disposal of long-term equity investment shall be referred to when adjusting the capital reserve in consolidated balance sheet; and if the capital reserve is not sufficient to be offset, the retained earnings shall be adjusted.

When the controlling right over original subsidiary is forfeited due to dealing with partial equity investment or other reason, the remaining equity shall make another measurement at the fair value at the date of forfeiting controlling right. The difference between the sum of the consideration acquired in dealing with equity and fair value of the remaining equity (less net asset calculated continuously from purchasing date at original share proportion) is charged to investment gains at current period of forfeiting controlling right. Other comprehensive income in relation with the investment of original subsidiary shall be converted into the current investment income at the time of forfeiting controlling rights.

In case the Group disposes of the equity investments in subsidiaries through multiple transactions until forfeits controlling right, if such multiple transactions are a package deal, such transactions should be conducted accounting treatment as disposal of a subsidiary and forfeiting of controlling right; but before forfeiting controlling right, the price for each disposal and the difference from shares in net assets of the subsidiary corresponding to the investment should be recognized as other comprehensive income in the consolidated financial statements, and together transferred to the current investment profits and losses during forfeiting controlling right.

3. Reflection of subsidiaries’ excess losses in the consolidated financial statements

In the consolidated financial statements, where the parent company’s share of the current loss exceeds its share of the owner’s equity at the beginning of the subsidiary, the balance shall be used to offset the owner’s equity (retained earnings) of the parent company; while where the minority shareholders’ share of the current loss exceeds their share of the owner’s equity at the beginning of the subsidiary, the balance shall be used to continue to offset the minority interests.

(7) Classification of Joint Arrangements and Accounting Methods of Joint Operations

The Group’s joint arrangements include joint operations and joint ventures. For jointly operated projects, the Group as a joint venture party in the joint operations confirms the assets held and the liabilities assumed separately, as well as the assets held and the liabilities assumed by share, and relevant income and expenses shall be recognized separately or by share according to relevant agreements. For an asset transaction that involves purchase and sales with joint operations but does not constitute a business, only confirm the proportion in the profits and loss attributable to other participants of joint operations as generated from the transaction.

(8) Foreign Currency Transactions and Foreign Currency Statement Translation

1. Foreign currency transactions

The Group’s foreign currency transactions shall be translated into bookkeeping currency according to the spot exchange rate on the transaction date. The Group shall, on the balance sheet date, translate foreign currency monetary items according to the spot exchange rate on the balance sheet date. The exchange difference arising from the difference between the spot exchange rate on the balance sheet date and the spot exchange rate at the time of initial recognition or prior to the balance sheet date shall be recorded in the profits and losses in the current period, except in the period of capitalization, the exchange balance on foreign currency borrowings shall be capitalized, and shall be recorded into the cost of assets eligible for capitalization.

2. Foreign currency statement translation

To translate foreign currency financial statements, the Company shall comply with the following provisions: the asset and liability items in the balance sheet shall be translated at a spot exchange rate on the balance sheet date. Among the owner’s equity items, except for the items as "retained earnings", other items shall be translated at the approximate spot exchange rate at the time when they are incurred. The income and expense items in the profit statements shall be translated at the spot exchange rate of the transaction date. The translation difference in foreign currency financial statements generated in accordance with the above translation shall be recognized in other comprehensive income. The comparison of the translation of financial statements shall be with reference to the above provisions.

(9) Recognition Standard of Cash and Cash Equivalents

Cash refers to all cash in hand and banks deposits readily available for making payments. Cash equivalents refers to, highly-liquid investments with a maturity of less than three months from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(10) Financial Assets and Financial Liabilities

1. Financial assets

A financial asset or financial liability shall be recognized when the Group becomes a party to a financial instrument contract.

(a) Classification, recognition and measurement of financial assets

According to investment purpose and economic nature, financial assets of the Group are divided into financial assets at fair value through profit or loss, held-to-maturity investment, loans and the account receivables, and available-for-sale financial assets.

Financial assets at fair value through profit or loss include trading financial assets and directly specified financial assets at fair value through profit or loss during initial recognition. A financial asset held for trading is the financial asset that meets one of the following conditions: the financial asset is acquired for the purpose of selling it in a short term; the financial asset is a part of a portfolio of identifiable financial instruments that are collectively managed, and there is objective evidence indicating that the enterprise recently manages this portfolio for the purpose of short-term profits; and the financial asset is a derivative, except for a derivative that is designated and effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price from an active market) whose fair value cannot be reliably measured. A financial asset is designated on initial recognition as at fair value through profit or loss only when it meets one of the following conditions: the designation eliminates or significantly reduces the inconsistency in the measurement or recognition of relevant gains or losses that would otherwise arise from measuring the financial instruments on different bases; a group of financial instruments is managed and its performance is evaluated on a fair value basis, and is reported to the enterprise’s key management personnel. Formal documentation regarding risk management or investment strategy has prepared; one contract containing one or more embedded derivative financial instruments, i.e., mixed instruments, except that the embedded derivative financial instruments have no material change to the cash flow of mixed instruments, or derivative financial instruments embedded in similar mixed instruments should obviously not be separated from relevant mixed instruments; contains a hybrid tool of the embedded derivative financial instruments that requires spin-off but can not be individually measured at the time of acquisition or subsequent balance sheet date. Financial assets at fair value through profit or loss shall make subsequent measurement according to their fair value. The profits and losses that arise when fair value changes as well as dividend and interest income relate to the said financial assets shall be recorded into the current profits and losses.

The term "held-to-maturity investment" refers to a non-derivative financial asset with a fixed date of maturity, a fixed or determinable amount of repo price and which the Group holds for a definite purpose or is able to hold until its maturity. Held-to-maturity investment shall make subsequent measurement on the basis of the post-amortization costs by adopting the actual interest rate method. The profits and losses that arise when such financial assets are terminated from recognition, or are impaired of amortized, shall be recorded into the current profits and losses.

Accounts receivable refers to the non-derivative financial assets for which there is no quoted price in the active market and of which the repo amount is fixed or determinable. The accounts receivable of the Group shall make subsequent measurement on the basis of the post-amortization costs by adopting the actual interest rate method. The profits and losses that arise when such financial assets are terminated from recognition, or are impaired of amortized, shall be recorded into the current profits and losses.

Available-for-sale financial assets include non-derivative financial assets that are designated as available for sale at initial recognition and financial assets that are not classified as other categories. The equity instrument investments for which there is no quotation in the active market and whose fair value cannot be measured reliably, and the derivative financial assets which are connected with the said equity instrument and must be settled by delivering the said equity instrument shall be measured on the basis of their costs; and if there are other active market quotations or if there is no active market quotation but the fair value can be measured reliably, such assets are measured at fair value and recorded their changes to fair value in other comprehensive income. The financial assets available for sales shall make subsequent measurement at their fair value. The profits and losses arising from the change in the fair value shall be recognized as other comprehensive income and included in capital reserve with the exception of impairment losses and the gap arising from foreign exchange convention of cash financial assets in any foreign currency and post-amortization cost, and when the said financial asset is stopped from recognition and is transferred out, it shall be recorded into the current profits and losses. It shall be accounted for as current profit or loss when the financial assets stop recognition to be transferred. The equity instrument investments for which there is no quotation in the active market and whose fair value cannot be measured reliably, and the derivative financial assets which are connected with the said equity instrument and must be settled by delivering the said equity instrument shall be measured subsequently on the basis of their costs.

(b) Recognition basis and measurement method of the transfer of financial assets

Where a financial asset satisfies any of the following requirement, the recognition shall be terminated: ① where the contractual rights for collecting the cash flow of the said financial asset are terminated; ② where the said financial asset has been transferred and nearly all of the risks and rewards related to the ownership of the financial asset has been transferred to the transferee; ③ where an enterprise does not transfer or retain nearly all of the risks and rewards related to the ownership of a financial asset, but it gives up its control over the financial asset.

Where the Group does not transfer or retain nearly all of the risks and rewards related to the ownership of a financial asset, and it does not give up its control over the financial asset, it shall, according to the extent of its continuous involvement in the transferred financial asset, recognize the related financial asset and recognize the relevant liability accordingly. The term "continuous involvement in the transferred financial asset" shall refer to the risk level that the Group faces resulting from the change of the value of the financial asset.

If the transfer of an entire financial asset satisfies the conditions for stopping recognition, the difference between the amounts of the book value of the transferred financial asset and the sum of consideration received from the transfer, and the accumulative amount of the changes of the fair value originally recorded in the owner’s equities (in the event that the financial asset involved in the transfer is a financial asset available for sale), shall be recorded in the current profits and losses.

If the transfer of partial financial asset satisfies the conditions to stop the recognition, the entire book value of the transferred financial asset shall, between the portion whose recognition has been stopped and the portion whose recognition has not been stopped, be apportioned according to their respective relative fair value, and the difference between the amounts of the sum of the consideration obtained for the transfer and the accumulative amount of the changes in the fair value originally recorded in the comprehensive income which shall be amortized to the portion whose recognition has been stopped, and amortized above-mentioned book amounts shall be included into the current profits and losses.

(c) Testing method and accounting treatment of financial assets impairment

The Group shall carry out an inspection, on each balance sheet day, on the book amount of other financial assets other than those measured at their fair values and of which the variation is recorded into the current profits and losses. Where there is any objective evidence proving that such financial asset has been impaired, an impairment provision shall be made.

For held-to-maturity investments, loans and receivables: When an impairment occurs, the carrying value of the financial assets should be written down to the present value of the expected future cash flows, and the write-down amount shall be recognized as a loss on asset impairment and included in the current profits or losses. If there is objective evidence indicating that the value of the financial asset has been restored, the originally recognized impairment loss shall be reversed and included in the current profits or losses (while offset the loss on asset impairment).

For available-for-sale financial assets: (1) When an impairment occurs, the carrying value of the financial assets should be written down to the present value of the estimated future cash flows. The cumulative losses due to decrease in fair value that were originally directly included in the owner’s equity should also be transferred out and included in the current profits or losses. (2) When the impairment provision reverses: for available-for-sale debt instruments, where the fair value has increased in subsequent accounting periods and is objectively related to events that occurred after the original impairment loss was recognized, the originally recognized impairment loss should be reversed and included in the current profits or losses (while offset the loss on asset impairment); the impairment loss on available-for-sale equity instrument investment shall not be reversed through profit or loss, and the increase in fair value shall be included in capital reserve.

For long-term equity investments (those that do not have control, joint control or significant impact, have no quotation in an active market and whose fair value cannot be reliably measured): When an impairment occurs, the carrying amount of the financial assets should be written down to the present value of the estimated future cash flows, the write-down amount shall be recognized as a loss on asset impairment and included in the current profits or losses. And the provision for impairment shall not be reversed.

2. Financial liabilities

(a) Classification, recognition and measurement of financial liabilities

When they are initially recognized, financial liabilities of the Group are divided into financial liabilities at fair value through profit or loss and other financial liabilities.

Those liabilities include transactional financial liabilities and the designated financial liabilities at fair value through profit or loss on the initial recognition, which is the same as the financial assets classified into transactional financial assets and the designated financial assets at fair value through profit or loss on the initial recognition. The financial liabilities at fair value through profit or loss shall make subsequent measurement according to their fair value. The profits and losses that arise when fair value changes as well as dividend and interest income relate to the said financial liabilities shall be recorded into the current profits and losses.

Other financial liabilities are measured at the amortized cost using the effective interest method. Where there is an active market for financial instruments, market quotes in active markets are used to determine their fair value. In active markets, the financial assets held by the Group or the financial liabilities to be assumed shall take the current offer as the fair value of corresponding assets or liabilities. The financial assets to be purchased by the Group or the financial liabilities assumed shall take the current charge as the fair value of corresponding assets or liabilities. If financial assets or financial liabilities are not subject to current offer and charge, but the economic environment has not changed significantly since the latest trading day, the fair value of financial assets or financial liabilities shall be determined by the market quotation of the latest transaction. In the event of a significant change in the economic environment in recent days, refer to the current price or interest rate of a similar financial asset or financial liability to adjust the market quotation of the latest transaction so s to determine the fair value of financial assets or financial liabilities. If the Group has sufficient evidence that the market price of the latest transaction is not the fair value, make appropriate adjustments to the market quotation of the latest transaction to determine the fair value of financial assets or financial liabilities.

(b) Termination of financial liabilities

A financial liability is derecognized when one of the following conditions is met: when the underlying present obligation (or part of it) specified in the contracts is discharged, cancelled or expired; or an agreement between the Group and an existing lender to replace the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. The difference between the book amount of the derecognized financial liability and the consideration paid is recognized in the current profit or loss.

(11) Accounts Receivable

The Group recognizes the following as the standard of bad debt loss for accounts receivable: The debtor is dissolved or declared bankruptcy or becomes insolvent or is badly in short of cash flows, or it ceases production due to the occurrence of a severe natural disaster and therefore cannot repay its debt in the foreseeable future; the debtor has not serviced its debts due for over 5 years; and there is other absolute proof that the debts cannot be recovered or are least likely to be recovered.

Possible loss of bad debts shall be accounted for using the allowance method. At the end of the period, the impairment test shall be carried out separately or in combination, and the provision for bad debts shall be made and recorded into the current profits and losses. For accounts receivable with conclusive evidence that it can not be recovered, the Group shall approve them as loss of bad debts according to specifies procedures and then write off the provision for bad debts.

1. Accounts receivable with a significant single amount and made provisions for impairment separately

Judgment basis or amount standard for significant single amount	An single amount of over RMB three million (inclusive) deemed as significant accounts receivable
Method for significant single amount and made provisions for impairment separately	Made provisions for impairment in accordance with the difference between the present value of expected future cash flows and the book value.

2. Accounts receivable made provisions for impairment according to credit risk characteristics

(a) Basis for determining different combinations:

Item	Basis for Determining Combination
Aging combination	The same aging of accounts receivable with similar credit risk characteristics
No-risk combination	Accounts receivable from government units, related party funds, security and equity receivables

(b) Provision method for specific combination and provision for bad debts

Item	Provision Method
Aging combination	Aging analysis method
No-risk combination	Individual identification method

(c) Aging analysis method

Aging	Provision Proportion of Accounts Receivable (%)	Provision Proportion of Other Receivables (%)
Within 1 year	5	5
1 to 2 years	10	10
2 to 3 years	30	30
Over 3 years	50	50

3. Accounts receivable with an insignificant single amount and made provisions for impairment separately

Reason for making provisions for impairment separately	Any accounts receivable with an insignificant single amount needing separate impairment tests due to failure to reflect risk characteristics under special circumstances
Provision method of impairment	Recognize impairment loss and make a provision for bad debts in accordance with the difference between the present value of expected future cash flows and the book value

(12) Inventory

The Group's inventory mainly includes raw materials, products in process, finished goods, developed products and development costs in the development process.

Inventories are implemented the perpetual inventory system and valuated at the actual cost when acquired; and are adopted the weighted average method to determine their actual costs when requisitioned or issued.

The closing inventories are valuated at the lower of the cost and the net realizable value, and the inventory depreciation reserve shall be withdrawn for the portion whose costs are not recoverable as expected due to damage, obsolescence in whole or in part or selling price lower than the cost. The inventory depreciation reserve of finished goods and bulk raw materials shall be withdrawn according to the difference between the cost of a single inventory item and its net realizable value; and the inventory depreciation reserve of other numerous lower priced raw and auxiliary materials shall be withdrawn by category.

The net realizable value of finished products is the amount after using the estimated selling price to deduct estimated selling expenses and relevant taxes; for materials held for production, etc., measure at cost when the net realizable value of such finished products for production is higher than the cost; and when the decline in material prices shows the net realizable value of finished products is lower than the cost, net realizable value is the amount after using the estimated selling price to deduct the estimated costs to be incurred upon completion, estimated selling expenses and relevant taxes.

(13) Held-for-sale Non-current Assets and Disposal Group

If the Group recovers its book value mainly through sales (including non-monetary asset exchange with commercial substance, the same below) instead of continuing to use a non-current asset or disposal group, it will be classified as held for sale. The specific criteria are to meet the following conditions at the same time: a non-current asset or disposal group can be sold immediately under current conditions based on the convention of selling such assets or disposal groups in similar transactions; the Group has already made a resolution on the sale plan and has obtained a determined purchase commitment; and expected sales will be completed within one year. Among them, a disposal group refers to a group of assets that are disposed of as a whole through sale or other means in a transaction, and the liabilities directly related to these assets transferred in the transaction. If the asset group or combination of asset groups to which the disposal group belongs apportions the goodwill obtained in the business combination in accordance with the *Accounting Standards for Business Enterprises No. 8 - Asset Impairment*, the disposal group shall include the goodwill allocated to the disposal group.

When the Group initially measures or re-measures the held-for-sale non-current assets and the disposal groups on the balance sheet date, if its book value is higher than the net amount after the fair value minus the sale expenses, the book value will be reduced to the net amount after the fair value minus the sale expenses, the amount of write-down shall be recognized as impairment loss of assets and recorded in the current profit or loss; and meanwhile, the provision for impairment of held-for-sale assets shall be made. For disposal group, the recognized impairment loss of assets shall be first offset the book value of the goodwill in the disposal group, and then according to a proportion shall be offset the book value of various non-current assets specified according to the measurements within the disposal group applicable to the *Accounting Standards for Business Enterprises No. 42 - Held-for-sale Non-current Assets, Disposal Group and Terminated Operations* (hereinafter referred to as "Held-for sale Rules"). If the net amount after the fair value of the disposal group held for sale on the subsequent balance sheet date minus the sale expenses increases, the amount of the previous write-down shall be restored, and shall be reversed in the loss of assets impairment recognized according to the non-current assets applicable to the measurement regulations of held-for-sale rules after being classified to the held-for-sale category, the reversed amount shall be included in the current profit or loss, and the book value shall be increased proportionally according to the proportion of the book value of various non-current assets specified according to the measurements within the disposal group applicable to the held-for-sale rules, other than goodwill; and the book value of the goodwill that has been offset and the loss of asset impairment recognized before the non-current assets specified according to the measurements applicable to the held-for-sale rules are classified to the held-for-sale category are not allowed to be reversed.

Held-for-sale non-current assets or non-current assets in the disposal group are not subject to depreciation or amortization. Interest and other expenses of liabilities in the disposal group held for sale continue to be recognized.

When a non-current asset or disposal group no longer meets the classification criteria for held-for-sale category, the Group will no longer continue to classify it as a held-for-sale category or remove the non-current assets from the disposal group held for sale. It shall be measured based on the following two: (1) The amount after the book value before being classified to the held-for-sale category is adjusted according to the depreciation, amortization or impairment that would have been recognized if they are assumed not to be classified as held for sale; and (2) the recoverable amount.

(14) Long-term Equity Investment

1. Judgment of control, joint control or significant influence over the investee

The Group’s long-term equity investments mainly include the equity investments held by the Group that can control and significantly influence the investee, and the equity investments in its joint ventures.

Control means the power over an investee exercised by the Group, which enjoys variable returns by participating in the relevant activities of the investee and has the ability to use its power over the investee to influence the amount of the returns.

Joint control refers to the common control over an arrangement in accordance with relevant stipulations, and related activities of the arrangement must obtain unanimous consent of the participants sharing control before decision-making. Joint arrangement refers to an arrangement in which two or more parties jointly control. Joint venture refers to the joint venture party enjoys the joint arrangements of arranging related assets and assuming related liabilities associated with such an arrangement.

Significant influence refers to the investor has the right to participate in decision-making of the financial and operating policies of the investee, but can not control or jointly control with other parties over the development of those policies. The major basis for determining significant influence is based primarily on the presence of representatives in the board of directors or similar authorities of the investee who implement significant influence through their right to speak in the financial and operational decision-making process of the investee. When the Group directly or indirectly through a subsidiary company holds 20% (inclusive) or more but less than 50% of the voting shares of the investee, unless there is clear evidence showing that in this case it cannot get involved in the production and business decision-making of the investee and does not form significant influence, it is considered having a significant influence over the investee. In determining whether significant influence on the investee can be exerted, the Group will consider the voting shares of the investee directly or indirectly held by itself, while considering the influence from the conversion of the current enforceable potential voting rights held by the Group and other parties to the equity over the investee, such as the influence of the current convertible warrants, stock options and convertible corporate bonds issued by the investee.

2. Cost determination, subsequent measurement and profit and loss confirmation method of long-term equity investment

For the business combination under the same control, if the consideration of the combining enterprise is that it will make payment in cash, transfer non-cash assets or bear its debts, it shall, on the day of combination, treat the share of the book amount of the owner’s equity of the combined enterprise as the initial cost of the long-term equity investment. The difference between the initial cost of the long-term equity investment and the payment in cash, non-cash assets transferred as well as the book amount of the debts borne by the combining party shall offset against the capital reserve. If the capital reserve is insufficient, the retained earnings shall be adjusted.

If the consideration of the combining enterprise is that it will issue equity securities, it shall, on the day of combination, regard the share of the book amount of the owner’s equity of the combined enterprise as the initial cost of the long-term equity investment. The total par value of the stocks issued shall be regarded as the capital stock, while the difference between the initial cost of the long-term equity investment and total par value of the shares issued shall offset against the capital reserve. If the capital reserve is insufficient, the retained earnings shall be adjusted.

For the combination under the same control, the combining party shall, on the day of combination, regard the combination costs as the initial cost of long-term equity investment.

The audit fees, legal fees, consulting services fees, other intermediary costs and other administrative expenses for business combination shall be recorded into the current profit or loss when incurred; and the transaction costs for the issuance of equity securities or debt securities for business combination shall be recognized in the initially recognized amount of equity securities or debt securities;

Besides the long-term equity investments formed by business combination, the initial cost of a long-term equity investment obtained by making payment in cash shall be the purchase cost which is actually paid; the initial cost of a long-term equity investment obtained on the basis of issuing equity securities shall be the fair value of the equity securities issued; the initial cost of a long-term equity investment made by an investor shall be the value stipulated in the investment contract or agreement; and the initial cost of a long-term equity investment obtained by recombination of liabilities, non-monetary assets exchange, etc. shall be ascertained in accordance with the principle for debt restructuring.

The Group adopts the cost method to calculate the long-term equity investment which can control the investee, and adopts the equity method for the investment in joint ventures and the associates.

By employing the cost method, long-term equity investments shall be included at its initial investment cost, and additional or recovered investments shall be adjusted the cost of long-term equity investments. The current income shall be recognized according to the dividends in cash or profits declared to distribute by the investee with the exception of the actually-paid amount or the dividends in cash or profits included in the consideration which have been declared to distribute.

By employing the equity method, if the initial cost of a long-term equity investment is more than the investing enterprise’ attributable share of the fair value of the investee’s identifiable net assets for the investment, the initial cost of long-term equity investments may not be adjusted. If the initial cost of a long-term equity investment is less than the investing enterprise’ attributable share of the fair value of the investee’s identifiable net assets for the investment, the difference shall be included in the current profits and losses and the cost of long-term equity investments shall be adjusted simultaneously. By employing the equity method, the profits and losses of the current investment and other comprehensive income shall be the attributable share of the net profits or losses of the investee, while adjusted the book value of long-term equity investments; the enjoyed part should be calculated according to the profits or cash dividends declared by the investee, and the book value of long-term equity investments should be reduced accordingly; and other changes in owners’ equities of the investee except for net profits or losses, other comprehensive income and profit distribution should be included in capital reserve after being adjusted the book value of long-term equity investments. The investing enterprise shall, on the ground of the fair value of all identifiable assets of the investee when it obtains the investment, and in accordance with the Company's accounting policies and accounting period, recognize the attributive share of the net profits and losses of the investee after it adjusts the net profits of the investee. For the unrealized profits and losses of internal transaction incurred between the Company and its joint enterprise and associated entity, the part owned by the Company calculated according to the proportion of shares shall be set off and on this basis investment profits and losses shall be recognized.

3. Changes to long-term equity investment

If the Group is able to exert joint control or significant influence, which does not constitute control, over the investee as a result of additional investment or other reasons, the Group shall take the sum of the fair value of the equity investment previously held and the cost of new investments as the initial investment cost accounted for with the equity method. If the equity investment previously held is classified as financial assets available for sale, the difference between the fair value and the book value, and the cumulative change in fair value recorded in other comprehensive income shall be transferred to the current profits and losses under the equity method. If the initial cost of long-term equity investment is more than the Group's attributable share of the fair value of the identifiable net assets of the investee for the investment, the initial cost may not be adjusted. If the initial cost of long-term equity investment is less than the Group's attributable share of the fair value of the identifiable net assets of the investee for the investment, the difference shall be included in the current profits and losses and the cost of the long-term equity investment shall be adjusted simultaneously.

If the Group is able to exert control over the investee not under the same control as a result of additional investment or other reasons, in the preparation of individual financial statements, the Group shall take the sum of the book value of the equity investment previously held and the cost of new investments as the initial investment cost accounted for with the cost method. For other comprehensive income recognized and accounted for with the equity method against the equity investment held before the acquisition date, the disposal of the investment shall be conducted accounting treatment in accordance with the same basis for direct disposal of relevant assets or liabilities adopted by the investee. If the equity investment held before the acquisition date is conducted accounting treatment in accordance with relevant regulations about financial instruments, the cumulative change in fair value previously recorded into other comprehensive income shall be transferred to the current profits and losses under the cost method.

When the Group loses its joint control or significant influence over the investee due to disposal of part of equity investments, the remaining equities after the disposal shall be accounted for using the standards for recognition and measurement of financial instruments; and the difference between the fair value and the book value after the date of loss of joint control or significant influence shall be recorded into the current profits and losses. For other comprehensive income of the original equity investments accounted for using the equity method, it shall be conducted accounting treatment on the same basis that the investee directly disposes of relevant assets or liabilities when terminated adopting the equity method, and owners' equities of the investee recognized due to changes in other owners' equities other than net profit or loss, other comprehensive income and profit distribution shall be carried forward to the current investment income when terminated adopting the equity method.

When the Group loses its control over the investee due to disposal of part of equity investments, in the preparation of individual financial statements, when the remaining equities after the disposal can exercise joint control or significant influence over the investee, just account for using the equity method, and adjust the remaining equities as they are accounted for using the equity method at the time of acquisition; and when the remaining equities after the disposal cannot exercise joint control or significant influence over the investee, conduct accounting treatment in accordance with relevant provisions of the standards for recognition and measurement of financial instruments, and record the difference between the fair value and the book value after the date of loss of control into the current profits and losses.

4. Disposal of long-term equity investment

During the disposal of long-term equity investments, the Group shall record the difference between the book value and the actual purchase price into the current profit or loss. For long-term equity investments accounted for using the equity method, during the disposal of such investments, adopt the basis the same to the direct disposal of related assets or liabilities by the investee, and conduct accounting treatment to the part originally recorded into other comprehensive income according to corresponding proportion.

(15) Investment Real Estate

The Group's investment real estates are mainly leased houses and buildings.

The Group adopts the fair value model for subsequent measurement of investment real estates, does not depreciate or amortize investment real estate, adjusts the carrying value based on the fair value of investment real estate on the balance sheet date, and includes the difference between fair value and original carrying value in the current profits or losses.

(16) Fixed Assets

Fixed assets refer to tangible assets that are held for the production of goods, provision of labor services, leases or business management, with a service life of over one accounting year and the unit value of over 2,000 Yuan.

Fixed assets include houses and buildings, machinery and equipment, transportation equipment, office equipment and others, and are initially measured at cost. The cost of purchased fixed assets includes the purchase price, relevant taxes and expenses and the expenses attributable to the asset before the asset reaches its intended usable condition. The cost of self-constructed fixed assets includes engineering supplies, direct labor costs and other necessary expenses incurred before the asset reaches its intended usable condition. The cost invested to a fixed asset by the investor shall be ascertained in accordance with the value as stipulated in the investment contract or agreement, other than those of unfair value as stipulated in the contract or agreement. The entry value of fixed assets under financing lease shall be the lower one of the fair value of the leased asset and the present value of the minimum lease payments on the lease beginning date.

Subsequent expenditure relating to fixed assets, including repair expenses, renovation and other expenses, can be recognized as the cost of fixed assets when the recognition criteria set above is met, and the replaced book amount shall be derecognized. Otherwise, such expenditure is to be charged to the income statement in the period when it is incurred.

Except for the fixed assets that have been fully depreciated but are still in use and the land separately accounted for and recorded, the Group makes a provision for depreciation for all the fixed assets. The depreciation is calculated using the average age method and is included in the cost of relevant assets or the current expenses, respectively, depending on the purpose. The depreciation period, estimated net residual value rate and depreciation rate of the fixed assets of the Group are as follows:

No.	Category	Depreciation Period (Year)	Estimated Residual Rate (%)	Annual Depreciation Rate (%)
1	Houses and buildings	30-35	5	2.71-3.7
2	Mechanical equipment	10	5	9.5
3	Transportation equipment	5-8	5	19-11.88
4	Electronic and other equipment	5-10	5	19-9.5

At the end of each year, the Group reviews the estimated service life, estimated net residual value and depreciation method of fixed assets, and handles the changes as changes of accounting estimates.

Where a fixed asset is in a state of disposal or a fixed asset is unable to generate any economic benefits through use or disposal as expected, derecognize the fixed asset. When the Group sells, transfers or discards any fixed asset, or when any fixed asset is damaged or destroyed, the Group shall deduct the book value and relevant taxes from the disposal income, and include the amount in the current profits and losses.

Recognition basis, valuation and depreciation method of fixed assets

Where a lease satisfies one or more of the following criteria, it shall be recognized as a fixed asset under financial lease: ① The ownership of the leased asset is transferred to the lessee when the term of lease expires; ② The lessee has the option to buy the leased asset at a price which is expected to be far lower than the fair value of the leased asset at the date when the option becomes exercisable. Thus, on the lease beginning date, it can be reasonably determined that the option will be exercised; ③ Even if the ownership of the asset is not transferred, the lease term covers the major part of the use life of the leased asset; ④ In the case of the lessee, the present value of the minimum lease payments on the lease beginning date amounts to substantially all of the fair value of the leased asset on the lease beginning date; and ⑤ The leased assets are of a specialized nature that only the lessee can use them without making major modifications. On the lease beginning date, a lessee shall record the lower one of the fair values of the leased asset and the present value of the minimum lease payments on the lease beginning date as the entering value in an account, recognize the amount of the minimum lease payments as the entering value in an account of long-term account payable, and treat the balance between the recorded amount of the leased asset and the long-term account payable as unrecognized financing charges. The initial direct costs such as commissions, attorney’s fees and traveling expenses, stamp duties directly attributable to the leased item incurred during the process of lease negotiating and signing the leasing agreement shall be recorded in the asset value of the current period. The unrecognized financing charge shall be amortized to each period during the lease term according to the effective interest method. In calculating the depreciation of a leased asset, the lessee should adopt a depreciation policy for leased assets consistent with that for depreciable assets which are owned by the lessee. If it is reasonable to be certain that the lessee will obtain the ownership of the leased asset when the lease term expires, the leased asset shall be fully depreciated over its useful life. If it is not reasonable to be certain that the lessee will obtain the ownership of the leased asset at the expiry of the lease term, the leased asset shall be fully depreciated over the shorter one of the lease terms or its useful life.

(17) Construction in Progress

The construction in progress shall be measured at the actual cost incurred. The self-operated construction project shall be measured according to direct materials, direct salary, direct construction costs, etc. The subcontracted construction projects shall be measured according to the project price paid, etc. The equipment installation works shall be determined the costs according to the value of installed equipment, installation costs, engineering commissioning and other expenses, etc. The cost of construction in progress also includes capitalized borrowing costs and exchange gains and losses.

The construction in progress shall be carried forward to fixed assets according to project budget, cost or actual project cost, etc. from the date of the intended use, started the depreciation from the second month, and adjusted the original value difference of fixed assets after the completion of final settlement procedures.

(18) Borrowing Costs

Borrowing costs include borrowing interest, discounts or premium amortization, ancillary expenses and exchange differences arising from foreign currency borrowings. Where the borrowing costs incurred to the Group can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, they shall not be capitalized unless they simultaneously meet the following requirements: the asset disbursements have already incurred; the borrowing costs has already incurred; and the acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started. When the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs shall be ceased. The remaining borrowing costs are recognized as expenses in the current period.

The to-be-capitalized amount of interests shall be determined in light of the actual cost incurred of the specially borrowed loan at the present period minus the income of interests earned on the unused borrowing loans as a deposit in the bank or as a temporary investment. For general borrowing, the Group shall calculate and determine the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the general borrowing by the capitalization rate of the general borrowing used.

The term "assets eligible for capitalization" shall refer to the fixed assets, investment real estate, inventories and other assets, of which the acquisition and construction or production may take quite a long time (usually more than 1 year) to get ready for its intended use or for sale.

Where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended. The borrowing costs incurred during such period shall be recognized as expenses, and shall be recorded into the current profits and losses.

(19) Intangible Assets

The intangible assets of the Group include land use rights, patented technologies, non-patented technologies, software, etc., which are measured at the actual cost at the time of acquisition; among which, the cost of outsourced intangible assets shall include the purchase price, relevant taxes and other necessary expenditures directly attributable to intangible assets for the expected purpose; and the cost invested into intangible assets by investors shall be determined according to the conventional value in the investment contract or agreement, except for those of unfair value in the contract or agreement.

Land use rights shall be amortized on average according to their transfer years from the date of transfer; patented technologies, non-patented technologies and other intangible assets shall be amortized by stages and on average according to the shortest one of the estimated service life, the contracted benefit life and the effective life specified by law. The amount of amortization shall be recognized in the costs of relevant assets and the current profit and loss according to the beneficiaries.

The subsequent measurement of intangible assets shall be respectively: intangible assets with a finite service life shall be amortized using the straight-line method; and at the end of the year, the service life and amortization method of intangible assets should be reviewed and adjusted accordingly if there are differences with the original estimates; and intangible assets with an infinite service life shall not be amortized, but at the end of the year, the service life should be reviewed, and estimated and amortized using the straight-line method if there is conclusive evidence indicating its service life is finite.

(20) Research and Development

The research and development expenditures of the Company can be divided into research expenditures and development expenditures according to their nature and whether there is greater uncertainty concerning R & D activities will ultimately form intangible assets. The research expenditures for its internal research and development projects shall be recorded into the profit or loss for the current period. The development expenditures for its internal research and development projects may be confirmed as intangible assets when they satisfy the following conditions simultaneously:

1. It is feasible technically to finish intangible assets for use or sale;

2. It is intended to finish and use or sell the intangible assets;

3. The usefulness of methods for intangible assets to generate economic benefits shall be proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets itself or the intangible assets will be used internally;

4. It is able to finish the development of the intangible assets, and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources; and

5. The development expenditures of the intangible assets can be reliably measured.

Expenditures on the development phase not meeting the above conditions shall be recorded into the current profits and losses when incurred. Development expenditures already recorded into the profit or loss will no longer be recognized as assets in subsequent periods. Capitalized expenditures on the development phase shall be recognized as development expenditures on the balance sheet, and changed to intangible assets for presentation on the date when they reach the intended use.

(21) Long-term Deferred Expenses

Long-term prepayments are various expenditures like renovation costs and rental costs incurred but that should be allocated over the current and future periods of more than one year (excluding one year). Long-term prepayments are evenly amortized over the respective beneficial period. If long-term deferred expenses cannot make future accounting periods benefit, the amortized value of unamortized items shall be fully transferred to the current profits and losses.

(22) Goodwill

Goodwill is the difference between the cost of business combination not under the same control and the fair value of the investee or the acquiree's identifiable net assets that should be enjoyed on the acquisition date or the purchase date.

Goodwill relating to subsidiaries shall be presented in the consolidated financial statements separately, goodwill relating to associates and joint ventures shall be included in the book value of long-term equity investments.

(23) Impairment of Non-financial Long-term Assets

The Group shall inspect long-term equity investments, fixed assets, construction in progress and intangible assets with uncertain service lives on each balance sheet date. When there are the following signs indicating that the asset may have been impaired, the Group may impose an impairment on the assets. No matter whether there is any sign of possible assets impairment, the business reputation and intangible assets with uncertain service lives shall be subject to impairment test every year. Where it is difficult to test the recoverable amount of an individual asset, it is based on the asset group or group of assets to which the asset belongs.

After the impairment test, if the book amount of the asset exceeds its recoverable amount, the difference shall be recognized as impairment loss. Once the impairment loss of the aforesaid asset is confirmed, it will not be reversed in the subsequent accounting period. The recoverable amount shall be determined in light of the higher one of the net amount of the fair value of the assets minus the disposal expenses and the current value of the expected future cash flow of the assets.

There may be an impairment of assets when one of the following signs occurs:

1. The current market price of assets falls, and its decrease is obviously higher than the expected drop over time or due to the normal use;

2. The economic, technological or legal environment in which the enterprise operates, or the market where the assets is situated will have any significant change in the current period or in the near future, which will cause adverse impact on the enterprise;

3. The market interest rate or any other market investment return rate has risen in the current period, and thus the discount rate of the enterprise for calculating the expected future cash flow of the assets will be affected, which will result in great decline of the recoverable amount of the assets;

4. Any evidence shows that the assets have become obsolete or have been damaged substantially;

5. The assets have been or will be left unused, or terminated for use, or disposed ahead of schedule;

6. Any evidence in the internal report of the enterprise shows that the economic performance of the assets has been or will be lower than the expected performance, for example, the net cash flow created by assets or the operating profit (or loss) realized is lower (higher) than the excepted amount, etc.; and

7. Other evidence indicates that the impairment of assets has probably occurred.

Goodwill separately presented in the financial statements is subject to an impairment test at least at the end of each year, regardless of whether there is any indication of impairment. During the test, the book value of goodwill shall be allocated to the benefited asset group or asset group combination based on related asset groups or the circumstance in which the asset group combination can benefit from the synergistic effect of business combination. Where the recoverable amount of an asset group or a combination of asset groups is lower than its book value, it shall be recognized as the corresponding impairment loss. The amount of the impairment loss shall first charge against the book value of the assets and business reputation which are apportioned to the asset group or combination of asset groups, then charge it against the book value of other assets in proportion to the weight of other assets in the asset group or combination of asset groups with the business reputation excluded.

Once the impairment loss of the above asset is recognized, the portion of the asset whose value can be recovered will not be reversed in the subsequent period.

(24) Employee Compensation

The term "employee compensation" refers to all kinds of remunerations and other relevant disbursements given by enterprises in exchange of the employees' services. The employee compensation of the Group mainly includes short-term employee compensation, post-employment benefits, termination benefits and other long-term employee benefits. The compensation provided to employee spouses, children, dependents, survivors of deceased employees and other beneficiaries, etc. by the Group also belong to employee compensation.

1. Short-term compensation refers to all payrolls needed to be paid by the Company within 12 months after the end of the annual reporting period in which its employees provide services, with the exception of the compensation given due to lifting of the labor relationship with the workers. The short-term remuneration of the Group includes salaries, bonuses, allowances and subsidies, employee benefits, medical insurance premiums, work-related injury insurance premiums, maternity insurance premiums and other social insurance premiums, as well as housing provident funds, trade union funds, staff education expenses, short-term compensated absences, short-term profit-sharing plans, non-monetary benefits and other short-term pay.

The Company recognizes the short-term compensation incurred in the accounting period in which an employee renders services to the Company as liabilities, and records it into the current profits and losses or costs of associated assets. If the short-term remuneration is non-monetary welfare, it shall be measured at fair value.

2. Post-employment benefits refers to various forms of compensation and benefits provided by the Company after employees retire or terminate labor relationships with the Company so as to obtain services from them, with the exception of short-term compensation and termination benefits.

3. The defined contribution plan of post-employment benefits is primarily to participate in basic social pension insurance, unemployment insurance, etc. organized and implemented by labor and social security institutions of different places. The Group shall recognize, in the accounting period in which an employee provides services, the contribution payable to a defined contribution plan as liability, with a corresponding charge to profit or loss for the current period or the cost of a relevant asset.

4. Termination benefits is a kind of compensation to employees if the Group cancels the labor relationship with any employee prior to the expiration of a relevant labor contract or brings forward any compensation proposal for the purpose of encouraging employees to accept a layoff. For employees who do not cancel a labor contract with the Group but are no longer serving the Group in the future and can not bring economic benefits to the Group, the Group undertakes to provide economic compensation with substantially the nature of the termination benefits, in the event of an "early retirement", it shall be dealt with in accordance with the termination benefits before the official retirement date, and in accordance with the post-employment benefits after the official retirement date.

The Group shall, when it can not unilaterally withdraw the termination benefits arising from termination of employment relationships or layoff proposal or confirm the costs or expenses associated with the reorganization of termination benefits payment (whichever is earlier), recognize the employee remuneration liabilities from termination benefits and record into the current profit or loss.

For the termination benefits that are not expected to be fully paid within 12 months of the end of the annual reporting period, and the termination plan whose substantive termination has been completed within one year but the compensation has been paid for over one year, the Group shall choose an appropriate discount rate to measure the amount termination benefits of the accrued current profits and losses with the discounted amount.

5. Other long-term employee benefits refers to all other employee benefits other than short-term compensation, post-employment benefits and termination benefits, including short-term compensated absences, long-term disability benefits, long-term profit-sharing plans, etc.

If other long-term employee compensation provided by the Group to employees meet the conditions for a defined contribution plan, they shall be handled in accordance with a defined contribution plan, otherwise handled in accordance with a defined income plan. At the end of the reporting period, the Group recognizes the employee compensation costs arising from other long-term employee benefits as the following components: service costs; net interest on net liabilities or net assets of other long-term employee benefits; and changes arising from re-measuring net liabilities or net assets of other long-term employee benefits. The total amount shall be recorded into the current profit or loss or costs of related assets.

(25) Bonds Payable

The bonds payable of the Group shall be measured at fair value at the time of initial recognition and at amortized cost, and relevant transaction costs shall be charged to the initial recognition amount.

The difference between the bond payment price and the total book value as bond premiums or discounts shall be amortized at the interest rate during the duration of the bond and is treated on the basis of the principle of borrowing costs.

(26) Estimated Liabilities

When the following conditions are met simultaneously with the business of external guarantees, discounted commercial bills of exchange, pending litigation or arbitration, product quality assurance, etc., the obligation pertinent to contingencies shall be recognized as estimated liabilities when the following conditions are satisfied simultaneously: That obligation is a current obligation of the Group; it is likely to cause any economic benefit to flow out of the Group as a result of performance of the obligation; and the amount of the obligation can be measured in a reliable way.

Included amount of estimated liabilities is the best estimated number of the needed expenditure for paying the liability off. In determining the best estimate, comprehensively consider the risks relating to contingencies, uncertainties and time value of money and other factors. If the influence of the time value of money is significant, determine the best estimate after discounting relevant future cash outflows. On the balance sheet date, it is required to review the book value of estimated liabilities; and if there is conclusive evidence indicating that the book value can not really reflect the current best estimates, the book value should be adjusted in accordance with current best estimates.

(27) Preferred Shares, Permanent Debts and Other Financial Instruments

The Group shall determine the accounting treatment of interest expense or dividend distribution of the instrument based on the classification of financial instruments issued. For equity instruments, permanent debts and other financial instruments classified as financial instruments, regardless of whether their names contain "debts", the interest expenses or dividend distribution are used as profit distribution, the repurchase, write-off, etc. shall be treated as changes to equities; and for preferred stocks, permanent debt and other financial instruments classified as financial liabilities, regardless of whether their names contain "shares", the interest expense or dividend distribution shall be treated as borrowing costs in principle, and the gains or losses generated from repurchase or redemption, etc. shall be included in the current profits and losses.

For preferred shares, permanent debts and other financial instruments issued by the Group, the transaction fees, commissions and other transaction costs incurred shall be measured at amortized cost if classified as debt instruments, and included in the initial measurement amount of the issued instruments; and shall be deducted from the equities if classified as equity instruments.

(28) Recognition Principles of Revenue

The Group's operating income mainly includes income from comprehensive transportation development and operations, income from supervision fees, income from comprehensive development of land use rights, housing demolition service fees, income from housing sales, income from property management and advertising, income from transportation, income from sales of materials, etc.

1. In terms of income from sales of materials, the commodities sold by the Group shall be recognized as income when satisfying the following conditions at the same time: the Group has transferred to the buyer the significant risks and rewards of ownership of the goods; the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the Group; and the associated costs incurred or to be incurred can be measured reliably.

The principle of recognizing the income from housing sales is that a sales contract has been signed; the advance payment has been received and relevant procedures have been completed; the house has reached the sales conditions and the cost of the sale can be reliably measured.

2. The income from the Group’s external services shall be recognized when the total labor income and the total cost can be reliably measured, the economic benefits related to labor service are likely to flow into the Group, and the completion progress of the service can be reliably determined. The completion of the labor service shall be determined by the measurement of the completed work.

3. The recognition principle of other operating income is that when the economic benefits related to the transaction are likely to flow into the Group and the amount of income can be measured reliably; and the income shall be recognized on an accrual basis.

(29) Construction Contract

The contract income and contract costs shall be recognized in light of the percentage-of- completion method on the balance sheet date, if the total contract income can be measured in a reliable way; the economic benefits pertinent to the contract will flow into the Group; the actual contract costs incurred can be clearly distinguished and can be measured in a reliable way; and both the schedule of the contracted project and the contract costs to complete the contract can be measured in a reliable way. In applying the percentage-of- completion method, the contract completion progress shall be determined based on the proportion of the actual contractual costs incurred to the estimated total contract costs.

If the outcome of a construction contract cannot be estimated in a reliable way, it shall be treated in accordance with the circumstances as follows, respectively: If the contract costs can be recovered, the contract income shall be acknowledged in accordance with contract costs that can be recovered and the contract costs shall be acknowledged as contract expenses in the current period they are incurred; and if the contract costs cannot be recovered, these costs shall be acknowledged as contract expenses immediately when incurred and no contract revenue shall be acknowledged.

The Group shall check the construction contract at the end of the period. If the estimated total cost of the construction contract is expected to exceed the estimated total contract income, the loss shall be extracted and the estimated loss shall be recognized as current expenses.

(30) Government Subsidy

A government subsidy means the monetary or non-monetary assets obtained free by the Group the government, but excluding the capital invested by the government as an investor and with the corresponding ownership interest. Government subsidies consist of the government subsidies pertinent to assets and government subsidies pertinent to income. The government subsidies pertinent to assets mean the government assets that are obtained by the Company used for purchase or construction, or forming the long-term assets by other ways. The government subsidies pertinent to income refer to all the government subsides except those pertinent to assets. If government document does not specify the subsidy object, the subsidy shall be divided into government subsidies pertinent to assets and government subsidies pertinent to income in the following way: (a) The government document specifies the specific item to which the subsidy is directed, the division shall be based on relative proportion of the amount of expenditure to form assets in the budget for a particular item and the amount of expenditure of included expenses, and the division proportion shall be reviewed on each balance sheet date and changed when necessary; (b) The government document only gives general expressions of the usage but does not specify a specific item, it shall serve as government subsidies pertinent to income. If a government subsidy is a monetary asset, it shall be measured in the light of the received or receivable amount. If a government subsidy is a non-monetary asset, it shall be measured at its fair value. If its fair value cannot be obtained in a reliable way, it shall be measured at its nominal amount. Government subsidies measured at nominal amounts shall be directly charged to the current profits or losses.

The Company shall recognize and measure according to the actual amount of government subsidies received. However, where there is conclusive evidence at the end of the period showing that it is expected that financial support funds are expected to meet the requirements of the financial support policy, they shall be measured in accordance with the amounts receivable. The government subsidies measured in accordance with the amounts receivable shall meet the following conditions: (a) The amount of the subsidy receivable has been approved by competent government departments or it can be reasonably calculated according to relevant provisions of formal financial management methods, and it is expected that there is no significant uncertainty in its amount; (b) it is based on the documents officially released by the local financial sector and in accordance with the provisions of the "Government Information Disclosure Ordinance" to take the initiative to open financial support projects and its financial management approach, and the management approach should be universal (any enterprise meeting the regulations can apply), rather than developed specifically for specific enterprises; (c) The period of appropriation has been expressly committed in the approvals of relevant subsidies, and the appropriation of that amount is guaranteed by corresponding budgets, so it can reasonably be guaranteed that it can be received within the prescribed time limit; and (d) Other relevant conditions should be met according to specific conditions of the Company and the subsidy.

The government subsidies pertinent to assets shall be offset against the book amount of relevant assets or recognized as deferred income. The government subsidies pertinent to income shall be treated respectively in accordance with the circumstances as follows: those subsidies used for compensating the related future expenses or losses of the enterprise shall be recognized as deferred income and shall include in the current profits and losses during the period when the relevant expenses are recognized; or those subsidies used for compensating the related expenses or losses incurred to the enterprise shall be directly included in the current profits or losses.

Meanwhile, government subsidies that include both asset-related and income-related components shall be distinguished from each other for separate accounting treatment; and if it is difficult to distinguish, the whole shall be classified as the government subsidies pertinent to income.

Government subsidies related to the daily activities of the Group shall be included in other income or offset against relevant cost in accordance with the nature of economic business. Government subsidies not related to daily activities of the Group shall be included in the non-operating income and expenditure. When the recognized government subsidies need to be returned, if there is a related deferred income balance, the income shall offset against the book amount of the deferred income, and the excess shall be credited to the current profits or losses or (for government subsidies pertinent to assets that offset the book value of relevant assets at initial recognition) used to adjust book value of assets; and if it belongs to other situations, it shall be directly included in the current profits or losses.

(31) Deferred Income Tax Assets and Deferred Income Tax Liabilities

The Group adopts the balance sheet liability method to calculate income tax.

1. Recognition of deferred income tax assets or deferred income tax liabilities

(a) Where the Company obtains assets or liabilities, it shall determine its tax base. In the year of the balance sheet date, the Group shall compare and analyze the book value of assets and liabilities and their tax bases. If there is a temporary difference between the book value of assets and liabilities and their tax bases, in the event that the temporary differences occur and meet the conditions for recognition, the Group recognizes deferred income tax liabilities or deferred income tax assets respectively for taxable temporary differences or deductible temporary differences.

(b) Basis for recognition of deferred income tax assets

① An enterprise shall recognize the deferred income tax liabilities arising from a deductible temporary difference to the extent of the amount of the taxable income which it is most likely to obtain and which can be deducted from the deductible temporary difference. In determining the taxable income that is likely to be obtained in the future, it includes the taxable income realized by normal production and business activities in the future and the taxable income due to reversal of taxable temporary differences during the reversal of deductible temporary differences.

② As for any deductible loss or tax deduction that can be carried forward to the next year, the corresponding deferred income tax assets shall be determined to the extent that the amount of future taxable income to be offset by the deductible loss or tax deduction to be likely obtained.

③ The book amount of deferred income tax assets shall be reexamined on balance sheet day. If it is unlikely to obtain sufficient taxable income taxes to offset the benefit of the deferred income tax assets, the book amount of the deferred income tax assets shall be written down. When it is probable to obtain sufficient taxable income taxes, such write-down amount shall be subsequently reversed.

(c) Basis for recognition of deferred income tax liabilities

The Group shall recognize the taxable temporary differences of the current period and prior periods as a liability, but excluding goodwill, transaction not formed from business combination and the the temporary differences generated by the transaction neither affecting accounting profit nor affecting taxable income.

2. Measurement of deferred income tax assets or deferred income tax liabilities

On the balance sheet day, the deferred income tax assets and deferred income tax liabilities shall be measured at the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

(a) In case the applicable tax rate changes, the deferred income tax assets and deferred income tax liabilities which have been recognized shall be re-measured, excluding the deferred income tax assets and deferred income tax liabilities arising from any transaction or event directly recognized as the owners' rights and interests, and the amount affected by them shall be recorded into the income tax expenses of the current period during which the change occurs.

(b) When the Group is measuring deferred income tax assets and deferred income tax liabilities, it shall be identical with those of expected asset recovery or liability settlement method.

(c) The Group shall not discount any deferred income tax asset or deferred income tax liability.

(32) Financing Lease and Operating Lease

The Group shall classify a lease as a financing lease or an operating lease on the lease beginning date.

The "financing lease" shall refer to a lease that has transferred in substance all the risks and rewards related to the ownership of an asset.

1. The Group as a lessor

For financing lease, on the beginning date of the lease term, a lessor shall recognize the sum of the minimum lease receipts on the lease beginning date and the initial direct costs as the entering value in an account of the financing lease values receivable, and record the unguaranteed residual value at the same time. The balance between the sums of the minimum lease receipts, the initial direct costs and the unguaranteed residual value, and the sum of their present values shall be recognized as unrealized financing income. The unrealized financing income shall be allocated to each period at the current period by adopting the effective interest rate method.

2. The Group as a lessee

Please see Note IV (16) for relevant provisions about fixed assets under financing lease

The term "operating lease" shall refer to a lease other than a financing lease. The rents from operating leases shall be recorded by the Group in the relevant asset costs or the current profits and losses by using the straight-line method over each period of the lease term. The rent of the Group as a lessor shall be recognized as income in accordance with the straight-line method for each period of the lease term.

