

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

THE FOLLOWING OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY UNITED STATES ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE 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 the Offering Circular or make an investment decision with respect to the securities described therein, investors must be purchasing the securities outside the United States in an offshore transaction in reliance on Regulation S under the Securities Act. By accepting the e-mail and accessing the attached Offering Circular, you shall be deemed to have represented to the Managers (as defined in the Offering Circular) and the Issuer (as defined in the Offering Circular) (1) that you and any customers you represent are not, and that the electronic mail address that you gave the Issuer and to which this e-mail has been delivered is not, located in the United States and to the extent you purchase the securities described in the attached Offering Circular, you will be doing so in an offshore transaction pursuant to and in compliance with Regulation S under the Securities Act; and (2) that you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission.

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

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

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Managers or any person who controls them nor any director, officer, employee nor agent of the Issuer, the Managers or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Managers.

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Actions that you may not take: If you receive this notice by e-mail, you should not reply by e-mail to this notice, 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



SHAOXING SHANGYU URBAN CONSTRUCTION GROUP CO., LTD.

(紹興市上虞城市建設集團有限公司)

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

CNY1,100,000,000 3.9 per cent. Bonds due 2025

Issue Price: 100.0 per cent.

The CNY1,100,000,000 3.9 per cent. Bonds due 2025 (the “**Bonds**”) will be issued by Shaoxing Shangyu Urban Construction Group Co., Ltd. (紹興市上虞城市建設集團有限公司) (the “**Issuer**” or the “**Company**”), a company incorporated in the People's Republic of China (the “**PRC**”) with limited liability.

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

The Bonds will be constituted by and have the benefit of, a Deed of Covenant (the “**Deed of Covenant**”) dated 22 July 2022 executed by the Issuer. The Bonds will bear interest on their outstanding principal amount from and including 22 July 2022 at the rate of 3.9 per cent. per annum, payable in arrear on 22 July in each year (each an “**Interest Payment Date**”) commencing on 22 July 2023. 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 (including the China (Shanghai) Pilot Free Trade Zone) or any political subdivision or any authority therein or thereof having power to tax to the extent described under “*Terms and Conditions of the Bonds — Taxation*”.

Neither the Shaoxing Shangyu SASAC (as defined below) nor any other PRC governmental entity has any payment or other obligations under the Bonds or the Deed of Covenant and will not provide a guarantee of any kind for the Bonds. The Bondholders (as defined below) shall have no recourse to the Shaoxing Shangyu SASAC nor any other PRC governmental entity in respect of any obligation arising out of or in connection with the Bonds or the Deed of Covenant. The Bonds are solely to be repaid by the Issuer and the obligations of the Issuer under the Bonds or the Deed of Covenant shall solely be fulfilled by the Issuer as an independent legal person.

Pursuant to the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) (the “**NDRC Circular**”) issued by the National Development and Reform Commission of the PRC (“**NDRC**”) on 14 September 2015 which came into effect on the same day, the Issuer has registered the issuance of the Bonds with the NDRC and obtained a certificate from NDRC on 23 July 2021 evidencing such registration together with confirmation from NDRC relating to the change of bonds structure dated 1 June 2022 and undertakes to file or caused to be filed with the NDRC the requisite information and documents on the issuance of the Bonds within the prescribed timeframe after the Issue Date.

Unless previously redeemed, or purchased and cancelled, the Issuer will redeem each Bond at its principal amount on the Interest Payment Date (as defined in the Terms and Conditions) falling on, or nearest to, 22 July 2025 (the “**Maturity Date**”). At any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (as defined below) (which notice shall be irrevocable), the Issuer may redeem the Bonds in whole, but not in part, at their principal amount, together with any interest accrued to (but excluding) the date fixed for redemption, if the Issuer has or will become obliged to pay Additional Tax Amounts (as defined in the Terms and Conditions) as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of, or the stating of an official position with respect to, such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 15 July 2022, and such obligation cannot be avoided by the Issuer taking reasonable measures available to it. At any time following the occurrence of a Change of Control (as defined in the Terms and Conditions), each holder of Bonds (each a “**Bondholder**”) will have the right, at such Bondholder's option, to require the Issuer to redeem all but not some only of that Bondholder's Bonds on the Put Settlement Date (as defined in the Terms and Conditions) at 101 per cent. of their principal amount, together with accrued interest to (but excluding) such Put Settlement Date. See “*Terms and Conditions — Redemption and Purchase*”.

As there is currently no specific regulations or guidelines relating to the issuance of cross-border debt securities in the China (Shanghai) Pilot Free Trade Zone, there are some uncertainties regarding the interpretation and application of PRC taxation or foreign exchange related laws and regulations to these Bonds. See “*Taxation*”, “*Risk Factors — Risks Relating to the Bonds — Gains on the transfer of the Bonds and interest payable by the Issuer to overseas Bondholders may be subject to income tax and value added tax under PRC tax laws*” and “*Risk Factors — Risks Relating to the Bonds — Stamp duties may also be imposed during the issuance and transfer of the Bonds*”. Investors should consult their own legal and tax advisors as needed before making its investment decision.

For a more detailed description of the Bonds, see “*Terms and Conditions of the Bonds*” beginning on page 44.

The Bonds will be issued in denominations of CNY1,000,000 and integral multiples of CNY10,000 in excess thereof.

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

The Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act**”) and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. For a description of these and certain further restrictions on offers and sales of the Bonds and the distribution of this Offering Circular, see “*Subscription and Sale*”.**

Application in-principle has been received for the listing and quotation of the Bonds on the Singapore Exchange Securities Trading Limited (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 from, admission to the Official List of, and listing and quotation of the Bonds on, the SGX-ST are not to be taken as an indication of the merits of the offering of the Bonds, the Issuer, the Group, its subsidiaries or the quality of disclosure in this Offering Circular. For so long as such Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, such Bonds will be traded on the SGX-ST in a minimum board lot size of at least S\$200,000 (or its equivalent in foreign currencies). Accordingly, the Bonds, if traded on the SGX-ST, will be traded in a minimum board lot size of CNY200,000 with a minimum of 5 board lots to be traded together.

The Bonds will be issued in registered uncertificated form and will be constituted by and have the benefit of, a Deed of Covenant (the “**Deed of Covenant**”) dated 22 July 2022 executed by the Issuer. The Bonds will be initially issued in uncertificated book-entry form entered in China Central Depository & Clearing Co., Ltd. (中央國債登記結算有限責任公司) (“**CCDC**”) on or about 22 July 2022 (the “**Issue Date**”). Beneficial interests in the Bonds will be shown on, and transfers thereof will be effected only through, records maintained by CCDC as described herein. No certificate or other evidence of title, other than the Deed of Covenant, will be issued by, or on behalf of, the Issuer to evidence title to a Bond unless the Issuer determines that certificates should be made available or it is required to do so pursuant to any applicable law or regulation.

Sole Global Coordinator
China Securities International

PRC Coordinator
Guotai Junan

Joint Lead Managers and Joint Bookrunners

China Securities International

Industrial Bank Co., Ltd. Hong Kong Branch

Offering Circular dated 15 July 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 OR ANY OF ITS SUBSIDIARIES OR THAT THE INFORMATION SET FORTH IN THIS OFFERING CIRCULAR IS CORRECT AS AT ANY DATE SUBSEQUENT TO THE DATE HEREOF.

This Offering Circular includes particulars given in compliance with Rules Governing the Listing of Securities on SGX-ST. The Issuer accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirm, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

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

The Issuer has prepared this Offering Circular solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of China Securities (International) Corporate Finance Company Limited and Industrial Bank Co., Ltd. Hong Kong Branch (together, the “**Managers**”) or the Issuer to subscribe for or purchase any of the Bonds. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer and the Managers to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds, and the circulation of documents relating thereto, in certain jurisdictions including the United States, the United Kingdom, Hong Kong, the PRC, Singapore and Japan and to persons connected therewith. For a description of certain further restrictions on offers and sales of the Bonds, and distribution of this Offering Circular, see “*Subscription and Sale*”. By purchasing the Bonds, investors represent and agree to all of those provisions contained in that section of

this Offering Circular. This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for, or otherwise acquire, Bonds. Distribution of this Offering Circular to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised. Each prospective investor, by accepting delivery of this Offering Circular, agrees to the foregoing and to make no photocopies of this Offering Circular or any documents referred to in this Offering Circular.

No person has been or is authorised to give any information or to make any representation concerning the Issuer, the Group or the Bonds other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Managers 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 or the Group 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 Managers 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 Managers or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers has independently verified the information contained in this Offering Circular. Accordingly, no representation, warranty or undertaking, express or implied, is made or given and no responsibility or liability is accepted, by the Managers or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers, as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular or any other information supplied in connection with the Bonds. Nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Managers or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the Issuer, the Managers or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers that any recipient of this Offering Circular should purchase the Bonds. Each person receiving this Offering Circular acknowledges that such person has not relied on the Managers, the Agents or any of their respective affiliates, directors, officers or advisers in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Issuer and the merits and risks involved in investing in the Bonds. See “*Risk Factors*” for a discussion of certain factors to be considered in connection with an investment in the Bonds.

To the fullest extent permitted by law, none of the Managers or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers accepts any responsibility for the contents of this Offering Circular and assume no responsibility for the contents, accuracy, completeness or sufficiency of any such information or for any other statement, made or purported to be made by the Managers or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or on their behalf in connection with the Issuer or the issue and offering of the Bonds. Each of the Managers and the Agents and their respective affiliates, directors, employees, agents, representatives, officers or advisers 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 Managers or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers undertakes to review the results of operations, financial condition or affairs of the Issuer during the life of the arrangements contemplated by

this Offering Circular nor to advise any investor or potential investor in the Bonds of any information coming to the attention of the Managers or the Agents or their respective affiliates, directors, employees, agents, representatives, officers or advisers.

In connection with Section 309B of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), the Issuer has determined the classification of the Bonds as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

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

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

The contents of this Offering Circular have not been reviewed by any regulatory authority in the PRC, 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 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 Managers or their respective affiliates, directors, employees, agents, representatives, officers and 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 Issuer as at and for the years ended 31 December 2019, 2020 and 2021, which has been extracted from the audited consolidated financial statements of the Issuer as at and for the years ended 31 December 2020 and 2021, included elsewhere in this Offering Circular. The audited consolidated financial statements of the Issuer as at and for the years ended 31 December 2020 and 2021 were prepared and presented in accordance with the accounting principles generally accepted in the PRC (“PRC GAAP”) and have been audited by RSM

China CPA LLP (“**RSM China**”), the independent accountants of the Issuer in accordance with Auditing Standards for Chinese Certified Public Accountants. None of the Managers nor their respective affiliates, directors, employees, agents, representatives, officers and advisers has independently verified or checked the accuracy of the audited consolidated financial statements of the Issuer and there can be no assurance that the information contained therein is accurate, truthful or complete. PRC GAAP differs in certain material respect from International Financial Reporting Standards (“**IFRS**”). See “*Summary of Significant Differences Between PRC GAAP and IFRS*”. Investors should seek advice from their financial and tax advisors if they have further questions about the differences.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to the “**PRC**” and “**China**” are to the People’s Republic of China (excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan); all references to the “**United States**” and “**U.S.**” are to the United States of America; all references to “**PRC Government**” are to the people’s government of the PRC and its political subdivisions; all references to “**Hong Kong**” are to the Hong Kong Special Administrative Region of the People’s Republic of China; and all references to “**Renminbi**”, “**RMB**” and “**CNY**” are to the lawful currency of the PRC.

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.

Unless the context otherwise requires, references to “2019”, “2020” and “2021” in this Offering Circular are to the years ended 31 December 2019, 2020 and 2021, respectively.

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

- “**GDP**” refers to gross domestic product;
- “**GFA**” refers to gross floor area;
- “**MOF**” refers to the Ministry of Finance of the PRC;
- “**NDRC**” refers to the National Development and Reform Commission of the PRC or its competent local counterparts;
- “**PBOC**” refers to the People’s Bank of China, the central bank of the PRC;
- “**PRC Government**” refers to the central government of the PRC and its political subdivisions, including provincial, municipal and other regional or local government entities, and instrumentalities thereof, or where the context requires, any of them;
- “**SAFE**” refers to the State Administration of Foreign Exchange of the PRC or its competent local counterparts;
- “**Shangyu District Government**” refers to Shaoxing Shangyu District People’s Government (紹興市上虞區人民政府);
- “**Shaoxing Municipal Government**” refers to Shaoxing Municipal People’s Government (紹興市人民政府);
- “**Shaoxing Shangyu SASAC**” refers to the State-owned Assets Supervision and Administration Commission of Shangyu District, Shaoxing City or its successor;
- “**SCNPC**” refers to the Standing Committee of the National People’s Congress; and
- “**State Council**” refers to the State Council of the PRC.

FORWARD-LOOKING STATEMENTS

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

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

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

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

- changes in global economic conditions; and
- other factors, including those discussed in “*Risk Factors*”.

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

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SUMMARY

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

OVERVIEW

The Group is a state-owned enterprise established in 2002. The Group is the main body of public facility operation, construction of major projects, and urban infrastructure operation of the Shangyu District Government. Since its establishment in 2002, the Group played an important role in implementing the Shangyu District Government’s blueprint for urban planning and municipal construction. It engages in a diverse range of businesses and investments across industries, including land development, urban infrastructure development, resettlement housing development and other businesses, including, but not limited to, environmental and sanitation services, gardening, greening, property leasing and management services.

As at 31 December 2021, the Group had a registered capital of RMB1.0 billion. For the years ended 31 December 2019, 2020 and 2021, the Group’s revenue was RMB2,108.5 million, RMB2,369.8 million and RMB2,187.8 million, respectively. For the same periods, the Group generated a net profit of RMB134.3 million, RMB138.7 million and RMB155.7 million, respectively. As at 31 December 2021, the Group’s total assets amounted to RMB34,789.1 million.

The following summarises the principal business segments of the Group:

Land Development

Land development is one of the principal business segments of the Group. The Group develops land on behalf of the Shangyu District Government. The Group carries out its land development business mainly through its subsidiaries, Chengzhongcun Company and Gaotie Company. The Group’s land development services include, but are not limited to, demolition, consolidation, resettlement of the original inhabitants, site levelling and other relevant functions on the land parcels in accordance with the requirements of the Shangyu District Government. Once the land is developed, the Group transfers the land to the Shangyu District Government for sale to third parties or for public use.

For the years ended 31 December 2019, 2020 and 2021, the Group’s revenue generated from its land development services amounted to RMB273.6 million, RMB515.9 million and RMB515.0 million, respectively, which accounted for 13.0 per cent., 21.8 per cent. and 23.5 per cent. of the Group’s total revenue, respectively.

Urban Infrastructure Development

Under the authorisation of the Shangyu District Government, the Group provides the commissioned construction, engineering construction and construction management services on the urban infrastructure for the Shangyu District Government. The Group carries out its urban infrastructure development business through the Issuer and certain of its subsidiaries, including the Urban and Rural Eco-environmental Development Company, Chengzhongcun Company, the Project Company and the Yuanlin Company. The Group’s urban infrastructure development services include road construction, municipal engineering and landscaping. Depending on the type of agreement, the business models of the urban infrastructure development business can be classified into three sub-categories, namely, the construction contracting services, the engineering construction services and the construction management services.

For the years ended 31 December 2019, 2020 and 2021, the revenue generated from its urban infrastructure development services amounted to RMB146.1 million, RMB673.2 million and RMB481.1 million, respectively, which accounted for 6.9 per cent., 28.4 per cent. and 22.0 per cent. of the Group's total revenue, respectively.

Resettlement Housing Development

The Group carries out its resettlement housing development business through its subsidiaries, Chengzhongcun Company and Haina Company since 2008. The Group is responsible for the development and sale of price-controlled government housing in Shangyu District. The Group carries out its resettlement housing development business under two operating models, namely commissioned construction and self-operated resettlement housing projects. Land used for resettlement housing development is mainly allocated by the Shangyu District Government.

For the years ended 31 December 2019, 2020 and 2021, the Group's revenue generated from its resettlement housing development business amounted to RMB697.8 million, RMB239.3 million and RMB224.9 million, respectively, which accounted for 33.1 per cent., 10.1 per cent. and 10.3 per cent. of the Group's total revenue, respectively.

Merchandising

The Group carries out merchandising business through its subsidiary, the Datong Company. The Datong Company operates Datong Mall (大通商城) independently, which is one of the "Ten Key Commercial Buildings in Shaoxing". Datong Mall mainly provides retail services such as clothing, accessories, home appliances, jewelry, cosmetics, and also operates supermarkets and other department stores. The oil and gas sales business of Datong Company is mainly concentrated in Donghai Gas Co., Ltd. (東海燃氣公司), Dongguan Liquefied Natural Gas Co., Ltd. (東關液化氣公司) and Sinopec Datong Oil and Gas Station Co., Ltd. (中石化大通油氣站公司). The Group mainly provides refueling and filling services to the public within Shangyu District of Shaoxing City.

For the years ended 31 December 2019, 2020 and 2021, the Group's revenue generated from its merchandising business amounted to RMB712.2 million, RMB681.8 million and RMB613.0 million, respectively, which accounted for 33.8 per cent., 28.8 per cent. and 28.0 per cent. of the Group's total revenue, respectively.

Urban Maintenance Businesses

The Group's other businesses primarily comprise of environmental and sanitation services and leasing properties. The Group was authorised by the Shangyu District Government to manage the environmental and sanitation services of the main city and development district of Shangyu District. In addition, the Group generates rental revenue from the Shui'an Xincheng commercial buildings, Phoenix Apartments commercial buildings operated by Haina Company, commercial buildings of Binjiang No. 1 operated by Urban-Rural Construction Asset Operation Management Company, various other public housing units and parking space units, and flower and bird market operated by Yuanlin Company.

For the years ended 31 December 2019, 2020 and 2021, the Group's revenue generated from its environmental and sanitation services and leasing properties business amounted to RMB221.9 million, RMB213.8 million and RMB291.1 million, respectively, which accounted for approximately 10.5 per cent., 9.0 per cent. and 13.3 per cent. of the Group's total revenue, respectively.

COMPETITIVE STRENGTHS

The Group believes that its competitive strengths outlined below distinguish it from its competitors and are important to its success and future development:

- Shangyu District's strategic location;
- Sole operator in Shangyu District engaged in land development, urban infrastructure development and resettlement housing development;
- Strong financial profile with access to multiple sources of capital; and
- Experienced and stable management team.

STRATEGY

As a state-owned company in Shangyu District and under the leadership of Shangyu District Party Committee, Shangyu District Government and Shaoxing Shangyu SASAC, the Group's goal is to grow its asset base, optimise its capital structure and enhance operational efficiency, with a vision to develop Shangyu District into a modernised town and build a green and ecological environment for its residents and businesses. The Group strives to become a regionally competitive supplier and service provider of urban infrastructure, resettlement housing and public facilities. The Group intends to implement the following strategies:

In the 14th Five-Year-Plan period, the Group is committed to ensure the preservation and appreciation of state-owned assets and achieve the Group's growth targets. The Group will also improve management systems and mechanisms, strengthen supervision, standardise operations, and promote a stable and healthy development strategy for the Group.

The Group will follow the strategic positioning of establishing an "innovation zone and quality city". It will align its core businesses to the respective urban planning and development strategies of the national, provincial, municipal and district governments. The Group will expand neighborhood commerce, micro industrial parks, urban organic renewal, cultural and sports facilities operations, and deploy new infrastructure areas such as urban brains, smart cities, and smart communities. The Group will strive to transform Shangyu District into a centre of innovation, quality, harmony and happiness, and thereby coordinate the development of urban and rural areas and fully optimise the use of the Group's assets.

The Group aims to utilise its assets efficiently and develop projects to become a competitive supplier and service provider of urban infrastructure and public facilities, to improve people's happiness, and to promote and accelerate the Greater Bay Area integration in the Yangtze River Delta.

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 Held in CCDC” shall have the same meanings in this summary. For a more complete description of the terms and conditions of the Bonds, see “Terms and Conditions of the Bonds” in this Offering Circular.

Issuer	Shaoxing Shangyu Urban Construction Group Co., Ltd. (紹興市上虞城市建設集團有限公司).
The Bonds	CNY1,100,000,000 3.9 per cent. Bonds due 2025.
CCDC Code	G228009.
Issue Price	The Bonds will be issued at 100.0 per cent. of their principal amount.
Form and Denomination	The Bonds will be issued in registered uncertificated form in denominations of CNY1,000,000 and integral multiples of CNY10,000 in excess thereof. No certificate or other evidence of title, other than the Deed of Covenant, will be issued by, or on behalf of, the Issuer to evidence title to a Bond unless the Issuer determines that certificates should be made available or it is required to do so pursuant to any applicable law or regulation.
Issue Date	22 July 2022.
Interest	The Bonds will bear interest on their outstanding principal amount from and including 22 July 2022, at the rate of 3.9 per cent. per annum, payable in arrear on 22 July in each year, commencing on 22 July 2023.
Maturity Date	22 July 2025.

Status of the Bonds	The Bonds shall constitute direct, unsubordinated, unconditional and (subject to the provisions of Condition 4(a) of the Terms and Conditions) unsecured obligations of the Issuer and shall at all times rank <i>pari passu</i> and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a) of the Terms and Conditions, at all times rank at least equally with all of the Issuer's other present and future unsecured and unsubordinated obligations.
Negative Pledge	The Bonds will contain a negative pledge provision as further described in Condition 4(a) of the Terms and Conditions.
Use of Proceeds	The net proceeds of the offering of the Bonds will be used for debt refinancing, project construction and general working capital. See " <i>Use of Proceeds</i> ".
Events of Default	The Bonds will contain certain events of default as further described in Condition 9 of the Terms and Conditions.
Taxation	<p>All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the PRC (including the China (Shanghai) Pilot Free Trade Zone) or any political subdivision or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.</p> <p>Where such withholding or deduction is made by the Issuer by or within the PRC (including the China (Shanghai) Pilot Free Trade Zone) up to and including the aggregate rate applicable on 15 July 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.</p>

	<p>If the Issuer is required to make a deduction or withholding by or within the PRC (including the China (Shanghai) Pilot Free Trade Zone) 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 to a Holder (or to a third party on behalf of a Holder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his PRC tax residency status or his having some connection with the PRC (including the China (Shanghai) Pilot Free Trade Zone) other than the mere holding of the Bond.</p>
Final Redemption	<p>Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Maturity Date.</p>
Redemption for Change of Control.....	<p>At any time following the occurrence of a 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 such holder’s Bonds on the Put Settlement Date at 101 per cent. of their principal amount, together in each case with accrued interest up to but excluding the Put Settlement Date, as further described in Condition 6(c) of the Terms and Conditions.</p>
Redemption for Taxation Reasons	<p>The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice to the Bondholders (which notice shall be irrevocable), at their principal amount together with any interest accrued to, but excluding, the date fixed for redemption in accordance with Condition 6(b) of the Terms and Conditions, in the event of certain changes affecting taxes of the PRC or any political subdivision or any authority thereof or therein having power to tax, as further described in Condition 6(b) of the Terms and Conditions.</p>
Further Issues	<p>The Issuer is at liberty from time to time without the consent of the Bondholders to create and issue further securities constituted by a deed supplemental to the Deed of Covenant and having the same terms and conditions as the Bonds in all respects (or in all respects save for the issue date, issue price and the amount of the first payment of interest on them and the timing for making of the NDRC Post-issue Filing) and so that the same shall be consolidated and form a single series with the outstanding Bonds, as further described in Condition 12 of the Terms and Conditions.</p>

Principal Agent, Registrar and Transfer Agent	China Central Depository & Clearing Co., Ltd. (中央國債登記結算有限責任公司).
Clearing and Settlement	<p>The Bonds will be initially issued in uncertificated book-entry form entered in CCDC. Beneficial interests in the Bonds will be shown on, and transfers thereof will be effected only through, records maintained by CCDC. Except as described in this Offering Circular, definitive certificates for the Bonds will not be issued in exchange for beneficial interests in the Bonds.</p> <p>So long as the Bonds are centrally held by CCDC, notices to the Bondholders shall be validly given by the delivery of the relevant notice to CCDC, for communication by CCDC to entitled accountholders in substitution for notification as required by the Terms and Conditions.</p>
Principal Agent, Registrar and Transfer Agent	China Central Depository & Clearing Co., Ltd. (中央國債登記結算有限責任公司) (the “CCDC”).
Governing Law	English law.
Listing	Approval in principal has been received 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 from, admission to the Official List of, and listing and quotation of the Bonds on, the SGX-ST are not to be taken as an indication of the merits of the offering of the Bonds, the Issuer, the Group, its subsidiaries or the quality of disclosure in this Offering Circular. For so long as such Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, such Bonds will be traded on the SGX-ST in a minimum board lot size of CNY200,000 with a minimum of 5 board lots to be traded together.
Selling Restrictions	The Bonds have not been and will not be registered under the Securities Act or under any state securities laws of the United States, are being offered only outside the United States in reliance of Regulation S of the Securities Act and will be subject to customary restrictions on transfer and resale. See “ <i>Subscription and Sale</i> ”.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The summary financial information of the Issuer as at and for the years ended 31 December 2019, 2020 and 2021 as set forth below, has been derived from the Issuer's audited consolidated financial statements as at and for the years ended 31 December 2019, 2020 and 2021, respectively, which are included elsewhere in this Offering Circular.

The Issuer's audited consolidated financial statements as at and for the years ended 31 December 2019, 2020 and 2021 were prepared and presented in accordance with PRC GAAP and have been audited by RSM China in accordance with Auditing Standards for Certified Public Accountants in China.

The summary consolidated financial statements of the Issuer as set forth below should be read in conjunction with, and is qualified in their entirety by reference to, the Issuer's audited consolidated financial statements as at and for the years ended 31 December 2019, 2020 and 2021 the notes thereto included elsewhere in this Offering Circular. Historical results of the Issuer are not necessarily indicative of results that may be achieved for any future period. Potential investors must exercise caution when using such data to evaluate the Issuer's financial condition and results of operations.

PRC GAAP differs in certain material respects from the IFRS. For a discussion of certain difference between PRC GAAP and IFRS, please see the section entitled "Summary of Significant Differences Between PRC GAAP and IFRS".

SUMMARY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the year ended 31 December		
	2019	2020	2021
	(RMB'000) (audited)	(RMB'000) (audited)	(RMB'000) (audited)
Revenue	2,108,476	2,369,840	2,187,790
Less: Costs of sales	2,001,520	1,996,534	1,830,875
Taxes and surcharges	25,361	23,665	49,865
Selling and distribution expenses	64,618	60,302	77,011
General and administrative expenses	168,428	224,896	235,353
Finance costs	16,323	20,095	69,241
Impairment loss of assets	(8,571)	(28,712)	—
Add: Gains from changes in fair values	—	6,979	15,726
Credit impairment losses	—	—	10,174
Investment income/(losses)	7,055	51,484	6,161
Including: Investment income/(losses) from associates and joint ventures	5,947	3,880	(2,093)
Gains from disposal of assets	6,332	—	—
Other income	316,641	75,627	200,398
Profit from operations	153,682	149,727	157,905
Add: Non-operating income	2,080	10,476	16,895
Less: Non-operating expenses	2,652	2,102	6,561
Profit before tax	153,110	158,101	168,239
Less: Income tax expenses	18,826	19,368	12,567
Net profit/(loss) for the year	134,284	138,733	155,672
Attributable to owners of the parent	128,889	158,207	166,689
Attributable to non-controlling interests	5,395	(19,475)	(11,017)
Other comprehensive income	—	—	141
Total comprehensive income/(losses) for the year	134,284	138,733	155,814
Attributable to owners of the parent	128,889	158,207	166,831
Attributable to non-controlling interests	5,395	(19,475)	(11,017)

SUMMARY CONSOLIDATED STATEMENTS OF BALANCE SHEET

	As at 31 December		
	2019	2020	2021
	(RMB'000)	(RMB'000)	(RMB'000)
	(audited)	(audited)	(audited)
Current assets:			
Cash and cash equivalents	2,938,343	2,002,003	2,259,974
Notes receivable	965	500	100
Accounts receivable	184,641	175,737	257,536
Prepayment	27,963	122,201	85,035
Other receivables	2,032,167	1,300,536	1,425,651
Inventories	21,007,859	22,693,028	23,106,045
Contract assets	—	—	55,131
Other current assets	72,515	136,017	182,314
Total of current assets	26,264,454	26,430,022	27,371,786
Non-current assets:			
Available-for-sale financial assets	114,900	99,372	—
Long-term receivable	—	—	2,000
Long-term equity investments	79,908	77,871	81,095
Other equity instrument investments	—	—	25,550
Other non-current financial assets	—	—	62,322
Investment properties	836,515	625,930	566,952
Property, plant and equipment	648,937	1,147,371	1,998,170
Construction in progress	222,290	522,020	677,551
Intangible assets	1,552,450	1,524,006	3,954,904
Goodwill	1,378	1,378	1,378
Long-term deferred expenses	36,652	42,855	34,329
Deferred tax assets	1,313	570	765
Other non-current assets	—	12,250	12,250
Total of non-current assets	3,494,343	4,053,624	7,417,266
Total assets	29,758,797	30,483,646	34,789,052
Current liabilities:			
Short-term borrowings	1,225,500	1,277,050	1,795,108
Notes payable	23,161	7,440	1,488
Accounts payable	474,110	333,940	321,130
Advances from Customers	105,388	101,518	44,422
Contract liabilities	—	—	253,966
Employee benefits payable	14,052	10,263	22,198
Taxes payable	34,893	38,016	35,351
Other payables	772,754	1,151,646	665,012
Non-current liabilities maturing within one year	1,930,810	1,358,635	2,416,108
Other current liabilities	—	—	23,278
Total of current liabilities	4,580,667	4,278,508	5,578,060
Non-current liabilities:			
Long-term borrowings	4,457,044	4,667,412	3,734,888
Bonds payable	3,082,900	3,551,894	5,213,736
Long-term payables	776,969	802,969	1,548,779
Deferred income	41,550	40,566	71,390
Deferred income tax liabilities	—	33,883	37,814
Total of non-current liabilities	8,358,463	9,096,724	10,606,607
Total liabilities	12,939,131	13,375,233	16,184,667
Owners' equity:			
Paid-in capital	170,000	170,000	170,000
Capital reserve	13,769,067	15,107,401	16,440,350
Other comprehensive income	—	—	141
Surplus reserve	84,106	85,000	85,000
Retained earnings	1,009,166	1,284,169	1,442,947
Total owner's equity attributable to parent company	15,032,339	16,646,571	18,138,438
Non-controlling interest	1,787,327	461,842	465,947
Total owners' equity	16,819,666	17,108,413	18,604,386
Total liabilities and owners' equity	29,758,797	30,483,646	34,789,052

SUMMARY CONSOLIDATED CASH FLOWS STATEMENTS DATA

	For the year ended 31 December		
	2019	2020	2021
	(RMB'000) (audited)	(RMB'000) (audited)	(RMB'000) (audited)
Cash flows from operating activities			
Cash receipts from the sale of goods and the rendering of services	2,215,219	2,539,222	2,249,830
Receipts of tax refund	—	—	321
Other cash receipts relating to operating activities	3,863,368	1,559,356	1,493,856
Subtotal of cash inflows from operating activities	6,078,587	4,098,578	3,744,008
Cash payments for goods purchased and services received	2,995,027	3,775,228	4,104,649
Cash payments to and on behalf of employees	182,239	214,085	223,045
Payments of taxes	94,991	83,042	120,389
Other cash payments relating to operating activities	1,217,033	277,710	1,022,531
Subtotal of cash outflows from operating activities	4,489,291	4,350,426	5,470,614
Net cash flows from operating activities	1,589,296	(251,847)	(1,726,606)
Cash flows from investing activities			
Cash receipts from disposal and redemption of investments	—	38,391	11,000
Cash receipts from returns on investments	6,047	47,604	584
Net cash receipts from disposals of property, plant and equipment, intangible assets and other long-term assets	15,647	50	4,414
Net cash received from disposals of subsidiaries or other business units	312	—	—
Other cash receipts relating to investing activities	—	3	47,500
Subtotal of cash inflows from investing activities	22,006	86,049	63,498
Cash payments to acquire fixed, intangible and other long-term assets	287,983	279,406	415,261
Cash payments to acquire investments	5,120	22,042	11,100
Other cash payments relating to investing activities	21	—	—
Subtotal of cash outflows from investing activities	293,125	301,448	426,361
Net cash flows from investing activities	(271,119)	(215,399)	(362,863)
Cash flows from financing activities			
Cash receipts from capital contributions	—	150,000	18,917
Cash receipts from borrowings	3,015,650	5,257,530	7,395,868
Other cash receipts relating to financing activities	252,026	175,219	3,646,697
Subtotal of cash inflows from financing activities	3,267,676	5,582,749	11,061,482
Cash repayments of borrowings	4,213,838	5,449,740	5,219,808
Cash payments for dividends, distribution of profit and interest expenses	715,687	427,306	698,113
Other cash payments relating to financing activities	141,575	12,128	2,764,794
Subtotal of cash outflows from financing activities	5,071,101	5,889,174	8,682,715
Net cash flows from financing activities	(1,803,424)	(306,425)	2,378,766
Effect of foreign exchange rate changes on cash and cash equivalents	16,246	(45,888)	(29,185)
Net increase/(decrease) in cash and cash equivalents	(469,001)	(819,560)	260,113
Plus: Cash and cash equivalents at the beginning of the period	3,287,075	2,818,074	1,998,515
Cash and cash equivalents at the end of the period	2,818,074	1,998,515	2,258,628

RISK FACTORS

Prior to making an investment decision, prospective investors should carefully consider the following risk factors, along with the other matters set out in this Offering Circular. PRC laws and regulations may differ from the laws and regulations in other countries. Additional risks not described below or not currently known to the Issuer or that it currently deems immaterial may also adversely affect the Group's business, financial condition or results of operations or the value of the Bonds. The Issuer believes that the risk factors described below represent the principal risks inherent in investing in the Bonds, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Bonds may occur for reasons which may not be considered as significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

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

This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this Offering Circular.

RISKS RELATING TO THE GROUP'S BUSINESSES

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

The Group primarily engages in business in Shangyu District in (i) land development; (ii) urban infrastructure development; (iii) resettlement housing development; (iv) merchandising; (v) other businesses including environmental and sanitation service and property leasing and the Group's revenue is substantially derived from its operating activities in the PRC, particularly Shaoxing. Therefore, the performance of the PRC economy has a material effect on the Group's business, prospects, financial condition and results of operations.

The PRC experienced rapid growth in the past 30 years. There has been a slowdown in the gross domestic product ("GDP") growth of the PRC since the second half of 2013 and this has raised market concerns that the historic rapid growth of the economy of the PRC may not be sustainable. Although the PRC economy continues to grow at a faster rate than that of many countries, the rate of growth has slowed down in recent years, primarily as a result of the coronavirus (COVID-19) pandemic. In 2019, 2020 and 2021, the PRC's GDP grew 6.0 per cent., 2.2 per cent. and 8.1 per cent., respectively, according to the National Bureau of Statistics of China. There can be no assurance that the PRC government will continue to implement economic reforms and the PRC government's inability to effect timely economic reforms may have a material adverse effect on the Group's business, financial condition and results of operations.

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

The Group's business, which is targeted at and concentrated in the Shangyu District of Shaoxing, is closely intertwined with the development of the area. In particular, the PRC government's policies regarding Shaoxing have given rise to unique business opportunities for the Group. Similarly, the Group's business is also heavily dependent on the PRC government's policies relating to Shaoxing and the economic activity in Shaoxing.

Key factors affecting the development of Shaoxing include the PRC central government's policies and priority relating to the development of different regions across the country, and the economic conditions in Shaoxing and in the PRC generally. There can be no assurance that the level of economic activity in Shaoxing will continue to grow at the pace that it has achieved in the past, or at all, and any changes in such policies may have a material adverse effect on the Group's business, financial condition and results of operations.

In addition, there can be no assurance that the Group's business segments will continue to develop at their current rate of growth or at all. As at 31 December 2021, the land development business of the Group accounted for 23.5 per cent. of the Group's total revenue. If the land development industry, in which the Group has invested substantial amounts, does not continue to develop, at all or at the expected rate, the business and revenue of the Group's business may be adversely affected.

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

The Group's business relies heavily on policies promulgated by the PRC government and investment by such governments, in particular the Shaoxing Shangyu SASAC, since it conducts its land development business and urban infrastructure development business on behalf of the local government. Infrastructure investment by the government is subject to, among others, periodic variations due to national and regional economic policies and changes in the development of the PRC economy. Furthermore, the Group's projects often require large capital investments and implementation of such plans may be limited by the capital available for investment by local governments. If there is any adverse change in the government budgets, public expenses and public policies, the Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

The Group's businesses and assets are highly concentrated in Shaoxing, specifically in Shangyu District. Accordingly, the Group's business, financial condition and results of operations have been and will continue to be heavily dependent on the level of economic activity in Shaoxing. There can be no assurance that the level of economic activity in Shaoxing will continue to grow at the pace that it has achieved in the past, or at all, and in the event of any unfavourable developments, the Group's business, financial condition and results of operations may be adversely affected.

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

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

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

The Group has a large number of portfolio companies operating in multiple industries. As at 31 December 2021, the Group had 18 directly-owned subsidiaries whose financial statements were consolidated into

the Group's financial statements in accordance with PRC GAAP and some of these subsidiaries in turn operated or invested in a large number of subsidiaries and associated companies. The Group's businesses include: (i) land development; (ii) urban infrastructure development; (iii) resettlement housing development; (iv) merchandising; and (v) other businesses including environmental and sanitation service and property leasing. As such, the Group is exposed to risks associated with multiple businesses, including:

- the Group is exposed to business, market and regulatory risks relating to different industries and markets, and may from time to time expand its businesses to new industries and markets in which it has limited operating experience. The Group may need to devote substantial resources to become familiar with, and monitor changes in, different operating environments so that it can succeed in its businesses;
- due to the large number of the Group's portfolio companies, the successful operation of the Group requires an effective management system and the relevant management experience in the different industries that the Group operates in. As the Group continues to grow its businesses, the Group's operations may become more complex which would increase the difficulty of implementing its management system and acquiring the relevant management experience; and
- the Group may provide borrowing guarantees to certain of its subsidiaries and associated companies. As at 31 December 2021, the Group's outstanding guarantees amounted to RMB3.7 billion, accounting for 20.2 per cent. of the Group's net assets. If a subsidiary or associated company defaults on any borrowings lent or guaranteed by the Group, the Group will not receive the repayment as planned or the relevant lender may exercise its right under the guarantee to demand repayment from the Group. The occurrence of either of these types of events may result in a funding shortage at the Group level and adversely affect the Group's ability to provide financial support to its other portfolio companies. If the Group's financial or non-financial support ceases or diminishes for any reason, the operations of the relevant portfolio companies may be materially and adversely affected, which in turn may have a material and adverse effect on the Group's business, financial condition and results of operations.