(33) Measurement of Fair Value

1. Initial measurement of fair value

For assets and liabilities measured at fair value, the Group considers characteristics of the assets or liabilities and measures the fair value according to the price paid by the market participant in the orderly transaction in which the asset is required to receive or transfer a liability for the sale of an asset. When relevant assets or liabilities are measured at fair value, the transactions about market participants sell the assets or transfer liabilities on the measurement day are orderly transactions under the current market conditions; and the orderly transactions for the sale of assets or the transfer of liabilities are carried out in the major markets for relevant assets or liabilities. Where there are no major markets, assume that the transactions are carried out in the most favorable markets for relevant assets or liabilities; and use the assumptions used by market participants to maximize their economic benefits when pricing their assets or liabilities. When calculating non-financial assets at fair value, consider the ability of market participants to use the assets for optimal use to generate economic benefits, or the ability to sell the assets to other market participants who can generate economic benefits at the best use.

2. Valuation techniques

The Group measures relevant assets or liabilities at fair value, and adopts the valuation techniques that are applicable in the current context and are sufficiently available to support data and other information, and such valuation techniques mainly include the market method, the income method and the cost method. In applying valuation techniques, relevant observable input values are preferentially used and unobservable input values are used only if relevant observable input values are not available or are not practicable.

3. Level of fair value

The Group determines the level of fair value measurement results based on the lowest value of the input value that is of significant importance to the fair value measurement as a whole: Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date. An active market refers to the market in which the transaction volume and transaction frequency of relevant assets or liabilities is sufficient to continuously provide pricing information; Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and Level 3 inputs are unobservable inputs for the asset or liability.

V. Statement of Changes in Accounting Policies and Accounting Estimates and Corrections to Errors

(1) Changes in Accounting Policies and Their Impacts

The Group has no significant changes in accounting policies and their impacts in 2020.

(2) Changes in Accounting Estimates and Their Impact

The Group has no significant changes in accounting estimates and their impacts in 2020.

(3) Significant Corrections to Prior Errors and Their Impact

The Group has no corrections to prior accounting errors in 2020.

VI. Taxes

1. Major Taxes and Tax Rates

Tax Category	Tax Basis	Tax Rate
VAT	The goods sales and taxable labor income calculated according to the provisions of the tax law are the output tax, and the difference after the current input tax is allowed to deduct shall be paid the VAT.	3%, 5%, 6%, 9%, 13%
Urban maintenance and construction tax	Actual amount of turnover tax paid	5%, 7%
Education surcharge	Actual amount of turnover tax paid	5%
Land value added tax (note)	Value added amount	2%
Corporate income tax	Taxable income tax	25% for parent company; 0%, 15%, 25% or small and micro enterprises rate for subsidiaries
Property rate	30% of rental income or original property value	Levied according to price: 1.2% Levied according to rental: 12%

[Note]: The land VAT shall be subject to four levels of over rate progressive tax rate. For the part where the value-added amount does not exceed 50.00% of the amount deducted, the tax rate shall be 30%; if the added value exceeds 50.00% of the deducted item amount and does not exceed 100.00% of the deducted item amount, the tax rate is 40%; if the added value exceeds 100.00% of the deducted item amount and does not exceed 200.00% of the deducted item amount, the tax rate is 50%; if the added value exceeds 200.00% of the deducted item amount, the tax rate is 60%. For the construction of ordinary standard houses, if the added value does not exceed 20.00% of the deducted item amount, the land value-added tax shall be exempted; for the development products sold by the company's subsidiaries - Jiangsu Hengshun Group Co., Ltd. and Zhenjiang Guotou Real Estate Co., Ltd., the land value-added tax shall be calculated and paid at 2% of the house sales payment received in advance.

If there are taxpayers implementing different corporate income tax rates, the disclosure situations shall be explained as follows:

Name of Taxpayer	Income Tax Rate
Jiangsu Hengshun Vinegar Industry Co., Ltd.	15%
Jiangsu Hengshun Vinegar Industry Yunyang Condiments Co., Ltd.	15%

Name of Taxpayer	Income Tax Rate
Zhenjiang Hengshun Bioengineering Co., Ltd.	Tax rate of small and micro enterprises
Shanghai Zhenjiang Hengshun Soy Sauce & Vinegar Distribution Co., Ltd.	Tax rate of small and micro enterprises
Shanxi Hengshun Aged Vinegar Co., Ltd.	Tax rate of small and micro enterprises
Zhenjiang Runyang Condiments Co., Ltd.	Tax rate of small and micro enterprises
Jiangsu Hengrui Data Investment & Operation Co., Ltd.	Tax rate of small and micro enterprises
Zhenjiang Hengshun Cultural Tourism Development Co., Ltd.	Tax rate of small and micro enterprises
Zhenjiang Hengshun Shopping Mall Co., Ltd.	Tax rate of small and micro enterprises
Zhenjiang Hengshun Rice Industry Co., Ltd.	The primary processing of agricultural products is tax-free, and the purchase and sales of agricultural products are subject to the tax rate of small and micro enterprises.
Xinjiang Hengshun Shalin Food Co., Ltd.	0%
Other companies	25%

2. Tax Incentives and Approvals

(1) VAT

Zhenjiang Hengda Packaging Co., Ltd., a sub-subsidiary of the Group, is a welfare enterprise. According to Document C.Sh.[2016] No. 52, for units with disabled persons, the tax authorities will implement the method of immediate levy and refund of VAT or business tax reduction according to the number of disabled persons as placed, and exempt from corporate income tax against the VAT rebate or business tax deduction income obtained;

According to C.Sh. [2019] No. 21 *Notice of the Ministry of Finance, the State Administration of Taxation and the Ministry of Veterans Affairs on Further Supporting the Entrepreneurship and Employment of Retired Soldiers with Independent Employment*, if an enterprise recruits retired soldiers with independent employment, signs a labor contract with them for more than one year and pays social insurance premiums in accordance with the law, it shall start from the month when the labor contract is signed and social insurance is paid, within 3 years, the value-added tax, urban maintenance and construction tax, education surcharge, local education surcharge and enterprise income tax preference shall be deducted according to the actual number of employees. The quota standard is 6,000.00 yuan per person per year, up to 50%. The people's governments of all provinces, autonomous regions and municipalities directly under the central government may determine the specific quota standard within this range according to the actual situation of the region. This tax policy is applicable to the subsidiary Hengshun Group Co., Ltd. in this period.

(2) Corporate income tax

In accordance with the spirit of the *Notice on the Treatment of Corporate Income Tax Concerning Special Purpose Financial Funds* (Documents C. Sh. [2009] No. 87 and C. Sh. [2011] No. 70) issued by the Ministry of Finance and the State Administration of Taxation, the relevant financial capital income of the Company from 2008 to 2020 is regarded as non-taxable income. The profits from government revenue of the Company are treated as non-taxable income.

Jiangsu Hengshun Vinegar Industry Co., Ltd., a sub-subsidiary of the Company, was jointly recognized as a high-tech enterprise again in 2018, with No. GR201832006608 High-tech Enterprise Certificate and an identification valid period of 3 years. According to the relevant provisions of the *Corporate Income Tax Law of the People's Republic of China*, Jiangsu Hengshun Vinegar Industry Co., Ltd. shall pay Corporate Income Tax at a reduced rate of 15%.

Zhenjiang Hengshun Rice Industry Co., Ltd., a sub-subsidiary of the Company, belongs to a primary processing enterprise for agricultural products and is exempt from corporate income tax; The part of the purchase and sales of agricultural products that meets the conditions for inclusive tax relief for small and micro enterprises and the annual taxable income does not exceed 1 million yuan shall be included in the taxable income at a reduced rate of 25%, and the enterprise income tax shall be paid at a tax rate of 20%; If the annual taxable income exceeds 1 million yuan but not more than 3 million yuan, it shall be included in the taxable income at a reduced rate of 50%, and the enterprise income tax shall be paid at a tax rate of

20%.

Zhenjiang Hengda Packaging Co., Ltd., a sub-subsidiary of the Company, is a welfare enterprise. According to C.Sh.[2009] No. 70 Document *Notice of the Ministry of Finance and the State Administration of Taxation on the Preferential Policies of Corporate Income Tax for the Placement of Disabled Persons*, the actual salaries paid to the disabled can be deducted before the corporate income tax, and can be deducted based on 100% of the actual salaries paid to the disabled;

Xinjiang Hengshun Shalin Food Co., Ltd., a sub-subsidiary of the Company, is a new enterprise founded in Horgos in 2013. According to Document C.Sh.[2011] No. 112 *Notice on Preferential Corporate Income Tax Policies for Two Special Economic Development Zones in Kashgar and Horgos, Xinjiang* issued by the Ministry of Finance and the State Administration of Taxation, from January 01, 2010 to December 31, 2020, enterprises newly established in two special economic development zones, Kashgar and Horgos, Xinjiang, within the scope of the *Preferential Catalogue of Income Tax for Enterprises in Key Industries Encouraged to Develop in Difficult Areas in Xinjiang*, will be exempted from enterprise income tax for five years from the tax year in which the first production and operation income is obtained; the Company obtained the first production and operation income in 2017, and the tax exemption period is from 2017 to 2021.

Jiangsu Hengshun Vinegar Industry Yunyang Condiments Co., Ltd., a sub-subsidiary of the Company, is an encouraged industrial enterprise located in the western region. According to Document C. Sh. [2011] No. 58 *Notice on Issues Concerning Tax Preferential Policies for In-depth Implementation of the Western Development Strategy* issued by the Ministry of Finance and the State Administration of Taxation, corporate income tax will be levied at a reduced rate of 15% on encouraged industrial enterprises located in the western region from January 01, 2011 to December 31, 2020.

According to C.Sh.[2019] No. 13 Document *Notice on the Implementation of Inclusive Tax Relief Policy for Small and Micro Enterprises* issued by the Ministry of Finance and the State Administration of Taxation, the Company’s the subsidiaries Zhenjiang Hengshun Bioengineering Co., Ltd., Shanghai Zhenjiang Hengshun Soy Sauce & Vinegar Distribution Co., Ltd., Shanxi Hengshun Aged Vinegar Co., Ltd., Zhenjiang Runyang Condiments Co., Ltd., Jiangsu Hengrui Data Investment & Operation Co., Ltd. and Zhenjiang Hengshun Shopping Mall Co., Ltd. all meet the conditions of inclusive tax relief for small and micro enterprises, and the part of annual taxable income not exceeding one million yuan shall be reduced 25% of the annual taxable income and shall be included in the taxable income, and the corporate income tax shall be paid at the rate of 20%; for the annual taxable income exceeding one million yuan but not exceeding three million yuan, 50% of the annual taxable income shall be included in the taxable income, and the corporate income tax shall be paid at the rate of 20%.

According to the provisions of C.Sh.[2018] No. 54 *Notice on Deduction of Relevant Corporate income Tax Policies for Equipment and Appliances*, Jiangsu Dongpu New Material Technology Co., Ltd., a subsidiary of the Company, chooses to purchase new equipment and appliances during the period from Jan. 01, 2018 to Dec. 31, 2020. If the unit value of the equipment and appliances does not exceed five million yuan, it shall be included in the current cost at one time and deducted the tax preference when calculating the taxable income.

In accordance with Articles 17 and 83 of the Regulations for the Implementation of the Enterprise Income Tax Law of the People’s Republic of China; C.Sh. [2009] No. 69; G.Sh.H. [2010] No. 79; 2015 No. 76 Announcement of the State Administration of Taxation, dividends, bonuses and other equity investment income obtained by the Company from other resident enterprises are exempted from enterprise income tax.

VII. Scope of Consolidation

The scope of consolidation of the consolidated financial statements of the Group is based on control.

(1) Composition of the enterprise Group

No.	Enterprise Name	Level	Enterprise Type	Place of Registration	Main Business Place	Business Nature	Paid-in Capital (10000 yuan)	Shareholding Ratio (%)	Voting Rights Ratio (%)	Investment Amount (10000 yuan)
1	Jiangsu Hengshun Group Co., Ltd.	1	1	Jiangsu	Jiangsu	Manufacturing	55,500.00	84.68	100.00	21,290.31

2	Zhenjiang Zhenyang Bridge Investment, Operation and Management Co., Ltd.	1	2	Jiangsu	Jiangsu	Investment	1,000.00	89.00	89.00	890.00
3	Zhenjiang Gaoke Venture Capital Co., Ltd.	1	2	Jiangsu	Jiangsu	Investment	10,000.00	100.00	100.00	10,248.43
4	Jiangsu Huatong Machinery Co., Ltd.	2	1	Jiangsu	Jiangsu	Manufacturing	3,079.86	100.00	100.00	2,888.91
5	Zhenjiang Special Vehicle Manufactory	2	1	Jiangsu	Jiangsu	Manufacturing	2,000.00	100.00	100.00	2000.00
6	Zhenjiang Dadong Paper Co., Ltd.	1	1	Jiangsu	Jiangsu	Manufacturing	32,785.20	100.00	100.00	32,785.20
7	Zhenjiang Feichi Group Automobile Co., Ltd.	1	1	Jiangsu	Jiangsu	Manufacturing	4,300.00	100.00	100.00	2536.00
8	Zhenjiang Xinhua Studios Co., Ltd.	2	1	Jiangsu	Jiangsu	Culture	1,359.8	74.26	74.26	1,009.80
9	Zhenjiang Hanbang Investment Consulting Co., Ltd.	2	2	Jiangsu	Jiangsu	Investment	500.00	100.00	100.00	500.00
10	Zhenjiang Property Right Exchange Center	2	1	Jiangsu	Jiangsu	Consulting / service	355.00	61.97	61.97	220.00
11	Zhenjiang Guotai Asset Management Co., Ltd.	1	2	Jiangsu	Jiangsu	Investment	100.00	100.00	100.00	100.00
12	Zhenjiang SDIC Real Estate Development Co., Ltd.	1	1	Jiangsu	Jiangsu	Real estate	5,000.00	100.00	100.00	5,000.00
13	Zhenjiang SDIC Ventures Co., Ltd.	1	2	Jiangsu	Jiangsu	Investment / consulting	10,000.00	100.00	100.00	10,000.00
14	Jiangsu Harbor Construction Co., Ltd.	2	5	Jiangsu	Jiangsu	Construction	1,120.00	55.00	55.00	627.34
15	Zhenjiang Tiegongshui Air Ticketing Co., Ltd.	2	1	Jiangsu	Jiangsu	Service	158.00	100.00	100.00	158.00
16	Zhenjiang Energy Development Corporation	1	1	Jiangsu	Jiangsu	Energy / development	5,000.00	100.00	100.00	7,895.75
17	Zhenjiang Dantu District Guojin Rural Micro-credit Co., Ltd.	1	2	Jiangsu	Jiangsu	Finance	18,000.00	58.5	58.5	10,638.90
18	Deren Financial Leasing (Shanghai) Co., Ltd.	1	2	Shanghai	Shanghai	Lease	20,000.00	100.00	100.00	20,000.00
19	Jiangsu Chechi Automobile Co., Ltd.	1	1	Jiangsu	Jiangsu	Manufacturing	3,000.00	51.00	51.00	1530.00
20	Jiangsu Dongpu New Material Technology Co., Ltd.	1	1	Jiangsu	Jiangsu	Manufacturing	30,000.00	100.00	100.00	30,000.00
21	Zhenjiang Dantu District Jianxiang Water Conservancy Project Investment Co., Ltd.	1	1	Jiangsu	Jiangsu	Construction	57,500.00	70.00	70.00	40,250.00
22	Zhenjiang Guokong Hongye Supply Chain Management Co., Ltd.	1	1	Jiangsu	Jiangsu	Commerce and trade	4,200.00	100.00	70.00	4,200.00
23	Shanghai Sopo Equity Investment Fund Management Co., Ltd.	1	1	Jiangsu	Jiangsu	Investment / consulting	3000.00	100.00	100.00	3,092.96
24	Zhenjiang Jingkou Petroleum Co., Ltd.	1	1	Jiangsu	Jiangsu	Material Trade	10,000.00	36.00	50.375	3,600.00
25	Jiangsu Jinxin Financial Holding Group Co., Ltd.	1	2	Jiangsu	Jiangsu	Finance	30,000.00	100.00	100.00	30,000.00

Note: Enterprise type: 1. Domestic non-financial sub-enterprise; 2. Domestic financial sub-enterprise; 3. Overseas sub-enterprise; 4. Institution unit; 5. Infrastructure unit.

Level adjustment of subsidiaries of the group this year:

① On March 16, 2020, the Company transferred Zhenjiang Tiegongshui Air Ticketing Co., Ltd., the former Tier-1 subsidiary, to Zhenjiang Guokong Real Estate Development Co., Ltd., the group's Tier-1 subsidiary, and thus it became a Tier-2 subsidiary, in accordance with Zh.G.Z.Ch.[2020] No. 10 Document, *Reply on Agreeing to Transfer Zhenjiang Tiegongshui Air Ticketing Co., Ltd. to Zhenjiang Guokong Real Estate Development Co., Ltd.*;

② On June 03, 2020, the Company transferred Zhenjiang Special Automobile Manufacturing Plant, the former tier-1 subsidiary, to Zhenjiang Feichi Automobile Group Co., Ltd., Tier-1 subsidiary, and thus it became a Tier-2 subsidiary, in accordance with Zh.G.Z.Ch.[2020] No. 21 Document, *Reply on Agreeing to Transfer* Zhenjiang Special Automobile to Feichi Group free of charge;

③ On June 03, 2020, the Company transferred Jiangsu Harbor Construction Co., Ltd., Jiangsu Huatong

Machinery Co., Ltd., Zhenjiang Xinhua Studios Co., Ltd., Zhenjiang Hanbang Consulting Co., Ltd. and Zhenjiang Property Right Exchange Center, the former tier-1 subsidiaries, to Zhenjiang Guotai Assets Management & Operation Co., Ltd., the group's Tier-1 subsidiary, and thus they became Tier-2 subsidiaries, in accordance with Zh.G.Z.Ch.[2020] No. 22 Document, *Reply on Agreeing to Transfer* the State-owned Equity of Subsidiaries to Zhenjiang Guotai Assets Management & Operation Co., Ltd. free of charge.

(2) Information about the Entities Newly Incorporated into the Scope of Consolidation in the Year

Enterprise Name	Shareholding Ratio (%)	Closing Net Assets (10000 yuan)	Net Profits in the Year (10000 yuan)	Remark
Jiangsu Jinxin Financial Holding Group Co., Ltd.	100.00	29,999.90	-0.10	Invested & newly established

According to the overall requirements of Zhenjiang Municipal Party Committee and Government for the reform and transformation of the Group, Jiangsu Jinxin Financial Holding Group Co., Ltd. was newly established in the current period, with a registered capital of RMB one billion and 100% of the Group's shares. The capital stock invested in the current period is RMB 300 million, and the relevant investment procedures have been approved by Zhenjiang SASAC.

(3) Information about the Entities Reduced in the Scope of Consolidation in the Year

Enterprise Name	Shareholding Ratio (%)	Total Assets (10000 yuan)	Total Liabilities (10000 yuan)	Remark
Jiangsu Zhenjiang Road & Bridge Engineering Co., Ltd.	100	249,566.34	212,444.27	Equity transfer

According to the Reply on Agreeing to the Transfer of State-owned Equity of Jiangsu Zhenjiang Road & Bridge Engineering Co., Ltd. (Zh.G.Z. [2020] No. 8) issued by Zhenjiang SASAC, 100% of the equity of Jiangsu Zhenjiang Road & Bridge Engineering Co., Ltd. held by the Group in the current period has been transferred to Zhenjiang Transportation Industry Group Co., Ltd., at the end of the current period, Jiangsu Zhenjiang Road & Bridge Engineering Co., Ltd. will no longer be included in the consolidation scope of the Group.

VIII. Notes to Main Items in the Consolidated Financial Statements

Unless otherwise stated, the "opening" refers to January 01, 2020, the "closing" refers to December 31, 2020, the "current" refers to the year of 2020, and the "prior" refers to the year of 2019. Unless otherwise specified, all amounts are denominated in RMB Yuan.

(I) Monetary funds

1. Balance of monetary funds

Item	**Closing Balance**	**Opening Balance**
Cash	1,065,771.11	4,964,071.38
Bank deposits	2,083,426,809.87	3,258,470,621.11
Other monetary funds	2,333,570,087.59	2,157,735,177.95
Total	4,418,062,668.57	5,421,169,870.44

2. Closing unrestricted use of monetary funds

Item	**Amount**	**Reason for Restricted Use**
Other monetary funds	2,333,570,087.59	Loan margin and note margin
Total	2,333,570,087.59	-

(II) Financial assets measured at fair value through profit or loss

Item	Closing Fair Value	Opening Fair Value
Transactional financial assets	-	-
Of which: investment in debt instruments	-	-
Investment in equity instruments	-	-
Others	-	-
Designated financial assets measured at fair value through profit or loss	492,919,642.01	461,910,056.00
Investment in debt instruments	-	-
Investment in equity instruments	-	-
Others	-	-
Total	492,919,642.01	461,910,056.00

(III) Notes receivable

1. Category details

Note Category	Closing Balance	Opening Balance
Bank acceptance bills	110,517,494.67	108,601,041.36
Commercial acceptance bills	-	-
Total	110,517,494.67	108,601,041.36

2. At the end of the period, there are no bills discounted or endorsed that are not due.

(IV) Accounts receivable

Category	Closing Balance				Opening Balance			
	Carrying Balance		Provision for Bad Debts		Carrying Balance		Provision for Bad Debts	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable with a significant single amount and individually made a provision for bad debts	455,027,920.27	43.75	455,027,920.27	100.00	455,100,070.28	25.40	455,100,070.28	100.00
Accounts receivable made a provision for bad debts according to credit risk characteristics	-	-	-	-	-	-	-	-
Combination 1: Aging combination	405,382,176.23	38.98	56,161,363.87	13.85	1,306,403,987.29	72.91	113,062,399.57	8.65
Combination 2: No-risk combination	175,654,493.51	16.89	-	-	26,287,222.31	1.47		
Subtotal of combination	581,036,669.74	55.87	56,161,363.87	9.67	1,332,691,209.60	74.38	113,062,399.57	8.48
Accounts receivable without a significant single amount but individually made a provision for bad debts	3,893,477.52	0.37	3,893,477.52	100.00	3,893,477.52	0.22	3,893,477.52	100.00
Total	1,039,958,067.53	100.00	515,082,761.66	-	1,791,684,757.40	100	572,055,947.37	-

1. Closing accounts receivable with a significant single amount and individually made a provision for bad debts

Name of Debtor	Carrying Balance	Provision for Bad Debts	Aging	Accrual Proportion (%)	Reason for Accrual
Debt package of Oriental Company	74,988,685.60	74,988,685.60	Over 3 years	100.00	Unexpected to recover
Debt package of	216,556,175.72	216,556,175.72	Over 3	100.00	Unexpected to

Name of Debtor	Carrying Balance	Provision for Bad Debts	Aging	Accrual Proportion (%)	Reason for Accrual
Xinda Company			years		recover
Debt package of Huarong Company	163,483,058.95	163,483,058.95	Over 3 years	100.00	Unexpected to recover
Total	455,027,920.27	455,027,920.27	-	-	-

2. Accounts receivable made a provision for bad debts according to credit risk characteristics

(1) Accounts receivable made a provision for bad debts in the aging analysis method

Aging	Closing Balance			Opening Balance		
	Carrying Balance		Provision for Bad Debts	Carrying Balance		Provision for Bad Debts
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year	304,767,881.20	75.18	15,238,394.06	1,158,608,708.20	88.69	57,930,435.41
1 to 2 years	22,572,684.70	5.57	2,257,268.47	38,245,978.10	2.93	3,824,597.81
2 to 3 years	1,775,519.13	0.44	532,655.74	17,336,420.73	1.33	5,200,926.22
Over 3 years	76,266,091.20	18.81	38,133,045.60	92,212,880.26	7.05	46,106,440.13
Total	405,382,176.23	100.00	56,161,363.87	1,306,403,987.29	100.00	113,062,399.57

(2) Accounts receivable made a provision for bad debts in other combination methods

Item	Closing Balance			Opening Balance		
	Carrying Balance	Accrual Proportion (%)	Provision for Bad Debts	Carrying Balance	Accrual Proportion (%)	Provision for Bad Debts
No-risk combination	175,654,493.51	-	-	26,287,222.31	-	-
Total	175,654,493.51	-	-	26,287,222.31	-	-

3. Closing accounts receivable without a significant single amount but individually made a provision for bad debts

Name of Debtor	Carrying Balance	Provision for Bad Debts	Aging	Accrual Proportion (%)	Reason for Accrual
Long-term dormant account	3,893,477.52	3,893,477.52	Over 3 years	100.00	Unexpected to recover
Total	3,893,477.52	3,893,477.52			

4. Accounts receivable of Top 5 closing balance according to debt collection

Name of Debtor	Relation with the Company	Amount in Arrears	Years in Arrears	Proportion to Total Accounts Receivable (%)
Sinopec Sales Chongqing Petroleum Branch	Unrelated party	84,025,000.00	Within 1 year	8.08
Guangzhou Pule Packaging Container Co., Ltd.	Unrelated party	16,848,033.65	Within 1 year	1.62
Jilin Longqing economic and Trade Co., Ltd	Unrelated party	15,150,281.20	Within 1 year	1.46
CNOOC sales Hubei Co., Ltd.	Unrelated party	12,735,485.20	Within 1 year	1.22
Zhenjiang Hengli Low Temperature Technology Co., Ltd.	Unrelated party	11,941,380.60	Within 1 year	1.15
Total	-	140,700,180.65	-	13.53

(V) Accounts prepaid

1. Accounts prepaid by aging

Aging	Closing Balance			Opening Balance		
	Carrying Balance		Provision for Bad Debts	Carrying Balance		Provision for Bad Debts
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year	546,646,754.30	80.82	-	889,920,858.34	94.78	-
1 to 2 years	84,541,037.52	12.50	-	4,034,252.08	0.43	-
2 to 3 years	2,091,456.46	0.31	-	2,552,331.15	0.27	-
Over 3 years	43,074,123.97	6.37	-	42,460,799.74	4.52	-
Total	676,353,372.25	100.00	-	938,968,241.31	100.00	-

2. Accounts prepaid of Top 5 closing balance according to accounts prepaid object

Unit Name	Relation with the Company	Amount in Arrears	Years in Arrears	Reason for Non-settlement
Zhoushan Boyan Energy Co., Ltd.	Unrelated party	106,598,589.95	Within 1 year	Payment for goods
Zhoushan Huacai Petrochemical Co., Ltd.	Unrelated party	62,761,662.93	Within 1 year	Payment for goods
Zhenjiang Baixiang Trading Co., Ltd.	Unrelated party	49,115,852.09	Within 1 year	Payment for goods
Zhejiang Zhoushan Zhongsheng Petrochemical Co., Ltd.	Unrelated party	38,748,172.07	Within 1 year	Payment for goods
CNPC Yunda (Dalian) Petrochemical Co., Ltd.	Unrelated party	26,653,728.87	Within 1 year	Payment for goods
Total		283,878,005.91		

(VI) Other receivables

Item	Closing Balance	Opening Balance
Other receivables	7,173,271,537.06	9,673,073,090.28
Interest receivable	23,139,124.22	17,209,578.68
Dividend receivable	68,010,000.00	53,710,421.41
Total	7,264,420,661.28	9,743,993,090.37

(1) Interest receivable

Item	Closing Balance	Opening Balance
Interest on savings receivable	23,139,124.22	17,209,578.68
Total	23,139,124.22	17,209,578.68

(2) Dividend receivable

Item	Opening Balance	Increase in the Year	Decrease in the Year	Closing Balance	Reason for Non-recovery	Impairment or Not
Dividend receivable	53,710,421.41	35,000,000.00	20,700,421.41	68,010,000.00	Stock pledge interest	No
Total	53,710,421.41	35,000,000.00	20,700,421.41	68,010,000.00	-	-

(3) Other receivables

① Disclosed by category

Category	Closing Balance			Opening Balance		
	Carrying Balance		Provision for Bad Debts	Carrying Balance		Provision for Bad Debts
	Amount	Proportion (%)	Amount	Amount	Proportion (%)	Amount
Other receivables with a significant single amount and individually made a provision for bad debts	-	-	-	-	-	-
Other receivables made a provision for bad debts according to credit risk characteristics	-	-	-	-	-	-
Combination 1: Aging combination	946,152,195.61	12.80	235,444,793.62	2,230,683,971.42	22.35	306,804,605.32

Combination 2: No-risk combination	6,462,564,135.07	87.20		7,749,193,724.18	77.65	
Subtotal of combination	7,408,716,330.68	100.00	235,444,793.62	9,979,877,695.60	100.00	306,804,605.32
Other receivables without a significant single amount but individually made a provision for bad debts	-	-	-	-	-	-
Total	7,408,716,330.68	100.00	235,444,793.62	9,979,877,695.60	100.00	306,804,605.32

② Other receivables made a provision for bad debts according to credit risk characteristics

A. Other receivables made a provision for bad debts in the aging analysis method

Aging	Closing Balance			Opening Balance		
	Carrying Balance		Provision for Bad Debts	Carrying Balance		Provision for Bad Debts
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year	252,505,090.40	26.69	12,625,254.52	1,531,604,477.80	68.66	76,580,223.89
1 to 2 years	232,227,044.00	24.54	23,222,704.40	229,064,910.30	10.27	22,906,491.03
2 to 3 years	155,565,979.53	16.44	46,669,793.86	138,447,006.30	6.21	41,534,101.89
Over 3 years	305,854,081.68	32.33	152,927,040.84	331,567,577.02	14.86	165,783,788.51
Total	946,152,195.61	100.00	235,444,793.62	2,230,683,971.42	100.00	306,804,605.32

B. Other receivables made a provision for bad debts in other combination methods

Item	Closing Balance			Opening Balance		
	Carrying Balance	Accrual Proportion (%)	Provision for Bad Debts	Carrying Balance	Accrual Proportion (%)	Provision for Bad Debts
No-risk combination	6,462,564,135.07	-	-	7,749,193,724.18	-	-
Total	6,462,564,135.07	-	-	7,749,193,724.18	-	-

③ Other receivables of Top 5 closing balance according to debt collection

Name of Debtor	Relation with the Company	Amount in Arrears	Years in Arrears	Proportion to Total Other Accounts (%)
Zhenjiang Municipal Financial Bureau	Administrative organ	1,724,000,000.00	Over 3 years	23.27
Zhenjiang Automobile Industry Investment Co., Ltd.	Third party	1,012,181,771.04	1 to 2 years	13.66
Zhenjiang Automobile Industry Investment Co., Ltd. BAIC Project	Third party	1,000,131,754.88	1 to 2 years	13.50
Zhenjiang Urban Development Investment Group Corporation	Third party	1,083,000,000.00	1 to 2 years	14.62
Zhenjiang State-owned Assets Supervision and Administration Commission	Administrative organ	400,000,000.00	Over three years	5.40
Zhenjiang Oriental Technical School	Third party	384,040,000.00	Over three years	4.53
Total		5,603,353,525.92		74.98

(VII) Inventories

Item	Closing Balance			Opening Balance		
	Carrying Balance	Falling Price Reserves	Carrying Value	Carrying Balance	Falling Price Reserves	Carrying Value
Raw materials	251,988,246.53	-	251,988,246.53	219,268,451.71	-	219,268,451.71
Finished products	139,874,190.67	-	139,874,190.67	420,876,348.15	-	420,876,348.15

Item	Closing Balance			Opening Balance		
	Carrying Balance	Falling Price Reserves	Carrying Value	Carrying Balance	Falling Price Reserves	Carrying Value
Stock items	573,406,096.57	10,116,055.06	563,290,041.51	65,293,423.55	12,345,840.04	52,947,583.51
Products in process	152,953,017.27	-	152,953,017.27	129,551,556.69	-	129,551,556.69
Low-value consumables	40,369,989.83	-	40,369,989.83	17,539,070.50	-	17,539,070.50
Development costs	4,914,694,466.37	-	4,914,694,466.37	5,691,061,707.74	-	5,691,061,707.74
Developed products	671,149,932.38	-	671,149,932.38	239,089,831.08	-	239,089,831.08
Engineering construction	2,708,422,131.90	-	2,708,422,131.90	3,275,912,294.99	-	3,275,912,294.99
Total	9,452,858,071.52	10,116,055.06	9,442,742,016.46	10,058,592,684.41	12,345,840.04	10,046,246,844.37

(VIII) Non-current assets due within one year

Item	Closing Balance	Opening Balance
Long-term receivables due within one year	106,858,594.81	96,503,792.22
Total	106,858,594.81	96,503,792.22

(IX) Other current assets

Item	Closing Balance	Opening Balance
Taxes to be deducted	73,923,784.64	94,858,988.70
Export tax rebate/factoring receivable		36,000,000.00
Entrusted loan/Asset management plan	775,132,522.46	17,289,414.39
Insurance premiums		28,163,807.76
Financial lease security		490,000,000.00
Acting business assets	162,300,000.00	13,419,387.79
Interest expenses	41,865,425.63	-
Financial products	743,327,574.33	41,079,648.82
Other deferred expenses	6,238,366.71	3,002,882.95
Total	1,802,787,673.77	723,814,130.41

(X) Available-for-sale financial assets

1. Details

Item	Closing Balance			Opening Balance		
	Carrying Balance	Provision for Impairment	Carrying Value	Carrying Balance	Provision for Impairment	Carrying Value
Available-for-sale debt instruments	-	-	-	-	-	-
Available-for-sale equity instruments	4,407,705,033.80	-	4,407,705,033.80	3,483,761,919.57	-	3,483,761,919.57
Measured at fair value	1,319,503,866.61	-	1,319,503,866.61	1,011,501,253.44	-	1,011,501,253.44
Measured at cost	3,088,201,167.19	-	3,088,201,167.19	2,472,260,666.13	-	2,472,260,666.13
Total	4,407,705,033.80	-	4,407,705,033.80	3,483,761,919.57	-	3,483,761,919.57

2. Closing details

Investee	Investment Ratio	Carrying Balance

	%	Opening Balance	Current Increase	Current Decrease	Closing Balance
Jiangsu Port Group Co., Ltd.	4.19%	1,188,000,000.00	5,989,213.65		1,193,989,213.65
Fulan Equity Investment Partnership (Limited Partnership) in Ningbo Meishan Free Trade Zone	26.46%	90,000,000.00			90,000,000.00
Rudong Xinquan New Materials Equity Investment Fund Partnership (Limited Partnership)	28.14%	37,000,000.00			37,000,000.00
Zhenjiang Puhe Equity Investment Fund Partnership (Limited Partnership)	28.37%	40,000,000.00			40,000,000.00
Jiangsu Liquan Anpeng Advanced Manufacturing Industry Investment Fund (Limited Partnership)	30.00%	75,000,000.00	41,250,000.00		116,250,000.00
Yangtze River Economic Joint Development (Group) Co., Ltd.	0.37%	2,882,080.72			2,882,080.72
Nanjing Changjiang Development Co., Ltd.	0.68%	1,222,718.99			1,222,718.99
Zhenjiang Rural Commercial Bank	13.54%	20,512,800.00		20,512,800.00	
Zhenjiang Rural Commercial Bank (SDIC Ventures)		25,012,800.00	58,803,360.00		83,816,160.00
Zhenjiang Rural Commercial Bank (Hengshun)		13,689,000.00			13,689,000.00
Jiangsu Jiecheng Vehicle Electronic Information Engineering Co., Ltd.	8.18%	18,942,005.28			18,942,005.28
Bank of Jiangsu	0.12%	954,289,514.56	181,499,537.97	234,618,140.32	901,170,912.21
Bank of Jiangsu (Hengshun)		7,103,178.48		7,103,178.48	
Aojie International Trade Co., Ltd.	10.00%	238,000.00			238,000.00
Zijin Property Insurance Co., Ltd.	1.25%	31,500,000.00			31,500,000.00
Jiangsu Weiteng Busbar Co., Ltd.	16.00%	86,493,050.00			86,493,050.00
Aerospace High-tech (Zhenjiang) Venture Capital Co., Ltd.	40.00%	170,252,252.00	49,747,748.00		220,000,000.00
Aerospace High-tech (Zhenjiang) Venture Capital Co., Ltd. (A small loan company)		23,216,216.00	6,783,784.00		30,000,000.00
Aerospace High-tech (Suzhou) Venture Capital Management Co., Ltd.	5.78%	80,000,000.00		3,991,336.00	76,008,664.00
Bank of Communications Culture (Shanghai) Equity Investment Fund Partnership	5.00%	53,000,000.00			53,000,000.00
Zhenjiang Runyu Biological Technology Development Co., Ltd.	6.58%	2,290,000.00		2,290,000.00	
Zhenjiang Junding Xieli Venture Capital Co., Ltd.	8.33%	12,500,113.43	1,600,000.00	1,600,000.00	12,500,113.43
Zhenjiang Yinhe Venture Capital Co., Ltd.	10.00%	9,750,000.00		1,050,000.00	8,700,000.00
Hailong Nuclear Material Technology (Jiangsu) Co., Ltd.	3.36%	7,200,000.00			7,200,000.00
Zhenjiang Kangchengheng Venture Capital Partnership (Limited Partnership)	11.49%	4,000,000.00		1,543,107.00	2,456,893.00
Zhenjiang University Campus Technology Small Loan Co., Ltd.	8.00%	10,000,000.00			10,000,000.00
Zhenjiang Zhongjin Guoxin Technology Micro-loan Company	15.00%	22,500,000.00		21,848,400.00	651,600.00
Zhenjiang Automobile Group Co., Ltd.	10.00%	3,000,000.00			3,000,000.00
Zhenjiang Chuanshan Mining Group Co., Ltd.	3.75%	810,000.00			810,000.00
Hangzhou Antong Equity Investment Fund Partnership (Limited Partnership)	97.56%	40,000,000.00			40,000,000.00
Zhenjiang Letai Digital Industry Venture Capital Fund Partnership	38.88%	14,420,000.00			14,420,000.00
Jiangsu Quanzhen Optical Technology Co., Ltd.	2.90%	5,000,000.00		400,000.00	4,600,000.00
Jiangsu Huadian Qishuyan Power Generation Co., Ltd.	2.18%	24,164,250.00			24,164,250.00
Jiangsu Tongling Electric Co., Ltd.	3.83%	47,937,524.64			47,937,524.64
Shenzhen Qingsong Phase III Equity Investment Fund Partnership (Limited Partnership)	4.64%	48,513,955.07		680,297.59	47,833,657.48
Nuode Logistics Co., Ltd.	4.02%	24,000,000.00			24,000,000.00
Shenzhen Hechuang Intelligent and Healthy Venture Capital Fund (Limited Partnership)	14.28%	50,000,000.00			50,000,000.00
Zhenjiang Zhirun Intelligent Manufacturing Industry Investment Fund Partnership (Limited Partnership)	35.56%	16,000,000.00		3,180,724.00	12,819,276.00
Fund Investment by Jiangsu Anpeng Investment Management Co., Ltd.	24.00%	1,836,000.00			1,836,000.00
Fund Investment by Shanghai Suishuo Investment Partnership (Limited Partnership)	24.85%	40,000,000.00			40,000,000.00
Aerospace Electronics	0.16%	26,108,560.40	6,548,970.00		32,657,530.40

Aerospace Huachuang Industrial Development Jiangsu Company	2.86%	14,242,900.00			14,242,900.00
Zhenjiang Hainachuan Logistics Industry Development Co., Ltd.	2.01%	10,000,000.00			10,000,000.00
Jiangsu United Credit Reference Co., Ltd.	2.00%	10,000,000.00			10,000,000.00
Jiangsu Shengyu Heike Medical & Health Investment Fund (Limited Partnership)	20.00%	80,000,000.00	60,000,000.00		140,000,000.00
Zhenjiang Dingqiang Intelligent Manufacturing Investment Partnership (Limited Partnership)	99.00%	1,732,500.00	8,167,500.00	9,900,000.00	
Jiguang Dadong Special Paper (Zhenjiang) Co., Ltd.	40.00%	6,600,000.00	1,400,000.00		8,000,000.00
Jiangsu Yiju Energy Management Co., Ltd.	6.00%		600,060.00		600,060.00
Zhejiang Sanshui Liqui	10.00%	31,730,000.00		31,730,000.00	
Zhenjiang Heda Artificial Intelligence Industry Fund Partnership (Limited Partnership)	1.00%	205,000.00			205,000.00
Zhenjiang Dingqiang Intelligent Manufacturing Investment Partnership (Limited Partnership)	1.00%	17,500.00	82,500.00	100,000.00	
Zhenjiang Industrial Development Guidance Fund (Limited Partnership)	1.00%	850,000.00			850,000.00
Danyang Economic Development Zone Emerging Industry Development Fund (Limited Partnership)	1.00%		2,206,000.00		2,206,000.00
Jiangsu Sopo Chemical Stock	0.48%		315,500,000.00		315,500,000.00
Zhongjin Qide (Xiamen) innovative biomedical equity investment fund partnership (Limited Partnership)	2.24%		61,750,000.00		61,750,000.00
Jiangsu Jinpu Group Co., Ltd. (stock)	1.34%		95,442,173.06	49,266,749.06	46,175,424.00
Zhangjiagang Huike Equity Investment Partnership	7.00%		35,000,000.00		35,000,000.00
Zhenjiang Dingfu Information Technology Industry Investment Partnership (Limited Partnership)	100.00%		10,000,000.00	10,000,000.00	
Ningbo Meishan Free-trade Port Hualin Investment Management Partnership (Limited Partnership)	33.30%		20,000,000.00		20,000,000.00
Hangzhou Hua'an Investment Management Partnership (Limited Partnership)	20.00%		10,000,000.00		10,000,000.00
Beijing AVIC phase I Aviation Industry Investment Fund (Limited Partnership)	7.00%		51,387,000.00		51,387,000.00
Jiangsu Credit Re-guarantee Group Co., Ltd.	3.01%		300,000,000.00		300,000,000.00
Total		3,483,761,919.57	1,323,757,846.68	399,814,732.45	4,407,705,033.80

3. Description of the enterprises whose investment ratio is over 20%

	Investment Ratio	Description
Zhenjiang Letai Digital Industry Venture Capital Fund	38.88 %	Limited partner of fund partnership under regular distribution of income
Hangzhou Antong Equity Investment Fund Partnership	97.56%	Limited partner of fund partnership under regular distribution of income
Jiguang Dadong Special Paper (Zhenjiang) Co., Ltd.	40%	Having no significant impact on financial and production and operation policies
Zhenjiang Zhirun Intelligent Manufacturing Industry Investment Fund	35.56%	Limited partner of fund partnership under regular distribution of income
Fund of Jiangsu Anpeng Investment Management Co., Ltd.	24.00%	Limited partner of fund partnership under regular distribution of income
Fund Investment by Shanghai Suishuo Investment Partnership	24.85%	Limited partner of fund partnership under regular distribution of income
Fulan Equity Investment Partnership (Limited Partnership) in Ningbo Meishan Free Trade Zone)	26.46%	Limited partner of fund partnership under regular distribution of income
Rudong Xinquan New Materials Equity Investment Fund Partnership (Limited Partnership)	28.14%	Limited partner of fund partnership under regular distribution of income
Zhenjiang Puhe Equity Investment Fund Partnership (Limited Partnership)	28.37%	Limited partner of fund partnership under regular distribution of income
Jiangsu Liquan Anpeng Advanced Manufacturing Industry Investment Fund (Limited Partnership)	30.00%	Limited partner of fund partnership under regular distribution of income
Jiangsu Shengyu Heike Medical & Health Investment Fund (Limited Partnership)	20.00%	Limited partner of fund partnership under regular distribution of income
Aerospace Hi-tech (Zhenjiang) Venture Capital Co., Ltd.	40.00%	Having no significant impact on financial and production and operation policies

Ningbo Meishan Free-trade Port Hualin Investment Management Partnership (Limited Partnership)	33.30%	Limited partner of fund partnership under regular distribution of income
Hangzhou Hua'an Investment Management Partnership (Limited Partnership)	20.00%	Limited partner of fund partnership under regular distribution of income

(XI) Held-to-maturity investment

1. Details

Item	Closing Balance			Opening Balance		
	Carrying Balance	Provision for Impairment	Carrying Value	Carrying Balance	Provision for Impairment	Carrying Value
Bond Investment of Zhenjiang Grand Restaurant	1,250,000.00	-	1,250,000.00	1,250,000.00	-	1,250,000.00
19 Zh.Ch. 04	132,820,821.90	-	132,820,821.90	132,975,492.00	-	132,975,492.00
Total	134,070,821.90	-	134,070,821.90	134,225,492.00	-	134,225,492.00

Note: after the 10th meeting of the 7th board of directors held on Aug. 06, 2019, Jiangsu Hengshun Vinegar Co., Ltd., a sub-subsidiary of the Company, deliberated and passed the *Proposal on Subscribing Corporate Bonds of Zhenjiang Urban Construction Industry Group Co., Ltd. for Non-public Issuance Corporate Bond in 2019*, and agreed to use its own idle funds to subscribe for *Zhenjiang Urban Construction Industry Group Co., Ltd.* non-public issuance of corporate bonds in 2019 (the fourth issue). The term of the bond is three years, with the option of interest rate adjustment of the issuer and the option of investors to sell back at the end of the first and second year. The face value of the bond is 100 yuan, and it is issued according to the face value: simple interest is adopted, and the interest is calculated annually without compound interest. The interest is paid once a year, and the principal is repaid once at maturity. The last interest is paid together with the cash of the principal, and the cash date is August 09, 2022. In 2020, the issuer decided to reduce the interest rate to 5.50% from August 09, 2020 to August 08, 2022.

(XII) Long-term accounts receivable

Item	Closing Balance	Opening Balance
Finance lease receivables	224,783,889.96	224,700,170.46
Total	224,783,889.96	224,700,170.46

(XIII) Long-term equity investment

1. Classification

Item	Opening Balance	Increase in the Year	Decrease in the Year	Closing Balance
Investments in joint ventures	-	-	-	-
Investments in associates	19,829,954,258.69	912,750,531.77	32,154,912.71	20,710,549,877.75
Subtotal	19,829,954,258.69	912,750,531.77	32,154,912.71	20,710,549,877.75
Less: Provision for impairment of long-term equity investment	-	-	-	-
Total	19,829,954,258.69	912,750,531.77	32,154,912.71	20,710,549,877.75

2. Details

Investee	Opening Balance	Investment Ratio %	Current Movement								Closing Balance
			Additional Investment	Reduced Investment	Investment Gains and Losses Recognized under the Equity Method	Adjustment to Other Comprehensive Income	Other Equity Changes	Cash Dividend or Profit Declared	Provision for Impairment	Others	
Associates:											
Zhenjiang Transportation Industry Group Co., Ltd.	19,141,363,107.80	45	-	-	345,746,811.16	23,840,384.94	467,323,922.12	-	-	-	19,978,274,226.02
Zhenjiang Tianrun Pawn Co., Ltd.	4,950,162.62	25	-	-	8,709.74	-	-	-	-	-	4,958,872.36
Zhenjiang Chuanshan Limestone Mine Co., Ltd.	386,485,284.24	20	-	29,963,052.02	70,608,162.49	-	-1,990,265.73	-	-	-	425,140,128.98
Zhenjiang Guoguang Cultural Tourism Operation Co., Ltd.	420,058.87	45	-	-	-16.32	-	-	-	-	-	420,042.55
Hongtu Venture Capital Company	9,183,392.25	27.27	-	1,636,364.00	-1,983,481.01	-	-	-	-	-	5,563,547.24
Yangzhong Venture Capital Company	27,844,870.96	23.26	-	-	40,788.69	-	-	-	-	-	27,885,659.65
Zhenjiang Leading Talent Innovation Venture Capital Co., Ltd.	23,178,576.07	45	-	-	-225,616.91	-	-	-	-	-	22,952,959.16
Zhenjiang Hengshun Glass Products Co., Ltd.	555,496.69	30	-	555496.69	-	-	-	-	-	-	-
Jiangsu Hengshun Financial Guarantee Co., Ltd.	47,544,065.38	48	-	-	-1,084,486.92	-	-	-	-	-	46,459,578.46
Zhenjiang Xingfu Commune Asset Management Co., Ltd.	44,290,345.29	25.47	-	-	-2,160,541.52	-	-	-	-	-	42,129,803.77
Zhenjiang Renji Medical Development Co., Ltd.	4,658,941.78	51	-	-	-627,947.50	-	-	-	-	-	4,030,994.28
Zhenjiang Gaotou Venture Capital Co., Ltd.	24,523,087.39	24	-	-	376,701.64	-	-	-	-	-	24,899,789.03
Jiangsu Hengshun Zhenjiang International Trade Co., Ltd.	8,404,596.28	50	-	-	-641,012.13	-	-	-	-	-	7,763,584.15
Hangzhou Qiying Holding Management Co., Ltd.	13,733,363.20	40	-	-	18,055,935.14	-	-	-	-	-	31,789,298.34
Zhenjiang Henghua Color Printing & Packaging Co., Ltd.	92,818,909.87	45.37	-	-	-4,537,516.11	-	-	-	-	-	88,281,393.76
Total	19,829,954,258.69	-	-	32,154,912.71	423,576,490.44	23,840,384.94	465,333,656.39	-	-	-	20,710,549,877.75

(XIV) Investing real estate

1. Investing real estate measured at fair value

Item	Houses and Buildings (Closing)	Houses and Buildings (Opening)
I. Opening balance	395,928,407.25	394,211,807.25
II. Changes in the year	66,490,929.04	1,716,600.00
More: Outsourcing	-	1,654,486.17
Transfer in from inventories, fixed assets and construction in progress	67,389,290.28	-
Increase in business combinations	-	-
Less: Disposal	-	-
Other transfer-out	-	-
Changes in fair value	-898,361.24	62,113.83
III. Closing balance	462,419,336.29	395,928,407.25

2. There is no investing real estate with incomplete warrants at the end of the current period.

(XV) Fixed assets

Item	Closing Balance	Opening Balance
Fixed assets	2,888,338,328.33	2,976,311,442.47
Disposal of fixed assets	-	36,391,640.47
Total	2,888,338,328.33	3,012,703,082.94

(1) Movements of fixed assets

Item	House and Buildings	Mechanical Equipment	Transport Equipment	Electronic Equipment	Other Equipment	Total
I. Original book value						
1. Opening balance	2,264,634,666.65	2,065,246,526.37	57,422,674.10	131,493,188.76	24,640,089.36	4,543,437,145.24
2. Current increase	164,564,459.24	149,665,664.13	8,318,751.66	14,200,513.84	2,297,549.29	339,046,938.16
(1) Outsourcing	19,796,151.11	106,444,714.71	8,318,751.66	14,200,513.84	2,297,549.29	151,057,680.61
(2) Transfer-in from construction in progress	144,768,308.13	43,220,949.42	-	-	-	187,989,257.55
(3) Increase in corporate combinations	-	-	-	-	-	-
3. Current decrease	124,476,211.74	280,555,561.16	22,058,062.46	5,472,455.27	2,017,933.30	434,580,223.93
(1) Disposal or retirement	7,659,321.73	25,401,833.95	7,461,198.82	976,948.75	38,872.58	41,538,175.83
(2) Other transfer-out	70,272,136.48	-	-	-	-	70,272,136.48
(3) Transfer-out of corporate combinations	46,544,753.53	255,153,727.21	14,596,863.64	4,495,506.52	1,979,060.72	322,769,911.62
4. Closing balance	2,304,722,914.15	1,934,356,629.34	43,683,363.30	140,221,247.33	24,919,705.35	4,447,903,859.47
II. Accumulated depreciation						
1. Opening balance	431,126,237.18	815,585,674.81	41,990,206.17	88,801,797.93	9,621,786.68	1,387,125,702.77

Item	House and Buildings	Mechanical Equipment	Transport Equipment	Electronic Equipment	Other Equipment	Total
2. Current increase	77,185,941.99	109,419,170.02	3,662,010.99	6,458,046.07	3,921,296.03	200,646,465.10
(1) Accrual	77,185,941.99	109,419,170.02	3,662,010.99	6,458,046.07	3,921,296.03	200,646,465.10
(2) Merger increase	-	-	-	-	-	-
(3) Others	-	-	-	-	-	-
3. Current decrease	48,741,154.39	133,842,915.57	18,752,688.62	5,310,341.60	1,559,536.55	208,206,636.73
(1) Disposal or retirement	1,242,498.81	11,451,625.77	5,585,944.65	894,826.43	33,851.92	19,208,747.58
(2) Other transfer-out	2,882,846.20	-	-	-	-	2,882,846.20
(3) Merger transfer-out	44,615,809.38	122,391,289.80	13,166,743.97	4,415,515.17	1,525,684.63	186,115,042.95
4. Closing balance	459,571,024.78	791,161,929.26	26,899,528.54	89,949,502.40	11,983,546.16	1,379,565,531.14
III. Provision for impairment						
1. Opening balance	-	180,000,000.00	-	-	-	180,000,000.00
2. Current increase	-	-	-	-	-	-
(1) Accrual	-	-	-	-	-	-
3. Current decrease	-	-	-	-	-	-
(1) Disposal or retirement	-	-	-	-	-	-
(2) Other transfer-out	-	-	-	-	-	-
4. Closing balance	-	180,000,000.00	-	-	-	180,000,000.00
IV. Carrying value						
Closing carrying value	1,845,151,889.37	963,194,700.08	16,783,834.76	50,271,744.93	12,936,159.19	2,888,338,328.33
Opening carrying value	1,833,508,429.47	1,069,660,851.56	15,432,467.93	42,691,390.83	15,018,302.68	2,976,311,442.47

(2) Disposal of fixed assets

Item	Closing Balance	Opening Balance	Reason for Disposal
Disposal of real estate and equipment in Zhongshan Road Plant of Hengshun Vinegar Co., Ltd.	-	36,391,640.47	-
Total	-	36,391,640.47	-

According to Document Zh.G.Z.Ch. [2009] No. 10 *Approval Requirements for Disposal of Assets at the Old Factory Area of Hengshun Group* as issued by Zhenjiang SASAC, the factory area at No. 84, Zhongshan West Road was relocated as a whole, and all the houses, buildings and mechanical equipment have been demolished in 2011. The net carrying value of this part of buildings above the ground was RMB 9.216 million, the net carrying value of the land was RMB 27.082 million, the disposal expenses incurred was RMB RMB 93,600.00.