The Group faces risks associated with contracting with public entities, such as the Shaoxing Municipal Government.

As at the date of this Offering Circular, the Group is directly owned by Shaoxing Shangyu State-owned Capital Investment Operation Co., Ltd. and the Shaoxing SASAC. The Group contracts with the Shaoxing Municipal Government and its controlled entities when it carries on a large number of business activities, such as infrastructure construction and operation. Accordingly, the Shaoxing Municipal Government has a significant influence on the Group's business, major investment decisions, development strategies, management and financial condition. The Shaoxing Municipal Government may not take actions that are in the Group's best commercial interests or that aim to maximise the Group's profit when it carries out its administrative function and implements the PRC government's policies. Those actions, which may be beneficial to Shaoxing City or Zhejiang Province as a whole, could have a material adverse effect on the Group's business, financial condition, and results of operations.

The Group's business, results of operations and financial condition may also be affected by the Shaoxing Municipal Government's ability to perform its contractual obligations relating to the Group's infrastructure construction and operation business. The Group undertakes a large number of infrastructure projects for city development projects in Shangyu District, Shaoxing. The ability of the Shaoxing Municipal Government or its relevant departments to perform its payment obligations is heavily dependent on its financial health and stability, which are in turn affected by a large number of factors beyond the Group's control. Failure of the Shaoxing Municipal Government or its relevant departments to pay the Group service fees will have a material adverse effect on the Group's business, financial position and results of operations.

The Group may cease to receive tax incentives, government subsidies and grants, the loss of which, or a reduction in which, could reduce the Group's profits.

The Group is a state-owned enterprise, owned by Shaoxing Shangyu State-owned Capital Investment Operation Co., Ltd. and Shaoxing Shangyu SASAC. Since the establishment of the Group, it has been receiving benefits from the PRC government, including fund allocation, capital and asset injection and beneficial tax treatment. For the years ended 31 December 2019, 2020 and 2021, the Group received subsidies of RMB316.6 million, RMB75.6 million and RMB200.4 million, respectively, from the Shangyu District Government and/or other PRC government entities or departments. However, there can be no assurance that the Group will continue to receive the same tax incentives, government subsidies and assistance or enjoy the same preferential treatment, and there is no assurance that the current government policy that is favourable to the Group will not change in the future. Any loss of or reduction in tax incentives, government subsidies or grants could have a material adverse effect on the Group's business, financial position and results of operations.

The Group has historically experienced volatile and negative net operating cash flows.

The Group's ability to make payments on its debt, fund its other liquidity needs and make planned capital expenditures will depend on its ability to generate cash in the future. The Group's historical results have been subject to fluctuations and the Group incurred net cash outflows from operating activities in the past. For the years ended 31 December 2020 and 2021, the Group had the net cash outflow from operating activities of RMB251.8 million and RMB1,726.6 million, respectively. The past net cash outflows from operating activities was due to the large outflow of account current and such situation may reduce the Group's financial flexibility and its ability to obtain additional borrowings from banks. Although there has been a number of new affordable housing and infrastructure projects launched in Shangyu District, Shaoxing City in recent years, the Group still anticipates continued expansion of its business, it believes that it will continue to require additional capital commitment. There is no assurance that its negative operating cash flow will be resolved soon, if at all. Under such circumstances, the Group will continue to rely on external financing to satisfy its working capital and capital expenditure, thus increasing its financial vulnerability and adversely affecting its financial condition and results of operations.

The Group provides guarantees to third-parties and may become liable to mortgagee banks if such third-parties default on their mortgage loans.

The Group provides guarantees to certain state-owned enterprises, and all guarantees are approved by Shaoxing Shangyu SASAC. If a subsidiary or associated company defaults on any borrowings guaranteed by the Group, the relevant lender may exercise its right under the guarantee to demand repayment from the Group. The occurrence of such events may result in a funding shortage and may materially and adversely affect the ability to provide financial support to the Group's other portfolio companies. If the Group's financial or non-financial support ceases or diminishes for any reason, the operations of the relevant portfolio companies may be materially and adversely affected, which in turn may have a material and adverse impact on the Group's business, financial condition and results of operations.

The Group operates businesses in certain highly regulated industries, the non-compliance with which would materially and adversely affect the Group's financial condition and results of operations.

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

applicable to the Group's land development business are issued by different central, provincial and local government authorities. Government authorities also have broad discretion in implementing and enforcing applicable laws and regulations. As a result, there are significant uncertainties in the interpretation and implementation of these laws, regulations, rules, policies and measures which may increase the Group's compliance burden and may potentially restrain the Group's ability and flexibility in conducting land development business, including the expansion into new markets.

Governmental authorities may adjust existing regulations or promulgate new regulations from time to time. The Group may encounter problems in obtaining or renewing the permits, licences, certificates and government authorisations necessary to conduct its businesses. The Group may be unable to comply with new laws, regulations or policies that may come into effect from time to time with respect to relevant industries in general or the particular processes with respect to the granting of approvals, permits, licences or certificates. In addition, to ensure the restrictions and conditions of relevant business permits, licences and certificates are fulfilled, governmental authorities normally conduct regular or special inspections, investigations and inquiries. If any significant non-compliance is found by the government authorities, the Group's permits, licences and certificates may be suspended or revoked, and the Group may receive fines or other penalties, which could have a material adverse effect on its relevant businesses, financial condition, results of operations, prospects and reputation.

The complexity of its operations exposes the Group to operational, regulatory and other risks of various industries and jurisdictions, and the Group's risk management and internal control systems may be ineffective or inadequate.

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

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

Some of the Group's businesses, especially its land development business, require substantial capital investment. As a result, the Group has incurred a substantial level of indebtedness. As at 31 December 2019, 2020 and 2021, the Group had a debt to asset ratio of 43.5 per cent., 43.9 per cent. and 46.5 per cent., respectively. As at 31 December 2019, 2020 and 2021, the Group's interest-bearing liabilities were RMB11.4 billion, RMB11.5 billion and RMB14.3 billion, which accounted for 38.2 per cent., 37.7 per cent. and 41.2 per cent., respectively, of the Group's total assets. There can be no assurance that the Group will not incur further indebtedness in the near future to fund its capital expenditures, which may have a material adverse effect on the Group's business, financial condition and results of operation.

The Group will require additional financing to fund its capital expenditures, to support the future growth of its businesses and/or to refinance existing debt obligations.

The Group generally formulates and updates its financial revenue and expenditure budget and investment plans on an annual basis, taking into account various factors. The Group's capital expenditure plans, however, are subject to a number of factors, some of which are beyond its control, including its ability to generate sufficient cash flows from its operations and the availability and terms of external financing. If the Group is unable to obtain acceptable financing to fund necessary capital expenditures in the future, the results of its operations and its financial condition could be adversely affected.

The Group incurred substantial capital expenditures for on-going projects which are subject to delays and cost overruns of the project budget. To date, no material events of this nature have materially and adversely affected the operation of any of the Group's core businesses. There is no assurance that such an event would not happen in the future.

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

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

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

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

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

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

- political and economic conditions in the PRC generally.

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

The Group engages in public interest projects which may not be commercially viable and the Group may not be able to achieve commercially viable, or any, financial returns.

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

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

Certain of the Group's businesses may be affected by factors beyond its control, including shortages of equipment, materials or labour, work stoppages, labour disputes, weather interference, natural disasters, accidents, and unforeseen mechanical, technical, engineering, design, environmental or geological obstacles, any of which could give rise to delays or cost overruns in the Group's operations. The extent of any impact on the Group's business or operations and the timeframes over which such impact may occur are subject to a high degree of uncertainty.

Volatility in the prices of raw materials or limitations on or disruptions in the supply of raw materials of the Group's business could adversely affect the Group's profitability.

The Group's construction projects consume significant amount of resources and raw materials such as pipes, steel, cement, sand and gravel, which are subject to significant price volatility and availability of supply. The availability and prices of raw materials are subject to market forces largely beyond the control of the Group. Raw material prices and availability may be negatively affected by factors including, but not limited to, increases in global demand for raw materials, depletion of existing sources and decreasing availability of new sources, interruptions in production by suppliers, the bargaining power of raw material suppliers, suppliers' allocations to other purchasers and the business continuity of suppliers, wars, natural disasters and other similar events. There can be no assurance that the Group will always be able to secure a sufficient supply of raw materials at commercially acceptable prices. Although the Group has not experienced significant unanticipated supply disruptions in the past, supply disruptions, which could be caused by natural disasters, political or other events in the countries from which the Group sources its materials, could adversely impact the Group's profitability.

The Group does not have any control over the timing or frequency of the sale of land use rights for the Group's primary land development projects. As a result, the Group's revenue and results of operations may fluctuate significantly from period to period.

The Group does not determine the timing or frequency of the sale of land use rights as this is determined by the relevant government authority in its sole discretion. As a result, the Group's results of operations for any period may not be directly comparable with other periods and therefore may not be a useful indicator of the Group's business performance going forward. Suspensions or delays in sales of land use rights, as a result of government policies or decisions, macroeconomic conditions or otherwise, will also have a material adverse impact on the Group's business, financial condition and results of operations.

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

Pursuant to the Land Administration Law of the People's Republic of China amended on 28 August 2004 and 26 August 2019, there are two methods of obtaining construction land: (1) granting and (2) allocation. Granted land is usually obtained through auction, tendering, listing or by agreement, and the land user shall pay the land-use fees. In addition, the following land could be allocated without paying any land-use fees after obtaining prior approval of relevant government authority: (i) land used by government institutions and the military; (ii) land used for urban infrastructure and public utilities; (iii) land used for energy, transportation, water conservancy facilities and other infrastructure projects supported by the PRC government; and (iv) land used for other purposes stipulated by PRC laws and regulations.

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

Certain lands held by the Group are allocated for the use of public utility and public infrastructure and those allocated lands shall not be transferred, mortgaged or leased without prior approval of relevant government authority and payment of land-use fees. There can be no assurance that the relevant PRC government will continue to allow the Group to use the land and properties allocated to it to the same extent as currently used or at all. In addition, restrictions of transfer of such land and properties may have a material adverse impact on the liquidity of the Group's assets.

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

PRC laws and regulations contain restrictions regarding construction plans and development timeframes for land granted to property developers. On 3 January 2008, the State Council issued the Notice on Promoting the Saving and Intensive Use of Land (國務院關於促進節約集約用地的通知). This notice strictly enforces the policies for dealing with idle land. If a piece of land has been idle for two years or more, it must be repossessed free of charge and reassigned for other uses; if the land does not meet the statutory conditions for repossession, it must be dealt with timely and fully utilised by changing its use, replacement by parity value, temporary use or incorporation into government reserves. If a piece of land has been idle for more than one year but less than two years, the idle land surcharge must be collected at 20 per cent. of the land grant premium. If the land premium has not been completely paid off in accordance with the contract, no land certificate may be granted. Furthermore, it is prohibited to grant the land certificate by dividing the land based on the proportion of the paid land grant fee. In August 2009, the Ministry of Land and Resources of the PRC ("MLR") issued a Notice on Restricting the

Administration of Construction Land and Promoting the Use of Approved Land (關於嚴格建設用地管理促進批而未用土地利用的通知) which reiterated the applicable rules on idle land management. In September 2010, the MLR and the Ministry of Housing and Urban-Rural Development of the PRC jointly issued the Notice on Further Strengthening the Administration and Control of Real Estate Land and Construction (關於進一步加強房地產用地和建設管理調控的通知), which provides that a property developer and its controlling shareholders will be prohibited from participating in land bidding before certain illegal behaviours in which it engages, such as leaving land idle for more than one year for its own reasons, have been completely rectified.

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

The Emergency Notice on Further Tightening the Administration on Real Estate Land Use and Reinforcing the Results of Real Estate Market Control (關於進一步嚴格房地產用地管理鞏固房地產市場調控成果的緊急通知) (the “**Emergency Notice**”) promulgated on 19 July 2012 further emphasised the strict enforcement of current regulations on land grants. The Emergency Notice further requires that the Measures on Disposing of Idle Land shall be strictly implemented, and the land administration authority shall dispose of idle land on a case-by-case basis and publish related information on the website designated by the MLR. With regard to land users who have committed acts such as failing to make payments for land grants, leaving land idle, hoarding land, land speculation, developing land in excess of its actual development capacity, or failing to fulfil the land use contract, they may be prohibited by the land authority from participating in land auctions for a certain period of time. On 26 February 2013, the General Office of the State Council issued the Notice on the Continuous Effective Regulation of the Real Estate Market (國務院辦公廳關於繼續做好房地產市場調控工作的通知), which provides that land developers that commit violations such as holding idle land, speculative land trading, being reluctant to sell housing and forcing up the price, shall be prohibited from participating in land bidding, acquiring loans from commercial banks and obtaining relevant approvals from the China Securities Regulatory Commission (the “**CSRC**”) for public listings, refinancing and major assets restructuring and relevant approvals from the banking regulatory authorities for trust financing.

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

In the event that the total gross floor area (“GFA”) of any of the Group’s property developments exceeded the original authorised area, the excess GFA would be subject to governmental approval and payment of additional land premium.

When the PRC government grants land use rights, it specifies in the land grant contract the permitted use of the land and the total GFA that the developer may develop on the land. However, due to factors such as

subsequent planning and design adjustments, the actual GFA constructed may exceed the total GFA authorised in the land grant contract, due to factors such as subsequent planning and design adjustments. The excess GFA is subject to approval and the developer may be required to pay an additional land premium and a penalty in respect of this excess GFA. If the Group fails to obtain the completion certificate due to such excess GFA, the Group will not be allowed to deliver the relevant properties or recognise the revenue from the relevant pre-sold properties and may also be subject to liabilities under the pre-sale contracts. There can be no assurance that the total constructed GFA of the Group's existing projects under development or any future property developments will not exceed the relevant authorised GFA upon completion or that the Group will be able to pay the additional land premium and the penalty and obtain the completion certificate on a timely basis.

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

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

The Group may not successfully implement its growth strategy.

In connection with the implementation of its business growth strategy, the Group's strategy will, to some extent, depend on the identification and successful tendering of mandates of attractive projects, obtaining required approvals from relevant regulatory authorities in the PRC and the availability and cost of financing. The Group's ability to continue to develop its business will depend on it being able to identify favourable opportunities, to reach agreements with potential joint venture partners on commercial and technical terms satisfactory to the Group, to enter into binding contracts with such parties, and to obtain sufficient project financing to fund the projects. There can also be no assurance that the Group's future projects will provide terms that are equivalent to or as favourable as the Group's existing projects. Failure to identify and develop new projects will adversely affect the Group's growth prospects. Each project will also require certain government consents and approvals as part of the development process. There can be no assurance as to the timing and completion of any particular investment or joint venture arrangement or as to the availability of attractive investment opportunities.

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

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

The environmental laws and regulations affecting the Group's businesses also govern the level of fees payable to governmental entities for providing environmental services and prescribe the standards for the use, storage, discharge and disposal of waste gases, chemical by-products of, and water used in, its manufacturing processes. On-going international negotiations or national policy frameworks which seek to reduce greenhouse gases may also result in introduction of regulations that are applicable to the Group. Environmental claims or the failure to comply with any present or future regulations could result in the assessment of damages or imposition of fines against the Group, suspension of production or a cessation of operations. New regulations could require the Group to acquire costly equipment or to incur other significant expenses. Any failure by the Group to control the use of, or adequately restrict the discharge of, hazardous substances could subject it to future liabilities. In light of recent events, there is no assurance that the government would not introduce regulations to further regulate the discharge of hazardous substances, which could affect the Group's operations. See *“— The Group's business, financial condition and results of operation are heavily dependent on the level of economic activity in Shaoxing”*.

If the Group fails to maintain an effective quality control system, its product quality and thus the Group's business may be materially and adversely affected.

The Group relies on its quality control system to ensure the safety and quality of its projects. Accordingly, it has established and maintained stringent quality assurance standards and inspection procedures, including quality control of the components purchased from external suppliers. The effectiveness of the Group's quality control system may be affected by a number of factors, such as timely update of the quality control system to address the changing business need, quality of training programmes, the mechanisms to ensure employees' adherence to quality control policies and guidelines, the ability to monitor and manage supplier quality systems, the Group's and the contractors' willingness and ability to adhere to its quality control policies and guidelines. There is no assurance that the quality of the projects developed by the Group will not be undermined by the underperformance of the Group's contractors. Any failure or deterioration of the Group's quality control system could result in defects in its projects, which in turn may subject the Group to contractual, product liability and other claims. Any such claims, regardless of whether they are ultimately successful, could cause the Group to incur significant costs, harm its business reputation and result in significant disruption to its operations. If any of such claims were ultimately successful, the Group could be required to pay substantial monetary damages or penalties, and its business may be materially and adversely affected.

The Issuer's auditors have received adverse regulatory decisions and warnings issued by PRC authorities in recent years.

RSM China, the Issuer's independent auditor, is a registered accounting firm in the PRC supervised by the relevant PRC regulatory authorities. RSM China, together with its auditors, have, over the years, been investigated, censured or penalised by relevant regulatory authorities in relation to its audit work for companies unrelated to the Group. Between 2021 and 2022, the CSRC and its local branches issued warning letters to RSM China and certain of its employees relating to the defects, non-compliance and violations CSRC discovered in the auditor's reports issued by RSM China and in RSM China's audit procedures and internal quality control systems, such as mistakes in the auditor's reports, inadequate due diligence and other deficiencies in its audit procedures especially in relation to timely rotation of the specific auditors in the relevant audit work according to applicable regulations.

RSM China has confirmed to the Group that the above warning letters do not constitute any administrative sanction imposed by CSRC, and companies involved in the warning letters above were all unrelated to the Group and that the auditing personnel who participate in the audit of the Group's financial statements were not the subject of, or involved in the warning letters above and are qualified to provide audit services under applicable PRC laws, rules and guidelines. RSM China has further confirmed that it has taken the required rectification measures for all the above matter cited, including

enhancing their internal review protocol and quality control system. RSM China has further confirmed that its audit work for the Group, including in respect of the financial statements included elsewhere in this Offering Circular, its registration as an accounting firm, its ability to provide comfort letters and the qualification of the auditors participating in this offering are not affected. According to RSM China, none of the above mentioned warning letters are related to its team serving as the Group's current auditor. The above mentioned warning letters do not (i) disqualify RSM China from participating in the offering of the Bonds as the auditor of the Issuer, (ii) have any impact on RSM China's audit opinions for the Group's financial statements as at and for the years ended 31 December 2019, 2020 and 2021, or (iii) have any impact on RSM China in continuing to provide audit services to the Group. The Issuer cannot assure potential investors that the negative news about RSM China would not have a material and adverse effect on the Group.

RSM China has confirmed that the companies involved in the above regulatory decisions such as warning letters, regulatory talks and rectification orders were all unrelated to the Group. RSM China has further confirmed that it has taken the required rectification measures for all the above matters cited, including submission of the required undertakings, written responses and implementing corrective measures, and that all abovementioned regulatory decisions are now closed. If RSM China is found to be deficient in performing its audit tasks, it may affect investors' confidence in companies and financial statements audited by it. There is no assurance that further negative news about RSM China would not have a material and adverse effect on the Group. Potential investors should consider these factors prior to making any investment decision.

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

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

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

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

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

litigation regardless of whether the allegations are valid or whether the Group is ultimately found liable. As a result, any significant litigation could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's operations are subject to man-made accidents, natural disasters, outbreaks of contagious diseases, acts of war and terrorist attacks and the COVID-19 pandemic.

Man-made accidents, natural disasters, catastrophe or other events could result in severe personal injury, property damage and environmental damage, which may curtail the Group's operations, cause delays in estimated completion dates for projects and materially and adversely affect its cash flows and, accordingly, adversely affect its ability to service debt. The Group's operations are based in areas which are exposed to potential natural disasters including, but not limited to, typhoons, storms, floods and earthquakes. In addition, any man-made accidents or disasters within the areas where the Group operates also impose risks and uncertainties to the Group's business and prospects. There can be no assurance that consequences of any man-made and environmental damage will not adversely affect the trading and logistics businesses of the Group. If any of the Group's developments are damaged by severe weather or any other disaster, accident, catastrophe, man-made accidents or other event, the Group's operations may be significantly interrupted. The occurrence or continuance of any of these or similar events could increase the costs associated with the Group's operations and reduce its ability to operate its businesses effectively, thereby reducing its revenues. Risks of substantial costs and liabilities are inherent in the Group's principal operations and there can be no assurance that significant costs and liabilities will not be incurred, including those relating to claims for damages to property or persons.

In particular, the Group's operations are subject to outbreaks of contagious diseases such as Severe Acute Respiratory Syndrome (SARS), H5N1 avian flu, human swine flu (also known as Influenza A (H1N1)), or H7N9 avian flu, Middle East Respiratory Syndrome (MERS), Ebola virus disease or COVID-19. For instance, two serious earthquakes hit Sichuan Province in May 2008 and April 2013, respectively resulting in significant loss of lives and destruction of assets in the region. The outbreak of COVID-19 since late 2019 have adversely impacted the PRC economy and growth in 2020. In particular, the outbreak of COVID-19 across the PRC and around the world has resulted in a global health crisis and has restricted the level of business activity in affected areas. Stringent measures, including mandatory quarantines and travel restrictions, were imposed in numerous regions across the PRC in an effort to contain the outbreak, causing a noticeable reduction in regional and national economic activities. Government restrictions imposed around the world to limit the spread of COVID-19 resulted in a sharp contraction in global economic activity during 2020. In addition to properly carrying out work to prevent and control the epidemic, the Group has also promptly taken active steps to resume its production and operations in a full manner, while mitigating the negative impacts of the epidemic through measures to broaden revenue streams and reduce expenditure. At the same time, governments also took steps designed to soften the extent of the damage to investment, trade and labour markets. Economic activity recovered unevenly in the second half of 2020 as some jurisdictions imposed renewed restrictions in the fourth quarter in response to a resurgence in COVID-19 cases. While a number of vaccine candidates have announced high efficacy rates, raising hopes of widespread immunisation from COVID-19 being achieved by the end of 2021 and government restrictions being eased, the rollout of vaccination programmes could be uneven across markets, hampering the global pace of recovery even as individual markets return to pre-pandemic levels of activity. The current COVID-19 pandemic has caused delays in some of the Group's construction projects. The further outbreak of COVID-19, a recurrence of SARS or an outbreak of any other epidemics in the PRC especially in the region where the Group has operations, may result in material influence on its related business, which in turn may adversely affect its financial condition and results of operations. Any period of sustained disruption to the Group's operation may have an adverse effect on its business, financial condition and results of operations.

Acts of war and terrorist attacks, including those in foreign countries in which the Group has overseas operations, may cause damage or disruption to the Group, its employees, sub-contractors, operations, equipment and facilities, as well as to its markets, any of which could impact its public image, turnover and cost of sales. In February 2022, Russia commenced military action in Ukraine, resulting in great uncertainties in the global political and economic environment. The Group has no way to predict the progress or outcome of the conflict in Ukraine or its impacts in Ukraine, Russia or Belarus as the conflict, and any resulting government reactions, are rapidly developing and beyond our control. The extent and duration of the military action, sanctions and resulting market disruptions could be significant and could potentially have substantial impact on the global economy and the business of the Group for an unknown period of time. The potential for war or terrorist attacks may also create uncertainty and cause its business to suffer in ways that the Group cannot currently predict. Any of these will have a material and adverse effect on the Group's business, results of operations and financial condition. Any such disruptions may also magnify the impact of other risks described in this prospectus.

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

The Group engages independent third-party contractors and sub-contractors and other service providers to provide various services including construction, transportation, storage and other services. There is no assurance that such independent third-party contractors or sub-contractors will perform their obligations under the respective contracts. Failure by such third-party contractors, sub-contractors or other service providers to perform such obligations may result in material disruption to the Group's operations and significant losses of revenue and increases in costs to the Group. Furthermore, there is no assurance that the services rendered by such service providers engaged by the Group will be satisfactory. The Group is also exposed to the risk that such service providers may require additional capital to complete an engagement in excess of the price originally tendered and the Group may have to bear additional costs as a result. Furthermore, there is a risk that the Group's service providers may experience financial or other difficulties which may affect their abilities to discharge their obligations, thus delaying the completion of the Group's projects, impacting the operation of certain businesses or resulting in additional costs for the Group. The timely performance by these service providers may also be affected by natural and human factors such as natural disasters, strikes and other industrial or labour disturbances, terrorism, restraints of government, civil disturbances, accidents or breakages of machinery or equipment, failure of suppliers, interruption or delays in transportation, all of which are beyond the control of the Group. Any of these factors could materially and adversely affect the business, financial condition and results of operations of the Group.

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

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

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

The Group may be exposed to unlawful acts, fraud or other misconduct committed by its employees, representatives, agents, customers or other third parties that could subject it to litigation, financial losses and sanctions imposed by governmental authorities, which will in turn adversely affect its reputation. These misconducts may include:

- hiding unauthorised or unsuccessful activities, resulting in unknown and unmanaged risks or losses;
- intentionally concealing material facts, or failing to perform necessary due diligence procedures designed to identify potential risks, which are material to the Group in deciding whether to make investments or dispose of assets;
- improperly using or disclosing confidential information;
- engaging in improper activities such as offering bribes to counterparties in return for any type of benefits or gains;
- misappropriation of funds;
- conducting transactions that exceed authorised limits;
- engaging in misrepresentation or fraudulent, deceptive or otherwise improper activities;
- engaging in unauthorised or excessive transactions to the detriment of the Group's customers; or
- otherwise not complying with applicable laws or the Group's internal policies and procedures.

The Group's internal control procedures are designed to monitor its operations and ensure overall compliance.

However, such internal control procedures may be unable to identify all incidents of non-compliance or suspicious transactions in a timely manner if at all. Furthermore, it is not always possible to detect and prevent fraud and other misconduct, and the precautions the Group takes to prevent and detect such activities may not be effective in all cases. There can be no assurance that fraud or other misconduct will not occur in the future. The occurrence of such fraud or other misconduct may cause negative publicity and damage to the public image of the Group.

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

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

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

The Issuer from time to time issues debt securities in the domestic capital markets in the PRC. According to applicable PRC securities regulations on debt capital markets, the Issuer needs to publish its quarterly, semi-annual and annual financial information (as the case may be) to satisfy its continuing disclosure obligations relating to its debt securities issued in the domestic capital markets. After the Bonds are issued, the Issuer is obligated by the terms of the Bonds, among others, to provide holders of the Bonds with its audited financial statements and certain unaudited periodical financial statements. The quarterly and semi-annual financial information published by the Group in the PRC is normally derived from the Group's management accounts which have not been audited or reviewed by independent auditors. As such, this financial information published in the PRC should not be referred to or relied upon by potential purchasers to provide the same quality of information associated with any audited or reviewed information. The Issuer is not responsible to holders of the Bonds for the unaudited and unreviewed financial information from time to time published in the PRC and therefore investors should not place any reliance on any such financial information.

RISKS RELATING TO THE PRC

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

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

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

On 21 September 2014, the State Council of the PRC 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, 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 (the “**Financial Platform**”) 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 of the PRC. In accordance with Circular 40, local governments at all levels and banking financial institutions shall properly deal with follow-up financing issues for projects under construction of financing platform companies. Projects under construction refer to projects that have started construction upon the completion of examination, approval or filing procedures in accordance with relevant regulations manuscript by competent investment authorities before the date when Circular 43 was promulgated.

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

On 26 April 2017, the Circular on Further Regulating the Debt Financing Behaviours of Local Government (Cai Yu [2017] No. 50) (關於進一步規範地方政府舉債融資行為的通知(財預[2017]50號)) (“**Circular 50**”) was jointly issued by the MOF, the NDRC, the Ministry of Justice of the PRC, the PBOC, the China Banking Regulatory Commission (reorganised into the China Banking and Insurance Regulatory Commission) and the China Securities Regulatory Commission. On 28 May 2017, the Circular on Firmly Curbing Local Governments' Illegal Financing Activities in the Name of Government

Procurement of Services (Cai Yu[2017] No. 87) (關於堅決制止地方以政府購買服務名義違法違規融資的通知(財預[2017]87號)) (“**Circular 87**”) was issued by the MOF. On 28 March 2018, the Notice on the Financing Activities Conducted by Financial Institutions for Local Governments and State-owned Enterprises (Cai Jin [2018]No. 23) (關於規範金融企業對地方政府和國有企業投融資行為有關問題的通知(財金[2018]23號)) (“**Circular 23**”) was issued by the MOF. On 11 May 2018, the Circular of the National Development and Reform Commission and the Ministry of Finance on Improvement of Market Regulatory Regime and Strict Prevention of Foreign Debt Risks and Local Government Indebtedness Risks (Fa Gai Wai Zi[2018] No. 706) (國家發展改革委財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知(發改外資[2018]706號)) (“**Circular 706**”) was jointly issued by the NDRC and the MOF. On 6 June 2019, the Circular on Filing Requirements with respect to Application for Foreign Debt Issuance by Local State-owned Enterprises (Fa Gai BanWai Zi [2019] No. 666) (國家發展改革委辦公廳關於對地方國有企業發行外債申請備案登記有關要求的通知(發改辦外資[2019]666號)) (“**Circular 666**”) was issued by the General Office of NDRC.

Circular 50 reaffirmed the Circular 43 policy that local governments are not permitted to use any means other than local government bonds for debt financing and are prohibited from requesting or ordering enterprises to issue debt on behalf of local governments. Circular 87 required that local governments and their departments shall not take advantage of, or fabricate contracts for, government procurement of services in such a manner that conceals an underlying objective of raising funds for construction projects. Circular 23 and Circular 706 established policies for foreign debt issuance, including the prohibition against public assets being included as enterprise assets and restrictions on making disclosure in offering circulars that imply government endorsement on the relevant debt or any association of the enterprise issuer with the government’s credit. The Guiding Opinions, consistent with Circular 43 and Circular 50, ban local governments from engaging in “disguised” borrowing by using state-owned enterprises to issue corporate debt on their behalf.

In July 2021, the China Banking and Insurance Regulatory Commission issued the Guidelines for Banking and Insurance Institutions to Further Prevent and Defuse the Risks of Implicit Local Government Debt (Yin Bao Jian Fa [2021] No.15) (銀行保險機構進一步做好地方政府隱性債務風險防範化解工作的指導意見(銀保監發[2021]15號)) (“**Circular 15**”), which provides that the banks and insurance institutions shall not increase any new local government implicit debt in any form. Circular 15 also provides that, the financing provided by banks and insurance institutions shall meet the following requirements: (i) it is not allowed to provide financing which actually will be repaid by government fiscal funds, or guaranteed by the government; (ii) the banks and insurance institutions shall not require or accept guarantee documents issued by local government or their departments; (iii) the banks and insurance institutions shall not require or accept any guarantee using the state-owned assets of local government, public institution or social organisation as guaranty; (iv) the banks and insurance institutions shall not require or accept any guarantee with government reserve land or expected land sale income as guaranty; (v) in PPP projects or government investment fund projects, the banks and insurance institutions shall not stipulate or require local government to repurchase the investment principal, bear the loss of the investment principal or guarantee the minimum return; (vi) financing services provided by banks and insurance institutions shall not be included in government purchase services; (vii) existing local government financing shall be rectified in accordance with relevant regulations; (viii) it is not allowed to increase any implicit local government debt in any form.

The PRC government has released several additional regulations and rules relating to the financing vehicles of local governments in the PRC. As Circular 43 and related legislations are relatively new, the implementation and interpretation of the legislation 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 the Group’s business and financial performance in the future.

PRC economic, political and social conditions, as well as government policies, could affect the Group's business.

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

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

While the PRC economy has grown significantly in the past 30 years, growth has been uneven, both geographically and among the various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may also negatively affect the Group's operations. For example, the Group's financial condition and results of operations may be adversely affected by the PRC government's control over capital investments or any changes in tax regulations or foreign exchange controls that are applicable to the Group. The PRC economy has been transitioning from a planned economy to a market-oriented economy. For the past three decades, the PRC government has implemented economic reform measures emphasising utilisation of market forces in the development of the PRC economy. Although the Group believes these reforms will have a positive effect on the Group's overall and long-term development, it cannot predict whether changes in the PRC's political, economic and social conditions, laws, regulations and policies could have any adverse effect on the Group's current or future business, results of operations or financial condition.

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

Substantially all of the Group's assets are located within the PRC. In addition, the Group's directors and senior management reside within the PRC, and assets of the directors and senior management may also be located within the PRC. As a result, it may not be possible to effect service of process outside the PRC upon the Group's directors and senior management, including for matters arising under applicable securities law. A judgment of a court of another jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with the PRC or if judgments of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requirements. However, the PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with many countries, including Japan, the United States and the United Kingdom. Therefore, it may be difficult for investors to enforce any judgments obtained from non-PRC courts against the Group or any of their respective directors or senior management in the PRC.

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

As a substantial part of the Group's businesses are conducted, and a substantial part of the Group's assets are located, in the PRC, its operations are governed principally by PRC laws and regulations. The PRC

legal system is based on written statutes while prior court decisions can only be cited as reference. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation, foreign exchange and trade, with a view to developing a comprehensive system of commercial law. However, the PRC has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activity in the PRC. In particular, because these laws and regulations (including the MOF Circular and the Joint Circular (as defined below)) are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, the PRC legal system is based, in part, on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, the Group may not be aware of its violation of these policies and rules until some time after the violation. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management attention.

For example, the NDRC issued the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知, the “**NDRC Circular**”) on 14 September 2015, which came into effect on the same day. According to the NDRC Circular, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities issues outside the PRC with the NDRC prior to the issue of the securities and notify the particulars of the relevant issues within 10 working days after the completion of the issue of the securities. In the worst case scenario on the legal consequences of non-compliance with the pre-issue registration requirement, it might become unlawful for the Group to perform or comply with any of its obligations under the Bonds and the Bonds might be subject to enforcement as provided in Condition 9 (*Events of Default*). Potential investors of the Bonds are advised to exercise due caution when making their investment decisions. There is no clarity on the legal consequences of non-compliance with the post-issue notification requirement under the NDRC Circular. The Group has undertaken to notify the NDRC of the particulars of the issue of the Bonds within the prescribed period under the NDRC Circular.

RISKS RELATING TO THE BONDS

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

Any failure to complete the relevant filings under the NDRC Circular and the relevant registration with SAFE within the prescribed time frames following the completion of the issue of the Bonds may have adverse consequences for the Issuer and/or the investors of the Bonds. NDRC issued the NDRC Circular on 14 September 2015, which came into effect on the same day. According to the NDRC Circular, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities issued outside the PRC with NDRC prior to the issue of the securities and notify the particulars of the relevant issues within 10 working days after the completion of the issue of the securities (the “**NDRC post-issue notification requirement**”). The Issuer obtained the NDRC pre-issuance registration on 23 July 2021 together with confirmation from NDRC relating to the change of bonds structure dated 1 June 2022. The NDRC Circular is silent on the legal consequences of non-compliance with the NDRC post-issue notification requirement.

In accordance with the Administrative Measures for Foreign Debt Registration (外債登記管理辦法) (“**Foreign Debt Registration Measures**”) issued by SAFE on 28 April 2013, which came into effect on 13 May 2013 and its relevant guidelines, and the Circular of the PBOC on Matters Concerning the Macro Prudential Management of Full-Covered Cross-border Financing (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知), the Issuer may be required to register the Bonds within the prescribed time frame after the issuance. However, there is some uncertainty as to whether bond issuances in the China

(Shanghai) Pilot Free Trade Zone by companies incorporated within the PRC would be regarded as foreign debts requiring registration with SAFE. As at the date of this Offering Circular, the Issuer understands from its communication with the local branch of SAFE in Shangyu District, Shaoxing City that such registration is not required. However, there is uncertainty regarding this as such requirement depends on the interpretation of the relevant regulations by the relevant PRC regulators. Before such registration of the Bonds is completed, it may be difficult for Bondholders to recover amounts due from the Issuer, and the Issuer may not be able to remit the proceeds of the offering into and outside of the PRC. Failure to comply with registration requirements may result in a warning and fine, and the foreign debt contract may not be legally binding and unenforceable.

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

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

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

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

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

The Bonds are unsecured obligations.

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

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

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

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

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

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

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

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

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

Certain facts and statistics are derived from publications not independently verified by the Group or the Managers.

Facts and statistics in this Offering Circular relating to global economy and the relevant industry are derived from publicly available sources. While the Issuer has taken reasonable care to ensure that the facts and statistics presented are accurately reproduced from such sources, they have not been independently verified by any of the Issuer, the Managers, the Agents or their respective advisors and, therefore, neither the Issuer nor such parties make any representation as to the accuracy of such facts and statistics. Due to possibly flawed or ineffective calculation and collection methods and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies and should not be unduly relied upon. Further, the Issuer cannot assure investors that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

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

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

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

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

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

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

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

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

On certain dates, including but not limited to the occurrence of a Change of Control (as defined in the Terms and Conditions) and at maturity of the Bonds, the Issuer may and at maturity will, be required to redeem all of the Bonds. If any such an event were to occur, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The Issuer's ability to redeem the Bonds upon the occurrence of such event may also be limited by the terms of other debt instruments. The Issuer's failure to repay or redeem tendered Bonds could constitute an event of default under the Bonds, which may also constitute a default under the terms of the Issuer's or the Group's other indebtedness.

An active trading market for the Bonds may not develop.

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

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

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

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

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

Investment in the Bonds is subject to exchange rate risks.