(XVI) Construction in progress

Item	Closing Balance	Opening Balance
Construction in progress	366,062,429.92	338,184,420.89

Item	Closing Balance	Opening Balance
Project materials	-	-
Total	366,062,429.92	338,184,420.89

1. Details

Item	Closing Balance			Opening Balance		
	Carrying Balance	Falling Price Reserves	Carrying Value	Carrying Balance	Falling Price Reserves	Carrying Value
Feichi automobile project	3,837,641.09	-	3,837,641.09	14,906,277.41	-	14,906,277.41
Sauce and vinegar products project	92,869,259.69	-	92,869,259.69	75,869,683.94	-	75,869,683.94
Paper products project	36,490,294.38	-	36,490,294.38	36,158,173.79	-	36,158,173.79
Others	152,795,976.64	-	152,795,976.64	132,919,100.55	-	132,919,100.55
Chemical materials project	80,069,258.12	-	80,069,258.12	78,331,185.20	-	78,331,185.20
Total	366,062,429.92	-	366,062,429.92	338,184,420.89	-	338,184,420.89

(XVII) Intangible assets

1. Details

Item	Land Use Rights	Software	Trademark	Others	Total
I. Original book value					
1. Opening balance	403,833,000.30	14,672,931.58	806,000.00	-	419,311,931.88
2. Current increase	-	14,985,479.22	-	-	14,985,479.22
(1) Purchase	-	14,985,479.22	-	-	14,985,479.22
3. Current decrease	26,059,398.82	1,261,269.73	806,000.00	-	28,126,668.55
(1) Disposal	-	-	806,000.00	-	806,000.00
(2) Other transfer-out	26,059,398.82	1,261,269.73	-	-	27,320,668.55
4. Closing balance	377,773,601.48	28,397,141.07	-	-	406,170,742.55
II. Accumulated amortization					
1. Opening balance	45,485,376.43	9,420,946.34	806,000.00	-	55,712,322.77
2. Current increase	8,303,226.45	1,989,864.58	-	-	10,293,091.03
(1) Amortization	8,303,226.45	1,989,864.58	-	-	10,293,091.03
3. Current decrease	4,865,044.92	1,116,924.74	806,000.00	-	6,787,969.66
(1) Disposal	-	-	806,000.00	-	806,000.00
(2) Other transfer out	4,865,044.92	1,116,924.74	-	-	5,981,969.66
4. Closing balance	48,923,557.96	10,293,886.18	-	-	59,217,444.14
III. Provision for impairment					

Item	Land Use Rights	Software	Trademark	Others	Total
1. Opening balance	-	-	-	-	-
2. Current increase	-	-	-	-	-
(1) Provision	-	-	-	-	-
3. Current decrease	-	-	-	-	-
(1) Disposal	-	-	-	-	-
4. Closing balance	-	-	-	-	-
IV. Carrying value					
Closing carrying value	328,850,043.52	18,103,254.89	-	-	346,953,298.41
Opening carrying value	358,347,623.87	5,251,985.24	-	-	363,599,609.11

(XVIII) Goodwill

1. Original book value of goodwill

Name of Investee or Goodwill Matter	Opening Balance	Current Increase		Current Decrease		Closing Balance
		Corporate combination	Other	Disposal	Other	
Zhenjiang Hengxin Biological Technology Co., Ltd.	303,621.72	-	-	303,621.72	-	-
Zhenjiang Hengshun Beverage Co., Ltd.	424,387.22	-	-	-	-	424,387.22
Total	728,008.94	-	-	303,621.72	-	424,387.22

2. Provision for impairment of goodwill

Name of Investee or Goodwill Matter	Opening Balance	Current Increase		Current Decrease		Closing Balance
		Provision	Other	Disposal	Other	
Zhenjiang Hengxin Biological Technology Co., Ltd.	303,621.72	-	-	303,621.72	-	-
Zhenjiang Hengshun Beverage Co., Ltd.	424,387.22	-	-	-	-	424,387.22
Total	728,008.94	-	-	-	-	424,387.22

(XIX) Long-term expenses to be deferred

Item	Opening Balance	Current Increase	Current Amortization	Current Other Decrease	Closing Balance	Reason for Other Decrease
Renovation costs	4,405,484.69	4,277,632.14	3,857,004.00	-	4,826,112.83	-
Equipment testing fee	51,695,658.67	8,191,327.04	8,871,826.02	17,794,891.66	33,220,268.03	Merger transfer-out
Announcement fee	185,321.10	-	127,852.42	-	57,468.68	-
Compensation	204,620.04	183,720.15	205,741.01	-	182,599.18	-
Financing expenses	24,840,225.10	13,103,509.43	21,390,825.31	-	16,552,909.22	-
Total	81,331,309.60	25,756,188.76	34,453,248.76	-	54,839,357.94	-

(XX) Deferred income tax assets and deferred income tax liabilities

1. Net amount of deferred income tax assets and deferred income tax liabilities not allowed to offset

Item	Closing Balance		Opening Balance	
	Deferred Income Tax Assets / Liabilities	Deductible / Taxable Temporary Differences	Deferred Income Tax Assets / Liabilities	Deductible / Taxable Temporary Differences
Deferred income tax assets				
Provision for impairment of assets	83,785,635.20	335,142,540.80	105,971,845.10	423,887,380.40
Performance incentive fund	4,935,000.00	32,900,000.00	4,935,000.00	32,900,000.00
Deductible loss	1,101,104.53	4,404,418.12	236,577.29	946,309.16
Deferred income	3,173,510.67	19,550,071.10	3,016,885.39	18,195,902.62
Unrealized profit on inventory	1,804,065.80	9,008,107.72	2,108,312.12	10,071,144.81
Total	94,799,316.20	401,005,137.74	116,268,619.90	486,000,736.99
Deferred income tax liabilities				
Valuation of transactional financial instruments and derivative financial instruments	2,438,331.23	9,753,324.92	1,787,098.32	7,148,393.28
Changes in fair value of investment real estates	48,667,253.78	194,669,015.11	48,230,793.60	195,467,875.10
Total	51,105,585.01	204,422,340.03	50,017,891.92	202,616,268.38

(XXI) Other non-current assets

Item	Closing Balance	Opening Balance
Payment for long-term asset purchases	93,131,270.38	73,422,923.69
Agency business assets	210,000,000.00	-
Total	303,131,270.38	73,422,923.69

(XXII) Short-term borrowings

1. Classification

Category	Closing Balance	Opening Balance
Pledge borrowings	188,500,000.00	15,000,000.00
Mortgage borrowings	193,057,270.68	173,459,748.42
Guarantee borrowings	3,503,115,140.71	3,716,586,958.24
Credit borrowings	17,758,769.91	16,954,617.67
Total	3,902,431,181.30	3,922,001,324.33

(XXIII) Notes payable

Category	Closing Balance	Opening Balance
Bank acceptance bills	1,923,885,411.99	2,173,082,237.95
Commercial acceptance bills	27,000,000.00	100,000,000.00
Total	1,950,885,411.99	2,273,082,237.95

The Group has no due and un-repaid notes payable at the end of the year.

(XXIV) Accounts payable

1. Details

Item	Closing Balance	Opening Balance
Within 1 year	644,593,420.13	1,618,738,663.72
1 to 2 years	57,401,873.04	108,757,221.52
2 to 3 years	3,943,599.60	29,392,205.53
Over 3 years	92,591,352.30	32,465,828.23
Total	798,530,245.07	1,789,353,919.00

2. There is no shareholder amount payable that holds over 5% (inclusive) of the voting shares of the Company in the closing balance.

(XXV) Receipts in advance

1. Details

Item	Closing Balance	Opening Balance
Within 1 year	670,338,233.48	1,588,539,169.79
1 to 2 years	279,399,333.68	33,268,594.73
2 to 3 years	10,040,681.69	1,944,714.46
Over 3 years	12,112,887.95	15,442,725.94
Total	971,891,136.80	1,639,195,204.92

2. There is no shareholder amount received in advance that holds over 5% (inclusive) of the voting shares of the Company in the closing balance.

(XXVI) Staffs' salary payable

1. Details

Item	Opening Balance	Current Increase	Current Decrease	Closing Balance
Short-term remuneration	31,179,687.54	511,278,842.90	516,927,502.95	25,531,027.49
Post-employment benefits - defined contribution plan	285,559.58	7,255,819.97	7,327,196.19	214,183.36
Termination benefits	-	-	-	-
Total	31,465,247.12	518,534,662.87	524,254,699.14	25,745,210.85

2. Short-term remuneration

Item	Opening Balance	Current Increase	Current Decrease	Closing Balance
Salaries, bonuses, allowances and subsidies	26,159,928.89	443,017,275.65	449,255,383.76	19,921,820.78
Employee welfare	65,286.87	20,826,423.36	20,891,710.23	-
Social insurance premiums	3,580,744.15	22,236,543.19	22,168,411.01	3,648,876.33
Wherein: Medical insurance premiums	3,580,744.15	20,430,156.48	20,362,024.30	3,648,876.33
Work-related injury insurance premiums	-	1,009,718.12	1,009,718.12	-
Maternity insurance premiums	-	796,668.59	796,668.59	-

Item	Opening Balance	Current Increase	Current Decrease	Closing Balance
Housing funds	463,230.00	20,946,567.07	20,688,128.07	721,669.00
Labor union funds and employee education funds	910,497.63	4,252,033.63	3,923,869.88	1,238,661.38
Total	31,179,687.54	511,278,842.90	516,927,502.95	25,531,027.49

3. Defined contribution plan

Item	Opening Balance	Current Increase	Current Decrease	Closing Balance
Basic endowment insurance premiums	285,559.58	6,637,625.60	6,709,001.82	214,183.36
Unemployment insurance premiums	-	618,194.37	618,194.37	-
Enterprise annuity payment	-	-	-	-
Total	285,559.58	7,255,819.97	7,327,196.19	214,183.36

(XXVII) Taxes and fees payable

Item	Closing Balance	Opening Balance
Added-value tax	2,716,334.66	2,327,415.06
Consumption tax	166,104.10	1,311,011.06
Corporate income tax	32,941,397.43	33,769,571.62
Urban maintenance and construction tax	2,209,948.39	348,314.61
Property tax	4,609,975.39	1,069,275.93
Individual income tax	508,295.17	427,898.20
Educational surcharge	1,601,250.24	217,057.47
Land use tax	1,490,269.30	1,014,094.51
Others	347,430.15	1,300,059.85
Total	46,591,004.83	41,784,698.31

(XXVIII) Other payables

Item	Closing Balance	Opening Balance
Other payables	3,783,797,446.79	3,221,924,335.70
Interest payable	385,237,520.33	442,279,346.28
Dividend payable	5,235,693.53	7,660,693.53
Total	4,174,270,660.65	3,671,864,375.51

(1) Interest payable

Item	Closing Balance	Opening Balance
Loan interest	36,740,309.98	82,237,965.52
Bond interest payable	348,497,210.35	360,041,380.76
Total	385,237,520.33	442,279,346.28

(2) Dividend payable

Item	Closing Balance	Opening Balance	Reason for Non-payment over 1 Year
Due to other shareholders	5,235,693.53	7,660,693.53	-
Total	5,235,693.53	7,660,693.53	-

(3) Other payables

1. Listed by fund nature

Fund Nature	Closing Balance	Opening Balance
Security and deposits	14,092,771.00	8,527,686.05
Operating capital transactions	3,739,459,566.86	3,139,973,725.96
Long-term asset purchases payable	30,245,108.93	73,422,923.69
Others	3,783,797,446.79	3,221,924,335.70
Total	3,221,924,335.70	4,885,161,583.42

2. There is no shareholder amount payable that holds over 5% (inclusive) of the voting shares of the Company in the closing balance.
3. There are no significant other payables aged for more than 1 year.

(XXIX) Non-current liabilities due within one year

Item	Closing Balance	Opening Balance
Long-term borrowings due within one year	1,405,538,844.92	1,855,662,861.54
Bonds payable due within one year	716,755,653.22	2,497,715,644.49
Long-term payables due within one year	781,440.00	-
Other long-term liabilities due within one year	-	-
Total	2,123,075,938.14	4,353,378,506.03

Please refer to Note (XXXII) 2 for details of bonds payable due within one year

(XXX) Other current liabilities

Item	Closing Balance	Opening Balance
Short-term financial bonds	3,694,850,000.01	6,293,499,466.66
2019 Zhongda Security USD Bond [Note 1]	-	416,704,726.30
2020 TOL Asset Management USD Bond [Note 2]	806,660,448.83	-
Others	240,029,146.59	161,745,588.84
Total	4,741,539,595.43	6,871,949,781.80

Please refer to Note (XXXII) 2 for details of short-term financial bonds

Note 1: in March 2019, Hong Kong Yilian Technology Co., Ltd., a subsidiary of the Group, successfully issued US$ 60 million bonds with interest rate of 6.6%, value date of March 08, 2020 and maturity date of March 05, 2021.
Note 2: in Feb. 2019, Hong Kong Yilian Technology Co., Ltd., a subsidiary of the Group, successfully

issued US$ 117 million bonds with interest rate of 6.6%, value date of Feb. 26, 2020 and maturity date of Feb. 24, 2021.

(XXXI) Long-term borrowings

1. Classification

Category	Closing Balance	Opening Balance
Pledge borrowings	237,500,000.00	400,000,000.00
Mortgage borrowings	1,227,439,599.52	1,255,370,000.00
Guarantee borrowings	1,652,950,000.00	1,947,305,084.99
Credit borrowings	549,582,881.67	-
Total	3,667,472,481.19	3,602,675,084.99

(XXXII) Bonds payable

1. Classification

Item	Closing Balance	Opening Balance
Bonds payable	7,069,059,444.16	3,713,034,573.15
Total	7,069,059,444.16	3,713,034,573.15

2. Movements

Item Name	Bond Period		Coupon Rate	Face Value	Interest Adjustment	Opening Balance	Face Value	Interest Adjustment	Closing Balance
	Value Date	Due Date							
Other current liabilities									
2019 Issue 4 ultra-short-term financing bill	2019-4-19	2020-1-14	5.20%	1,000,000,000.00	-	1,000,000,000.00	-	-	-
2019 Issue 5 ultra-short-term financing bill	2019-4-30	2020-1-25	5.35%	400,000,000.00	-123,371.09	399,876,628.91	-	-	-
2019 Issue 7 ultra-short-term financing bill	2019-7-29	2020-4-24	5.30%	500,000,000.00	-307,698.12	499,692,301.88	-	-	-
2019 Issue 8 ultra-short-term financing bill	2019-9-19	2020-3-17	5.20%	500,000,000.00	-368,218.50	499,631,781.50	-	-	-
2019 Issue 9 ultra-short-term financing bill	2019-10-24	2020-7-20	5.20%	500,000,000.00	-875,000.00	499,125,000.00	-	-	-
2019 Issue 10 ultra-short-term financing bill	2019-11-28	2020-8-24	4.92%	500,000,000.00	-875,000.00	499,125,000.00	-	-	-
2019 Issue 1 short-term financing bill	2019-4-23	2020-4-23	5.37%	500,000,000.00	-494,056.67	499,505,943.33	-	-	-
2019 Issue 2 short-term financing bill	2019-6-3	2020-6-3	5.48%	700,000,000.00	-1,162,704.43	698,837,295.57	-	-	-
2019 Issue 3 short-term financing bill	2019-7-12	2020-7-12	5.50%	700,000,000.00	-1,044,484.53	698,955,515.47	-	-	-
2019 Issue 4 short-term financing bill	2019-11-18	2020-11-18	5.20%	500,000,000.00	-1,250,000.00	498,750,000.00	-	-	-
2019 Issue 1 non-public short-term corporate bill	2019-12-30	2020-12-30	6.50%	500,000,000.00	-	500,000,000.00	-	-	-
2020 Issue 5 ultra-short-term financing bill	2020-7-27	2021-4-23	3.95%	-	-	-	500,000,000.00	-375,000.00	499,625,000.00
2020 Issue 6 ultra-short-term financing bill	2020-9-25	2021-6-22	4.02%	-	-	-	500,000,000.00	-625,000.00	499,375,000.00
2020 Issue 7 ultra-short-term financing bill	2020-10-22	2021-7-19	3.97%	-	-	-	500,000,000.00	-999,999.99	499,000,000.01
2020 Issue 8 ultra-short-term financing bill	2020-12-11	2021-9-7	4.70%	-	-	-	500,000,000.00	-1,000,000.00	499,000,000.00
2020 Issue 1 short-term financing bill	2020-1-8	2021-1-8	4.84%	-	-	-	400,000,000.00		400,000,000.00
2020 Issue 2 short-term financing bill	2020-6-10	2021-6-10	3.80%	-	-	-	600,000,000.00	-750,000.00	599,250,000.00
2020 Issue 3 short-term financing bill	2020-9-4	2021-9-4	4.20%	-	-	-	700,000,000.00	-1,400,000.00	698,600,000.00
Total	-	-	-	**6,300,000,000.00**	**-6,500,533.34**	**6,293,499,466.66**	**3,700,000,000.00**	**-5,149,999.99**	**3,694,850,000.01**
Non-current liabilities due within one year									
2017 Issue 1 medium-term note	2017-8-16	2020-8-16	6.70%	1,000,000,000.00	-827,555.54	999,172,444.46	-	-	-
2018 Issue 1 medium-term note	2018-9-28	2020-9-28	7.20%	800,000,000.00	-480,000.00	799,520,000.00	-	-	-
2017 Issue 2 medium-term note	2017-10-24	2020-10-24	7.07%	700,000,000.00	-976,799.97	699,023,200.03	-	-	-
2018 Issue 1 non-public corporate bill	2018-3-30	2021-3-30	7.80%	-	-	-	714,000,000.00	-244,346.78	713,755,653.22
2018 Issue 1 public corporate bill	2018-12-5	2021-12-5	7.99%	-	-	-	3,000,000.00		3,000,000.00
Total	-	-	-	**2,500,000,000.00**	**-2,284,355.51**	**2,497,715,644.49**	**717,000,000.00**	**-244,346.78**	**716,755,653.22**
Bond payables									
2018 Issue 1 non-public corporate bill	2018-3-30	2021-3-30	7.80%	714,000,000.00	-1,710,426.74	712,289,573.26	-	-	-
2018 Issue 1 public corporate bill	2018-12-5	2021-12-5	7.99%	300,000,000.00	-550,000.00	299,450,000.00	-	-	-
2019 Issue 1 medium-term note	2019-1-28	2022-1-28	7.50%	500,000,000.00	-2,083,333.37	497,916,666.63	500,000,000.00	-1,083,333.41	498,916,666.59
2019 Issue 1 public corporate bill	2019-1-16	2022-1-16	7.75%	210,000,000.00	-455,000.00	209,545,000.00	210,000,000.00	-35,000.00	209,965,000.00
2019 Issue 2 public corporate bill	2019-4-1	2022-4-1	6.00%	1,000,000,000.00	-2,500,000.06	997,499,999.94	1,000,000,000.00	-500,000.14	999,499,999.86
2019 Issue 4 public corporate bill	2019-11-25	2022-11-25	6.30%	1,000,000,000.00	-3,666,666.68	996,333,333.32	1,000,000,000.00	-1,666,666.76	998,333,333.24
2020 Issue 1 public corporate bill	2020-3-19	2023-3-19	5.66%	-	-	-	990,000,000.00	-4,290,000.00	985,710,000.00
2020 Issue 1 medium-term note	2020-4-27	2023-4-27	5.50%	-	-	-	1,000,000,000.00	-4,499,999.97	995,500,000.03
2020 Issue 2 medium-term note	2020-8-13	2023-8-13	5.90%	-	-	-	900,000,000.00	-4,650,000.00	895,350,000.00
2020 Issue 3 medium-term note	2020-11-13	2025-11-13	5.00%	-	-	-	500,000,000.00	-6,283,333.34	493,716,666.66
2020 Issue 1 directional debt financing instrument	2020-9-23	2023-9-23	5.00%	-	-	-	200,000,000.00	-2,488,888.88	197,511,111.12
2020 Issue 1 directional debt financing instrument	2020-9-23	2024-9-23	5.00%	-	-	-	150,000,000.00	-1,925,000.00	148,075,000.00
2020 Issue 1 directional debt financing instrument	2020-9-23	2025-9-23	5.00%	-	-	-	150,000,000.00	-1,960,000.00	148,040,000.00
2020 Issue 2 directional debt financing instrument	2020-11-18	2022-11-18	5.80%	-	-	-	500,000,000.00	-1,558,333.34	498,441,666.66
Total	-	-	-	**3,724,000,000.00**	**-10,965,426.85**	**3,713,034,573.15**	**7,100,000,000.00**	**-30,940,555.84**	**7,069,059,444.16**

(XXXIII) Long-term payables

Item	Closing Balance	Opening Balance
Long-term payables	81,224,769.36	121,365,006.61
Special payables	24,700,958.56	40,417,778.09
Total	105,925,727.92	161,782,784.70

1. Details of long-term payables

Item	Closing Balance	Opening Balance
Long-term financing payables	81,224,769.36	121,365,006.61
Total	81,224,769.36	121,365,006.61

2. Special payables

Item	Opening Balance	Increase in the Year	Decrease in the Year	Closing Balance
Staff placement allowance	3,692,300.02	-	2,950,876.02	741,424.00
Demolition compensation	15,253,547.46	-	13,528,610.88	1,724,936.58
Shantytown renovation expenses	21,471,930.61	3,160,000.00	2,397,332.63	22,234,597.98
Total	40,417,778.09	3,160,000.00	18,876,819.53	24,700,958.56

(XXXIV) Deferred income

Item/Category	Opening Balance	Increase in the Year	Decrease in the Year	Closing Balance
Land compensation	42,878,920.80	-	936,469.80	41,942,451.00
Equipment relocation compensation	29,593,031.73	-	606,436.39	28,986,595.34
Compensation for house structure demolition	13,065,602.70	-	755,871.40	12,309,731.30
Total	85,537,555.23	-	2,298,777.59	83,238,777.64

(XXXV) Other non-current liabilities

Item/Category	Opening Balance	Increase in the Year	Decrease in the Year	Closing Balance
Equity financing payables	85,000,000.00	-	-	85,000,000.00
Agency business liabilities	-	210,000,000.00	-	210,000,000.00
Total	85,000,000.00	210,000,000.00	-	295,000,000.00

(XXXVI) Paid-in capital

Name of Investor	Opening Balance		Current Increase	Current Decrease	Closing Balance	
	Investment Amount	Proportion			Investment Amount	Proportion
Zhenjiang Municipal People's Government State-owned Assets Supervision and Administration Commission	1,000,000,000.00	100.00%	-	-	1,000,000,000.00	100.00%
Total	1,000,000,000.00	100.00%	-	-	1,000,000,000.00	100.00%

On Sep. 12, 2014, as approved by Zhenjiang Municipal People's Government State-owned Assets Management Supervision Committee by virtue of Document [2014] No. 7, the Company was restructured from an enterprise owned by the whole people to a wholly state-owned holding company. And the paid-in capital increased to RMB one billion from capital reserve.

(XXXVII) Capital reserve

Item	Opening Balance	Increase in the Year	Decrease in the Year	Closing Balance
Capital premium	1,860,708,029.73	-	361,226,698.85	1,499,481,330.88
Other capital reserves	11,582,997,139.48	465,333,656.39		12,048,330,795.87
Total	13,443,705,169.21	465,333,656.39	361,226,698.85	13,547,812,126.75

The capital premium decreased by RMB 361,226,700.00 yuan in the current period, mainly due to the decrease of RMB 283.5 million yuan in the capital reserve originally formed by the subsidiary Jianxiang Water Conservancy, which belongs to the parent company, and the corresponding decrease of RMB 46.1853 million yuan in the capital reserve held by the former subsidiary Jiangsu Zhenjiang Road and Bridge Company in the current period.

Other capital reserves increased by RMB 465,333,600.00 yuan in the current period due to the increase in equity method accounting of participating companies such as Zhenjiang Transportation Industry Group Co., Ltd.

(XXXVIII) Other comprehensive income

Item	Opening Balance	Increase in the Year	Decrease in the Year	Closing Balance
Other comprehensive income	5,796,163,910.43		157,259,398.18	5,638,904,512.25
Total	5,796,163,910.43		157,259,398.18	5,638,904,512.25

Other comprehensive income decreased by 157.2594 million yuan in the current period, mainly due to the decrease in the stock price of available for sale financial assets of Bank of Jiangsu.

(XXXIX) Surplus reserve

Item	Opening Balance	Increase in the Year	Decrease in the Year	Closing Balance
Statutory surplus reserve	425,559,728.20	41,629,791.45	-	467,189,519.65
Total	425,559,728.20	41,629,791.45	-	467,189,519.65

(XXXX) Undistributed profits

Item	Current Amount	Prior Amount
Current opening balance	2,042,666,931.79	1,693,710,483.30
Current opening adjustments	-	-
Current increase	-	-
Wherein: Net profit transferred in attributable to owners of the parent company in the year	397,461,394.15	387,752,391.75
Other adjustment factors	-	-
Current decrease	-	-
Wherein: Amount of surplus reserve extracted in the year	41,629,791.45	38,905,633.26
General risk preparation extracted in the year	18,556.05	-109,690.00
Cash dividends distributed in the year	18,080,000.00	-
Capital delivery	-	-

Item	Current Amount	Prior Amount
Current closing balance	2,380,437,090.54	2,042,666,931.79

The cash dividend of RMB 18.08 million yuan is distributed this year, which is the profit income of the enterprise handed over by the Group to the state-owned capital operation budget of Zhenjiang SASAC in 2020.

(XXXXI) Operating income and operating cost

Operating income and cost

Item	Current Amount		Prior Amount	
	Income	Cost	Income	Cost
(1) Subtotal of primary business	10,542,849,445.56	9,319,846,011.09	10,914,123,450.61	9,546,161,153.75
Paper products	807,744,442.27	752,572,272.72	886,548,914.60	832,319,933.50
Road and bridge construction	280,300,016.03	261,869,772.30	853,198,438.16	760,342,101.09
Titanium dioxide	-	-	349,069,503.20	307,440,450.38
Automobile	2,674,443,138.96	2,550,467,802.28	2,971,226,217.69	2,854,261,112.89
Sauce and vinegar seasoning	2,430,112,230.19	1,563,232,886.78	2,291,415,449.51	1,313,067,748.16
Chemical	716,075,297.87	707,824,585.50	771,551,081.35	748,979,595.61
Real estate	536,670,937.99	432,238,768.78	154,214,976.72	124,404,728.71
Material trade (including energy)	3,049,365,621.32	3,019,247,863.05	2,524,848,846.54	2,506,017,023.72
Others	48,137,760.93	32,392,059.68	112,050,022.84	99,328,459.69
(2) Subtotal of other business	146,779,999.75	131,502,981.82	150,561,490.15	141,889,393.45
Other income (interest)	136,004,342.20	129,201,756.86	145,897,856.61	138,578,960.29
Handling charge and commission	10,775,657.55	2,301,224.96	4,663,633.54	3,310,433.16
Total	**10,689,629,445.31**	**9,451,348,992.91**	**11,064,684,940.76**	**9,688,050,547.20**

(XXXXII) Taxes and surcharges

Item	Current Amount	Prior Amount
Consumption tax	11,489,835.11	10,526,661.61
Urban maintenance and construction tax	14,668,168.70	14,333,066.08
Education surcharge	10,550,188.42	10,483,048.75
Property tax	16,662,209.88	13,295,768.05
Land value added tax	7,739,751.33	6,454,401.96
Others	12,383,244.36	10,119,212.62
Total	73,493,397.80	65,212,159.07

(XXXXIII) Sales expenses

Item	Current Amount	Prior Amount
Salary and surcharge	115,150,346.75	107,936,310.30
Long-term asset amortization expenses	19,847,803.87	31,299,302.62
Freight	72,792,832.87	120,633,990.83
Travel expenses	17,294,607.36	16,689,294.25
Storage fee	14,269,944.69	16,461,490.52

Item	Current Amount	Prior Amount
Depreciation	2,405,681.25	2,555,207.08
Office fee	6,223,785.56	6,563,012.80
Advertising fee	116,574,738.72	129,409,384.33
Business entertainment fee	2,571,673.74	3,635,860.66
Others	529,755.45	32,914,955.03
Total	367,661,170.26	468,098,808.42

(XXXXIV) Administration expenses

Item	Current Amount	Prior Amount
Salary and surcharge	150,679,932.56	217,261,475.55
Office fee	11,455,644.04	17,074,799.20
Depreciation	32,996,906.22	35,490,571.26
Amortization of intangible assets	9,909,330.40	10,981,518.91
Repair fee	7,475,309.30	13,079,667.93
Car expenses	8,482,176.98	10,436,506.09
Transport fee	3,769,607.08	6,377,164.35
Conference expenses	1,645,695.86	1,169,634.87
Travel expenses	3,572,457.58	4,770,616.71
Consulting and audit service fee	9,681,595.20	11,295,963.30
Amortization of other assets	17,898,535.92	30,142,018.57
Others	35,003,321.37	45,365,929.76
Total	292,570,512.51	403,445,866.50

(XXXXV) Financial expenses

Item	Current Amount	Prior Amount
Interest expense	925,562,426.02	927,880,143.23
Less: Interest income	133,829,479.22	54,401,290.69
More: Exchange loss	-15,335,583.33	11,136,459.27
More: Other expenses	134,920,954.24	65,272,463.21
Total	911,318,317.71	949,887,775.02

(XXXXVI) Impairment losses on assets

Item	Current Amount	Prior Amount
Losses on bad debts	52,807,890.49	-45,987,318.64
Losses on falling inventory prices	4,609,657.76	-3,369,999.41

Item	Current Amount	Prior Amount
Losses on loan impairment	-7,749,803.18	-29,599,438.01
Total	49,667,745.07	-78,956,756.06

(XXXXVII) Investment income

Source of Investment Income	Current Amount	Prior Amount
Income from long-term equity investment under equity method	423,576,490.44	391,859,892.43
Investment income generated by disposing of long-term equity investment	81,476,517.72	315,257,781.72
Investment income obtained during holding financial assets measured at fair value through profit or loss	26,578,461.15	25,064,830.18
Investment income from disposal of financial assets measured at fair value with changes included in current profits and losses	-	19,553,053.65
Investment income obtained during holding available-for-sale financial assets	88,469,104.80	127,166,201.12
Others (financing products)	38,115,338.46	40,470,042.17
Total	658,215,912.57	919,371,801.27

(XXXXVIII) Gains or losses from changes in fair value

Source of Income from Changes in Fair Value	Current Amount	Prior Amount
Financial assets at fair value through profit or loss	31,009,586.01	136,140,511.81
Wherein: Earnings in fair value gains and losses produced by derivative financial instruments	-	-
Investment real estate measured at fair value	-898,361.24	62,113.83
Total	30,111,224.77	136,202,625.64

(XXXXIX) Non-operating income

1. Non-operating income

Item	Current Amount	Prior Amount
Government subsidy	440,000,000.00	200,000,000.00
Other income such as various awards and subsidies	15,757,222.36	28,091,068.49
Fine income	427,245.53	-
Total	456,184,467.89	228,091,068.49

(XXXXX) Non-operating expenses

Item	Current Amount	Prior Amount
Various funds	28,832.00	21,500.00
Liquidated damages, etc.	10,882,726.17	2,790,960.66
Abnormal losses	9,056,406.90	10,084,615.06
Others	9,266,040.61	36,500,126.64
Total	29,234,005.68	49,397,202.36

(XXXXXI) Income tax expense

Item	Current Amount	Prior Amount
Current income tax expenses according to tax laws and relevant provisions	65,153,122.16	66,196,159.16
Adjustment to deferred income tax	22,556,996.79	-6,180,807.74
Total	87,710,118.95	60,015,351.42

(XXXXXII) Information about cash flow from adjusting net profits into operating activities

Item	Current Amount	Prior Amount
1. Cash flow from adjusting net profits into operating activities		
Net profits	593,044,638.91	591,535,859.84
More: Provision for assets impairment allowances	-49,667,745.07	78,956,756.06
Depreciation of fixed assets, depletion of oil and gas assets and depreciation of productive biological assets	200,646,465.10	242,618,410.89
Amortization of intangible assets	10,293,091.03	10,981,518.91
Amortization of long-term deferred expenses	34,453,248.76	68,563,209.82
Loss from disposing of fixed assets, intangible assets and other long-term assets (Fill in "-" for earnings)	21,903,828.60	
Loss on retirement of fixed assets (Fill in "-" for earnings)	2,528,228.42	8,711,906.63
Loss from changes in fair value (Fill in "-" for earnings)	-30,111,224.77	-136,202,625.64
Financial expenses (Fill in "-" for earnings)	1,040,951,504.72	920,799,856.62
Loss from investment (Fill in "-" for earnings)	-658,215,912.57	-919,371,801.27
Decrease in deferred income assets (Fill in "-" for increase)	21,469,303.70	-7,024,205.32
Increase in deferred income assets (Fill in "-" for decrease)	1,087,693.09	843,397.58
Decrease in inventories (Fill in "-" for increase)	-22,453,553.65	91,056,592.21
Decrease in operating receivables (Fill in "-" for increase)	2,404,477,171.53	447,570,149.34
Increase in operating payables (Fill in "-" for decrease)	-1,427,605,431.39	69,119,444.45
Others	-	
Net cash flows arising from operating activities	2,142,801,306.41	1,402,610,589.97
2. Investment and financing activities not involved in cash receipts and payments		
Conversion of debt into capital	-	
Convertible corporate bonds due within one year	-	
Fixed assets under financial lease	-	-
3. Net increase in cash and cash equivalents		
Closing balance of cash	2,084,492,580.98	3,263,434,692.49
Less: Opening balance of cash	3,263,434,692.49	1,928,007,339.97
More: Closing balance of cash equivalents	-	--
Less: Opening balance of cash equivalents	-	
Net increase in cash and cash equivalents	-1,178,942,111.51	1,335,427,352.52

2. Cash and cash equivalents

Item	Current Amount	Prior Amount
Cash	2,084,492,580.98	3,263,434,692.49
Wherein: Cash on hand	1,065,771.11	4,964,071.38
Bank deposits available for payments at any time	2,083,426,809.87	3,258,470,621.11
Other monetary funds available for payments at any time	-	-
Cash equivalents	-	-
Wherein: Bond investment due within three months	-	-
Closing balance of cash and cash equivalents	2,084,492,580.98	3,263,434,692.49

IX. Description of Contingencies

(1) As of December 31, 2020, guarantees provided by the Group for other units:

Name of Surety	Name of the Secured	Involved Amount (10000 yuan)	Start Date	Due Date	Note
Zhenjiang State-owned Investment Holding Group Co., Ltd.	Zhenjiang Port International Container Terminal Co., Ltd.	39,360	2012-8-30	2022-8-20	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.	Zhenjiang Xijindu Cultural Tourism Co., Ltd.	70,000	2018-3-5	2021-3-5	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.	Zhenjiang Chengtou Construction Industry Group Co., Ltd.	18,000	2019-10-24	2022-10-20	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.		42,800	2020-1-2	2028-10-31	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.		18,000	2020-1-3	2028-10-31	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.		30,000	2020-9-27	2028-10-31	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.		40,000	2020-3-31	2021-3-30	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.		20,000	2020-12-30	2022-12-29	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.	Zhenjiang Xingyi Water Conservancy Investment Co., Ltd.	22,000	2015-11-11	2028-12-21	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.			2015-12-21	2028-12-21	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.			2016-1-30	2028-12-21	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.		5,260	2019-6-26	2021-6-26	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.		5,490	2019-6-28	2021-6-28	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.		2,000	2019-7-3	2021-7-3	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.		4,090	2019-7-5	2021-7-5	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.		3,950	2019-7-10	2021-7-10	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.		1,550	2019-7-12	2021-7-12	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.		3,300	2019-7-17	2021-7-17	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.		2,870	2019-7-19	2021-7-19	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.		1,310	2019-7-23	2021-7-23	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.	Zhenjiang Dantu Jianyi Water Conservancy Investment Co., Ltd.	26,000	2016-1-26	2024-1-24	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.	Zhenjiang Dantu New Rural Development and Construction Co.,	11,070	2019-3-1	2021-3-1	-

Zhenjiang State-owned Investment Holding Group Co., Ltd.	Ltd.	3,800	2019-3-8	2021-3-8	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.		1,080	2019-3-15	2021-3-15	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.	Zhenjiang Dantu New Rural Development and Construction Co., Ltd.	21,300	2019-7-26	2021-7-26	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.	Zhenjiang Huajian Real Estate Co., Ltd.	13,000	2019-6-25	2031-6-24	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.		8,600	2019-12-5	2031-6-24	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.	Zhenjiang Hengrui High Tech Industry Group	30,000	2019-10-30	2034-10-29	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.		10,000	2020-1-7	2034-10-29	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.	Jiangsu Sopo (Group) Co., Ltd.	5,000	2020-7-16	2021-7-13	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.		4,800	2020-7-22	2021-7-30	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.		2,000	2020-8-26	2021-2-26	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.		2,000	2020-8-28	2021-2-28	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.		2,000	2020-10-15	2021-4-15	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.		2,000	2020-12-6	2021-6-6	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.		2,000	2020-9-7	2021-7-2	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.		3,000	2020-9-10	2021-3-8	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.	Jiangsu Sopo Chemicals Co., Ltd.	5,000	2020-9-14	2021-9-13	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.	Jiangsu Zhentai Chemicals Co., Ltd.	1,000	2020-9-11	2021-3-10	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.		975	2020-5-9	2021-5-7	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.		1,000	2020-12-16	2021-6-10	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.		975	2020-12-10	2021-12-7	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.		1,050	2020-3-12	2021-3-11	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.		1,000	2020-6-15	2021-6-14	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.		1,090	2020-5-12	2021-5-12	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.		550	2020-5-28	2021-5-28	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.		1,060	2020-4-21	2021-4-21	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.		1,100	2020-6-3	2021-6-3	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.		500	2020-6-23	2021-6-23	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.		4,400	2020-3-18	2021-3-17	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.		3,000	2020-9-10	2021-9-14	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.		1,000	2020-9-16	2021-9-20	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.		500	2020-9-18	2021-9-10	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.		1,190	2020-2-18	2021-2-12	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.		1,210	2020-8-12	2021-2-8	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.		1,742	2019-1-29	2022-1-31	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.		1,485	2020-3-23	2021-3-23	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.		1,500	2020-3-25	2021-3-29	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.		2,750	2020-11-9	2021-5-8	-

Zhenjiang State-owned Investment Holding Group Co., Ltd.		4,250	2020-10-30	2021-4-29	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.		2,000	2020-12-2	2021-12-3	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.		2,000	2020-5-29	2021-5-28	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.		1,000	2020-9-3	2021-9-1	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.		1,000	2020-9-23	2021-9-24	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.	Zhenjiang Cultural Tourism Industry Group	26,880	2019-5-24	2024-5-24	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.		8,000	2019-7-22	2024-7-22	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.		30,880	2020-3-27	2025-3-26	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.	Zhenjiang Dantu Kechuang Construction Co., Ltd.	29,850	2019-8-16	2021-8-15	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.	Zhenjiang University Investment & Construction Development Group Co., Ltd.	8,880	2019-9-29	2021-3-29	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.		2,160	2019-9-29	2021-9-29	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.		6,380	2019-11-1	2021-11-1	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.		11,580	2019-11-8	2021-11-8	-
Hengshun Group	Zhenjiang Chengtou Construction Industry Group Co., Ltd.	14,000	2020-2-26	2021-2-25	-
Hengshun Group	Jiangsu Sopo (Group) Co., Ltd.	4,000	2020-2-20	2021-1-20	-
Hengshun Group		4,000	2020-11-24	2023-11-20	-
Total	-	668,567	-	-	-

(2) As of December 31, 2020, the Group had no contingent liabilities formed from other matters.
(3) As of December 31, 2020, the Group had no contingent assets.

X. Events after the Balance Sheet Date

The Company has no other significant events after the balance sheet date that should be disclosed but have not yet been disclosed.

XI. Relations with Related Parties and Their Transactions

(1) Relations with related parties

1. Controlling shareholder and ultimate controlling party

Name of Controlling Shareholder and Ultimate Controlling Party	Place of Registration	Business Nature	Shareholding Ratio (%)	Voting Ratio (%)
Zhenjiang State-owned Assets Supervision and Administration Commission	Zhenjiang	Administrative organ	100.00	100.00

2. Subsidiaries

The information about subsidiaries of the Group is as detailed in Note VII (1), i.e. Relevant information disclosed in the scope of consolidation.

3. Joint ventures and associates

The information about joint ventures and associates of the Group is as detailed in Note VIII (XIII), i.e.

Relevant information disclosed in the long-term equity investments.

4. Other related parties

Name of Other Related Party	Relationship between other related parties and the company
Zhenjiang Hongxing Real Estate Co., Ltd.	Subsidiaries of the Group's associates
Jiangsu Zhenjiang road and Bridge Co., Ltd.	Subsidiaries of the Group's associates

(II) Related transactions

1. Commodity purchase/labor acceptance Unit: RMB 10000 yuan

Name of Related Party	Contents of Related Transaction	Current Amount	Prior Amount
Zhenjiang Henghua Color Printing Packaging Co., Ltd.	Purchase of goods	1,973.74	1,515.66
Total	-	1,973.74	1,515.66

2. Commodity sales/labor provision

Name of Related Party	Contents of Related Transaction	Current Amount	Prior Amount
Zhenjiang Henghua Color Printing Packaging Co., Ltd.	Sales of goods	23.77	25.04
Jiangsu Hengshun Zhenjiang International Trade Co., Ltd.	Sales of goods	3,065.21	2,532.12
Total	-	3,088.98	2,557.16

3. Related release

The company as lessor Unit: RMB 10000 yuan

Name of Related Party	Contents of Related Transaction	Current Amount	Prior Amount
Zhenjiang Renji Medical Development Co., Ltd.	House release	28.33	20.00
Total	-	28.33	20.00

4. Inter-bank lending of related party funds Unit: RMB 10000 yuan

Name of Related Party	Lending this year	Returned this year	Year end balance
Hangzhou Qiying Holding Management Co., Ltd.	600.00	240.00	360.00
Total	600.00	240.00	360.00

5. Related guarantee

Name of Surety	Name of the Secured	Involved Amount (10000 yuan)	Start Date	Due Date	Note
Zhenjiang State-owned Investment Holding Group Co., Ltd.	Zhenjiang Transportation Industry Group Co., Ltd.	39,860	2019-5-31	2021-8-2	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.	Zhenjiang Transportation Industry Group Co., Ltd.	50,000	2020-7-23	2028-10-21	-

Zhenjiang State-owned Investment Holding Group Co., Ltd.	Zhenjiang Transportation Industry Group Co., Ltd.	50,000	2020-8-1	2028-10-21	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.	Zhenjiang Transportation Industry Group Co., Ltd.	50,000	2020-11-26	2022-11-26	-
Zhenjiang State-owned Investment Holding Group Co., Ltd.	Zhenjiang Hongxing Real Estate Co., Ltd.	59,810	2019-3-5	2021-3-29	-
Total	-	249,670	-	-	-

(3) Receivables and payables of related party

(1) Receivables

Item	Name of Related Party	Closing Balance		Opening Balance	
		Carrying Balance	Provision for Bad Debts	Carrying Balance	Provision for Bad Debts
Other receivables	Zhenjiang Transportation Industry Group Co., Ltd.	-	-	31,136.85	-
Other receivables	Jiangsu Zhenjiang Road &Bridge Co., Ltd.	-	-	12,000.00	-
Accounts receivable	Zhenjiang Renji Medical Development Co., Ltd.	11.66	-	28.33	-
Other receivables	Hangzhou Qiying Holding Management Co., Ltd.	360.00	-	-	-
Total	-	371.66	-	43,165.18	-

XII. Notes to Main Items in the Financial Statements of the Parent Company

(I) Accounts receivable

① Category details

Category	Closing Balance				Opening Balance			
	Carrying Balance		Provision for Bad Debts		Carrying Balance		Provision for Bad Debts	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable with a significant single amount and individually made a provision for bad debts	455,027,920.27	99.15	455,027,920.27	100.00	455,100,070.28	99.16	455,100,070.28	100.00
Accounts receivable made a provision for bad debts according to credit risk characteristics	-	-	-	-	-	-	-	-
Accounts receivable without a significant single amount but individually made a provision for bad debts	3,893,477.52	0.85	3,893,477.52	100.00	3,893,477.52	0.84	3,893,477.52	100.00
Total	458,921,397.79	100.00	458,921,397.79	100.00	458,993,547.80	100.00	458,993,547.80	100.00

A. Closing accounts receivable with a significant single amount and individually made a provision for bad debts

Name of Debtor	Carrying Balance	Provision for Bad Debts	Aging	Accrual Proportion (%)	Reason for Accrual
Debt package of Oriental Company	74,988,685.60	74,988,685.60	Over 3 years	100.00	Unexpected to recover
Debt package of Xinda Company	216,556,175.72	216,556,175.72	Over 3 years	100.00	Unexpected to recover
Debt package of Huarong Company	163,555,208.96	163,555,208.96	Over 3 years	100.00	Unexpected to recover
Total	455,100,070.28	455,100,070.28		—	—

B. Closing accounts receivable without a significant single amount but individually made a provision for bad debts

Name of Debtor	Carrying Balance	Provision for Bad Debts	Aging	Accrual Proportion (%)	Reason for Accrual
Long-term dormant account	3,893,477.52	3,893,477.52	Over 3 years	100.00	Unexpected to recover
Total	3,893,477.52	3,893,477.52		—	—

(II) Other receivables

Item	Closing Balance	Opening Balance
Other receivables	8,430,520,780.12	10,670,425,009.14
Interest receivable	-	-
Dividend receivable	68,010,000.00	52,530,000.00
Total	8,498,530,780.12	10,722,955,009.14

(1) Other receivables

① Disclosed by category

Category	Closing Balance				Opening Balance			
	Carrying Balance		Provision for Bad Debts		Carrying Balance		Provision for Bad Debts	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables with a significant single amount and individually made a provision for bad debts	-	-	-	-	-	-	-	-
Other receivables made a provision for bad debts according to credit risk characteristics	-	-	-	-	-	-	-	-
Combination 1: Aging combination	527,269,360.35	6.16	124,346,730.06	23.58	488,728,604.22	4.52	130,488,593.10	26.70
Combination 2: No-risk combination	8,027,598,149.83	93.84	-	-	10,312,184,998.02	95.48	-	-
Subtotal of combination	8,554,867,510.18	100	124,346,730.06	1.45	10,800,913,602.24	100	130,488,593.10	1.21
Other receivables without a significant single amount but individually made a provision for bad debts	-	-	-	-	-	-	-	-
Total	8,554,867,510.18	-	124,346,730.06	-	10,800,913,602.24	100	130,488,593.10	-

② Other receivables made a provision for bad debts according to credit risk characteristics

A. Other receivables made a provision for bad debts in the aging analysis method

Aging	Closing Balance			Opening Balance		
	Closing Carrying Balance		Provision for Bad Debts	Opening Carrying Balance		Provision for Bad Debts
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year	203,074,196.04	38.51	10,153,709.80	134,067,656.20	27.43	6,703,382.81
1 to 2 years	82,202,316.29	15.59	8,220,231.63	81,872,676.90	16.75	8,187,267.69
2 to 3 years	75,118,176.91	14.25	22,535,453.07	103,980,964.80	21.28	31,194,289.44
Over 3 years	166,874,671.11	31.65	83,437,335.56	168,807,306.32	34.54	84,403,653.16
Total	527,269,360.35	100.00	124,346,730.06	488,728,604.22	100.00	130,488,593.10

B. Other receivables made a provision for bad debts in other combination methods

Item	Closing Balance			Opening Balance		
	Carrying Balance	Accrual Proportion (%)	Provision for Bad Debts	Carrying Balance	Accrual Proportion (%)	Provision for Bad Debts
No-risk combination	8,027,598,149.83	-	-	10,312,184,998.02	-	-
Total	8,027,598,149.83	-	-	10,312,184,998.02	-	-

③ Other receivables of Top 5 closing balance according to debt collection

Name of Debtor	Relation with the Company	Amount in Arrears	Years in Arrears	Proportion to Total Other Accounts (%)
Zhenjiang Automobile Industry Investment Co., Ltd.	Third party	2,012,313,525.92	1 to 2 years	23.87
Zhenjiang Finance Bureau	Administrative organ	1,724,000,000.00	Over 3 years	20.45
Zhenjiang Urban Construction Investment Group Co., Ltd.	Third party	1,083,000,000.00	1 to 2 years	12.85
Zhenjiang Feichi Automotive Group Co., Ltd.	Related party	414,666,165.00	Within 1 year	4.92
Zhenjiang State-owned Assets Supervision and Administration Commission	Administrative organ	400,000,000.00	Over 3 years	4.74
Total		5,633,979,690.92	-	66.83

(2) Dividend receivable

① Disclosed by category

Item	Closing Balance	Opening Balance
Bank of Jiangsu Co., Ltd.	54,810,000.00	46,530,000.00
China Pacific Corporation	13,200,000.00	6,000,000.00
Total	68,010,000.00	52,530,000.00

(III) Long-term equity investment

1. Classification

Item	Opening Balance	Increase in the Year	Decrease in the Year	Closing Balance
Investments in associates	19,593,425,452.81	903,360,689.43	36,549,578.64	20,460,236,563.60
Investments in subsidiaries	2,217,095,993.41	380,220,000.00	272,940,523.80	2,324,375,469.61
Investments in joint ventures	21,810,521,446.22	1,283,580,689.43	309,490,102.44	22,784,612,033.21
Subtotal	-	-	-	-
Less: Provision for impairment of long-term equity investment	21,810,521,446.22	1,359,691,357.27	385,600,770.28	22,784,612,033.21

2. Details

Investee	Investment Cost	Opening Balance	Current Movement								Closing Balance
			Additional Investment	Reduced Investment	Investment Gains and Losses Recognized under the Equity Method	Adjustment to Other Comprehensive Income	Other Equity Changes	Cash Dividend or Profit Declared	Provision for Impairment	Others	
I. Joint ventures											
II. Associates											
Zhenjiang Transportation Industry Group Co., Ltd.	191,300,000.00	19,141,363,107.80	-	-	345,746,811.16	23,840,384.94	467,323,922.12				19,978,274,226.02
Zhenjiang Tianrun Pawn Co., Ltd.	5,000,000.00	4,950,162.62	-	4,950,162.62	-	-	-	-	-	-	-
Zhenjiang Chuanshan Limestone Mine Co., Ltd.	124,109,343.77	386,485,284.24	-	29,963,052.02	70,608,162.49	-	-1,990,265.73	-	-	-	425,140,128.98
Zhenjiang Guoguang Cultural Tourism Co., Ltd.	562,500.00	420,058.87	-	-	-16.32	-	-	-	-	-	420,042.55
Hongtu Venture Capital Co., Ltd.	18,000,000.00	9,183,392.25	-	1,636,364.00	-1,983,481.01	-	-	-	-	-	5,563,547.24
Yangzhong Innovation Investment Co., Ltd.	25,000,000.00	27,844,870.96	-	-	40,788.69	-	-	-	-	-	27,885,659.65
Zhenjiang Leading Talent Venture Capital Co., Ltd.	22,500,000.00	23,178,576.07	-	-	-225,616.91	-	-	-	-	-	22,952,959.16
Total	387,971,843.77	19,593,425,452.81	-	36,549,578.64	414,186,648.10	23,840,384.94	465,333,656.39	-	-	-	20,460,236,563.60

(IV) Investment income

Source of Investment Income	Current Amount	Prior Amount
Income from long-term equity investment under equity method	414,186,648.10	434,731,412.69
Income from long-term equity investment under cost method	4,080,000.00	12,424,000.00
Investment Income generated by disposing of long-term equity investment	102,762,825.02	167,387,141.18
Investment income obtained during holding financial assets measured at fair value through profit or loss	14,887,505.10	31,753,053.65
Investment income obtained during holding available-for-sale financial assets	-	-
Investment income from available-for-sale financial assets	84,176,245.30	125,261,725.12
Investment income from disposing of financial assets measured at fair value through profit or loss	-	-
Investment income from disposing of held-to-maturity investment	-	-
Investment income from disposing of available-for-sale financial assets	-	-
Other investment income	28,764,537.16	27,064,784.75
Total	648,857,760.68	798,622,117.39

(V) Supplementary information about cash flow statement of the parent company

Item	Current Amount	Prior Amount
1. Cash flow from adjusting net profits into operating activities		
Net profits	416,297,914.49	389,056,332.57
More: Provision for assets impairment allowances	-6,214,013.05	9,750,423.40
Depreciation of fixed assets, depletion of oil and gas assets and depreciation of productive biological assets	4,724,385.88	4,362,611.72
Amortization of intangible assets	764,603.74	679,780.90
Amortization of long-term deferred expenses	18,872,189.01	27,094,226.39
Loss from disposing of fixed assets, intangible assets and other long-term assets (Fill in "-" for earnings)	-	-
Loss on retirement of fixed assets (Fill in "-" for earnings)	-	-
Loss from changes in fair value (Fill in "-" for earnings)	-6,832,000.00	-114,802,000.00
Financial expenses (Fill in "-" for earnings)	778,483,463.41	639,265,226.19
Loss from investment (Fill in "-" for earnings)	-648,857,760.68	-798,622,117.39
Decrease in deferred income assets (Fill in "-" for increase)	-	-
Increase in deferred income assets (Fill in "-" for decrease)	-	-
Decrease in inventories (Fill in "-" for increase)	-371,338,769.09	331,243,460.21
Decrease in operating receivables (Fill in "-" for increase)	2,226,928,488.76	-72,956,887.18

Item	Current Amount	Prior Amount
Increase in operating payables (Fill in "-" for decrease)	-842,594,418.81	184,664,415.92
Others		-
Net cash flows arising from operating activities	1,570,234,083.66	599,735,472.73
2. Investment and financing activities not involved in cash receipts and payments		
Conversion of debt into capital	-	-
Convertible corporate bonds due within one year	-	-
Fixed assets under financial lease	-	-
3. Net increase in cash and cash equivalents		
Closing balance of cash	1,410,458,624.73	2,230,132,923.47
Less: Opening balance of cash	2,230,132,923.47	551,210,943.35
More: Closing balance of cash equivalents	-	-
Less: Opening balance of cash equivalents	-	-
Net increase in cash and cash equivalents	-819,674,298.74	1,678,921,980.12

Zhenjiang State-owned Investment Holding Group Co., Ltd. (seal)

April 28, 2021

Bank of Jiangsu Company Limited

ENGLISH TRANSLATION OF FINANCIAL STATEMENTS
FOR THE YEAR 1 JANUARY 2020 TO 31 DECEMBER 2020
IF THERE IS ANY CONFLICT BETWEEN THE CHINESE
VERSION AND ITS ENGLISH TRANSLATION, THE CHINESE VERSION WILL PREVAIL

AUDITORS' REPORT

毕马威华振审字第 2100829 号

All Shareholders of Bank of Jiangsu Company Limited:

Opinion

We have audited the accompanying financial statements of Bank of Jiangsu Company Limited ("the Bank") and its subsidiaries ("the Group") set out on pages 1 to 135, which comprise the consolidated and the Bank's balance sheet as at 31 December 2020, the consolidated and the Bank's income statements, the consolidated and the Bank's cash flow statements, the consolidated and the Bank's statement of changes in shareholders' equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the Group's and the Bank's financial position as at 31 December 2020, and the Group's and the Bank's financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China.

Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants ("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 the Group in accordance with the China Code of Ethics for Certified Public Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of loans and financial investments measured at amortised cost

Refer to accounting policies in "Note 3(7)(f) to the Financial Statements: Impairment of the Financial Assets" and "Note 3(27)(a) to the Financial Statements: Significant accounting estimates and judgements" of the accounting policy to the financial statements, "Note 5(6) to the Financial Statements: Loans and advances to customers" and "Note 5(7)(b) Financial investments measured at amortised cost".

The Key Audit Matter	How the matter was addressed in our audit
The Group has adopted the expected credit loss model according to New financial instruments standards ("CAS 22") . Impairment of loans and financial investments measured at amortised cost is a subjective area due to the degree of judgement applied by management in determining impairment allowances. From the Group's perspective, the determination of the loss allowances is heavily dependent on the external macro environment and the Group's internal credit risk management strategy, and the judgments in determining the loss given default or the assessment of recoverable cash flows relating to individual loans and financial investments measured at amortised cost, where loans and financial investments measured at amortised cost were unsecured or were subject to potential collateral shortfalls. The economic impact of New Coronavirus pneumonia has increased the degree of uncertainty associated with accounting estimates The Group classifies financial instruments into three stages and recognises an impairment allowance based on the expected credit loss for the next 12 months or the entire lifetime of the financial asset, depending on whether credit risk on that financial instrument has increased significantly since initial recognition and whether an asset is considered to be credit-impaired respectively.	Our audit procedures to assess ECL for loans and advances to customers and financial investments at amortized cost included the following: • Understanding and evaluating the design and operating effectiveness of the key internal controls over financial reporting related to ECL measurement for loans and advances to customers and financial investment at amortized cost; — Understanding and evaluating the design and operating effectiveness of the key internal controls of the financial reporting process, including credit approval, recording, monitoring, periodic re-evaluation of credit grading, and the accrual of loss allowance; in particular, we assessed the design and operating effectiveness of the key internal controls over financial reporting related to the classification of loans by credit quality across all stages and financial investment at amortized cost; — Involving our information technology risk management specialists in understanding and evaluating the design and operating effectiveness of information system controls, including: general information technology control, completeness of key internal historical data, inter-system data transmission, mapping of parameters of ECL model, and system calculation logic of loss allowance for ECL for loans and advances to customers and financial investments at amortized cost. • Involving our financial risk management specialists in evaluating the reliability of ECL models and parameters used, including prudently evaluating classification of stages, probability of default, loss given default, exposure at default, discount rate, forwar adjustment and other adjustment factors, and evaluating the reasonableness of key management jugments involved; including whether the macroeconomic situation under the influence of New Coronavirus pneumonia is considered. • Evaluating the completeness and accuracy of key data used by the ECL models. For key internal data related to the original business files, we compared the respective amount of loans and advances to customers and financial investments at amortized cost used by the management to evaluate the loss allowances with the general ledger amounts, in order to assess the completeness of lists. We select samples and compare the information of the loans and advances to customers and financial investment at amortized cost with relevant agreements and other relevant documents to assess the accuracy of the lists. For key external data, we compared it with public information to check its accuracy;

Impairment of loans and financial investments measured at amortised cost	
Refer to accounting policies in "Note 3(7)(f) to the Financial Statements: Impairment of the Financial Assets" and "Note 3(27)(a) to the Financial Statements: Significant accounting estimates and judgements" of the accounting policy to the financial statements, "Note 5(6) to the Financial Statements: Loans and advances to customers" and "Note 5(7)(b) Financial investments measured at amortised cost".	
The Key Audit Matter	**How the matter was addressed in our audit**
The loss allowance for loans and advances to customers, other than those corporate loans and advances financial investments measured at amortised cost which are credit-impaired, is measured using the risk parameters method. The key parameters include probability of default (PD), loss given default (LGD) and exposure at default (EAD), which are derived from considerations including the historical overdue data, historical loss ratio, internal credit grading and other adjustment factors. Loss allowances for the credit-impaired corporate loans and advances and financial investments measured at amortised cost are measured using the discounted cash flow method. Management exercises judgment in determining recoverable cash flow based on a range of factors. These factors include available remedies for recovery, the financial situation of the borrowers, collateral valuation, the seniority of the claim and the existence and cooperativeness of other creditors. Whilst the Group appoints an external appraiser for the valuation of certain property and other illiquid collateral, enforceability, timing and means of realisation also affect the ultimate collectability and thereby the amount of expected credit loss allowances at the end of the reporting period. We identified the loss allowance for expected credit losses as a key audit matter because of the inherent uncertainty and management judgments involved, and because the loss allowance is significant to the financial results and capital of the Group.	• Evaluating key parameters involving subjective judgments by seeking evidence from external sources and comparing it with internal records including historical loss scenarios and security types. As part of these procedures, we inquired management about the reasons for modifictions of key estimates and parameters input relative to the previous period and the transition period, and assessed the consistency of judgement used by management.We compared economic factors and market information used in the model to evaluate whether it was consistent with the market and economic development, and assess whether signs of management bias exist; • For key internal data which was generated by the system calculation, we selected samples and compared the input data used in the system with the original business files to evaluate the accuracy of the data input. In addition, involving our information technology risk management specialists, we selected samples and tested the logic of preparing overdue information of loans and advances to customers; • Selecting samples to assess the reasonableness of management judgement on whether the credit risk has increased significantly since initial recognition and whether credit impairment has occurred. Selecting samples for credit review based on risk-oriented methods. We analysed the loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments by industry sector to select samples in industried sensitive to the current business cycle and regulatory policies;We also focused on loans with perceived higher risk and selected samples from credit impaired corporate loans and advances, credit impaired financial investments at amortized cost, overdue but credit unimpaired corporate loans and and borrowers with negative warning signs or adverse press coverage. On the basis of sample selection, we reviewed the business documents, checked the overdue information, inquired customer managers about about the operation conditions of borrowers, checked the financial information of the borrower and searched for market information about the borrower's business and operation. • Performing credit assessments for the selected credit impaired corporate loans and advances and financial investments measured at amortised cost by assessing the forecast of recoverable cash flows through inquiry, applying judgment and our own research. We evaluated the timing and means of realisation of collateral and considered other sources of repayment asserted by management. We also evaluated the consistency of management's application of key assumptions and compared them with our own data sources. • Selecting samples and reviewing the calculation of ECL to assess the application of ECL model by the Group; • Evaluating whether the disclosures relating to ECL meet the disclosure requirements of the prevailing accounting standards.

Consolidation of structured entities

Refer to "Note 3(4): Consolidated financial statements" and "Note 3(27)(b): Significant accounting estimates and judgements" of the accounting policy to the financial statements, "Note 6(2): Interests in structured entities not included in the consolidated financial statements" to the Group's and the Bank's financial statements.

The Key Audit Matter	How the matter was addressed in our audit
Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. The Group may acquire an ownership interest in, or act as a sponsor to a structured entity, through issuing a wealth management product, a trust plan, an asset management plan, an investment fund or an asset-backed security. In determining whether the Group should consolidate a structured entity, management is required to consider the risks and rewards retained, the power the Group is able to exercise over the activities of the entity and its ability to influence the Group's own returns from the entity. These factors are not purely quantitative and need to be considered collectively in the overall substance of the transactions. We identified the consolidation of structured entities as a key audit matter because of the complex nature of certain of these structured entities and because of the judgement exercised by management in the qualitative assessment of the terms and nature of each entity.	Our audit procedures to assess the consolidation of structured entities included the following: • Learning and assessing the design, implementation and operating effectiveness of key internal controls over consolidation of structured entities; • Selecting samples on significant structured entities and performing the following procedures for each structured entity selected: — Inspecting the related contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entity and the involvement the Group has with the structured entity and to assess management's judgement over whether the Group has the ability to exercise power over the structured entity; — Inspecting the risk and reward structure of the structured entity, including any capital or return guarantee, provision of liquidity support, commission paid and distribution of the returns, to assess management's judgement as to the exposure, or variable returns from the Group's involvement in such an entity; — Evaluating management's analysis of the structured entity, including qualitative analysis and the calculation of the magnitude and variability associated with the Group's economic interests in the structured entity, to assess management's judgement over the Group's ability to influence its own returns from the structured entity; — Assessing management's judgement over whether the structured entity should be consolidated or not; • Evaluating the disclosures in the consolidated financial statements in relation to the consolidation of structured entities with reference to the requirements of the prevailing accounting standards;

Other Information

The Group's management is responsible for the other information. The other information comprises all the information included in 2020 annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 judgement and maintain professional scepticism throughout the audit. We also:

• 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.

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG Huazhen LLP

Certified Public Accountants
Registered in the People's Republic of China

Shi Haiyun (Engagement Partner)

Beijing, China

Wang Yang

28 April 2021

Bank of Jiangsu Company Limited
Consolidated and the Bank's balance sheet as at 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

		The Group		The Bank	
	Note	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Assets					
Cash and deposits with central bank	5(1)	147,073,643	132,252,100	146,697,185	132,186,194
Deposits with banks and other financial institutions	5(2)	43,147,476	33,103,578	42,136,606	32,872,265
Placements with banks and other financial Institutions	5(3)	47,121,635	32,914,906	49,393,560	36,670,434
Derivative financial assets	5(4)	2,600,601	1,827,159	2,600,601	1,827,159
Financial assets held under resale agreements	5(5)	6,464,697	6,159,533	6,025,194	5,035,562
Loans and advances to customers	5(6)	1,165,964,075	1,010,901,288	1,164,662,057	1,009,693,836
Financial investments:	5(7)				
Financial investments measured at fair value through profit or loss		244,914,470	229,755,366	238,054,176	229,510,772
Financial investments measured at amortised cost		507,528,658	476,973,498	506,611,957	477,038,147
Financial investments measured at fair value through other comprehensive income		93,269,900	76,082,306	93,269,900	76,082,306
Financial investments designated at fair value through other comprehensive income		194,970	137,676	194,970	137,676
Long-term receivables	5(8)	53,623,665	47,874,891	-	-
Long-term equity investments	5(9)	-	-	4,533,800	2,533,800
Fixed assets	5(10)	5,227,446	5,327,040	4,970,243	5,246,994
Intangible assets	5(11)	599,205	635,588	595,692	631,290
Deferred tax assets	5(12)	14,156,463	8,861,428	13,681,437	8,567,559
Other assets	5(13)	6,006,010	2,252,030	5,933,605	2,107,143
Total assets		2,337,892,914	2,065,058,387	2,279,360,983	2,020,141,137

These financial statements were approved by the Board of Directors of the Bank on 28 April 2021.

夏平之印　季明之印　罗锋之印

Xia Ping　Ji Ming　Luo Feng

Legal Representative　The person in charge of accounting affairs　The head of the accounting department

The notes on pages 152 to 251 form part of these financial statements.

Bank of Jiangsu Company Limited

Consolidated and the Bank's balance sheet as at 31 December 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

		The Group		The Bank	
	Note	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Liabilities and shareholders' equity					
Liabilities					
Borrowings from central bank		195,611,850	123,517,336	195,322,053	123,517,336
Deposits from banks and other financial institutions	5(15)	125,229,961	136,782,794	125,386,102	136,820,771
Borrowings from banks and other financial institutions	5(16)	51,472,417	41,215,852	16,564,959	12,368,492
Financial liabilities held for trading	5(17)	344,031	21	40,504	21
Derivative financial liabilities	5(4)	2,555,317	1,763,479	2,555,317	1,763,479
Financial assets sold under repurchase agreements	5(18)	12,487,400	39,434,273	8,164,428	38,879,263
Deposits from customers	5(19)	1,329,869,837	1,205,562,442	1,328,999,901	1,204,809,619
Employee benefits payable	5(20)	7,140,406	5,461,019	7,056,292	5,404,989
Taxes payable	5(21)	6,546,401	3,701,526	6,250,537	3,453,936
Debt securities issued	5(22)	412,999,027	360,021,324	408,430,417	357,483,073
Provision	5(23)	660,582	589,761	660,542	589,717
Other liabilities	5(24)	10,896,412	10,572,639	3,573,720	3,508,170
Total liabilities		2,155,813,641	1,928,622,466	2,103,004,772	1,888,598,866
Equity					
Share capital	5(25)	14,769,607	11,544,500	14,769,607	11,544,500
Other equity instruments	5(26)	42,762,639	22,765,734	42,762,639	22,765,734
Including: Preference shares		19,977,830	19,977,830	19,977,830	19,977,830
Perpetual bonds		19,996,928	-	19,996,928	-
Capital reserve	5(27)	27,699,318	16,152,196	27,619,538	16,072,416
Other comprehensive income	5(28)	1,304,697	1,644,851	1,304,697	1,644,851
Surplus reserve	5(29)	19,859,396	17,034,028	19,859,396	17,034,028
General reserve	5(30)	32,381,679	28,385,510	31,585,692	27,754,420
Retained earnings	5(31)	39,260,403	35,265,566	38,454,642	34,726,322
Total equity attributable to shareholders of the Bank		178,037,739	132,792,385	176,356,211	131,542,271
Non-controlling interests		4,041,534	3,643,536	-	-
Total shareholders' equity		182,079,273	136,435,921	176,356,211	131,542,271
Total liabilities and shareholders' equity		2,337,892,914	2,065,058,387	2,279,360,983	2,020,141,137

These financial statements were approved by the Board of Directors of the Bank on 28 April 2021.

夏平之印 | 季明之印 | 罗锋之印

Xia Ping	Ji Ming	Luo Feng
Legal Representative	The person in charge of accounting affairs	The head of the accounting department

The notes on pages 152 to 251 form part of these financial statements.

Bank of Jiangsu Company Limited
Consolidated and the Bank's income statement
for the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

		The Group		The Bank	
	Note	2020	2019	2020	2019
Interest income		92,403,625	82,842,210	88,337,934	79,394,671
Interest expenses		(55,417,110)	(55,825,418)	(54,183,689)	(54,492,405)
Net interest income	5(32)	36,986,515	27,016,792	34,154,245	24,902,266
Fee and commission income		5,694,156	4,814,454	5,674,039	4,811,836
Fee and commission expenses		(337,634)	(271,675)	(325,812)	(248,792)
Net fee and commission income	5(33)	5,356,522	4,542,779	5,348,227	4,563,044
Investment income	5(34)	8,282,728	12,971,956	8,408,219	12,971,021
Other income		251,638	131,133	246,797	129,887
Net gains / (losses) from changes in fair value	5(35)	514,404	(183,011)	555,858	(189,099)
Net foreign exchange gains		312,902	342,602	312,902	342,602
Other operating income		66,244	49,629	23,292	21,960
Gains from asset disposals		255,242	102,134	255,242	102,049
Operating income		52,026,195	44,974,014	49,304,782	42,843,730
Taxes and surcharges		(641,086)	(526,780)	(628,175)	(513,048)
General and administrative expenses	5(36)	(12,204,764)	(11,530,571)	(12,034,827)	(11,406,903)
Impairment losses on credit	5(37)	(22,389,035)	(17,215,920)	(21,248,310)	(16,348,001)
Other operating expenses		(26,681)	(21,913)	(9,822)	(10,623)
Operating expenses		(35,261,566)	(29,295,184)	(33,921,134)	(28,278,575)
Operating profit		16,764,629	15,678,830	15,383,648	14,565,155
Add: Non-operating income		41,930	19,393	41,851	19,372
Less: Non-operating expenses		(58,553)	(82,737)	(56,961)	(82,287)
Profit before income tax		16,748,006	15,615,486	15,368,538	14,502,240
Less: Income tax expenses	5(38)	(1,128,263)	(655,707)	(734,207)	(375,394)
Net profit for the year		15,619,743	14,959,779	14,634,331	14,126,846

These financial statements were approved by the Board of Directors of the Bank on 28 April 2021.

Xia Ping	Ji Ming	Luo Feng
Legal Representative	The person in charge of accounting affairs	The head of the accounting department

The notes on pages 152 to 251 form part of these financial statements.

Bank of Jiangsu Company Limited
Consolidated and the Bank's income statement
for the year ended 31 December 2020 (continued)
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	The Group 2020	The Group 2019	The Bank 2020	The Bank 2019
Net profit for the year		15,619,743	14,959,779	14,634,331	14,126,846
Attributable to:					
Shareholders of the Bank		15,065,745	14,618,609	14,634,331	14,126,846
Non-controlling interests		553,998	341,170	-	-
Other comprehensive income, net of tax	5(28)	(340,154)	(866,656)	(340,154)	(866,656)
Other comprehensive income (net of tax) attributable to shareholders of the Bank		(340,154)	(866,656)	(340,154)	(866,656)
Items that may not be reclassified to profit or loss:					
Changes in fair value of financia investments designated at FVOCI		42,970	8,970	42,970	8,970
Items that may be reclassified to profit or loss					
Changes in fair value of financial investments measured at FVOCI		(847,514)	(947,457)	(847,514)	(947,457)
Credit losses of financial investments measured at FVOCI		464,390	71,831	464,390	71,831
Other comprehensive income (net of tax) attributable to non-controlling interests		-	-	-	-
Total comprehensive income for the year		15,279,589	14,093,123	14,294,177	13,260,190

These financial statements were approved by the Board of Directors of the Bank on 28 April 2021.

夏平之印 | 季明之印 | 罗锋之印

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Legal Representative	The person in charge of accounting affairs	The head of the accounting department

The notes on pages 152 to 251 form part of these financial statements.

Bank of Jiangsu Company Limited
Consolidated and the Bank's income statement
for the year ended 31 December 2020 (continued)
(Expressed in thousands of Renminbi, unless otherwise stated)

		The Group		The Bank	
	Note	2020	2019	2020	2019
Total comprehensive income for the year		15,279,589	14,093,123	14,294,177	13,260,190
Attributable to:					
Shareholders of the Bank		14,725,591	13,751,953		
Non-controlling interests		553,998	341,170		
Earnings per share					
Basic earnings per share (RMB yuan)	5(39)	1.21	1.18		
Diluted earnings per share (RMB yuan)	5(39)	1.04	1.04		

These financial statements were approved by the Board of Directors of the Bank on 28 April 2021.

Xia Ping	Ji Ming	Luo Feng
Legal Representative	The person in charge of accounting affairs	The head of the accounting department

The notes on pages 152 to 251 form part of these financial statements.

Bank of Jiangsu Company Limited
Consolidated and the Bank's cash flow statement
for the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	The Group		The Bank	
		2020	2019	2020	2019
Cash flows from operating activities:					
Net decrease in deposits with central bank, banks and other financial institutions		-	2,764,950	-	2,857,059
Net increase in borrowings from central bank		71,505,120	11,540,000	71,215,530	11,710,000
Net increase in deposits from customers, banks and other financial institutions		109,934,197	76,532,953	109,939,380	76,154,812
Net increase in placements from banks and other financial institutions		-	4,414,790	-	-
Interest, fee and commission receipts		83,089,034	77,949,458	79,241,519	73,185,132
Proceeds from other operating activities		1,281,801	1,436,887	429,840	218,316
Sub-total of cash inflows		265,810,152	174,639,038	260,826,269	164,125,319
Net increase in deposits with domestic central bank and other financial institutions		(12,689,514)	-	(11,825,159)	-
Net increase in loans and advances to customers		(169,871,925)	(155,046,997)	(169,713,384)	(154,855,951)
Net decrease in borrowings from banks and other financial institutions		(26,877,888)	-	(40,247,792)	(2,152,090)
Net increase in financial assets held for trading purpose		(9,939,468)	(8,177,456)	(7,648,446)	(8,177,456)
Interest, fee and commission payments		(40,593,227)	(41,699,522)	(39,439,035)	(40,500,085)
Payment to and for employees		(6,662,733)	(7,613,218)	(6,570,579)	(7,528,598)
Payment of various taxes		(8,016,208)	(5,962,459)	(7,408,054)	(5,582,228)
Payment for other operating activities		(10,442,919)	(14,097,153)	(3,496,853)	(3,343,988)
Sub-total of cash outflows		(285,093,882)	(232,596,805)	(286,349,302)	(222,140,396)
Net cash inflows from operating activities	5(40) (a)	(19,283,730)	(57,957,767)	(25,523,033)	(58,015,077)

These financial statements were approved by the Board of Directors of the Bank on 28 April 2021.

Xia Ping	Ji Ming	Luo Feng
Legal Representative	The person in charge of accounting affairs	The head of the accounting department

The notes on pages 152 to 251 form part of these financial statements.

Bank of Jiangsu Company Limited
Consolidated and the Bank's cash flow statement
for the year ended 31 December 2020 (continued)
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	The Group		The Bank	
		2020	2019	2020	2019
Cash flows from investing activities:					
Proceeds from disposal of investments		2,418,426,669	3,468,677,015	2,421,863,340	3,468,501,084
Investments returns received		24,869,992	24,168,542	25,047,309	24,153,935
Proceeds from disposal of fixed assets, intangible assets and other long-term assets		401,778	239,187	401,762	239,084
Sub-total of cash inflows		2,443,698,439	3,493,084,744	2,447,312,411	3,492,894,103
Payment for acquisition of investments		(2,476,835,430)	(3,443,599,234)	(2,475,203,958)	(3,443,599,234)
Payment for increasing capitals in a subsidiary		-	-	-	(500,000)
Payment for establishment of a subsidiary		-	-	(2,000,000)	-
Payment for acquisition of fixed assets, intangible assets and other long-term assets		(740,256)	(701,857)	(541,889)	(677,519)
Sub-total of cash outflows		(2,477,575,686)	(3,444,301,091)	(2,477,745,847)	(3,444,776,753)
Net cash outflows from investing activities		(33,877,247)	48,783,653	(30,433,436)	48,117,350
Cash flows from financing activities:					
Proceeds from establishment of a subsidiary		14,772,048	1,500,000	14,772,048	-
Including：Proceeds from non-controling shareholders of subsidiaries		-	1,500,000	-	-
Cash inflows from issuance of other equity instruments		19,996,928	-	19,996,928	-
Proceeds from issuance of debt securities		470,072,950	535,899,776	468,086,916	535,649,776
Sub-total of cash inflows		504,841,926	537,399,776	502,855,892	535,649,776
Repayment of debt securities		(426,760,000)	(516,510,000)	(426,760,000)	(516,510,000)
Payment for dividends, profits distributions or interest		(6,652,261)	(8,194,445)	(6,385,261)	(8,087,459)
Sub-total of cash outflows		(433,412,261)	(524,704,445)	(433,145,261)	(524,597,459)
Net cash inflows from financing activities		71,429,665	12,695,331	69,710,631	11,052,317

These financial statements were approved by the Board of Directors of the Bank on 28 April 2021.

Xia Ping	Ji Ming	Luo Feng
Legal Representative	The person in charge of accounting affairs	The head of the accounting department

The notes on pages 152 to 251 form part of these financial statements.

Bank of Jiangsu Company Limited
Consolidated and the Bank's cash flow statement
for the year ended 31 December 2020 (continued)
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	The Group		The Bank	
		2020	2019	2020	2019
Effect of foreign exchange rate changes on cashand cash equivalents		(1,065,644)	126,936	(1,065,644)	126,936
Net decrease in cash and cash equivalents	5(40)(b)	17,203,044	3,648,153	12,688,518	1,281,526
Add: Cash and cash equivalents at the beginning of the year		51,383,938	47,735,785	53,818,749	52,537,223
Cash and cash equivalents at the end of the year	5(40)(c)	68,586,982	51,383,938	66,507,267	53,818,749

These financial statements were approved by the Board of Directors of the Bank on 28 April 2021.

Xia Ping	Ji Ming	Luo Feng
Legal Representative	The person in charge of accounting affairs	The head of the accounting department

The notes on pages 152 to 251 form part of these financial statements.

Bank of Jiangsu Company Limited
Consolidated statement of changes in shareholders' equity
for the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Attributable to shareholders of the Bank									
		Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Sub-total	Non-controlling interests	Total
Balance at 1 January 2020		11,544,500	22,765,734	16,152,196	1,644,851	17,034,028	28,385,510	35,265,566	132,792,385	3,643,536	136,435,921
Changes in equity during the year											
1. Total comprehensive income		-	-	-	(340,154)	-	-	15,065,745	14,725,591	553,998	15,279,589
2. Shareholders' contributions of capital											
(1) Contribution by ordinary shareholders	5(25), (27)	3,225,084	-	11,546,964	-	-	-	-	14,772,048	-	14,772,048
(2) Contribution by holders of other equity instruments	5(26)	-	19,996,928	-	-	-	-	-	19,996,928	-	19,996,928
3. Convertible bonds conversion	5(22), (27)	23	(23)	158	-	-	-	-	158	-	158
4. Appropriation of profits											
(1) Appropriation for surplus reserve	5(29)	-	-	-	-	2,825,368	-	(2,825,368)	-	-	-
(2) Appropriation for general reserve	5(30)	-	-	-	-	-	3,996,169	(3,996,169)	-	-	-
(3) Ordinary share dividend distribution	5(31)	-	-	-	-	-	-	(3,209,371)	(3,209,371)	(156,000)	(3,365,371)
(4) Preference share dividend distribution	5(31)	-	-	-	-	-	-	(1,040,000)	(1,040,000)	-	(1,040,000)
Balance at 31 December 2020		14,769,607	42,762,639	27,699,318	1,304,697	19,859,396	32,381,679	39,260,403	178,037,739	4,041,534	182,079,273

These financial statements were approved by the Board of Directors of the Bank on 28 April 2021.

Xia Ping	Ji Ming	Luo Feng
Legal Representative	The person in charge of accounting affairs	The head of the accounting department

The notes on pages 152 to 251 form part of these financial statements.

Bank of Jiangsu Company Limited
Consolidated statement of changes in shareholders' equity (continued)
for the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Attributable to shareholders of the Bank									
		Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Sub-total	Non-controlling interests	Total
Balance at 31 December 2018		11,544,450	19,977,830	16,075,278	578,161	14,475,708	25,376,162	34,596,885	122,624,474	1,880,452	124,504,926
Changes in Accounting Policy		-	-	-	1,933,346	-	-	(3,417,147)	(1,483,801)	(1,506)	(1,485,307)
Balance at 1 January 2019		11,544,450	19,977,830	16,075,278	2,511,507	14,475,708	25,376,162	31,179,738	121,140,673	1,878,946	123,019,619
Changes in equity during the year											
1. Total comprehensive income		-	-	-	(866,656)	-	-	14,618,609	13,751,953	341,170	14,093,123
2. Capital injection by other equity instruments holders	5(26)	-	2,787,957	-	-	-	-	-	2,787,957	-	2,787,957
3. Convertible bonds conversion	5(22),(27)	50	(53)	338	-	-	-	-	335	-	335
4. Capital injection by non-controlling shareholders	5(27)	-	-	76,580	-	-	-	-	76,580	1,423,420	1,500,000
5. Appropriation of profits											
(1) Appropriation for surplus reserve	5(29)	-	-	-	-	2,558,320	-	(2,558,320)	-	-	-
(2) Appropriation for general reserve	5(30)	-	-	-	-	-	3,009,348	(3,009,348)	-	-	-
(3) Ordinary share dividend distribution	5(31)	-	-	-	-	-	-	(3,925,113)	(3,925,113)	-	(3,925,113)
(4) Preference share dividend distribution	5(31)	-	-	-	-	-	-	(1,040,000)	(1,040,000)	-	(1,040,000)
Balance at 31 December 2019		11,544,500	22,765,734	16,152,196	1,644,851	17,034,028	28,385,510	35,265,566	132,792,385	3,643,536	136,435,921

These financial statements were approved by the Board of Directors of the Bank on 28 April 2021.

夏平之印   季明之印   罗锋之印

Xia Ping	Ji Ming	Luo Feng
Legal Representative	The person in charge of accounting affairs	The head of the accounting department

The notes on pages 152 to 251 form part of these financial statements.

Bank of Jiangsu Company Limited
Statement of changes in shareholders' equity
for the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total
Balance at 1 January 2020		11,544,500	22,765,734	16,072,416	1,644,851	17,034,028	27,754,420	34,726,322	131,542,271
Changes in equity during the year									
1. Total comprehensive income		-	-	-	(340,154)	-	-	14,634,331	14,294,177
2. Shareholders' contributions of capital									
(1) Contribution by ordinary shareholders	5(25), (27)	3,225,084	-	11,546,964	-	-	-	-	14,772,048
(2) Contribution by holders of other equity instruments	5(26)	-	19,996,928	-	-	-	-	-	19,996,928
3. Convertible bonds conversion	5(22), (27)	23	(23)	158	-	-	-	-	158
4. Appropriation of profits									
(1) Appropriation for surplus reserve	5(29)	-	-	-	-	2,825,368	-	(2,825,368)	-
(2) Appropriation for general reserve	5(30)	-	-	-	-	-	3,831,272	(3,831,272)	-
(3) Ordinary share dividend distribution	5(31)	-	-	-	-	-	-	(3,209,371)	(3,209,371)
(4) Preference share dividend distribution	5(31)	-	-	-	-	-	-	(1,040,000)	(1,040,000)
Balance at 31 December 2020		14,769,607	42,762,639	27,619,538	1,304,697	19,859,396	31,585,692	38,454,642	176,356,211

These financial statements were approved by the Board of Directors of the Bank on 28 April 2021.

夏平之印 季明之印 罗锋之印

Xia Ping
Legal Representative

Ji Ming
The person in charge of accounting affairs

Luo Feng
The head of the accounting department

The notes on pages 152 to 251 form part of these financial statements.

Bank of Jiangsu Company Limited
Statement of changes in shareholders' equity (continued)
for the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total
Balance at 31 December 2018		11,544,450	19,977,830	16,072,078	578,161	14,475,708	24,903,706	34,389,724	121,941,657
Changes in Accounting Policy		-	-	-	1,933,346	-	-	(3,416,101)	(1,482,755)
Balance at 1 January 2019		11,544,450	19,977,830	16,072,078	2,511,507	14,475,708	24,903,706	30,973,623	120,458,902
Changes in equity during the year									
1. Total comprehensive income		-	-	-	(866,656)	-	-	14,126,846	13,260,190
2. Capital injection by other equity instruments holders		-	2,787,957	-	-	-	-	-	2,787,957
3. Convertible bonds conversion	5(22),(27)	50	(53)	338	-	-	-	-	335
4. Appropriation of profits									
(1) Appropriation for surplus reserve	5(29)	-	-	-	-	2,558,320	-	(2,558,320)	-
(2) Appropriation for general reserve	5(30)	-	-	-	-	-	2,850,714	(2,850,714)	-
(3) Ordinary share dividend distribution	5(31)	-	-	-	-	-	-	(3,925,113)	(3,925,113)
(4) Preference share dividend distribution	5(31)	-	-	-	-	-	-	(1,040,000)	(1,040,000)
Balance at 31 December 2019		11,544,500	22,765,734	16,072,416	1,644,851	17,034,028	27,754,420	34,726,322	131,542,271

These financial statements were approved by the Board of Directors of the Bank on 28 April 2021.

Xia Ping	Ji Ming	Luo Feng
Legal Representative	The person in charge of accounting affairs	The head of the accounting department

The notes on pages 152 to 251 form part of these financial statements.

Bank of Jiangsu Company Limited
Notes to the financial statements
(Expressed in thousands of Renminbi, unless otherwise stated)

1. General information

Upon the approval from the former China Banking Regulatory Commission ("CBRC") Jiangsu Office, Bank of Jiangsu Company Limited (hereinafter referred to as the "Bank") was incorporated in December 2006 with a financial business certificate of No. B0243H232010001. The Bank obtained a business license issued by the Jiangsu Municipal Administration of Industry and Commerce on 22 January 2007. The Bank's unified social credit code is 91320000796544598E. The registered address was No. 26 Zhonghua Road, Nanjing.

The Bank is listed on the Shanghai Stock Exchange and A-share stock code is 600919.

The principal activities of the Bank and its subsidiaries (hereinafter collectively referred to as the "Group") including corporate and personal financial services, settlement, treasury, investment banking, financial leasing and other financial services.

2. Basis of preparation

The financial statements have been prepared on the basis of going concern.

The Group has implemented the Accounting Standards for Business Enterprises No. 22 –recognition and measurement of financial instruments and other new financial instrument standards and the Accounting Standard for Business Enterprises No. 14 – Revenue revised by the Ministry of Finance (MOF) of the People's Republic of China (PRC) in 2017 since 1 January 2019 and 1 January 2020 respectively (see Note 3(28)(a)).

The Group has not yet adopted "Accounting Standard for Business Enterprises No. 21 – Leases" issued by the Ministry of Finance ("MOF") of the People's Republic of China in 2018 respectively.

3. Significant accounting policies and accounting estimates

(1) Statement of compliance

The financial statements have been prepared in accordance with the requirements of Accounting Standards ("CAS") for Business Enterprises issued by the Ministry of Finance (hereinafter referred to as the "MOF") of the People's Republic of China. These financial statements present truly and completely the consolidated financial position and financial position of the Bank as at 31 December 2020, and the consolidated financial performance and financial performance and the consolidated cash flows and cash flows of the Bank for the year then ended.

These financial statements also comply with disclosure requirements of "Regulation on the Preparation of Information Disclosures by Companies Issuing Securities No.15: General Requirements for Financial Reports' as revised by the China Securities Regulatory Commission ("CSRC") in 2014.

(2) Accounting year

The accounting year of the Group is from 1 January to 31 December.

(3) Functional currency

The Bank's functional currency is Renminbi ("RMB") and these financial statements are presented in RMB. Functional currency is determined by the Bank and its subsidiaries on the basis of the currency in which major income and costs are denominated and settled.

(4) Consolidated financial statements

(a) General principle

The scope of consolidated financial statements is based on control and the consolidated financial statements comprise the Bank and its subsidiaries. Control exists when the investor has all of following: power over the investee; exposure, or rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered. The financial position, financial performance and cash flows of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interests are presented separately in the consolidated balance sheet within shareholders' equity. Net profit or loss attributable to non-controlling shareholders is presented separately in the consolidated income statement below the net profit line item. Total comprehensive income attributable to non-controlling shareholders is presented separately in the consolidated income statement below the total comprehensive income line item.

When the amount of loss for the current period attributable to the minority shareholders of a subsidiary exceeds the non-controlling shareholders' share of the opening balance of owners' equity of the subsidiary, the excess is allocated against the non-controlling interests.

When the accounting period or accounting policies of a subsidiary are different from those of the Bank, the Bank makes necessary adjustments to the financial statements of the subsidiary based on the Bank's own accounting period or accounting policies. Intra-group balances and transactions, and any unrealised profit or loss arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, unless they represent impairment losses that are recognised in the financial statements.

(b) Changes in non-controlling interests

Where the Bank acquires a non-controlling interest from a subsidiary's non-controlling shareholders or disposes of a portion of an interest in a subsidiary without a change in control, the difference between the proportion interests of the subsidiary's net assets being acquired or disposed and the amount of the consideration paid or received is adjusted to the capital reserve (share premium) in the consolidated balance sheet, with any excess adjusted to retained earnings.

(5) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, non-restricted deposits with central bank, short-term deposits and placements with banks and other financial institutions, financial assets held under resale agreements, and short-term highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

(6) Foreign currency transactions and translation of financial statements denominated in foreign currencies

When the Group receives capital in foreign currencies from investors, the capital is translated to RMBat the spot exchange rate at the date of the receipt. Other foreign currency transactions are, on initial recognition, translated to RMBat the spot exchange rates or the rates that approximate the spot exchange rates on the dates of the transactions. A rate that approximates the spot exchange rate is a rate determined under a systematic and rational method, such as the average exchange rate of the current period.

Monetary items denominated in foreign currencies are translated to RMBat the spot exchange rate at the balance sheet date. The resulting exchange differences are generally recognised in profit or loss. Non-monetary items that are measured at historical cost in foreign currencies are translated to RMBusing the exchange rate at the transaction date. Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rate at the date the fair value is determined. The resulting exchange differences are recognised in profit or loss, except for the differences arising from the re-translation of available-for-sale financial assets, which are recognised in other comprehensive income.

(7) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(a) Recognition and initial measurement of financial assets and financial liabilities

A financial asset or financial liability is recognised in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument.

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related attributable transaction costs are included in their initial costs. A trade receivable, without significant financing component or practical expedient applied for one year or less contracts, is initially measured at the transaction price in accordance with Note 3(22).

(b) Classification and subsequent measurement of financial assets

(i) Classification of financial assets

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. On initial recognition, a financial asset is classified as measured at amortised cost, at fair value through other comprehensive income ("FVOCI"), or at fair value through profit or loss ("FVTPL").

Unless the group changes the business mode of managing financial assets, in which case, all affected relevant financial assets shall be reclassified on the first day of the first reporting period after the change of business mode, otherwise, financial assets shall not be reclassified after initial recognition.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. The instrument meets the definition of equity from the perspective of the issuer.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The business model refers to how the Group manages its financial assets in order to generate cash flows. That is, the Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Group determines the business model for managing the financial assets according to the facts and based on the specific business objective for managing the financial assets determined by the Group's key management personnel.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The Group also assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

(ii) Subsequent measurement of financial assets

Financial assets measured at FVTPL

These financial assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss unless the financial assets are part of a hedging relationship.

Financial assets measured at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. A gain or loss on a financial asset that is measured at amortised cost and is not part of a hedging relationship shall be recognised in profit or loss when the financial asset is derecognised, reclassified, through the amortisation process or in order to recognise impairment gains or losses.

Debt instruments measured at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, impairment and foreign exchange gains and losses are recognised in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity instruments measured at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.

(c) Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at FVTPL and amortised cost.

Financial liabilities measured at FVTPL

A financial liability is classified as measured at FVTPL if it is classified as held-for-trading (including derivative financial liability) or it is designated as such on initial recognition.

Financial liabilities measured at FVTPL are subsequently measured at fair value and net gains and losses (including any interest expense) are recognised in profit or loss, unless the financial liabilities are part of a hedging relationship.

Financial guarantee liabilities

Financial guarantees are contracts that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Subsequent to initial recognition, deferred income related to financial guarantee is amortised in profit or loss in accordance with the accounting policies set out in Note 3(22).

A financial guarantee liability is measured at the higher of:

• the amount of the loss allowance determined in accordance with impairment policies of financial instruments (see Notes 3.7(f)); and

• the amount initially recognised less the cumulative amount of income.

Financial liabilities at amortised cost

These financial liabilities are subsequently measured at amortised cost using the effective interest method.

(d) Offsetting

Financial assets and financial liabilities are generally presented separately in the balance sheet, and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied:

- The Group currently has a legally enforceable right to set off the recognised amounts;

- The Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(e) Derecognition of financial assets and financial liabilities

Financial assets are derecognised when the financial assets meet one of the following conditions:

- the contractual rights to the cash flows from the financial asset expire;

- the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or

- the financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

- the carrying amount of the financial asset transferred;

- the sum of the consideration received from the transfer and, when the transferred financial asset is a debt investment at FVOCI, any cumulative gain or loss that has been recognizes directly in other comprehensive income for the part derecognized.

The Group derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is extinguished.

(f) Impairment

The Group recognises loss allowances for ECL on:

- Financial assets measured at amortised cost;

- Debt instruments measured at FVOCI;

- Lease receivables; and

- Loan commitments and financial guarantee contracts issued, which are not measured at FVTPL;

Financial assets measured at fair value, including debt instruments or equity instruments measured at FVTPL, equity instruments designated as at FVOCI and derivative financial assets, are not subject to the ECL assessment.

(i) Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period (including extension options) over which the Group is exposed to credit risk.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the end of the reporting period (or a shorter period if the expected life of the instrument is less than 12 months).

Loss allowances for trade receivables, lease receivables and contract assets are always measured at an amount equal to lifetime ECL. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the balance sheet date.

The Group classifies financial instruments into three stages and makes provisions for expected credit losses accordingly, depending on whether credit risk on that financial instrument has increased significantly since initial recognition, whether credit impairment has occurred.

The three risk stages are defined as follows:

Stage 1: A financial instrument of which the credit risk has not significantly increase since initial recognition. The amount equal to 12-month expected credit losses is recognised as loss allowance.

Stage 2: A financial instrument with a significant increase in credit risk since initial recognition but is not considered to be credit-impaired. The amount equal to lifetime expected credit losses is recognised as loss allowance. Refer to Note 10(1) for the description of how the Group determines when a significant increase in credit risk has occurred.

Stage 3: A financial instrument is considered to be credit-impaired as at the end of the reporting period. The amount equal to lifetime expected credit losses is recognised as loss allowance. Refer to Note 10(1) for the definition of credit-impaired financial assets.

(ii) Presentation of allowance for ECL

ECLs are remeasured at the end of each reporting period to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for financial instruments measured at amortised cost with a corresponding adjustment to their carrying amount through a loss allowance account; for debt instruments that are measured at FVOCI, the loss allowance is recognised in other comprehensive income. Refer to Note 5(23) the Group recognises loss allowances for loan commitments and financial guarantee contracts issued, which are not measured at FVTPL through other liabilities.

(iii) Write-off

The book value of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(g) Equity instruments

The consideration received from the issuance of equity instruments net of transaction costs is recognised in shareholders' equity. Consideration and transaction costs paid by the Bank for repurchasing self-issued equity instruments are deducted from shareholders' equity.

(h) Convertible instruments

Convertible instruments containing an equity component

Convertible instruments issued by the Group that can be converted to equity shares, where the number of shares to be issued and the value of consideration to be received at that time do not vary, are accounted for as compound financial instruments containing both liability and equity components.

The initial carrying amount of a compound financial instrument is allocated to its equity and liability components. The amount recognised in the equity is the difference between the fair value of the instrument as a whole and the separately determined fair value of the liability component (including the value of any embedded derivatives other than the equity component). Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

Subsequent to initial recognition, the liability component is measured at amortised cost using the effective interest method, unless it is designated upon recognition at FVTPL. The equity component is not re-measured.

If the convertible instrument is converted, the liability component, together with the equity component, is transferred to equity. If the convertible instrument is redeemed, the consideration paid for the redemption, are allocated to the liability and equity components. The method used to allocate the consideration and transaction costs is the same as that used for issuance. After allocating the consideration and transaction costs, the difference between the allocated and carrying amounts is charged to profit and loss if it relates to the liability component or directly recognised in equity if it relates to the equity component.

(i) Preference shares and perpetual bonds

At initial recognition, the Group classifies the preference shares and perpetual bonds issued or their components as financial assets, financial liabilities or equity instruments based on their contractual terms and their economic substance after considering the definition of financial assets, financial liabilities and equity instruments.

Preference shares and perpetual bonds issued containing both equity and liability components are accounted for using the accounting policy for convertible instruments containing an equity component. Preference shares and perpetual bonds issued not containing an equity component are accounted for using the accounting policy for other convertible instruments not containing an equity component.

Preference shares and perpetual bonds issued that should be classified as equity instruments are recognised in equity based on the actual amount received. Any distribution of dividends or interests during the instruments' duration is treated as profit appropriation. When the preference shares and perpetual bonds are redeemed according to the contractual terms, the redemption price is charged to equity.

(8) Financial assets held under resale agreements and financial assets sold under repurchase agreements

Financial assets held under resale agreements are transactions where the Group acquires financial assets which will be resold at a predetermined price at a future date under resale agreements. Financial assets sold under repurchase agreements are transactions where the Group sells financial assets which will be repurchased at a predetermined price at a future date under repurchase agreements.

The cash advanced or received is recognised as amounts held under resale or sold under repurchase agreements in the balance sheet. Assets held under resale agreements are recorded in memorandum accounts as off-balance sheet items. Assets sold under repurchase agreements continue to be recognised in the balance sheet.

The difference between the purchase and resale consideration, and that between the sale and repurchase consideration, is amortised over the period of the respective transaction using the effective interest method and is included in interest income and interest expenses respectively.

(9) Long-term equity investments

Long-term equity investments of the Bank are the long-term equity investments in the subsidiaries.

In the Bank's separate financial statements, long-term equity investments in subsidiaries are accounted for using the cost method for subsequent measurement. Except for cash dividends or profit distributions declared but not yet distributed that have been included in the price or consideration paid in obtaining the investments, the Bank recognises its share of the cash dividends or profit distributions declared by the investee as investment income for the current period.

The investments in subsidiaries are stated in the balance sheet at cost less accumulated impairment losses (Note 3(13)).

In the Group's consolidated financial statements, investments in subsidiaries are accounted for in accordance with the policies described in Note 3(4).

(10) Fixed assets and construction in progress

Fixed assets represent tangible assets held by the Group for the conduct of business with useful lives over one accounting year.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see Note 3(13)). Construction in progress is stated in the balance sheet at cost less impairment loss (see Note 3(13)).

The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use.

Where the parts of an item of fixed assets have different useful lives or provide benefits to the Group in different patterns, thus necessitating use of different depreciation rates or methods, each part is recognised as a separate fixed asset.

Any subsequent costs including the cost of replacing part of an item of fixed assets are recognised as assets when it is probable that the economic benefits associated with the costs will flow to the Group, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day maintenance of fixed assets are recognised in profit or loss as incurred.

The carrying amount of a fixed asset is derecognised:

- When the fixed asset is holding for disposal; or
- When no future economic benefit is expected to be generated from its use or disposal.

Gains or losses arising from the retirement or disposal of an item of fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the item, and are recognised in profit or loss on the date of retirement or disposal.

The cost of fixed asset, less its estimated residual value and accumulated impairment losses, is depreciated using the straight-line method over its estimated useful life. The estimated useful lives, residual values and depreciation rates of each class of fixed assets are as follows:

Class	Estimated useful life	Estimated residual value rate	Depreciation rate
Premises and buildings	20 years	3% - 5%	4.75% - 4.85%
Electronic equipment	3 – 5 years	3% - 5%	19.00% - 31.67%
Motor vehicles	4 – 20 years	3% - 15%	25.00% - 23.75%
Other equipment	5 years	3% - 5%	19.00% - 19.40%

Useful lives, estimated residual values and depreciation methods are reviewed at least each year-end.

The cost of self-constructed fixed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset to working condition for its intended use. A self-constructed fixed asset is classified as construction in progress and transferred to fixed assets when it is ready for its intended use. No deprecation is provided against construction in progress.

(11) Intangible assets

Intangible assets are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment loss (see Note 3(13)). For an intangible asset with finite useful life, its cost less estimated net residual value and accumulated impairment is amortised using straight-line method over its estimated useful life.

The respective amortisation periods for intangible assets are as follows:

Class	Amortisation period
Land use right	40 – 70 years
Software	2 – 10 years

Useful lives and amortisation methods of intangible asset with finite useful life are reviewed at least at each year-end.

An intangible asset is regarded as having an indefinite useful life and is not amortised when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group. At the balance sheet date, the Group does not have any intangible assets with indefinite useful lives.

(12) Repossessed assets

Repossessed assets are physical assets or property rights obtained by the Group from debtors, warrantors or third parties following the enforcement of its creditor's rights. If a repossessed asset is a financial asset, it recognized and measured according to notes 3.(7). Non-financial repossessed assets are initially recognised at fair value of abandoned debt and the tax and other costs directly attributable to the asset, and subsequently carried at lower of the carrying amount and the recoverable amount. If the recoverable amount of a repossessed asset is less than its carrying amount on balance sheet date, an impairment loss should be charged to profit or loss (see Note 3(13)).

(13) Impairment of non-financial assets

The carrying amounts of the following assets are reviewed at the end of the balance sheet based on internal and external sources of information to determine whether there is any indication of impairment:

- fixed assets and construction in progress
- intangible assets
- long-term equity investments
- repossessed assets

The Group conducted impairment tests on assets. If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated.

The recoverable amount of an asset, asset group or set of asset groups is the higher of its fair value (Note 3(14)) less costs to sell and its present value of expected future cash flows.

An asset group is composed of assets directly related to cash-generation and is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups.

The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using an appropriate pre-tax discount rate.

An impairment loss is recognised in profit or loss when the recoverable amount of an asset is less than its carrying amount. A provision for impairment of the asset is recognised accordingly. Impairment losses related to an asset group or a set of asset groups are allocated first to reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then to reduce the carrying amount of the other assets in the asset group or set of asset groups on a pro rata basis. However, such allocation would not reduce the carrying amount of an asset below the highest of its fair value less costs to sell (if measurable), its present value of expected future cash flows (if determinable) and zero.

Once an impairment loss is recognised, it is not reversed in a subsequent period.

(14) Fair value measurement

Unless otherwise stated, the Group measures fair value as follows:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value, the Group takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date, and uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Valuation techniques mainly include the market approach, the income approach and the cost approach.

(15) Employee benefits

(a) Short-term employee benefits

Employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or accured at the applicable benchmarks and rates, are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

(b) Post-employment benefits – defined contribution plans

The defined contribution plans which the Group participates include:

- Pursuant to the relevant laws and regulations of the People's Republic of China, the Group participated in a defined contribution basic pension insurance plan and unemployment insurance plans in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance plans and unemployment insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions are recognised as part of the cost of assets or charged to profit or loss as the related services are rendered by the employees.

- According to the " Trial Measures for Enterprise Annuity" (Order of the Ministry of Labor and Social Security of the People's Republic of China No.20), the Group's employees participate in the enterprise annuity plan that is approved by the Board of Directors and submitted to the labor and social security authority. The amount of the annuity contribution is calculated in accordance with the annuity plan.

The Group recognises the contribution amount during the accounting period in which the employee provide service as liabilities and recognises them in profit or loss or costs of related assets in the same period.

(c) Termination benefits

When the Group terminates the employment relationship with employees before the employment contracts expire, or provides compensation as an offer to encourage employees to accept voluntary redundancy, a provision is recognised with a corresponding expense in profit or loss at the earlier of the following dates:

- When the Group cannot unilaterally withdraw the offer of termination benefits because of an employee termination plan or a curtailment proposal;

- When the Group has a formal detailed restructuring plan involving the payment of termination benefits and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

(d) Other long-term employee benefits

The Group recognises the deferred award provided to employees based on business performance during the accounting period in which the employee provide service as liabilities and recognises them in profit or loss or costs of related assets in the same period.

(16) Government Grant

Government grants are non-reciprocal transfers of monetary or non-monetary assets from the government to the Group except for capital contributions from the government in the capacity as an investor in the Group.

A government grant is recognised when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attaching to the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value.