The Bonds are denominated and payable in Renminbi. The value of the Renminbi against the U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in China's political and economic conditions. On 21 July 2005, the PRC Government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. Since then, the PRC Government has made, and may in the future make, further adjustments to the exchange rate system. The PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity for the trading against the Renminbi on the following working day. The PBOC surprised markets in August 2015 by thrice devaluing the Renminbi, lowering its daily mid-point trading price significantly against the U.S. dollar. The currency devaluation of the Renminbi was intended to bring it more in line with the market by taking market signals into account. Renminbi depreciated significantly against the U.S. dollar following this August 2015 announcement by the PBOC. In January and February 2016, Renminbi experienced further fluctuations in value against the U.S. dollar. With an increased floating range of the Renminbi's value against foreign currencies and a more market-oriented mechanism for determining the mid-point exchange rates, the Renminbi may further appreciate or depreciate significantly in value against the U.S. dollar or other foreign currencies in the long-term.

An investor who measures investment returns by reference to a currency other than Renminbi 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 the Issuer has no control. Depreciation of Renminbi 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.

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

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

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

The market price of the Bonds may be adversely affected by declines in the international financial markets and world economic conditions. The market for the Bonds is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including the PRC. Since the global financial crisis in 2008 and 2009, the international financial markets have experienced significant volatility. Global market and economic conditions have continued to be adversely affected by the ongoing credit crisis in Europe, the credit rating downgrade of the United States and heightened market volatility in major stock markets. Further, in the United Kingdom, a remain-or-leave referendum on its membership within the European Union was held in June 2016, the result of which favored the exit of the United Kingdom from the European Union ("Brexit"). The United Kingdom ceased to be a member of the European Union on January 31, 2020. The actual or potential consequences of Brexit, and the associated uncertainty, could adversely affect economic and market conditions in the UK, in the EU and its member states and elsewhere, and could contribute to instability in global financial markets. If similar developments occur in the international financial markets in the future, the market price of the Bonds could be adversely affected.

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

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

The Bonds 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 their principal amount, together with interest accrued to the date fixed for redemption if, subject to certain conditions, as a result of a change in tax law, the Issuer has or will become obliged to pay Additional Tax Amounts (as defined in the Terms and Conditions), as further described in Condition 6(b) (*Redemption for Taxation Reasons*) of the Terms and Conditions.

If the Issuer redeems the Bonds prior to their maturity dates, investors may not receive the same economic benefits they would have received had they held the Bonds to maturity, and they may not be able to reinvest the proceeds they receive in a redemption in similar securities. In addition, the Issuer's ability to redeem the Bonds may reduce the market price of the Bonds.

The Issuer may issue additional Bonds in the future.

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

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

The Terms and Conditions contain provisions for calling meetings of the holders of the Bonds to consider matters affecting their interests generally. These provisions permit defined majorities to bind all

Bondholders including those Bondholders who did not attend and vote at the relevant meeting and those Bondholders who voted in a manner contrary to the majority. There is a risk that the decision of the majority of holders of the Bonds may be adverse to the interests of the minority holders of the Bonds.

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

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

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

On 23 March 2016, MOF and the State Administration of Taxation issued the Circular of Full Implementation of Replacing Business Tax with Value-Added Tax Reform (關於全面推開營業稅改徵增值稅試點的通知) (Caishui [2016] No. 36) (“**Circular 36**”), which introduced a new value-added tax (“**VAT**”) from 1 May 2016. Under Circular 36, VAT is applicable where the entities or individuals provide services within the PRC. The Issuer will be obliged to withhold VAT of 6 per cent. and certain surcharges on payments of interest and certain other amounts on the Bonds paid by the Issuer to Bondholders that are non-resident enterprises or individuals. VAT is unlikely to be applicable to any transfer of Bonds between entities or individuals located outside the PRC and therefore unlikely to be applicable to gains realised upon such transfers of Bonds, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC. Circular 36 together with other laws and regulations pertaining to VAT are relatively new, and the interpretation and enforcement of such laws and regulations involve uncertainties.

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

In addition, as there is no specific regulations or guidelines relating to the issuance of cross-border debt securities in the China (Shanghai) Pilot Free Trade Zone, there is uncertainty as to whether or not China (Shanghai) Pilot Free Trade Zone resident investors would be treated as non-resident enterprises or individuals of the PRC. In the event that China (Shanghai) Pilot Free Trade Zone resident investors holding the Bonds are treated as PRC tax residents, such holders may be subject to additional PRC taxes (or higher PRC tax rates) in relation to any interest income or gains realised on the transfer of the Bonds. China (Shanghai) Pilot Free Trade Zone resident investors should further consult their own legal and tax advisors in relation to their EIT and IIT obligations.

Stamp duties may also be imposed during the issuance and transfer of the Bonds.

There are uncertainties regarding the interpretation and application of current and future PRC taxation related laws and regulations and there can be no assurance that the relevant PRC regulatory authorities will not take a view that is contrary to the opinion of the Issuer.

According to Interim Regulation of the PRC on Stamp Duty (中華人民共和國印花稅暫行條例) promulgated by the State Council on 6 August 1988, and implemented on 1 October 1988 and amended on 8 January 2011 and its implementation rules, enterprises or individuals which receive any of the instruments specified in these rules within the territory of PRC or to the extent that any such instruments have legally binding effect within the territory of PRC and are protected under PRC laws shall be obliged to pay relevant stamp duties in accordance with the provisions therein. However, there are no specific regulations or guidelines relating to the taxation of the issuance of cross-border debt securities in the China (Shanghai) Pilot Free Trade Zone. Although the issuance or transfer of cross-border debt securities in the China (Shanghai) Pilot Free Trade Zone may not be treated as the issuance or transfer of debt securities issuance in the PRC, there can be no assurance that if the issuance or transfer of the Bonds will not be deemed or treated by PRC taxation authority as the entry into a loan contract or use of any other taxable instruments in the PRC and thus be subject to PRC stamp duty. In addition, there can be no assurance that PRC laws will not be revised as to impose stamp duty upon the issuance or transfer of the Bonds or similar debt instrument. Given that the Deed of Covenant will be executed in Shanghai, China, if the issuance of the Bonds is treated in the same way as the entering into of a loan contract, or use of any other taxable instruments in the PRC, both the borrower and lender (i.e. the Issuer and the investor purchasing the Bonds, respectively) in respect of the issuance of the Bonds, or both the transferor and transferee (i.e. the investors transferring the Bonds) in respect of the transfer of the Bonds would be each subject to PRC stamp duty of 0.005 per cent. of the amount borrowed, or any other rate applicable to the issuance and 0.05 per cent to the transfer of the Bonds (or such higher rate if local governments have other additional requirements). The Issuer undertakes that to the extent any PRC stamp duty is payable on initial issuance of the Bonds, it will bear such relevant PRC stamp duties for itself and the Bondholders.

The taxation authorities may impose a fine if a person subject to such PRC stamp duty is found to have failed to attach, or have attached insufficient number of stamps to a taxable instrument. The taxation authority, in addition to ordering such person to attach the appropriate number of stamps, may impose a fine of up to 20 times the amount of stamp duty payable, depending on the seriousness of the individual case. Investors should further consult their own legal and tax advisors in relation to their PRC stamp duty obligations and liabilities in relation to any transfer of the Bonds.

The China (Shanghai) Pilot Free Trade Zone bond market is a recent development and such FTZ bonds cleared through CCDC will be subject to the operational procedures and requirements of CCDC.

Bond issuances in the China (Shanghai) Pilot Free Trade Zone is a recent market development. FTZ bonds are cleared through CCDC and will be subject to the operational procedures and requirements of CCDC. CCDC is responsible for setting and has in place its own set of operational procedures and requirements for bond issuance, clearance and settlement. It also sets rules on who may invest and trade

in the bonds issued in the China (Shanghai) Pilot Free Trade Zone. See *“Risk Factors — Risks Relating to the Bonds — An investor needs to maintain an account with CCDC to invest in and trade the Bonds”*. As the market continues to develop, CCDC’s procedures and requirements may be amended from time to time. In addition, CCDC may, as it deems appropriate, amend the terms of the service agreements it has entered into with issuer and investor participants and such amendments would be binding. There are no assurances that CCDC’s current operational procedures will remain unchanged during the term of these Bonds.

An investor needs to maintain an account with CCDC to invest in and trade the Bonds.

As the Bonds will be issued in uncertificated book-entry form entered in CCDC, an investor needs to maintain an account with CCDC in order to invest in the Bonds. While the Bonds are entered in CCDC, the Bonds can only be traded between investors who maintain accounts with CCDC (and not with other clearing system). This requirement may make the Bonds difficult to trade and affect the liquidity of the Bonds.

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 Terms and Conditions contain provisions for calling meetings of the 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 relevant meeting and holders who voted in a manner contrary to the majority. Furthermore, there is a risk that the decision of the majority of holders of the Bonds may be adverse to the interests of the individuals.

The Bonds will be issued in uncertificated book-entry form entered in CCDC and accountholders of CCDC must rely on CCDC procedures.

The Bonds will be issued in uncertificated book-entry form entered in CCDC. CCDC will maintain records of the beneficial interests in the Bonds. While the Bonds are held in CCDC, investors will be able to trade their beneficial interests only through CCDC to another person who maintains a securities account with CCDC. Except in the circumstances described in the Conditions, investors will not be entitled to receive definitive Certificates.

While the Bonds are held in CCDC, the Issuer will discharge its payment obligations under the Bonds by making payments to CCDC for distribution to its accountholders.

An accountholder of CCDC who holds a beneficial interest in the Bonds must rely on the procedures of CCDC to receive payments under the Bonds. Each payment will only be made to either the Renminbi free trade account (自由貿易賬戶) maintained by or on behalf of the accountholder with a bank in the China (Shanghai) Pilot Free Trade Zone (“**FTZ Account**”) or the Renminbi account maintained by or on behalf of it with a bank in Hong Kong. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Bonds.

Any amount received by Bondholders in their respective FTZ Accounts may be subject to certain restrictions.

FTZ Accounts are created and maintained pursuant to the Opinion of the People’s Bank of China on Financial Support for Construction of China (Shanghai) Pilot Free Trade Zone (中國人民銀行關於金融支持中國(上海)自由貿易試驗區建設的意見) and other pilot rules, regulations, circulars or notes in connection therewith, which allow the remittance of the proceeds from the offering of the Bonds out of the China (Shanghai) Pilot Free Trade Zone (the “**Shanghai FTZ**”) or the remittance of money into the Shanghai FTZ. However, these rules in relation to FTZ Accounts are constantly evolving. There can be no

assurance that if a Bondholder elects to receive the amounts payable under the Bonds in his or her FTZ Account, such amounts will not be subject to supporting documentation requirements or restrictions on foreign exchange conversion and/or offshore remittance and/or the maximum limitation which may apply to such FTZ Account in the future.

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

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

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

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

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

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

RISKS RELATING TO BONDS DENOMINATED IN RENMINBI

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

The Issuer will pay principal, premium and interest on the Bonds in Renminbi (the “**Specified Currency**”). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the “**Investor's Currency**”) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency equivalent yield on the Bonds, (2) the Investor's Currency equivalent value of the principal payable on the Bonds and (3) the Investor's Currency equivalent market value of the Bonds. In addition, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in the Bonds.

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

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

Renminbi is not freely convertible at present. The PRC Government continues to regulate conversion between Renminbi and foreign currencies, despite significant reduction in control by it in recent years over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items. Participating banks in Hong Kong, Macau, Singapore, Taiwan, Seoul, Frankfurt, London, Paris, Luxembourg, Doha and Toronto have been permitted to engage in the settlement of current account trade transactions in Renminbi under certain pilot schemes.

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

Although starting from 1 October 2016, Renminbi has been added to the Special Drawing Rights basket created by the International Monetary Fund, there can be no assurance that the PRC Government will continue to liberalise control over cross-border remittance of Renminbi in the future, that any pilot schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future which will have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that funds cannot be repatriated outside the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance their obligations under the Bonds.

Remittance of proceeds into or outside of the PRC in Renminbi may be subject to restrictions.

In the event that the Issuer decides to remit some or all of the proceeds into the PRC in Renminbi, its ability to do so will be subject to obtaining all necessary approvals from, and/or registration or filing with, the relevant PRC government authorities. However, there can be no assurance that the necessary approvals from, and/or registration or filing with, the relevant PRC governmental authorities will be obtained at all or, if obtained, they will not be revoked or amended in the future.

There can be no assurance that the PRC Government will continue to gradually liberalise the control over cross-border Renminbi remittances in the future, that the pilot schemes introduced will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that the Issuer does remit some or all of the proceeds from the Shanghai FTZ into the PRC in Renminbi and the Issuer subsequently is not able to repatriate funds from the PRC into the Shanghai FTZ in Renminbi, it will need to source Renminbi in the Shanghai FTZ or elsewhere outside the PRC to finance its obligations under the Bonds, and its ability to do so will be subject to the overall availability of Renminbi outside the PRC.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the Bonds and the ability of the Issuer to source Renminbi outside the PRC to service such Bonds.

As a result of the restrictions by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. While PBOC has entered into agreements on the clearing of Renminbi business with financial institutions in a number of financial centres and cities (the “**Renminbi Clearing Banks**”), and are in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions (the “**Settlement Arrangements**”), the current size of Renminbi denominated financial assets outside the PRC is limited.

There are restrictions imposed by PBOC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from PBOC. The Renminbi Clearing Banks only have access to onshore liquidity support from PBOC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In such cases, the participating banks will need to source Renminbi from outside the PRC to square such open positions.

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

TERMS AND CONDITIONS OF THE BONDS

The following are the terms and conditions of the Bonds (as defined below) substantially in the form in which they (other than the text in italics) will be endorsed on the registered certificate.

The CNY1,100,000,000 3.9 per cent. bonds due 2025 (the “**Bonds**” which term shall include, unless the context requires otherwise, any further securities issued pursuant to Condition 12 and to be consolidated and forming a single series therewith) of Shaoxing Shangyu Urban Construction Group Co., Ltd. (紹興市上虞城市建設集團有限公司) (the “**Issuer**”) are constituted by a deed of covenant (as amended and/or supplemented from time to time, the “**Deed of Covenant**”) dated 22 July 2022 (the “**Issue Date**”) executed by the Issuer. The Bonds have the benefit of an offshore bond issuance, registration, payment services agreement dated 22 July 2022 (the “**Agency Agreement**”) entered into between the Issuer, China Central Depository & Clearing Co., Ltd. (中央國債登記結算有限責任公司) (“**CCDC**”) as principal agent, registrar, transfer agent and the other agents named in it. The principal agent, the registrar and any transfer agent for the time being are referred to below respectively as the “**Principal Agent**”, the “**Registrar**” and the “**Transfer Agent**”. “**Agents**” means the Principal Agent, the Registrar, the Transfer Agent and any other agent or agents appointed from time to time with respect to the Bonds.

The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Deed of Covenants and are deemed to have notice of those provisions of the Agency Agreement to the extent applicable to them. Copies of the Agency Agreement and the Deed of Covenant are available for inspection during normal business hours at the specified offices of the Principal Agent. The Bondholders are deemed to have notice of all the provisions of the Agency Agreement (as may be amended by CCDC from time to time) and the Deed of Covenant applicable to them.

All capitalised terms that are not defined in these terms and conditions (“**Conditions**”) will have the meanings given to them in the Deed of Covenant.

1 FORM, SPECIFIED DENOMINATION AND TITLE

The Bonds are issued in the specified denomination of CNY1,000,000 and integral multiples of CNY10,000 in excess thereof (each a “**Specified Denomination**”). The Bonds are issued in registered uncertificated form by entry in the Register and will not be serially numbered, unless otherwise agreed between the Issuer and the Principal Agent. No certificate or other evidence of title, other than the Deed of Covenant, will be issued by, or on behalf of, the Issuer to evidence title to a Bond unless the Issuer determines that certificates should be made available or it is required to do so pursuant to any applicable law or regulation.

The Bonds are debt obligations of the Issuer owing under the Deed of Covenant. Each entry in the Register constitutes a separate and individual acknowledgment to the relevant Bondholder of the indebtedness of the Issuer to the relevant Bondholder which the Bondholder to whom those separate and individual obligations are owed is entitled to enforce without having to join any other Bondholder or any predecessor to title of a Bondholder.

Title to the Bonds shall pass by transfer and registration in the Register as described in Condition 3. Except as ordered by a court of competent jurisdiction or as required by law, the Holder 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.

In these Conditions, “**Bondholder**” or, in respect of any Bond, “**Holder**” means the person in whose name a Bond is registered in the Register (as defined below) (or in the case of a joint holding, the first named thereof).

The Bonds will initially be issued in uncertificated book-entry form entered in CCDC. When the Bonds are entered in CCDC, a “Bondholder” or, in respect of any Bond, a “Holder” means the person in whose name an interest in the Bonds is entered on the books and records of CCDC and the amount of interest in the Bonds shown in the books and records of CCDC as held by the Bondholder shall represent the entire holding of interest in the Bonds of that Bondholder.

If the Bonds are entered in CCDC, a Bondholder may, on or after the Exchange Date, exchange its interest in the Bonds (as shown on the books and records of CCDC) in whole but not in part for registered certificates at the cost of the Issuer if (1) CCDC is closed for business for a continuous period of 14 business days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so or (2) if principal in respect of any Bonds is not paid when due, by the Bondholder giving notice to the Principal Agent of its election for such exchange. “business day” means a day, other than a Saturday, Sunday or public holiday of the PRC or prescribed by special regulations, on which CCDC is generally open for business; “Exchange Date” means a day falling not less than 60 calendar days or, in the case of exchange following failure to pay principal in respect of any Bonds when due 30 calendar days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Principal Agent is located and, except in the case of exchange pursuant to (1) above, in the city in which CCDC is located.

2 STATUS

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

3 TRANSFERS OF BONDS

(a) Register

The Issuer will cause a register of Bondholders (the “**Register**”) to be kept at the specified office of the Registrar and in accordance with the terms of the agency agreement entered into between the Issuer and the Registrar, on which shall be entered the names and addresses of the Holders and the particulars of the Bonds held by them and of all transfers of the Bonds.

When the Bonds are entered in CCDC, the “Register” shall mean the books and records of CCDC recording the names of the Bondholders and the amount of interest in the Bonds held by each Bondholder and the agency agreement shall mean the Agency Agreement.

(b) Transfer

Subject to Conditions 3(d) and 3(e) and the terms of the Agency Agreement, a Bond may be transferred in whole or in part by depositing the form of transfer in the form as from time to time specified by, and obtainable from, the Principal Agent duly completed and signed, at the specified office of the Registrar or any Transfer Agent and any other evidence as the Registrar or such Transfer Agent may require to prove the title of the transferor and the authority of the individuals who have executed such form of transfer.

No transfer of title to a Bond will be valid unless and until entered on the Register.

Transfers of interests in the Bonds entered in CCDC will be effected in accordance with the rules of CCDC in effect from time to time, and any transferee acquiring such interests in the Bonds will be required to have and maintain an account with CCDC.

(c) Formalities Free of Charge

Registration of transfer of Bonds will be effected without charge by or on behalf of the Issuer or any Agent but upon (i) payment (or the giving of such indemnity and/or security and/or pre-funding as the Issuer or any Agent may require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer; (ii) the Registrar being satisfied in its absolute discretion with the documents of title or identity of the person making the application and (iii) the relevant 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 seven days ending on (but excluding) the due date for any payment of principal (or premium) in respect of that Bond; or (ii) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(a)); or (iii) after a Tax Redemption Notice has been given pursuant to Condition 6(b); or (iv) after a Put Exercise Notice in respect of any such Bond has been delivered pursuant to Condition 6(c). In this Condition 3(d), “**business day**” means a day, other than a Saturday, Sunday or public holiday, on which commercial banks are generally open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(e) Regulations

All transfers of Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer and registration of Bonds the initial draft of which is scheduled to the Deed of Covenant, including a requirement that the transferee represent and agree in the form of transfer that it or the person who will have the beneficial interest in the relevant Bonds is a qualified investor under applicable laws and regulations. The regulations may be changed by the Issuer, with the prior written approval of the Registrar.

4 COVENANTS

(a) Negative Pledge

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

(b) Notification to NDRC

The Issuer undertakes that it will (i) within the prescribed timeframe after the Issue Date file or cause to be filed with the NDRC the requisite information and documents in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) issued by the NDRC and effective as of 14 September 2015 and any implementation rules or applicable policies as issued by NDRC from time to time (the “**NDRC Post-issue Filing**”) and (ii) comply with all applicable PRC laws and regulations in relation to the NDRC Post-issue Filing.

(c) Notification of Completion of the NDRC Post-issue Filing

The Issuer shall within five Registration Business Days after the submission of the NDRC Post-issue Filing, provide the Principal Agent with (i) a certificate in English in the form scheduled to the Deed of Covenant signed by an Authorised Signatory confirming (A) the completion of the NDRC Post-issue Filing and (B) no Change of Control (as defined in Condition 6(c)), Event of Default (as defined in Condition 9) or any Potential Event of Default has occurred; and (ii) copies of the relevant documents evidencing the NDRC Post-issue Filing, certified in English by an Authorised Signatory as a true and complete copy of the original (the items specified in (i) and (ii) together, the “**Filing Documents**”). In addition, the Issuer shall, within seven Registration Business Days after the Filing Documents are delivered to the Principal Agent in accordance with this Condition 4(c), give notice to the Bondholders (in accordance with Condition 13) confirming the completion of the NDRC Post-issue Filing.

The Principal Agent shall have no obligation or duty to monitor or ensure the NDRC Post-issue Filing is made as required by Condition 4(b), to assist with the NDRC Post-issue Filing or to verify the accuracy, validity and/or genuineness of any Filing Documents, and shall not be liable to Bondholders or any other person for not doing so.

(d) Financial Information

So long as any Bond remains outstanding (as defined in the Deed of Covenant), the Issuer will furnish the Principal Agent with:

- (i) copies of the Audited Financial Reports as soon as they are available, but in any event within 180 days after the end of each Relevant Period; and
- (ii) copies of the Unaudited Financial Reports as soon as they are available, but in any event within 90 days after the end of each Relevant Period,

and if such statements shall be in the Chinese language, together with an English translation of the same translated by (aa) a nationally or internationally recognised firm of independent accountants or (bb) a professional translation service provider, together with a certificate in English signed by an Authorised Signatory certifying that such translation is complete and accurate.

The Principal Agent shall not be required to review the Audited Financial Reports or the Unaudited Financial Reports delivered to it as contemplated in this Condition 4(d), and the Principal Agent shall not be liable to any Bondholder or any other person for not doing so.

(e) **Compliance Certificate**

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

(f) **Definitions**

In these Conditions:

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

“**Authorised Signatory**” means any director of the Issuer, who has been authorised by the Issuer to sign the certificates and other documents required or contemplated under these Conditions, the Deed of Covenant or any other transaction document in relation to the Bonds on behalf of, and so as to bind, the Issuer;

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

- (i) no Event of Default (as defined in Condition 9) or Potential Event of Default had occurred since the Certification Date of the last such certificate or (if none) the Issue Date or, if such an event had occurred, giving details of it; and
- (ii) the Issuer has complied with all its obligations under the Deed of Covenant, the Agency Agreement and the Bonds since the Certification Date of the last such certificate or (if none) the Issue Date or, if any non-compliance had occurred, giving details of the same;

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

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

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

“**PRC**” means the People’s Republic of China, which shall for the purpose of these Conditions only, exclude Hong Kong Special Administrative Region of the People’s Republic of China, Macau Special Administrative Region of the People’s Republic of China and Taiwan;

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

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

“**Relevant Indebtedness**” means any present or future indebtedness issued or incurred within the China (Shanghai) Pilot Free Trade Zone or outside the PRC which (1) is in the form of, or represented or evidenced by, any bonds, notes, debentures, debenture stock, loan stock or other securities, and which (2) for the time being is, or is intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market (which, for the avoidance of doubt, does not include bilateral loans, syndicated loans or club deal loans);

“**Relevant Period**” means, in relation to the Audited Financial Reports, each period of 12 months ending on the last day of the Issuer’s financial year (which, unless otherwise notified to the Principal Agent and to the Bondholders in accordance with Condition 13, shall be 31 December of that financial year) and, in relation to the Unaudited Financial Reports, each period of six months ending on the last day of the Issuer’s first semi-annual period (which, unless otherwise notified to the Principal Agent and to the Bondholders in accordance with Condition 13, shall be 30 June of that financial year);

a “**Subsidiary**” of any person means (a) any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity, or (b) any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the 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

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

5 INTEREST

The Bonds bear interest on their outstanding principal amount from and including the Issue Date at the rate of 3.9 per cent. per annum, payable in arrear on 22 July in each year (each an “**Interest Payment Date**”) commencing on 22 July 2023.

Each Bond will cease to bear interest from the due date for redemption unless 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 Bondholders, and (b) the day falling seven days after the Principal 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 Bondholders under these Conditions).

In these Conditions, the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an “**Interest Period**”.

Interest in respect of any Bond shall be calculated per CNY10,000 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 actual number of days in the Interest Period (or such other period) divided by 365, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

6 REDEMPTION AND PURCHASE

(a) Final Redemption

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Interest Payment Date falling on, or nearest to, 22 July 2025 (the “**Maturity Date**”). The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.

(b) Redemption for Taxation Reasons

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice (a “**Tax Redemption Notice**”) to the Bondholders in accordance with Condition 13 (which shall be irrevocable), at their principal amount (together with any interest accrued up to (but excluding) the date fixed for redemption) if (i) the Issuer has or will become obliged to pay Additional Tax Amounts (as referred to in Condition 8) as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of, or the stating of an official position with respect to, such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 15 July 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 6(b), the Issuer shall deliver to the Principal Agent (A) a certificate in English signed by any Authorised Signatory stating that the obligation referred to in (i) above of this Condition 6(b) cannot be avoided by the Issuer taking reasonable measures available to it, and (B) an opinion, satisfactory to the Principal Agent, of independent tax or legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendments and opinion.

(c) Redemption for Change of Control

At any time following the occurrence of a 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 6(c)) at 101 per cent. of their principal amount, together with accrued interest up to (but excluding) the Put Settlement Date. To exercise such right, the Holder of the relevant Bond must deposit at the specified office of the Principal Agent a

duly completed and signed notice of redemption, in the form schedule to the Deed of Covenant (a “**Put Exercise Notice**”), by (i) not later than 30 days following a Change of Control (the “**Initial Exercise Period**”), or (ii) if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 13 (the “**Substituted Exercise Period**”).

The “**Put Settlement Date**” in respect of any Bond for which such option is exercised shall be the fourteenth day after the expiry of (i) the Initial Exercise Period where the option is exercised during the Initial Exercise Period and the Substituted Exercise Period does not commence before expiry of the Initial Exercise Period or (ii) in all other circumstances, the Substituted Exercise Period.

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

Not later than 14 days following the day on which the Issuer becomes aware of a Change of Control, the Issuer shall procure that notice regarding the Change of Control shall be delivered to the Principal Agent in writing and to the Holders (in accordance with Condition 13) stating:

- (i) the Put Settlement Date;
- (ii) the date of the Change of Control and briefly the event causing the Change of Control;
- (iii) the date by which the Put Exercise Notice must be given;
- (iv) the redemption amount and the method by which such amount will be paid;
- (v) the name and address of the Principal Agent;
- (vi) the procedures that Holders must follow and the requirements that Holders 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.

None of the Agents shall be required to monitor or to take any steps to ascertain whether a Change of Control or any event which could lead to a Change of Control has occurred or may occur and none of them shall have any obligation or duty to verify the accuracy, validity and/or genuineness of any documents in relation to or connection with the Change of Control and none of them shall be liable to Holders, the Issuer or any other person for not doing so.

For the purpose of these Conditions:

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

- (i) (x) the Shangyu SASAC, (y) the People’s Government of Shangyu District of Shaoxing, (z) the People’s Government of Zhejiang Province and (w) any other person directly or indirectly controlled by the central government of the PRC (which for the avoidance of doubt includes the Social Security Fund of the PRC) ceases to directly or indirectly hold or own 100 per cent. of the issued share capital of the Issuer; or

- (ii) the Issuer consolidates with or merges into or sells or transfers all or substantially all of the Issuer's assets to any other person or persons, acting together, except where such person(s) (in the case of asset transfer) or the surviving entity (in the case of consolidation or merger) is/are Controlled by (x) the Shangyu SASAC, (y) the People's Government of Shangyu District of Shaoxing, (z) the People's Government of Zhejiang Province and (w) any other person directly or indirectly controlled by the central government of the PRC (which for the avoidance of doubt includes the Social Security Fund of the PRC);

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

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

"Shangyu SASAC" means the State-owned Assets Supervision and Administration Commission of Shangyu District of Shaoxing or its successor.

(d) Purchase

The Issuer or any of its Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Issuer or any such Subsidiary, shall not entitle the Holder to vote at any meetings of the Holders and shall not be deemed to be outstanding for certain purposes, including without limitation for the purpose of calculating quorums at meetings of the Holders and for the purposes of Condition 9 and Condition 11(a).

(e) Cancellation

All Bonds so redeemed or purchased by the Issuer or any of its Subsidiaries shall be cancelled and may not be reissued or resold.

(f) Notice of Redemption

All Bonds in respect of which any notice of redemption is given under this Condition 6 shall be redeemed on the date, in such place and in such manner as specified in such notice in accordance with this Condition 6. If there is more than one notice of redemption given in respect of any Bond, including any Tax Redemption Notice given by the Issuer pursuant to Condition 6(b) and/or any Put Exercise Notice given by a Bondholder pursuant to Condition 6(c), the notice given first in time shall prevail, and in the event of more than one notices being given on the same date, the first to be given shall prevail. None of the Agents shall be responsible for calculating or verifying any calculations of any amounts payable under any notice of redemption, and none of them shall be liable to Bondholders, the Issuer or any other person for not doing so.

7 PAYMENTS

(a) Method of Payment:

- (i) Payments of principal and premium (if any) and interest shall be made in Renminbi by wire transfer to the registered account of each Bondholder.
- (ii) Payment of any amount on each Bond shall be paid to the person shown on the Register at the close of business on the fifth Payment Business Day before the due date for payment thereof (the “**Record Date**”).

*For the purposes of this Condition 7, a Bondholder’s “**registered account**” means either the Renminbi free trade account (自由貿易賬戶) maintained by or on behalf of it with a bank in the China (Shanghai) Pilot Free Trade Zone or, the Renminbi account maintained by or on behalf of it with a bank in Hong Kong, in each case as nominated from time to time by the Bondholder and the details of which appear on the Register at the close of business on the Record Date.*

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

*Notwithstanding the foregoing, so long as the Bonds are entered in CCDC, each payment in respect of the Bonds will be made to the person shown as the Bondholder in the books and records of CCDC at the close of business of CCDC on the CCDC Business Day before the due date for such payments in accordance with the rules of CCDC, where “**CCDC Business Day**” means a day, other than a Saturday, Sunday or public holiday of the PRC or prescribed by special regulations, on which CCDC is generally open for business.*

- (b) **Payments subject to Fiscal Laws:** Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Bondholders in respect of such payments.
- (c) **Payment Initiation:** Payment instructions (for value on the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated on the due date for payment (or, if that date is not a Payment Business Day, on the first following day which is a Payment Business Day).
- (d) **Appointment of Agents:** The Principal Agent, the Registrar and the Transfer Agent initially appointed by the Issuer and their respective specified offices are listed below. The Principal Agent, the Registrar and the Transfer Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer shall at all times maintain (i) a Principal Agent, (ii) a Registrar, (iii) a Transfer Agent and (iv) such other agents as may be required by any other stock exchange on which the Bonds may be listed.

Notice of any change of any specified office of an Agent shall promptly be given by the Issuer to the Bondholders in accordance with Condition 13.

- (e) **Delay in Payment:** Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a Payment Business Day.
- (f) **Non-Payment Business Days:** If any date for payment in respect of any Bond is not a Payment Business Day, the Holder shall not be entitled to payment until the next following Payment Business Day nor to any interest or other sum in respect of such postponed payment. In this Condition 7, “**Payment Business Day**” means a day (other than a Saturday, a Sunday or a public holiday) on which banks and foreign exchange markets are generally open for business and settlement of Renminbi payments in Beijing.

8 TAXATION

All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the PRC (including the China (Shanghai) Pilot Free Trade Zone) or any political subdivision or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

Where such withholding or deduction is made by the Issuer by or within the PRC (including the China (Shanghai) Pilot Free Trade Zone) up to and including the aggregate rate applicable on 15 July 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 the PRC (including the China (Shanghai) Pilot Free Trade Zone) 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 to a Holder (or to a third party on behalf of a Holder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his PRC tax residency status or his having some connection with the PRC (including the China (Shanghai) Pilot Free Trade Zone) other than the mere holding of the Bond.

References in these Conditions to principal, premium (if any) and interest shall be deemed also to refer to any Additional Tax Amounts which may be payable under this Condition 8.

None of the Agents shall be responsible for paying any tax, duty, charges, withholding or other payment in connection with the Bonds or for determining whether such amounts are payable or the amount thereof, and shall not be responsible or liable for any failure by the Issuer or the Bondholders or any other person to pay such tax, duty, charges, withholding or other payment or be responsible to provide any notice or information in relation to the Bonds in connection with payment of such tax, duty, charges, withholding or other payment imposed by or in any jurisdiction.

9 EVENTS OF DEFAULT

If an Event of Default (as defined below) occurs, the Holder of any Bond then outstanding may give notice in writing to the Issuer (with a copy to the Principal Agent at its specified office) that such Bond becomes immediately due and payable at its principal amount together with any premium and accrued but unpaid interest (if any).

An “**Event of Default**” occurs if:

- (a) **Non-Payment:** there is a failure to pay the principal of or any premium (if any) or interest on any of the Bonds when due and, in the case of interest, such failure continues for a period of seven calendar days; or
- (b) **Breach of Other Obligations:** the Issuer does not perform or comply with any one or more of its other obligations under the Bonds or the Deed of Covenant (other than those referred to in Condition 9(a) or where such default gives rise to a right of redemption pursuant to Condition 6(c)), which default is incapable of remedy or, if such default is capable of remedy, such default is not remedied within 30 calendar days after notice of such default shall have been given to the Issuer by the Principal Agent; or
- (c) **Cross-Default:** (i) any other present or future indebtedness of the Issuer or any of its Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 9(c) have occurred equals or exceeds CNY200,000,000 or its equivalent in any other currency (on the basis of the middle spot rate for the relevant currency against Renminbi as quoted by People’s Bank of China on the day on which this Condition 9(c) operates); or
- (d) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or a substantial part of the property, assets or revenues of the Issuer or any Principal Subsidiary and is not discharged or stayed within 30 calendar days; or
- (e) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any Principal Subsidiary on any part of its assets, becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and is not discharged or stayed within 30 calendar days; or
- (f) **Insolvency:** the Issuer or any Principal Subsidiary is (or is 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 substantial part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or a substantial part of the debts of the Issuer or any Subsidiary; or

- (g) **Winding-up:** (i) an order is made by a court of competent jurisdiction or an effective resolution is passed for the winding-up or dissolution of the Issuer or any Principal Subsidiary, or (ii) the Issuer or any Principal Subsidiary ceases or threatens to cease to carry on all or substantially all of its business or operations, except in the cases of (i) and (ii) above (A) for the purpose of and followed by a solvent winding-up, dissolution, reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution of the Bondholders; or (B) in the case of a Principal Subsidiary, whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer or any of its Subsidiaries; or (C) in the case of a disposal of a Principal Subsidiary on an arm's length basis, whereby the proceeds from such disposal are transferred to or otherwise vested in the Issuer or any of its other Subsidiaries; or
- (h) **Nationalisation:** any step is taken by any person acting under the authority of any national, regional or local government with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a substantial part of the undertaking, assets and revenues of the Issuer or any Principal Subsidiary except for events which would not, individually or in the aggregate, have an effect which could materially and adversely affect the ability of the Issuer to perform its obligations under the Bonds or the Deed of Covenant; or
- (i) **Authorisation and Consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Bonds and the Deed of Covenant, (ii) to ensure that those obligations referred to in (i) are legally binding and enforceable and (iii) to make the Bonds, Register and the Deed of Covenant admissible in evidence in the courts of Hong Kong, is not taken, fulfilled or done; or
- (j) **Illegality:** it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Bonds or the Deed of Covenant; or
- (k) **Analogous Events:** any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in this Conditions 9.

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

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

- (iii) whose total assets or (in the case of a Subsidiary which itself has Subsidiaries) consolidated total assets, as shown by its latest audited balance sheet, are at least five per cent. of the amount which equals the amount included in the consolidated total assets of the Issuer and its Subsidiaries as shown by the latest published audited consolidated balance sheet of the Issuer and its Subsidiaries including, for the avoidance of doubt, the investment of the Issuer in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Issuer and after adjustment for minority interests;

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

- (A) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Issuer relate, the reference to the then latest consolidated audited accounts of the for the purposes of the calculation above shall, until consolidated audited accounts of the Issuer for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published, be deemed to be a reference to the then latest consolidated audited accounts of the Issuer adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;
- (B) if at any relevant time in relation to the Issuer or any Subsidiary which itself has Subsidiaries, and no consolidated accounts are prepared and audited, then revenue, net profit for the year or total assets of the Issuer and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by or on behalf of the Issuer;
- (C) if at any relevant time in relation to any Subsidiary, then no accounts are audited, its revenue, net profit for the year or total assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by or on behalf of the Issuer or, as the case may be, the Issuer;
- (D) 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 Issuer, then the determination of whether or not such subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Issuer prepared for this purpose by the Issuer; and
- (E) if a Subsidiary to which is transferred all or substantially all of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, then 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 upon such transfer but shall cease to be a Principal Subsidiary at the date on which the first published audited accounts (consolidated, if appropriate) of the Issuer prepared as at a date later than such transfer are issued unless such Subsidiary would continue to be a Principal Subsidiary on the basis of such accounts by virtue of the provisions of paragraphs (i), (ii) or (iii) above of this definition.

10 PRESCRIPTION

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

“**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.