Government grants related to assets are grants whose primary condition is that the Group qualifying for them should purchase, construct or otherwise acquire long-term assets. Government grants related to income are grants other than those related to assets. A government grant related to an asset is offset against the carrying amount of the related asset or recognised as deferred income and amortised over the useful life of the related asset on a reasonable and systematic manner as other income or non-operating income. A grant that compensates the Group for expenses or losses to be incurred in the future is recognised as deferred income, and included in other income or non-operating income or offset against related expenses in the periods in which the expenses or losses are recognised. Or included in other income or non-operating income or offset against the related expenses directly.

(17) Income tax

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to items that are recognised directly in equity including other comprehensive income.

Current tax is the expected tax payable calculated at the applicable tax rate on taxable income for the year, plus any adjustment to tax payable in respect of previous years.

At the balance sheet date, current tax assets and liabilities are offset if the Group has a legally enforceable right to set them off and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and deferred tax liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or tax loss).

At the balance sheet date, deferred tax is measured based on the tax consequences that would follow from the expected manner of recovery or settlement of the carrying amount of the assets and liabilities, using tax rates enacted at the reporting date that are expected to be applied in the period when the asset is recovered or the liability is settled.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date, and is reduced to the extent that it is no longer probable that the related tax benefits will be utilised. Such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

At the balance sheet date, deferred tax assets and deferred tax liabilities are offset if all the following conditions are met:

- the taxable entity has a legally enforceable right to offset current tax assets and current tax liabilities;

- they relate to income taxes levied by the same tax authority on either:

- the same taxable entity; or

- different taxable entities which intend either to settle the current tax assets and current tax liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or deferred tax assets are expected to be settled or recovered.

(18) Operating lease and finance lease

A lease is classified as either a finance lease or an operating lease. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of a leased asset to the lessee, irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

(a) Operating lease charges

Rental payments under operating leases are recognised as part of the cost of another related asset or as expenses on a straight-line basis over the lease term. Contingent rental payments are expensed as incurred.

(b) Assets leased out under operating leases

Fixed assets leased out under operating leases are depreciated in accordance with the Group's depreciation policies described in Note 3(10) and its impairment losses are accounted for in accordance with the accounting policies described in Note 3(13). Income derived from operating leases is recognised in the profit or loss using the straight-line method over the lease term. If initial direct costs incurred in respect of the assets leased out are material, the costs are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Otherwise, the costs are charged to profit or loss immediately. Contingent rentals are recognised as income as they are earned.

(c) Assets leased out under finance leases

At the commencement of the lease term, the Group recognises the aggregate of the minimum lease receipts determined at the inception of a lease and the initial direct costs as finance lease receivable, and recognises unguaranteed residual value at the same time. The difference between the aggregate of the minimum lease receipts, the initial direct costs and the unguaranteed residual value, and the aggregate of their present value is recognised as unearned finance income.

Unearned finance income is allocated to each accounting period during the lease term using the effective interest method. At the balance sheet date, finance lease receivables, net of unearned finance income, are analysed and separately presented as long-term receivables or non-current assets due within one year.

Contingent rentals are recognised as income when they are earned.

(19) Provisions

A provision is recognised for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where there is a continuous range of possible outcomes for the expenditure required, and each possible outcome in that range is as likely as any other, the best estimate is the mid-point of that range. In other cases, the best estimate is determined according to the following circumstances:

- when the contingency involves a single item, the best estimate is the most likely outcome.

- where the contingency involves a large population of items, the best estimate is determined by weighting all possible outcomes by their associated probabilities.

The Group reviews the carrying amount of a provision at the balance sheet date and adjusts the carrying amount to the current best estimate.

(20) Financial guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Liabilities arising from financial guarantees are recognised initially at fair value and the initial fair value is amortised over the life of the guarantee. The liabilities are measured at the higher of the amount of the loss allowance determined in accordance with impairment policies of financial instruments (refer to Note 3(7)(f) and the amount initially recognised less the cumulative amount of income when a payment under the contracts has become probable.

(21) Fiduciary activities

The Group acts in a fiduciary activity as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

The Group enters into entrusted loan agreements with customers, whereby the customers provide funding ("entrusted funds") to the Group, and the Group grants loans to third parties ("entrusted loans") under instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, the entrusted loans and funds are recorded as off-balance sheet items at their principal amount. No provision for impairment loss is made for entrusted loans.

(22) Revenue recognition

Revenue is the gross inflow of economic benefit arising in the course of the Group's ordinary activities when the inflows result in an increase in shareholder's equity, other than an increase relating to contributions from shareholders.

(a) Interest income

For all financial instruments measured at amortised cost and interest-generating financial instruments classified as financial assets measured at FVOCI, interest income is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, where appropriate, to the book value of the financial asset, or the amortised cost of financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not expected credit losses.

Interest income is calculated by applying the effective interest rate to the book value of financial assets and is included in interest income, except for:

- For purchased or originated credit-impaired financial assets, whose interest income is calculated, since initial recognition, by applying the credit adjusted effective interest rate to their amortised cost; and

- Financial assets that are not purchased or originated credit-impaired but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision). If, in a subsequent period, the financial assets improve their qualities so that they are no longer credit-impaired and the improvement in credit quality is related objectively to a certain event occurring after the application of the above-mentioned rules, then the interest income is calculated by applying the effective interest rate to their book value.

(b) Fee and commission income

The group charges fee and commission by providing various services to clients. The fee and commission income recognized by the group reflects the amount of consideration expected to be entitled to receive for providing services to customers, and it is recognized when the group satisfies the performance obligation in the contract by transferring the control over relevant services to the customers.

The Group satisfies a performance obligation over time if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the customer can control the asset created or enhanced during the Group's performance; or

- the Group's performance does not create an asset with an alternative use to it and the Group has an enforceable right to payment for performance completed to date.

Otherwise, a performance obligation is satisfied at a point in time.

(c) Dividend income

Dividend income from unlisted equity investment is recognised in profit or loss on the date when the Group's right to receive payment is established. Dividend income from a listed equity investment is recognised when the share price of the investment goes ex-dividend.

(23) Expenses

(a) Interest expense

Interest expenses from financial liabilities are accrued on a time proportion basis in line with the amortised cost and the applicable effective interest rate.

(b) Other expenses

Other expenses are recognised on an accrual basis.

(24) Profit distribution

Dividends or profit distributions proposed in the profit appropriation plan, which will be approved after the balance sheet date, are not recognised as a liability at the balance sheet date but are disclosed in the notes separately.

(25) Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Bank is under common control only from the State and that have no other related party relationships are not regarded as related parties.

In addition to the related parties stated above, the Bank determines related parties based on the disclosure requirements of Administrative Procedures on the Information Disclosures of Listed Companies issued by the CSRC.

Meanwhile, the Group determined related parties in accordance to the Administrative Measures on Affiliated Transactions between Commercial Banks and their Insiders or Shareholders and Provisional Measures on Administration of Equities of Commercial Banks issued by former CBRC.

(26) Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system after taking the materiality principle into account. Two or more operating segments may be aggregated into a single operating segment if the segments have the similar economic characteristics and are same or similar in respect of the nature of each segment's products and services, the nature of providing products and services, the types or classes of customers for the products and services, the methods used to distribute the products or provide the services, and the nature of the regulatory environment.

Inter-segment revenues are measured on the basis of actual transaction price for such transactions for segment reporting. Segment accounting policies are consistent with those for the consolidated financial statements.

(27) Significant accounting estimates and judgements

The preparation of Financial Information requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(a) Significant accounting estimates

Except for accounting estimates relating to depreciation and amortisation of fixed assets and intangible assets (See Note 3(10) and Note 3(11)) and impairment of all types of assets (See Note 5(2), (3), (5), (6), (7), (8), (9), (10), (11), (13)), other significant accounting estimates are as follows:

(i) Note 5(12): Recognition of deferred tax assets; and

(ii) Note 11: Fair value measurement of financial instruments.

(b) Significant accounting judgements

Significant judgements made by the Group in the application of accounting policies are as follows:

(i) Note 5(26): Preference shares, perpetual bonds and convertible instruments classified as financial liabilities or equity instruments; and

(ii) Note 6: Significant judgements and assumptions in whether having control, joint control or significant influence over other entities.

(28) Changes in significant accounting policies and accounting estimates

In 2020, the group implemented the following accounting standards for business enterprises and the revision of statement format issued by the MOF in recent years:

- The Accounting Standard for Business Enterprises No. 14 – Revenue (revised) (hereinafter referred to as "the New Revenue Standard")
- CAS Bulletin No.13 (Caikuai [2019] No.21)
- The Accounting Treatment of COVID-19-Related Rent Concessions (Caikuai [2020] No.10)

Further information about those changes that are expected to affect the Group is as follows:

(a) New financial instrument standards

The New Revenue Standard raplaces the Accounting Standard for Business Enterprises No. 14 – Revenue and No. 15 – Construction Contracts (collectively referred to as "the Original Revenue Standard) issued by the Ministry of Finance ("MOF") of the People's Republic of China in 2006.

Under the original revenue standard, the group takes the risk reward transfer as the judgment creteria of revenue recognition time point.

Under the new revenue standard, the group takes the service control transfer as the judgment creteria of revenue recognition time point. The group recognises revenues when it fulfills the performance obligation in the contract by transferring the control over relevant services to the customers. A performance obligation is fulfilled by the group over time if certain criteria is met, otherwise, it is fulfilled at a point in time.

According to provisions of the new revenue standard, the group presents contract assets or contract liabilities in the balance sheet according to the relationship between performance obligation and customer payment. At the same time, the group provides more disclosure of information related to revenue in accordance with the new revenue standard.

The adoption of the new revenue standard does not have any significant effect on the financial position and financial performance of the group.

(b) CAS Bulletin No.13

CAS Bulletin No.13 has amended the three elements of constituting a business, provides specific guidance on the determination of a business, and introduces an optional concentration test when the acquirer determine whether an acquired set of assets that not involving enterprises under common control constitute a business.

In addition, CAS Bulletin No.13 further clarifies that related parties of an enterprise also include joint ventures or joint ventures of other member units (including parent company and subsidiary company) of the enterprise group to which the enterprise belongs, and other joint ventures or joint ventures of investors who jointly control the enterprise.

CAS Bulletin No.13 takes effect on 1 January 2020. The Bank has adopted the accounting policy change prospectively. The adoption of CAS Bulletin No.13 does not have any significant effect on the financial position, financial performance or related party disclosures of the Bank.

(c) Caikuai [2020] No.10

Caikuai [2020] No.10 provides a practical expedient under certain conditions for rent concessions occurring as a direct consequence of the Covid-19 pandemic. If an entity elects to apply the practical expedient, the entity does not need to assess whether a lease modification has occurred or to reassess the lease classification.

Caikuai [2020] No.10 takes effect on 24 June 2020 (the implementation date). The entity is allowed to adjust the related rent concessions that occurred between 1 January 2020 and the implementation date. The adoption of Caikuai [2020] No.10 does not have any significant effect on the financial position or financial performance of the Bank.

4. Taxation

The Bank and its subsidiaries' main applicable taxes and tax rates are as follows:

Tax type	Tax rate
Value-added tax ("VAT")	Output VAT is calculated as 6% of taxable revenue based on tax laws. The remaining balance of output VAT, after subtracting the deductible input VAT in the same period, is VAT payable. Some part of output VAT is calculated as 2% - 16% of product sales and taxable services revenue. VAT is calculated as 3% of taxable revenue based on the simple taxation method for Jiangsu Danyang Rural Bank Ltd. ("Suyin County Bank of Danyang", formerly "Danyang Baode Village and Township Bank."), a subsidiary of the Bank.
City maintenance and construction tax	5%-7% of VAT actually paid
Education surcharges	5% of VAT actually paid
Income tax	25% of taxable income

5. Notes to the financial statement

(1) Cash and deposits with central bank

	Note	The Group		The Bank	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
Cash on hand		1,489,586	1,379,061	1,480,624	1,375,142
Deposits with domestic central bank					
- Statutory deposit reserves	(i)	128,093,748	121,948,409	127,751,837	121,890,852
- Surplus deposit reserves	(ii)	16,353,412	7,152,150	16,327,857	7,147,744
- Fiscal deposits		558,923	1,203,192	558,923	1,203,192
- Foreign exchange risk reserves	(iii)	515,941	515,550	515,941	515,550
Sub-total		145,522,024	130,819,301	145,154,558	130,757,338
Accrued interest		62,033	53,738	62,003	53,714
Total		147,073,643	132,252,100	146,697,185	132,186,194

(i) Statutory deposit reserves with central bank represent the deposits placed with the People's Bank of China ("the PBOC") in accordance with the relevant regulations, which are not available for use in daily business. As at 31 December 2020, the reserve ratio for RMBdeposits of the Bank is 10% (31 December 2019: 10.5%), and the reserve ratio for foreign currency deposits of the Bank is 5% (31 December 2019: 5%). The reserve ratio for RMBdeposits of the Bank's subsidiary, Suyin County Bank of Danyang, is 6% (31 December 2019: 7.5%).

(ii) The surplus deposit reserves are maintained with the PBOC for clearing purposes.

(iii) The foreign exchange risk reserves are the amount deposited by the Group in accordance with the relevant PBOC requirements on the sale of the foreign exchange forward business.

(2) Deposits with banks and other financial institutions

Analysed by location of counterparties and type

	The Group		The Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Deposits in mainlan China				
- Banks	27,524,388	28,091,165	26,513,188	27,859,300
Deposits outside mainland China				
- Banks	16,638,364	5,735,898	16,638,364	5,735,898
Sub-total	44,162,752	33,827,063	43,151,552	33,595,198
Accrued interest	130,340	124,481	130,188	124,880
Less: Provision for impairment losses	(1,145,616)	(847,966)	(1,145,134)	(847,813)
Total	43,147,476	33,103,578	42,136,606	32,872,265

As at 31 December 2020, deposits placed with banks in mainland China of the Group and the Bank included RMB42 million pledged deposits (31 December 2019: RMB41 million pledged deposits for the Group and the Bank).

(3) Placements with banks and other financial institutions

Analysed by location and type of counterparties

	The Group		The Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Placements in mainland China				
- Banks	9,404,975	5,142,510	9,404,975	5,142,510
- Other financial institutions	37,382,353	27,717,953	39,632,353	31,467,953
Sub-total	46,787,328	32,860,463	49,037,328	36,610,463
Placements outside mainland China				
- Banks	486,055	-	486,055	-
Sub-total	47,273,383	32,860,463	49,523,383	36,610,463
Accrued interest	411,601	151,087	433,506	156,615
Less: Provision for impairment losses	(563,349)	(96,644)	(563,329)	(96,644)
Total	47,121,635	32,914,906	49,393,560	36,670,434

(4) Derivative financial assets and liabilities

The Group and the Bank

	31 December 2020			31 December 2019		
	Notional amount	Fair Value		Notional amount	Fair Value	
		Assets	Liabilities		Assets	Liabilities
Interest rate derivatives	248,344,192	493,875	(395,622)	30,019,125	220,904	(231,351)
Currency derivatives	212,453,968	2,106,060	(2,155,092)	306,516,157	1,606,255	(1,526,645)
Credit derivatives	460,000	666	(4,603)	525,000	-	(5,483)
Total	461,258,160	2,600,601	(2,555,317)	337,060,282	1,827,159	(1,763,479)

The notional amount of derivative financial instruments is the outstanding volume of contractual transactions as at balance sheet date and does not represent for the amount of market risk undertaken.

(5) Financial assets held under resale agreements

(a) Analysed by type of collateral

	The Group		The Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Bonds				
- Bonds issued by banks and other financial institutions	3,569,164	3,822,790	3,569,164	2,994,560
- Bonds issued by Chinese government	2,512,913	1,748,400	2,472,913	1,550,400
- Bills	414,475	-	414,475	-
- Bonds issued by other institutions	399,000	597,000	-	500,000
Sub-total	6,895,552	6,168,190	6,456,552	5,044,960
Accrued interest	743	3,967	231	3,171
Less: Provision for impairment losses	(431,598)	(12,624)	(431,589)	(12,569)
Total	6,464,697	6,159,533	6,025,194	5,035,562

(b) Analysed by location and type of counterparties.

	The Group		The Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
In mainland China				
- Banks	3,042,150	6,168,190	2,742,150	5,044,960
- Other financial institutions	3,853,402	-	3,714,402	-
Sub-total	6,895,552	6,168,190	6,456,552	5,044,960
Accrued interest	743	3,967	231	3,171
Less: Provision for impairment losses	(431,598)	(12,624)	(431,589)	(12,569)
Total	6,464,697	6,159,533	6,025,194	5,035,562

(6) Loans and advances to customers

(a) Analysed by nature

	The Group		The Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Measured at amortised cost				
Loans and advances to corporates	635,446,408	572,361,083	634,383,707	571,348,680
Loans and advances to individuals				
- Property mortgages	223,808,967	172,850,177	223,597,464	172,701,952
- Personal consumption loans	198,814,733	162,767,536	198,793,096	162,742,580
- Personal business loans	24,921,002	22,011,540	24,852,481	21,959,023
- Credit cards	22,366,631	18,320,562	22,366,631	18,320,562
Sub-total	469,911,333	375,949,815	469,609,672	375,724,117
Discounted bills	403,519	11,007,498	403,519	11,007,498
Sub-total	1,105,761,260	959,318,396	1,104,396,898	958,080,295
Measured at FVOCI				
Loans and advances to corporates	1,497,635	24,791	1,497,635	24,791
Discounted bills	94,350,534	81,154,091	94,350,534	81,154,091
Sub-total	95,848,169	81,178,882	95,848,169	81,178,882
Accrued interest	4,939,601	3,825,959	4,937,035	3,823,513
Less: Provision for impairment losses	(40,584,955)	(33,421,949)	(40,520,045)	(33,388,854)
Carrying amount	1,165,964,075	1,010,901,288	1,164,662,057	1,009,693,836

As at the balance sheet date, part of the above loans and advances to customers were pledged for repurchase agreements (see Note 5(41)(a) for details).

(b) Analysed by type of collateral (Excluding accrued interest)

	The Group		The Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Unsecured loans	399,088,360	239,289,247	399,067,821	239,273,036
Guaranteed loans	337,011,255	306,868,120	336,234,312	306,112,245
Loans secured by tangible assets	375,848,773	303,788,510	375,291,373	303,323,234
Loans secured by monetary assets	89,661,041	190,551,401	89,651,561	190,550,662
Total	1,201,609,429	1,040,497,278	1,200,245,067	1,039,259,177

(c) Analysed by economic sector (Excluding accrued interest)

	The Group		The Group		The Bank		The Bank	
	31 December 2020		31 December 2019		31 December 2020		31 December 2019	
	Amount	%	Amount	%	Amount	%	Amount	%
Leasing and commercial services	148,724,739	12.38	131,822,520	12.67	148,681,338	12.39	131,783,520	12.68
Manufacturing	129,109,532	10.74	122,876,823	11.81	128,673,729	10.72	122,484,556	11.79
Real estate	89,337,212	7.43	58,452,939	5.62	89,337,212	7.44	58,452,939	5.62
Wholesale and retail	84,448,615	7.03	86,477,933	8.31	84,295,185	7.02	86,362,263	8.31
Public utilities	65,421,712	5.44	59,488,699	5.72	65,122,012	5.43	59,183,999	5.69
Construction	39,480,864	3.29	33,609,940	3.23	39,422,964	3.28	33,519,590	3.23
Transportation, storage and postal services	18,356,249	1.53	18,392,971	1.77	18,354,428	1.53	18,390,970	1.77
Electricity, thermo power, gas and water supply	13,631,663	1.13	12,820,728	1.23	13,631,663	1.14	12,820,728	1.23
Agriculture, forestry, husbandry and fishery	10,084,951	0.84	11,390,106	1.09	10,035,837	0.84	11,343,436	1.09
Information transmittal, software and information technology service	9,751,131	0.81	9,795,077	0.94	9,746,131	0.81	9,790,077	0.94
Scientific research and technological services	7,428,373	0.62	6,419,209	0.61	7,428,373	0.62	6,414,309	0.62
Resident services, repairs and other services	5,433,820	0.45	5,166,247	0.50	5,427,288	0.45	5,164,402	0.50
Culture, sports and entertainment	4,995,892	0.42	4,012,093	0.39	4,987,892	0.42	4,004,093	0.39
Hygiene and social work	2,972,426	0.25	2,702,597	0.26	2,972,426	0.25	2,702,597	0.26
Education	2,447,029	0.20	2,274,778	0.22	2,447,029	0.20	2,274,778	0.22
Hospitality and catering	2,101,976	0.17	2,588,935	0.25	2,099,976	0.17	2,586,935	0.25
Mining	1,319,013	0.11	1,471,950	0.14	1,319,013	0.11	1,471,950	0.14
Others	1,898,846	0.16	2,622,329	0.25	1,898,846	0.16	2,622,329	0.25
Sub-total of Loans and advances to corporates	636,944,043	53.00	572,385,874	55.01	635,881,342	52.98	571,373,471	54.98
Loans and advances to individuals	469,911,333	39.11	375,949,815	36.13	469,609,672	39.13	375,724,117	36.15
Discounted bills	94,754,053	7.89	92,161,589	8.86	94,754,053	7.89	92,161,589	8.87
Total	1,201,609,429	100.00	1,040,497,278	100.00	1,200,245,067	100.00	1,039,259,177	100.00

(d) Analysed by geographical sector (Excluding accrued interest)

	The Group		The Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Jiangsu	991,840,970	850,818,769	990,476,608	849,580,668
Bohai Rim	65,811,733	66,528,742	65,811,733	66,528,742
Yangtze River Delta (excluding Jiangsu)	82,398,586	66,263,909	82,398,586	66,263,909
Pearl River Delta	61,558,140	56,885,858	61,558,140	56,885,858
Total	1,201,609,429	1,040,497,278	1,200,245,067	1,039,259,177

(e) Overdue loans and advances analysed by type of collateral type and overdue period (Excluding accrued interest)

The Group

	As at 31 December 2020				
	Overdue within three months (inclusive)	Overdue between three months and one year (inclusive)	Overdue between one year and three years (inclusive)	Overdue more than three years	Total
Unsecured loans	2,026,393	1,803,065	459,072	131,601	4,420,131
Guaranteed loans	1,045,993	1,778,517	2,543,071	423,991	5,791,572
Loans secured by tangible assets	596,138	780,544	2,010,653	489,185	3,876,520
Loans secured by monetary assets	385	314,531	51,398	-	366,314
Total	3,668,909	4,676,657	5,064,194	1,044,777	14,454,537

	As at 31 December 2019				
	Overdue within three months (inclusive)	Overdue between three months and one year (inclusive)	Overdue between one year and three years (inclusive)	Overdue more than three years	Total
Unsecured loans	1,331,712	960,439	555,844	88,120	2,936,115
Guaranteed loans	695,893	3,623,466	3,040,584	506,235	7,866,178
Loans secured by tangible assets	800,645	2,288,303	843,707	656,336	4,588,991
Loans secured by monetary assets	13,879	90,195	2,608	-	106,682
Total	2,842,129	6,962,403	4,442,743	1,250,691	15,497,966

The Bank

	As at 31 December 2020				
	Overdue within three months (inclusive)	Overdue between three months and one year (inclusive)	Overdue between one year and three years (inclusive)	Overdue more than three years	Total
Unsecured loans	2,026,281	1,803,065	459,072	131,601	4,420,019
Guaranteed loans	1,037,353	1,778,517	2,543,071	423,991	5,782,932
Loans secured by tangible assets	596,138	779,944	2,010,653	489,185	3,875,920
Loans secured by monetary assets	385	314,531	51,398	-	366,314
Total	3,660,157	4,676,057	5,064,194	1,044,777	14,445,185

	As at 31 December 2019				
	Overdue within three months (inclusive)	Overdue between three months and one year (inclusive)	Overdue between one year and three years (inclusive)	Overdue more than three years	Total
Unsecured loans	1,331,712	960,439	555,844	88,120	2,936,115
Guaranteed loans	695,893	3,611,336	3,040,584	506,235	7,854,048
Loans secured by tangible assets	800,645	2,288,303	843,047	656,336	4,588,331
Loans secured by monetary assets	13,879	90,195	2,608	-	106,682
Total	2,842,129	6,950,273	4,442,083	1,250,691	15,485,176

Overdue loans represent loans and advances to customers, of which the whole or part of the principal or interest was overdue for one day or more.

(f) Movements of provision for impairment losses

(i) Loans and advances to customers measured at amortised cost

The Group

	2020			
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Total
As at 1 January	(18,096,998)	(5,642,151)	(9,682,800)	(33,421,949)
Transfer:				
- to stage 1	(1,569,803)	1,543,681	26,122	-
- to stage 2	673,449	(1,026,299)	352,850	-
- to stage 3	37,498	1,107,295	(1,144,793)	-
Charge	(3,520,072)	(2,690,911)	(9,169,167)	(15,380,150)
Write-offs	-	-	8,733,270	8,733,270
Recoveries	-	-	(522,301)	(522,301)
Others	3,198	1,249	1,728	6,175
As at 31 December	(22,472,728)	(6,707,136)	(11,405,091)	(40,584,955)

	2019			
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Total
As at 1 January	(12,184,518)	(5,477,135)	(6,961,980)	(24,623,633)
Transfer:				
- to stage 1	(2,125,834)	2,111,623	14,211	-
- to stage 2	846,045	(1,030,332)	184,287	-
- to stage 3	22,278	1,432,097	(1,454,375)	-
Charge	(4,654,969)	(2,678,404)	(5,338,237)	(12,671,610)
Write-offs	-	-	4,071,922	4,071,922
Recoveries	-	-	(198,628)	(198,628)
As at 31 December	(18,096,998)	(5,642,151)	(9,682,800)	(33,421,949)

The Bank

	2020			
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Total
As at 1 January	(18,076,993)	(5,638,726)	(9,673,135)	(33,388,854)
Transfer:				
- to stage 1	(1,569,771)	1,543,649	26,122	-
- to stage 2	665,050	(1,017,900)	352,850	-
- to stage 3	37,452	1,106,996	(1,144,448)	-
Charge	(3,497,838)	(2,678,242)	(9,139,975)	(15,316,055)
Write-offs	-	-	8,700,308	8,700,308
Recoveries	-	-	(521,619)	(521,619)
Others	3,198	1,249	1,728	6,175
As at 31 December	(22,438,902)	(6,682,974)	(11,398,169)	(40,520,045)

	2019			
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Total
As at 1 January	(12,155,626)	(5,467,791)	(6,954,324)	(24,577,741)
Transfer:				
- to stage 1	(2,124,000)	2,111,169	12,831	-
- to stage 2	845,693	(1,028,635)	182,942	-
- to stage 3	21,925	1,428,814	(1,450,739)	-
Charge	(4,664,985)	(2,682,283)	(5,311,141)	(12,658,409)
Write-offs	-	-	4,045,924	4,045,924
Recoveries	-	-	(198,628)	(198,628)
As at 31 December	(18,076,993)	(5,638,726)	(9,673,135)	(33,388,854)

(ii) Loans and advances to customers measured at FVOCI

The Group and The Bank

	2020			
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Total
As at 1 January	(927,997)	(10,061)	-	(938,058)
Transfer:				
- to stage 1	-	-	-	-
- to stage 2	3,166	(3,166)	-	-
- to stage 3	-	-	-	-
Charge/(Reverse)	(422,672)	5,126	-	(417,546)
As at 31 December	(1,347,503)	(8,101)	-	(1,355,604)

	2019			
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Total
As at 1 January	(775,262)	(22,767)	-	(798,029)
Transfer:				
- to stage 1	-	-	-	-
- to stage 2	2,352	(2,352)	-	-
- to stage 3	-	-	-	-
Charge/(Reverse)	(155,087)	15,058	-	(140,029)
As at 31 December	(927,997)	(10,061)	-	(938,058)

Provision for impairment losses of loans and advances to customers measured at FVOCI is recognised in other comprehensive income. Impairment losses is recognised in profit or loss for the current period and will not influence the carrying amount of the financial asset in the balance sheet.

(7) Financial investment

		The Group		The Bank	
	Note	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Financial investments measured at FVTPL	(a)	244,914,470	229,755,366	238,054,176	229,510,772
Financial investments measured at amortised cost	(b)	507,528,658	476,973,498	506,611,957	477,038,147
Financial investments measured at FVOCI	(c)	93,269,900	76,082,306	93,269,900	76,082,306
Financial investments designated at FVOCI	(d)	194,970	137,676	194,970	137,676
Total		845,907,998	782,948,846	838,131,003	782,768,901

(a) Financial investments measured at FVTPL

Analysed by type of issuer and geographical location

	The Group		The Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Debt instruments				
Issued in mainland China:				
- Government	5,669,568	3,170,442	4,429,562	3,170,442
- Policy banks	10,553,986	8,995,485	7,558,536	8,995,485
- Banks and other financial institutions	8,328,404	930,921	6,939,254	930,921
- Other institutions	12,405,290	6,796,600	12,302,474	6,796,600
Sub-total	36,957,248	19,893,448	31,229,826	19,893,448
Issued outside mainland China				
- Banks and other financial institutions	4,504,500	1,006,474	4,504,500	1,006,474
- Other institutions	210,693	44,494	210,693	44,494
Sub-total	4,715,193	1,050,968	4,715,193	1,050,968
Sub-total of debt instruments	41,672,441	20,944,416	35,945,019	20,944,416
Fund investments	135,197,054	126,890,447	135,197,054	126,890,447
Wealth management products	49,048,939	67,350,600	48,658,070	67,350,600
Asset management and trust fund	1,715,220	11,303,458	1,456,351	11,058,864
Asset-backed securities	2,258,499	815,124	2,186,266	815,124
Equity investments	443,869	409,818	443,869	409,818
Other investments	14,578,448	2,041,503	14,167,547	2,041,503
Total	244,914,470	229,755,366	238,054,176	229,510,772

(b) Financial investments measured at amortised cost

(i) Analysed by type of issuer and geographical location

	The Group		The Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Debt instruments				
Issued in mainland China:				
- Government	252,446,052	225,367,857	251,746,975	225,367,857
- Policy banks	19,971,416	17,776,504	19,971,416	17,776,504
- Banks and other financial institutions	2,269,927	3,369,912	2,269,927	3,369,912
- Other institutions	6,961,250	18,685,872	6,736,144	18,685,872
Sub-total	281,648,645	265,200,145	280,724,462	265,200,145
Issued outside mainland China				
- Banks and other financial institutions	-	486,452	-	486,452
- Other institutions	15,549,946	14,414,499	15,549,946	14,414,499
Sub-total	15,549,946	14,900,951	15,549,946	14,900,951
Sub-total of debt instruments	297,198,591	280,101,096	296,274,408	280,101,096
Asset management and trust fund	171,788,957	193,161,121	171,803,407	193,260,522
Asset-backed securities	27,814,628	7,918,876	27,814,628	7,918,876
Other investments	18,423,026	71,596	18,351,430	-
Sub-total	515,225,202	481,252,689	514,243,873	481,280,494
Accrued interest	5,635,886	5,545,026	5,628,652	5,546,072
Less: Provision for impairment losses	(13,332,430)	(9,824,217)	(13,260,568)	(9,788,419)
Total	507,528,658	476,973,498	506,611,957	477,038,147

At the balance sheet date, some of the debt instruments were pledged as collateral for repurchase transactions (see Note 5(41)(a) for details). No other investments were subject to material restriction on realisation.

(ii) Movements of provision for impairment losses

The Group

	2020			
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Total
As at 1 January	(3,897,242)	(3,544,062)	(2,382,913)	(9,824,217)
Transfer:				
- to stage 1	(167,120)	167,120	-	-
- to stage 2	1,951,695	(1,951,695)	-	-
- to stage 3	677,898	891,465	(1,569,363)	-
Charge/(Reverse)	(2,615,837)	527,605	(1,925,093)	(4,013,325)
Written-offs and transfer out and other movements	537	(446,671)	951,246	505,112
As at 31 December	(4,050,069)	(4,356,238)	(4,926,123)	(13,332,430)

	2019			
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Total
As at 1 January	(4,889,887)	(1,774,216)	(581,169)	(7,245,272)
Transfer:				
- to stage 1	(1,248,256)	1,248,256	-	-
- to stage 2	902,048	(902,048)	-	-
- to stage 3	42,330	4,619	(46,949)	-
Charge/(Reverse)	1,296,523	(2,120,673)	(1,754,795)	(2,578,945)
As at 31 December	(3,897,242)	(3,544,062)	(2,382,913)	(9,824,217)

The Bank

	2020			
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Total
As at 1 January	(3,897,242)	(3,544,062)	(2,347,115)	(9,788,419)
Transfer:				
- to stage 1	(167,120)	167,120	-	-
- to stage 2	1,951,695	(1,951,695)	-	-
- to stage 3	677,898	891,465	(1,569,363)	-
Charge/(Reverse)	(2,615,571)	527,605	(1,889,295)	(3,977,261)
Written-offs and transfer out and other movements	537	(446,671)	951,246	505,112
As at 31 December	(4,049,803)	(4,356,238)	(4,854,527)	(13,260,568)

	2019			
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Total
As at 1 January	(4,886,428)	(1,774,216)	(581,169)	(7,241,813)
Transfer:				
- to stage 1	(1,248,256)	1,248,256	-	-
- to stage 2	902,048	(902,048)	-	-
- to stage 3	42,330	4,619	(46,949)	-
Charge/(Reverse)	1,293,064	(2,120,673)	(1,718,997)	(2,546,606)
As at 31 December	(3,897,242)	(3,544,062)	(2,347,115)	(9,788,419)

(c) Financial investments measured at FVOCI

(i) Analysed by type of issuer and geographical location

The Group and the Bank

	31 December 2020	31 December 2019
Debt instruments		
Issued in mainland China:		
- Government	36,174,777	37,646,663
- Policy banks	26,430,764	24,531,394
- Banks and other financial institutions	8,041,088	501,547
- Other institutions	5,955,757	2,129,836
Sub-total	76,602,386	64,809,440
Issued outside mainland China		
- Commercial banks and other financial institutions	313,286	-
- Other institutions	14,203,081	7,663,569
Sub-total	14,516,367	7,663,569
Sub-total of debt instruments	91,118,753	72,473,009
Asset-backed securities	624,796	14,497
Other investments	67,651	2,421,468
Sub-total	91,811,200	74,908,974
Accrued interest	1,458,700	1,173,332
Total	93,269,900	76,082,306

At the balance sheet date, some of the debt instruments were pledged as collateral for repurchase transactions (see Note 5(41)(a) for details). No other investments were subject to material restriction on realisation.

(ii) Movements of provision for impairment losses

The Group and the Bank

	2020			
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Total
As at 1 January	(76,716)	-	-	(76,716)
Transfer:				
- to stage 1	-	-	-	-
- to stage 2	27,790	(27,790)	-	-
- to stage 3	371,166	116,250	(487,416)	-
Reverse	(400,459)	(99,245)	298,063	(201,641)
As at 31 December	(78,219)	(10,785)	(189,353)	(278,357)

	2019			
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Total
As at 1 January	(120,971)	-	-	(120,971)
Transfer:				
- to stage 1	-	-	-	-
- to stage 2	-	-	-	-
- to stage 3	-	-	-	-
Reverse	44,255	-	-	44,255
As at 31 December	(76,716)	-	-	(76,716)

Provision for impairment losses of measured at financial investments FVOCI is recognised in other comprehensive income. Impairment losses is recognised in profit or loss for the current period and will not influence the carrying amount of the financial asset in the balance sheet.

(d) Financial investments designated at FVOCI

The Group and the Bank

	31 December 2020	31 December 2019
Equity investments	194,970	137,676

The Group designates non-trading equity investments as financial investments measured at FVOCI. During the year, dividend income recognised for such equity investments was RMB4.56 million (2019: RMB3.8 million).

(8) Long-term receivables

The Group

	31 December 2020	31 December 2019
Minimum financial leasing receivables	62,408,345	54,968,770
Less: Unearned financial leasing income	(6,077,892)	(5,081,460)
Finance leasing receivables	56,330,453	49,887,310
Less: Provision for impairment losses	(2,706,788)	(2,012,419)
Carrying amount	53,623,665	47,874,891

Long-term receivables analysed by remaining terms before repayment as follows:

	31 December 2020			31 December 2019		
	Minimum finane leasing receivables	Unearned finance leasing income	Finance leasing receivables	Minimum finance leasing receivables	Unearned finance leasing income	Finance leasing receivables
Overdue	482,275	(67,339)	414,936	645,866	(90,002)	555,864
Within 1 year	22,167,032	(2,411,597)	19,755,435	17,960,352	(1,269,141)	16,691,211
1 year to 2 years	17,481,301	(1,965,440)	15,515,861	15,264,270	(1,942,523)	13,321,747
2 years to 3 years	13,477,150	(1,080,376)	12,396,774	10,609,671	(1,109,966)	9,499,705
3 years to 5 years	8,061,850	(471,544)	7,590,306	10,148,404	(637,640)	9,510,764
Above 5 years	738,737	(81,596)	657,141	340,207	(32,188)	308,019
Total	62,408,345	(6,077,892)	56,330,453	54,968,770	(5,081,460)	49,887,310

At the balance sheet date, some of long-term receivables were pledged as collateral for repurchase transactions (see Note 5(41) (a) for details).

(9) Long-term equity investments

The Bank

	31 December 2020	31 December 2019
Investments in subsidiaries		
Suyin Finance Leasing	2,460,000	2,460,000
Suyin Wealth Management	2,000,000	N/A
Suyin County Bank of Danyang	73,800	73,800
Carrying amount	4,533,800	2,533,800

Movements of Long-term equity investments：

	31 December 2020			
Investments in subsidiaries	Balance at 1 Januar	Additional investment	Balance at 31 December	Balance of provision for impairment losses at 31 December
Suyin Finance Leasing	2,460,000	-	2,460,000	-
Suyin Wealth Management	N/A	2,000,000	2,000,000	-
Suyin County Bank of Danyang	73,800	-	73,800	-
Total	2,533,800	2,000,000	4,533,800	-

See Note 6(1) for details of the Bank's subsidiaries and others.

(10) Fixed assets

The Group

	Premises and buildings	Construction in progress	Electronic equipment	Motor vehicles	Other equipment	Total
Cost						
As at 1 January 2020	6,615,246	812,043	755,141	112,925	869,647	9,165,002
Additions	97,553	116,126	78,020	164,931	92,240	548,870
Transfers in / (out) of construction in progress	679,993	(679,993)	-	-	-	-
Disposals	(261,059)	(5,784)	(71,513)	(13,670)	(58,268)	(410,294)
As at 31 December 2020	7,131,733	242,392	761,648	264,186	903,619	9,303,578
Accumulated depreciation						
As at 1 January 2020	(2,563,101)	-	(601,810)	(80,664)	(587,607)	(3,833,182)
Charge for the year	(340,700)	-	(68,424)	(11,385)	(90,194)	(510,703)
Disposals	141,065	-	68,110	13,116	50,242	272,533
As at 31 December 2020	(2,762,736)	-	(602,124)	(78,933)	(627,559)	(4,071,352)
Provision for impairment loss						
As at 1 January 2020	(4,780)	-	-	-	-	(4,780)
As at 31 December 2020	(4,780)	-	-	-	-	(4,780)
Carrying amount						
As at 1 January 2020	4,047,365	812,043	153,331	32,261	282,040	5,327,040
As at 31 December 2020	4,364,217	242,392	159,524	185,253	276,060	5,227,446

	Premises and buildings	Construction in progress	Electronic equipment	Motor vehicles	Other equipment	Total
Cost						
As at 1 January 2019	6,182,218	1,238,125	742,614	134,368	825,597	9,122,922
Additions	41,677	174,916	97,101	10,547	116,211	440,452
Transfers in / (out) of construction in progress	541,427	(541,427)	-	-	-	-
Disposals	(150,076)	(59,571)	(84,574)	(31,990)	(72,161)	(398,372)
As at 31 December 2019	6,615,246	812,043	755,141	112,925	869,647	9,165,002
Accumulated depreciation						
As at 1 January 2019	(2,357,707)	-	(632,922)	(98,111)	(574,843)	(3,663,583)
Charge for the year	(293,219)	-	(49,728)	(12,651)	(80,928)	(436,526)
Disposals	87,825	-	80,840	30,098	68,164	266,927
As at 31 December 2019	(2,563,101)	-	(601,810)	(80,664)	(587,607)	(3,833,182)
Provision for impairment loss						
As at 1 January 2019	(4,780)	-	-	-	-	(4,780)
As at 31 December 2019	(4,780)	-	-	-	-	(4,780)
Carrying amount						
As at 1 January 2019	3,819,731	1,238,125	109,692	36,257	250,754	5,454,559
As at 31 December 2019	4,047,365	812,043	153,331	32,261	282,040	5,327,040

As at 31 December 2020, there was no significant amounts of temporarily idle fixed assets (as at 31 December 2019: nil).

As at 31 December 2020, title deeds were not yet finalised for the Group's premises and buildings with the book value of RMB28 million (as at 31 December 2019: RMB256 million). The Group's management believed that the Group had the right to legally and effectively occupy or use the above-mentioned premises and buildings.

Aa at As at 31 December 2020, for above fixed assets, the book value of the transport and other equipment leased out by the group through operating leases in the process is RMB279 million (as at 31 December 2019: RMB87 million).

(11) Intangible assets

The Group

	Land use right	Software	Total
Cost			
As at 1 January 2020	757,975	424,448	1,182,423
Additions	-	48,576	48,576
Disposals	(11,781)	(882)	(12,663)
As at 31 December 2020	746,194	472,142	1,218,336
Accumulated amortization			
As at 1 January 2020	(183,407)	(363,268)	(546,675)
Charge for the year	(19,085)	(57,099)	(76,184)
Disposals	3,018	870	3,888
As at 31 December 2020	(199,474)	(419,497)	(618,971)
Provision for impairment loss			
As at 1 January 2020	(160)	-	(160)
As at 31 December 2020	(160)	-	(160)
Carrying amount			
As at 1 January 2020	574,408	61,180	635,588
As at 31 December 2020	546,560	52,645	599,205
Cost			
As at 1 January 2019	737,952	365,237	1,103,189
Additions	26,870	59,549	86,419
Disposals	(6,847)	(338)	(7,185)
As at 31 December 2019	757,975	424,448	1,182,423
Accumulated amortization			
As at 1 January 2019	(166,315)	(314,552)	(480,867)
Charge for the year	(18,616)	(48,770)	(67,386)
Disposals	1,524	54	1,578
As at 31 December 2019	(183,407)	(363,268)	(546,675)
Provision for impairment loss			
As at 1 January 2019	(160)	-	(160)
As at 31 December 2019	(160)	-	(160)
Carrying amount			
As at 1 January 2019	571,477	50,685	622,162
As at 31 December 2019	574,408	61,180	635,588

(12) Deferred tax assets and liabilities

(a) Analysed by nature

The Group

Deferred tax assets

	Note	31 December 2020				
		Deductible temporary differences	Deferred tax assets	Taxable temporary differences	Deferred tax liabilities	Net balance
Provision for Impairment losses		53,457,341	13,364,335	-	-	13,364,335
Employees benefits payable		2,549,845	637,461	-	-	637,461
Fair value change		-	-	(360,581)	(90,145)	(90,145)
Others	(i)	979,247	244,812	-	-	244,812
Total		56,986,433	14,246,608	(360,581)	(90,145)	14,156,463

	Note	31 December 2019				
		Deductible temporary differences	Deferred tax assets	Taxable temporary differences	Deferred tax liabilities	Net balance
Provision for Impairment losses		35,440,629	8,860,157	-	-	8,860,157
Employees benefits payable		2,232,881	558,220	-	-	558,220
Fair value change		-	-	(1,374,748)	(343,687)	(343,687)
Others	(i)	-	-	(853,049)	(213,262)	(213,262)
Total		37,673,510	9,418,377	(2,227,797)	(556,949)	8,861,428

(i) Others mainly represented the temporary differences arising from the difference in property assessment in the restructuring of the Bank between accounting policy and taxation requirement for fixed assets, as well as the cross periods settlement of receivables and payables.

(b) Movements of deferred tax

The Group

Deferred tax assets

		2020			
	Note	1 January 2020	Recognised in profit or loss	Recognised in equity	31 December 2020
Deferred tax					
- Provision for Impairment losses	(i)	8,860,157	4,658,975	(154,797)	13,364,335
- Employee benefits Payables		558,220	79,241	-	637,461
- Fair value change	(ii)	(343,687)	(27,151)	280,693	(90,145)
- Others		(213,262)	458,074	-	244,812
Net balance		8,861,428	5,169,139	125,896	14,156,463

		2019			
	Note	1 January 2019	Recognised in profit or loss	Recognised in equity	31 December 2019
Deferred tax					
- Provision for Impairment losses	(i)	6,020,448	2,863,653	(23,944)	8,860,157
- Employee benefits Payables		469,947	88,273	-	558,220
- Fair value change	(ii)	(623,713)	(54,552)	334,578	(343,687)
- Others		(150,501)	(62,761)	-	(213,262)
Net balance		5,716,181	2,834,613	310,634	8,861,428

(i) The Group made provision for impairment losses on financial assets. The provision for impairment losses was determined based on the expected recoverable amount of the relevant assets as at the balance sheet date. The amounts deductible for income tax purposes are calculated based on the relevant PRC tax rules at the balance sheet.

(ii) Fair value changes of financial instruments are subject to tax when realised.

(13) Other assets

The Group

	Note	31 December 2020	31 December 2019
Settlement and liquidation		4,400,258	1,252,532
Prepayments	(a)	681,822	397,715
Long-term deferred expenses	(b)	294,565	272,952
Cash paid as collateral		267,718	35,377
Interest receivables		208,002	54,962
Other receivables	(c)	101,070	116,559
Tax assets		46,272	115,630
Debt-expiated assets	(d)	6,303	6,303
Total		6,006,010	2,252,030

(a) Prepayments mainly included prepaid rental expenses, prepaid decoration expenses and other prepaid system project expenses.

(b) Long-term deferred expenses

The Group

	2020				
	As at 1 January	Additions	Amortisation charged for the year	Other decreases	As at 31 December
Long-term deferred expenses	272,952	162,218	(140,417)	(188)	294,565

	2019				
	As at 1 January	Additions	Amortisation charged for the year	Other decreases	As at 31 December
Long-term deferred expenses	261,109	127,887	(114,260)	(1,784)	272,952

Long-term deferred expenses mainly included lease improvement and prepaid lease expenses.

(c) Other receivables analysed by aging schedules

The Group

	31 December 2020	31 December 2019
Within 1 year (inclusive)	70,272	81,999
Over 1 year but within 2 years (inclusive)	42,542	31,932
Over 2 years but within 3 years (inclusive)	25,205	20,046
Over 3 years	131,612	127,311
Sub-total	269,631	261,288
Less: Provision for bad and doubtful debts	(168,561)	(144,729)
Total	101,070	116,559

(d) Debt-expiated assets mainly included premises and buildings. As at 31 December 2020, the Group and the Bank's provision for impairment losses for debt-expiated assets is nil. (as at 31 December 2019: Nil).

(14) Provision for impairment losses

The Group

Impaired items	Note	2020 As at 1 January 2020	Charge/(Recoveries) for the year	Write-off and others	As at 31 December 2020
Deposits with banks and other financial institutions	5(2)	847,966	299,964	(2,314)	1,145,616
Placements with banks and other financial institutions	5(3)	96,644	467,498	(793)	563,349
Financial assets held under resale agreements	5(5)	12,624	418,974	-	431,598
Loans and advances to customers measured at amortised cost	5(6)	33,421,949	15,380,150	(8,217,144)	40,584,955
Loans and advances to customers measured at FVTOCI	5(6)	938,058	417,546	-	1,355,604
Financial investments measured at amortised cost	5(7)	9,824,217	4,013,325	(505,112)	13,332,430
Financial investments measured at FVOCI	5(7)	76,716	201,641	-	278,357
Long-term receivables	5(8)	2,012,419	1,039,202	(344,833)	2,706,788
Fixed assets	5(10)	4,780	-	-	4,780
Intangible assets	5(11)	160	-	-	160
Other assets	5(13)	144,729	51,812	(27,980)	168,561
Total		47,380,262	22,290,112	(9,098,176)	60,572,198

Impaired items	Note	2019 As at 1 January 2019	Charge/(Recoveries) for the year	Write-off and others	As at 31 December 2019
Deposits with banks and other financial institutions	5(2)	3,414	844,552	-	847,966
Placements with banks and other financial institutions	5(3)	4,019	92,625	-	96,644
Financial assets held under resale agreements	5(5)	1,220	11,404	-	12,624
Loans and advances to customers measured at amortised cost	5(6)	24,623,633	12,671,610	(3,873,294)	33,421,949
Loans and advances to customers measured at FVTOCI	5(6)	798,029	140,029	-	938,058
Financial investments measured at amortised cost	5(7)	7,245,272	2,578,945	-	9,824,217
Financial investments measured at FVOCI	5(7)	120,971	(44,255)	-	76,716
Long-term receivables	5(8)	1,190,126	822,293	-	2,012,419
Fixed assets	5(10)	4,780	-	-	4,780
Intangible assets	5(11)	160	-	-	160
Other assets	5(13)	145,283	26,373	(26,927)	144,729
Total		34,136,907	17,143,576	(3,900,221)	47,380,262

The Bank

Impaired items	Note	2020 As at 1 January 2020	Charge/(Recoveries) for the year	Write-off and others	As at 31 December 2020
Deposits with banks and other financial institutions	5(2)	847,813	299,635	(2,314)	1,145,134
Placements with banks and other financial institutions	5(3)	96,644	467,478	(793)	563,329
Financial assets held under resale agreements	5(5)	12,569	419,020	-	431,589
Loans and advances to customers measured at amortised cost	5(6)	33,388,854	15,316,055	(8,184,864)	40,520,045
Loans and advances to customers measured at FVTOCI	5(6)	938,058	417,546	-	1,355,604
Financial investments measured at amortised cost	5(7)	9,788,419	3,977,261	(505,112)	13,260,568
Financial investments measured at FVOCI	5(7)	76,716	201,641	-	278,357
Fixed assets		4,780	-	-	4,780
Intangible assets		160	-	-	160
Other assets		142,544	50,747	(27,019)	166,272
Total		45,296,557	21,149,383	(8,720,102)	57,725,838

Impaired items	Note	2019 As at 1 January 2019	Charge/(Recoveries) for the year	Write-off and others	As at 31 December 2019
Deposits with banks and other financial institutions	5(2)	3,403	844,410	-	847,813
Placements with banks and other financial institutions	5(3)	4,019	92,625	-	96,644
Financial assets held under resale agreements	5(5)	1,220	11,349	-	12,569
Loans and advances to customers measured at amortised cost	5(6)	24,577,741	12,658,409	(3,847,296)	33,388,854
Loans and advances to customers measured at FVTOCI	5(6)	798,029	140,029	-	938,058
Financial investments measured at amortised cost	5(7)	7,241,813	2,546,606	-	9,788,419
Financial investments measured at FVOCI	5(7)	120,971	(44,255)	-	76,716
Fixed assets		4,780	-	-	4,780
Intangible assets		160	-	-	160
Other assets		143,017	26,454	(26,927)	142,544
Total		32,895,153	16,275,627	(3,874,223)	45,296,557

(15) Deposits from banks and other financial institutions

Analysed by geographical location of counterparty and type

	The Group		The Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
In mainland China				
- Banks	19,004,215	26,509,521	19,087,622	26,543,451
- Other financial institutions	105,467,946	108,781,582	105,540,588	108,785,602
Sub-total	124,472,161	135,291,103	124,628,210	135,329,053
Accrued interest	757,800	1,491,691	757,892	1,491,718
Total	125,229,961	136,782,794	125,386,102	136,820,771

(16) Borrowings from banks and other financial institutions

Analysed by geographical location of counterparty and type

	The Group		The Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
In mainland China				
- Banks	44,251,556	28,817,987	13,357,556	11,967,987
- Other financial institutions	3,700,000	11,620,000	-	-
Sub-total	47,951,556	40,437,987	13,357,556	11,967,987
Outside mainland China				
- Banks	3,110,093	181,761	3,110,093	181,761
Sub-total	51,061,649	40,619,748	16,467,649	12,149,748
Accrued interest	410,768	596,104	97,310	218,744
Total	51,472,417	41,215,852	16,564,959	12,368,492

(17) Financial liabilities held for trading

	Note	The Group		The Bank	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
Non-controlling interests in consolidated structured entities	(a)	303,527	-	-	-
Financial liabilities related to precious metals		40,504	21	40,504	21
Total		344,031	21	40,504	21

(a) Non-controlling interests in consolidated structured entities is classified as measured at fair value through profit or loss ("FVTPL"). As at 31 December 2020, the above fair value profit or loss does not have any significant change due to credit risk change.

(18) Financial assets sold under repurchase agreements

(a) Analysed by type of collateral

	The Group		The Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Securities				
- Government bonds	6,422,972	16,426,000	2,100,000	16,426,000
- Bank and other financial institution bonds	-	7,560,000	-	7,560,000
- Other bonds	-	7,810,000	-	7,810,000
Commercial bills	6,063,999	7,063,011	6,063,999	7,063,011
Long term receivables	-	550,298	-	-
Sub-total	12,486,971	39,409,309	8,163,999	38,859,011
Accrued interest	429	24,964	429	20,252
Total	12,487,400	39,434,273	8,164,428	38,879,263

(b) Analysed by geographical location of counterparty and type

	The Group		The Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
In mainland China				
- Central bank	5,865,618	21,976,893	5,865,618	21,976,893
- Banks	6,321,353	16,632,416	1,998,381	16,082,118
- Other financial institutions	300,000	800,000	300,000	800,000
Sub-total	12,486,971	39,409,309	8,163,999	38,859,011
Accrued interest	429	24,964	429	20,252
Total	12,487,400	39,434,273	8,164,428	38,879,263

(19) Deposits from customers

	Note	The Group		The Bank	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
Demand deposits					
- Corporate customers		366,686,784	326,458,502	366,424,070	326,265,211
- Individual customers		80,893,653	67,131,218	80,865,141	67,107,573
Sub-total		447,580,437	393,589,720	447,289,211	393,372,784
Time deposits (include call deposits)					
- Corporate customers		498,752,271	453,701,748	498,524,119	453,472,717
- Individual customers		278,442,589	226,403,333	278,124,104	226,144,343
Sub-total		777,194,860	680,105,081	776,648,223	679,617,060
Pledged deposits					
- Bank acceptances		34,411,855	21,509,504	34,404,855	21,476,195
- Guarantees		4,604,755	5,669,073	4,604,755	5,669,072
- Letters of credit		4,533,207	2,869,189	4,533,207	2,869,189
- Letters of Guarantee		4,200,418	2,832,865	4,200,418	2,832,865
- Others		27,738,823	27,383,665	27,738,623	27,383,665
Sub-total		75,489,058	60,264,296	75,481,858	60,230,986
Wealth-management fund	(i)	1,413,850	42,734,437	1,413,850	42,734,437
Treasury Deposit		3,615,000	7,563,000	3,615,000	7,563,000
Fiscal deposits		37,495	405,260	37,495	405,260
Inward remittance		229,331	171,289	222,271	170,349
Outward remittance		673,603	647,412	673,603	647,412
Sub-total		1,306,233,634	1,185,480,495	1,305,381,511	1,184,741,288
Accrued interest		23,636,203	20,081,947	23,618,390	20,068,331
Total		1,329,869,837	1,205,562,442	1,328,999,901	1,204,809,619

(i) As at 31 December 2020, the carrying amount of the Group's and the Bank's wealth-management fund for individual customers was RMB1.414 billion (31 December 2019: RMB13.648 billion). The carrying amount for individual customers was nil (31 December 2019: RMB40 billion).

(20) Employee benefits payable

The Group

	Note	31 December 2020	31 December 2019
Short-term employee benefits	(i)	3,878,804	3,714,631
Post-employment benefits - defined contribution plans	(ii)	15,091	30,778
Termination benefits		599,064	107,234
Other long-term employee benefits	(iii)	2,647,447	1,608,376
Total	(iv)	7,140,406	5,461,019

(i) Short-term employee benefits

	2020			
	As at 1 January	Accrued during the year	Payment during the year	As at 31 December
Salaries, bonuses, allowances	3,419,761	4,504,822	(4,108,908)	3,815,675
Staff welfare	364	455,805	(456,169)	-
Social insurance				
- Medical insurance	253,940	245,346	(480,585)	18,701
- Work-related injury insurance	1,504	1,298	(1,176)	1,626
- Maternity insurance	533	20,976	(18,402)	3,107
Housing fund	2,840	415,320	(415,575)	2,585
Labour union fee, staff and workers' education fee	35,689	137,449	(136,028)	37,110
Total	3,714,631	5,781,016	(5,616,843)	3,878,804

	2019			
	As at 1 January	Accrued during the year	Payment during the year	As at 31 December
Salaries, bonuses, allowances	3,303,948	5,024,231	(4,908,418)	3,419,761
Staff welfare	204	373,297	(373,137)	364
Social insurance				
- Medical insurance	34,872	525,091	(306,023)	253,940
- Work-related injury insurance	1,359	5,147	(5,002)	1,504
- Maternity insurance	470	22,953	(22,890)	533
Housing fund	4,280	365,860	(367,300)	2,840
Labour union fee, staff and workers' education fee	48,726	148,298	(161,335)	35,689
Total	3,393,859	6,464,877	(6,144,105)	3,714,631

(ii) Post-employment benefits – defined contribution plans

	2020			
	As at 1 January	Accrued during the year	Payment during the year	As at 31 December
Basic pension insurance	11,218	89,896	(95,563)	5,551
Unemployment insurance	2,157	3,078	(2,873)	2,362
Annuity and supplemental pension insurance	17,403	418,864	(429,089)	7,178
Total	30,778	511,838	(527,525)	15,091

	2019			
	As at 1 January	Accrued during the year	Payment during the year	As at 31 December
Basic pension insurance	10,932	473,834	(473,548)	11,218
Unemployment insurance	2,153	13,953	(13,949)	2,157
Annuity and supplemental pension insurance	290,848	280,252	(553,697)	17,403
Total	303,933	768,039	(1,041,194)	30,778

(iii) Other long-term employee benefits

Other long-term employee benefits included deferred payment of employee salaries measured at amortised cost after being discounted.

(iv) There were no arrears balance among the Group's employee benefits payable.

(21) Taxes payable

	The Group		The Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Income tax payable	5,214,771	2,566,761	4,922,076	2,321,250
Value-added tax and surcharges payable	1,263,423	1,026,720	1,261,096	1,026,016
Others	68,207	108,045	67,365	106,670
Total	6,546,401	3,701,526	6,250,537	3,453,936

(22) Debt securities issued

Analysed by types of debtsecurities issued

	The Group		The Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Inter-bank certificates of deposits issued	346,725,593	290,624,008	346,725,593	290,624,008
Other financial debts securities issued	23,483,471	27,494,408	18,997,072	24,995,886
Subordinated debts issued	22,997,847	22,997,960	22,997,847	22,997,960
Convertible bonds issued	18,786,718	17,928,401	18,786,718	17,928,401
Sub-total	411,993,629	359,044,777	407,507,230	356,546,255
Accrued interest	1,005,398	976,547	923,187	936,818
Total	412,999,027	360,021,324	408,430,417	357,483,073

Analysis of the movement of Debt securities issued (excluding accrued interest):

The Group

		2020				
	Note	1 January 2020	Issued for the year	Repaid for the year	Amortisation of discounts or premiums	31 December 2020
Inter-bank certificates of deposits issued	(a)	290,624,008	468,086,916	(420,760,000)	8,774,669	346,725,593
Other financial debts securities issued	(b)	27,494,408	1,986,034	(6,000,000)	3,029	23,483,471
Subordinated debts issued	(c)	22,997,960	-	-	(113)	22,997,847
Convertible bonds issued	(d)	17,928,401	-	(158)	858,475	18,786,718
Total		359,044,777	470,072,950	(426,760,158)	9,636,060	411,993,629

		2019				
	Note	1 January 2019	Issued for the year	Repaid for the year	Amortisation of discounts or premiums	31 December 2019
Inter-bank certificates of deposits issued	(a)	293,026,821	485,704,661	(497,010,000)	8,902,526	290,624,008
Other financial debts securities issued	(b)	24,747,669	10,245,680	(7,500,000)	1,059	27,494,408
Subordinated debts issued	(c)	15,000,000	19,999,000	(12,000,000)	(1,040)	22,997,960
Convertible bonds issued	(d)	-	17,162,478	(335)	766,258	17,928,401
Total		332,774,490	533,111,819	(516,510,335)	9,668,803	359,044,777

The Bank

	Note	2020				
		1 January 2020	Issued for the year	Repaid for the year	Amortisation of discounts or premiums	31 December 2020
Inter-bank certificates of deposits issued	(a)	290,624,008	468,086,916	(420,760,000)	8,774,669	346,725,593
Other financial debts securities issued	(b)	24,995,886	-	(6,000,000)	1,186	18,997,072
Subordinated debts issued	(c)	22,997,960	-	-	(113)	22,997,847
Convertible bonds issued	(d)	17,928,401	-	(158)	858,475	18,786,718
Total		356,546,255	468,086,916	(426,760,158)	9,634,217	407,507,230

	Note	2019				
		1 January 2019	Issued for the year	Repaid for the year	Amortisation of discounts or premiums	31 December 2019
Inter-bank certificates of deposits issued	(a)	293,026,821	485,704,661	(497,010,000)	8,902,526	290,624,008
Other financial debts securities issued	(b)	22,500,000	9,995,680	(7,500,000)	206	24,995,886
Subordinated debts issued	(c)	15,000,000	19,999,000	(12,000,000)	(1,040)	22,997,960
Convertible bonds issued	(d)	-	17,162,478	(335)	766,258	17,928,401
Total		330,526,821	532,861,819	(516,510,335)	9,667,950	356,546,255

(a) As at 31 December 2020, the Group and the Bank held 151 unmature negotiable certificates of deposit that were issued in the inter-bank market. The maximum maturity is 366 days. The interest rate ranges from 1.68% to 3.45% (As at 31 December 2019, the Group and the Bank held 131 unmature negotiable certificates of deposit that were issued in the inter-bank market. The maximum maturity is 366 days. The interest rate ranges from 3.00% to 3.40%).

(b) As at the balance sheet date, details other financial debts securities issued by the Group and the Bank are shown as follows (excluding accrued interest):

	Note	31 December 2020	31 December 2019
Fixed rate ordinary financial bonds maturing in July 2020	(i)	-	6,000,000
Fixed rate ordinary financial bonds maturing in August 2021	(ii)	2,499,413	2,498,522
Fixed rate green financial bonds maturing in April 2022	(iii)	9,997,072	9,995,886
Fixed rate ordinary financial bonds maturing in July 2022	(iv)	4,000,000	4,000,000
Fixed rate ordinary financial bonds maturing in April 2023	(v)	5,000,000	5,000,000
Fixed rate ordinary financial bonds maturing in April 2023	(vi)	1,986,986	-
Total		23,483,471	27,494,408

(i) The Bank issued 3-years fixed interest rate ordinary financial bonds on 28 July 2017. The coupon interest rate per annum is 4.30% and the interest is settled once a year.

(ii) The Bank's subsidiary Suyin Finance Leasing issued a 3-years fixed interest rate non-banking ordinary financial bonds on 20 August 2018. The coupon interest rate per annum is 4.44% and the interest is settled once a year.

(iii) The Group issued 3-years fixed interest rate green financial bonds on 22 April 2019. The coupon interest rate per annum is 3.60% and the interest is settled once a year.

(iv) The Bank issued 5-years fixed interest rate ordinary financial bonds on 28 July 2017. The coupon interest rate per annum is 4.50% and the interest is settled once a year.

(v) The Bank issued 5-years fixed interest rate ordinary financial bonds on 2 April 2018. The coupon interest rate per annum is 5.00% and the interest is settled once a year.

(vi) The bank's subsidiaries, Suyin Finance Leasing issued 3-years fixed interest rate non-bank financial bonds on 2 April 2020, The coupon interest rate per annum is 2.90% and the interest is settled once a year.

(c) As at the balance sheet date, tier 2 capital bonds issued by the Group and the Bank are as follows:(Excluding accrued interest)：

	Note	31 December 2020	31 December 2019
Subordinated fixed rate bonds maturing in September 2026	(i)	3,000,000	3,000,000
Subordinated fixed rate bonds maturing in September 2029	(ii)	19,997,847	19,997,960
Total		22,997,847	22,997,960

(i) The Bank issued 15-years fixed interest rate bonds on 9 September 2011. The coupon interest rate per annum is 6.48% and the interest is settled once a year. After obtaining approval from regulators, the Group has the right to redeem all of the bonds at face value on 9 September 2021.

(ii) The Bank issued 10-years fixed interest rate bonds on 26 September 2019. The coupon interest rate per annum is 4.18% and the interest is settled once a year. After obtaining approval from regulators, the Group has the right to redeem all of the bonds at face value on 26 September 2024.

(d) As at the balance sheet date, details convertible bonds issued by the Group and the Bank are shown as follows (excluding accrued interest):

	31 December 2020	31 December 2019
6-years fixed rate convertible bonds issued in March 2019	18,786,718	17,928,401

Equity and liability components allocation：

	Liability Components	Equity Components	Total
1 January 2020	17,928,401	2,787,904	20,716,305
Amortisation charged for the year	858,475	-	858,475
Convertible bonds conversion during the year	(158)	(23)	(181)
31 December 2020	18,786,718	2,787,881	21,574,599

(i) Approved by the China Banking and Insurance Regulatory Commission (hereinafter referred to as "the CBIRC") and other relevant agencies, the Bank issued RMB20 billion of A-shares convertible corporate bonds publicly (hereinafter referred to as "convertible bond") on March 14, 2019. The duration of this convertible bond is 6 years, that is, from March 14, 2019 to March 13, 2025.The coupon rate of the convertible bond is 0.2% in the first year, 0.8% in the second year, 1.5% in the third year, 2.3% in the fourth year, 3.5% in the fifth year, and 4% in the sixth year. Convertible bonds holders may, within the period from the first trading day subsequent to six months after the end of the issuance to the maturity date of the convertible bond (hereinafter referred to as the "conversion period"), the right to convert this convertible bond into ordinary shares of the Bank according to the conversion price for the current period. Within five trading days after the expiration of the convertible bonds issued, the Bank will redeem all unconverted bonds at the price of 111% of the face value of the convertible bonds issued (including the last annual interest).

(ii) During the conversion period, if the closing price of the Bank's A-share stocks for at least 15 trading days in any 30 consecutive trading days is not less than 130% (including 130%) of the current conversion price, the Bank has the right to redeem all or part of the convertible bonds that have not been converted into shares at the price of the bond's face value plus current interest accrued with the approval of relevant regulatory authorities (if necessary).If a conversion price adjustment occurs due to ex-rights or ex-dividends within the aforementioned 30 trading days, on trading days before adjustment, it is calculated according to the conversion price and the closing price before adjustment. On subsequent trading days, it is calculated based on the conversion price and the closing price after adjustment. In addition, when the total par value of the convertible bonds issued is less than RMB30 million, the Bank has the right to redeem all the convertible bonds at the face value plus the interest accrued in the current period.

(iii) According to the calculation of the conversion price on the convertible bond prospectus, the initial conversion price is 7.90 yuan per share, which is not less than the average price of 20 trading days before the announcement date of the prospectus (if any stock price adjustment due to ex-rights and ex-dividends occurred within the 20 trading days, the price on the trading day before the adjustment is calculated at the price after the corresponding ex-rights and ex-dividends adjustments) and average price of stock transactions on the previous trading day, as well as the latest audited net assets per share and par value of stocks. As at 31 December 31 2020, the latest conversion price was RMB6.69 per share (as at 31 December 31 2019: RMB7.56 per share).

(iv) As at 31 December 2020, RMB548,000 of the convertible corporate bonds were converted into A-shares ordinary shares, with a cumulative number of 72,971 shares.

(23) Estimated Liabilities

	The Group		The Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Provision for credit commitments impairment losses	593,425	494,502	593,385	494,458
Provision for estimated liabilities on unresolved litigations and disputes	67,157	95,259	67,157	95,259
Total	660,582	589,761	660,542	589,717

(24) Other liabilities

The Group

	31 December 2020	31 December 2019
Deposits for financial leasing and fulfilment payment	5,092,222	4,364,846
Suspense account for clearing	3,832,621	4,076,569
Contract liabilities	1,330,087	1,650,167
Dividend payable	72,310	67,961
Others	569,172	413,096
Total	10,896,412	10,572,639

(25) Share capital

The Bank

	31 December 2019	Convertible bonds conversion	Rights issue	31 December 2020
RMB common stocks (A - Share)	11,544,500	23	3,225,084	14,769,607

With the approval of the China Banking and Insurance Regulatory Commission and other relevant agencies, the bank issued 3,225,083,672 of ordinary shares to the original A-share shareholders in December 2020, increasing the share capital by RMB3,225,083,672.

As referred to in Note 5(22)(4) , approved by the China Banking and Insurance Regulatory Commission and other relevant agencies, the Bank issued RMB20 billion of A-shares convertible corporate bonds publicly on March 14, 2019. In 2020, the convertible corporate bonds of Bank of Jiangsu with a par value of RMB170,000 were converted into A-share common shares, with 22,990 shares (from March 14, 2019 (the issue date) to 31 December 2019, the convertible corporate bonds with par value of RMB378,000 were converted into A-shares ordinary shares, with a cumulative number of 49,981 shares).

(26) Other equity instruments

The Group and the Bank

	Note	31 December 2020	31 December 2019
Preference shares	(1)	19,977,830	19,977,830
Perpetual bonds	(2)	19,996,928	-
Equity components of convertible bonds issued	5(22)(d)	2,787,881	2,787,904
Total		42,762,639	22,765,734

(1) Preference shares

(i) Preference shares that remain outstanding at the end of the year are set out as follows:

Outstanding financial instruments	Issuance date	Accounting classification	Dividend or interest rate	Issuance price (RMB)	Quantity (million share)	Amount (RMB million Yuan)	Maturity	Conditions for conversion	Conversion
Domestic Preference Share	2017-11-28	Equity	5.20%	100/share	200	20,000	None	Mandatory	No
Less: Issue fees						(22)			
Book value						19,978			

(ii) Major terms

(a) Dividend

Fixed rate for a certain period (5 years) after issuance. Dividend thereafter reset every 5 years (the sum of the benchmark rate and the Fixed Spread).The Fixed Spread will be equal to the spread between the dividend rate at the time of issuance and the benchmark rate. The Fixed Spread will remain unchanged throughout the term of the Preference Shares. Dividends will be paid annually.

(b) Conditions to distribution of dividends

The Group could pay dividends while the Group still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general provisions, and the Group's capital adequacy ratio meets regulatory requirements. Preference shareholders of the Group are senior to the ordinary shareholders on the right to dividends.

The Group may elect to cancel any dividend, but such cancellation will require a shareholder's resolution to be passed.

(c) Dividend stopper

If the Group cancels all or part of the dividends to the preference shareholders, the Group shall not make any dividend distribution to ordinary shareholders before the Group pays the dividends for the current dividend period to the preference shareholders in full.

(d) Order of distribution and liquidation method

The preference shareholders will be subordinated to the depositors, ordinary creditors, and holders of Tier 2 capital bonds of the Group, but will be senior to the ordinary shareholders.

(e) Mandatory conversion trigger events

Upon the occurrence of an Additional Tier 1 Capital Trigger Event (Core Tier 1 Capital Adequacy Ratio of the Group falling to 5.125% or below), the Group shall have the right to convert all or part of the preference shares into A shares, in order to restore the Core Tier 1 Capital Adequacy Ratio of the Group to above 5.125%;

Upon the occurrence of a Non-Viability Trigger Event (Earlier of the two situations: (1) CBRC has determined that the Group would become non-viable if there is no conversion or write-down of capital; or (2) the relevant authorities have determined that a public sector injection of capital or equivalent support is necessary, without which the Group would become nonviable), the Group shall have the right to convert all preference shares into A shares.

If preference shares were converted to A shares, they may not be converted to preference shares again.

(f) Redemption

After five years have elapsed since the date of issuance under the premise of obtaining the approval of the CBRC and compliance with regulatory requirements, the Group has right to redeem all or some of domestic preference shares. Redemption price is equal to book value plus accrued dividend in current period.

The redemption period of preference shares ranges from the start date of redemption to the date of full redemption or conversion.

(g) Dividend setting mechanism

Non cumulative dividend is a dividend on preference shares which does not cumulate upon omission of payment so as to require payment of a passed or omitted dividend of one year out of earnings of a following year. After receiving dividend at agreed dividend rate, preference shareholders of the Group will not participate the distribution of residual profits with ordinary shareholders. Preference shareholders of the Group are senior to the ordinary shareholders on the right to dividends.

The Group shall distribute dividends for the preference shares in cash, based on the total amount of the issued and outstanding preference shares on the corresponding times (i.e. the product of the issue price of preference shares and the number of the issued and outstanding preference shares).

(iii) Changes in preference shares outstanding

The preference shares issued by the bank remained unchanged during the year.

For details of dividends declared to holders of the Bank's preference shares, refer to Note 5 (31).

(2) Perpetual bonds

(i) Perpetual bonds that remain outstanding at the end of the year are set out as follows:

Outstanding financial instruments	Issuance date	Accounting classification	Dividend or interest rate	Issuance price (RMB)	Quantity (million share)	Amount (RMB million Yuan)	Maturity	Conditions for conversion	Conversion
Domestic Perpetual Bonds	2020-4-1	Equity	3.80%	100/share	200	20,000	Perpetual	None	No
Less: Issue fees						(22)			
Book value						19,997			

(ii) Major terms

With the approvals of relevant regulatory authorities, the Bank issued RMB20 billion undated capital bonds (hereinafter referred to as "Perpetual Bond") in China's national inter-bank bond market on 1 April 2020. Each Perpetual Bond has a par value of RMB100, and the annual coupon rate of the Bonds for the first five years is 3.80%, resetting every 5 years. The rate is determined by a benchmark rate plus a fixed spread. The fixed spread is the difference between the distribution rate and the benchmark rate as determined at the time of issuance. The fixed spread will not be adjusted once determined during the duration period.

The duration of the Perpetual Bond is the same as the continuing operation of the Bank. 5 years after the issuance date of the Perpetual Bond, the Bank shall have the right to redeem the Perpetual Bond in whole or in part on each distribution payment date (including the fifth distribution payment date since the issuance). Upon the issuance of the Perpetual Bond, in the event that the Perpetual Bond is not classified as other tier-one capital bonds due to unpredictable changes in regulations, the Bank shall have the right to redeem the Perpetual Bond fully instead of partly.

The claims in respect of the Perpetual Bond, in the event of a winding-up of the Bank, will be subordinated to claims of depositors, general creditors, and subordinated indebtedness that rank senior to the Perpetual Bond; will rank in priority to all classes of shares held by the Bank's shareholders and rank pari passu with the claims in respect of any other Additional Tier 1 Capital instruments of the Bank that rank pari passu with the perpetual bond.

Upon the occurrence of a Non-Viability Trigger Event, the Bank has the right to write down all the above Perpetual Bond issued and existing at that time in accordance with the total par value without the consent of the bondholders. The bonds are written down according to the proportion of the existing par value in the total existing par value of all other tier 1 capital instruments with the same trigger event.

The Perpetual Bond is paid by non-cumulative interest. The Bank shall have the right to cancel, in whole or in part, distributions on the Perpetual Bond and any such cancellation shall not constitute an event of default. The Bank may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. However, the Bank shall not distribute profits to ordinary shareholders until resumption of full interest payment.

(iii) Changes in preference shares outstanding:

Financial instrument outstanding	1 January 2020		Additions during the year		31 December 2020	
	Quantity (million shares)	Carrying Value (RMB million)	Quantity (million shares)	Carrying Value (RMB million)	Quantity (million shares)	Carrying Value (RMB million)
Domestic Preference Share	-	-	200	19,997	200	19,997

(3) Relevant information of amounts attributable to holders of equity instruments

	2020	2019
Equity attributable to shareholders of the Bank	178,037,739	132,792,385
- Equity attributable to ordinary shareholders of the Bank	138,062,981	112,814,555
- Equity attributable to holders of the Bank's other equity instruments	39,974,758	19,977,830
Equity attributable to non-controlling shareholders	4,041,534	3,643,536
- Equity attributable to non-controlling ordinary shareholders	4,041,534	3,643,536
- Equity attributable to non-controlling shareholders of other equity instruments	-	-

(27) Capital reserve

The Group

	2020		
	As at 1 January 2020	Additions during the year (Note 1/2)	As at 31 December 2020
Share premium	16,152,196	11,547,122	27,699,318

	2019		
	As at 1 January 2019	Additions during the year (Note 2/3)	As at 31 December 2019
Share premium	16,075,278	76,918	16,152,196

The Bank

	2020		
	As at 1 January 2020	Additions during the year (Note 1 / 2)	As at 31 December 2020
Share premium	16,072,416	11,547,122	27,619,538

	2019		
	As at 1 January 2019	Additions during the year (Note 2)	As at 31 December 2019
Share premium	16,072,078	338	16,072,416

(a) As referred to in Note 5(25) , the bank issued 3,225,083,672 of ordinary shares to the original A-share shareholders in December 2020, increasing the share capital by RMB3,225,083,672. The purchase price of this rights issue is RMB4.59 per share, and the net fund raised after deducting the issuance expenses (excluding VAT) is RMB14,774 million. The Bank recognised the corresponding equity premium according to the VAT input tax certification of issuance expenses.

(b) As referred to in Note 5(25) , approved by the China Banking and Insurance Regulatory Commission and other relevant agencies, the Bank issued RMB20 billion of A-shares convertible corporate bonds publicly on March 14, 2019. From the issue date to 31 December 2019, the convertible corporate bonds with par value of RMB378,000 were converted into A-shares ordinary shares, with a cumulative number of 49,981 shares and share premium RMB338,000.

(c) In 2019, Suyin Finance Leasing Co., Ltd increased capital and shares by capital injection from the Bank and other non-controlling shareholders. The difference before and after the capital increase in the net asset share of Suyin Finance Leasing Co., Ltd was approximately RMB76.58 million, which was included in the capital reserve.

(28) Other comprehensive income

The Group and the Bank

	2020						
	As at 1 January 2020	Before-tax amount	Less: Previously recognised amount transferred to profit or loss	Less: Income tax expense	Net-of-tax amount attributable to shareholders of the Bank	Net-of-tax amount attributable to non-controlling interests	Balance at the end of the year attributable to shareholders of the Bank
Items that may not be reclassified to profit or loss							
- Gains or losses arising from changes in fair value of the Financial investments designated at FVOCI	(77,608)	57,294	-	(14,324)	42,970	-	(34,638)
Items that may be reclassified to profit or loss							
- Gains or losses arising from changes in fair value of the financial investments measured at FVOCI	961,378	(929,350)	(213,181)	295,017	(847,514)	-	113,864
- Provision on credit loss of the financial investments measured at FVOCI	761,081	619,187	-	(154,797)	464,390	-	1,225,471
Total	1,644,851	(252,869)	(213,181)	125,896	(340,154)	-	1,304,697

	2019						
	As at 1 January 2019	Before-tax amount	Less: Previously recognised amount transferred to profit or loss	Less: Income tax expense	Net-of-tax amount attributable to shareholders of the Bank	Net-of-tax amount attributable to non-controlling interests	Balance at the end of the year attributable to shareholders of the Bank
Items that may not be reclassified to profit or loss							
- Gains or losses arising from changes in fair value of the Financial investments designated at FVOCI	(86,578)	11,960	-	(2,990)	8,970	-	(77,608)
Items that may be reclassified to profit or loss							
- Gains or losses arising from changes in fair value of the financial investments measured at FVOCI	1,908,835	311,988	(1,597,013)	337,568	(947,457)	-	961,378
- Provision on credit loss of the financial investments measured at FVOCI	689,250	95,775	-	(23,944)	71,831	-	761,081
Total	2,511,507	419,723	(1,597,013)	310,634	(866,656)	-	1,644,851

(29) Surplus reserve

The Group and the Bank

	Statutory surplus reserve	Discretionary surplus reserve	Total
As at 1 January 2019	7,125,286	7,350,422	14,475,708
Appropriation	1,279,160	1,279,160	2,558,320
As at 31 December 2019	8,404,446	8,629,582	17,034,028
Appropriation	1,412,684	1,412,684	2,825,368
As at 31 December 2020	9,817,130	10,042,266	19,859,396

In accordance with the Company Law of the People's Republic of China and the Bank's Articles of Association, the Bank is required to appropriate 10% of its net profit to the statutory surplus reserve until the balance reaches 50% of its registered capital. Subject to the approval of shareholders' meeting, statutory and discretionary surplus reserves may be used to net off with accumulated losses, if any, and may be converted into capital, provided that the balance of statutory surplus reserve after such capitalisation is not less than 25% of the registered capital.

After the appropriation of statutory surplus reserve, discretionary surplus reserve may be appropriated from the net profit subject to the approval of shareholders' meeting. Subject to the approval of shareholders' meeting, discretionary surplus reserves may be used to net off with accumulated losses, if any, and may be converted into capital.

As at 1 January 2017, the balance of the Bank's statutory surplus reserve has exceeded 50% of its registered capital. In accordance with the resolution of the general meeting of shareholders of the Bank on 8 May 2020 and 17 May 2019, the Bank will appropriate 10% of its net profit to statutory surplus reserve.

(30) General reserve

	The Group		The Bank	
	2020	2019	2020	2019
As at 1 January	28,385,510	25,376,162	27,754,420	24,903,706
Appropriation	3,996,169	3,009,348	3,831,272	2,850,714
As at 31 December	32,381,679	28,385,510	31,585,692	27,754,420

According to the Notice on Administrative Measures on Accrual of Provisions by Financial Enterprises (Cai Jin [2012] No.20) issued by the MOF on 30 March 2012, the Bank is required to maintain a general reserve within equity, through the appropriation of profit, which should not be less than 1.5% of the year-end balance of its risk-bearing assets.

General reserve of the Group also includes other general reserves accrued by the Bank's subsidiaries in accordance with the laws and regulations applicable to their business industry or region.

(31) Appropriation of profits

(a) In accordance with the resolution of the 19th meeting of the 4th board of directors of the Bank on 20 November 2020 the bank distribute RMB1.04 billion to prefence shareholders at RMB5.20 (including tax) per share based on 5.20% dividend rate.

(b) In accordance with the resolution of the general meeting of shareholders of the Bank on 8 May 2020, the shareholders approved the following profit appropriations for the year ended 31 December 2019:

- 10% of the profit after tax for the statutory surplus reserve of year 2019;
- 10% of the profit after tax for the discretionary surplus reserve of year 2019;
- RMB2.851 billion for the general reserve; and
- RMB2.78 per 10 shares (before tax), with the aggregate amount of RMB3.209 billion as cash dividend to the registered shareholders

(c) In accordance with the resolution of the 19th meeting of the 4th board of directors of the Bank on 28 November 2019 the bank distribute RMB1.04 billion to prefence shareholders at RMB5.20 (including tax) per share based on 5.20% dividend rate.

(d) In accordance with the resolution of the general meeting of shareholders of the Bank on 17 May 2019, the shareholders approved the following profit appropriations for the year ended 31 December 2018:

- 10% of the profit after tax for the statutory surplus reserve of year 2018;
- 10% of the profit after tax for the discretionary surplus reserve of year 2018;
- RMB2.17 billion for the general reserve; and
- RMB3.40 per 10 shares (before tax), with the aggregate amount of RMB3.925 billion as cash dividend to the registered shareholders

(32) Net interest income

	The Group		The Bank	
	2020	2019	2020	2019
Loans and advances to customers				
- Corporate loans and advances	30,866,124	28,517,778	30,798,211	28,449,577
- Individual loans and advances	27,069,345	19,631,306	27,055,392	19,621,345
- Discounted bills	2,569,250	2,863,015	2,569,250	2,863,015
Investment in debt instruments	23,908,608	23,994,841	23,910,049	23,975,000
Long-term receivable	4,054,019	3,443,766	-	-
Deposits with central bank	2,109,684	2,077,920	2,108,668	2,076,974
Placements with banks and other financial institutions	832,614	1,144,667	919,808	1,118,371
Financial assets held under resale agreements	509,129	828,338	501,509	824,621
Deposits with banks and other financial institutions	484,852	340,579	475,047	465,768
Interest income	92,403,625	82,842,210	88,337,934	79,394,671
Deposits from customers				
- Corporate customers	(22,047,970)	(21,025,177)	(22,040,112)	(21,019,033)
- Individual customers	(10,417,145)	(8,913,778)	(10,406,315)	(8,905,423)
Debt securities issued	(11,916,150)	(13,029,124)	(11,760,825)	(12,917,380)
Borrowings from central bank	(4,659,157)	(3,602,400)	(4,656,174)	(3,599,861)
Deposits from banks and other financial institutions	(3,753,072)	(6,021,963)	(3,758,571)	(6,015,668)
Placements from banks and other financial institutions	(1,562,109)	(1,802,887)	(515,360)	(644,617)
Financial assets sold under repurchase agreements	(1,015,950)	(1,388,669)	(1,000,775)	(1,349,003)
Others	(45,557)	(41,420)	(45,557)	(41,420)
Interest expense	(55,417,110)	(55,825,418)	(54,183,689)	(54,492,405)
Net interest income	36,986,515	27,016,792	34,154,245	24,902,266

(33) Net fee and commission income

	The Group		The Bank	
	2020	2019	2020	2019
Agency service fees	4,410,474	3,591,153	4,391,359	3,591,153
Custodian and other fiduciary service fees	650,327	586,533	650,327	586,533
Credit commitment fees	446,024	407,371	445,966	407,317
Bank card fees	84,593	115,338	84,577	115,325
Settlement and clearing fees	53,176	66,016	53,141	65,969
Advisory service fees	5,665	5,130	5,665	5,130
Others	43,897	42,913	43,004	40,409
Fee and commission income	5,694,156	4,814,454	5,674,039	4,811,836
Settlement and clearing charges	(158,415)	(141,723)	(158,412)	(141,721)
Bank card charges	(46,633)	(36,499)	(46,622)	(36,486)
Others	(132,586)	(93,453)	(120,778)	(70,585)
Fee and commission expense	(337,634)	(271,675)	(325,812)	(248,792)
Net fee and commission income	5,356,522	4,542,779	5,348,227	4,563,044

(34) Investment gains

	The Group		The Bank	
	2020	2019	2020	2019
Net gains/(losses) during the period in which financial instruments are held				
- Financial investments measured at FVTPL	8,037,777	11,274,417	8,037,991	11,274,417
- Financial investments designated at FVOCI	4,564	3,795	4,564	3,795
Net gains /(losses) from disposal of financial instruments				
- Loans and advances measured at FVOCI	230,873	352,492	230,873	352,492
- Derivative financial instruments	29,175	11,883	29,175	11,883
- Debt investments	19,282	(12,254)	19,282	(12,254)
- Financial investments measured at FVOCI	(17,692)	1,244,521	(17,692)	1,244,521
- Financial assets held for trading	(21,251)	97,102	(59,974)	96,167
Long-term equity investments at amortised cost	-	-	164,000	-
Total	8,282,728	12,971,956	8,408,219	12,971,021

(35) Net gains / (losses) from changes in fair value

	The Group		The Bank	
	2020	2019	2020	2019
Financial assets held for trading	451,901	(124,380)	493,355	(130,468)
Derivatives	62,503	(58,631)	62,503	(58,631)
Total	514,404	(183,011)	555,858	(189,099)

(36) General and administrative expenses

	The Group		The Bank	
	2020	2019	2020	2019
Staff costs				
- Salaries and bonuses	6,003,955	5,593,528	5,908,142	5,529,455
- Social insurance and supplemental pension insurance	779,457	1,321,230	767,688	1,309,300
- Other wellfare	1,513,228	890,262	1,500,573	880,645
Sub-total	8,296,640	7,805,020	8,176,403	7,719,400
Premises and equipment expenses				
- Depreciation and amortisation	700,623	598,293	696,167	594,901
- Rental and property management expenses	581,608	547,972	575,522	544,905
- Utility charges	66,547	70,834	66,113	70,407
- Others	312,841	340,694	302,647	333,520
Sub-total	1,661,619	1,557,793	1,640,449	1,543,733
Other general and administrative expenses	2,246,505	2,167,758	2,217,975	2,143,770
Total	12,204,764	11,530,571	12,034,827	11,406,903

(37) Impairment losses on credit

	The Group		The Bank	
	2020	2019	2020	2019
Loans and advances measured at amortised cost	15,380,150	12,671,610	15,316,055	12,658,409
Financial investments measured at amortised cost	4,013,325	2,578,945	3,977,261	2,546,606
Long-term receivable	1,039,202	822,293	-	-
Placements with inter-banks and other financial institutions	467,498	92,625	467,478	92,625
Financial assets held under resale agreements	418,974	11,404	419,020	11,349
Loans and advances measured at FVOCI	417,546	140,029	417,546	140,029
Deposits with inter-banks and other financial institutions	299,964	844,552	299,635	844,410
Financial investments measured at FVOCI	201,641	(44,255)	201,641	(44,255)
Provision	98,923	72,344	98,927	72,374
Other assets	51,812	26,373	50,747	26,454
Total	22,389,035	17,215,920	21,248,310	16,348,001

(38) Income tax expense

(a) Income tax expense

	The Group		The Bank	
	2020	2019	2020	2019
Current tax	5,937,413	3,390,736	5,365,380	2,965,437
Deferred tax	(5,169,139)	(2,834,613)	(4,988,028)	(2,690,241)
Adjustments for tax filling and previous year	359,989	99,584	356,855	100,198
Total	1,128,263	655,707	734,207	375,394

(b) Reconciliations between income tax expense and accounting profit:

		The Group		The Bank	
	Note	2020	2019	2020	2019
Profit before tax		16,748,006	15,615,486	15,368,538	14,502,240
Expected income tax at statutory tax rate of 25%		4,187,002	3,903,872	3,842,135	3,625,560
Tax effect of non-taxable income	(i)	(3,272,514)	(3,357,665)	(3,308,244)	(3,357,518)
Tax effect of non - deductible expenses	(ii)	99,105	49,332	92,004	46,729
Adjustments for tax filling and prior years		114,670	60,168	108,312	60,623
Income tax expense		1,128,263	655,707	734,207	375,394

(i) Non-taxable income mainly represent interest income from PRC and local government bonds, and fund dividends.

(ii) Non-deductable expenses mainly represent non-deductible entertainment expenses and donations.

(39) Earnings per share

The earnings per share is calculated as net profit attributable to ordinary shareholders of the Bank divided by weighted average issued ordinary shares.

The Group

	Note	2020	2019
Net Profit attributable to shareholders of the Bank	(i)	14,025,745	13,578,609
Weighted average issued ordinary shares (in thousands)	(ii)	11,544,508	11,544,461
Basic and diluted earnings per share (in RMB Yuan)		1.21	1.18

(i) Consolidated net profit attributable to ordinary shareholders of the Bank is calculated as follows:

	2020	2019
Consolidated net profit attributable to ordinary shareholders of the Bank	15,065,745	14,618,609
Effect of preferred stock dividend announcement	(1,040,000)	(1,040,000)
Consolidated net profit attributable to ordinary shareholders of the Bank	14,025,745	13,578,609

(ii) Weighted average number of ordinary shares is calculated as follows:

	2020	2019
Issued ordinary shares at the beginning of the year (in thousands)	11,544,500	11,544,450
Effect of conversion of convertible bonds (in thousands)	8	11
Weighted average number of ordinary shares at the end of the year (in thousands)	11,544,508	11,544,461

(2) Diluted earnings per share

Diluted earnings per share is calculated as dividing consolidated net profit attributable to ordinary shareholders of the Bank (diluted) by the weighted average number of ordinary shares outstanding (diluted):

The Group

	Note	2020	2019
Consolidated net profit attributable to ordinary shareholders of the Bank (diluted)	(i)	14,771,647	14,177,385
Weighted average number of ordinary shares outstanding (diluted) (in thousands)	(ii)	14,189,938	13,668,071
Diluted earnings per share (in RMB Yuan)		1.04	1.04

(i) Consolidated net profit attributable to ordinary shareholders of the Bank (diluted) is calculated as follows:

	2020	2019
Consolidated net profit attributable to ordinary shareholders	14,025,745	13,578,609
Diluted adjustments:		
After tax effect of effective interest on the liability component of convertible bonds	745,902	598,776
Consolidated net profit attributable to ordinary shareholders (diluted)	14,771,647	14,177,385

(ii) Weighted average number of the Bank's ordinary shares (diluted) is calculated as follows:

	2020	2019
Weighted average number of ordinary shares	11,544,508	11,544,461
Diluted adjustments:		
Effect of conversion of convertible bonds (in thousands)	2,645,430	2,123,610
Weighted average number of ordinary shares (diluted) (in thousands)	14,189,938	13,668,071

(40) Note to the statement of cash flow

(a) Reconciliation of net profit to cash flows from operating activities:

	The Group		The Bank	
	2020	2019	2020	2019
Net Profit	15,619,743	14,959,779	14,634,331	14,126,846
Add/(minus) :				
Impairment losses on credit	22,389,035	17,215,920	21,248,310	16,348,001
Depreciation and amortisation	727,304	618,172	705,989	603,491
Net gains from disposal of fixed assets, intangible assets and other long-term assets	(255,242)	(102,134)	(255,242)	(102,049)
Net (gains) / llosses from changes in fair value	(514,404)	183,011	(555,858)	189,099
Net foreign exchange (gains) / losses	(976,940)	579,384	(976,940)	579,384
Investment income	(6,154)	(1,697,539)	(170,154)	(1,696,604)
Interest income from investment in debt instruments	(23,908,608)	(23,994,841)	(23,910,049)	(23,975,000)
Interest expenses on debt securities issued	11,916,150	13,029,124	11,760,825	12,917,380
Increase in deferred tax assets	(5,169,139)	(2,834,613)	(4,988,028)	(2,690,241)
Increase in operating receivables	(211,747,828)	(178,529,442)	(205,552,468)	(167,395,137)
Increase in operating payables	172,642,353	102,615,412	162,536,251	93,079,753
Net cash flow from operating activities	(19,283,730)	(57,957,767)	(25,523,033)	(58,015,077)

(b) Changes in cash and cash equivalents:

	The Group		The Bank	
	2020	2019	2020	2019
Cash and cash equivalents at the end of the year	68,586,982	51,383,938	66,507,267	53,818,749
Less: Cash and cash equivalents at the beginning of the year	(51,383,938)	(47,735,785)	(53,818,749)	(52,537,223)
Net increase in cash and cash equivalents	17,203,044	3,648,153	12,688,518	1,281,526

(c) Cash and cash equivalents:

	The Group		The Bank	
	2020	2019	2020	2019
Cash on hand	1,489,586	1,379,061	1,480,624	1,375,142
Unrestricted deposits with central bank	16,353,412	7,152,150	16,327,857	7,147,744
Unrestricted deposits with banks and other financial institutions	28,334,206	25,186,570	27,628,008	24,679,706
Placements with banks and other financial institutions	15,928,701	12,621,197	15,028,701	15,571,197
Financial assets held under resale agreements	6,481,077	5,044,960	6,042,077	5,044,960
Cash and cash equivalents at the end of the year	68,586,982	51,383,938	66,507,267	53,818,749

(41) Pledged assets

(a) Assets pledged as security

Carrying value of pledged assets (excluding accrued interest) in balance sheet is as follows:

	The Group		The Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Borrowings from central bank	193,201,530	121,986,000	193,201,530	121,986,000
Financial assets sold under repurchase agreements	12,486,971	39,409,309	8,163,999	38,859,011
Deposits from customers	3,615,000	7,563,000	3,615,000	7,563,000
Total	209,303,501	168,958,309	204,980,529	168,408,011

Transactions above are conducted under customary terms of relevant businesses.

(i) Carrying value of pledged assets analysed by asset type

	The Group		The Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Securities				
- Government bonds	225,361,270	180,634,449	225,050,574	180,634,449
- Bank and other financial institution bonds	12,631,337	7,599,924	12,631,337	7,599,924
- Corporate bonds	-	8,088,938	-	8,088,938
Sub-total	237,992,607	196,323,311	237,681,911	196,323,311
Commercial bills	6,012,079	7,020,309	6,012,079	7,020,309
Loans and advances to customers	-	1,550,000	-	1,550,000
Long-term receivable	-	778,169	-	-
Total	244,004,686	205,671,789	243,693,990	204,893,620

(ii) Carrying value of pledged assets analysed by classification in balance sheet

	The Group		The Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Financial assets held for trading	310,696	-	-	-
Loans and advances to customers	6,012,079	8,570,309	6,012,079	8,570,309
Financial investments measured at amortised cost	209,393,301	169,595,848	209,393,301	169,595,848
Financial investments measured at FVOCI	28,288,610	26,727,463	28,288,610	26,727,463
Long-term receivables	-	778,169	-	-
Total	244,004,686	205,671,789	243,693,990	204,893,620

(2) Collaterals accepted as securities for assets

The Group conducts resale agreements and bonds lending under customary terms of placements, and holds collaterals for these transactions. As at the balance sheet date, the Group did not hold any resale agreement or bonds lending that collaterals were permitted to sell or re-pledge in the absence of the counterparty's default on the agreements.

(42) Transfer of financial assets

In normal course of business, the Group transfers the recognised financial assets to third parties in some transactions. These financial assets are derecognised in whole or in part if they meet the criteria for derecognition. When the Group retains substantial risk and return of the transferred assets, transfer of these financial assets does not meet the criteria for derecognition and the Group still recognises these assets in the balance sheet.

Credit asset securitization

The Group sells credit assets to a special purpose trust, which will then issue asset-backed securities to investors.

Some securitization transactions conducted by the Group will cause the Group to derecognize all transferred financial assets. When the Group transfers almost all the risks and rewards of ownership of financial assets to special purpose trusts while retaining the relatively small interest in the trusts or arrangements for the follow-up services of the transferred financial assets, the Group will termination of the transfer of financial assets. As at 31 December 2020, all securitised credit assets of the Group and the Bank were matured and settled (31 December 2019: RMB725 million).

Apart from credit asset securitization above, the group and the bank have transferred credit assets with a face value of RMB10.158 billion to the securitized entity as at 31 December 2020 (31 December 2019: RMB4.974 billion). For the transaction, the Group has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and retained control of the credit assets, the Group recognises the assets on the statement of financial position in accordance with the Group's continuing involvement and the rest is derecognised. The carrying amount of assets that the Group continues to recognise on the statement of financial position was RMB138.9 million as at 31 December 2020 (31 December 2019: RMB662 million).

Credit assets Transaction

In 2020, the Group directly transferred non-performing loans of RMB2.545 billion to third parties. The Group terminated recognition of non-performing credit assets of RMB21.11 billion. For the remaining RMB435million non-performing credit assets, the Group neither transfers nor retains almost all risks and rewards related to the ownership of the transferred credit assets in the above transactions, and retains the control over the credit assets (2019: RMB3.711 billion, all of which were derecognized)

In addition, the Group transfers the usufruct of credit asset to s special purpose trust and then the investor transfers the share of the trust fund.

When the Group transfers almost all the risks and rewards of ownership of financial assets to special purpose trusts while retaining the relatively small interest in the trusts or arrangements for the follow-up services of the transferred financial assets, the Group will termination of the transfer of financial assets. As at 31 December 2020, the carrying amount of the such credit assets of the Group was

RMB1,546 million at the date of transfer (31 December 2019: RMB1,546 million).

Apart from the transaction above, the group have transferred the usufruct of credit asset with a face value of RMB2.052 billion to a special purpose trust as at 31 December 2020 (31 December 2019: RMB2.052 billion). For the transaction, the Group has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and retained control of the credit assets, the Group recognises the assets on the statement of financial position in accordance with the Group's continuing involvement and the rest is derecognised. The carrying amount of assets that the Group continues to recognise on the statement of financial position was RMB259 million as at 31 December2020 (31 December 2019: RMB245 million).

For details of usufruct the group and the bank reserved, refer to Note 6(2)(c).

6. Interests in other entities

(1) Interests in subsidiaries and structured entities that are included in the consolidated financial statements:

Structure of the Group

Main subsidiaries directly held through establishment:

Name	The Bank's shareholding percentage (Note i)		The Bank's voting rights percentage (Note i)		Registered capital		Place of operation and registration and date of establishment	Primary business
	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019		
Suyin County Bank of Danyang (Note ii)	41%	41%	51%	51%	180,000	180,000	Jiangsu, 10 June 2010	Commercial banking
Suyin Finance Leasing	51.25%	51.25%	51.25%	51.25%	4,000,000	4,000,000	Jiangsu, 13 May 2015	Lease business
Suyin Wealth Management	100%	N/A	100%	N/A	2,000,000	N/A	Jiangsu, 20 Aug 2020	Wealth management

(i) The Bank's shareholding percentage and voting rights percentage are either direct or indirect percentage at the balance sheet date when the Bank has gained direct or indirect control over its subsidiaries through establishment.

(ii) Pursuant to the group's agreement with other shareholders of Baode Rural Bank, the Bank holds 51% of the voting rights in the shareholders' meeting of Baode Rural Bank. Therefore, the Bank considers it to be in control of Baode Rural Bank, thus includes it in the consolidated financial statements.

Management of the Group assesses whether the Group controls the investees and structured entities according to the elements of control in Accounting Standards for Business.

The Group's involvement with the investee's operation in mainly from its shareholding in the investee and voting rights. The Group mainly assesses the purpose and design of the investee, relevant activities and decision-making processes, the Group's voting right percentage and its ability to affect the variable returns through its power over the investee when assessing whether the Group has control over the investees. If the Group believes that it has control over the investee, then it will include it in its consolidated financial statements.

The Group managed or invested in several structured entities, including trust plan, wealth management products and asset management plan. The Group mainly assesses its overall economic interests (including the expected return from direct shareholding and management fee) in the structured entities and its decision-making rights covered through its involvement in the decisions on the establishment of the structured entities and relevant contract arrangements. If the Group has power over the structured activities and exposure to variable returns and the ability to use that power to affect its returns from the structured entities through investment contracts, then the Group believes that it has control over the structured entities and include it in the consolidated financial statements.

If the Group neither has the substantive power over the structured entities nor enjoys material overall economic interests and thus acted as an agent rather than a principal, the Group does not need to include these structured entities in the consolidated financial statements. Please see Note 6(2) for information about the structured entities in which the Group has interests or acts as principal but are not included in the consolidated financial statements.

(2) Interests in structured entities not included in the consolidated financial statements

(a) Background of structured entities not included in the consolidated financial statements:

According to the definition of "control" in the accounting standards for business enterprises and the relevant principles described in Note 6(1), the Group evaluates whether to include the structured entity into the consolidation scope of the consolidated financial statements, taking into account the relevant agreements and the group's investment in the structured entity.

The Group's structured entities not included in the consolidated financial statements include: trust plan, wealth management products, asset management plan, investment fund and asset-backed securities, as well as unsecured wealth management products and asset-backed securities established by the Group. These structured entities are designed to manage investors' assets by offering them investment products to raise funds. The Group's interests in these structured entities not included in the consolidated financial statements mainly include direct investment and management fee received for managing these structured entities.

The Group did not include the above structured entities in the consolidated financial statements after taking relevant agreements and the Group's investments in the structured entities into account in accordance with the definition of "control" in Accounting Standards for Business and principals described in Note 6(1).

As at 31 December 2020 and 31 December 2019, relevant assets and liabilities as well as their carrying amount/maximum loss exposure of the Group's interests in these structured entities not included in the consolidated financial statements through direct investment are as follows:

	31 December 2020			
	Financial investments measured at FVTPL	Financial investments measured at amortised cost	Financial investments designated at FVOCI	Total
Trust plan	258,867	140,189,851	-	140,448,718
Investment fund	135,197,054	-	-	135,197,054
Wealth management products	49,048,939	-	-	49,048,939
Asset management plan	1,456,353	21,870,230	-	23,326,583
Asset-backed securities	2,258,499	27,311,923	624,809	30,195,231
Total	188,219,712	189,372,004	624,809	378,216,525

	31 December 2019			
	Financial investments measured at FVTPL	Financial investments measured at amortised cost	Financial investments designated at FVOCI	Total
Trust plan	9,948,417	151,436,173	-	161,384,590
Investment fund	126,890,447	-	-	126,890,447
Wealth management products	67,350,600	-	-	67,350,600
Asset management plan	1,355,041	33,690,835	-	35,045,876
Asset-backed securities	815,123	7,974,455	14,605	8,804,183
Total	206,359,628	193,101,463	14,605	399,475,696

The maximum loss exposure of the trust plan, asset management plan and asset-backed securities is the fair value or amortized cost at the reporting date according to the classification it has confirmed in the balance sheet. The maximum loss exposure of the wealth management products and the investment fund is the fair value at the reporting date.

(b) Interests in structured entities established by third parties and not included in the consolidated financial statements:

The Group holds interests in structured entities established by third parties and not included in the consolidated financial statements through direct investment. As at 31 December 2020 and 31 December 2019, relevant assets and liabilities as well as their carrying amount/maximum loss exposure of the Group's interests in these structured entities established by third parties through direct investment are as follows:

	31 December 2020			
	Financial investments measured at FVTPL	Financial investments measured at amortised cost	Financial investments designated at FVOCI	Total
Trust plan	-	140,189,851	-	140,189,851
Investment fund	135,197,054	-	-	135,197,054
Wealth management products	48,658,070	-	-	48,658,070
Asset management plan	1,456,353	21,870,230	-	23,326,583
Asset-backed securities	869,707	27,311,923	624,809	28,806,439
Total	186,181,184	189,372,004	624,809	376,177,997

	31 December 2019			
	Financial investments measured at FVTPL	Financial investments measured at amortised cost	Financial investments designated at FVOCI	Total
Trust plan	9,703,823	151,436,173	-	161,139,996
Investment fund	126,890,447	-	-	126,890,447
Wealth management products	67,350,600	-	-	67,350,600
Asset management plan	1,355,041	33,690,835	-	35,045,876
Asset-backed securities	146,448	7,974,455	14,605	8,135,508
Total	205,446,359	193,101,463	14,605	398,562,427

The maximum loss exposure of the trust plan, asset management plan and asset-backed securities is the fair value or amortized cost at the reporting date according to the classification it has confirmed in the balance sheet. The maximum loss exposure of the wealth management products and the investment fund is the fair value at the reporting date.