11 MEETINGS OF HOLDERS AND MODIFICATION OF DEED OF COVENANT AND AGENCY AGREEMENT

(a) Meetings of Bondholders

The Deed of Covenant contains provisions for convening meetings of the Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions. Such a meeting may be convened by Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented unless the business of such meeting includes the modification or abrogation of certain of the provisions of these Conditions, including consideration of proposals, *inter alia*, (i) to modify the maturity date of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, any premium payable on redemption of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds, or (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 66 2/3 per cent., or at any adjourned such 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 Deed of Covenant provides that a resolution in writing signed by or on behalf of the Bondholders of not less than 90 per cent. in aggregate principal amount of the Bonds for the time being outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

(b) Modification of the Agency Agreement and the Deed of Covenant

The Issuer shall only permit any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error or to comply with any mandatory provision of applicable laws or as required by CCDC in accordance with the Agency Agreement. Any such modification, waiver or authorisation shall be binding on the Bondholders and such modification, waiver or authorisation shall be notified to the Bondholders by the Issuer as soon as practicable thereafter in accordance with Condition 13.

12 FURTHER ISSUES

The Issuer is at liberty from time to time without the consent of the Bondholders to create and issue further securities constituted by a deed supplemental to the Deed of Covenant and having the same terms and conditions as the Bonds in all respects (or in all respects save for the issue date, issue price and the amount of the first payment of interest on them and the timing for making of the NDRC Post-issue Filing) and so that the same shall be consolidated and form a single series with the outstanding Bonds. References in these Conditions to the Bonds include (unless the context requires otherwise) any other securities issued pursuant to this Condition 12 and consolidated and forming a single series with the Bonds.

13 NOTICES

All notices to the Holders will be valid (i) if mailed to them by uninsured mail at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday, a Sunday or a public holiday in Beijing) after the date of mailing; or (ii) if sent to them by electronic communication, when the relevant receipt of such communication being read is given, or where no read receipt is requested by the sender, at the time of sending, provided that no delivery failure notification is received by the sender within 24 hours of sending such communication. The Issuer shall also ensure that notices are duly published in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed. Any notice shall be deemed to have been given, on the date of such publication or, if published more than once, on the first date on which publication is made.

So long as the Bonds are centrally held by CCDC, notices to the Bondholders shall be validly given by the delivery of the relevant notice to CCDC, for communication by it to entitled accountholders in substitution for notification as required by the Conditions.

14 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999, but this shall not affect any rights or remedies which exist or are available apart from the Contracts (Rights of Third Parties) Act 1999.

15 CURRENCY INDEMNITY

Renminbi is the sole currency of account and payment for all sums payable by the Issuer under or in connection with the Bonds, including damages. Any amount received or recovered in a currency other than Renminbi (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise) by any Bondholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the Renminbi amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that Renminbi amount is less than the Renminbi amount expressed to be due to the recipient under any Bond, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it will be sufficient for the Bondholder to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Bondholder and shall continue in full force and effect despite any

other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Bond or any other judgment or order.

16 GOVERNING LAW AND JURISDICTION

(a) Governing Law

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

(b) Jurisdiction

The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds and the Deed of Covenant, and accordingly any legal action or proceedings arising out of or in connection with any Bonds or the Deed of Covenant (“**Proceedings**”) may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of such courts and waived any objection to Proceedings in any such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

(c) Agent for Service of Process

The Issuer has irrevocably appointed Shangyu Urban Construction Hong Kong Company Limited at 15th Floor, International Trade Centre, No. 348, Kwun Tong Road, Kowloon, Hong Kong as its authorised agent in Hong Kong to receive service of process in any Proceedings in Hong Kong based on the Bonds. If for any reason such agent ceases to be such an agent of the Issuer for service of process or no longer has an address in Hong Kong, the Issuer shall promptly appoint a new agent in Hong Kong to accept service of process and shall deliver to the Principal Agent a copy of the agent’s acceptance of that appointment within seven days of such cessation. Nothing herein shall affect the right to serve process in any other manner permitted by law.

(d) Waiver of Immunity

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

SUMMARY OF PROVISIONS RELATING TO THE BONDS HELD IN CCDC

The Terms and Conditions and the Deed of Covenant contain provisions which apply to the Bonds while they are entered in CCDC. The following is a summary of certain of those provisions.

Unless otherwise defined or the context requires otherwise, terms defined in the Terms and Conditions set out in this Offering Circular have the meaning in the paragraphs below.

Form and Title

The Bonds will be issued in uncertificated book-entry form entered in CCDC. No certificate or other evidence of title, other than the Deed of Covenant, will be issued by, or on behalf of, the Issuer to evidence title to a Bond unless the Issuer determines that certificates should be made available or it is required to do so pursuant to any applicable law or regulation.

Under the Deed of Covenant, the Issuer unconditionally and irrevocably undertakes to pay such principal, premium (if any), interest and any other amounts that may be payable on the Bonds to the holder of the Bonds in accordance with the Terms and Conditions.

A person in whose name an interest in the Bonds is entered on the books and records of CCDC will be entitled to have title to the Bonds registered in his name and to receive individual definitive Certificates if CCDC is closed for business for a continuous period of 14 business days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

Such exchange will be effected in accordance with the provisions of the Agency Agreement, the Deed of Covenant 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, 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.

Payment

So long as the Bonds are entered in CCDC, CCDC will act as the paying agent of the Bonds and make payments of any interest, principal and premium in respect of the Bonds in accordance with the terms of the Agency Agreement. Each payment in respect of the Bonds will be made to the person shown as the holder in the books and records of CCDC at the close of business of CCDC on the CCDC Business Day before the due date for such payments in accordance with the rules of CCDC, where “**CCDC Business Day**” means a day (other than a Saturday, Sunday or public holiday of the PRC) upon which CCDC is operating.

Notices

So long as the Bonds are centrally held by CCDC, notices to the Bondholders shall be validly given by the delivery of the relevant notice to CCDC, for communication by it to entitled accountholders in substitution for notification as required by the Terms and Conditions.

Bondholder’s Redemption

The Bondholder’s redemption option in Condition 6(c) (*Redemption for Change of Control*) of the Terms and Conditions may be exercised by the entitled accountholders by giving notice to the Principal 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 6(b) (*Redemption for Taxation Reasons*) of the Terms and Conditions may 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 in accordance with the rules of CCDC in effect from time to time, and any transferee acquiring such interests in the Bonds will be required to have and maintain an account with CCDC.

USE OF PROCEEDS

The Issuer estimates that the gross proceeds from the offering of the Bonds will be CNY1,100,000,000. After deducting commissions and other estimated expenses payable in connection with the offering of the Bonds, the net proceeds will be used for project construction and general working capital.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the consolidated total borrowings (both current and non-current portions), total equity and total capitalisation of the Issuer as at 31 December 2021 and adjusted to give effect to the issue of the Bonds. The table should be read in conjunction with the Issuer's consolidated financial statements and the related notes included elsewhere in this Offering Circular.

	As at 31 December 2021	
	Actual	Adjusted
	(RMB in millions)	(RMB in millions)
Short-term borrowings	1,793.2	1,793.2
Non-current liabilities within one year	2,285.5	2,285.5
Long-term borrowings	3,734.9	3,734.9
Bonds payable	5,213.7	5,213.7
Long-term payables ⁽¹⁾	1,306.7	1,306.7
Bonds to be issued	—	1,100
Total debts⁽²⁾	14,334.1	15,434.1
Total owners' equity⁽³⁾	18,604.4	18,604.4
Total capitalisation⁽⁴⁾	32,938.4	34,038.4

Notes:

- (1) This amount represents interest-bearing portion of the long-term payables.
- (2) Total debt is the sum of short-term borrowings, non-current liabilities within one year, long-term borrowings, bonds payable, long-term payables and bonds to be issued.
- (3) Total owners' equity includes paid-in capital (share capital), capital reserve, surplus reserve, other comprehensive income, surplus reserve, retained earnings and non-controlling interests.
- (4) Total capitalisation is the sum of total debt and total owners' equity.

There has been no material change in the Issuer's consolidated capitalisation and indebtedness since 31 December 2021.

DESCRIPTION OF THE GROUP

OVERVIEW

The Group is a state-owned enterprise established in 2002. The Group is the main body of public facility operation, construction of major projects, and urban infrastructure operation of the Shangyu District Government. Since its establishment in 2002, the Group played an important role in implementing the Shangyu District Government's blueprint for urban planning and municipal construction. It engages in a diverse range of businesses and investments across industries, including land development, urban infrastructure development, resettlement housing development and other businesses, including, but not limited to, environmental and sanitation services, gardening, greening, property leasing and management services.

As at 31 December 2021, the Group had a registered capital of RMB1.0 billion. For the years ended 31 December 2019, 2020 and 2021, the Group's revenue was RMB2,108.5 million, RMB2,369.8 million and RMB2,187.8 million, respectively. For the same periods, the Group generated a net profit of RMB134.3 million, RMB138.7 million and RMB155.7 million, respectively. As at 31 December 2021, the Group's total assets amounted to RMB34,789.1 million.

The following summarises the principal business segments of the Group:

Land Development

Land development is one of the principal business segments of the Group. The Group develops land on behalf of the Shangyu District Government. The Group carries out its land development business mainly through its subsidiaries, Chengzhongcun Company and Gaotie Company. The Group's land development services include, but are not limited to, demolition, consolidation, resettlement of the original inhabitants, site levelling and other relevant functions on the land parcels in accordance with the requirements of the Shangyu District Government. Once the land is developed, the Group transfers the land to the Shangyu District Government for sale to third parties or for public use.

For the years ended 31 December 2019, 2020 and 2021, the Group's revenue generated from its land development services amounted to RMB273.6 million, RMB515.9 million and RMB515.0 million, respectively, which accounted for 13.0 per cent., 21.8 per cent. and 23.5 per cent. of the Group's total revenue, respectively.

Urban Infrastructure Development

Under the authorisation of the Shangyu District Government, the Group provides the commissioned construction, engineering construction and construction management services on the urban infrastructure for the Shangyu District Government. The Group carries out its urban infrastructure development business through the Issuer and certain of its subsidiaries, including the Urban and Rural Eco-environmental Development Company, Chengzhongcun Company, the Project Company and the Yuanlin Company. The Group's urban infrastructure development services include road construction, municipal engineering and landscaping. Depending on the type of agreement, the business models of the urban infrastructure development business can be classified into three sub-categories, namely, the construction contracting services, the engineering construction services and the construction management services.

For the years ended 31 December 2019, 2020 and 2021, the revenue generated from its urban infrastructure development services amounted to RMB146.1 million, RMB673.2 million and RMB481.1 million, respectively, which accounted for 6.9 per cent., 28.4 per cent. and 22.0 per cent. of the Group's total revenue, respectively.

Resettlement Housing Development

The Group carries out its resettlement housing development business through its subsidiaries, Chengzhongcun Company and Haina Company since 2008. The Group is responsible for the development and sale of price-controlled government housing in Shangyu District. The Group carries out its resettlement housing development business under two operating models, namely commissioned construction and self-operated resettlement housing projects. Land used for resettlement housing development is mainly allocated by the Shangyu District Government.

For the years ended 31 December 2019, 2020 and 2021, the Group's revenue generated from its resettlement housing development business amounted to RMB697.8 million, RMB239.3 million and RMB224.9 million, respectively, which accounted for 33.1 per cent., 10.1 per cent. and 10.3 per cent. of the Group's total revenue, respectively.

Merchandising

The Group carries out merchandising business through its subsidiary, the Datong Company. The Datong Company operates Datong Mall (大通商城) independently, which is one of the "Ten Key Commercial Buildings in Shaoxing". Datong Mall mainly provides retail services such as clothing, accessories, home appliances, jewelry, cosmetics, and also operates supermarkets and other department stores. The oil and gas sales business of Datong Company is mainly concentrated in Donghai Gas Co., Ltd. (東海燃氣公司), Dongguan Liquefied Natural Gas Co., Ltd. (東關液化氣公司) and Sinopec Datong Oil and Gas Station Co., Ltd. (中石化大通油氣站公司). The Group mainly provides refueling and filling services to the public within Shangyu District of Shaoxing City.

For the years ended 31 December 2019, 2020 and 2021, the Group's revenue generated from its merchandising business amounted to RMB712.2 million, RMB681.8 million and RMB613.0 million, respectively, which accounted for 33.8 per cent., 28.8 per cent. and 28.0 per cent. of the Group's total revenue, respectively.

Urban Maintenance Businesses

The Group's other businesses primarily comprise of environmental and sanitation services and leasing properties. The Group was authorised by the Shangyu District Government to manage the environmental and sanitation services of the main city and development district of Shangyu District. In addition, the Group generates rental revenue from the Shui'an Xincheng commercial buildings, Phoenix Apartments commercial buildings operated by Haina Company, commercial buildings of Binjiang No. 1 operated by Urban-Rural Construction Asset Operation Management Company, various other public housing units and parking space units, and flower and bird market operated by Yuanlin Company.

For the years ended 31 December 2019, 2020 and 2021, the Group's revenue generated from its environmental and sanitation services and leasing properties business amounted to RMB221.9 million, RMB213.8 million and RMB291.1 million, respectively, which accounted for approximately 10.5 per cent., 9.0 per cent. and 13.3 per cent. of the Group's total revenue, respectively.

COMPETITIVE STRENGTHS

The Group believes that its competitive strengths outlined below distinguish it from its competitors and are important to its success and future development:

Shangyu District's strategic location

As the designated corporate entity to carry out the Shangyu District Government's land development projects, urban infrastructure development projects and resettlement housing development projects in Shangyu District, the Group believes it is well positioned to benefit from any urban and economic growth in Shangyu District.

Comprising one national economic development zone, one provincial economic development zone, and 14 township industrial function zones with 1,402 square kilometers, Shangyu District is located on the south bank of Hangzhou Bay, in the eastern part of Shaoxing City, west of Keqiao District and Yuecheng District, south of Shengzhou City, east of Yuyao City, and south of the Qiantang River. With 45 kilometers coastlines, Shangyu District is a transportation hub of Zhejiang Province due to its excellent location and convenient transportation conditions, including a condensed network of expressways, high-speed railways, railways, ports and canals within its territory. It is only a two hour drive away from Shanghai as it located near the Jiaxing-Shaoxing Sea Bridge, which spans across Hangzhou Bay, and is only a thirty minutes' drive away from Ningbo Port and the Hangzhou Xiaoshan International Airport. In addition, Shangyu District is also the business centre of Shaoxing and the new “Business Capital” of east Zhejiang Province. It tops the ranking of “Forbes National County Economy” and is also famous for the reputation of the “County of Construction”. Shangyu District has five key industries and eight industrial clusters, which have a strong influence on the economy in the surrounding area. In 2021, the GDP and the total fiscal revenue of Shangyu District were RMB113.6 billion and RMB17.1 billion, showing an increase of 7.2 per cent. and 14.9 per cent. compared with numbers of 2020, respectively. In 2021, Shangyu District ranked 35th among the top 100 comprehensive strength regions in China in terms of the comprehensive strength. Pursuant to the 14th Five-Year Plan of Shangyu District, it strives to become top ten of Zhejiang Province’s districts (counties, cities) in terms of main economic indicators, with regional GDP reaching approximately RMB140 billion. Therefore, the Group anticipates continued urban and economic growth in Shangyu District and the greater Shaoxing area in near future, which it believes will continue to provide strong growth opportunities for the Group’s core businesses. For the avoidance of doubt, no PRC government entity or department, including the Shangyu District Government, is an obligor and shall not under any circumstances bear any obligations arising out of or in connection with the Bonds in lieu of the Issuer. See “*Risk Factors — Risks relating to the Bonds — Shaoxing Shangyu SASAC or any other PRC governmental entity does not have any payment, guarantee or other obligations under the Bonds or the transaction documents.*”

Sole operator in Shangyu District engaged in land development, urban infrastructure development and resettlement housing development

As an important subsidiary of Shaoxing Shangyu SASAC, the Group believes that it is the preferred corporate entity to engage in land development, urban infrastructure development and resettlement housing development in Shangyu District. The Group’s business is closely intertwined with the development of Shangyu District, which presents a multitude of business opportunities. The Group believes that its unique status as the preferred corporate entity to carry out the operations that it currently engages in on behalf of the Shangyu District Government provides it with competitive advantages for projects in Shangyu District unrivalled by any competitor.

For the avoidance of doubt, no PRC government entity or department, including the Shangyu District Government, is an obligor and shall not under any circumstances bear any obligations arising out of or in connection with the Bonds in lieu of the Issuer. The Shangyu District Government and relevant PRC government entity or department only assumes limited liability as a shareholder in the Issuer, which is limited to its equity contributions in the Issuer only. The Bonds are solely to be repaid by the Issuer as an independent legal person.

Strong financial profile with access to multiple sources of capital

The Group believes that it has a solid financial profile with recurring cash flows and liquidity. The Group’s sources of funding include medium-term notes, RMB bonds, short-term commercial paper, corporate bonds, insurance bonds, perpetual bonds and special bond by local government, in addition to the Bonds. As at 31 December 2021, the credit granted by commercial banks to the Group had in aggregate exceeded RMB15.5 billion, of which RMB7.8 billion was unutilised. In particular, the Group has been granted credit facilities from a number of major banks in the PRC, and as at 31 December 2021,

credit granted by policy banks, the five largest banks in the PRC and other banks comprised 8.7 per cent., 49.1 per cent. and 42.2 per cent. of the Group's total bank loans. The Group maintains a prudent financial policy, and intends to maintain sufficient cash balances and keep the Group's leverage ratio (defined as interest-bearing financial obligations divided by total assets) controllable. The Shangyu District Government has allocated to the Group the shareholdings of Gaotie Company, Datong Company, Chengzhongcun Company, relevant houses, and other resource assets such as sand, gravel and seedlings free of charge, and also provided financial allocations to the Group. The Group's equity capital structure has been optimised.

Experienced and stable management team

The Group's senior management team and key operating personnel have, on average, more than 20 years of experience in the relevant industries. Further, the Group's senior management team is highly experienced in collaborating with various levels of the PRC government, in particular with the Shangyu District Government, which is of strategic value to the Group. Most of the Group's senior executives have previously served as senior officials in various state-owned enterprises and government departments of the PRC. Their understanding of the regulatory framework and government policies allow the Group to efficiently conduct its business within Shangyu District and be better positioned to take advantage of any favourable governmental policies.

STRATEGY

As a state-owned company in Shangyu District and under the leadership of Shangyu District Party Committee, Shangyu District Government and Shaoxing Shangyu SASAC, the Group's goal is to grow its asset base, optimise its capital structure and enhance operational efficiency, with a vision to develop Shangyu District into a modernised town and build a green and ecological environment for its residents and businesses. The Group strives to become a regionally competitive supplier and service provider of urban infrastructure, resettlement housing and public facilities. The Group intends to implement the following strategies:

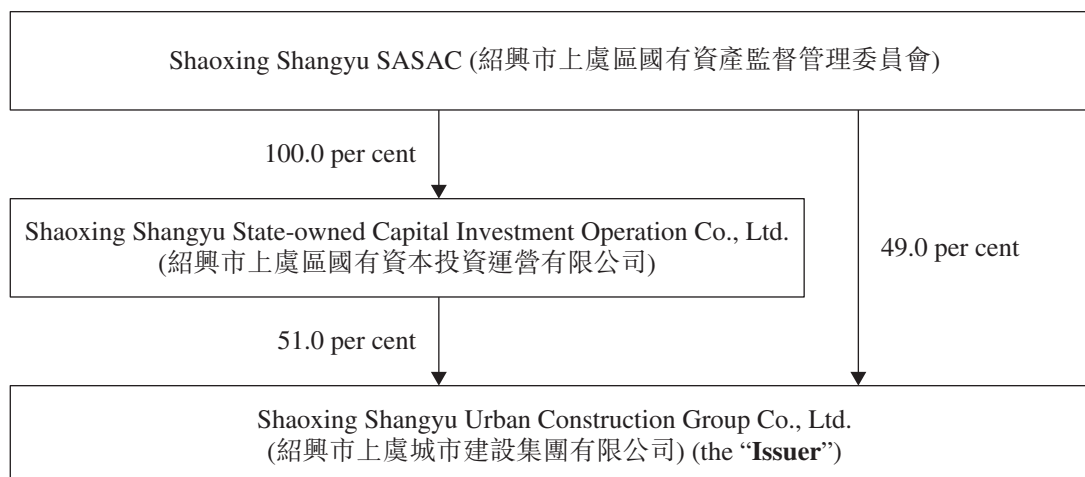
In the 14th Five-Year-Plan period, the Group is committed to ensure the preservation and appreciation of state-owned assets and achieve the Group's growth targets. The Group will also improve management systems and mechanisms, strengthen supervision, standardise operations, and promote a stable and healthy development strategy for the Group.

The Group will follow the strategic positioning of establishing an "innovation zone and quality city". It will align its core businesses to the respective urban planning and development strategies of the national, provincial, municipal and district governments. The Group will expand neighborhood commerce, micro industrial parks, urban organic renewal, cultural and sports facilities operations, and deploy new infrastructure areas such as urban brains, smart cities, and smart communities. The Group will strive to transform Shangyu District into a centre of innovation, quality, harmony and happiness, and thereby coordinate the development of urban and rural areas and fully optimise the use of the Group's assets.

The Group aims to utilise its assets efficiently and develop projects to become a competitive supplier and service provider of urban infrastructure and public facilities, to improve people's happiness, and to promote and accelerate the Greater Bay Area integration in the Yangtze River Delta.

CORPORATE STRUCTURE

The following diagram sets forth a simplified structure of the Group as at the date of this Offering Circular:



The Issuer had 67 subsidiaries as at 31 December 2021 and the table below sets forth the domestic subsidiaries directly owned by the Issuer:

Direct Subsidiary	Ownership (per cent.)	Direct Subsidiary	Ownership (per cent.)	Direct Subsidiary	Ownership (per cent.)
Shaoxing Shangyu Urban and Rural Eco-environmental Development Co., Ltd. (the “ Urban and Rural Eco-environmental Development Company ”) (紹興市上虞城鄉生態環保發展有限公司)	100.0	Shaoxing Shangyu Leju Property Service Co., Ltd. (紹興市上虞樂居物業服務有限公司) . . .	100.0	Shaoxing Shangyu Lightening Project Investment Management Co., Ltd. (紹興市上虞亮化工程投資管理有限公司) . . .	100.0
Shaoxing Shangyu City Village Renovation Investment and Development Co., Ltd. (the “ Chengzhongcun Company ”) (紹興市上虞城中村改造投資開發有限公司)	100.0	Shaoxing Shangyu Urban-Rural Construction Asset Operation Management Co., Ltd. (the “ Urban-Rural Construction Asset Operation Management Company ”) (紹興市上虞城建資產經營管理有限公司)	100.0	Shaoxing Shangyu High-speed Railway New Town Construction Investment Co., Ltd. (the “ Gaotie Company ”) (紹興市上虞高鐵新城建設投資有限公司)	100.0
Shaoxing Shangyu Haina Property Co., Ltd. (the “ Haina Company ”) (紹興市上虞海納置業有限公司)	100.0	Shaoxing Shangyu Landscape and Municipal Group Co., Ltd. (the “ Yuanlin Company ”) (紹興市上虞園林市政集團有限公司)	100.0	Shaoxing Shangyu Small Town Construction Investment Co., Ltd. (紹興市上虞小城鎮建設投資有限公司)	100.0

Direct Subsidiary	Ownership (per cent.)	Direct Subsidiary	Ownership (per cent.)	Direct Subsidiary	Ownership (per cent.)
Shaoxing Shangyu Construction Labour Affairs Agency Co., Ltd. (紹興市上虞建設勞動事務代理有限公司)	100.0	Shaoxing Shangyu Urban Construction Project Management Co., Ltd. (the “ Project Company ”) (紹興市上虞城市建設項目管理有限公司)	100.0	Shaoxing Shangyu Municipal Public Works Quality Inspection Co., Ltd. (紹興市上虞市政公用工程品質檢測有限公司)	100.0
Shaoxing Shangyu Street Lamps Management Co., Ltd. (紹興市上虞區路燈管理有限公司)	100.0	Shaoxing Shangyu Environmental Sanitation Management Group Co., Ltd. (the “ Huanwei Company ”) (紹興市上虞環境衛生管理集團有限公司) ...	100.0	Shaoxing Datong Holding Group Co., Ltd. (the “ Datong Company ”) (紹興大通控股集團有限公司) ...	51.0
Shaoxing Shangyu Hongyan Construction Development Co., Ltd. (紹興市上虞鴻雁建設開發有限公司)	100.0	Shangyu Urban Construction Hong Kong Company (上虞城建香港有限公司)	100.0	Shaoxing Shangyu Yunan Urban Construction Development Co., Ltd. (紹興市上虞虞南城市建設開發有限公司) ...	100.0

The table below sets forth the Group’s major joint ventures:

Name of the Company	Ownership (per cent.)
Shaoxing Shangyu Donghai Joint Venture Datong Gas Station (紹興市上虞區東海聯營 大通加油站) ...	50.0
Shaoxing Shangyu Datong Asset Management Co., Ltd. (紹興上虞大通資產經營有限公司)	42.3
Shaoxing Shangyu Cao’ejiang Jiangshang Huahai Development and Construction Co., Ltd. (紹興市上虞曹娥江上花海開發建設有限公司)	45.5
Shaoxing Shangyu District Chaohui Trading Co., Ltd. (紹興市上虞區超惠商貿有限公司)	39.0
Shaoxing Datong Shopping Center Co., Ltd. (紹興大通購物中心有限公司)	32.9
Shaoxing Shangyu Cao’ejiang Agricultural Products Co., Ltd. (紹興市上虞曹娥江農產品有限公司) ...	40.0
Shaoxing Shangyu Hengtai Used Car Evaluation Co., Ltd. (紹興上虞恒泰二手車評估有限公司)	40.0
Shaoxing Shangyu District Huiduoli Agricultural Materials Co., Ltd. (紹興市上虞區惠多利農資有限公司) ...	30.0
Shaoxing Datong Fanshifu Green Food Co., Ltd. (紹興大通范師傅綠色食品有限公司)	35.0
Shaoxing Yuyi Cultural and Creative Co., Ltd. (紹興虞憶文化創意有限公司)	45.5
Zhejiang Tianquan Intelligent Technology Co., Ltd. (浙江天權智能科技有限公司)	50.0
Shaoxing Shangyu Lvheng Renewable Resources Development Co., Ltd. (紹興市上虞區綠恆再生資源開發有限公司)	24.5

HISTORY AND DEVELOPMENT

Shangyu Urban Construction and Development Co., Ltd. (上虞市城市建設發展有限公司) was set up by the Bureau of Planning and Construction of Shangyu Municipality (currently known as the Bureau of Housing and Urban-Rural Development of Shaoxing Municipal Shangyu District, hereinafter referred to as “**Shangyu BHURD**”) on 28 May 2002, with a registered capital of RMB100 million at its inception.

In October 2014, the name of the company was changed from Shangyu Urban Construction and Development Co., Ltd. to Shaoxing Shangyu Urban Construction Group Co., Ltd. (紹興市上虞城市建設集團有限公司) according to the Yuzhengfa [2014] No. 51 Document of Shaoxing Municipal Shangyu District People’s Government; the shareholder of the Group was changed from Shangyu BHURD to Shaoxing Shangyu SASAC; and the registered capital of the Group was increased from RMB100 million to RMB1 billion, of which RMB500 million was subscribed by the right of the use of land, and the remaining RMB500 million was subscribed by currency. For the subscription of RMB500 million by the land use right, RMB100 million was contributed on 21 May 2002, and the remaining RMB400 million will be contributed fully and gradually by 30 September 2030. For the subscription of RMB500 million by currency, RMB70 million was contributed on 30 September 2017, and the remaining RMB430 million will be contributed fully and gradually by 30 September 2025.

As at the date of this Offering Circular, the registered capital of the Group is RMB1.0 billion, and the contributed amount of the registered capital is RMB170 million. Shaoxing Shangyu State-owned Capital Investment Operation Co. Ltd. (紹興市上虞區國有資本投資運營有限公司) and Shaoxing Shangyu SASAC directly hold 51 per cent. and 49 per cent. shareholdings of the Group, respectively.

Set forth below are a number of the key events which have occurred and a number of honours and awards received in the corporate development of the Group:

2002	On 28 May 2002, Shangyu BHURD set up the Group (formerly known as Shangyu Urban Construction and Development Co., Ltd.).
2010	On 28 December 2010, Haina Company became a subsidiary of the Group, and the Group commenced its resettlement housing development business.
2013	On 26 December 2013, Urban and Rural Eco-environmental Development Company became a subsidiary of the Group. On 26 December 2013, Gaotie Company became a subsidiary of the Group. On 27 December 2013, Chengzhongcun Company became a subsidiary of the Group.
2014	On 13 October 2014, Shaoxing Shangyu Affordable Housing Development and Construction Co., Ltd. became a subsidiary of the Group. On 15 October 2014, Shaoxing Shangyu Construction Labour Affairs Agency Co., Ltd. became a subsidiary of the Group. On 21 October 2014, Shaoxing Shangyu Leju Property Service Co., Ltd. became a subsidiary of the Group.

	In October 2014, the Group was upgraded to a deputy-section level group company and its name has changed to Shaoxing Shangyu Urban Construction Group Co., Ltd. Shaoxing Shangyu SASAC increased its registered capital to RMB1 billion.
2015	On 17 December 2015, Shaoxing Shangyu Street Lamps Management Co., Ltd. became a subsidiary of the Group.
2016	On 18 August 2016, the Project Company became a subsidiary of the Group.
	On 27 September 2016, the Huanwei Company established.
2017	On 13 February 2017, Shaoxing Shangyu Lightening Project Investment Management Co., Ltd. became a subsidiary of the Group.
2018	On 29 June 2018, Shaoxing Shangyu Lvxin Trading Co., Ltd. became a subsidiary of the Group.
	On 29 June 2018, Shaoxing Shangyu Lvneng Environmental Protection New Material Co., Ltd. became a subsidiary of the Group.
	On 1 November 2018, Shangyu Urban Construction Hong Kong Company was established as an offshore financing platform for the Group.
	On 26 June 2018, Shaoxing Shangyu Small Town Construction Investment Co., Ltd. became a subsidiary of the Group.
	In June 2018, Gaotie Company became a wholly-owned subsidiary of the Group.
2019	In April 2019, Yuanlin Company was established.
	In October 2019, the Group was upgraded to a section-level enterprise.
	In December 2019, Shaoxing Shangyu SASAC transferred 51 per cent. shareholdings of the Group to Shaoxing Shangyu State-owned Capital Investment Operation Co. Ltd. free of charge.
	In December 2019, Datong Company became a subsidiary of the Group with 51 per cent. shareholdings held by the Group.
2020	In September 2019, Chengzhongcun Company became a wholly-owned subsidiary of the Group.

DESCRIPTION OF THE GROUP'S BUSINESS

Overview

The Group holds a diverse business portfolio which includes various services ranging from urban infrastructure development, demolition and transformation of dilapidated areas, resettlement of original inhabitants, land development and operation, municipal engineering, operation of advertising management rights and naming rights in public spaces, housing leasing, property management, sales of construction materials, foreign investment and management, and consulting relating to urban construction projects, among others.

The following table sets forth a breakdown of the Group's total revenue by business segment for the periods indicated:

Business Segments	For the year ended 31 December					
	2019		2020		2021	
	Amount	per cent.	Amount	per cent.	Amount	per cent.
	(RMB in millions)		(RMB in millions)		(RMB in millions)	
Land Development	273.6	13.0	515.9	21.8	515.0	23.5
Property Sales	697.8	33.1	239.3	10.1	224.9	10.3
Property Leasing	89.9	4.3	77.6	3.3	120.0	5.5
Engineering Construction	146.1	6.9	283.0	11.9	273.7	12.1
Environmental and Sanitation Services	132.0	6.3	136.3	5.7	171.1	7.8
Commissioned Construction	—	—	390.2	16.5	207.3	9.5
Merchandising	712.2	33.8	681.8	28.8	613.0	28.0
Others	56.9	2.6	45.7	1.9	62.7	2.9
Total	2,108.5	100.0	2,369.8	100.0	2,187.8	100.0

The following table sets forth a breakdown of the Group's gross operating profit rate by business segment for the periods indicated:

Business Segments	For the year ended 31 December					
	2019		2020		2021	
	Amount	per cent.	Amount	per cent.	Amount	per cent.
	(RMB in millions)		(RMB in millions)		(RMB in millions)	
Land Development	13.0	12.2	24.6	6.8	24.5	6.9
Property Sales	(130.2)	(121.8)	63.1	17.4	62.1	17.4
Property Leasing	36.7	34.3	43.9	11.8	46.7	13.1
Engineering Construction	8.2	7.7	29.7	8.2	31.5	8.8
Environmental and Sanitation Services	30.6	28.6	40.1	11.1	25.8	7.2
Commissioned Construction	—	—	18.6	5.1	12.8	3.6
Merchandising	131.2	122.7	125.8	34.8	114.7	32.1
Others	17.5	16.3	27.5	7.6	38.8	10.9
Total	107.0	100.0	373.3	100.0	356.9	100.00

LAND DEVELOPMENT

Land development is the foundation for the development of urban infrastructure and the improvement of a city's comprehensive environment. It plays an important role in promoting urban economic growth, attracting business and investment, improving the welfare of citizens and increasing a local government's fiscal revenue. The Group believes the PRC's land development industry is an indispensable intermediate link between the government and the market and that the PRC's rate of urbanisation will continue to accelerate in the near future, which together provide abundant opportunities and economic benefits for enterprises engaged in land development. In particular, the Group believes the continued growth of urban infrastructure development in Shangyu District will drive the continued growth of the land development business in Shangyu District. The Group expects the Shangyu District Government will further reform its land and resources management system, evolve its economic development model and calibrate and optimise its local economic structure and the use of its land, all to facilitate a smooth and harmonious increase in urban development, industrial agglomeration and population agglomeration in Shangyu District.

The Group carries out its land development business mainly through its subsidiaries, Chengzhongcun Company and Gaotie Company. The Group's land development services include, but are not limited to, resettlement of the original inhabitants, demolition, consolidation, site levelling and other relevant functions on the land parcels in accordance with the requirements of the Shangyu District Government. These services are typically carried out during the pre-development phase of a larger and more comprehensive development project. Once the land is developed, the Group transfers the land to the Shangyu District Government for sale to third parties or for public use. The Shangyu District Government sells the developed land through tender, auction or listing, for various purposes including commercial property construction, residential property construction and tourist attractions, among others.

The Group's mandate for a land development project is constituted through a Land Cooperative Development Agreement (合作開發土地協議) (the "**Land Development Agreement**"), which is entered into by and among Chengzhongcun Company or Gaotie Company, on behalf of the Group, the Shangyu District Government and the Land and Resources Bureau of Shangyu District (the "**L&R Bureau**"). The L&R Bureau oversees land acquisition, land supply and land transfers in Shangyu District. In particular, the L&R Bureau is responsible for facilitating the primary market price of land in Shangyu District, by controlling land transaction volume and timing in Shangyu District, to align the primary land market in Shangyu with relevant national, provincial and local government policies and regulations.

According to the Land Development Agreement, the Group's subsidiaries are commissioned by the Shangyu District Government, and are the primary entities responsible for the land development in Shangyu Chengzhongcun. Land development plots are determined by the Shangyu District Government on an annual basis. The first-level development of the land includes the conversion of agricultural land, expropriation, demolition, compensation, personnel resettlement, site levelling and construction of support facilities. According to the Land Development Agreement, the Group's subsidiaries bear the various expenses and investments for a land development project upfront. Land development costs primarily comprise land requisition costs, urban infrastructure support costs and project operation costs. Land requisition costs typically comprise demolition and consolidation costs and compensation and resettlement costs. Urban infrastructure support costs comprise survey, design, and planning costs, land levelling costs and all project construction costs. Project operation costs comprise administrative expenses and all other incidental expenses. The Group receives compensation from the Shangyu District Government for each completed land development project. Such compensation amount is determined for each project as 105 per cent. of the total cost incurred by the Group in relation to the project and, at the Shangyu District Government's discretion, a percentage of the gross proceeds from the sale of the developed land by the Shangyu District Government. Generally, the Group receives such compensation within six months to one year after the Shangyu District Government completes the land transfer to a third party.

For the years ended 31 December 2019, 2020 and 2021, the Group's revenue generated from its land development services amounted to RMB273.6 million, RMB515.9 million and RMB515.0 million, respectively, which accounted for 13.0 per cent., 21.8 per cent. and 23.5 per cent. of the Group's total revenue, respectively.

The following table sets forth the Group's completed land development projects as at 31 December 2021:

No.	No. Project Name	Development Cost (RMB million)	Delivered Time	Area (m ²)	Revenue Recognised (RMB million)
1.	Shangyu District North City 49	158.1	2020.1.1	41,442.0	166.0
2.	Shangyu District North City 53	191.3	2020.11.7	50,142.9	200.9
3.	North City 69-1	141.9	2021.2.26	37,175.1	149.0
4.	North City 69-3	301.0	2021.6.28	78,901.7	316.0
5.	South City N8-3	189.5	2021.2.5	49,686.3	199.0

The following table sets forth the Group's ongoing land development projects as at 31 December 2021:

No.	No. Project Name	Planned Land Use	Area (mu)
1.	North City 37-3	Commercial and Residential	13.5
2.	North City 40	Commercial and Residential	229.4
3.	North City 69	Commercial and Residential	103.4
4.	South North City 68	Commercial and Residential	40.5
5.	East City 76	Commercial and Residential	90.8
6.	East City 77	Commercial and Residential	37.7
7.	East City 78	Commercial and Residential	137.4
8.	South Fenghe Yuan	Commercial and Residential	13.5
9.	South City N9	Commercial and Residential	40.0
10.	South City N5-3	Commercial and Residential	33.7
11.	North City 38	Commercial and Residential	181.7
12.	North City 44-3	Commercial and Residential	10.2
13.	North City 47-4	Commercial and Residential	36.9
14.	North City 52	Commercial and Residential	76.9
15.	North City 62	Commercial and Residential	176.1
16.	North City 67-2/3	Commercial and Residential	301.4
17.	East City 81	Commercial and Residential	47.6
18.	East City 83-1	Commercial and Residential	52.6
19.	East City 84	Commercial and Residential	77.0
20.	East City 85	Commercial and Residential	130.0
21.	East City 86-1	Commercial and Residential	47.9
22.	J7	Commercial and Service	72.6
23.	J8	Commercial and Service	65.1
24.	J9	Commercial and Service	81.3
25.	J11	Residential	104.1
26.	J13	Commercial and Service	39.6
27.	J14	Commercial and Service	47.1
28.	J15	Commercial and Service	48.6
29.	J16-A	Commercial and Service	43.7
30.	J16-B	Commercial and Service	37.2
31.	J16-C	Commercial and Service	68.3
32.	J17	Commercial and Service	46.8
33.	J18	Commercial and Service	15.8
34.	J19	Commercial and Service	10.4
35.	J20	Commercial and Service	5.5
36.	No. 2 Bridge North	Commercial and Service/Industrial	214.4
37.	N8-3	Commercial and Residential	54.6
Total			2,833.1

URBAN INFRASTRUCTURE DEVELOPMENT

Under the authorisation of the Shangyu District Government, the Group provides construction and construction management services for urban infrastructure projects in Shangyu District. The Group carries out its urban infrastructure development business through the Issuer and certain of its subsidiaries, including the Urban and Rural Eco-environmental Development Company, Chengzhongcun Company, the Project Company and the Yuanlin Company. This business segment's services include road construction, municipal engineering, resettlement housing construction and landscaping project construction. The Group provides services under this business segment in three operational models, namely, commissioned construction, engineering construction services and construction management.