(c) Interests in structured entities not included in the financial statements (the Group as promoter)

Determination of the Group as promoter of a structured entity is based on the fact that the Group has played a key role in the process of setting up the structured entity or jointly setting up the entity with other parties, and that the structured entity represents an extension of the Group's main activities and maintains close business relationship with the Group after its setup.

According to the above criteria, structured entities not included in the financial statements (the Group as promoter) include the Group's unsecured wealth management products and investment fund. As at 31 December 2020, the carrying amount of the Group's management fees receivable in the consolidated balance sheet was RMB289.5 million (31 December 2019: RMB927 million).

As at 31 December 2020 and 31 December 2019, relevant assets and liabilities as well as their carrying amount/maximum loss exposure of the Group's interests in these structured entities established by the Group through direct investment are as follows:

	31 December 2020	31 December 2019
Financial investments measured at FVTPL		
Trust plan	258,867	244,594
Wealth management products	390,869	-
Asset-backed securities	1,388,792	668,675
Total	2,038,528	913,269

The maximum loss exposure of the asset-backed securities is the fair value or amortised cost at the reporting date.

As at 31 December 2020, balance of the unsecured wealth management products and asset-backed securities that were established by the Group but not included in the Group's the consolidated financial statements was RMB351.6 billion and 740 billion respectively (31 December 2019: RMB328.6 billion and RMB45 billion).

(d) Structured entities which the Group no longer held interests in and were not included in the consolidated financial statements as at blance sheet date:

The structured entities that are no longer included in the consolidated financial statements that the Group no longer enjoys equity at the balance sheet date mainly include the unsecured wealth management products issued by the Group. The Group's fee and commission income from such unsecured wealth management products was not significant in 2020 (2019: not significant).

The Group's unsecured wealth management products issued after 1 January 2019 and matured before 31 December 2020 totaled RMB238.6 billion (unsecured wealth management products issued after 1 January 2019 and matured before 31 December 2019 totaled RMB277.9 billion).

7. Segment reporting

The Group has 4 reporting segment: corporate banking, retail banking, treasury business and others. Each reportable segment is a separate business unit which offers different products and services, and is managed separately because they require different technology and marketing strategies.

Corporate banking

This segment provides financial products and services to corporations, government agencies and financial institutions. The range of products and services includes corporate loans, trade financing, finance leasing, deposit products, agency services, corporate banking services, remittance and settlement services, custody and guarantee services, etc.

Retail banking

This segment provides financial products and services to individual customers. The range of products and services includes personal loans, deposit products, personal wealth management services, remittance services, securities agency and credit card services, etc.

Treasury business

This segment covers inter-bank and off-site placement and taking transactions, repurchase transactions, investment in debt instruments, derivatives trading, foreign currency etc. It also covers the Group's overall liquidity position management, including the issuance of debts securities, etc.

Others

This segment represents other miscellaneous activities, none of which constitutes a separately reportable segment.

The accounting policies applied in preparing the segment report are consistent with those for the consolidated financial statements.

Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense earned from third parties are referred to as "external net interest income/expense". Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "inter-segment interest income/ expense".

Segment income, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income, expenses, assets, and liabilities are determined before intra-group balances and intra - group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the Relevant Periods to acquire fixed assets, intangible assets and other long-term assets.

Segment results, assets and liabilities:

The Group

	2020				
	Corporate banking	Personal banking	Treasury business	Others	Total
External net interest income / (expense)	15,867,153	17,448,542	3,670,820	-	36,986,515
Inter-segment net interest income / (expense)	5,275,057	(1,676,641)	(3,598,416)	-	-
Net interest income	21,142,210	15,771,901	72,404	-	36,986,515
Fee and commission income	4,257,639	742,243	694,274	-	5,694,156
Fee and commission expense	(202,414)	(62,486)	(72,734)	-	(337,634)
Net fee and commission	4,055,225	679,757	621,540	-	5,356,522
Other income	-	-	8,282,728	-	8,282,728
Net investment gains	125,493	-	-	126,145	251,638
Net gains from changes in fair value	-	-	514,404	-	514,404
Net foreign exchange gains	194,805	944	115,813	1,340	312,902
Other operating incomes	45,698	-	-	20,546	66,244
Net gains of asset disposal	-	-	-	255,242	255,242
Operating income	25,563,431	16,452,602	9,606,889	403,273	52,026,195
Business taxes and surcharges	(341,298)	(249,093)	(45,970)	(4,725)	(641,086)
General and administrative expenses	(7,342,789)	(4,342,166)	(519,809)	-	(12,204,764)
Impairment losses on credit	(7,514,323)	(9,547,963)	(5,326,749)	-	(22,389,035)
Other operating expenses	(16,859)	-	-	(9,822)	(26,681)
Operating expenses	(15,215,269)	(14,139,222)	(5,892,528)	(14,547)	(35,261,566)
Operating profit	10,348,162	2,313,380	3,714,361	388,726	16,764,629
Add: Non-operating income	-	-	-	41,930	41,930
Less: Non-operating expenses	-	-	-	(58,553)	(58,553)
Profit before tax	10,348,162	2,313,380	3,714,361	372,103	16,748,006
Other segment information:					
Depreciation and amortisation	(441,362)	(242,007)	(34,113)	(9,822)	(727,304)
Capital expenditure	534,746	195,463	29,455	-	759,664

	31 December 2020				
	Corporate banking	Personal banking	Treasury business	Others	Total
Segment assets	846,714,964	500,009,069	991,076,352	92,529	2,337,892,914
Segment liabilities	941,546,672	372,076,026	842,032,845	158,098	2,155,813,641
Other segment information:					
Credit commitments	300,976,167	20,412,031	-	-	321,388,198

	2019				
	Corporate banking	Personal banking	Treasury business	Others	Total
External net interest income / (expense)	20,633,425	12,087,557	(5,704,190)	-	27,016,792
Inter-segment net interest income / (expense)	291,664	(367,285)	75,621	-	-
Net interest income	20,925,089	11,720,272	(5,628,569)	-	27,016,792
Fee and commission income	3,663,729	457,440	693,285	-	4,814,454
Fee and commission expense	(146,788)	(55,762)	(69,125)	-	(271,675)
Net fee and commission	3,963,185	1,435,569	624,160	-	6,022,914
Other income	-	-	-	131,133	131,133
Net investment gains	-	-	12,971,956	-	12,971,956
Net losses from changes in fair value	-	-	(183,011)	-	(183,011)
Net foreign exchange gains	184,696	1,720	159,031	(2,845)	342,602
Other operating incomes	27,669	-	-	21,960	49,629
Net gains of asset disposal	-	-	-	102,134	102,134
Operating income	24,654,395	12,123,670	7,943,567	252,382	44,974,014
Business taxes and surcharges	(297,682)	(175,735)	(51,165)	(2,198)	(526,780)
General and administrative expenses	(7,264,541)	(3,725,861)	(540,169)	-	(11,530,571)
Impairment losses on credit	(9,348,982)	(4,320,450)	(3,546,488)	-	(17,215,920)
Other operating expenses	(11,289)	-	-	(10,624)	(21,913)
Operating expenses	(16,922,494)	(8,222,046)	(4,137,822)	(12,822)	(29,295,184)
Operating profit	7,731,901	3,901,624	3,805,745	239,560	15,678,830
Add: Non-operating income	-	-	-	19,393	19,393
Less: Non-operating expenses	-	-	-	(82,737)	(82,737)
Profit before tax	7,731,901	3,901,624	3,805,745	176,216	15,615,486
Other segment information:					
Depreciation and amortisation	(390,983)	(196,708)	(30,481)	-	(618,172)
Capital expenditure	414,122	208,351	32,285	-	654,758

	31 December 2019				
	Corporate banking	Personal banking	Treasury business	Others	Total
Segment assets	759,802,891	404,473,387	900,735,758	46,351	2,065,058,387
Segment liabilities	882,351,002	315,940,849	730,276,980	53,635	1,928,622,466
Other segment information:					
Credit commitments	249,933,218	16,707,965	-	-	266,641,183

8. Commitments and contingent liabilities

(1) Credit commitments

The Group's credit commitments take the form of undrawn loan facilities which are approved and contracted, unutilised credit card limits, issued bank acceptances but not yet matured, financial guarantees, letters of credit.

The contractual amounts of loans and credit card commitments represent the cash outflows should the contracts be fully drawn upon. Acceptances represent undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers. The contractual amounts of guarantees and letters of credit represent the maximum potential loss that would be recognised if counterparties failed to completely perform as contracted.

As credit commitments expire without being drawn upon, the total of the contractual amounts set out in the following table do not represent the expected future cash outflows. In addition to the loan commitments, credit card limit and finance lease commitment, the Group assesses the contingent losses from other credit commitment excluding the loan commitments and credit card limit on a regular basis and recognises estimated liabilities when necessary.

The Group

	31 December 2020	31 December 2019
Loan commitments		
- original contractual maturity less than 1 year	3,485,093	2,178,482
- original contractual maturity more than 1 year (inclusive)	8,249,968	6,433,090
Credit card commitments	20,412,031	16,707,965
Sub-total	32,147,092	25,319,537
Bank acceptances	236,323,235	202,556,016
Guarantees	30,476,728	22,306,252
Letters of credit	22,441,143	16,459,378
Sub-total	289,241,106	241,321,646
Total	321,388,198	266,641,183

(2) Credit risk weighted amount

The Group

	31 December 2020	31 December 2019
Credit risk weighted amount of credit commitments	70,353,215	64,631,952

The credit risk weighted amount of credit commitments was calculated according to the requirements set out in the Administrative Measures on Capitals of Commercial Banks (for Trial Implementation) issued by former CBRC.

(3) Operating lease commitments

As at balance sheet date, the Group's future minimum lease payments under non-cancellable operating leases for properties and other assets were as follows:

	31 December 2020	31 December 2019
Within 1 year (inclusive)	407,574	459,936
After 1 year but within 2 years (inclusive)	323,692	378,642
After 2 years but within 3 years (inclusive)	232,775	305,957
After 3 years but within 5 years (inclusive)	279,973	388,811
Above 5 years	133,893	280,202
Total	1,377,907	1,813,548

(4) Capital commitments

As at the balance sheet date, the Group's authorised capital commitments were as follows:

	31 December 2020	31 December 2019
Contracted for but not paid	836,659	359,493
Authorised but not contracted for	6,597	9,803

(5) Underwriting and redemption commitments

As an underwriting agent of PRC government bonds, the Group has the responsibility to buy back those bonds it previously sold should the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. Accrued interests payable to the bond holders are calculated in accordance with relevant rules of the MOF and the PBOC. The redemption price may be different from the fair value of similar instruments traded in the markets at the redemption date. The redemption commitments below represent the coupon value of PRC government bonds underwritten and sold by the Group and the Bank but not yet matured at the balance sheet date:

	31 December 2020	31 December 2019
Redemption commitments	14,403,719	15,566,406

The Group and the Bank did not have outstanding underwriting and redemption commitments at the balance sheet date.

(6) Unresolved litigations and disputes

As at 31 December 2020, there were 61 litigations whereby the Group acted as defendants in the unresolved litigations. The total related amount of litigations and disputes whereby the Group acted as defendants was RMB678 million (31 December 2019: RMB732 million). The Group has made provision of RMB67.16 million (31 December 2019: RMB95.26 million) for estimated liabilities based on facts and circumstances. The Group's management believed that the final result and execution of these litigations will not have material impact on the Group's financial positions or operating results.

9. Entrusted lending business

The Group provides entrusted lending business services to government agencies, corporations and individuals. All entrusted loans are funded by entrusted funds from these entities and individuals. The Group does not take any credit risk in relation to these transactions. The Group acts as an agent to hold and manage these assets and liabilities at the direction of the entrustor and receives fee income for the services provided. The entrust assets are not assets of the Group and are not recognised in the balance sheets. The relevant surplus funding is accounted for as deposits from customers.

The Group

	31 December 2020	31 December 2019
Entrusted loans	60,185,236	73,126,795
Entrusted funds	60,185,236	73,126,795

10. Risk management of financial instruments

The Group mainly has exposure to the following risks from financial instruments:

- credit risk
- market risk
- liquidity risk
- operational risk

This note presents information about the Group's exposure to each of the above risks and its changes during the year, as well as the Group's objectives, policies and processes for measuring and managing risks, and the Group's management of capital.

Risk management framework

The Group's objectives when managing risk are to meet the requirements of external regulators, debtors and other stakeholders in order to optimise shareholder's value by Maintaining risk exposures within acceptable limits.

The Group established a centralised matrix management organisational structure, and developed policies and processes to identify, measure, monitor and control all kinds of risks. The Group also provided relevant technology and tools support.

The Board is ultimately responsible for determining the Bank's risk appetite, risk management strategy, decision-making risk management policy, organizational structure and basic management system, assuming the ultimate responsibility for risk management, and supervising the implementation of the senior management. The Board has established the Risk Management Committee, which is primarily responsible for performing corresponding risk management authorized by the board of directors. The senior management of the bank is responsible for implementing risk management policies and basic management systems determined by the Board of Directors, formulating and improving various risk management regulations, managing risks in various business operations of the bank, and regularly reporting to the Board of Directors and the Board of Supervisors the risk status of the bank. The internal control and risk management committee under the senior management of the group is the deliberation and decision-making body of the Bank's internal control and risk management. The Risk Management Department is the functional department that leads the overall risk management.

At the Branch level, the bank established the Internal Control, Risk Management Committee and the Risk Director. Compliance Department are established and led the branch's comprehensive risk management. Director of Risk Management at the Branch shall be assessed by Risk Management Department of the Head Office and the head of the Branch on its dual-line management and double-line assessment, and shall report to the risk management line of the head office and the head of the branch. The Group also sets up a risk management team in the main business department. The risk management team is managed by the business department in terms of personnel relations, and the business is subject to the guidance and supervision of the risk management department. The Internal Audit Department will review the implementation of risk management policies and the effectiveness of internal control on a regular and irregular basis.

At the same time, under the framework of the Group's overall risk management policy, each subsidiary of the Group, in line with its own reality, has formulated its own risk management system, established a risk management organizational structure, and set up senior management personnel in charge of risk, which is in accordance with the risk management department of the head office. The subsidiary's comprehensive risk management report are reported regularly as requirements, and comprehensive risk.

(1) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its obligation or commitment to the Group. It arises primarily from the Group's credit businesses and treasury businesses such as investment in debt securities.

Credit business

To identify, assess, monitor and manage credit risk, the Group has established a reporting structure, credit policies and procedures catering for effective credit risk management and implemented systematic control procedures. The Group continues to optimise its credit approval process, reinforce its credit risk management through its processes, and clarify functions and responsibilities of the credit approval cycle. The Risk Management Department is responsible for overall risk management and developing credit policies, management systems based on law and regulations, monetary policies and the Group's operational strategies on a regular basis along with other departments to continue to implement risk management of credit business.

The Group's credit risk management policies include credit investigation, credit approval and post-loan management. For credit investigation, the Group conducted customer credit risk ratings and credit business liabilities rating and completed a credit report; for credit approval, the credit business need to be approved by approver with authorities; for post-loan management, the Group conducted a continuous monitoring of the granted loans and early warning on any negative events that will have an impact on the borrower's ability for repayment on a timely basis and take appropriate action to prevent and control risk.

The Group developed a series of policies to mitigate credit risk, including requiring customers to provide collateral, deposits and corporate or personal guarantees. The Group's acceptable specific collaterals include: buildings and other attached facilities, land use right, machines and equipment, construction in progress, vehicles, inventories, certificate of deposits, equity, bonds, funds, bills, receivables, warehouse receipts, and rights to receive returns etc. In order to control credit risk, the Group will require the borrowers to provide additional collaterals or guarantors once there's evidence indicating the impairment of individual credit assets.

The Group optimise the credit risk structure by setting exposure limits on individual borrowers, group, industries and countries.

The Group adopts a loan risk classification approach to manage its loan portfolio risk. The Group dynamically adjust the loan risk classification to ensure the current loan risk classification mechanism is accord with the regulations of former CBRC at least once a quarter. Loans are generally classified as normal, special mention, substandard, doubtful and loss according to their levels of risk. Substandard, doubtful and loss loans are considered to be non-performing loans.

The core definitions of the five-tier grading of credit assets are set out below:

Normal:	Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.
Special mention:	Borrowers are currently able to service their loans and interest, although repayment may be adversely affected by specific factors.

Substandard: Borrowers' ability to service their loans is in question and they cannot rely entirely on normal business revenues to repay principal and interest. Losses may ensue even when collateral or guarantees are invoked.

Doubtful: Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked.

Loss: Principal and interest of loans cannot be recovered or only a small portion of them can be recovered after taking all possible measures or resorting to all necessary legal procedures.

Treasury business

The Group's treasury operations involve investments in PRC government bonds, other government bonds, financial institution bonds, corporate bonds, inter-bank money market transactions and bank notes transfer discount, etc. The credit risk management for treasury operations is primarily conducted by the Treasury Operating Centre and Inter-bank Department in accordance with the credit risk management policies, procedures and systems.

The Group conducts credit risk management in respect of the treasury operations primarily through the management of credit limits for counterparties. The Group assigns a total credit limit for domestic and foreign financial institutions and sets sub-limits for various business lines. In addition, the Treasury Operating Centre and Inter-bank Department works closely with other departments to form an integrated risk monitoring system for treasury operations.

(a) Measurement of the expected credit loss allowance

According to the new financial instruments standards require that the group confirm the expected credit losses to financial instruments are divided into three stages, and the expected credit loss provision for at the amortized cost measurement model and measured at fair value and the changes are recorded in other comprehensive income of debt instruments, financial assets and impairment of loan commitments and financial guarantees.

Financial instrument risk stage division

Based on whether the credit risk of financial instruments has increased significantly since the initial confirmation, the Group divides each business into three risk stages and reserves the expected credit loss. For the main definitions of the three phases of a financial instrument, refer to Note 3(7)(f).

The judgment of a significant increase in credit risk

Criteria of significant increase in credit risk including but not limited to the followings:

- The overdue date has exceeded 30 days
- A deterioration in credit rating that lead to a significant change the risk of default
- Existing or forecast adverse changes in operation, financial or economic conditions that have a significant effect on the debtor's ability to meet its obligation to the Group
- An actual or expected significant deterioration in the operating results of the debtor;
- Other objective evidence of a significant increase in credit risk

According to the relevant policies issued by regulatory authorities, the Group evaluated the loan deferral applications which was caused by the COVID-19 epidemic, provided temporary deferred repayment facilities for borrowers who meet the policies' conditions, and judged whether the credit risk of financial instruments has increased significantly since the initial confirmation on the basis of the specific terms of deferred repayment and the borrowers' ability to service their loans.

Definition of financial assets with credit impairment

In order to evaluate whether credit impairment of financial assets occurs, the Group generally considers the following factors:

- the overdue date has exceeded 90 days
- Significant financial difficulties with the issuer or debtor
- Debtor breaches contract, such as failure to repay interest or overdue interest or principal payments
- The creditor considers economic or contractual reasons relating to the debtor's financial difficulties, give the debtor concessions that it would not have made under any other circumstances.
- The debtor is likely to go bankrupt or undergo other financial restructuring
- The active market for the financial asset disappears due to financial difficulties
- Other objective evidence of impairment of financial assets

The credit impairment of financial assets may be caused by the joint action of multiple events, but not necessarily by events that can be identified separately.

The measure of expected credit loss

Based on whether the credit risk has increased significantly and whether the financial instrument has suffered a credit impairment, the Group confirms the loss provision for the expected credit loss of different financial instruments for 12 months or the whole duration, respectively. The expected credit loss is the discounted product of three key parameters: default probability (PD), default loss rate (LGD) and default risk exposure (EAD). The relevant definition is as follows:

- Probability of default (PD): the likelihood that the debtor will not be able to meet his obligations in the next 12 months or during the entire remaining period. The group's default probability is adjusted based on the results of the internal rating model, and forward-looking information is added to reflect the debtor's default probability at the time point in the current macroeconomic environment.
- Loss Given Default (LGD): the percentage of the risk exposure loss at the time of default. According to the different business products and collateral and other factors, the default loss rate is also different
- Exposure at Default (EAD): the amount to be paid when default happen

The group determines ECL according to forecast default probability, default loss rate and default risk exposure of a single debt.

The calculation of ECL is related to forward-looking information. According to historical data analysis, the Group recognises key economic indicators regarding ECL such as Gross Domestic Product (GDP), Consumer Price Index (CPI) and Social Finance (SOFI) Stock. The group regularly forecast the indexes of macroeconomic index pool, and make estimation using most related factors.

The Group combines macro data analysis and expert judgment results to set corresponding economic forecast scenarios (higher, flat, and lower) and corresponding measurement coefficients, to calculate the ECL reserves of the Group in corresponding situations.

As at 31 December 2020, the group considered macroeconomic environment under the influence of COVID-19 's epidemic when forecasting forward-looking information and economic scenario weights.

During the reporting period, there has been no significant change in the estimation or key assumptions of the ECL measurement parameters.

Pledged Assets Held

As at 31 December 2020, loans and advances to customers of the Group and the Bank that have already suffered credit impairment are RMB12.659 billion and RMB12.643 billion respectively (31 December 2019: The Group and the bank were RMB12.688 billion and RMB12.676 billion respectively). Among them, the collaterals of the Group and the Bank covering such loans are RMB4.117 billion and RMB4.115 billion respectively (31 December 2019: The Group and the bank were RMB3.605 billion and RMB3.604 billion respectively).

(b) Maximum exposure

As at 31 December 2019，the maximum credit risk exposure of the Group without taking account of any collateral and other credit enhancements is set out below:

	31 December 2020	31 December 2019
Cash and deposits with central bank	145,584,057	130,873,039
Deposits with banks and other financial institutions	43,147,476	33,103,578
Placements with banks and other financial institutions	47,121,635	32,914,906
Derivative financial assets	2,600,601	1,827,159
Financial assets held under resale agreements	6,464,697	6,159,533
Loans and advances to customers	1,165,964,075	1,010,901,288
Financial investments:		
Financial investments measured at fair value through profit or loss	244,914,470	229,755,366
Financial investments measured at amortised cost	507,528,658	476,973,498
Financial investments measured at fair value through other comprehensive income	93,269,900	76,082,306
Financial investments designated at fair value through other comprehensive income	194,970	137,676
Long-term receivables	53,623,665	47,874,891
Others	4,977,048	1,459,430
Sub-total	2,315,391,252	2,048,062,670
Credit Commitments	320,794,773	266,146,681
Maximum exposure	2,636,186,025	2,314,209,351

(c) Financial assets analysed by credit quality

As at 31 December 2020, the Group's financial asset risk stages are divided as follows:

	As at 31 December 2020							
	Cost				Expected credit impairment reserve			
	Stage One	Stage Two	Stage Three	Total	Stage One	Stage Two	Stage Three	Total
Financial assets measured at amortized cost								
Cash and deposits with central bank	145,584,057	-	-	145,584,057	-	-	-	-
Deposits with banks and other financial institutions	43,506,206	-	786,886	44,293,092	(358,730)	-	(786,886)	(1,145,616)
Placements with banks and other financial institutions	47,684,984	-	-	47,684,984	(563,349)	-	-	(563,349)
Financial assets held under resale agreements	6,896,295	-	-	6,896,295	(431,598)	-	-	(431,598)
Loans and advances to customers	1,057,684,386	37,214,942	15,801,533	1,110,700,861	(22,472,728)	(6,707,136)	(11,405,091)	(40,584,955)
Financial investments	489,886,981	24,802,087	6,172,020	520,861,088	(4,050,069)	(4,356,238)	(4,926,123)	(13,332,430)
Total	1,791,242,909	62,017,029	22,760,439	1,876,020,377	(27,876,474)	(11,063,374)	(17,118,100)	(56,057,948)
Financial assets measured at FVOCI								
Loans and advances to customers	95,747,130	101,039	-	95,848,169	(1,347,503)	(8,101)	-	(1,355,604)
Financial investments	92,640,819	325,405	303,676	93,269,900	(78,219)	(10,785)	(189,353)	(278,357)
Total	188,387,949	426,444	303,676	189,118,069	(1,425,722)	(18,886)	(189,353)	(1,633,961)
Credit Commitments	311,298,437	10,038,583	51,178	321,388,198	(508,049)	(59,030)	(26,346)	(593,425)

	As at 31 December 2019							
	Cost				Expected credit impairment reserve			
	Stage One	Stage Two	Stage Three	Total	Stage One	Stage Two	Stage Three	Total
Financial assets measured at amortized cost								
Cash and deposits with central bank	130,873,039	-	-	130,873,039	-	-	-	-
Deposits with banks and other financial institutions	33,192,916	-	758,628	33,951,544	(89,338)	-	(758,628)	(847,966)
Placements with banks and other financial institutions	33,011,550	-	-	33,011,550	(96,644)	-	-	(96,644)
Financial assets held under resale agreements	6,172,157	-	-	6,172,157	(12,624)	-	-	(12,624)
Loans and advances to customers	899,638,242	48,607,270	14,898,843	963,144,355	(18,096,998)	(5,642,151)	(9,682,800)	(33,421,949)
Financial investments	462,384,112	20,787,969	3,625,634	486,797,715	(3,897,242)	(3,544,062)	(2,382,913)	(9,824,217)
Total	1,565,272,016	69,395,239	19,283,105	1,653,950,360	(22,192,846)	(9,186,213)	(12,824,341)	(44,203,400)
Financial assets measured at FVOCI								
Loans and advances to customers	80,683,100	495,782	-	81,178,882	(927,997)	(10,061)	-	(938,058)
Financial investments	76,082,306	-	-	76,082,306	(76,716)	-	-	(76,716)
Total	156,765,406	495,782	-	157,261,188	(1,004,713)	(10,061)	-	(1,014,774)
Credit Commitments	261,090,828	5,524,417	25,938	266,641,183	(448,926)	(31,653)	(13,923)	(494,502)

Note: Simplified method was adopted to financial assets measured at amortized cost when measure impairment provision, thus the three-stage division is not applicable. As at 31 December 2020, the balance of impaired financial assets which has adopted simplified method amounted RMB1.345 billion, and the impairment provision amounted RMB669 million (As at 31 December 2019, the balance of impaired financial assets which has adopted simplified method amounted RMB400 million, and the impairment provision amounted RMB317 million) .

(d) Credit ratings of receivables from inter-banks (excluding accrued interest)

Receivables from inter-banks include deposits and placements with banks and other financial institutions, and financial assets held under resale agreements. Receivables from inter-banks neither overdue nor impaired are rated with reference to major rating agencies recognised by the PBOC. On the balance sheet date, the book value of accounts receivable due from peers is distributed as follows:

The Group

	31 December 2020	31 December 2019
Grade A to AAA	75,854,839	58,958,769
Unrated	22,476,848	13,896,947
Carrying amount	98,331,687	72,855,716

(e) Credit ratings of debt instruments (excluding accrued interest)

The Group adopts a credit rating approach to manage the credit risk of the debt instruments portfolio. Debt instruments are rated with reference to major rating agencies generally recognised by the PBOC. The carrying amounts of debt instruments investments analysed by the rating agency designations as at the balance sheet date are as follows:

The Group

	31 December 2020	31 December 2019
Grade A to AAA	380,514,649	327,859,706
Lower than A	287,750	199,205
Unrated	226,234,003	228,102,752
Carrying amount	607,036,402	556,161,663

(2) Market risk

Market risk is the risk of loss, in respect of the Group's on and off balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates and other prices. The Group's market risk mainly derives from assets and liabilities operating in the market and interest rate risk and foreign exchange rate risk of its products.

The market risk management of the Group oversees the whole process of identifying, measuring, monitoring and controlling market risk. The Group established the market risk management system under the demand of former CBRC. The Board and the Risk Management Committee are responsible for leading the management of market risk and approving the risk management strategy, procedure, quantity criteria, risk quota and etc. The senior management and its Internal Control and Risk Management Committee are responsible for formulating, regularly reviewing and monitoring the policies, procedures and detailed rules of market risk management and the overall evaluation of the Group's market risk management.

The Group is primarily exposed to structural interest rate risk arising from interest generating commercial banking assets and interest bearing commercial banking liabilities and market value fluctuation in transactions. Interest rate risk is inherent in many of its businesses and largely arises from mismatches between the re-pricing dates of assets and liabilities. The Group manages this risk through measures such as the interest rate gap analysis, sensitivity analysis, etc.

The Group's foreign exchange risks mainly arise from the currency structure mismatch of finance assets and liabilities of foreign currency and foreign currency exposure from the foreign exchange derivatives. The Group's major businesses are denominated in RMBbusiness, and the foreign currency exposure is not significant. The Group manages the foreign currency risk mainly by closely monitoring the limit of the currency exposures.

The Group separately monitors the market risk of its trading portfolios and non-trading portfolios. The Group identifies, measures and manages the market risk by using various risk monitoring tools including the gap analysis, position analysis, sensitivity analysis, scenarios analysis and stress test. The Group has established a market risk limit system with business limits, loss limits and market risk limits to monitors the application of these risk limits.

(a) Interest rate risk

Interest rate risk is the likelihood of a loss that may arise from adverse movements in the market interest rate. The Group's interest rate risks arise mainly from mismatches of assets and liabilities and market value fluctuation in transactions.

The Group mainly manages interest rate risks through structuring and adjusting its asset portfolios. The Group monitors interest rate gap analysis and risk exposure analysis to measure static re-pricing profile of the assets and liabilities on a regular basis.

The Group organises meetings of the Asset and Liabilities Management Committee and adjust the structure of assets and liabilities based on market interest rate trends to manage interest rate exposure.

(i) Analysis of re-pricing date structure

The following tables indicate the assets and liabilities as at the balance sheet date by the expected next repricing dates or by maturity dates, depending on which is earlier:

The Group

	31 December 2020					
	Non-interest bearing	Within 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Total
Financial assets						
Cash and deposits with central bank	2,626,483	144,447,160	-	-	-	147,073,643
Deposits and placements with banks and other financial institutions	541,941	56,136,037	32,602,508	988,625	-	90,269,111
Financial assets held under resale agreements	743	6,077,499	386,455	-	-	6,464,697
Loans and advances to customers (Note a)	4,939,601	568,069,849	419,964,234	120,539,768	52,450,623	1,165,964,075
Investments (Note b)	184,957,662	75,732,328	79,858,197	337,568,414	167,791,397	845,907,998
Long-term receivables (Note c)	607,106	5,389,393	13,232,098	33,828,530	566,538	53,623,665
Other financial assets	7,577,649	-	-	-	-	7,577,649
Total financial assets	201,251,185	855,852,266	546,043,492	492,925,337	220,808,558	2,316,880,838
Financial liabilities						
Borrowings from central bank	2,120,730	13,312,000	180,179,120	-	-	195,611,850
Deposits and placements with banks and other financial institutions	1,168,660	84,067,931	91,465,787	-	-	176,702,378
Financial assets sold under repurchase agreements	429	8,797,059	3,689,912	-	-	12,487,400
Deposits from customers	23,636,203	790,012,614	294,390,039	221,830,981	-	1,329,869,837
Debt securities issued	1,005,398	64,256,946	284,968,061	39,770,775	22,997,847	412,999,027
Other financial liabilities	11,636,259	-	-	-	-	11,636,259
Total financial liabilities	39,567,679	960,446,550	854,692,919	261,601,756	22,997,847	2,139,306,751
Gap between assets and liabilities	161,683,506	(104,594,284)	(308,649,427)	231,323,581	197,810,711	177,574,087

	31 December 2019					
	Non-interest bearing	Within 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Total
Financial assets						
Cash and deposits with central bank	3,151,541	129,100,559	-	-	-	132,252,100
Deposits and placements with banks and other financial institutions	275,568	58,571,435	7,171,481	-	-	66,018,484
Financial assets held under resale agreements	3,967	6,155,566	-	-	-	6,159,533
Loans and advances to customers (Note a)	3,825,959	598,778,246	384,394,725	23,902,358	-	1,010,901,288
Investments (Note b)	138,715,871	51,642,239	121,829,484	297,571,169	173,190,083	782,948,846
Long-term receivables (Note c)	593,428	43,335,822	2,050,991	1,842,584	52,066	47,874,891
Other financial assets	3,286,589	-	-	-	-	3,286,589
Total financial assets	149,852,923	887,583,867	515,446,681	323,316,111	173,242,149	2,049,441,731
Financial liabilities						
Borrowings from central bank	1,531,336	2,100,000	119,886,000	-	-	123,517,336
Deposits and placements with banks and other financial institutions	2,087,795	92,341,369	83,569,482	-	-	177,998,646
Financial assets sold under repurchase agreements	24,964	36,073,904	3,014,915	320,490	-	39,434,273
Deposits from customers	20,081,947	652,341,813	250,353,454	282,359,568	425,660	1,205,562,442
Debt securities issued	976,547	68,273,925	246,278,485	21,494,407	22,997,960	360,021,324
Other financial liabilities	10,424,033	-	-	-	-	10,424,033
Total financial liabilities	35,126,622	851,131,011	703,102,336	304,174,465	23,423,620	1,916,958,054
Gap between assets and liabilities	114,726,301	36,452,856	(187,655,655)	19,141,646	149,818,529	132,483,677

a. For loans and advances to customers, the category "Within three months" includes overdue amounts (net of provision for impairment losses) of RMB5.058 billion as at 31 December 2020 (31 December 2019: The balance is RMB6.452 billion). Overdue loans are loans and advances to customers, of which the principal or interest was overdue for one day or more.

b. Financial investments comprise financial investments measured at FVTPL, financial investments measured at amortised cost, financial investments measured at FVOCI, and financial investments designated at FVOCI These investments that are mature within three month include RMB653 million overdue (net of provision for impairment losses) as at 31 December 2020 (2019: RMB1,243 million). The above overdue means that the principal or interest is overdue by 1 day or more.

c. Investment securities classified as receivable that are mature within three month include RMB235 million overdue (net of provision for impairment losses) as at 31 December 2020 (2019:RMB325 million). The above overdue means that the principal or interest is overdue by 1 day or more.

(ii) Sensitivity analysis of interest rate

The Group uses sensitivity analysis to measure the potential effect of changes in interest rates on the Group's net interest income and equity. The following table sets forth the effect on the Group's net interest income and equity from possible interest rate fluctuations with an assumption that all other variables held constant. The effect on net profit refers to the effect of certain interest rate changes on the net profit generated by financial assets and liabilities that are held at the end of the year and are expected to reprice the interest rate within one year. The effect on the equity refers to the effect of fair value changes arising from revaluation of fixed rate available for financial investments measured at fair value held at year end as a result of changes in interest rates.

The Group

	Sensitivity of net interest income	
	31 December 2020	31 December 2019
Change in interest rate (basis points)		
+200	1,388,785	4,154,314
-200	(1,305,719)	(4,147,079)

	Sensitivity of equity	
	31 December 2020	31 December 2019
Change in interest rate (basis points)		
+200	(4,485,062)	(4,150,008)
-200	4,940,983	4,698,074

This sensitivity analysis is based on a static interest rate risk profile of the assets and liabilities. The analysis measures only the impact of changes in interest rates within a year, as reflected by effect on annualised net interest income and equity from the repricing of the Group's assets and liabilities within a year. The analysis is based on the following assumptions:

a. changes in business after balance sheet date is not taken into account, the analysis is based on the static gap at the balance sheet date;

b. all assets and liabilities that reprice or are due within one year will reprice or are due at the beginning of the respective periods;

c. the interest rates of deposits with central bank and demand deposits from customers remain unchanged;

d. there is a parallel shift in the yield curve due to change in interest rates;

e. there are no other changes to the assets or liabilities portfolio; and

f. other variables (including foreign exchange rates) remain unchanged; and

g. impact from interest rate movement on customers' activities, market prices and off-balance sheet items are not considered.

Based on the above assumptions, the actual changes of the Group's net interest income and equity may be different from the results of this sensitivity analysis due to fluctuations in interest rate.

(b) Foreign currency risk

Foreign currency risk is the likelihood of a loss that may arise from adverse movements in the market currency rate. The Group's business transactions are mainly denominated in RMB. Some transactions involve US dollars, Euros or HKDs, as well as a few other currencies. The Group's exchange rate risk comprises risk arising from foreign currency exposures originated from daily treasury businesses and loans and advances to customers, deposits from customers held by the Group and transactions of currency derivative instruments which are not denominated in RMB. The Group's foreign currency risk mainly arises from mismatch of assets and liabilities denominated in foreign currency and currency derivative instruments.

The Group manages the exchange rate risk mainly by imposing limits on the transactions. Moreover, the Group manages its exchange rate risk through transactions and balances and matching foreign currency financial assets with liabilities in the same currency, and manages its foreign currency assets and liabilities portfolio and structured position using derivative instruments. The Group also conducted sensitivity analysis on foreign currency risk on a regular basis.

(i) Foreign currency risk exposure

The Group's exchange rate exposures at the balance sheet date are as follows:

The Group

	31 December 2020			
	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Financial assets				
Cash and deposits with central bank	142,986,553	4,014,425	72,665	147,073,643
Deposits and placements with banks and other financial institutions	58,563,286	25,923,638	5,782,187	90,269,111
Financial assets held under resale agreements	6,464,697	-	-	6,464,697
Loans and advances to customers	1,155,225,334	5,705,521	5,033,220	1,165,964,075
Investments (Note a)	811,730,884	32,065,619	2,111,495	845,907,998
Long-term receivables	53,623,665	-	-	53,623,665
Other financial assets	7,118,672	235,928	223,049	7,577,649
Total financial assets	2,235,713,091	67,945,131	13,222,616	2,316,880,838
Financial liabilities				
Borrowings from central bank	195,611,850	-	-	195,611,850
Deposits and placements with banks and other financial institutions	173,278,983	3,062,708	360,687	176,702,378
Financial assets sold under repurchase agreements	12,487,400	-	-	12,487,400
Deposits from customers	1,278,833,217	49,093,940	1,942,680	1,329,869,837
Debt securities issued	412,999,027	-	-	412,999,027
Other financial liabilities	9,405,949	2,223,413	6,897	11,636,259
Total financial liabilities	2,082,616,426	54,380,061	2,310,264	2,139,306,751
Net position	153,096,665	13,565,070	10,912,352	177,574,087
Credit commitments	296,664,966	19,858,652	4,271,155	320,794,773
Derivative financial instruments (Note b)	1,928,991	(2,066,469)	182,762	45,284

	31 December 2019			
	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Financial assets				
Cash and deposits with central bank	129,227,329	2,966,680	58,091	132,252,100
Deposits and placements with banks and other financial institutions	48,364,088	10,864,974	6,789,422	66,018,484
Financial assets held under resale agreements	6,159,533	-	-	6,159,533
Loans and advances to customers	998,077,473	9,234,115	3,589,700	1,010,901,288
Investments (Note a)	759,840,254	22,311,396	797,196	782,948,846
Long-term receivables	47,874,891	-	-	47,874,891
Other financial assets	2,768,127	513,417	5,045	3,286,589
Total financial assets	1,992,311,695	45,890,582	11,239,454	2,049,441,731
Financial liabilities				
Borrowings from central bank	123,517,336	-	-	123,517,336
Deposits and placements with banks and other financial institutions	177,572,156	426,490	-	177,998,646
Financial assets sold under repurchase agreements	39,434,273	-	-	39,434,273
Deposits from customers	1,158,828,254	45,549,071	1,185,117	1,205,562,442
Debt securities issued	360,021,324	-	-	360,021,324
Other financial liabilities	9,261,090	1,155,666	7,277	10,424,033
Total financial liabilities	1,868,634,433	47,131,227	1,192,394	1,916,958,054
Net position	123,677,262	(1,240,645)	10,047,060	132,483,677
Credit commitments	245,665,391	15,773,667	4,707,623	266,146,681
Derivative financial instruments (Note b)	7,571,858	1,960,423	(9,468,601)	63,680

a. Financial investments comprise financial investments measured at FVTPL, financial investments measured at amortised cost, financial investments measured at FVOCI, and financial investments designated at FVOCI.

b. The derivative financial instruments reflect the net value of the derivative financial instrument contracts.

(ii) Sensitivity analysis of foreign currency risk

The Group uses sensitivity analysis to measure the potential effect of changes in foreign currency exchange rates on the Group's net profit and equity. The following table sets forth the effect on the Group's net profit and equity from possible foreign exchange rate fluctuations with an assumption that all other variables held constant.

The Group

	Sensitivity of net profit and equity	
	31 December 2020	31 December 2019
Change in foreign currency exchange rate		
Appreciation against RMBby 5%	847,264	48,684
Depreciation against RMBby 5%	(847,264)	(48,684)

The sensitivity analysis is based on the following assumptions:

a. changes in business after balance sheet date is not taken into account, the analysis is based on the static gap at the balance sheet date;

b. the foreign currency sensitivity is the gain or loss recognised as a result of a 500-basis point fluctuation in foreign currency exchange rates against RMBat the end of the Relevant Periods (middle price);

c. the fluctuation of exchange rates by 500 basis points is based on the assumption of exchange rates movement over the next 12 months;

d. due to the immaterial proportion of the Group's total assets and liabilities denominated in foreign currencies other than US dollars, when calculating the effect on net profit, other foreign currencies are converted into US dollars for this sensitivity analysis purpose;

e. when calculating the foreign exchange exposures, exposures from foreign currency spot, forward and swap foreign exchange exposures are included;

f. other variables (including interest rates) remain unchanged; and

g. impact from foreign exchange rate change on customers' activities and market prices are not considered.

The above sensitivity analysis is based on the static structure of the assets and liabilities in respect of foreign exchange risk. It has not taken into account the potential efforts from the Group to mitigate the negative effects on profits from foreign currency positions.

Based on the above assumptions, the actual changes in the Group's net profit and equity may be different from the results of sensitivity analysis due to the fluctuations of foreign exchange rate.

(3) Liquidity risk

Liquidity risk is the risk that the commercial banks fail to meet the demands associated with its payables due, new loans and reasonable financing activities, or encounter difficulties in meeting these demands with reasonable costs.

The Group established the liquidity risk management system composed of the Board of Directors and its Risk Management Committee, Senior Management and its Assets and Liabilities Management Committee. The Group's Risk Management Department is leading the management of liquidity risk, and the treasurer established under the Planning and Finance Department is responsible for the specific liquidity risk management work. The Group calculated the liquidity risk based on its estimates of liquidity indicators and liquidity gap and performed periodic liquidity stress tests to identify indicators which may lead to any liquidity risk at the earliest stage. The Group established risk limit management and early warning systems and specific emergency plan, and emergency team to address the liquidity risk. The Group also sets up liquidity risk reporting mechanism by reporting the monitoring of liquidity risk per month and conducting stress tests on a quarterly basis.

The Group's fund for assets are mainly from deposits from customers, which include deposits from corporate and individual customer as well as other banks. These deposits continue to increase overall in recent years with diversified categories and maturity, which are diversified and stable source of funds.

(a) Maturity analysis

The following tables provide an analysis of the financial assets and liabilities of the Group based on the remaining term at each balance sheet date:

The Group

	31 December 2020							
	Indefinite	Overdue / repayable on demand	Within 1 month	Between 1 month and 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Total
Financial assets								
Cash and deposits with central bank	129,230,639	17,843,004	-	-	-	-	-	147,073,643
Deposits and placements with banks and other financial institutions	-	31,851,636	15,963,718	8,553,022	32,912,110	988,625	-	90,269,111
Financial assets held under resale agreements	-	-	6,078,242	-	386,455	-	-	6,464,697
Loans and advances to customers	-	5,952,575	147,366,246	155,377,786	438,037,971	213,699,568	205,529,929	1,165,964,075
Investments (Note i)	176,211,713	644,253	19,068,304	42,007,125	83,461,783	353,331,452	171,183,368	845,907,998
Long-term receivables	-	234,710	1,811,622	3,398,686	13,387,423	34,218,393	572,831	53,623,665
Others financial assets	-	4,977,048	535,599	616,541	1,065,829	382,632	-	7,577,649
Total financial assets	305,442,352	61,503,226	190,823,731	209,953,160	569,251,571	602,620,670	377,286,128	2,316,880,838
Financial liabilities								
Borrowings from central bank	-	-	6,597,531	7,095,514	181,918,805	-	-	195,611,850
Deposits and placements with banks and other financial institutions	-	32,701,221	18,771,976	32,869,712	92,359,469	-	-	176,702,378
Financial assets sold under repurchase agreements	-	-	4,929,530	3,868,022	3,689,848	-	-	12,487,400
Deposits from customers	-	466,660,874	152,078,851	163,547,915	303,196,536	244,385,661	-	1,329,869,837
Debt securities issued	-	-	7,122,266	57,321,838	285,786,301	39,770,775	22,997,847	412,999,027
Other financial liabilities	-	3,807,837	1,223,350	868,784	1,672,456	3,938,525	125,307	11,636,259
Total financial liabilities	-	503,169,932	190,723,504	265,571,785	868,623,415	288,094,961	23,123,154	2,139,306,751
Net position	305,442,352	(441,666,706)	100,227	(55,618,625)	(299,371,844)	314,525,709	354,162,974	177,574,087
Notional amount of derivative financial instruments	-	-	112,678,623	172,145,604	135,330,301	41,103,632	-	461,258,160

	31 December 2019							
	Indefinite	Overdue / repayable on demand	Within 1 month	Between 1 month and 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Total
Financial assets								
Cash and deposits with central bank	123,720,890	8,531,210	-	-	-	-	-	132,252,100
Deposits and placements with banks and other financial institutions	-	19,463,158	17,135,204	22,002,193	7,417,929	-	-	66,018,484
Financial assets held under resale agreements	-	-	6,159,533	-	-	-	-	6,159,533
Loans and advances to customers	-	11,344,027	138,514,655	133,851,067	411,644,784	161,404,176	154,142,579	1,010,901,288
Investments (Note i)	131,997,513	1,242,722	16,233,347	30,413,754	130,498,791	298,190,062	174,372,657	782,948,846
Long-term receivables	-	324,654	1,341,479	2,626,339	11,782,063	31,553,018	247,338	47,874,891
Others financial assets	-	1,439,944	408,693	476,685	694,374	261,570	5,323	3,286,589
Total financial assets	255,718,403	42,345,715	179,792,911	189,370,038	562,037,941	491,408,826	328,767,897	2,049,441,731
Financial liabilities								
Borrowings from central bank	-	-	2,148,020	-	121,369,316	-	-	123,517,336
Deposits and placements with banks and other financial institutions	-	15,479,646	33,214,209	44,715,812	84,588,979	-	-	177,998,646
Financial assets sold under repurchase agreements	-	-	34,552,742	1,541,441	3,017,793	322,297	-	39,434,273
Deposits from customers	-	427,355,835	122,090,080	107,939,315	253,968,666	293,781,942	426,604	1,205,562,442
Debt securities issued	-	-	6,723,745	43,621,778	247,255,033	21,494,407	40,926,361	360,021,324
Other financial liabilities	-	3,506,648	430,934	706,375	2,180,124	3,504,725	95,227	10,424,033
Total financial liabilities	-	446,342,129	199,159,730	198,524,721	712,379,911	319,103,371	41,448,192	1,916,958,054
Net position	255,718,403	(403,996,414)	(19,366,819)	(9,154,683)	(150,341,970)	172,305,455	287,319,705	132,483,677
Notional amount of derivative financial instruments	-	-	94,685,881	70,626,151	149,567,000	22,181,250	-	337,060,282

(I) Financial investments comprise financial investments measured at FVTPL, financial investments measured at amortised cost, financial investments measured at FVOCI, and financial investments designated at FVOCI.

(b) Contractual undiscounted cash flow analysis

The following tables provide an analysis of the contractual undiscounted cash flow of the financial liabilities of the Group at each balance sheet date. The Group's actual cash flows on these instruments may vary significantly from this analysis.

The Group

	31 December 2020								
	Carrying amount	Undiscounted cash flow	Indefinite	Overdue / repayable on demand	Within 1 month	Between 1 month and 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years
Non-derivative financial liabilities									
Borrowings from central bank	195,611,850	199,037,632	-	-	6,606,744	7,130,341	185,300,547	-	-
Deposits and placements from banks and other financial institutions	176,702,378	178,207,408	-	32,701,221	18,778,879	33,011,065	93,716,243	-	-
Financial assets sold under repurchase agreements	12,487,400	12,513,733	-	-	4,937,368	3,881,544	3,694,821	-	-
Deposits from customers	1,329,869,837	1,346,961,041	-	466,660,874	152,412,565	164,305,337	308,010,440	255,571,825	-
Debt securities issued	412,999,027	433,783,878	-	-	7,130,000	57,519,996	292,669,110	49,926,372	26,538,400
Other financial liabilities	9,080,942	9,080,942	-	3,807,837	629,161	278,793	676,745	3,563,099	125,307
Total non-derivative liabilities	2,136,751,434	2,179,584,634	-	503,169,932	190,494,717	266,127,076	884,067,906	309,061,296	26,663,707
Derivative financial instruments									
Derivative financial instruments settled on gross basis of which									
- Total inflow		137,178,908	-	-	56,778,778	34,123,589	46,138,729	137,812	-
- Total outflow		(137,199,243)	-	-	(56,838,883)	(34,135,187)	(46,101,697)	(123,476)	-
Derivative financial instruments settled on net basis		68,003	-	-	1,515	38,148	33,730	(5,390)	-
Total derivative financial instruments		47,668	-	-	(58,590)	26,550	70,762	8,946	-
Credit commitments		321,388,198	-	37,196,683	49,946,417	102,673,410	104,826,776	23,029,121	3,715,791

	31 December 2019								
	Carrying amount	Undiscounted cash flow	Indefinite	Overdue / repayable on demand	Within 1 month	Between 1 month and 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years
Non-derivative financial liabilities									
Borrowings from central bank	123,517,336	126,041,474	-	-	2,164,774	-	123,876,700	-	-
Deposits and placements from banks and other financial institutions	177,998,646	179,794,324	-	15,479,657	33,260,966	45,002,155	86,051,546	-	-
Financial assets sold under repurchase agreements	39,434,273	39,480,516	-	-	34,554,381	1,547,940	3,048,834	329,361	-
Deposits from customers	1,205,562,442	1,224,900,650	-	427,355,835	122,360,227	108,417,969	258,028,292	308,224,777	513,550
Debt securities issued	360,021,324	382,524,749	-	-	6,730,000	43,830,000	253,179,400	28,822,569	49,962,780
Other financial liabilities	8,660,554	8,660,554	-	3,506,648	12,100	263,680	1,506,526	3,276,373	95,227
Total non-derivative liabilities	1,915,194,575	1,961,402,267	-	446,342,140	199,082,448	199,061,744	725,691,298	340,653,080	50,571,557
Derivative financial instruments									
Derivative financial instruments settled on gross basis of which									
- Total inflow		305,953,807	-	-	94,123,429	70,573,924	140,836,673	419,781	-
- Total outflow		(305,879,681)	-	-	(94,133,846)	(70,543,489)	(140,816,322)	(386,024)	-
Derivative financial instruments settled on net basis		(10,446)	-	-	69	45	(627)	(9,933)	-
Total derivative financial instruments		63,680	-	-	(10,348)	30,480	19,724	23,824	-
Credit commitments		266,641,183	-	28,457,951	53,356,101	44,030,738	125,673,661	8,955,272	6,167,460

(4) Operational risk

Operational risk refers to the risk of loss caused by incomplete or problematic internal procedures, employees and information technology systems, and external events. Including legal risks but not tactical risks and reputational risks.

The Group established an operational risk governance structure composed of the Board of Directors and its Risk Management Committee, Senior Management and its Internal Control and Risk Management Committee. The Risk Management Department is responsible managing the Group's operational risk.

The Group identifies, assesses, monitors and controls operational risks by setting up a risk management team with full-time and part-time professionals, adopting a top-down reporting approach and establishing a feedback system on risk events. The operational risk management system includes the following areas:

- enhance risk prevention and improve management system;
- applied three major tools of operational risk to streamline business and management processes. The Group conducts Control Self-Assessment (RCSA) on operational risk, and use Governance, Risk and Compliance system (GRC) to monitor key risk indicators, collect loss data, and identify defects;
- adopts early warning monitoring platform to strengthen automated monitoring of operational risk ;
- and clarifies functions and responsibilities
- implement the quality guidance book online, "Intensify Internal Control, Check for Missing and Missing Leakage" Activities, conduct internal training, risk assessment, internal inspection and employee behaviour investigation;
- identify risks and implement supervision on rectification. The Group implement specific self-examination and comprehensive examination and rolling inspection on each business line to identify risks. The Group also establishes supervision mechanism to develop rectification plan for the identified problems; and
- Implement staff shift and mandatory leave policy.

11. Fair value of financial instruments

(1) Fair value measurement

(a) Fair value hierarchy

The following table presents the fair value information and the fair value hierarchy, at the end of the current reporting period, of the Group's assets and liabilities which are measured at fair value at each balance sheet date on a recurring basis. As at 31 December 2020, the Group's assets and liabilities which are measured at fair value on a recurring basis were not significant. The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement. The levels are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The table below analyses financial instruments, measured at fair value at the balance sheet day by the level in the fair value hierarchy into which the fair value measurement is categorised:

The Group

	31 December 2020			
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
Recurring fair value measurement				
Assets				
Derivative financial assets	-	2,578,654	21,947	2,600,601
Loans and advance	-	94,609,565	1,238,604	95,848,169
Financial investments measured at FVTPL				
- Debt instruments	-	41,672,441	-	41,672,441
- Fund investments	135,197,054	-	-	135,197,054
- Financial product investments	-	-	49,048,939	49,048,939
- Asset management and trust fund	-	258,867	1,456,353	1,715,220
	-	2,258,499	-	2,258,499
- Equity investments	249,160	-	194,709	443,869
- Other investments	-	14,578,448	-	14,578,448
Financial investments measured at FVOCI				
- Debt instruments	-	92,576,615	-	92,576,615
- Asset-backed securities	-	625,634	-	625,634
- Other investments	-	67,651	-	67,651
Financial investments designated at FVOCI				
- Equity investments	-	-	194,970	194,970
Total assets measured at fair value on a recurring basis	135,446,214	249,226,374	52,155,522	436,828,110
Liabilities				
Derivative financial liabilities	-	2,555,317	-	2,555,317
Financial liabilities held for trading	344,031	-	-	344,031
Total liabilities measured at fair value on a recurring basis	344,031	2,555,317	-	2,899,348

	31 December 2019			
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
Recurring fair value measurement				
Assets				
Derivative financial assets	-	1,827,159	-	1,827,159
Loans and advance	-	77,752,279	3,426,603	81,178,882
Financial investments measured at FVTPL				
- Debt instruments	-	20,944,416	-	20,944,416
- Fund investments	126,890,447	-	-	126,890,447
- Financial product investments	-	-	67,350,600	67,350,600
- Asset management and trust fund	-	244,594	11,058,864	11,303,458
- Asset-backed securities	-	815,124	-	815,124
- Equity investments	215,109	-	194,709	409,818
- Other investments	-	2,041,503	-	2,041,503
Financial investments measured at FVOCI				
- Debt instruments	-	73,645,321	-	73,645,321
- Asset-backed securities	-	14,605	-	14,605
- Other investments	-	2,422,380	-	2,422,380
Financial investments designated at FVOCI				
- Equity investments	-	-	137,676	137,676
Total assets measured at fair value on a recurring basis	127,105,556	179,707,381	82,168,452	388,981,389
Liabilities				
Derivative financial liabilities	-	1,763,479	-	1,763,479
Financial liabilities held for trading	21	-	-	21
Total liabilities measured at fair value on a recurring basis	21	1,763,479	-	1,763,500

(b) Level 1 fair value measurement

If there is a reliable active market quote (such as an authorised stock exchange or active open-end fund manager), the closing price of the last trading day prior to the balance sheet date is used as fair value.

(c) Level 2 fair value measurement

The financial instruments of the Group belonging to the second level of fair value measurement mainly include debt investments, bill discounting and derivative financial instruments.

The fair value of discounted bonds and bills is determined based on the quotation of the relevant securities settlement agency or exchange valuation system. The relevant quotation agencies adopted observable input values reflecting market conditions in the process of forming quotations.

The fair value of foreign exchange forwards and swaps, currency interest rate swaps, interest rate swaps, and commodity forward and swap included in the derivative financial instruments is determined by discounting the expected receivable and payable of future contracts and calculating the net present value of the contracts. The discount rate used is the market rate curve of respective currency. System quotations provided by market are used for exchange rates and commodity prices. These interest rate curves and quotations are observable input values that reflect market conditions.

(d) Level 3 fair value measurement

The Group has developed relevant procedures to determine the appropriate valuation techniques and inputs for level 3 fair value measurement on a recurring basis, and regularly reviews the appropriateness of the relevant procedures and determination of the fair value.

Quantitative information of level 3 fair value measurement is as follows:

	Fair value at 31 December 2020	Valuations technique	Unobservable inputs	Range/ value
Wealth management products	49,048,939	Discounted cash flow method	Risk-adjusted discount rate	[2.80%, 4.90%]
Asset management plan	1,456,353	Discounted cash flow method	Risk-adjusted discount rate	[4.00%, 5.95%]
Bill discounting	1,238,604	Discounted cash flow method	Risk-adjusted discount rate	[2.05%, 11.00%]
Unlisted equity investments	389,679	Comparative method of listed companies	Liquidity discount	20%
Over-the-counter interest rate swap	21,947	Discounted cash flow method	Risk-adjusted discount rate	[3.15%, 4.75%]

	Fair value at 31 December 2019	Valuations technique	Unobservable inputs	Range/ value
Wealth management products	67,350,600	Discounted cash flow method	Risk-adjusted discount rate	[3.25%, 4.90%]
Asset management plan	1,355,041	Discounted cash flow method	Risk-adjusted discount rate	[4.30%, 5.94%]
Bill discounting	3,426,603	Discounted cash flow method	Risk-adjusted discount rate	[2.86%, 3.05%]
Unlisted equity investments	332,385	Comparative method of listed companies	Liquidity discount	20%
Over-the-counter interest rate swap	9,703,823	Discounted cash flow method	Risk-adjusted discount rate	[3.90%, 6.80%]

Valuation of the Group's wealth management products, asset management plan, bill discounting, and Over-the-counter interest rate swap uses a technique that employs unobservable market data, and the valuation model used is discounted cash flow model. The unobservable assumptions used by the model includes risk-adjusted discount rate.

The fair value of unlisted investments in equity instruments were determined by the net market ratio of comparable listed companies with the adjustments for liquidity discount. The liquidity discount in the above model was adjusted to an unobservable input value.

As at 31 December 2020 and 2019, the impact of replacing existing unobservable assumptions with other reasonable assumptions on the fair value measurement result is not significant.

The above assumptions and methods provide a consistent basis for the Group to calculate the fair value of its assets and liabilities. Other entities, however, may use different assumptions and methods, and therefore the fair value disclosed by other financial institutions may not be entirely comparable

Reconciliation of the opening and closing balance for assets of level 3 fair value on a recurring basis is as follows:

The Group

2020

		Total gains and losses during the year		Additions and settlements			
	As at January 2020	Recognised in profit or loss	Recognised in other comprehensive income	Additions	Settlement	As at 31 December	For asset held and liabilities assumed at the end of the year, unrealized gains or losses recognised in profit or loss during the year
Assets							
Derivative financial assets							
- Interest rate derivative instruments	-	21,947	-	-	-	21,947	21,947
Loans and advance							
- Bill Discounting	3,426,603	98,862	572	2,220,259	(4,507,692)	1,238,604	-
Financial investments measured at FVTPL							
- Financial product investments	67,350,600	3,802,330	-	544,160,200	(566,264,191)	49,048,939	256,080
- Asset management and trust fund	11,058,864	535,328	-	45,113,250	(55,251,089)	1,456,353	69,135
- Equity investments	194,709	-	-	-	-	194,709	-
Financial investments designated at FVOCI							
-Equity investments	137,676	-	57,294	-	-	194,970	-
Total	82,168,452	4,458,467	57,866	591,493,709	(626,022,972)	52,155,522	347,162

2019

		Total gains and losses during the year		Additions and settlements			
	As at January 2019	Recognised in profit or loss	Recognised in other comprehensive income	Additions	Settlement	As at 31 December	For asset held and liabilities assumed at the end of the year, unrealized gains or losses recognised in profit or loss during the year
Assets							
Derivative financial assets							
- Interest rate derivative instruments	56,424	2,802	-	-	(59,226)	-	-
Loans and advance							
- Bill Discounting	1,335,433	173,124	(2,863)	9,565,369	(7,644,460)	3,426,603	-
Financial investments measured at FVTPL							
- Fund investments	50,058	843	-	-	(50,901)	-	-
- Financial product investments	123,420,568	5,442,814	-	604,772,000	(666,284,782)	67,350,600	173,450
- Asset management and trust fund	2,976,430	455,012	-	31,105,134	(23,477,712)	11,058,864	19,941
- Equity investments	-	-	-	194,709	-	194,709	-
Financial investments measured at FVOCI							
- Asset management and trust fund	1,252,156	11,974	8,827	-	(1,272,957)	-	-
Financial investments designated at FVOCI							
-Equity investments	125,716	-	11,960	-	-	137,676	-
Total	129,216,785	6,086,569	17,924	645,637,212	(698,790,038)	82,168,452	193,391

Details of the above gains or losses charged to profit or loss recognised by the Group in 2020 and 2019 are as follows:

	2020	2019
Realised gains or losses recognised in profit or loss during the year		
- Investment income	98,862	185,098
- Interest income	3,901,139	5,901,524
Unrealised gains or losses recognised in profit or loss during the year		
- Net losses on changes in fair value	347,162	55,891
Gains or losses recognised in other comprehensive income		
Changes in fair value of loans and advances to customers measured at FVOCI	572	(2,863)
- Changes in fair value of financial investments measured at FVOCI	-	8,827
- Changes in fair value of financial investments deignated at FVOCI	57,294	11,960

Analysis of level 3 fair value measurement items on a recurring basis and sensitivity of unobservable inputs is as follows:

The fair value of the Group's wealth management products, asset management plan, bill discounting , and Over-the-counter interest rate swap is determined by discounting the expected cash flow related to the above assets by using the risk-adjusted discount rate. The discount rate used has been adjusted to the counterparties' credit risks and other factors. Fair value measurement and risk-adjusted discount rate are negatively correlated.

The fair value of the Group's unlisted equity instruments investment is determined using the price/earning ratios of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability

(2) Change of items measured at fair value between different levels

During the reporting period, the Group's assets and liabilities measured at fair value have not been changed between different levels.

(3) Change of valuation techniques and the reasons

During the reporting period, valuation techniques used by the Group for fair value measurement were not changed.

(4) Fair value of financial assets and liabilities not measured at fair value

In addition to the following items, there was no significant difference between the carrying amount and the fair value of the Group's other financial assets and liabilities as at 31 December 2020 and 31 December 2019.

	31 December 2020			
	Level 2	Level 3	Fair value	Carrying amount
Financial assets				
Debt investments	329,152,680	179,661,247	508,813,927	507,528,658
Financial liabilities				
Debt securities issued	413,423,942	-	413,423,942	412,999,027

	31 December 2019			
	Level 2	Level 3	Fair value	Carrying amount
Financial assets				
Debt investments	286,679,669	206,704,085	493,383,754	476,973,498
Financial liabilities				
Debt securities issued	366,487,134	-	366,487,134	360,021,324

For the above financial assets and liabilities not measured at fair value, the Group mainly used the following methods to determine their fair value:

(a) Fair value of debt instruments in financial instruments measured at amortised cost, asset-backed securities, negotiable certificate of deposits and debt securities issued are determined based on the quotes provided by the valuation system of securities clearing institutions. Observable inputs that reflect market conditions are used by quotation institutions when preparing the quotation.

(b) There is no quotation for asset management plans and trust plans in financial investments measured at amortised cost. As a result, the Group estimates the fair value of these financial investments by applying the discounted cash flow method. The discount rate used is the yield curve adjusted to the credit risk of these financial investments at the end of reporting year.

12. Related party relationships and transactions

(1) Changes in the shareholding percentage of the Group's substantial shareholders in the reporting period

Company name	Note	31 December 2020	31 December 2019
Jiangsu International Trust Corporation Limited ("Jiangsu Trust")		8.17%	8.04%
Jiangsu Phoenix Publishing & Media Group Corporation Limited ("Phoenix Group")		8.11%	7.81%
Huatai Securities Co., Ltd ("Huatai Securities")		5.63%	5.54%
Wuxi Construction and Development Investment Co., Ltd.		4.81%	4.73%
Jiangsu Broadcasting Corporation		3.05%	3.00%
Suzhou International Development Group Co., Ltd.		2.38%	2.34%
Jiangsu Transportation Holdings Co., Ltd.		1.73%	1.70%
Jiangsu Shagang Group Co., Ltd.	(i)	1.46%	1.98%
China Orient Asset Management Co., Ltd.	(i)	1.22%	2.56%
Yangzhou Modern Financial Investment Group Co., Ltd.		0.86%	0.85%

In addition to the main shareholders identified in accordance with the CAS and the Administrative Measures on Information Disclosure by Listed Companies, the above companies also include the main shareholders identified in accordance with the relevant requirements in the Provisional Measures on Administration of Equities of Commercial Banks.

According to the relevant requirements in the Provisional Measures on Administration of Equities of Commercial Banks, the main shareholders of commercial banks are those who hold or control more than 5% of the shares or voting rights of commercial banks, or hold less than 5% of the total capital or shares but have significant impact on the operation and management of commercial banks. Important impacts include, but are not limited to, the appointment of directors, supervisors or senior managers to commercial banks to influence the financial and operational management decisions through agreements or other means.

The shareholding ratio is calculated on the basis of the total number of shares issued by the Bank to the original A-share shareholders in December 2020 (see Note 5 (25)).

(i) Mr. Zhao Chuanbiao, the supervisor of China Oriental Asset Management Co., Ltd., assigned to Bank of Jiangsu, resigned on August 23, 2019, and Mr. Shen Bin, the director of Jiangsu Shagang Group Co., Ltd., assigned to Bank of Jiangsu, resigned on October 18, 2019.

(2) Transactions with related parties

The significant transaction amounts with related parties and significant balances of transactions with related parties and significant off-balance items as at the balance sheet date:

	Jiangsul Trust and its subsidiaries	Phoenix Group and its subsidiaries	Huatai Securities and its subsidiaries	Company of the key management personnel (Note i) (excluding the above shareholders)	Others	Total	Percentage of associated transaction amount / balances
Significant transactions amount in 2020:							
Interest income	35,216	2,107	14,768	268,404	7,797	328,292	0.36%
Interest expense	(8,460)	(643)	(7,599)	(42,344)	(4,532)	(63,578)	0.11%
Fee and commission income	-	-	2,077	12,631	-	14,708	0.26%
Investment income	34,473	-	-	9,538	-	44,011	0.53%
Net gains on changes of fair value	-	-	-	(3,373)	-	(3,373)	(0.66%)
General and administrative expenses	-	-	(4,754)	-	-	(4,754)	0.04%
Issuance expenses paid	-	-	(11,935)	-	-	(11,935)	N/A
The balances of transactions with related parties as at 31 December 2020:							
Deposits with banks and other financial institutions	-	-	-	735,799	-	735,799	1.66%
Placement with banks and other financial institutes	-	-	500,211	3,249,724	-	3,749,935	7.86%
Financial assets held under resale agreements	-	-	200,008	-	-	200,008	2.90%
Financial investments measured at FVTPL	-	-	-	2,483,158	-	2,483,158	1.01%
Loans and advances to customers	-	100,048	-	4,020,501	186,657	4,307,206	0.36%
Financial investments measured at amortisation cost	1,221,382	-	-	527,709	-	1,749,091	0.34%
Financial investments measured at fair value through other comprehensive income	-	-	-	200,978	-	200,978	0.22%
Deposits from banks and other financial institutions	(2,060)	-	(265,119)	(1,396,073)	-	(1,663,252)	1.33%
Borrowings from banks and other financial institutions	-	(400,084)	-	(400,072)	-	(800,156)	1.55%
Deposits from customers	-	(235,198)	(12,242)	(2,691,002)	(162,361)	(3,100,803)	0.23%
Other liabilities	-	-	(11,585)	-	-	(11,585)	0.11%
Significant off-balance sheet items as at 31 December 2020:							
Credit card commitments	-	-	-	-	68,676	68,676	0.34%
Bank acceptances	-	-	-	1,320,168	-	1,320,168	0.56%
Letter of guarantee	-	-	-	5,967,987	-	5,967,987	19.58%
Letters of credit	-	-	-	36,615	-	36,615	0.16%
Entrusted loans	-	-	-	154,000	-	154,000	0.26%
Credit line	1,221,382	100,048	700,219	17,592,847	255,333	19,869,829	N/A

	Jiangsul Trust and its subsidiaries	Phoenix Group and its subsidiaries	Huatai Securities and its subsidiaries	Company of the key management personnel (Note i) (excluding the above shareholders)	Others	Total	Percentage of associated transaction amount / balances
Significant transactions amount in 2019:							
Interest income	23,041	-	16,070	953,051	4,488	996,650	1.22%
Interest expense	(677)	(509)	(5,007)	(22,179)	(4,541)	(32,913)	0.06%
Fee and commission income	-	11	-	9,775	-	9,786	0.16%
Investment income	-	-	-	2,426	-	2,426	0.02%
Net gains on changes of fair value	2,686	-	-	1,565	-	4,251	(2.32%)
General and administrative expenses	-	-	(6,867)	(569)	-	(7,436)	0.06%
Issuance expenses paid	-	-	(18,762)	-	-	(18,762)	N/A
The balances of transactions with related parties as at 31 December 2019:							
Deposits with banks and other financial institutions	-	-	-	44,655	-	44,655	0.13%
Placement with banks and other financial institutes	-	-	1,000,000	1,655,272	-	2,655,272	8.04%
Financial investments measured at FVTPL	1,002,686	-	-	719,852	-	1,722,538	0.75%
Loans and advances to customers	-	-	-	3,757,787	143,921	3,901,708	0.37%
Financial investments measured at amortisation cost	1,023,041	-	-	1,228,285	-	2,251,326	0.46%
Deposits from banks and other financial institutions	(564,603)	-	(172,294)	(471,624)	-	(1,208,521)	0.88%
Deposits from customers	-	(502,885)	(35,960)	(2,762,526)	(116,776)	(3,418,147)	0.28%
Significant off-balance sheet items as at 31 December 2019:							
Credit card commitments	-	-	-	-	62,093	62,093	0.37%
Bank acceptances	-	-	-	70,558	-	70,558	0.03%
Letter of guarantee	-	539	-	422,300	-	422,839	1.90%
Credit line	2,025,727	539	1,000,000	7,638,945	206,014	10,871,225	N/A

The above-mentioned transactions with related parties are conducted in accordance with general business terms and normal business procedures, and the pricing principles are consistent with independent third-party transactions.

(3) Transactions with its key management personnel

Remuneration of key management personnel:

	2020	2019
Payment for remuneration of key management personnel	19,261	19,798

The group's key management personnel refers to those personnel who have the authority and responsibilities for planning, directing or controlling the Group's activities directly or indirectly, including the board of directors, supervisors and senior management. The group conduct normal banking transactions with these key management personnel during the ordinary business. The transactions and balance between the group and key management personnel are not significant for the year ended 31 December 2020 and 2019.

(4) Transactions with subsidiaries

Significant transactions amounts with subsidiaries during the reporting period are set out as follows:

	2020	2019
Interest income	93,956	129,107
Interest expense	(5,499)	(1,715)
Other operating incomes	2,746	2,883
Investment income	164,214	-
Net losses from changes in fair value	(211)	-

Significant balances with subsidiaries during the reporting period:

	31 December 2020	31 December 2019
Deposits with banks and other financial institutions	85,060	305,546
Placements with banks and other financial institutions	3,173,056	3,755,528
Financial investments measured at fair value through profit or loss	10,006	-
Deposits from banks and other financial institutions	(156,141)	(37,977)

All intra-group transactions and balances are written off when the financial statements is consolidated.

(5) Transactions with annuity plan

In addition to contributions to the Group's annuity fund, no related party transactions have been made during the reporting period.

(6) Significant transactions with related parties

In 2020, the Bank signed a financing guarantee agreement of RMB5.5 billion with a related party, which has come into effect. Apart from the above, there was no significant related party transactions between the Bank and related parties (2019: Nil).

The significant related party transaction refers to a single transaction conducted between the Bank and a related party accounts for more than 1% of the net capital of the Bank, or the total balance with the related party accounts for more than 5% of the Bank's net capital after the transaction.

13. Capital management

The Group's capital management includes capital adequacy ratio management, capital financing management and economic capital management, of which the primary focus is on capital adequacy ratio management. The capital adequacy ratio of commercial banks should meet the Regulation Governing Capital of Commercial Banks (Provisional). The Group calculates the capital adequacy ratio in accordance with guidelines issued by the former CBRC. The capital of the Group is divided into core tier one capital, other tier one capital and tier two capital.

Capital adequacy ratio management is the core of the capital management of the Group. The capital adequacy ratio reflects the soundness of the Group's operations and risk resisting capabilities. The main objective in capital adequacy ratio management is to set an optimal capital adequacy ratio that meets the regulatory requirements by benchmarking against the capital adequacy ratio level of leading global banks with reference to the Group's business environment and conditions. The Group considers its strategic development plans, business expansion plans and risk variable trends when conducting scenario analysis and stress testing and executing other measures to forecast, plan and manage its capital adequacy ratio.

Capital allocation

The Group determines the allocation of its capital to businesses or activities with the objective of maximising the return on risk-adjusted capital. The Group's policies in respect of capital management and allocation are reviewed regularly by the board of directors.

The amount of capital allocated to each business or activity is primarily determined based on regulatory requirements. However, in certain cases, regulatory requirements may not accurately address the varying degree of risks associated with different activities. In such cases, capital may be adjusted to an appropriate level to reflect the risk profiles. The Planning and Finance Department is responsible for the entire capital allocation process.

The adequacy ratio of core tier one capital, the adequacy ratio of tier one capital and the capital adequacy ratio calculated in accordance with Administrative Measures on Capital of Commercial Banks (For Trial Implementation) and other related laws and regulations are as follows:

The Group

	31 December 2020	31 December 2019
Adequacy ratio of core tier one capital	9.25%	8.59%
Adequacy ratio of tier one capital	11.91%	10.10%
Capital adequacy ratio	14.47%	12.89%
Constituent parts of capital		
Core tier one capital:		
- Share capital	14,769,607	11,544,500
- Capital reserve which may be included	27,699,318	16,152,196
- Surplus reserve	19,859,396	17,034,028
- General risk reserve	32,381,679	28,385,510
- Retained earnings	39,260,403	35,265,566
- The portion of minority shareholders' capital which may be included	2,173,622	2,016,515
- Others	4,092,578	4,432,755
Total core tier one capital	140,236,603	114,831,070
Adjustments:		
- Other intangible assets excluding right to use land (deferred tax liabilities deducted)	(52,645)	(61,180)
- Deductible amount in deferred tax assets that rely on future profitability	(138,067)	-

	31 December 2020	31 December 2019
Total adjustments	(190,712)	(61,180)
Net core tier one capital	140,045,891	114,769,890
Other tier one capital		
- Other tier one capital instruments	39,974,758	19,977,830
- The portion of minority shareholders' capital which may be included	289,816	268,869
Total other tier one capital	40,264,574	20,246,699
Adjustments:		
- The bank's tier one capital hold directly or in directly by the Group	-	(32,781)
Net tier one capital	180,310,465	134,983,808
Tier two capital:		
- Tier two capital instruments and their premium	20,700,000	21,400,000
- Extra loan impairment provision	17,392,352	15,405,666
- The portion of minority shareholders' capital which may be included	579,633	537,737
Net tier two capital	38,671,985	37,343,403
Net capital	218,982,450	172,327,211
Total risk weighted assets	1,513,599,663	1,336,504,047

14. Subsequent events

(1) Statement of profit distribution after the balance sheet

The profit appropriation plan for the year ended 31 December 2020 was approved by the Bank's Board of Directors on 28 April 2021 and submitted for approval at the shareholders' meeting.

(2) Suyin KGI Consumer Finance Co.,Ltd

On February 25, 2021, the Bank received the reply from Jiangsu regulatory bureau of China Banking and Insurance Regulatory Commission, approving the opening of its subsidiary Suyin KGI Consumer Financ Co., Ltd. (hereinafter referred to as "Suyin KGI"). Suyin KGI opened on April 9, 2021, and the Bank contributed 50.1%.

15. Comparative figures

Certain comparative figures have been reclassified to meet the presentation requirement for the year.

Bank of Jiangsu Company Limited
Supplemental information to the financial statements
(Expressed in thousands of Renminbi, unless otherwise stated)

1. Non-recurring gain or loss

The Group's non-recurring gain or loss is as follows in accordance with the disclosure requirement of "Regulation on the Preparation of Information Disclosures by Companies Issuing Securities No.1: Non-recurring Gain or Loss" as revised by the China Securities Regulatory Commission ("CSRC") in 2008.

	Note	2020	2019
Gains on disposal of non-current assets		255,242	102,134
Government grants		251,638	131,133
Other losses meeting the definition of non-recurring gain or loss		(16,623)	(63,344)
Net non-recurring gain	(i)	490,257	169,923
Tax impact on the above items		(125,063)	(44,713)
Total		365,194	125,210
Including:			
Non-recurring gain or loss attributable to shareholders of the Bank		363,542	124,675
Non-recurring gain or loss attributable to non-controlling interests		1,652	535

(i) The above non-recurring gain or loss is accounted as gains from asset disposals, other income, non-operating income and non-operating expenses.

Gains or losses on the financial assets which the Group entrusted to others for investing or management, reversal of financial investments credit loss provision, possession and disposal of financial investments measured at FVTPL and financial investments measured at FVOCI and custodian fee income received as trustee are not presented as extraordinary gains and losses because the above gains and losses are generated from normal operation.

2. Return on equity and earnings per share

The Group's return on equity ("ROE") and earnings per share ("EPS") are as follows in accordance with the disclosure requirement of "Regulation on the Preparation of Information Disclosures by Companies Issuing Securities No.9: Return on Equity and Earnings per Share" as revised by the CSRC in 2010 and relevant accounting standards.

	Weighted average ROE (%)		Basic EPS		Diluted EPS	
	2020	2019	2020	2019	2020	2019
Consolidated net profit attributable to ordinary shareholders of the Bank	11.91	12.65	1.21	1.18	1.04	1.04
Consolidated net profit attributable to ordinary shareholders of the Bank, deducted by non-recurring gain or loss	11.60	12.53	1.18	1.17	1.02	1.03

(1) Calculation of earnings per share

(a) Basic earnings per share

For details of calculation of basic earnings per share, refer to Note 5(39).

(b) Basic earnings per share deducted by non-recurring gain or loss

The basic earnings per share after deducting non-recurring gain or loss of the Group is calculated by dividing the consolidated net profit attributable to ordinary shareholders of the Bank after deducting non-recurring gain or loss by the weighted average number of ordinary shares outstanding.

The Group

	2020	2019
Consolidated net profit attributable to ordinary shareholders of the Bank	14,025,745	13,578,609
Non-recurring gain or loss attributable to ordinary shareholders of the Bank	(363,542)	(124,675)
Consolidated net profit attributable to ordinary shareholders of the Bank, deducted by non-recurring gain or loss	13,662,203	13,453,934
Weighted average issued ordinary shares (in thousands)	11,544,508	11,544,461
Basic earnings per share deducted by non-recurring gain or loss (in RMB Yuan)	1.18	1.17

(c) Diluted earnings per share

For details of calculation of diluted earnings per share, refer to Note 5(39).

(d) Diluted earnings per share deducted by non-recurring gain or loss

The diluted earnings per share after deducting non-recurring gain or loss of the Group is calculated by dividing the consolidated net profit attributable to ordinary shareholders of the Bank (diluted) after deducting non-recurring gain or loss by the weighted average number of ordinary shares outstanding (diluted).

The Group

	2020	2019
Consolidated net profit attributable to ordinary shareholders of the Bank (diluted)	14,771,647	14,177,385
Non-recurring gain or loss attributable to ordinary shareholders of the Bank	(363,542)	(124,675)
Consolidated net profit attributable to ordinary shareholders of the Bank, deducted by non-recurring gain or loss(diluted)	14,408,105	14,052,710
Weighted average number of ordinary shares outstanding (diluted) (in thousands)	14,189,938	13,668,071
Diluted earnings per share deducted by non-recurring gain or loss (in RMB Yuan)	1.02	1.03

(2) Calculation of return on weighted average equity

(a) Return on weighted average equity

The return on weighted average equity of the Group is calculated by dividing the consolidated net profit attributable to ordinary shareholders of the Bank by the weighted average consolidated equity attributable to ordinary shareholders of the Bank.:

The Group

	Note	2020	2019
Consolidated net profit attributable to shareholders of the Bank		14,025,745	13,578,609
Weighted average consolidated equity attributable to ordinary shareholders of the Bank	(i)	117,785,296	107,339,325
Return on weighted average equity		11.91%	12.65%

(i) Calculation of weighted average consolidated equity attributable to ordinary shareholders of the Bank:

	2020	2019
Weighted average consolidated equity attributable to ordinary shareholders of the Bank at the beginning of the year	107,339,325	96,733,692
Changes in weighted average consolidated equity attributable to ordinary shareholders of the Bank	10,445,971	10,605,633
Weighted average consolidated equity attributable to ordinary shareholders of the Bank at the end of the year	117,785,296	107,339,325

(b) Return on weighted average equity deducted by non-recurring gain or loss

The return on weighted average equity deducted by non-recurring gain or loss of the Group is calculated by dividing the the consolidated net profit attributable to ordinary shareholders of the Bank after deducting non-recurring gain or loss by the weighted average consolidated equity attributable to ordinary shareholders of the Bank.

The Group

	2020	2019
Consolidated net profit attributable to ordinary shareholders of the Bank, deducted by non-recurring gain or loss	13,662,203	13,453,934
Weighted average consolidated equity attributable to ordinary shareholders of the Bank	117,785,296	107,339,325
Return on weighted average equity deducted by non-recurring gain or loss	11.60%	12.53%

3. Disclosure of leverage ratio

For details of leverage ratio of the Group, refer to the "Investor Relations -- Regulatory Information Disclosure" on the Bank's website (www.jsbchina.cn).

4. Regulatory capital

For details of regulatory capital of the Group, refer to the "Investor Relations -- Regulatory Information Disclosure" on the Bank's website (www.jsbchina.cn).

APPENDIX A – FORM OF IRREVOCABLE STANDBY LETTER OF CREDIT

FM: BANK OF JIANGSU CO., LTD. ZHENJIANG BRANCH (SWIFT: BOJSCNBNXXX)

ADDRESS: ROOM 903, NO.12 GUANCHENG ROAD, ZHENJIANG, JIANGSU PROVINCE, CHINA

DATE: 12 JANUARY 2022

TO BENEFICIARY: THE BANK OF NEW YORK MELLON, LONDON BRANCH (SWIFT: IRVTGB2X) (THE **"BENEFICIARY"**) IN ITS CAPACITY AS TRUSTEE (THE **"TRUSTEE"**) FOR ITSELF AND ON BEHALF OF THE HOLDERS (THE **"BONDHOLDERS"**) OF THE U.S.$150,000,000 1.90 PER CENT. CREDIT ENHANCED BONDS DUE 2023 (THE **"BONDS"**) (ISIN: XS2428709211/COMMON CODE: 242870921), TO BE ISSUED BY HK ONLINK TECHNOLOGY CO., LIMITED (THE **"ISSUER"**), WITH THE BENEFIT OF A KEEPWELL DEED PROVIDED BY ZHENJIANG STATE-OWNED INVESTMENT HOLDING GROUP CO., LTD. (THE **"KEEPWELL PROVIDER"**), AND TO BE CONSTITUTED BY A TRUST DEED DATED 12 JANUARY 2022 (THE **"ISSUE DATE"**) AMONG THE ISSUER, THE KEEPWELL PROVIDER AND THE TRUSTEE (AS AMENDED AND/OR SUPPLEMENTED FROM TIME TO TIME, THE **"TRUST DEED"**).

DEAR SIRS,

RE: OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. [XXXX]

AT THE REQUEST OF OUR CUSTOMER, THE ISSUER, WE, BANK OF JIANGSU CO., LTD. ZHENJIANG BRANCH (THE "**ISSUING BANK**", "**OUR**", "**US**" OR "**WE**"), HEREBY ISSUE OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. [XXXX] IN YOUR FAVOUR, AND FOR THE ACCOUNT OF THE ISSUER, IN RESPECT OF AND IN CONNECTION WITH THE TERMS AND CONDITIONS OF THE BONDS APPENDED TO THE TRUST DEED (THE "**CONDITIONS**") AND THE TRUST DEED. THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS MADE AVAILABLE BY US FOR PAYMENT AGAINST OUR RECEIPT OF A DEMAND SUBSTANTIALLY IN THE FORM SET OUT IN APPENDIX A-1 PRESENTED IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT (A "**DEMAND**") STATING THAT (1) THE ISSUER HAS FAILED TO COMPLY WITH CONDITION 4(B) OF THE CONDITIONS (THE "**PRE-FUNDING CONDITION**") IN RELATION TO PRE-FUNDING THE AMOUNT THAT IS REQUIRED TO BE PRE-FUNDED UNDER THE CONDITIONS AND/OR FAILED TO PROVIDE THE REQUIRED CONFIRMATIONS (AS DEFINED IN THE CONDITIONS) IN ACCORDANCE WITH THE PRE-FUNDING CONDITION OR (2) AN EVENT OF DEFAULT (AS DEFINED IN CONDITION 10 OF THE CONDITIONS) HAS OCCURRED AND THE BENEFICIARY, AS TRUSTEE FOR THE BONDHOLDERS, HAS GIVEN NOTICE IN WRITING TO THE ISSUER THAT THE BONDS ARE IMMEDIATELY DUE AND PAYABLE IN ACCORDANCE WITH THE CONDITIONS. (3) THE ISSUER HAS FAILED TO PAY THE FEES, COSTS, EXPENSES AND OTHER AMOUNTS IT IS OBLIGED TO PAY UNDER THE CONDITIONS IN CONNECTION WITH THE BONDS, THE TRUST DEED, THE AGENCY AGREEMENT AND/OR ANY OTHER TRANSACTION DOCUMENTS RELATING TO THE BONDS WHEN DUE AND SUCH FAILURE HAS CONTINUED FOR A PERIOD OF SEVEN DAYS FROM THE DATE OF THE TRUSTEE DELIVERING ITS DEMAND THEREFOR TO THE ISSUER IN ACCORDANCE WITH THE CONDITIONS.

SUBJECT TO THE TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WE UNCONDITIONALLY AND IRREVOCABLY UNDERTAKE TO YOU THAT, ON AND AFTER THE ISSUE DATE AND FOLLOWING RECEIPT BY US OF A DEMAND PRESENTED BY YOU AS THE TRUSTEE OR ON YOUR BEHALF IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT BY 6:00 P.M. (HONG KONG TIME) ON A BUSINESS DAY BY THE BANK OF NEW YORK MELLON, HONG KONG BRANCH (SWIFT: IRVTHKHX), WHOSE ADDRESS AT THE ISSUE DATE IS AT LEVEL 26, THREE PACIFIC PLACE, 1 QUEEN'S ROAD EAST, HONG KONG, ACTING AS YOUR DELEGATE IN RELATION TO THIS IRREVOCABLE STANDBY LETTER OF CREDIT (THE **"TRUSTEE DELEGATE"**), WE SHALL BY 10:00 A.M. (HONG KONG TIME) ON THE FOURTH BUSINESS DAY AFTER THE BUSINESS DAY ON WHICH WE RECEIVE SUCH DEMAND (OR IF SUCH DEMAND IS RECEIVED ON A DAY WHICH IS NOT A BUSINESS DAY, OR AFTER 6:00 P.M. (HONG KONG TIME) ON A BUSINESS DAY, THEN ON THE FIFTH BUSINESS DAY AFTER THE DAY ON WHICH WE RECEIVE SUCH DEMAND), PAY TO YOU OR TO THE

ORDER OF THE BENEFICIARY THE AMOUNT IN U.S. DOLLARS SPECIFIED IN THE DEMAND IN IMMEDIATELY AVAILABLE FUNDS TO THE ACCOUNT SPECIFIED IN THE DEMAND. "**BUSINESS DAY**" MEANS A DAY (OTHER THAN A SATURDAY, A SUNDAY OR A PUBLIC HOLIDAY) ON WHICH BANKS AND FOREIGN EXCHANGE MARKETS ARE OPEN FOR BUSINESS IN HONG KONG, BEIJING, LONDON, ZHENJIANG AND NEW YORK CITY.

OUR AGGREGATE LIABILITY UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE EXPRESSED AND PAYABLE IN U.S. DOLLARS AND SHALL NOT IN ANY CIRCUMSTANCES EXCEED U.S.$153,850,000 (THE "**MAXIMUM LIMIT**"), AN AMOUNT REPRESENTING ONLY (I) THE AGGREGATE PRINCIPAL AMOUNT OF THE BONDS PLUS INTEREST PAYABLE FOR ONE INTEREST PERIOD (BEING TWELVE MONTHS) IN ACCORDANCE WITH THE CONDITIONS AND (II) U.S.$1,000,000 BEING THE MAXIMUM AMOUNT PAYABLE UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT FOR ANY FEES, COSTS, EXPENSES, INDEMNITY PAYMENTS AND ALL OTHER AMOUNTS PAYABLE BY THE ISSUER OR THE KEEPWELL PROVIDER UNDER OR IN CONNECTION WITH THE BONDS, THE TRUST DEED, THE AGENCY AGREEMENT AND/OR ANY OTHER TRANSACTION DOCUMENT RELATING TO THE BONDS.

SUBJECT TO THE TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, OUR OBLIGATION TO PAY TO YOU IS UNCONDITIONAL, IRREVOCABLE AND ABSOLUTE AND ANY DEMAND BY YOU UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE HONOURED WITHOUT ANY FURTHER ENQUIRY AS TO YOUR RIGHT TO MAKE SUCH DEMAND.

THIS IRREVOCABLE STANDBY LETTER OF CREDIT TAKES EFFECT FROM THE ISSUE DATE AND SHALL REMAIN VALID AND IN FULL FORCE UNTIL 6:00 P.M. (HONG KONG TIME) ON 11 FEBRUARY 2023 (THE "**EXPIRY DATE**")[1] AND SHALL EXPIRE AT THE PLACE OF THE ISSUING BANK. AFTER THE EXPIRY DATE, OUR LIABILITY UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT WILL BE IMMEDIATELY DISCHARGED AND RELEASED EXCEPT FOR ANY DEMAND VALIDLY PRESENTED UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT BEFORE THE EXPIRY DATE THAT REMAINS UNPAID.

PAYMENT WILL BE EFFECTED AFTER OUR RECEIPT OF A DEMAND PRESENTED IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WHICH IS PRESENTED DURING THE PERIOD ON OR AFTER THE ISSUE DATE AND ON OR BEFORE 6:00 P.M. (HONG KONG TIME) ON THE EXPIRY DATE.

ANY DEMAND UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS TO BE PRESENTED BY WAY OF AN AUTHENTICATED SWIFT PRESENTED BY YOU AS TRUSTEE FOR THE BONDHOLDERS OR ON YOUR BEHALF BY THE BANK OF NEW YORK MELLON, HONG KONG BRANCH (SWIFT: IRVTHKHX) (THE "**TRUSTEE DELEGATE**") TO US (SWIFT: BOJSCNBNXXX) ON OR BEFORE 6:00 P.M. (HONG KONG TIME) ON THE EXPIRY DATE WITHOUT THE NEED TO PHYSICALLY PRESENT AN ORIGINAL OF THAT DEMAND AT OUR COUNTER; PROVIDED THAT IN THE EVENT THAT THE SWIFT SYSTEM IS NOT AVAILABLE FOR ANY REASON, YOU AS TRUSTEE FOR THE BONDHOLDERS OR THE TRUSTEE DELEGATE MAY INSTEAD PRESENT A COPY OF THE DEMAND TO US VIA FACSIMILE TRANSMISSION AT +86 511 8444 8019 AND SUCH DEMAND SHALL BE SIGNED BY YOU AS TRUSTEE FOR THE BONDHOLDERS OR THE TRUSTEE DELEGATE AND ACCOMPANIED BY A COPY OF A LIST OF AUTHORISED SIGNATORIES OF THE TRUSTEE OR THE TRUSTEE DELEGATE, AS THE CASE MAY BE, FOLLOWED BY A STATEMENT VIA AUTHENTICATED SWIFT ON THE NEXT BUSINESS DAY ON WHICH THE SWIFT SYSTEM IS AVAILABLE STATING THAT THE LIST OF AUTHORISED SIGNATORIES PROVIDED IS VALID AND EFFECTIVE. IN THE CASE OF A PRESENTATION OF A DEMAND BY WAY OF FACSIMILE TRANSMISSION IN THE CIRCUMSTANCES STATED ABOVE, YOU SHALL ARRANGE FOR THE ORIGINAL DEMAND TO BE DELIVERED AS SOON AS REASONABLY PRACTICABLE THEREAFTER VIA COURIER AT OUR COUNTER AT OUR ADDRESS (AS SPECIFIED ABOVE) DURING OUR NORMAL BRANCH OPENING HOURS. FOR THE AVOIDANCE OF DOUBT, THE DEMAND SHALL BE RECEIVED FOR ALL PURPOSES OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT AND WE SHALL START PROCESSING THE DEMAND UPON RECEIPT OF THE DEMAND SENT TO US BY WAY OF FACSIMILE TRANSMISSION.

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1 *Expiry date is 30 days after maturity.*

ONLY ONE DRAWING UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS PERMITTED.

ALL CHARGES ARE FOR THE ACCOUNT OF THE ISSUER AND, FOR THE AVOIDANCE OF DOUBT, ARE NOT FOR THE ACCOUNT OF THE BENEFICIARY.

NOTWITHSTANDING THE MAXIMUM LIMIT, ALL PAYMENTS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE MADE IN U.S. DOLLARS AND FOR VALUE ON THE DATE SPECIFIED IN THE DEMAND IN IMMEDIATELY AVAILABLE FUNDS WITHOUT ANY DEDUCTION OR WITHHOLDING ON ACCOUNT OF TAX, SET-OFF, COUNTER-CLAIM OR OTHERWISE. IN THE EVENT THAT ANY DEDUCTION OR WITHHOLDING IS REQUIRED BY LAW, THE ISSUING BANK SHALL PAY SUCH ADDITIONAL AMOUNTS AS WILL RESULT IN RECEIPT BY THE TRUSTEE FOR THE BONDHOLDERS OF SUCH AMOUNTS AS WOULD HAVE BEEN RECEIVED BY IT HAD NO SUCH DEDUCTION OR WITHHOLDING BEEN SO REQUIRED BY LAW.

THE BENEFICIARY'S RIGHTS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT MAY BE TRANSFERRED OR RE-TRANSFERRED IN WHOLE OR IN PART TO ANY ADDITIONAL OR REPLACEMENT TRUSTEE APPOINTED AS CONTEMPLATED IN THE TRUST DEED IN RESPECT OF THE BONDS SUBJECT ONLY TO AT LEAST 15 DAYS' WRITTEN NOTICE OF THE APPOINTMENT OF SUCH ADDITIONAL OR REPLACEMENT TRUSTEE HAVING BEEN GIVEN TO US BY OR ON BEHALF OF YOU AS TRUSTEE FOR THE BONDHOLDERS BY AUTHENTICATED SWIFT, OR IN THE EVENT THAT THE SWIFT SYSTEM IS NOT AVAILABLE FOR ANY REASON SUCH WRITTEN NOTICE MAY BE SENT VIA FACSIMILE TRANSMISSION TO US AT +86 511 8444 8019. MULTIPLE TRANSFERS ARE PERMITTED, SUBJECT AS PROVIDED IN THIS PARAGRAPH.

OUR OBLIGATIONS AND LIABILITIES UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE INDEPENDENT. THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS NOT SUBJECT TO ANY CONTRACT, AGREEMENT, CONDITION OR QUALIFICATION. WE MAY NOT TRANSFER, ASSIGN OR NOVATE ANY OF OUR OBLIGATIONS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT.

NOTWITHSTANDING THE FOREGOING PROVISIONS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT AND ARTICLE 36 OF UCP600 (AS DEFINED BELOW), IN THE UNEXPECTED EVENT THAT WE ARE CLOSED FOR ANY REASON, INCLUDING, WITHOUT LIMITATION AS A RESULT OF ANY GOVERNMENTAL ACTION RELATED TO OR IN CONNECTION WITH THE COVID-19 PANDEMIC, WHEN YOU WISH TO PRESENT A DEMAND HEREUNDER ON THE DAY AND AT THE TIME A DEMAND IS ABLE TO BE PRESENTED IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WE AGREE THAT YOU CAN PRESENT THE DEMAND AS DESCRIBED ABOVE FROM THE DATE OF OUR RESUMPTION OF OUR BUSINESS; PROVIDED THAT IF WE ARE CLOSED ON THE EXPIRY DATE, THE EXPIRY DATE SHALL BE AUTOMATICALLY EXTENDED BY, AND SUCH PRESENTATION MAY BE MADE WITHIN, FIVE BUSINESS DAYS AFTER THE DATE ON WHICH WE NOTIFY YOU BY AUTHENTICATED SWIFT, OR IN THE EVENT THAT THE SWIFT SYSTEM IS NOT THEN AVAILABLE FOR ANY REASON VIA FACSIMILE TRANSMISSION (USING THE SWIFT ADDRESS OR, AS THE CASE MAY BE, THE FACSIMILE NUMBER SET OUT ABOVE FOR YOU AS BENEFICIARY) OF OUR RESUMPTION OF OUR BUSINESS. IN THE CASE OF A PRESENTATION OF A DEMAND BY WAY OF FACSIMILE TRANSMISSION IN THE CIRCUMSTANCES STATED ABOVE, YOU SHALL ARRANGE FOR THE ORIGINAL DEMAND TO BE DELIVERED AS SOON AS REASONABLY PRACTICABLE THEREAFTER VIA COURIER AT OUR COUNTER AT OUR ADDRESS (AS SPECIFIED ABOVE) DURING OUR NORMAL BRANCH OPENING HOURS. FOR THE AVOIDANCE OF DOUBT, THE DEMAND SHALL BE RECEIVED FOR ALL PURPOSES OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT AND WE SHALL START PROCESSING THE DEMAND SENT TO US UPON RECEIPT OF THE DEMAND BY WAY OF FACSIMILE TRANSMISSION. THE ABOVE UNEXPECTED EVENT ONLY REFERS TO THE CASE OF FORCE MAJEURE SPECIFIED IN ARTICLE 36 OF UCP600 OR IN THIS IRREVOCABLE STANDBY LETTER OF CREDIT.

ANY SETTLEMENT OR DISCHARGE BETWEEN US AS ISSUING BANK AND YOU AS TRUSTEE FOR THE BONDHOLDERS AND BENEFICIARY SHALL BE CONDITIONAL UPON NO PAYMENT

TO YOU BY THE ISSUER OR ANY OTHER PERSON ON THE ISSUER'S BEHALF BEING AVOIDED (BY VIRTUE OF ANY LAWS OR REGULATIONS RELATING TO BANKRUPTCY, INSOLVENCY, RECEIVERSHIP, LIQUIDATION OR SIMILAR LAWS OF GENERAL APPLICATION FOR THE TIME BEING IN FORCE) AND, IN THE EVENT OF ANY SUCH PAYMENT BEING SO AVOIDED, YOU SHALL BE ENTITLED TO RECOVER THE AMOUNT BY WHICH SUCH PAYMENT IS SO AVOIDED FROM US SUBSEQUENTLY AS IF SUCH SETTLEMENT OR DISCHARGE HAD NOT OCCURRED.

EXCEPT TO THE EXTENT IT IS INCONSISTENT WITH THE EXPRESS TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS (2007 REVISION), INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 600 ("**UCP600**").

THIS IRREVOCABLE STANDBY LETTER OF CREDIT, AND ANY NON-CONTRACTUAL OBLIGATIONS ARISING OUT OF OR IN CONNECTION WITH IT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED IN ACCORDANCE WITH, ENGLISH LAW. WE AGREE THAT (1) THE COURTS OF HONG KONG SHALL HAVE EXCLUSIVE JURISDICTION TO SETTLE ANY DISPUTE ARISING OUT OF OR IN CONNECTION WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT (INCLUDING ANY NON-CONTRACTUAL OBLIGATIONS ARISING OUT OF OR IN CONNECTION WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT), AND (2) THAT THE COURTS OF HONG KONG ARE THE MOST APPROPRIATE AND CONVENIENT COURTS TO SETTLE ANY DISPUTE AND, ACCORDINGLY, THAT WE WILL NOT ARGUE THAT ANY OTHER COURTS ARE MORE APPROPRIATE OR CONVENIENT. IN CASE OF ANY DISPUTE ARISING OUT OF OR IN CONNECTION WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WE AGREE THAT THE DOCUMENTS WHICH START ANY LEGAL ACTION OR PROCEEDINGS ARISING OUT OF OR IN CONNECTION WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT AND ANY OTHER DOCUMENTS REQUIRED TO BE SERVED IN RELATION TO SUCH ACTION OR PROCEEDINGS MAY BE SERVED ON US BY BEING DELIVERED TO US AT COGENCY GLOBAL (HK) LIMITED AT UNIT B, 1/F, LIPPO LEIGHTON TOWER, 103 LEIGHTON ROAD, CAUSEWAY BAY, HONG KONG WHOM WE HAVE APPOINTED AS OUR PROCESS AGENT. IF FOR ANY REASON WE CEASE TO HAVE SUCH ADDRESS IN HONG KONG, WE WILL PROMPTLY APPOINT A SUBSTITUTE PROCESS AGENT AND NOTIFY THE BENEFICIARY OF SUCH APPOINTMENT WITHIN 30 DAYS OF SUCH CESSATION. NOTHING HEREIN SHALL AFFECT THE RIGHT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

APPENDIX A-1
FORM OF DEMAND

To: BANK OF JIANGSU CO., LTD. ZHENJIANG BRANCH (SWIFT: BOJSCNBNXXX)
ADDRESS: ROOM 903, NO.12 GUANCHENG ROAD, ZHENJIANG, JIANGSU PROVINCE, CHINA

(DATE)

Dear Sirs

RE: DEMAND UNDER THE IRREVOCABLE STANDBY LETTER OF CREDIT NO. XXXX IN RESPECT OF THE U.S.$150,000,000 1.90 PER CENT. CREDIT ENHANCED BONDS DUE 2023 (THE "BONDS") ISSUED BY HK ONLINK TECHNOLOGY CO., LIMITED (**THE "ISSUER"**), WITH THE BENEFIT OF A KEEPWELL DEED PROVIDED BY ZHENJIANG STATE-OWNED INVESTMENT HOLDING GROUP CO., LTD. (THE **"KEEPWELL PROVIDER"**)

The undersigned is a duly authorised person of The Bank of New York Mellon, London Branch/The Bank of New York Mellon, Hong Kong Branch which is making a demand as delegate of and on behalf of The Bank of New York Mellon, London Branch which is hereby making a demand as Trustee for itself and on behalf of the Bondholders (the "**Beneficiary**") under your Irrevocable Standby Letter of Credit No. GCXXXX (the "**Irrevocable Standby Letter of Credit**"). Capitalised terms used herein but not defined shall have the meanings given to them in the Irrevocable Standby Letter of Credit.

1. This Demand is made in connection with the following:

   - The Issuer has failed to comply with Condition 4(b) (the **"Pre-Funding Condition"**) in relation to pre-funding the amount that is required to be pre-funded under the Conditions and/or failed to provide the Required Confirmations (as defined in the Conditions) in accordance with the Pre-Funding Condition.

   - An Event of Default (as defined in Condition 10 of the Conditions) has occurred and the Beneficiary, as Trustee for the Bondholders, has given notice in writing to the Issuer that the Bonds are due and payable in accordance with Condition 10 of the Conditions.

   - The Issuer has failed to pay the fees, costs, expenses and other amounts it is obliged to pay under the Conditions in connection with the Bonds, the Trust Deed, the Agency Agreement and/or any other transaction documents relating to the Bonds when due and such failure has continued for a period of seven days from the date of the Trustee delivering its demand therefor to the Issuer in accordance with the Conditions.

2. We hereby demand you to pay U.S.$[AMOUNT] representing the aggregate of (i) interest accrued up to the date when the Bonds cease to bear interest pursuant to the Conditions, (ii) the principal amount of the outstanding Bonds and (iii) the maximum amount payable in respect of fees, costs, expenses, indemnity payments and other amounts payable by the Issuer or the Keepwell Provider, in connection with the Bonds, the Keepwell Deed, the Trust Deed, the Agency Agreement and/or any other transaction documents relating to the Bonds which is due and now outstanding.

3. We hereby request you to pay the above amounts after you receive this Demand in accordance with the Irrevocable Standby Letter of Credit.

4. The proceeds of the drawing under this Demand are to be credited to the following account:

   [Insert account details]

For and behalf of

THE BANK OF NEW YORK MELLON, LONDON BRANCH as Beneficiary in its capacity as Trustee for itself and on behalf of the Bondholders/

THE BANK OF NEW YORK MELLON, HONG KONG BRANCH as Delegate for
THE BANK OF NEW YORK MELLON, LONDON BRANCH as Beneficiary in its capacity as Trustee for itself and on behalf of the Bondholders

By: ______________________________

Name: ______________________________

Title: ______________________________

ISSUER

HK Onlink Technology Co., Limited
香港一聯科技有限公司
Unit A, 3/F.
Cheong Sun Tower
116-118 Wing Lok Street, Sheung Wan
Hong Kong

COMPANY

Zhenjiang State-owned Investment Holding Group Co., Ltd.
(镇江国有投资控股集团有限公司)
No. 61 Nanshan Road
Runzhou District
Zhenjiang City, Jiangsu Province
PRC

TRUSTEE

The Bank of New York Mellon,
London Branch
One Canada Square
London E14 5AL
United Kingdom

PRINCIPAL PAYING AGENT

The Bank of New York Mellon,
London Branch
One Canada Square
London E14 5AL
United Kingdom

REGISTRAR AND TRANSFER AGENT

The Bank of New York
Mellon, Hong Kong Branch
Level 26, Three Pacific Place
1 Queen's Road East
Hong Kong

LC PROCEEDS ACCOUNT BANK AND PRE-FUNDING ACCOUNT BANK

The Bank of New York
Mellon, London Branch
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