Commissioned Construction

The Group carries out its land development business mainly through the Issuer and its subsidiary, Chengzhongcun Company, Urban and Rural Eco-environmental Development Company and Project Company. Under commissioned construction, the Shangyu District Government and relevant departments commission the Group to invest in and develop an urban infrastructure project in accordance with the requirements of the Shangyu District Government. The Group bears the responsibility to raise capital for the development of a commissioned construction project and bears all costs related to the project upfront.

After the Group completes the construction of the project and passes the inspection conducted by Shangyu District Government, the Shangyu District Government pays the Group a fee within a predetermined period of time. The fee is derived from predetermined rate of return on investment at the onset of the project. For the years ended 31 December 2019, 2020 and 2021, the Group's revenue generated from its commissioned construction business amounted to nil, RMB390.2 million and RMB207.3 million, respectively, which accounted for nil, 16.5 per cent. and 9.5 per cent. of total revenue, respectively. The Group classifies revenue generated from its commissioned construction business under "Settlement of B.T. construction project" in the notes to its financial statements.

The following table sets forth the Group's completed commissioned construction projects as at 31 December 2021:

No.	Project Name	Total Investment (RMB0.1 billion)	Completion Year
1.	National and Local Taxation Service Center Project	0.16	2018
2.	Shaoxing Shangyu Supervision Center Construction Project	4.94	2021
3.	Wuxing Middle Road Renovation Project (third-fourth ring)	0.37	2020
4.	People West Road Renovation Project (Shunjie Road-Yongxiang Road)	0.65	2021

The following table sets forth the Group's ongoing commissioned construction projects as at 31 December 2021:

No.	Project Name	Total Investment (RMB0.1 billion)	Expected Completion Year
1.	Shunjiang Bridge Wide Construction Project	2.86	2022
2.	Social Governance Comprehensive Service Supermarket and Urban Brain Construction Project	1.78	2022
3.	Beauty Demonstration Street Phase III — Shunjiang West Road	1.80	2022
4.	Shunjiang West Road Extension Construction Project	0.75	2022

Engineering Construction

The Group primarily carries out its engineering construction projects through the Issuer and its subsidiary, the Yuanlin Company. Under this operating model, Yuanlin Company entered into engineering construction contracts with relevant government departments or state-owned enterprises, under which Yuanlin Company is primarily responsible for carrying out the construction phase of a project. Unlike the commissioned construction operating model, under engineering construction, the subsidiaries receive the engineering construction profits for their services. The construction projects mainly consist of various urban infrastructure projects, such as road and bridge construction.

For the years ended 31 December 2019, 2020 and 2021, the Group's revenue generated from its engineering construction projects amounted to RMB146.1 million, RMB283.0 million and RMB273.7 million, respectively, which accounted for 6.9 per cent., 11.9 per cent. and 12.5 per cent. of the Group's total revenue for the same year, respectively. The Group classifies revenue generated from its engineering construction projects business under "Project Settlement" in the notes to its financial statements.

The following table sets forth the Group's completed engineering construction projects as at 31 December 2021:

No.	Project Name	Total Investment (RMB0.1 billion)	Completion Year
1.	2020 Municipal Maintenance 0.55	0.55	2020
2.	2020 Garden Maintenance	0.25	2020

The following table sets forth the Group's ongoing engineering construction projects as at 31 December 2021:

No.	Project Name	Total Investment (RMB0.1 billion)	Completion Year
1.	2021 Municipal Maintenance	0.57	2021
2.	2021 Garden Maintenance	0.38	2021

Construction Management

For construction management projects, the Group enters into a construction management agreement (建設管理協議書) with the project owner, which generally is the relevant government department, to oversee the construction of a property development project. Similar to the Group's commissioned construction operation model, the Group is responsible for controlling project costs, ensuring the safety and quality of the project, and delivering the project on time under the construction management model. However, unlike under the commissioned construction operating model, the Group is not required to invest in the relevant project upfront and rather receives a fixed fee, as a percentage of the total cost of the project, for its construction management services. Such fee is paid at different stages of the project under the construction management model. The Group classifies the revenue generated from its construction management business under "Project settlement income" in the notes to its financial statements.

The following table sets forth the Group's completed construction management projects as at 31 December 2021:

No.	Project Name	Total Investment (RMB0.1 billion)	Completion Year
1.	Songxia Court Trial Business Housing Construction Project	0.20	2018
2.	Songxia Procuratorate Warning Education Base Construction Project	0.22	2018
3.	Shangyu Party School Construction Project	2.61	2019
4.	Shangyu Fire Brigade Dongguan Fire Station Construction Project	0.39	2020

RESETTLEMENT HOUSING DEVELOPMENT

Resettlement housing refers to price-controlled housing provided by the government to the low and middle-income families that have difficulty affording a residence, with specific standards. As the PRC's economy develops and the urbanisation accelerates, the friction between affordable housing demand and rising housing prices has become an increasing focus for policymakers and society in the PRC as a whole. The Group believes its resettlement housing development business is of great significance as it promotes social harmony and stability. The Shangyu District Government has always placed the protection and improvement of people's livelihood as one of their primary objectives. Since 2010, the planned construction of resettlement housing in Shangyu District was 1,030 (300 units of low-cost housing for sale, 700 units of public rental housing, and 30 units of low-rent housing) per year. Going forward, relevant national, provincial and local government policies and regulation will continue to drive the growth rate of resettlement housing construction in Shangyu District. The construction of resettlement housing in Shangyu District is conducive to improving the living conditions of the resettled residents, facilitating the integration of land resources, optimising Shangyu District's urban spatial layout, and facilitating the economic development of Shangyu District.

The Group's resettlement housing development business is mainly operated by its subsidiaries, Chengzhongcun Company and Haina Company since 2008. Pursuant to the mandate of the Shangyu District Government, the Group is responsible for the application, construction, sales and management of resettlement housing development projects in Shangyu District. Currently the Group adopts self-operated model for its resettlement housing projects. The Group undertakes the task of constructing resettlement houses, and arrange the sale and distribution of such properties to target population determined by the district government to realise the return of funds. The land for resettlement housing development projects is allocated to the Group by the L&R Bureau after auction, tendering, and listing procedures.

For the years ended 31 December 2019, 2020 and 2021, the revenue generated from its resettlement housing development business amounted to RMB697.8 million, RMB239.3 million and RMB224.9 million, respectively, which accounted for 33.1 per cent., 10.1 per cent. and 10.3 per cent. of the Group's total revenue for the same year, respectively. Prior to 2017, most of the Group's resettlement housing construction projects were carried out under the commissioned construction operating model. Currently, the Group adopts self-operated resettlement housing projects as its primary operating model in respect of the construction of resettlement housing.

The table below sets forth the Group's completed resettlement housing projects as at 31 December 2021:

Projects	Total Investment	Construction Area	Number of Houses
	(RMB0.1 billion)	(10,000 m ²)	
Shangyu Qiushi Jiayuan (Talent Apartments) Project	6.9	14.1	1,066
Shangyu Fenghuang Apartments Project	4.3	6.2	1,030
Shangyu Shuian Xincheng Project	4.1	11.2	950
Shangyu Qingtiayuan Project	0.6	3.0	500
Baiguan Street North City Area Demolition Resettlement Housing Project	26.7	65.7	4,166
Baiguan Street Hengjiangli Village and Other Natural Villages			
Resettlement Project	9.0	21.7	1,333
Baiguan Street Binjiang River City Area-related Remediation and Resettlement Project	9.0	21.6	1,323
Total	60.5	143.5	10,368

The table below sets forth the Group's on-going resettlement housing projects as at 31 December 2021:

Projects	Total Investment	Construction Area	Number of Houses
	(RMB0.1 billion)	(10,000 m ²)	
Shaoxing Shangyu Hongyan Community Relocation Housing and Community Centre	16.6	13.2	710
Shaoxing Shangyu Hongyan Community Talent Apartment	38.4	24.3	2,348
Total	55.0	37.5	3,058

MERCHANDISING

The Group carries out merchandising business through its subsidiary, the Datong Company. The Datong Company operates Datong Mall (大通商城) independently, which is one of the "Ten Key Commercial Buildings in Shaoxing". The Datong Mall has eight specialty stores with the operating area of approximately 31,000 square metres. The mall occupies five floors of the business building with more than 1,000 employees. Datong Mall mainly provides retail services such as clothing, shoes and hats, home appliances, gold and jewelry, cosmetics, supermarkets and other department stores.

The operating model of Datong Mall is divided into three sub-categories: affiliation, distribution and leasing. Under affiliation model, the Group enters into affiliate contracts with suppliers and all orders are based on sales volume. The Group does not bear the risk of inventory management and product obsolescence. The distribution model is used for home appliances and department stores. The Group purchases the goods from suppliers and sets pricing. With the shopping centralisation of department stores and the opening of commercial districts, the proportion of leasing model has increased. The Group leases the stores to merchants such as Starbucks, KFC, Chinese restaurants and milk tea stores at a fixed rent, and the Group does not participate in the marketing and operation management of the merchants.

The oil and gas sales business of Datong Company is mainly concentrated in Donghai Gas Co., Ltd. (東海燃氣公司), Dongguan Liquefied Natural Gas Co., Ltd. (東關液化氣公司) and Sinopec Datong Oil and Gas Station Co., Ltd. (中石化大通油氣站公司). The Group mainly provides refueling and filling services to the public within Shangyu District, Shaoxing City.

For the years ended 31 December 2019, 2020 and 2021, the revenue generated from merchandising business amounted to RMB712.2 million, RMB681.8 million and RMB613.0 million, respectively, which accounted for 33.8 per cent., 28.8 per cent. and 28.0 per cent. of the Group's total revenue for the same year, respectively.

URBAN MAINTENANCE BUSINESSES

Environmental and Sanitation Services

The Group is authorised to manage the environmental and sanitation services of the main city and Development District in Shangyu District. The Group carries out such business through its subsidiary, the Huanwei Company. The Huanwei Company entered into a cleaning service agreement with Shangyu District Environmental and Sanitation Centre, and relevant street offices, according to which, the Huanwei Company has the right to charge the service fees from the other parties. Currently, the environmental and sanitation services business covers Baiguan Street, High-speed rail new city, Lianghu Street, Xiaoyue Street, Cao'e Street, Dongguan Street and Daoxu Street, among others.

For the years ended 31 December 2019, 2020 and 2021, the revenue generated from environmental and sanitation services amounted to RMB132.0 million, RMB136.3 million and RMB171.1 million, respectively, which accounted for 6.3 per cent., 5.7 per cent. and 7.8 per cent. of the Group's total revenue for the same year, respectively.

Property Leasing

The Group's leasing business primarily generates revenue from its Shui'an Xincheng commercial buildings; Phoenix Apartments commercial buildings operated by Haina Company, commercial buildings of Binjiang No. 1 operated by Urban-Rural Construction Asset Operation Management Company, various other public housing units and parking space units, and flower and bird market operated by Yuanlin Company. For the years ended 31 December 2019, 2020 and 2021, the revenue generated from the Group's property leasing business amounted to RMB89.9 million, RMB77.6 million and RMB120.0 million, respectively, which accounted for 4.3 per cent., 3.3 per cent. and 5.5 per cent. of the Group's total revenue for the same year, respectively.

In addition to environmental and sanitation services and property leasing, the Group also generates other business revenue from seedling cultivation sales business, street lamps maintenance business and employee dispatch service fees, among others.

EMPLOYEES

As at 31 December 2021, the Group had approximately 94 employees.

In accordance with the applicable local government regulations, the Group makes 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. The Group also makes contributions to an employee housing fund according to applicable PRC regulations. In addition to statutory contributions, the Group provides annual bonuses and supplemental commercial insurance policies to employees.

The Group enters into an employment contract with each of its employees in accordance with applicable PRC laws. Such contracts include provisions on wages, vacation, employee benefits, health and safety, confidentiality obligations and grounds for termination.

INSURANCE

The Group requires its subcontractors to obtain contractors all-risk and third-party liability insurance for most of the projects it undertakes. Such policies generally extend for the entire contract period, including the maintenance period following the completion of the project. The Group also purchases pension

insurance, unemployment insurance and medical insurance for its employees according to the relevant PRC laws and regulations. The Group maintains insurance coverage in amounts that it believes are consistent with its risk of loss and industry practice.

Consistent with what the Group believes to be the customary practice in the PRC, it does 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

The Group may from time to time be involved in disputes and legal proceedings arising in the ordinary course of its business. See “*Risk Factors — Risks relating to the Group’s business — The Group faces litigation risks in the course of its business*”.

To the Group’s best knowledge, there is no ongoing litigation or arbitration proceeding against it or any of its directors or senior management team members as at the date of this Offering Circular that could have a material adverse effect on its business, financial condition or results of operations.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As at the date of this Offering Circular, the Group's board of directors consists of seven directors. The Group's board of directors determines major matters of the Group including its management policies, internal regulations, decisions with respect to the increase, decrease, transfer or adjustment of the registered capital of the Group, and the appointment or removal of members of the senior management of the Group. The table below sets forth the members of the Group's board of directors.

Name	Age	Position
GONG Jianwei (龔建偉)	51	Chairman
ZHOU Liyong (周立勇)	48	Director, General Manager
ZHU Xiaofeng (朱曉峰)	51	Director
XU Junfeng (徐軍烽)	49	Director, Vice General Manager
WU Jian (吳劍)	46	Director, Vice General Manager
ZHU Hongjiang (朱洪江)	53	Employee Director, Head of Project Construction Department
LV Jianmei (呂建美)	47	Employee Director, Head of Finance Department

Mr. Gong Jianwei (龔建偉), aged 51, serves as the chairman of the board of directors of the Group. Mr. Gong is a member of the Chinese Communist Party and a certified senior economist. He graduated with a bachelor's degree. He previously served as the chief of the real estate management division as well as the office director of the Housing and Urban-Rural Development Bureau of Shangyu District.

Mr. Zhou Liyong (周立勇), aged 48, serves as a director and general manager of the Group. Mr. Zhou is a member of the Chinese Communist Party. He graduated with a bachelor's degree. He previously worked in Traffic Survey and Design Institute and Transportation Bureau of Shangyu, and served as the chairman of Shangyu Transportation Development Company Limited, and the head of the financial department, director and general manager of Shaoxing Shangyu Transportation Group Company Limited.

Mr. Zhu Xiaofeng (朱曉峰), aged 51, serves as a director and a vice general manager of the Group. Mr. Zhu is a member of the Chinese Communist Party and a certified senior engineer in the PRC. He graduated with a bachelor's degree.

Mr. Xu Junfeng (徐軍烽), aged 49, serves as a director and a vice general manager of the Group. Mr. Xu is a member of the Chinese Communist Party and a certified senior economist. He graduated with a bachelor's degree. He previously served as the deputy secretary of the party branch of Shangyu Urban Construction Comprehensive Development Company.

Mr. Wu Jian (吳劍), aged 46, serves as a director and vice general manager of the Group. Mr. Wu is a member of the Chinese Communist Party and a certified senior economist and senior engineer as well as a national certified constructor in the PRC. He previously worked in the Public Resources Trading center and the Civil Service Center of Shangyu District.

Mr. Zhu Hongjiang (朱洪江), aged 53, serves as an employee director and the head of the Group's project construction department of the Group. Mr. Zhu is a member of the Chinese Communist Party. Mr. Zhu also currently serves as the executive director of Shaoxing Shangyu Urban Construction Project Management Co., Ltd. and Shaoxing Shangyu Small Town Construction Investment Co., Ltd. Mr. Zhu previously worked in the House Demolition and Relocation Center and the Urban Renewal Center of Shangyu.

Ms. Lv Jianmei (呂建美), aged 46, serves as an employee director and the head of the Group's finance department of the Group. Ms. Lv graduated with a bachelor's degree. She previously served as the chief financial officer of the Administrative Committee and chief of the finance office (Cao'e community) of Shangyu Economic Development Zone.

SUPERVISORS

As at the date of this Offering Circular, the Group's board of supervisors consists of five supervisors.

The Group's board of supervisors is responsible for monitoring the Group's financial matters and overseeing the actions of the board of directors and the senior management team of the Group, and other functions stipulated by laws and administrative regulations. The table below sets forth the members of the Group's board of supervisors:

Name	Age	Position
YU Jianyong (俞建勇)	49	Chairman of the Board of Supervisors
REN Yuanyuan (任園園)	40	Supervisor
YU Qingqing (余清清)	35	Supervisor
ZHANG Shuping (章淑萍)	42	Employee Supervisor
GAN Shiyi (干詩意)	35	Employee Supervisor

Mr. Yu Jianyong (俞建勇), aged 49, serves as the chairman of the board of supervisors of the Group. Mr. Yu is a member of the Chinese Communist Party. He graduated with a bachelor's degree. He previously served as the manager of Shangyu Municipal Construction Engineering Co., Ltd.

Ms. Ren Yuanyuan (任園園), aged 40, serves as a supervisor of the Group. Ms. Ren is a member of the Chinese Communist Party. She graduated with a bachelor's degree. She previously served as an officer in the Housing and Urban-Rural Development Bureau of Shangyu District.

Ms. YU Qingqing (余清清), aged 35, serves as a supervisor of the Group. Ms. Yu is a member of the Communist Party of China. She graduated with a college degree. She previously served as a staff member of Shaoxing Shangyu Leju Property Co., Ltd., and the human resources department of the Group.

Ms. Zhang Shuping (章淑萍), aged 42, serves as an employee supervisor of the Group. Ms. Zhang graduated with a bachelor's degree. She previously served as a staff member of Shangyu Municipal Construction Engineering Co., Ltd.

Ms. Gan Shiyi (干詩意), aged 35, serves as an employee supervisor of the Group. Ms. Gan is a member of the Chinese Communist Party. She graduated with a bachelor's degree. She previously served as a staff member of Bank of Communications Shangyu branch in Shaoxing City.

SENIOR MANAGEMENT

The Group's senior management is responsible for the day-to-day management of the business. The following table sets forth certain members of the Group's senior management team:

Name	Age	Position
ZHOU Liyong (周立勇)	48	Director, General Manager
XU Junfeng (徐軍烽)	49	Director, Vice General Manager
WU Jian (吳劍)	46	Director, Vice General Manager
ZHU Hongjiang (朱洪江)	53	Employee Director, Head of Project Construction Department
LV Jiangmei (呂建美)	47	Employee Director, Head of Finance Department

For the business and working experience of Mr. Zhou Liyong, see “— *Directors*” above for detailed information.

For the business and working experience of Mr. Xu Junfeng, see “— *Directors*” above for detailed information.

For the business and working experience of Mr. Wu Jian, see “— *Directors*” above for detailed information.

For the business and working experience of Mr. Zhu Hongjiang, see “— *Directors*” above for detailed information.

For the business and working experience of Mr. Lv Jianmei, see “— *Directors*” above for detailed information.

PRC REGULATIONS

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

MAIN REGULATORY AUTHORITIES AND CONTENTS OF SUPERVISION

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

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

MAJOR LAWS AND REGULATIONS

Regulation on Fiscal Debts of Local Governments

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

On 21 September 2014, Circular 43 was promulgated by the State Council. Circular 43 aims at regulating financing system of local government and the three channels are presented. In accordance with Circular 43, financing platforms shall no longer serve the fiscal financing functions nor incur new government debts. Public interest projects may be funded by the government through issuing government bonds, since the new Budget Law of the PRC (the “**New Budget Law**”), which took effect on 1 January 2015 and was amended on 29 December 2018, empowers local governments to issue government bonds, and public interest projects with income generated, such as city infrastructure construction, may be operated independently by social investors or jointly by the government and social investors through the establishment of special purpose companies.

Social investors or such special purpose companies shall invest in accordance with market-oriented principles and may be funded by, among other market-oriented approaches, bank loans, enterprise bonds, project revenue bonds and asset-backed securitisation. Social investors or the special purpose companies shall bear the obligation to pay off such debts and the government shall not be liable for any of the social investors’ or special purpose companies’ debts. Circular 43 also sets forth the general principles of dealing with existing debts of financing platforms. Based on the auditing results of such debts run by the local governments, the existing debts that should be repaid by the local governments shall be identified, reported to State Council for approval, and then included in the budget plan of local governments.

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

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

- *Support stock financing needs for projects under construction.* Local governments at all levels and banking financial institutions shall ensure the orderly development of projects under construction. For the loans to the projects under construction of financing platform companies, if the loan contracts with legal effect have been signed before 31 December 2014 and the loans have been granted but the contracts have not yet expired, banking financial institutions shall, under the premise of fully controlling risks and implementing credit conditions, continue to grant loans as agreed in the contracts, and shall not blindly call in loans in advance, delay or suspend the granting of loans.
- *Regulate increment financing for projects under construction.* Local governments at all levels shall pay close attention to the increment financing needs which are expected to be given fiscal support for the projects under construction of the financing platform companies, and shall, under the premise of compliance with laws and regulations and standard administration, make overall arrangements for various kinds of capitals such as fiscal capital and social capital and ensure the continuation and completion of projects under construction. For the projects under construction of financing platform companies for which the loan amount in the contracts that have been signed fails to meet the construction needs, if it is suitable for them to adopt government and social capital cooperation mode, they shall prioritise such mode to make up the needs. And if they are in compliance with the relevant state provisions without any other funding sources for construction, but temporarily the government and social capital cooperation mode is not suitable, the increment financing needs shall be incorporated into government budget management and solved through issuing government bonds by local governments as required by laws and relevant regulations.

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

On 28 May 2017, Circular 87 was issued by the MOF, which requires that local governments and their departments shall not take advantage of, or fabricate contracts for, government procurement of services in such a manner that conceals an underlying objective of raising funds for construction projects. In July 2021, the China Banking and Insurance Regulatory Commission issued the Circular 15, which provides that the banks and insurance institutions shall not increase any new local government implicit debt in any form.

Bidding and Tendering Management

Bidding and tendering of various construction projects have been provided in the Bidding and Tendering Law of the People's Republic of China (中華人民共和國招標投標法) promulgated by SCNPC on 30 August 1999 and amended by No. 86 Presidential Decree in 2017 which became effective on 28 December 2017, Regulation on the Implementation of the Bidding and Tendering Law of the People's Republic of China (中華人民共和國招標投標法實施條例) promulgated by State Council on 20 December 2011 and amended on 1 March 2017, 19 March 2018 and 2 March 2019, Measures for the Construction Bidding and Tendering of Construction Projects (工程建設項目施工招標投標辦法) jointly promulgated by NDRC, MOC, MOR, MOT, Ministry of Information Industry of the People's Republic of China, Ministry of Water Resources of the People's Republic of China, and Civil Aviation Administration of China on 8 March 2003 and amended on 11 March 2013 which became effective on 1 May 2003, amended on 11 March 2013 and became effective on 1 May 2013, Administrative Measures for the Bidding and Tendering of Design of Construction Projects (建築工程設計招標投標管理辦法) issued by Ministry of Housing and Urban-Rural Development (“**MOHURD**”) on 24 January 2017 and became effective on 1 May 2017, Administrative Measures for the Bidding and Tendering of Housing Construction and Municipal Infrastructure Work (房屋建築和市政基礎設施工程施工招標投標管理辦法) issued by MOC on 1 June 2001 which was subsequently amended and became effective on 28 September 2018.

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

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

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

Quality Management

Laws and regulations on project quality mainly include Construction Law of the People's Republic of China, Regulation on Quality Management of Construction Projects (建設工程質量管理條例) issued by the State Council on 30 January 2000 which was subsequently amended on 7 October 2017 and on 23 April 2019 and became effective on the same day, Administrative Measures for Quality Management of Construction Project Survey (建設工程勘察質量管理辦法) amended by MOC on 22 November 2007 and amended by MOHURD on 1 April 2021, the Measures for the Administration of Quality Warranty Funds of Construction Projects (建設工程質量保證金管理辦法) issued jointly by MOHURD and MOF and amended on 20 June 2017 which became effective on 1 July 2017, Administrative Measures for Completion Acceptance Record of Building Construction and Municipal Infrastructure Projects (房屋建築和市政基礎設施工程竣工驗收備案管理辦法) issued by MOHURD on 19 October 2009 and became effective on the same date, Measures for Quality Warranty of Building Construction Projects (房屋建築工程質量保修辦法) issued by MOC on 30 June 2000 and became effective on the same date, and Measures for Completion (Delivery) Acceptance of Highway Works (公路工程竣(交)工驗收辦法) promulgated by Ministry of Communications, which has been dismantled now, on 31 March 2004 and became effective on 1 October 2004, and its Implementation Rules which was promulgated on 27 January 2010 and became effective on 1 May 2010.

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

Environmental Protection Management

Major laws and regulations on environmental protection during the project construction process include the Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法) amended by SCNPC on 24 April 2014 which became effective on 1 January 2015, Law on Environmental Impact Assessment of the People's Republic of China (中華人民共和國環境影響評價法) promulgated by SCNPC on 28 October 2002 and amended on 2 July 2016 and on 29 December 2018 and became effective on the same day, and Administrative Regulations on Environmental Protection of Construction

Projects (建設項目環境保護管理條例) issued by State Council on 29 November 1998, amended on 16 July 2017 and became effective on 1 October 2017.

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

Environmental Protection

The Environmental Protection Law (環境保護法), promulgated on 26 December 1989 by the Standing Committee of the National People's Congress, as amended on 24 April 2014 and became effective on 1 January 2015, establishes the legal framework for environmental protection in the PRC. The environmental protection department of the State Council supervises environmental protection work in the PRC, and establishes national standards for the discharge of pollutants. Each of the local environmental protection bureaus is responsible for the environmental protection work within their respective jurisdictions.

Air Pollution

The Air Pollution Prevention Law (大氣污染防治法), amended on 29 August 2015 and 26 October 2018 by the Standing Committee of the National People's Congress, which became effective on 1 January 2016 and on 26 October 2018 respectively, establishes the legal framework for air pollution prevention in the PRC. The environmental protection department of the State Council formulates national air quality standards. Each of the local environmental protection bureaus is authorised to regulate air pollution within each of their respective jurisdictions by formulating more specific local standards, and may impose penalties for violation.

Water Pollution

The Water Pollution Prevention Law (水污染防治法), amended on 28 February 2008 and 27 June 2017 and became effective on 1 January 2018, establishes the legal framework for water pollution prevention in the PRC. The environmental protection department of the State Council formulates national waste discharge standards. Enterprises that discharge waste into water shall pay a treatment fee. Each of the local environmental protection bureaus is authorised to regulate water pollution within each of their respective jurisdictions by formulating more specific local standards, and may impose penalties for violation, including suspending operations.

Noise Pollution

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

Construction Projects

The Environmental Impact Appraisal Law (環境影響評價法), promulgated by the Standing Committee of the National People's Congress on 28 October 2002, amended on 2 July 2016 and on 29 December 2018 and became effective on the same day, the Administration Rules on Environmental Protection of Construction Projects (建設項目環境保護管理條例), promulgated by the State Council on 29 November 1998, amended on 16 July 2017 and effected on 1 October 2017.

Labour

Employment Contracts

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

Employee Funds

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

REGULATIONS REGARDING OVERSEAS INVESTMENT, FINANCING AND ACQUISITION ACTIVITIES

NDRC Supervision

According to the Measures for the Administration of Approval and Filing of Overseas Investment Projects (境外投資項目核准和備案管理辦法) effective from 8 May 2014, amended on 27 December 2014, abolished on 1 March 2018 and replaced by the Administrative Measures for the Outbound Investment of Enterprises (企業境外投資管理辦法), the procedure of approval and filing shall be respectively applied to different overseas investment projects. In particular, overseas investment projects involving sensitive countries and regions or sensitive industries shall be subject to confirmation by the NDRC. Projects other than as specified above shall be subject to the filing with the competent governmental body.

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

Investment projects to be carried out in Hong Kong and/or the Macau Special Administrative Region shall be governed by the Measures for the Administration of Approval and Filing of Overseas Investment Projects.

According to the Administrative Measures for the Outbound Investment of Enterprises (企業境外投資管理辦法) which was promulgated by the NDRC on 26 December 2017 and became effective on 1 March 2018, the procedure of approval and filing shall be respectively applied to different overseas investment projects. In particular, overseas investment projects involving sensitive countries and regions or sensitive industries shall be subject to confirmation by the NDRC.

The Administrative Measures for the Outbound Investment of Enterprises shall apply when investors make investments abroad through enterprises that are located in Hong Kong, Macao and Taiwan region and under their control while the Measures shall not apply when natural persons within the territory of China directly make investments abroad or in Hong Kong, Macao and Taiwan region.

According to the NDRC Circular, which was issued by the NDRC on 14 September 2015 and came into effect on the same day, if a PRC enterprise or an offshore enterprise controlled by a PRC enterprise wishes to issue bonds outside of the PRC with a maturity of more than one year, such enterprise must in advance of issuing such bonds, file certain prescribed documents with the NDRC and procure a registration certificate from the NDRC in respect of such issue.

The NDRC Circular relates to the matters as listed below:

- remove the quota review and approval system for the issuance of foreign debts by enterprises, reform and innovate the ways that foreign debts are managed, and implement the administration of record-filing and the registration system. Realise the supervision and administration of the size of foreign debts borrowed on a macro level with the record-filing, registration, and information reporting of the issuance of foreign debts by enterprises;
- before the issuance of foreign debts, enterprises shall first apply to the NDRC for the handling of the record-filing and registration procedures and shall report the information on the issuance to NDRC within 10 working days of completion of each issuance;
- record-filing and registration materials to be submitted by an enterprise for the issuance of foreign debts shall include: application report for the issuance of foreign debts and issuance plan, including the currency, size, interest rate, and maturity of foreign debts, the purpose of the funds raised, back flow of funds, etc. The applicant shall be responsible for the authenticity, legality, and completeness of the application materials and information;
- the NDRC shall decide whether to accept the application for record-filing and registration within 5 working days of receiving it and shall issue a Certificate for Record-filing and Registration of the Issuance of Foreign Debts by Enterprises within seven working days of accepting the application and within the limit of the total size of foreign debts;
- the issuer of foreign debts shall handle the procedures related to the outflow and inflow of foreign debt funds with the Certificate for Record-filing and Registration according to the regulations. When the limit of the total size of foreign debts is exceeded, the NDRC shall make a public announcement and no longer accept applications for record-filing and registration;

- if there is a major difference between the actual situation of the foreign debts issued by the enterprises and the situation indicated in the record-filing and registration, an explanation shall be given when reporting relevant information. The NDRC shall enter the poor credit record of an enterprise which maliciously and falsely reports the size of its foreign debts for record-filing and registration into the national credit information platform.

MOFCOM Supervision

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

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

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

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

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

If an overseas invested company carries out a re-investment activity offshore, the investing enterprise shall report such re-investment activity to MOFCOM or the provincial department of commerce (as the case may be) after the legal process of the investment is completed offshore. The investing enterprise

shall complete and print out a copy of the Overseas Chinese-invested Enterprise Re-investment Report Form (境外中資企業再投資報告表) from the Overseas Investment Management System and stamp and submit such form to MOFCOM or the provincial department of commerce.

Foreign Exchange Administration

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

According to the Administrative Measures for Foreign Debt Registration (which became effective on 13 May 2013 and last amended on 4 May 2015) and its operating guidelines (which was amended on 4 May 2015 and became effective on the same day), effective as at 13 May 2013, issuers of foreign debts are required to register with the SAFE. Issuers other than banks and financial departments of the government shall go through registration or record-filing procedures with the local branch of the SAFE within 15 business days of entering into a foreign debt agreement. If the receipt and payment of funds related to the foreign debt of such issuer is not handled through a domestic bank, the issuer shall, in the event of any change in the amount of money withdrawn, principal and interest payable or outstanding debt, go through relevant record-filing procedures with the local branch of the SAFE.

On 29 April 2016, the PBOC issued the Circular of the People's Bank of China on the Nationwide Implementation of the Macro-prudence Management of Cross-border Financing in Full Aperture (中國人民銀行關於在全國範圍內實施全口徑跨境融資宏觀審慎管理的通知), which came into effect on 3 May 2016 and was abolished on 12 January 2017. This circular has since been replaced by the Circular of the PBOC on Issues Concerning the Overall Macro Prudential Management System for Cross-border Financing (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知) which was issued by the PBOC on 12 January 2017 and came into effect on the same date (the “**Cross Border Financing Circular**”). The Issuer is also required to file the issue of the Bonds with SAFE after the execution of the cross-border financing documents but no later than three working days before the funds withdrawal date in accordance with the Cross Border Financing Circular. The Cross Border Financing Circular established a mechanism aimed at regulating cross border financing activities based on the capital or net asset of the borrowing entities using a prudent management principle on a macro nationwide scale. The Issuer has confirmed with the local counterpart of SAFE that the Cross Border Financing Circular is not applicable to the Issuer since it is regarded a financing platform of a local government.

TAXATION

The following summary of certain tax and foreign exchange 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 and foreign exchange control 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. There are uncertainties regarding the interpretation and application of current and future PRC taxation related laws and regulations and there can be no assurance that the relevant PRC regulatory authorities will not take a view that is contrary to the opinion of the Issuer. Persons considering the purchase of the Bonds should consult their own advisors concerning the possible tax and foreign exchange 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.

Income Tax

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

Such income tax if applicable would be withheld by the Issuer that is acting as the obligatory withholder and such PRC enterprise shall withhold the tax amount from each payment or payment due. To the extent that the PRC has entered into arrangements relating to the avoidance of double taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified non-PRC resident enterprise Bondholders. 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, under the IIT Law, any individual who has no domicile and does not live within the territory of the PRC or who has no domicile but has lived within the territory

of China for less than 183 days shall pay individual income tax for any income obtained within the PRC. There is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to the Double Taxation Arrangement, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds if such capital gains are not connected with an office or establishment that the Bondholders have in the PRC and all the other relevant conditions are satisfied. However, as there is no specific regulations or guidelines relating to the taxation of the issuance of cross-border debt securities in the China (Shanghai) Pilot Free Trade Zone, there is uncertainty as to whether or not China (Shanghai) Pilot Free Trade Zone resident investors would be treated as non-resident enterprises or individuals of the PRC. In the event that China (Shanghai) Pilot Free Trade Zone resident investors holding the Bonds are treated as PRC tax residents, such holders may be subject to additional PRC taxes (or higher PRC tax rates) in relation to any interest income or gains realised on the transfer of the Bonds. China (Shanghai) Pilot Free Trade Zone resident investors should further consult their own legal and tax advisors in relation to their EIT and IIT obligations.

Value Added Tax

On 23 March 2016, MOF and SAT issued Circular 36, which was subsequently amended on 11 July 2017, 25 December 2017 and 20 March 2019, introducing a new VAT from 1 May 2016 for entities and individuals providing services within the PRC in certain industries. On 19 November 2017, the State Council promulgated the Decision on Abolishing the Provisional Regulations of the People's Republic of China on Business Tax and Revising the Provisional Regulations of the People's Republic of China on Value-added Tax (國務院關於廢止《中華人民共和國營業稅暫行條例》和修改《中華人民共和國增值稅暫行條例》的決定). On the same day, the State Council amended the Provisional Regulations of the People's Republic of China on Value-Added Tax (中華人民共和國增值稅暫行條例) (the “**Value-Added Tax Provisional Regulations**”), which was initially issued on 1 January 2009 and subsequently amended on 5 November 2008 and 6 February 2016. The Value-Added Tax Provisional Regulations further requires that the business tax shall be completely replaced by VAT where the entities or individuals provide services within the PRC. The operating income generated from the provision of taxable sale of services by entities and individuals, such as financial services, shall be subject to PRC VAT if the seller or buyer of the services is within PRC. In the event that foreign entities or individuals do not have a business establishment in the PRC, the purchaser of services shall act as the withholding agent. According to the Explanatory Notes to Sale of Services, Intangible Assets and Real Property attached to Circular 36, financial services refer to the business activities of financial and insurance operation, including loan processing services, financial services of direct charges, insurance services and the transfer of financial instruments, and the VAT rate is six per cent. Accordingly, the interest and other interest like earnings received by a non-PRC resident Bondholder from the Issuer will be subject to PRC VAT at the rate of six per cent.

Accordingly, the interest and other interest like earnings received by a non-PRC resident Bondholder from the Issuer will be subject to PRC VAT at the rate of 6 per cent. The Issuer will be obligated to withhold VAT of 6 per cent. for payments of interest and certain other amounts on the Bonds paid by the Issuer to Bondholders that are non-resident enterprises or individuals.

VAT is unlikely to be applicable to any transfer of Bonds between entities or individuals located outside of the PRC and therefore unlikely to be applicable to gains realised upon such transfers of Bonds, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC. However, as there is no specific regulations or guidelines relating to the taxation of the issuance of cross-border debt securities in the China (Shanghai) Pilot Free Trade Zone, there is uncertainty as to whether or not China (Shanghai) Pilot Free Trade Zone resident investors would be treated as non-resident enterprises or individuals of the PRC. In the event that China (Shanghai) Pilot Free Trade Zone resident investors holding the Bonds are treated as PRC tax residents, such holders may be subject to additional PRC VAT on the transfer of the Bonds. China (Shanghai) Pilot Free Trade Zone resident investors should further consult their own legal and tax advisors in relation to their VAT obligations. As Circular 36 together with other laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties.

However, despite the withholding of the PRC tax by the Issuer, the Issuer has agreed to pay additional amounts to holders of the Bonds so that holders of the Bonds would receive the full amount of the scheduled payment, as further set out in “*Terms and Conditions*”.

Stamp Duty

According to Interim Regulation of the PRC on Stamp Duty promulgated by the State Council on 6 August 1988, and implemented on 1 October 1988 and amended on 8 January 2011 and its implementation rules, enterprises or individuals of the PRC which conclude or receive any instruments specified in these rules shall be obliged to pay relevant stamp duties in accordance with the provisions therein. A taxpayer shall calculate the amount of stamp duty payable according to the nature of the taxable instruments. However, as there is no specific regulations or guidelines relating to the taxation of the issuance of cross-border debt securities in the China (Shanghai) Pilot Free Trade Zone, it is uncertain if the issuance of the Bonds may be deemed as the entry into a loan contract in the PRC. If the issuance of the Bonds is treated as the same as the entry into a loan contract, both the borrower and lender (i.e. the Issuer and the investor purchasing the Bonds, respectively) would be each subject to stamp duty of 0.005 per cent, of the amount borrowed (or such higher rate if local governments have other additional requirements). The Issuer undertakes that to the extent any PRC stamp duty is payable on initial issuance of the Bonds, it will bear such relevant PRC stamp duties for itself and the Bondholders (or as may be otherwise agreed between the Issuer, the Manager and/or the investors).

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

The taxation authorities may impose a fine if a person subject to such PRC stamp duty is found to have failed to attach, or have attached insufficient number of stamps to a taxable instrument. The taxation authority, in addition to ordering such person to attach the appropriate number of stamps, may impose a fine of up to 20 times the amount of stamp duty payable, depending on the seriousness of the individual case. Investors should further consult their own legal and tax advisors in relation to their PRC stamp duty obligations and liabilities in relation to any transfer of the Bonds.

Hong Kong

Withholding Tax

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

Profits Tax

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

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

- (a) interest on the Bonds is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;
- (b) interest on the Bonds is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;
- (c) interest on the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the “**IRO**”)) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- (d) interest on the Bonds is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

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

Sums derived from the sale, disposal or redemption of the Bonds will be subject to Hong Kong profits tax where received by or accrued to a person, other than a corporation, who carries on a trade, profession or business in Hong Kong 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 (the “**foreign passthru payments**”) to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (the “**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 publication of the final regulations defining “foreign passthru payment” and Bonds characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining “foreign passthru payments” are filed with the U.S. Federal Register generally would be “grandfathered” for purposes of FATCA withholding unless materially modified after such date. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Bonds.

SUBSCRIPTION AND SALE

The Issuer has entered into a subscription agreement with the Managers dated 15 July 2022 (the “**Subscription Agreement**”), pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to sell to the Managers, and the 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
	CNY
China Securities (International) Corporate Finance Company Limited	1,000,000,000
Industrial Bank Co., Ltd. Hong Kong Branch	100,000,000
Total	1,100,000,000

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

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

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

General

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

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

United States

The Bonds have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold within the United States except in accordance with Regulation S or pursuant to any other exemption from the registration requirements of the Securities Act.

Each Manager represents and agrees that:

- (i) it has not offered or sold, and will not offer or sell, any Bonds constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act or pursuant to another exemption from the registration requirements of the Securities Act; and
- (ii) neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Bonds. Terms used in this paragraph have the meaning given to them by Regulation S under the Securities Act.

United Kingdom

Each Manager represents and agrees 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 the Issuer; 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 Manager represents and agrees 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 (Cap. 571) 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 (Cap. 32) of Hong Kong (the “C(WUMP)O”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

- (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 under the SFO.

The People’s Republic of China

Each Manager represents and agrees that no Bonds will be offered or sold in the PRC (for such purposes, not including the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan) directly or indirectly, except as permitted by the securities laws of the PRC and in compliance with applicable laws and regulations. The Offering Circulars do not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC to any person to whom it is unlawful or make the offer or solicitation in the PRC. However, in respect of the special arrangement in the China (Shanghai) Pilot Free Trade Zone, the Bonds are allowed to be offered or sold, directly or indirectly, in the China (Shanghai) Free Trade Zone to the extent that such offer or sale is permitted by the securities laws or any other applicable laws or regulations of the PRC, or approved by the relevant PRC regulatory authorities

Singapore

Each of the Managers acknowledges that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Manager represents, warrants and agrees that it has not offered or sold any Bonds or caused such Bonds to be made the subject of an invitation for subscription or purchase, and will not offer or sell 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 such Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore, as modified or amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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

- (i) 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
- (ii) 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:
 - (1) 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;

- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the SFA, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are “prescribed capital markets products” (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and “Excluded Investment Products” (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Japan

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**Financial Instruments and Exchange Act**”). Accordingly, each Manager represents and agrees that it will not offer or sell any Bonds, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN PRC GAAP AND IFRS

The consolidated financial statements of the Issuer included in this Offering Circular have been prepared and presented in accordance with PRC GAAP. PRC GAAP are substantially in line with IFRS, except for certain modifications which reflect the PRC's unique circumstances and environment. The following is a general summary of certain significant differences between PRC GAAP and IFRS on recognition and presentation as applicable to the Issuer. The differences identified below are limited to those significant differences that are appropriate to the Issuer's consolidated financial statements. Since the summary is not meant to be exhaustive, there is no assurance regarding the completeness of the financial information and related footnote disclosure between PRC GAAP and IFRS and no attempt has been made to quantify such differences. Had any such quantification or reconciliation been undertaken by the Group, other potentially significant accounting and disclosure differences may have been required that are not identified below. Additionally, no attempt has been made to identify possible future differences between PRC GAAP and IFRS as a result of prescribed changes in accounting standards. Regulatory bodies that promulgate PRC GAAP and IFRS have significant ongoing projects that could affect future comparisons or events that may occur in the future.

Accordingly, no assurance is **provided that** the following summary of significant differences between PRC GAAP and IFRS is complete. In making an investment decision, each investor must rely upon its own examination of the Issuer, the terms of the offering and other disclosure contained herein. Each investor should consult its own professional advisors for an understanding the differences between PRC GAAP and IFRS and/or between PRC GAAP and other generally accepted accounting principles, and how those differences might affect the financial information contained herein.

FIXED ASSETS AND INTANGIBLE ASSETS

Under PRC GAAP, only the cost model is allowed.

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

IMPAIRMENT OF ASSETS (INCLUDING LONG-TERM ASSETS MEASURED AT HISTORICAL COST, SUCH AS FIXED ASSETS AND INTANGIBLE ASSETS, AND ASSETS HELD FOR SALE)

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

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

LAND USE RIGHTS

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

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

NON-CONTROLLING INTEREST/MINORITY INTEREST

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

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

GOVERNMENT GRANT

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

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

REVERSAL OF AN IMPAIRMENT LOSS

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

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

RELATED PARTY DISCLOSURES

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

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

REVENUE FROM CONTRACTS WITH CUSTOMERS

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

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

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

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

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

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

Step two: Identify the performance obligations in the contract

Step three: Determine the transaction price

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

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

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

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

LEASES

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

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

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

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

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

STATEMENT OF CASH FLOWS

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

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

CLASSIFICATION OF EXPENSES IN THE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Under PRC GAAP, expenses must be classified based on their function in the statement of profit or loss and other comprehensive income.

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

BUSINESS COMBINATIONS UNDER THE COMMON CONTROL

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

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

For the years ended 31 December 2019, 2020 and 2021, the Issuer had no such reversal of impairment losses on assets and business combinations under common control. Therefore, the above technical difference had no substantial impact on the consolidated financial statements of the Issuer included elsewhere in this Offering Circular.

GENERAL INFORMATION

1. **Central Depository:** The Bonds will be issued in uncertificated book-entry form entered in CCDC (CCDC Code: G228009).
2. **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of its obligations under the Bonds, the Deed of Covenant and the Agency Agreement. The issue of the Bonds was authorised by board resolutions of the Issuer dated 24 June 2022, the shareholders' resolutions dated 1 July 2022, and the approval by the Shaoxing Shangyu SASAC dated 7 February 2021. PRC counsels to the Issuer and PRC counsels to the Managers have advised that no other approvals or consents are required from any regulatory authorities or other relevant authorities in the PRC for the Issuer to issue the Bonds except for the filing of the requisite information and documents with the NDRC within prescribed time. For consequences of non-registration, see *“Risk Factors — Risks Relating to the Bonds — Any failure to complete the relevant filings under the NDRC Circular and the relevant registration with SAFE (if applicable) within the prescribed time frames following the completion of the issue of the Bonds may have adverse consequences for the Issuer and/or the investors of the Bonds”*.
3. **No Material and Adverse Change:** Except as otherwise disclosed in this Offering Circular, there has been no material adverse change, or any development or event involving a prospective change, in the condition (financial or other), prospects, results of operations or general affairs of the Issuer or the Group, which is material and adverse in the context of the issue and offering of the Bonds since 31 December 2021.
4. **Litigation:** Except as otherwise disclosed in this Offering Circular, none of the Issuer or any other member of the Group is involved in any pending litigation or arbitration proceedings which could have a material and adverse effect on their businesses, results of operations and financial condition nor is the Issuer aware that any such proceedings are threatened. The Issuer may from time to time become a party to various legal or administrative proceedings arising in the ordinary course of its business.
5. **Available Documents:** From the Issue Date and so long as any Bond is outstanding, Bondholders may log on to CCDC's website (www.chinabond.com.cn) to inspect copies of Issuer's audited consolidated financial statements as at and for the years ended 31 December 2020 and 2021, the Deed of Covenant and the Agency Agreement relating to the Bonds.
6. **Financial Statements:** The Issuer's audited consolidated financial statements as at and for the years ended 31 December 2020 and 2021, which are included elsewhere in this Offering Circular, have been audited by RSM China as stated in its respective reports included herein.
7. **Listing of Bonds:** Approval in-principle has been received for the listing and quotation of the Bonds on the Official List of 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 from, admission to the Official List of, and listing and quotation of the Bonds on, the SGX-ST are not to be taken as an indication of the merits of the offering of the Bonds, the Issuer, the Group, its subsidiaries or the quality of disclosure in this Offering Circular. The Bonds will be traded on the SGX-ST in a minimum board lot size of S\$200,000 (or its equivalent in other currencies) for as long as any of the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require. Accordingly, the Bonds, if traded on the SGX-ST, will be traded in a minimum board lot size of CNY200,000 with a minimum of 5 board lots to be traded together.

For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer will appoint and maintain a paying agent in Singapore, where the Bonds may be presented or surrendered for payment or redemption, in the event that any global certificate that may be issued in respect of the Bonds (the “**Global Certificate**”) is exchanged for Bonds in definitive form. In addition, in the event that the Global Certificate is exchanged for Bonds in definitive form, 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 Bonds in definitive form, including details of the paying agent in Singapore.

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Auditor's Report

Shaoxing Shangyu Urban Construction Group Co., Ltd.

RSM SZ [2022] No. 310Z0241

RSM CHINA CPA LLP
CHINA·BEIJING

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Auditor's Report

RSM SZ [2022] No.310Z0241

To the Shareholders of Shaoxing Shangyu Urban Construction Group Co., Ltd.:

Opinion

We have audited the financial statements of Shaoxing Shangyu Urban Construction Group Co., Ltd. (hereafter referred to as "**Shangyu Urban Construction Group**"), which comprises the consolidated and the parent company's statement of financial position as at 31 December 2021, the consolidated and the parent company's statement of profit or loss and other comprehensive income, the consolidated and the parent company's statement of cash flows, the consolidated and the parent company's statement of changes in equity for the year then ended, and the notes to the financial statements.

In our opinion, the accompanying **Shangyu Urban Construction Group**'s financial statements present fairly, in all material respects, the consolidated and the parent company's financial position as at 31 December 2021, and their financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises and China Accounting System for Business Enterprises.

Basis for Opinion

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

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

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

In preparing the financial statements, **Management** is responsible for assessing **Shangyu Urban Construction Group's** ability to continue as a going concern, disclosing matters related to going concern and using the going concern basis of accounting unless **Management** either intends to liquidate **Shangyu Urban Construction Group** or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing **Shangyu Urban Construction Group's** financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

(There is no text below, which is the signature and stamp page of RSM SZ. [2022] No.310Z0241, Shaoxing Shangyu Urban Construction Group Co., Ltd.'s audit report.)



China: Beijing



Name of CPA: 顾宇倩

China Certified Public Accountant



Name of CPA: 陈宝木

China Certified Public Accountant

Date: 28 April 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Prepared by: Shaoxing Shanghai Urban Construction Group Co., Ltd.

Unit: Yuan Currency: CNY

Item	Note	31 Dec. 2021	31 Dec. 2020	Item	Note	31 Dec. 2021	31 Dec. 2020
Current assets:				Current liabilities:			
Cash and cash equivalents	5.1	2,759,974,441.29	2,002,003,087.39	Short-term borrowings	5.21	1,795,107,820.97	1,277,050,000.00
Held-for-trading financial assets			Not applicable	Held-for-trading financial liabilities		-	Not applicable
Financial assets at fair value through profit or loss		Not applicable		Financial liabilities at fair value through profit or loss		Not applicable	
Derivative financial assets				Derivative financial liabilities		-	
Notes receivable	5.2	100,000.00	500,000.00	Notes payable	5.22	1,488,000.00	7,440,000.00
Accounts receivable	5.3	257,536,273.00	175,737,335.11	Accounts payable	5.23	321,129,568.51	333,940,143.57
Accounts receivable financing			Not applicable	Advances from customers	5.24	44,421,788.21	101,518,315.01
Prepayments	5.4	85,034,512.40	122,200,594.79	Contract liabilities	5.25	253,966,366.54	Not applicable
Other receivables	5.5	1,425,650,902.04	1,300,535,610.33	Employee benefits payable	5.26	22,197,571.79	10,262,989.10
Including: Interest receivable				Taxes payable	5.27	35,350,710.63	38,015,701.28
Dividend receivable		252,393.93		Other payables	5.28	665,012,148.68	1,151,646,293.95
Inventories	5.6	23,106,044,836.66	22,693,027,768.61	Including: Interest payable		-	62,307,989.43
Contract assets	5.7	55,131,407.28	Not applicable	Dividend payable		59,000.00	34,000.00
Classified as assets held for sale		-	-	Liabilities classified as held for sale		-	-
Non-current assets maturing within one year		-	-	Non-current liabilities maturing within one year	5.29	2,416,108,158.71	1,358,635,041.68
Other current assets	5.80	182,313,672.70	136,017,222.03	Other current liabilities	5.30	23,277,516.06	-
Total current assets		27,571,786,045.37	26,430,021,618.26	Total current liabilities		5,578,059,650.10	4,278,508,484.59
Non-current assets:				Non-current liabilities:			
Debt investments		-	Not applicable	Long-term borrowings	5.31	3,734,888,000.00	4,667,412,000.00
Available-for-sale financial assets	5.9	Not applicable	99,371,619.94	Bonds payable	5.32	5,213,736,183.65	3,551,893,886.24
Other debt investments		-	Not applicable	Including: Preference shares			
Held-to-maturity investments		Not applicable	-	Perpetual bonds			
Long-term receivables		2,000,000.00	-	Lease liabilities		-	Not applicable
Long-term equity investments	5.10	81,094,734.65	77,871,374.45	Long-term payables	5.33	1,548,779,125.77	802,969,125.77
Other equity instrument investments	5.11	25,550,000.00	Not applicable	Long-term employee benefits payable		-	
Other non-current financial assets	5.12	62,322,319.11	Not applicable	Estimated liabilities		-	
Investment properties	5.13	566,952,200.00	625,929,611.81	Deferred income	5.34	71,389,500.00	40,566,448.91
Property, plant and equipment	5.14	1,998,170,475.91	1,147,371,312.01	Deferred tax liabilities	5.19	37,814,370.76	33,882,945.08
Construction in progress	5.15	677,551,164.08	522,020,462.72	Other non-current liabilities		-	
Productive biological assets		-	-	Total non-current liabilities		10,606,607,180.18	9,096,724,406.00
Oil and gas assets		-	-	Total liabilities		16,184,666,830.28	13,375,232,890.59
Right-of-use assets		-	Not applicable	Owners' equity:			
Intangible assets	5.16	3,954,903,778.55	1,524,006,370.24	Paid-in capital	5.35	170,000,000.00	170,000,000.00
Research and development expenditure		-	-	Other equity instruments		-	
Goodwill	5.17	1,378,475.89	1,378,475.89	Including: Preference shares			
Long-term deferred expenses	5.18	34,328,683.34	42,855,291.37	Perpetual bonds			
Deferred tax assets	5.19	764,505.71	569,911.12	Capital reserves	5.36	16,440,350,081.80	15,107,401,286.28
Other non-current assets	5.20	12,250,000.00	12,250,000.00	Less: Treasury stock		-	
Total non-current assets		7,417,266,337.24	4,053,624,429.55	Other comprehensive income	5.37	141,217.36	-
				Specific reserves		-	
				Surplus reserves	5.38	85,000,000.00	85,000,000.00
				Retained earnings	5.39	1,442,947,042.49	1,284,169,495.73
				Total owner's equity attributable to parent company		18,138,438,341.65	16,646,570,782.01
				Non-controlling interests		465,947,210.68	461,842,375.21
				Total owners' equity		18,604,385,552.33	17,108,413,157.22
Total assets		34,789,052,382.61	30,483,646,047.81	Total liabilities and owners' equity		34,789,052,382.61	30,483,646,047.81

Legal Representative:



Chief Financial Officer:



Finance Manager:



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Prepared by: Shaoxing Shangyu Urban Construction Group Co., Ltd.

Unit: Yuan Currency: CNY

Item	Note	2021	2020
I. Revenue	5.40	2,887,790,818.22	2,369,840,814.49
Less: Costs of sales	5.40	1,870,874,661.85	1,996,734,790.56
Taxes and surcharges	5.41	49,864,581.17	23,664,508.62
Selling and distribution expenses		77,010,856.72	60,302,201.78
General and administrative expenses		235,352,830.26	224,895,966.68
Research and development expenses		-	-
Finance costs	5.42	49,240,659.32	20,094,927.54
Including: Interest expenses		45,461,500.49	93,913,010.90
Interest income		29,213,914.49	56,898,133.13
Add: Other income	5.43	200,398,264.74	73,627,428.16
Investment income (losses)	5.44	6,160,918.42	51,484,137.92
Including: Investment income from associates and joint ventures		-2,092,881.60	3,880,277.06
Depreciation income of financial assets measured at amortized cost		-	Not applicable
Income (losses) from net exposure hedging		-	Not applicable
Gain (losses) from changes in fair values	5.45	15,725,702.71	4,979,300.00
Credit impairment losses	5.46	10,173,693.55	Not applicable
Impairment loss of assets	5.47	-	-28,712,607.75
Gain (losses) from disposal of assets	5.55	-	-
II. Profit (loss) from operations		157,964,955.58	149,726,978.12
Add: Non-operating income	5.48	18,895,401.18	10,475,637.82
Less: Non-operating expenses	5.49	6,561,378.67	2,881,711.95
III. Profit (loss) before tax		169,298,978.09	158,169,994.00
Less: Income tax expenses	5.50	12,566,767.69	19,568,771.38
IV. Net profit (loss) for the year		156,732,210.40	138,712,630.64
(I) Net profit (loss) by continuity			
Net profit (loss) from continuing operation		156,732,210.40	138,712,630.64
Net profit (loss) from discontinued operation		-	-
(II) Net profit (loss) by ownership attribution			
Attributable to owners of the parent		156,689,357.73	138,267,371.70
Attributable to non-controlling interests		-11,804,917.53	-19,474,747.06
V. Other comprehensive income for the year, after tax		141,217.36	-
(a) Attributable to owners of the parent		141,217.36	-
(i) Items that will not be reclassified subsequently to profit or loss			
1. Remeasurement of the net defined benefit liability (asset)			
2. Gain or loss on other comprehensive income or net defined pension net using the equity method which will not be reclassified subsequently to profit and			
3. Changes in the fair value of other equity instrument investments			Not applicable
4. Changes in fair value of the enterprise's own credit risk			Not applicable
(ii) Items that may be reclassified subsequently to profit or loss		141,217.36	-
1. Share of the other comprehensive income of the investee accounted for using the equity method which will be reclassified subsequently to profit or loss			
2. Changes in the fair value of other debt investments			Not applicable
3. Gains (losses) arising from changes in fair value of available-for-sale financial assets		Not applicable	
4. Amount of financial assets reclassified and included in other comprehensive income			Not applicable
5. Gains (losses) arising from reclassification of held-to-maturity investment as available-for-sale financial assets		Not applicable	
6. Credit impairment reserves of other debt investments			Not applicable
7. The effective portion of the gains/losses on cash flow hedge			
8. Exchange differences on translating foreign operations		141,217.36	-
9. Other comprehensive income on fair value of investment property greater than its original book value when it is first converted			
(b) Attributable to non-controlling interests			
VI. Total comprehensive income for the year		156,873,427.76	138,712,630.64
Attributable to owners of the parent		156,830,515.09	138,207,371.70
Attributable to non-controlling interests		-11,016,917.53	-19,474,747.06

Legal Representative:

朱建印

Chief Financial Officer:

馬立印

Finance Manager:

呂建印

CONSOLIDATED STATEMENT OF CASH FLOWS

Prepared by: Shantong Shuanglu Urban Construction Group Co., Ltd.

Unit: Yuan – Currency: CNY

Item	Year	2021	2020
I. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		1,249,456,394.85	1,159,212,159.56
Refund of tax and fees		120,492.16	-
Other cash received relating to operating activities		1,493,156,387.83	1,159,216,876.17
Sub-total of cash inflows from operating activities		2,742,699,274.84	2,318,429,035.73
Cash paid for material commodities or labor		4,184,146,514.46	3,779,219,325.46
Cash paid to staff for employees		221,940,971.14	214,094,677.49
Payments of all types of taxes		126,596,342.72	81,402,499.24
Other cash paid relating to operating activities		1,822,156,966.12	171,719,432.77
Sub-total of cash outflows from operating activities		6,354,840,834.44	4,166,435,934.96
Net cash flows from operating activities		-3,612,141,559.60	-1,847,996,899.23
II. Cash flows from investing activities			
Cash received from disposal of investments		11,000,000.00	16,241,388.19
Cash received from returns on investments		704,000.00	47,400,463.87
Net cash received from disposal of property, plant and equipment, intangible assets and other long-term assets		4,674,054.94	34,261.93
Net cash received from disposal of subsidiaries or other business units		-	-
Other cash received relating to investing activities		47,586,000.00	2,490.12
Sub-total of cash inflows from investing activities		16,364,054.94	63,693,113.11
Cash paid to acquire property, plant and equipment, intangible assets and other long-term assets		413,261,117.79	179,403,633.77
Cash paid to acquire investments		11,100,000.00	72,847,499.99
Net cash paid to acquire subsidiaries and other business units		-	-
Other cash payments relating to investing activities		-	-
Sub-total of cash outflows from investing activities		424,361,117.79	252,251,133.76
Net cash flows from investing activities		-407,997,062.85	-188,558,020.65
III. Cash flows from financing activities			
Cash received from capital contributions		13,516,000.00	136,000,000.00
Including: Cash receipts from minority shareholders' investments attributed to subsidiaries		13,516,000.00	-
Cash received from borrowings		1,245,568,000.00	1,231,210,000.00
Other cash received relating to financing activities		1,946,697,000.00	173,219,000.00
Sub-total of cash inflows from financing activities		3,205,181,000.00	3,540,219,000.00
Cash repayment of amounts borrowed		1,215,667,342.85	1,495,746,000.00
Cash payments for dividends, distribution of profit or interest expenses		898,111,280.00	421,333,594.54
Including: Cash payments for dividends and distribution of profits to minority shareholders		-	-
Other cash payments relating to financing activities		1,764,766,675.25	11,120,497.46
Sub-total of cash outflows from financing activities		3,878,545,318.10	3,008,179,991.99
Net cash flows from financing activities		-673,364,318.10	532,039,008.01
IV. Effect of foreign exchange rate changes on cash and cash equivalents		-29,384,792.26	-45,887,792.45
V. Net increase / decrease in cash and cash equivalents		-248,112,669.81	-403,899,684.85
Plus: Cash and cash equivalents at the beginning of the period		1,098,314,679.13	1,038,674,364.00
VI. Cash and cash equivalents at the end of the period		850,202,009.32	634,774,679.15

Legal Representative

龚建印

Chief Financial Officer

立立印

Finance Manager

龚建印

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Parent Company		2011										2010		2009		2008		2007		2006		2005		2004		2003		2002		2001		2000		1999		1998		1997		1996		1995		1994		1993		1992		1991		1990		1989		1988		1987		1986		1985		1984		1983		1982		1981		1980		1979		1978		1977		1976		1975		1974		1973		1972		1971		1970		1969		1968		1967		1966		1965		1964		1963		1962		1961		1960		1959		1958		1957		1956		1955		1954		1953		1952		1951		1950		1949		1948		1947		1946		1945		1944		1943		1942		1941		1940		1939		1938		1937		1936		1935		1934		1933		1932		1931		1930		1929		1928		1927		1926		1925		1924		1923		1922		1921		1920		1919		1918		1917		1916		1915		1914		1913		1912		1911		1910		1909		1908		1907		1906		1905		1904		1903		1902		1901		1900		1899		1898		1897		1896		1895		1894		1893		1892		1891		1890		1889		1888		1887		1886		1885		1884		1883		1882		1881		1880		1879		1878		1877		1876		1875		1874		1873		1872		1871		1870		1869		1868		1867		1866		1865		1864		1863		1862		1861		1860		1859		1858		1857		1856		1855		1854		1853		1852		1851		1850		1849		1848		1847		1846		1845		1844		1843		1842		1841		1840		1839		1838		1837		1836		1835		1834		1833		1832		1831		1830		1829		1828		1827		1826		1825		1824		1823		1822		1821		1820		1819		1818		1817		1816		1815		1814		1813		1812		1811		1810		1809		1808		1807		1806		1805		1804		1803		1802		1801		1800		1799		1798		1797		1796		1795		1794		1793		1792		1791		1790		1789		1788		1787		1786		1785		1784		1783		1782		1781		1780		1779		1778		1777		1776		1775		1774		1773		1772		1771		1770		1769		1768		1767		1766		1765		1764		1763		1762		1761		1760		1759		1758		1757		1756		1755		1754		1753		1752		1751		1750		1749		1748		1747		1746		1745		1744		1743		1742		1741		1740		1739		1738		1737		1736		1735		1734		1733		1732		1731		1730		1729		1728		1727		1726		1725		1724		1723		1722		1721		1720		1719		1718		1717		1716		1715		1714		1713		1712		1711		1710		1709		1708		1707		1706		1705		1704		1703		1702		1701		1700		1699	
Parent Company		2011										2010		2009		2008		2007		2006		2005		2004		2003		2002		2001		2000		1999		1998		1997		1996		1995		1994		1993		1992		1991		1990		1989		1988		1987		1986		1985		1984		1983		1982		1981		1980		1979		1978		1977		1976		1975		1974		1973		1972		1971		1970		1969		1968		1967		1966		1965		1964		1963		1962		1961		1960		1959		1958		1957		1956		1955		1954		1953		1952		1951		1950		1949		1948		1947		1946		1945		1944		1943		1942		1941		1940		1939		1938		1937		1936		1935		1934		1933		1932		1931		1930		1929		1928		1927		1926		1925		1924		1923		1922		1921		1920		1919		1918		1917		1916		1915		1914		1913		1912		1911		1910		1909		1908		1907		1906		1905		1904		1903		1902		1901		1900		1899		1898		1897		1896		1895		1894		1893		1892		1891		1890		1889		1888		1887		1886		1885		1884		1883		1882		1881		1880		1879		1878		1877		1876		1875		1874		1873		1872		1871		1870		1869		1868		1867		1866		1865		1864		1863		1862		1861		1860		1859		1858		1857		1856		1855		1854		1853		1852		1851		1850		1849		1848		1847		1846		1845		1844		1843		1842		1841		1840		1839		1838		1837		1836		1835		1834		1833		1832		1831		1830		1829		1828		1827		1826		1825		1824		1823		1822		1821		1820		1819		1818		1817		1816		1815		1814		1813		1812		1811		1810		1809		1808		1807		1806		1805		1804		1803		1802		1801		1800		1799		1798		1797		1796		1795		1794		1793		1792		1791		1790		1789		1788		1787		1786		1785		1784		1783		1782		1781		1780		1779		1778		1777		1776		1775		1774		1773		1772		1771		1770		1769		1768		1767		1766		1765		1764		1763		1762		1761		1760		1759		1758		1757		1756		1755		1754		1753		1752		1751		1750		1749		1748		1747		1746		1745		1744		1743		1742		1741		1740		1739		1738		1737		1736		1735		1734		1733		1732		1731		1730		1729		1728		1727		1726		1725		1724		1723		1722		1721		1720		1719		1718		1717		1716		1715		1714		1713		1712		1711		1710		1709		1708		1707		1706		1705		1704		1703		1702		1701		1700		1699	
Parent Company		2011										2010		2009		2008		2007		2006		2005		2004		2003		2002		2001		2000		1999		1998		1997		1996		1995		1994		1993		1992		1991		1990		1989		1988		1987		1986		1985		1984		1983		1982		1981		1980		1979		1978		1977		1976		1975		1974		1973		1972		1971		1970		1969		1968		1967		1966		1965		1964		1963		1962		1961		1960		1959		1958		1957		1956		1955		1954		1953		1952		1951		1950		1949		1948		1947		1946		1945		1944		1943		1942		1941		1940		1939		1938		1937		1936		1935		1934		1933		1932		1931		1930		1929		1928		1927		1926		1925		1924		1923		1922		1921		1920		1919		1918		1917		1916		1915		1914		1913		1912		1911		1910		1909		1908		1907		1906		1905		1904		1903		1902		1901		1900		1899		1898		1897		1896		1895		1894		1893		1892		1891		1890		1889		1888		1887		1886		1885		1884		1883		1882		1881		1880		1879		1878		1877		1876		1875		1874		1873		1872		1871		1870		1869		1868		1867		1866		1865		1864		1863		1862		1861		1860		1859		1858		1857		1856		1855		1854		1853		1852		1851		1850		1849		1848		1847		1846		1845		1844		1843		1842		1841		1840		1839		1838		1837		1836		1835		1834		1833		1832		1831		1830		1829		1828		1827		1826		1825		1824		1823		1822		1821		1820		1819		1818		1817		1816		1815		1814		1813		1812		1811		1810		1809		1808		1807		1806		1805		1804		1803		1802		1801		1800		1799		1798		1797		1796		1795		1794		1793		1792		1791		1790		1789		1788		1787		1786		1785		1784		1783		1782		1781		1780		1779		1778		1777		1776		1775		1774		1773		1772		1771		1770		1769		1768		1767		1766		1765		1764		1763		1762		1761		1760		1759		1758		1757		1756		1755		1754		1753		1752		1751		1750		1749		1748		1747		1746		1745		1744		1743		1742		1741		1740		1739		1738		1737		1736		1735		1734		1733		1732		1731		1730		1729		1728		1727		1726		1725		1724		1723		1722		1721		1720		1719		1718		1717		1716		1715		1714		1713		1712		1711		1710		1709		1708		1707		1706		1705		1704		1703		1702		1701		1700		1699	
Parent Company		2011										2010		2009		2008		2007		2006		2005		2004		2003		2002		2001		2000		1999		1998		1997		1996		1995		1994		1993		1992		1991		1990		1989		1988		1987		1986		1985		1984		1983		1982		1981		1980		1979		1978		1977		1976		1975		1974		1973		1972		1971		1970		1969		1968		1967		1966		1965		1964		1963		1962		1961		1960		1959		1958		1957		1956		1955		1954		1953		1952		1951		1950		1949		1948		1947		1946		1945		1944		1943		1942		1941		1940		1939		1938		1937		1936		1935		1934		1933		1932		1931		1930		1929		1928		1927		1926		1925		1924																																																																																																																																																																																																																																																																																																																																																																																																																																																																			

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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Month	In Stock, 2007	In Stock, 2008
Jan.		
Feb.		
Mar.		
Apr.		
May		
June		
July		
Aug.		
Sep.		
Oct.		
Nov.		
Dec.		

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Prepared by: Maansing Strategies Urban Construction Group Co., Ltd.

Unit: Yuan, Currency: CNY

Item	Year	2023	2022
I. Revenue	14.4	44,899,898.72	395,403,338.68
Less: Costs of sales	14.4	33,236,313.82	271,564,839.22
Taxes and exchanges		8,833,828.85	1,288,448.93
Selling and distribution expenses			
General and administrative expenses		14,522,882.79	21,286,379.68
Research and development expenses			
Finance costs		-481,342.83	-14,698,345.24
Including: Interest expenses		44,812,598.82	33,454,451.28
Interest income		14,363,188.83	24,263,237.48
Add: Other income		118,888,888.88	48,372,488.88
Investment income (losses)	14.2	-221,176.33	4,856,139.38
Including: Investment income from associates and joint ventures		-221,176.33	
Derivatives income of financial assets measured at amortized cost			Not applicable
Income (losses) from net exposures hedging			Not applicable
Gains (losses) from changes in fair value		1,201,888.88	-471,888.88
Credit impairment losses		429,281.82	Not applicable
Impairment loss of assets			1,083,888.82
Gains (losses) from disposal of assets			
II. Profit (loss) from operations		117,629,404.39	71,801,288.92
Add: Non-operating income		232,158.43	1,898,137.87
Less: Non-operating expenses		-	-
III. Profit (loss) before tax		117,861,562.82	73,699,426.79
Less: Income tax expenses		213,758.88	-377,928.88
IV. Net profit (loss) for the year		117,647,803.94	73,827,355.67
Net profit (loss) from continuing operation		117,647,803.94	73,827,355.67
Net profit (loss) from discontinued operation			
V. Other comprehensive income for the year, after tax		-	-
(i) Items that will not be reclassified subsequently to profit or loss		-	-
1. Remeasurement of the net defined benefit liability (assets)			
2. Share of the other comprehensive income of the investee accounted for using the equity method which will not be reclassified subsequently to profit or loss			
3. Changes in the fair value of other equity instrument investments			Not applicable
4. Changes in fair value of the company's own equity tool			Not applicable
(ii) Items that may be reclassified subsequently to profit or loss		-	-
1. Share of the other comprehensive income of the investee accounted for using the equity method which will be reclassified subsequently to profit or loss			
2. Changes in the fair value of other debt investments			Not applicable
3. Gains (losses) arising from changes in fair value of available-for-sale financial assets		Not applicable	
4. Amount of financial assets reclassified and included in other comprehensive income			Not applicable
5. Gains (losses) arising from reclassification of held-to-maturity investment as available-for-sale financial assets		Not applicable	
6. Credit impairment reserves of other debt investments			Not applicable
7. The effective portion of the gains (losses) on cash flow hedge			
8. Exchange differences on translating foreign operations			
9. Other comprehensive income on fair value of investment property, greater than its carrying book value when it is first extracted			
VII. Total comprehensive income for the year		117,647,803.94	73,827,355.67

Legal Representative

Chief Financial Officer

Financial Manager

STATEMENT OF CASH FLOWS

Prepared by: Shuangming Shuangyu United-Construction Group Co., Ltd.

Unit: Yuan Currency: CNY

Items	Notes	2021	2020
I. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		65,735,872.09	402,882,241.69
Refund of tax and fees		-	-
Other cash received relating to operating activities		3,319,346,864.17	429,871,641.48
Sub-total of cash inflows from operating activities		3,385,182,736.26	1,582,853,923.17
Cash paid for received commodities or labor		33,891,132.43	184,334,666.49
Cash paid to and for employees		3,393,387.43	6,312,376.74
Payments of all types of taxes		3,334,236.46	1,349,133.89
Other cash paid relating to operating activities		2,691,736,238.31	2,262,231,719.63
Sub-total of cash outflows from operating activities		2,854,755,625.13	2,354,028,996.85
Net cash flows from operating activities		530,427,111.13	228,824,926.32
II. Cash flows from investing activities			
Cash received from disposal of investments		-	10,776,346.46
Cash received from returns on investments		-	6,736,239.14
Net cash received from disposals of property, plant and equipment, intangible assets and other long-term assets		-	-
Net cash received from disposals of subsidiaries or other business units		-	-
Other cash received relating to investing activities		-	-
Sub-total of cash inflows from investing activities		-	42,114,585.60
Cash paid to acquire property, plant and equipment, intangible assets and other long-term assets		-	338,841.65
Cash paid to acquire investments		112,756,886.86	-
Net cash paid to acquire subsidiaries and other business units		-	-
Other cash payments relating to investing activities		-	-
Sub-total of cash outflows from investing activities		112,756,886.86	338,841.65
Net cash flows from investing activities		-112,756,886.86	41,775,743.95
III. Cash flows from financing activities			
Cash received from capital contributions		-	-
Cash received from borrowings		3,486,000,000.00	2,847,500,000.00
Other cash received relating to financing activities		932,415,034.35	9,956,000.00
Sub-total of cash inflows from financing activities		4,418,415,034.35	2,857,456,000.00
Cash repayments of amounts borrowed		3,353,000,000.00	2,344,350,000.00
Cash payments for dividends, distribution of profits or interest expenses		175,693,914.63	165,369,473.41
Other cash payments relating to financing activities		2,736,316,138.85	7,826,407.56
Sub-total of cash outflows from financing activities		4,264,910,053.48	2,517,545,880.97
Net cash flows from financing activities		153,504,980.87	339,910,119.03
IV. Effect of foreign exchange rate changes on cash and cash equivalents			
V. Net increase(decrease) in cash and cash equivalents		569,645,115.42	-958,674,426.45
Plus: Cash and cash equivalents at the beginning of the period		574,826,227.11	1,891,497,656.56
VI. Cash and cash equivalents at the end of the period		1,144,471,342.53	832,823,230.11

Legal Representative:

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Chief Financial Officer:

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Finance Manager:

印建

STATEMENT OF CHANGES IN EQUITY

Unit: Yuan (RMB)

Note	Paid in capital	Other equity instruments			Capital reserves	Less Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Total current equity
		Preference shares	Proprietary funds	Others							
(I) Balance at 31 December 2020	179,000,000.00				10,340,000,000.00				80,000,000.00	10,499,340,000.00	21,498,340,000.00
1. Additions in accounting period										11,015,400.00	11,015,400.00
(II) Balance at 31 January 2021	179,000,000.00				10,340,000,000.00				80,000,000.00	10,499,340,000.00	21,498,340,000.00
1. Changes in equity during the reporting period											
(a) Total comprehensive income											
1. Capital contributions in subsidiaries by owners											
2. Capital reserves transferred by subsidiaries to parent company											
3. Other comprehensive income											
4. Other											
(b) Profit distribution											
1. Dividends paid to shareholders											
2. Profit distribution to shareholders											
3. Other											
(c) Transfer between equity											
1. Capital reserves transferred to paid in capital											
2. Surplus reserves transferred to paid in capital											
3. Surplus reserves used to issue equity											
4. Other											
(d) Other comprehensive income											
1. Capital reserves transferred to paid in capital											
2. Surplus reserves transferred to paid in capital											
3. Other comprehensive income											
4. Other											
(e) Special reserves											
1. Special reserves during the reporting period											
2. Other during the reporting period											
(f) Other											
(g) Balance at 31 December 2021	179,000,000.00				10,340,000,000.00					11,015,400.00	21,498,340,000.00

Accounting Manager
印建

Accounting Manager
印建

Accounting Manager
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STATEMENT OF CHANGES IN EQUITY

Account for Shanghai Shengshi Education Development Co., Ltd.		2019		2018		2017		2016		2015		2014		2013		2012		2011		2010		2009		2008		2007		2006		2005		2004		2003		2002		2001		2000		1999		1998		1997		1996		1995		1994		1993		1992		1991		1990		1989		1988		1987		1986		1985		1984		1983		1982		1981		1980		1979		1978		1977		1976		1975		1974		1973		1972		1971		1970		1969		1968		1967		1966		1965		1964		1963		1962		1961		1960		1959		1958		1957		1956		1955		1954		1953		1952		1951		1950		1949		1948		1947		1946		1945		1944		1943		1942		1941		1940		1939		1938		1937		1936		1935		1934		1933		1932		1931		1930		1929		1928		1927		1926		1925		1924		1923		1922		1921		1920		1919		1918		1917		1916		1915		1914		1913		1912		1911		1910		1909		1908		1907		1906		1905		1904		1903		1902		1901		1900		1899		1898		1897		1896		1895		1894		1893		1892		1891		1890		1889		1888		1887		1886		1885		1884		1883		1882		1881		1880		1879		1878		1877		1876		1875		1874		1873		1872		1871		1870		1869		1868		1867		1866		1865		1864		1863		1862		1861		1860		1859		1858		1857		1856		1855		1854		1853		1852		1851		1850		1849		1848		1847		1846		1845		1844		1843		1842		1841		1840		1839		1838		1837		1836		1835		1834		1833		1832		1831		1830		1829		1828		1827		1826		1825		1824		1823		1822		1821		1820		1819		1818		1817		1816		1815		1814		1813		1812		1811		1810		1809		1808		1807		1806		1805		1804		1803		1802		1801		1800		1799		1798		1797		1796		1795		1794		1793		1792		1791		1790		1789		1788		1787		1786		1785		1784		1783		1782		1781		1780		1779		1778		1777		1776		1775		1774		1773		1772		1771		1770		1769		1768		1767		1766		1765		1764		1763		1762		1761		1760		1759		1758		1757		1756		1755		1754		1753		1752		1751		1750		1749		1748		1747		1746		1745		1744		1743		1742		1741		1740		1739		1738		1737		1736		1735		1734		1733		1732		1731		1730		1729		1728		1727		1726		1725		1724		1723		1722		1721		1720		1719		1718		1717		1716		1715		1714		1713		1712		1711		1710		1709		1708		1707		1706		1705		1704		1703		1702		1701		1700		1699		1698		1697		1696		1695		1694		1693		1692		1691		1690		1689		1688		1687		1686		1685		1684		1683		1682		1681		1680		1679		1678		1677		1676		1675		1674		1673		1672		1671		1670		1669		1668		1667		1666		1665		1664		1663		1662		1661		1660		1659		1658		1657		1656		1655		1654		1653		1652		1651		1650		1649		1648		1647		1646		1645		1644		1643		1642		1641		1640		1639		1638		1637		1636		1635		1634		1633		1632		1631		1630		1629		1628		1627		1626		1625		1624		1623		1622		1621		1620		1619		1618		1617		1616		1615		1614		1613		1612		1611		1610		1609		1608		1607		1606		1605		1604		1603		1602		1601		1600		1599		1598		1597		1596		1595		1594		1593		1592		1591		1590		1589		1588		1587		1586		1585		1584		1583		1582		1581		1580		1579		1578		1577		1576		1575		1574		1573		1572		1571		1570		1569		1568		1567		1566		
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Shaoxing Shangyu Urban Construction Group Co., Ltd.

Notes to the Financial Statements

For the year ended 31 December 2021

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

1. BASIC INFORMATION ABOUT THE COMPANY

1.1 Corporate Information

On 28 May 2002, Shangyu Urban Construction Development Co., Ltd. (hereinafter referred to as "the **Company**") was established by Shangyu Planning and Construction Bureau (now renamed as Shaoxing Shangyu District Housing and Urban-Rural Construction Bureau) with a capital contribution of CNY100.00 million and has been audited by the Shangyu Tongji Certified Public Accountants Firm and issued with the verification report No.286 (2002).

According to Shaoxing Shangyu District Municipal People's Government's document (2014) No.51, Shangyu Urban Construction Development Co., Ltd. was promoted to group company, and its name was changed to Shaoxing Shangyu Urban Construction Group Co., Ltd. The investor has changed from Shaoxing Shangyu District Housing and Urban-Rural Construction Bureau to Shangyu District State-owned Assets Supervision and Administration Commission. The registered capital increased to CNY1.00 billion, and CNY0.50 billion was invested in the form of land-use rights, of which CNY0.10 billion was required to be invested on 28 May 2002, and CNY0.40 billion was gradually paid in place before 30 September 2025; CNY0.50 billion was invested in the form of currency, of which the payment time of CNY70.00 million was 27 September 2017, and CNY0.43 billion contribution should be gradually in place no later than 30 September 2022.

On 27 September 2017, Shaoxing Shangyu District State-owned Assets Supervision and Administration Commission invested CNY70.00 million in monetary funds. As at 31 December 2018, the cumulative contribution of shareholders was CNY170.00 million, with a 100.00% shareholding ratio.

On 1 October 2019, according to Shaoxing Shangyu District State-owned Assets Supervision and Administration Commission's document (2019) No.54, 51.00% equity of Shaoxing Shangyu District State-owned Assets Supervision and Administration Commission was transferred to Shaoxing Shangyu District State-owned Capital Investment and Operation Co., Ltd. for free. After the change in owner's equity, Shaoxing Shangyu District State-owned Capital Investment and Operation Co., Ltd. subscribed CNY86.70 million, and paid in CNY86.70 million, with a shareholding ratio of 51.00%. Shaoxing Shangyu District State-owned Assets Supervision and Administration Commission subscribed CNY83.30 million, and paid in CNY83.30 million, with a shareholding ratio of 49.00%.

The Company was involved in the following operating activities: urban infrastructure construction; shantytown demolition, reconstruction and resettlement; land consolidation development and management; garden, greening, municipal engineering construction; urban municipal, garden, environmental sanitation infrastructure maintenance; environmental sanitation cleaning services; urban space advertising management rights and naming rights operation; house leasing; property management; sales of building materials; foreign investment and operation management; related design, scientific research, quality inspection and consultation of urban construction projects.

Legal representative: Jianwei Kung.

Company address: Room 401, No.638 Jiangdong North Road, Baiguan Street, Shangyu District, Shaoxing, Zhejiang.

The parent company of the Company is Shaoxing Shangyu District State-owned Capital Investment and Operation Co., Ltd.

The ultimate controlling owner of the Company is Shaoxing Shangyu District State-owned Assets Supervision and Administration Commission.

The financial statements were approved and authorized to issue on 28 April 2022.

1.2 Scope of Consolidation

(a) Incorporated subsidiaries of the Company

At 31 December 2021, subsidiaries of the Company are as follows:

Sequence Number	Name of Subsidiaries	Abbreviation of Subsidiaries	Proportion of Ownership Interest (%)	
			Direct	Indirect
1	Shaoxing Shangyu Urban-Rural Ecological Environment Protection Development Co., Ltd.	Urban-Rural Ecological Environment Protection	100.00	-
2	Shaoxing Shangyu Chengzhong Village Reconstruction Investment Development Co., Ltd.	Chengzhong Village Reconstruction	100.00	-
3	Shaoxing Shangyu Haina Property Co., Ltd.	Haina Property	100.00	-
4	Shaoxing Shangyu Hongyan Construction and Development Co., Ltd.	Shangyu Hongyan Construction	50.00	50.00
5	Shaoxing Shangyu Construction Labor Affairs Agent Co., Ltd.	Labor Affairs Agent	100.00	-
6	Shaoxing Shangyu Leju Property Service Co., Ltd.	Leju Property	100.00	-
7	Shaoxing Shangyu Urban Construction Asset Management Co., Ltd.	Urban Construction Asset Management	100.00	-
8	Shaoxing Shangyu City Construction Project Management Co., Ltd.	City Construction Project	100.00	-

Sequence Number	Name of Subsidiaries	Abbreviation of Subsidiaries	Proportion of Ownership Interest (%)	
			Direct	Indirect
9	Shaoxing Shangyu Environmental Sanitation Management Group Co., Ltd.	Environmental Sanitation Management	100.00	-
10	Shaoxing Shangyu Environmental Sanitation Equipment Maintenance Service Co., Ltd.	Environmental Sanitation Equipment Maintenance	-	100.00
11	Shaoxing Shangyu Sanitation Group Yuxi Sanitation Management Co., Ltd.	Yuxi Sanitation Management	-	100.00
12	Shaoxing Shangyu Solid Waste Treatment Service Co., Ltd.	Solid Waste Treatment Service	-	100.00
13	Shaoxing Shangyu Solid Waste Clearing and Transportation Service Co., Ltd.	Solid Waste Clearing and Transportation Service	-	100.00
14	Shaoxing Shangyu Sanitation Group Urban Sanitation Management Co., Ltd.	Sanitation Group Urban Sanitation Management	-	100.00
15	Shaoxing Shangyu e-jiang Muck Transportation and Disposal Co., Ltd.	Ejiang Construction Waste Disposal	-	100.00
16	Shaoxing Shangyu District Street Light Management Co., Ltd.	Street Light Management	100.00	-
17	Shaoxing Shangyu Lighting Engineering Investment Management Co., Ltd.	Lighting Engineering	100.00	-
18	Shaoxing Shangyu District High-speed Rail New Town Construction Investment Co., Ltd.	High-speed Rail New Town	100.00	-
19	Shaoxing Shangyu Small Town Construction Investment Co., Ltd.	Small Town Construction	100.00	-
20	Shaoxing Shangyu Municipal Public Engineering Quality Testing Co., Ltd	Municipal Public Engineering Quality Testing	100.00	-
21	Shangyu Urban Construction Hong Kong Co., Ltd	Shangyu Urban Construction Hong Kong	100.00	-
22	Shaoxing Shangyu Garden Municipal Group Co., Ltd.	Garden Municipal Group	100.00	-
23	Shaoxing Shangyu Lvxin Trade Co., Ltd.	Lvxin Trade	-	100.00
24	Shaoxing Shangyu Green Energy Environmental Protection New Material Co., Ltd	Green Energy Environmental Protection	-	60.00
25	Shaoxing Shangyu Municipal Construction Engineering Co., Ltd.	Municipal Construction	-	100.00
26	Shaoxing Shangyu Landscaping Engineering Construction Co., Ltd.	Landscaping	-	100.00

Sequence Number	Name of Subsidiaries	Abbreviation of Subsidiaries	Proportion of Ownership Interest (%)	
			Direct	Indirect
27	Shaoxing Shangyu Municipal Maintenance Co., Ltd.	Municipal Maintenance	-	100.00
28	Shaoxing Shangyu Garden Maintenance Co., Ltd.	Garden Maintenance	-	100.00
29	Shaoxing Datong Holdings Group Co., Ltd.	Datong Group	51.04	-
30	Shaoxing Datong Agricultural Products Wholesale Market Co., Ltd.	Agricultural Products Wholesale Market	-	100.00
31	Shaoxing Datong E-Commerce Co., Ltd.	E-Commerce	-	50.00
32	Shaoxing Datong Culture Media Co., Ltd.	Culture Media	-	51.00
33	Shaoxing Shangyu Datong Farm Co., Ltd.	Datong Farm	-	51.00
34	Shaoxing Shangyu Yutong Agricultural Technology Co., Ltd.	Agricultural Technology	-	60.00
35	Shaoxing Datong Supermarket Co., Ltd.	Datong Supermarket		100.00
36	Shaoxing Shangyu District Yusheng Property Management Co., Ltd.	Property Management		100.00
37	Shaoxing Shangyu District Yutong Real Estate Development Co., Ltd.	Yutong Real Estate	-	100.00
38	Shaoxing Datong Mall Co., Ltd.	Datong Mall	-	76.64
39	Shaoxing Shangyu Datong Mall Enterprise Management Co., Ltd.	Mall Enterprise Management	-	95.00
40	Shaoxing Shangyu Datong Shunyang Investment Co., Ltd.	Shunyang Investment	-	57.15
41	Shaoxing Shangyu Yibin Trading Co., Ltd.	Yibin Trading	-	100.00
42	Shaoxing Shangyu Datong Binjiang Farmers Market Management Co., Ltd.	Binjiang Farmers Market	-	100.00
43	Shaoxing Shangyu Datong Binhai Mall Co., Ltd.	Binhai Mall	-	55.00
44	Shaoxing Shangyu Datong Binjiang Mall Co., Ltd.	Binjiang Mall	-	100.00
45	Shaoxing Shangyu District Tea Co., Ltd.	Datong Tea	-	59.75
46	Shaoxing Shangyu Datong Market Development Co., Ltd.	Market Development	-	100.00
47	Shaoxing Shangyu District Neighborhood Center Asset Management Co., Ltd.	Neighborhood Center Asset Management	-	100.00

Sequence Number	Name of Subsidiaries	Abbreviation of Subsidiaries	Proportion of Ownership Interest (%)	
			Direct	Indirect
48	Shaoxing Shangyu District Material Recycling Co., Ltd.	Material Recycling	-	65.00
49	Shaoxing Shangyu Datong Used Car Trading Market Co., Ltd.	Used Car Trading	-	80.00
50	Shaoxing Shangyu District Agricultural Production Materials Co., Ltd.	Agricultural Production Materials	-	66.62
51	Shaoxing Shangyu Runnong Chemical Co., Ltd.	Runnong Chemical	-	51.00
52	Shaoxing Shangyu Jianmin Poultry Slaughter Co., Ltd.	Jianmin Poultry Slaughter	-	100.00
53	Shaoxing City Shangyu District Donghai Gas Co., Ltd. [Note 1]	Donghai Gas	-	50.00
54	Shaoxing City Shangyu District Dongguan Liquid Gas Co., Ltd.	Dongguan Liquid Gas	-	65.00
55	Shaoxing Shangyu District Sinopec Datong Oil and Gas Station Construction and Development Co., Ltd. [Note 1]	Sinopec Oil and Gas	-	50.00
56	Xiaojin County Jinshun Agricultural Products Co., Ltd.	Jinshun Agricultural Products	-	100.00
57	Zhoushan Yutong Petrochemical Co., Ltd.	Yutong Petrochemical	-	100.00
58	Shaoxing Shangyu Datong Pension Co., Ltd.	Datong Pension	-	100.00
59	Shaoxing Shangyu Datong Rural Tourism Co., Ltd.	Datong Rural Tourism	-	100.00
60	Shaoxing Fengbao Agricultural Material Co., Ltd.	Fengbao Agricultural Material	-	100.00
61	Shaoxing Shangyu Datong Dingzan Agricultural Development Co., Ltd.	Dingzan Agricultural	-	55.00
62	Shaoxing Shangyu Community Service Center Management Co., Ltd.	Community Service Center	-	100.00
63	Shaoxing Shangyu Greenland Agricultural Garden Co., Ltd.	Greenland Agricultural Garden	-	100.00
64	Shaoxing Shangyu Huanji Renewable Resources Utilization Co., Ltd.	Huanji Renewable Resources	-	100.00
65	Shaoxing Shangyu South Urban Construction and Development Co., Ltd.	Shangyu South Urban Construction	100.00	-
66	Shaoxing Shangyu Guanxi Rural Tourism Development Co., Ltd.	Guanxi Rural Company	-	54.93
67	Shaoxing Shangyu Chengji Project	Chengji Project Company	-	100.00

Sequence Number	Name of Subsidiaries	Abbreviation of Subsidiaries	Proportion of Ownership Interest (%)	
			Direct	Indirect
	Management Co., Ltd.			

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

Note: The Company holds 50.00% of the shares of Shaoxing City Shangyu District Donghai Gas Co., Ltd. and Shaoxing Shangyu District Sinopec Datong Oil and Gas Station Construction and Development Co., Ltd., and signed a concerted action agreement. Therefore, the Company has a substantial control, and so it is incorporated into the merger as a subsidiary.

(b) Change of the scope of consolidation

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

Sequence Number	Name of Subsidiaries	Abbreviation of Subsidiaries	Reason of incorporation
1	Shaoxing Shangyu South Urban Construction and Development Co., Ltd.	Shangyu South Urban Construction	Newly established
2	Shaoxing Shangyu Guanxi Rural Tourism Development Co., Ltd.	Guanxi Rural Company	Business combinations not under common control
3	Shaoxing Shangyu Chengji Project Management Co., Ltd.	Chengji Project Company	Newly established

The subsidiaries reduced during the reporting period are as follows:

There is no such item.

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

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Basis of Preparation

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

2.2 Going Concern

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

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

3.1 Statement of Compliance with the Accounting Standards for Business Enterprises

The financial statements prepared by the Company meet the requirements of the Accounting Standards for Business Enterprises and truly and completely reflect the Company's financial position as at 31 December 2021, and its operating results, cash flows and other related information for the year then ended.

3.2 Accounting Period

The accounting year of the Company is from January 1 to December 31 in calendar year.

3.3 Operating Cycle

The normal operating cycle of the Company is twelve months.

3.4 Functional Currency

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

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

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

(a) Business combinations under common control

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

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

(b) Business combinations not under common control

The assets and liabilities that the Company obtains in a business combination not

under common control shall be measured at their fair value at the acquisition date. If the accounting policy adopted by the acquired entity is different from that adopted by the acquiring entity, the acquiring entity shall, according to accounting policy it adopts, adjust the relevant items in the financial statements of the acquired entity based on the principle of materiality. The acquiring entity shall recognize the positive balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquired entity as goodwill. The acquiring entity shall, pursuant to the following provisions, treat the negative balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquired entity:

- It shall reexamine the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities it obtains from the acquired entity as well as the combination costs;
- If, after the reexamination, the combination costs are still less than the fair value of the identifiable net assets it obtains from the acquired entity, the balance shall be recognized in profit or loss of the reporting period.

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

(c) Accounting treatment of transaction costs in business combinations

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

3.6 Method of Preparing the Consolidated Financial Statements

(a) Scope of consolidation

The scope of consolidated financial statements shall be determined on the basis of control. It not only includes subsidiaries determined based on voting power (or similar) or other arrangement, but also structured entities under one or several contract arrangements.

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

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

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

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

- The purpose of the Company is to provide investment management services to investors and obtain funds from one or more investors.
- The Company's sole operating purpose is to allow investors to obtain returns through capital appreciation, investment income or both.
- The Company measures and evaluates the performance of almost all investments based on fair value.

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

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

(c) Method of preparing the consolidated financial statements

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

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

- (c.1) Combine items of assets, liabilities, owner's equity, income, expenses and cash flows of the Company with those of the Company's subsidiaries.
- (c.2) Offset the carrying amount of the Company's long-term equity investment in the subsidiaries and the Company's share of owner's equity of the subsidiaries.

(c.3) Eliminate the impact of intragroup transactions between the Company and the subsidiaries or between subsidiaries, and when intragroup transactions indicate an impairment of related assets, the losses shall be recognized in full.

(c.4) Make adjustments to special transactions from the perspective of the group.

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

(d.1) Addition of subsidiaries or business

(d.1.1) Addition of subsidiaries or business through business combination under common control

(d.1.1.1) When preparing consolidated statements of financial position, the opening balance of the consolidated balance sheet shall be adjusted. Related items of comparative financial statements shall be adjusted as well, deeming that the combined entity has always existed ever since the ultimate controlling party began to control.

(d.1.1.2) Incomes, expenses and profits of the subsidiary incurred from the beginning of the reporting period to the end of the reporting period shall be included into the consolidated statement of profit or loss and other comprehensive income. Related items of comparative financial statements shall be adjusted as well, deeming that the combined entity has always existed ever since the ultimate controlling party began to control.

(d.1.1.3) Cash flows from the beginning of the reporting period to the end of the reporting period shall be included into the consolidated statement of cash flows. Related items of comparative financial statements shall be adjusted as well, deeming that the combined entity has always existed ever since the ultimate controlling party began to control.

(d.1.2) Addition of subsidiaries or business through business combination not under common control

(d.1.2.1) When preparing the consolidated statements of financial position, the opening balance of the consolidated statements of financial position shall not be adjusted.

(d.1.2.2) Incomes, expenses and profits of the subsidiary incurred from the acquisition date to the end of the reporting period shall be included into the consolidated statement of profit or loss and other comprehensive income.

(d.1.2.3) Cash flows from the acquisition date to the end of the reporting period shall be included into the consolidated statement of cash flows.

(d.2) Disposal of subsidiaries or business

(d.2.1) When preparing the consolidated statements of financial position, the opening balance of the consolidated statements of financial position shall not be adjusted.

(d.2.2) Incomes, expenses and profits incurred from the beginning of the subsidiary to the disposal date shall be included into the consolidated statement of profit or loss and other comprehensive income.

(d.2.3) Cash flows from the beginning of the subsidiary to the disposal date shall be included into the consolidated statement of cash flows.

(e) Special consideration in consolidation elimination

(e.1) Long-term equity investment held by the subsidiaries to the Company shall be recognized as treasury stock of the Company, which is offset with the owner's equity, represented as "Less: Treasury stock" under owner's equity in the statement of financial position.

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

(e.2) Due to not belonging to paid-in capital and capital reserve, and being different from retained earnings and undistributed profit, "Specific reserves" and "General risk provision" shall be recovered at the share of the parent after long-term equity investment to the subsidiaries is eliminated with the subsidiaries' equity.

(e.3) If temporary difference between the book value of the assets and liabilities in the consolidated statement of financial position and their tax basis is generated as a result of unrealized intra-group transaction profit or loss elimination, deferred tax assets or deferred tax liabilities shall be recognized, and adjusting income expense simultaneously, excluding deferred taxes related to transactions or events recognized in owner's equity or business combination.

(e.4) Unrealized intra-group transactions profit or loss generated from the Company selling assets to its subsidiaries shall be eliminated with "Net profit attributed to the owners of the parent company" in full. Unrealized intra-group transactions profit or loss generated from the subsidiaries selling assets to the Company shall be eliminated with "Net profit attributed to the owners of the parent company" and "Non-controlling interests" pursuant to the proportion that the related subsidiaries distribute to the Company. Unrealized intra-group transactions profit or loss generated from the assets sales between the subsidiaries shall be eliminated with "Net profit attributed to the owners of the parent company" and "Non-controlling interests" pursuant to the proportion that the selling subsidiaries distribute to the Company.

(e.5) If loss attributed to the minority shareholders of a subsidiary in current period is more than the minority shareholders' share of this subsidiary's owner's equity at the beginning of the period, non-controlling interest is still be written down.

(f) Accounting for Special Transactions

(f.1) Purchasing of non-controlling interests

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

(f.2) Gaining control over the subsidiary in steps through multiple transactions

(f.2.1) Business combination under common control in steps through multiple transactions

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

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

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

(f.2.2) Business combination not under common control in stages through multiple

transactions

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

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

(f.3) Disposing investment in subsidiaries without losing control

For partial disposal of the long-term equity investment in the subsidiaries without control, when the Company prepares consolidated financial statements, difference between consideration received for the disposal and the corresponding subsidiary's net assets continually calculated from the acquisition date or combination date shall be adjusted in capital reserve (capital premium or share premium). If the balance of capital reserve is not enough, retained earnings shall be adjusted.

(f.4) Disposing investment in subsidiaries with controlling right lost

(f.4.1) Disposal through one transaction

For partial disposal of the long-term equity investment in the subsidiaries with controlling right lost, when the Company prepares consolidated financial statements, the remaining equity interest shall be re-measured at its fair value at the date when the controlling right is lost. Consideration received for disposal of the equity interest, plus the fair value of the remaining equity interest, minus share of the former subsidiary's net assets continually calculated from the acquisition date or combination date, shall be recognized in investment income of the period when the controlling right is lost.

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

(f.4.2) Disposal in steps

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

- If the disposal in stages should not be classified as "a package deal", in the individual financial statements, the transaction before the loss of control of the subsidiary shall be carried forward to the book value of the long-term equity investment corresponding to each disposal of the equity, and the difference between the proceeds and the book value of the disposal of the long-term equity investment shall be booked into the current investment income; In the consolidated financial statements, it should be accounted for according to related policy in "Disposing investment in subsidiaries with no controlling right lost". If the disposal in stages should be classified as "a package deal", these transactions should be considered as a single transaction and accounted for according to related policy in "Disposing investment in subsidiaries with controlling right lost". In the individual financial statements, for transactions prior of the date when controlling right is lost, difference between consideration received and share of corresponding subsidiary's net assets is recognized as other comprehensive income in the consolidated financial statements, which as a whole is recognized as profit or loss when the controlling right is lost. In the consolidated financial statements, for transactions prior of the date when controlling right is lost, difference between consideration received and share of corresponding subsidiary's net assets is recognized as other comprehensive income in the consolidated financial statements, which as a whole is recognized as profit or loss when the controlling right is lost. If one or more of the following situations exist in trade terms, conditions and economic effect, the multiple transactions are usually accounted for as "a package deal": These transactions are signed at the same time or taking into account the mutual influence.
- Only these transactions as a whole can achieve a complete commercial result.
- One transaction occurred depends on the occurrence of at least one other transaction.
- One transaction is not economical when considered alone, but it is economical when considered together with other transactions.

(f.5) Diluting equity share of parent company in its subsidiaries due to additional capital injection by the subsidiaries' minority shareholders.

Other shareholders (minority shareholders) of the subsidiaries inject additional capital in the subsidiaries, which resulted in the dilution of equity interest of parent company in these subsidiaries. In the consolidated financial statements, difference between share of the corresponding subsidiaries' net assets calculated based on the parent's equity interest before and after the capital injection shall be adjusted in capital reserve (capital premium or share premium). If the balance of capital reserve (capital premium or share premium) is not enough, retained earnings should be adjusted.

3.7 Classification of Joint Arrangements and Accounting for Joint Operation

A joint arrangement is an arrangement of which two or more parties have joint control.

A joint arrangement of the Company is classified as either a joint operation or a joint venture.

(a) Joint operation

A joint operation is a joint arrangement whereby the parties have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Company shall recognize the following items in relation to its interest in a joint operation, and account for them in accordance with relevant accounting standards:

- Its assets, including its share of any jointly held assets;
- Its liabilities, including its share of any jointly incurred liabilities;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- Its expenses, including its share of any expenses incurred jointly.

(b) Joint venture

A joint venture is a joint arrangement whereby the parties have joint control of the arrangement have rights to the net assets of the arrangement.

The Company accounts for its investment in the joint venture by using the equity method.

3.8 Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits with banks and other financial institutions. Cash equivalents include short-term (generally within three months of maturity at acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

3.9 Foreign Currency Transactions and Foreign Currency Financial Statements Translation

(a) Selection of foreign exchange rate when foreign currency transactions occur

Foreign currency transactions are converted into reporting currency at spot exchange rates prevailing on the day when the transactions occur or the exchange rate similar to the spot exchange rate on the date of transaction determined in a systematic and reasonable way (hereinafter referred to as the approximate spot exchange rate).

(b) Translation of foreign currency monetary items on the balance sheet date

On the balance sheet date, foreign currency monetary items shall be converted at the spot rates prevailing on the balance sheet date. Foreign exchange difference resulted from the difference of the spot rates prevailing on the balance sheet date and the spot rates prevailing on the day when the transactions occur or the sport rate prevailing on the last balance sheet date is recognized as profit or loss of the reporting period; For foreign currency non-monetary items measured at fair value, the spot exchange rate

on the fair value determination date shall be used for translation, and the difference between the converted amount of the functional currency and the original functional currency is included in the current profit and loss.

(c) Foreign currency financial statements translation

Before translating the financial statements of foreign entities, the accounting period and accounting policy shall be adjusted so as to conform to that of the Company. The adjusted foreign entities' financial statements shall be converted in accordance with the following method:

- The asset and liability items in the statement of financial position shall be converted at the spot exchange rates prevailing on the balance sheet date. The owners' equity items except retained earnings shall be converted at the spot exchange rates on the occurrence date.
- The income and expense items in the statement of profit and other comprehensive income shall be converted at the spot exchange rates on the occurrence date or other approximate exchange rate.
- The differences arising from the conversion of financial statements denominated in foreign currency in compliance with the aforesaid principle shall be presented separately as "Other comprehensive income" under the owners' equity of the consolidated statement of financial position.
- Foreign currency cash flows and foreign entity's statement of cash flows shall be converted at the spot exchange rate on the occurrence date or other approximate exchange rate. Effect on cash due to exchange rate fluctuation shall be presented separately in the statement of cash flows as an adjustment item.

When disposing of overseas operation and losing control, the foreign currency statements translation difference related to the overseas operation listed under the owner's equity item in the statement of financial position shall be transferred to the current profit or loss of the disposal of the overseas operation in full or in proportion to the disposal of the overseas operation.

3.10 Financial Instruments

(a) Classification of financial assets

Applicable from 1 January 2021

Financial instrument is any contract which gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

(a) Recognition and derecognition of financial instrument

A financial asset or a financial liability should be recognized in the statement of financial position when, and only when, the **Company** becomes party to the contractual provisions of the instrument.

A financial asset can only be derecognized when meets one of the following conditions:

- The rights to the contractual cash flows from a financial asset expire
- The financial asset has been transferred and meets one of the following derecognition conditions:

Financial liabilities (or part thereof) are derecognized only when the liability is extinguished - i.e., when the obligation specified in the contract is discharged or cancelled or expires. An exchange of the **Company** (borrower) and lender of debt instruments that carry significantly different terms or a substantial modification of the terms of an existing liability are both accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Purchase or sale of financial assets in a conventional way shall be recognized and derecognized according to trading date. A conventional way purchase or sale of financial assets is a transaction under a contract whose terms require delivery of the asset within the time frame established generally by regulations or convention in the marketplace concerned. Trade date is the date at which the entity commits itself to purchase or sell an asset.

(b) Classification and measurement of financial assets

At initial recognition, the **Company** classified its financial asset based on both the business model for managing the financial asset and the contractual cash flow characteristics of the financial asset: financial asset at amortized cost, financial asset at fair value through profit or loss (**FVTPL**) and financial asset at fair value through other comprehensive income (**FVTOCI**). Reclassification of financial assets is permitted if, and only if, the objective of the entity's business model for managing those financial assets changes. In this circumstance, all affected financial assets shall be reclassified on the first day of the first reporting period after the changes in business model; otherwise, the financial assets cannot be reclassified after initial recognition.

Financial assets shall be measured at initial recognition at fair value. For financial assets measured at **FVTPL**, transaction costs are recognized in current profit or loss. For financial assets not measured at **FVTPL**, transaction costs should be included in the initial measurement. Notes receivable or accounts receivable that arise from sales of goods or rendering of services are initially measured at the transaction price defined in the accounting standard of revenue where the transaction does not include a significant financing component.

Subsequent measurement of financial assets will be based on their categories:

- Financial asset at amortized cost

The financial asset at amortized cost category of classification applies when both the following conditions are met: the financial asset is held within the business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual term of the financial asset gives rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount

outstanding. These financial assets are subsequently measured at amortized cost by adopting the effective interest rate method. Any gain or loss arising from derecognition according to the amortization under effective interest rate method or impairment are recognized in current profit or loss.

- Financial asset at fair value through other comprehensive income (**FVTOCI**)

The financial asset at **FVTOCI** category of classification applies when both the following conditions are met: the financial asset is held within the business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual term of the financial asset gives rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding. All changes in fair value are recognized in other comprehensive income except for gain or loss arising from impairment or exchange differences, which should be recognized in current profit or loss. At derecognition, cumulative gain or loss previously recognized under OCI is reclassified to current profit or loss. However, interest income calculated based on the effective interest rate is included in current profit or loss.

The **Company** make an irrevocable decision to designate part of non-trading equity instrument investments as measured through **FVTOCI**. All changes in fair value are recognized in other comprehensive income except for dividend income recognized in current profit or loss. At derecognition, cumulative gain or loss are reclassified to retained earnings.

- Financial asset at fair value through profit or loss (**FVTPL**)

Financial asset except for above mentioned financial asset at amortized cost or financial asset at fair value through other comprehensive income (**FVTOCI**), should be classified as financial asset at fair value through profit or loss (**FVTPL**). These financial assets should be subsequently measured at fair value. All the changes in fair value are included in current profit or loss.

(c) Classification and measurement of financial liabilities

The **Company** classified the financial liabilities as financial liabilities at fair value through profit or loss (**FVTPL**), loan commitments at a below-market interest rate and financial guarantee contracts liabilities and financial liabilities at amortized cost.

Subsequent measurement of financial liabilities will be based on the classification:

- Financial liabilities at fair value through profit or loss (**FVTPL**)

Held-for-trading financial liabilities (including derivatives of financial liabilities) and financial liabilities designated at **FVTPL** are classified as financial liabilities at **FVTPL**. After initial recognition, any gain or loss (including interest expense) are recognized in current profit or loss except for those hedge accounting is applied. For financial liability that is designated as at **FVTPL**, changes in the fair value of the financial liability that is attributable to changes in the own credit risk of the issuer shall be presented in other comprehensive income. At derecognition, cumulative gain

or loss previously recognized under OCI is reclassified to retained earnings.

- **Loan commitments and financial guarantee contracts liabilities**

Loan commitment is a commitment by the **Company** to provide a loan to customer under specified contract terms. The provision of impairment losses of loan commitments shall be recognized based on expected credit losses model.

Financial guarantee contract is a contract that requires the **Company** 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. Financial guarantee contracts liability shall be subsequently measured at the higher of: The amount of the loss allowance recognized according to the impairment principles of financial instruments; and the amount initially recognized less the cumulative amount of income recognized in accordance with the revenue principles.

- **Financial liabilities at amortized cost**

After initial recognition, the **Company** measured other financial liabilities at amortized cost using the effective interest method.

Except for special situation, financial liabilities and equity instrument should be classified in accordance with the following principles:

- If the **Company** has no unconditional right to avoid delivering cash or another financial instrument to fulfill a contractual obligation, this contractual obligation meets the definition of financial liabilities. Some financial instruments do not comprise terms and conditions related to obligations of delivering cash or another financial instrument explicitly, they may include contractual obligation indirectly through other terms and conditions.
- If a financial instrument must or may be settled in the **Company's** own equity instruments, it should be considered that the **Company's** own equity instruments are alternatives of cash or another financial instrument, or to entitle the holder of the equity instruments to sharing the remaining rights over the net assets of the issuer. If the former is the case, the instrument is a liability of the issuer; otherwise, it is an equity instrument of the issuer. Under some circumstances, it is regulated in the contract that the financial instrument must or may be settled in the **Company's** own equity instruments, where, amount of contractual rights and obligations are calculated by multiplying the number of the equity instruments to be available or delivered by its fair value upon settlement. Such contracts shall be classified as financial liabilities, regardless that the amount of contractual rights and liabilities is fixed or fluctuate totally or partially with variables other than market price of the entity's own equity instruments (such as interest rate, price of some kind of goods or some kind of financial instrument).

(d) Derivatives and embedded derivatives

At initial recognition, derivatives shall be measured at fair value at the date of

derivative contracts are signed and subsequently measured at fair value. The derivative with a positive fair value shall be recognized as an asset, and with a negative fair value shall be recognized as a liability.

Gains or losses arising from the changes in fair value of derivatives shall be recognized directly into current profit or loss except for the effective portion of cash flow hedges which shall be recognized in other comprehensive income and reclassified into current profit or loss when the hedged items affect profit or loss.

An embedded derivative is a component of a hybrid contract with a financial asset as a host, the **Company** shall apply the requirements of financial asset classification to the entire hybrid contract. If a host that is not a financial asset and the hybrid contract is not measured at fair value with changes in fair value recognized in profit or loss, and the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host, and a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, the embedded derivative shall be separated from the hybrid instrument and accounted for as a separate derivative instrument. If the **Company** is unable to measure the fair value of the embedded derivative at the acquisition date or subsequently at the balance sheet date, the entire hybrid contract is designated as financial assets or financial liabilities at fair value through profit or loss.

(e) Impairment of financial instrument

The **Company** shall recognize a loss allowance based on expected credit losses on a financial asset that is measured at amortized cost, a debt investment at fair value through other comprehensive income, a contract asset, a lease receivable, a loan commitment, and a financial guarantee contract.

(e.1) Measurement of expected credit losses

Expected credit losses are the weighted average of credit losses of the financial instruments with the respective risks of a default occurring as the weights. Credit loss is the difference between all contractual cash flows that are due to the **Company** in accordance with the contract and all the cash flows that the **Company** expects to receive (i.e., all cash shortfalls), discounted at the original effective interest rate or credit-adjusted effective interest rate for purchased or originated impaired credit.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date (or the expected lifetime if the expected life of a financial instrument is less than 12 months).

At each reporting date, the **Company** classifies financial instruments into three stages and makes provisions for expected credit losses accordingly. A financial instrument of which the credit risk has not significantly increased since initial recognition is at stage

1. The **Company** shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. A financial instrument with a significant increase in credit risk since initial recognition but is not considered to be impaired credit is at stage 2. The **Company** shall measure the loss allowance for that financial instrument at an amount equal to the lifetime expected credit losses. A financial instrument is considered to be credit impaired as at the end of the reporting period is at stage 3. The **Company** shall measure the loss allowance for that financial instrument at an amount equal to the lifetime expected credit losses.

The **Company** may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date and measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

For financial instrument at stage 1, stage 2 and those have low credit risk, the interest revenue shall be calculated by applying the effective interest rate to the gross carrying amount of a financial asset (i.e., impairment loss not been deducted). For financial instrument at stage 3, interest revenue shall be calculated by applying the effective interest rate to the amortized cost after deducting of impairment loss.

For notes receivable, accounts receivable, accounts receivable financing, contract assets, other receivables and long-term receivables, no matter it contains a significant financing component or not, the **Company** shall measure the loss allowance at an amount equal to the lifetime expected credit losses.

(e.1.1) Receivables/Contract assets

For the notes receivable, accounts receivable, other receivables, accounts receivable financing, contract assets and long-term receivables which are demonstrated to be impaired by any objective evidence, or applicable for individual assessment, the **Company** shall individually assess for impairment and recognize the loss allowance for expected credit losses. If the **Company** determines that no objective evidence of impairment exists for notes receivable, accounts receivable, other receivables, accounts receivable financing, contract assets and long-term receivables, or the expected credit loss of a single financial asset cannot be assessed at reasonable cost, such notes receivable, accounts receivable, other receivables, accounts receivable financing, contract assets and long-term receivables shall be divided into several groups with similar credit risk characteristics and collectively calculated the expected credit loss. The determination basis of groups is as following:

Determination basis of notes receivable is as following:

Portfolio 1: Commercial acceptance bills

Portfolio 2: Bank acceptance bills

For each portfolio, the **Company** calculates expected credit losses through default exposure and the lifetime expected credit losses rate, taking reference to historical

experience for credit losses and considering current condition and expectation for the future economic situation.

Determination basis of accounts receivable is as following:

Accounts receivable portfolio 1: Receivables with the related parties within the scope of consolidation of Shaoxing Shangyu District State-owned Capital Investment Operation Co., Ltd.

Accounts receivable portfolio 2: Receivables with relevant government departments and other State-owned enterprises.

Accounts receivable portfolio 3: Receivables from other customers (This portfolio takes the aging of receivables as the credit risk characteristic).

For each portfolio, the **Company** calculates expected credit losses through preparing an aging analysis schedule with the lifetime expected credit losses rate, taking reference to historical experience for credit losses and considering current condition and expectation for the future economic situation.

Determination basis of other receivables is as following:

Other receivables portfolio 1: Interest receivable

Other receivables portfolio 2: Dividend receivable

Other receivables portfolio 3: Other receivables with the related parties within the scope of consolidation of Shaoxing Shangyu District State-owned Capital Investment Operation Co., Ltd.

Other receivables portfolio 4: Other receivables with relevant government departments and other State-owned enterprises

Other receivables portfolio 5: Other receivables from other customers (This portfolio takes the aging of receivables as the credit risk characteristic).

For each group, the **Company** calculates expected credit losses through default exposure and the 12-month or lifetime expected credit losses rate, taking reference to historical experience for credit losses and considering current condition and expectation for the future economic situation.

Determination basis of accounts receivable financing is as following:

Accounts receivable financing portfolio 1: Commercial acceptance bills

Accounts financing receivable portfolio 2: Bank acceptance bills

For accounts receivable financing, the **Company** calculates expected credit losses through default exposure and the lifetime expected credit losses rate, taking reference to historical experience for credit losses and considering current condition and expectation for the future economic situation.

(e.1.2) Debt investment and other debt investment

For debt investment and other debt investment, the **Company** shall calculate the expected credit loss through the default exposure and the 12-month or lifetime

expected credit loss rate based on the nature of the investment, counterparty and the type of risk exposure.

(e.2) Low credit risk

If the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

(e.3) Significant increase in credit risk

The **Company** shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition, using the change in the risk of a default occurring over the expected life of the financial instrument, through the comparison of the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition.

To make that assessment, the **Company** shall consider reasonable and supportable information, that is available without undue cost or effort, and that is indicative of significant increases in credit risk since initial recognition, including forward-looking information. The information considered by the **Company** are as following:

- Significant changes in internal price indicators of credit risk as a result of a change in credit risk since inception
- Existing or forecast adverse change in the business, financial or economic conditions of the borrower that results in a significant change in the borrower's ability to meet its debt obligations;
- An actual or expected significant change in the operating results of the borrower;
An actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower;
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements, which are expected to reduce the borrower's economic incentive to make scheduled contractual payments or to otherwise influence the probability of a default occurring;
- Significant change that are expected to reduce the borrower's economic incentive to make scheduled contractual payments;
- Expected changes in the loan documentation including an expected breach of contract that may lead to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees, or other changes to the contractual framework of the instrument;
- Significant changes in the expected performance and behavior of the borrower;
- Contractual payments are more than 30 days (including 30 days) past due.

Depending on the nature of the financial instruments, the **Company** shall assess

whether the credit risk has increased significantly since initial recognition on an individual financial instrument or a group of financial instruments. When assessed based on a group of financial instruments, the **Company** can group financial instruments on the basis of shared credit risk characteristics, for example, past due information and credit risk rating.

Generally, the **Company** shall determine the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. The **Company** can only rebut this presumption if the **Company** has reasonable and supportable information that is available without undue cost or effort, that demonstrates that the credit risk has not increased significantly since initial recognition even though the contractual payments are more than 30 days past due.

(e.4) Impaired credit financial asset

The **Company** shall assess at each reporting date whether the credit impairment has occurred for financial asset at amortized cost and debt investment at fair value through other comprehensive income. A financial asset is impaired credit when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is impaired credit include observable data about the following events:

Significant financial difficulty of the issuer or the borrower; a breach of contract, such as a default or past due event; the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; the disappearance of an active market for that financial asset because of financial difficulties; the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

(e.5) Presentation of impairment of expected credit loss

In order to reflect the changes of credit risk of financial instrument since initial recognition, the **Company** shall at each reporting date remeasure the expected credit loss and recognize in profit or loss, as an impairment gain or loss, the amount of expected credit losses addition (or reversal). For financial asset at amortized cost, the loss allowance shall reduce the carrying amount of the financial asset in the statement of financial position; for debt investment at fair value through other comprehensive income, the loss allowance shall be recognized in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial position.

(e.6) Write-off

The **Company** shall directly reduce the gross carrying amount of a financial asset when the **Company** has no reasonable expectations of recovering the contractual cash

flow of a financial asset in its entirety or a portion thereof. Such write-off constitutes a derecognition of the financial asset. This circumstance usually occurs when the **Company** determines that the debtor has no assets or sources of income that could generate sufficient cash flow to repay the write-off amount.

Recovery of financial asset written off shall be recognized in profit or loss as reversal of impairment loss.

(f) Transfer of financial assets

Transfer of financial assets refers to following two situations:

- Transfers the contractual rights to receive the cash flows of the financial asset;
- Transfers the entire or a part of a financial asset and retains the contractual rights to receive the cash flows of the financial asset but assumes a contractual obligation to pay the cash flows to one or more recipients.

(f.1) Derecognition of transferred assets

If the **Company** transfers substantially all the risks and rewards of ownership of the financial asset, or neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset, the financial asset shall be derecognized.

Whether the **Company** has retained control of the transferred asset depends on the transferee's ability to sell the asset. If the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, the **Company** has not retained control.

The **Company** judges whether the transfer of financial asset qualifies for derecognition based on the substance of the transfer.

If the transfer of financial asset qualifies for derecognition in its entirety, the difference between the following shall be recognized in profit or loss:

- The carrying amount of transferred financial asset;
- The sum of consideration received, and the part derecognized of the cumulative changes in fair value previously recognized in other comprehensive income (The financial assets involved in the transfer are classified as financial assets at fair value through other comprehensive income in accordance with Article 18 of *the Accounting Standards for Business Enterprises No.22 - Recognition and Measurement of Financial Instruments*).

If the transferred asset is a part of a larger financial asset and the part transferred qualifies for derecognition, the previous carrying amount of the larger financial asset shall be allocated between the part that continues to be recognized (For this purpose, a retained servicing asset shall be treated as a part that continues to be recognized) and the part that is derecognized, based on the relative fair values of those parts on the date of the transfer. The difference between following two amounts shall be

recognized in profit or loss:

- The carrying amount (measured at the date of derecognition) allocated to the part;
- The sum of the consideration received for the part derecognized and part derecognized of the cumulative changes in fair value previously recognized in other comprehensive income (The financial assets involved in the transfer are classified as financial assets at fair value through other comprehensive income in accordance with Article 18 of the *Accounting Standards for Business Enterprises No.22 - Recognition and Measurement of Financial Instruments*).

(f.2) Continuing involvement in transferred assets

If the **Company** neither transfers nor retains substantially all the risks and rewards of ownership of a transferred asset, and retains control of the transferred asset, the **Company** shall continue to recognize the transferred asset to the extent of its continuing involvement and also recognize an associated liability.

The extent of the **Company's** continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset

(f.3) Continue to recognize the transferred assets

If the **Company** retains substantially all the risks and rewards of ownership of the transferred financial asset, the **Company** shall continue to recognize the transferred asset in its entirety and the consideration received shall be recognized as a financial liability.

The financial asset and the associated financial liability shall not be offset. In subsequent accounting period, the **Company** shall continuously recognize any income (gain) arising from the transferred asset and any expense (loss) incurred on the associated liability.

(g) Offsetting financial assets and financial liabilities

Financial assets and financial liabilities shall be presented separately in the statement of financial position and shall not be offset. When meets the following conditions, financial assets and financial liabilities shall be offset and the net amount presented in the statement of financial position:

- The **Company** currently has a legally enforceable right to set off the recognized amounts;
- The **Company** intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the **Company** shall not offset the transferred asset and the associated liability.

(h) Determination of fair value of financial instruments

Determination of financial assets and financial liabilities please refer to *Note 3.11 Measured at Fair Value*.

The following financial instruments accounting policies are applicable to 2020 and

before

(a) Classification of financial assets

(a.1) Financial assets at fair value through profit or loss

This category comprises financial assets defined as held for trading, or those designated as at fair value through profit or loss. The former mainly includes shares, bonds, funds, and derivative financial instruments investment that are not designated effective hedging instruments that are acquired principally for the purpose of sale in the near future. Such financial assets are initially recognized at fair values when acquired. Relevant transaction expenses are included in the current profit or loss. Cash dividends that have been declared but not distributed and bond interests that have matured but not been drawn included in the consideration paid are recognized as receivables separately. The interests or cash dividends to be received during the holding period are recognized as investment income. On the balance sheet date, this category of financial assets is measured at fair value and change in fair values is included in the current profit or loss. Difference between the fair value and initial measurement amount is recognized as investment income upon disposal; At the same time adjust the changes in fair value gains and losses.

(a.2) Held-to-maturity investments

This category of financial assets comprises non-derivative financial assets with fixed or determinable payments and fixed maturity, other than loans and receivables, for which there is a positive intention and ability to hold to maturity. Held-to-maturity investments are initially measured at fair values plus the related transaction costs when acquired. Bond interests that have matured but not been drawn included in the consideration paid is recognized as a receivable separately. The interest income calculated at amortization cost and effective interest rate during the holding period is recognized as investment income. The difference between the amount received and the book value of the investment is included in the investment profit or loss upon disposal.

(a.3) Receivables

Receivables include accounts receivable, other receivables, etc. Accounts receivable arise from external sales of goods or rendering of service by the **Company**. They are recognized initially at the contract price or agreement price receivable from the purchasing party.

(a.4) Available-for-sale financial assets

This category of financial assets comprises those financial assets that cannot be classified as financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables. Available-for-sale financial assets are initially recognized at fair values plus the related transaction costs when acquired. Cash dividends that have been declared but not distributed and bond interests that have matured but not been drawn included in the consideration paid are recognized as

receivables separately. The interests or cash dividends to be received during the holding period are recognized as investment income.

If the available-for-sale financial assets are foreign currency monetary financial assets, the exchange gains and losses arising therefrom shall be included in the profits and losses of the current period. Interest on available-for-sale debt instrument investments calculated using the actual interest rate method is included in profit or loss for the current period. The cash dividends of available-for-sale equity instrument investments are included in the current profit or loss when the investee declares the distribution of dividends. It is measured at fair value at the end of the period and change in fair value is included in other comprehensive income at the end of the period. The difference between the amount received and the book value of the financial asset is included in the investment profit or loss upon disposal. Meanwhile, the corresponding accumulated change in fair value recognized in other comprehensive income is transferred into investment profit or loss.

(b) Classification of financial liabilities

(b.1) Financial liabilities at fair value through profit or loss

This category of financial liabilities comprises financial liabilities that are defined as held for trading, or those that are designated as at fair value through profit or loss. This category of financial liabilities is initially measured at fair value. Relevant transaction costs are included in the current profit or loss. On the balance sheet date, change in fair values is included in the current profit or loss.

(b.2) Other financial liabilities

Other financial liabilities are those financial liabilities excluding financial liabilities at fair value through profit or loss.

(c) Reclassification of financial assets

An investment will be reclassified as available-for-sale if, as a result of a change in intention or ability, it fails to meet the requirements for classification as held-to-maturity. After the reclassification, it will be subsequently measured at fair value. If the held-to maturity investment is partially disposed, or a large part of it has been reclassified, and not included in the exceptions illustrated in provision 16 of "*Enterprise and business accounting standards No.22 - Recognition and measurement of financial instruments*", as a result of which, the remaining of the investment fails to meet the requirements for classification as held-to-maturity, any remaining held-to-maturity investments should also be reclassified as available-for-sale, and subsequently measured at fair value. However, it is prohibited that the above available-for-sale is reclassified back to held-to-maturity within current fiscal year and the following two fiscal years.

On the date of reclassification, difference between carrying value of the investment and its fair value is recorded in other comprehensive income, which shall be transferred out and recognized as profit or loss upon incurrence of impairment or

de-recognition of the investment.

Due to changes in holding intention or ability, or the fair value can no longer be reliably measured, or the held-to-maturity investment is reclassified as available-for-sale financial assets and the holding period has exceeded two complete accounting years, the financial assets are not when it is again suitable to be measured at fair value, the **Company** will change available-for-sale financial assets to be measured at cost or amortized cost. Cost or amortized cost is the fair value or book value of the financial asset on the reclassification date.

If the financial asset has a fixed maturity date, the gain or loss related to the financial asset that was directly included in other comprehensive income shall be amortized by the effective interest rate method during the remaining period of the financial asset and recorded into the current profit and loss; The difference between the amortized cost of the financial asset and the amount at maturity shall be amortized by the effective interest rate method during the remaining period of the financial asset and recorded into the current profit and loss. If there is no fixed maturity date for the financial asset, the gains or losses related to the financial asset that were directly recorded in other comprehensive income will remain in the owner's equity and will be transferred out when the financial asset is disposed of and recorded in the current profit or loss.

(d) Classification of financial liabilities and equity instruments

Except for special situation, financial liabilities and equity instrument should be classified in accordance with the following principles:

- If the **Company** has no unconditional right to avoid delivering cash or another financial instrument to fulfill a contractual obligation, this contractual obligation meets the definition of financial liabilities. Some financial instruments do not comprise terms and conditions related to obligations of delivering cash or another financial instrument explicitly, they may include contractual obligation indirectly through other terms and conditions.
- If a financial instrument must or may be settled in the entity's own equity instruments, it should be considered that the entity's own equity instruments are alternatives of cash or another financial instrument, or to entitle the holder of the equity instruments to sharing the remaining rights over the net assets of the issuer. If the former is the case, the instrument is a liability of the issuer, otherwise, it is an equity instrument of the issuer. Under some circumstances, it is regulated in the contract that the financial instrument must or may be settled in the entity's own equity instruments, where, amount of contractual rights and obligations are calculated by multiplying the number of the equity instruments to be available or delivered by its fair value upon settlement. Such contacts shall be classified as financial liabilities, regardless that the amount of contractual rights and liabilities is fixed or fluctuate totally or partially with variables other than market price

(such as interest rate, the price of a commodity, or the price of a financial instrument) of the entity's own equity instruments.

(e) Transfer of financial assets

Transfer of financial assets include below situations:

- The contractual rights to receive cash flows from the financial asset are transferred to another entity; or
- The financial assets are totally or partially transferred to another entity, while the rights to receive cash flows from the asset or obligations to pay the received cash flows to one or several payees are retained.

(e.1) Derecognition of transferred financial assets

The financial assets should be derecognized if the **Company** has transferred substantially all the risks and rewards of the asset, or the **Company** has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When judging whether control of the asset has been transferred or not, the **Company** shall lay emphasis on the transferee's substantial capability to sell the financial asset. If the transferee itself can sell the financial asset as a whole to a third party that has no any relationship with it, without any restrictions on this sale through supplemental terms, it is shown that the control of the asset has been given up.

The principle of substance over form is adopted to determine whether the transfer of a financial asset satisfies the criteria described above for derecognition of a financial asset.

If the entire transfer of financial asset satisfies the criteria for derecognition, the difference between the amounts of the following two items shall be included in the current profit or loss:

- The book value of the transferred financial asset;
- The sum of the consideration received from the transfer and the accumulated amount of the changes in fair value originally and directly included in owners' equity (where the financial asset transferred is an available-for-sale financial asset).

If the partial transfer of financial asset satisfies the criteria for derecognition, the entire book value of the transferred financial asset shall be split into the derecognized and recognized part according to their respective fair value and the difference between the amounts of the following two items shall be included in the current profit or loss:

- The book value of derecognized part;
- The sum of the consideration for the derecognized part and the portion of derecognition corresponding to the accumulated amount of the changes in fair value originally and directly included in owners' equity (where the financial asset transferred is an available-for-sale financial asset).

(e.2) Continue to involve in the transferred financial assets

Where neither transfer nor retention of substantially all risks and rewards of ownership of a financial asset and control of the financial asset has not been abandoned, the relevant financial asset shall be recognized in accordance with the degree of its continuous involvement in the transferred financial asset, and the relevant liability shall be recognized accordingly.

The degree of continuous involvement in the transferred financial assets refers to the level of risk that the company faces when the value of the financial assets' changes.

(e.3) Continue to confirm the transferred financial assets

If the ownership of the transferred financial asset still retains almost all the risks and rewards, the entire transferred financial asset shall continue to be recognized, and the consideration received will be recognized a financial liability.

The financial assets and the related financial liabilities recognized cannot offset each other. In the subsequent accounting period, the **Company** should continue to confirm the income generated by the financial assets and the expenses incurred by the financial liabilities. Where the transferred financial assets are measured at amortized cost, the related liabilities recognized shall not be designated as financial liabilities at fair value through profit or loss.

(f) Derecognition of financial liability

A financial liability shall be totally or partly derecognized if its present obligations are totally or partly dissolved.

If the assets to be used to settle a financial liability is transferred to another institute or establish a trust, where the present obligations still exist, either the financial liability or the assets transferred shall not be derecognized. Where the **Company** enters into an agreement with a creditor so as to substitute the existing financial liabilities with any new financial liability, and the new financial liability is substantially different from the contractual stipulations regarding the existing financial liability, it shall derecognize the existing financial liability, and shall at the same time recognize a new financial liability.

Where substantial revisions are made to some or all of the contractual stipulations of the existing financial liability, the **Company** shall derecognize the existing financial liability totally or partly, and at the same time recognize the financial liability with revised contractual stipulations as a new financial liability.

Upon total or partial derecognition of financial liabilities, the difference between the book value of the financial liabilities derecognized and the consideration paid (including non-cash assets surrendered or new financial liabilities assumed) shall be included in the current profit or loss.

(g) Offsetting financial assets and liabilities

Financial assets and liabilities shall be presented separately in the statement of

financial position and shall not be offset. However, they shall be presented on a net basis after offset if the following criteria are both satisfied:

- The **Company** has a legal right to offset the recognized amounts, and the right is executable at present; and
- The **Company** has an intention to settle on a net basis or liquidate the asset and settle the liability simultaneously.

Asset transfer that does not satisfy the criteria for derecognition of this asset, the transferor shall not offset the asset and the liability.

(h) Impairment testing and impairment provision of financial assets

(h.1) Objective evidence for the impairment of the financial assets:

- The issuer or debtor encounters serious financial difficulties;
- The debtor violates the terms of contract, for example, it cannot repay the interest or the principal of the loan on schedule;
- The creditor makes concessions to the debtor in financial difficulties from the respect of economy or law;
- The creditor is possible to bankrupt or execute other financial restructuring;
- The financial asset is no longer traded in the active market since the issuer encounters significant financial difficulties;
- It is unrecognizable whether cash flows from an asset in one group of financial assets has decreased, however, it is identifiable that the estimated future cash flows of the group of financial assets has decreased and measurable since they are initially recognized through overall assessment on them on the basis of public data;
- The debtor's technological, market, economic or legal environment encounters significant unfavorable change, as a result of which investment cost may not be recovered;
- A serious or prolonged decline in the fair value of equity instrument; For example, the fair value of equity instrument investment on the balance sheet date is lower than its initial investment cost by more than 50.00% (including 50.00%) or lower than its initial investment cost for a duration of more than 12 months (including 12 months).

Less than its initial investment cost for more than 12 months (including 12 months) means that the monthly average of the fair value of equity instrument investment has been lower than its initial investment cost for 12 consecutive months;

- Other objective evidence that indicates impairment of financial assets.

(h.2) Impairment provision of the financial assets (excluding receivables)

(h.2.1) Financial assets measured at amortized cost

When the asset is impaired, the carrying amount of the held-to maturity investment shall be written down to the present value of its expected future cash flows (excluding future credit loss that have not occurred), the amount written down shall be recognized as impairment loss in current profit or loss.

The present value of the estimated future cash flows is determined by discounting at the original effective rate of the held-to-maturity investment, considering the value of related guaranty (deducting expense incurred for obtaining or selling this guaranty). The original effective rate is the effective rate calculated when the held-to-maturity investment is initially recognized. For held-to-maturity investments with floating interest rates, the current effective interest rate as stipulated in the contract may be used as the discount rate in calculating the present value of future cash flows.

The **Company** was carried out on the amortized cost measurement of financial assets impairment test, the amount is greater than or equal to CNY5.00 million of financial assets as a single large sum of financial assets, under this standard as a single amount is not significant financial assets.

The **Company** shall conduct impairment tests on a single financial asset with a significant amount separately. If there is objective evidence that such asset has experienced impairment, the impairment loss shall be recognized and recorded into the current profit and loss; For single amount is not significant financial assets, impairment test alone or include in combination of financial assets with similar credit risk characteristics in the impairment test.

Separately test the financial assets that have not suffered any impairment (including the financial assets with significant or insignificant amount of a single item), including conducting a further impairment test in the financial asset portfolio with similar credit risk characteristics; Financial assets that have recognized impairment losses separately shall not be included in the impairment test of financial asset portfolios with similar credit risk characteristics.

After the **Company** recognizes the impairment loss of a financial asset measured at the amortized cost, if there is objective evidence that the value of the financial asset has been restored and is objectively related to the events occurred after the recognition of the loss, the previously recognized impairment loss will be reversed and recorded into the current profit and loss. However, the carrying value after the reversal does not exceed the amortized cost of the financial asset on the day of the reversal assuming no provision for impairment.

(h.2.2) Impairment provision of available-for-sale financial assets

When recognizing impairment loss, the cumulative loss due to decreases in fair value shall be removed from equity to profit or loss. After impairment loss related to an available-for-sale debt instrument has been recognized, interest income of the instrument is calculated at the discount rate used in determining present value of the future cash flows when calculating impairment provision of the instrument.

For available-for-sale debt instruments for which impairment losses have been recognized, if the fair value has risen during the subsequent accounting period and is objectively related to the items that have occurred after the confirmation of the original impairment losses, the previously recognized impairment losses are reversed and included in the current profit and loss.

(i) Method of determining the fair value of financial assets and financial liabilities

For the detail of method of determining the fair value of financial assets and financial liabilities, please refer to *Note 3.11 Measured at Fair Value*.

3.11 Measured at Fair Value

Fair value refers to the price that market participants can receive from the sale of an asset or pay for the transfer of a liability in an orderly transaction that occurs on the measurement date.

The **Company** determines fair value of the related assets and liabilities based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The **Company** using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The principal market refers to the market with the largest trading volume and the highest trading activity of related assets or liabilities; The most advantageous market refers to the market that can sell related assets for the maximum amount or transfer related liabilities for the minimum amount after considering transaction costs and transportation costs.

Where there are financial assets or financial liabilities in an active market, the **Company** shall determine their fair value by quoting from the active market. If there is no active market for financial instruments, the **Company** shall use valuation technology to determine their fair value.

At fair value measurement of financial assets, the ability of a market participant to generate economic benefits by using the asset for the best use, or by selling the asset to another market participant who can use it for the best use, is taken into account.

(a) Valuation techniques

The **Company** uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available and other information to support. The valuation techniques used mainly include market approach, income approach and cost approach. The **Company** measures fair value using methods consistent with one or more of its valuation techniques. When using various techniques to measure fair value, the **Company** shall consider the reasonableness of each valuation result and select the most representative the amount of fair value as the fair value.

In the application of valuation techniques, the **Company** will give priority to the

relevant observable inputs and only use unobservable inputs if the relevant observable inputs cannot be obtained or made impracticable. Observable inputs can be acquired from the market data, which reflect the assumptions used by market participants in pricing the underlying assets or liabilities. Unobservable inputs cannot be acquired from the market data, but it is based on the best available information from market participants on the assumptions used in pricing the underlying asset or liability.

(b) Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly;

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

3.12 Receivables

The following receivables accounting policies are applicable to 2020 and before

(a) Receivable with individually significant balance and recognized provision for bad debts individually

Assessment basis or standard of amount individually significant: The amount of accounts receivable over CNY1.00 million and other receivables over CNY5.00 million is assessed individually significant.

Method of provision for bad debts of receivables that are individually significant: After separate impairment test, if there is objective evidence of impairment, the impairment loss of receivables that are individually significant shall be measured at the difference between the individual receivable's carrying amount and the present value of estimated future cash flows and shall be included in current profit or loss.

Where there is a small difference between the estimated future cash flows of the short-term accounts receivable and its present value, the estimated future cash flows may not be discounted when determining the related impairment losses.

(b) Receivables with provision for bad debts recognized on the basis of similar credit risk characteristics

Determine the basis of the portfolio:

Portfolio 1: According to the combination of credit risk characteristics after the combination of the smaller risk, a separate test does not indicate a significant impairment in receivables.

Portfolio 2: Remaining receivables excluding Portfolio 1.

Accrual method for bad debt provision by portfolio:

Portfolio 1: No provision for bad debts will be made due to very little possibility of bad debt losses.

Portfolio 2: Aging analysis method or a combination of expected credit losses based on the aging sheet.

The proportion of bad debt provision in the receivables portfolio of each aging section is as follows:

Aging	Proportion of provision for accounts receivable (%)	Proportion of provision for other receivables (%)
Within 1 year (including 1 year)	5.00	5.00
1 to 2 years	10.00	10.00
2 to 3 years	20.00	20.00
3 to 5 years	30.00	30.00
Over 5 years	50.00	50.00

(c) Receivables that are individually insignificant but with bad debt provided on an individual basis

For receivables that are individually insignificant with objective evidence of impairment, they shall be separated from relevant portfolios and separately assessed for impairment to recognize the impairment losses. Bad debts are provided at the difference between the present value of estimated future cash flows of the receivable and its carrying value.

3.13 Inventories

(a) Classification of inventories

Inventories refer to the finished products or commodities held by the **Company** in daily activities for sale, materials and materials consumed in the production process, in the production process or in the process of providing labor services, including raw materials, development products, development costs, land development cost, entrusted construction projects, revolving materials and inventory goods etc.

(b) Measurement method of cost of inventories sold or used

The cost of inventories used or sold is determined on the weighted average basis.

(c) Inventory system

The perpetual inventory system is adopted. The inventories should be counted at least once a year, and surplus and losses of inventory counting shall be included in current year profit and loss.

(d) Provision for impairment of inventory

Inventories are stated at the lower of cost and net realizable value. The excess of cost over net realizable value of the inventories is recognized as provision for impairment of inventory and recorded in profit or loss.

Net realizable value of the inventory should be determined on the basis of reliable evidence obtained, and factors such as purpose of holding the inventory and events occur after balance sheet date shall be considered.

- (d.1) In normal operation process, for merchandise inventories for direct sale, including stock commodities and materials for sale, their net realizable values are determined at estimated selling prices less estimated selling expenses and relevant taxes and surcharges; for inventories held to execute sales contract or service contract, their net realizable values are calculated on the basis of contract price. If the quantities of inventories specified in sales contracts are less than the quantities held by the **Company**, the net realizable value of the excess portion of inventories shall be based on general selling prices.
- (d.2) In the course of normal production and operation, the net realizable value of the inventory of materials that need to be processed shall be determined by subtracting the estimated cost to be incurred at the time of completion, estimated sales expenses and relevant taxes from the estimated selling price of the finished products. If the net realizable value of finished products produced with it is higher than the cost, the material is measured at the cost; If the decrease of material price indicates that the net realizable value of finished product is lower than the cost, the material shall be measured according to the net realizable value and the inventory depreciation reserve shall be calculated according to the difference.
- (d.3) At the end of the period, provisions for inventory impairment are determined on an individual basis. For inventories with large quantity and low unit price, the provisions for inventory impairment are determined on a category basis.
- (d.4) If any factor rendering write-downs of the inventories has been eliminated, the amounts written down are recovered and reversed from the inventory impairment, which has been provided for. The reversed amounts are included into the current profit or loss.

(e) Amortization method of low-value consumables

- (e.1) One-off writing off method is adopted in amortization of low-value consumables.
- (e.2) One-off writing off method is adopted in amortization of packaging material

3.14 Contract Assets and Contract Liabilities

Applicable from 1 January 2021

The **Company** shall present contract assets or contract liabilities in the statement of financial position, depending on the relationship between the **Company's** satisfying a performance obligation and the customer's payment. A contract asset shall be presented if the **Company** has the right to consideration in exchange for goods or services that the **Company** has transferred to a customer when that right is conditioned on something other than the passage of time. A contract liability shall be

presented if the **Company** has the obligation to transfer goods or services to a customer for which the **Company** has received consideration (or the amount is due) from the customer.

Method of determination and accounting for expected credit loss for contract assets please refer to *Note 3.10 Financial Instruments*.

Contract assets and contract liabilities shall be presented separately in the statement of financial position. The contract asset and contract liability for the same contract shall be presented on a net basis. A net balance shall be listed in the item of "Contract assets" or "Other non-current assets" according to its liquidity; a credit balance shall be listed in the item of "Contract liabilities" or "Other non-current liabilities" according to its liquidity. Contract assets and contract liabilities for different contracts cannot be offset.

3.15 Contract costs

Applicable from 1 January 2021

Contract costs include costs to fulfill a contract and the costs to obtain a contract.

The **Company** shall recognize an asset from the costs incurred to fulfill a contract only if those costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract, including: direct labor, direct materials, manufacturing costs (or similar costs), costs that are explicitly chargeable to the customer under the contract and other costs that are incurred only because an entity entered into the contract;
- the costs enhance resources of the **Company** that will be used in satisfying performance obligations in the future; and
- the costs are expected to be recovered.

The incremental costs of obtaining a contract shall be recognized as an asset if the **Company** expects to recover them.

An asset related to contract costs shall be amortized on a systematic basis that is consistent with the revenue recognition of the goods or services to which the asset relates. The **Company** recognizes the contract acquisition costs as an expense when incurred if the amortization period of the asset that the **Company** otherwise would have recognized is one year or less.

The **Company** shall accrue the provision for impairment, recognize an impairment loss in profit or loss to the extent that the carrying amount of an asset related to the contract cost exceeds the difference of below two items, and further consider whether the estimated liability related to the onerous contract needs to be accrued:

- the remaining amount of consideration that the **Company** expects to receive in exchange for the goods or services to which the asset relates; less
- the costs that relate directly to providing those goods or services and that have not been recognized as expenses.

The **Company** shall recognize in profit or loss a reversal of some or all of an impairment loss previously recognized when the impairment conditions no longer exist or have improved. The increased carrying amount of the asset shall not exceed the amount that would have been determined (net of amortization) if no impairment loss had been recognized previously.

Providing that the costs to fulfil a contract satisfy the requirement to be recognized as an asset, the **Company** shall present them in the account "Inventories" if the contract has an original expected duration of one year (or a normal operating cycle) or less, or in the account "Other non-current assets" if the contract has an original expected duration of more than one year (or a normal operating cycle).

Providing that the costs to obtain a contract satisfy the requirement to be recognized as an asset, the **Company** shall present them in the account "Other current asset" if the contract has an original expected duration of one year (or a normal operating cycle) or less, or in the account "Other non-current assets" if the contract has an original expected duration of more than one year (or a normal operating cycle).

3.16 Non-current Assets (or Disposal Groups) as Held-for-Sale

(a) Classification of non-current assets (or disposal groups) as held for sale

The **Company** classifies a non-current asset (or disposal group) as held for sale if the following requirements are met simultaneously:

- The asset or disposal group must be available for immediate sale in its present condition subject only to the terms that are usual and customary for sales of such assets (or disposal group).
- Its sale must be highly probable, i.e., the **Company** must be committed to a plan to sell the asset (or disposal group) and obtain definite purchase commitment, and the sale is expected to complete within one year and those regulations that require the approval of the company's relevant authorities or regulatory authorities before they can be sold have already been approved.

When the **Company** acquires a non-current asset (or disposal group) exclusively with a view to its subsequent disposal, it shall classify the non-current asset (or disposal group) as held for sale at the acquisition date only if the one-year requirement is met and it is highly probable that any other criteria that are not met at that date will be met within a short period following the acquisition (usually within three months).

The **Company** that is committed to dispose its equity investment in a subsidiary which will lead to its loss of control of the subsidiary shall classify the investment as held for sale in the separate financial statements of the **Company** and classify all the assets and liabilities of that subsidiary as held for sale in the consolidated financial statements of the group, when the above criteria are met, regardless of whether the **Company** will remain part of equity investment in the subsidiary.

(b) Measurement of non-current assets (or disposal groups) held for sale

The principal of measurement of non-current assets (or disposal groups) held for sale

does not apply to the following assets: investment properties that are measured in accordance with the fair value model, biological assets that are measured at fair value less costs to sell, assets arising from employee benefits, deferred tax assets, financial assets within the scope of relevant accounting standards related to financial instruments and contractual rights under insurance contracts as defined in accounting standards related to insurance contracts.

When the non-current assets (or disposal groups) are initially measured or subsequently measured at balance sheet date, if the carrying value of the asset (or disposal group) is higher than the fair value less cost to sell, it shall be written-down to its fair value, and the difference shall be recognized as impairment loss of the reporting period, and provision for asset impairment shall be recognized simultaneously. If on the subsequent balance sheet date, the net amount of the non-current assets held for sale or the fair value of the disposal group minus the selling expenses increases, the previously written-down amount shall be restored, and the assets shall be recognized after being classified as held for sale. The impairment loss is reversed within the amount of asset impairment loss recognized after being classified as held for sale, and the reversed amount is included in the current profit or loss. The book value of goodwill that has been deducted cannot be reversed.

When the assets (or disposal groups) ceases to be classified as held for sale or the non-current assets are removed from disposal groups since the criteria for held for sale are no longer met, the assets shall be measured at the lower of:

- its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had the asset (or disposal group) not been classified as held for sale, and
- its recoverable amount at the date of the subsequent decision not to sell.

(c) Presentation

An entity shall present a non-current asset classified as held for sale and the assets of a disposal group classified as held for sale separately from other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale shall be presented separately from other liabilities in the statement of financial position. Those assets and liabilities shall not be offset and presented as a single amount.

3.17 Long-term Equity Investments

Long-term equity investments refer to equity investments where an investor has control of, or significant influence over, an investee, as well as equity investments in joint ventures. If the **Company** have significant influence on the investee, the investee is an associate of the **Company**.

(a) Determination basis of joint control or significant influence over the investee

Joint control is the relevant agreed sharing of control over an arrangement, and the

arranged relevant activity must be decided under unanimous consent of the parties sharing control. In determining whether there is a joint control, it is first determined whether all parties or combinations of parties have collective control of the arrangement. If all parties or a group of parties must act in unison to determine the relevant activities of an arrangement, it is considered that all parties or a group of participants collectively control the arrangement. Secondly, it is necessary to decide whether the decision-making related to the arrangement must be unanimously approved by the participants who collectively control the arrangement. If there is a combination of two or more parties that can collectively control an arrangement, it does not constitute a common control. To determine whether there is common control, not to consider the protection of the rights.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but not be able to exercise control or joint control over those policies. When an investing enterprise can exercise significant influences over the investee, the investee shall be its associate.

When the **Company** directly or indirectly owns more than 20.00% (including 20.00%) but less than 50.00% of the voting shares of the investee, it can be presumed that the investor has significant influence over the investee, unless it can be clearly shown that this is not the case.

(b) Determination of initial investment cost

(b.1) Long-term equity investments generated in business combinations:

- For a business combination involving enterprises under common control: if the **Company** makes payment in cash, transfer non-cash assets or bear debts and issues equity securities as the consideration for the business combination, book value of the owners' equity of the acquiree obtained is recognized as the initial cost of the long-term equity investment on the combination date. The difference between the initial investment cost and the carrying amount of cash paid, non-cash assets transferred, liabilities assumed, and par value of share issued shall be adjusted to the stock premium in the capital reserve; if there is no sufficient premium in the capital reserve for write-downs, the retained earnings shall be adjusted.
- For business combination under common control, which issues equity securities as the consideration for the merger. According to the book value of the owner's equity of the merged party in the consolidated financial statement of the final controller, the initial investment cost of long-term equity investment is taken as the merger date. The difference between the initial investment cost of long-term equity investment and the total par value of the issued shares shall be adjusted to the capital reserve; If the capital reserve is insufficient to write down, the retained earnings shall be adjusted;
- For business combination not under common control, the **Company** recognizes

the combination cost determined on the combination date as the initial cost of long-term equity investment. When exercising control over an investee not under common control due to additional investment or other reasons, in separate financial statements, the investor shall change to the cost method and use the carrying amount of the previously held equity investment, together with the additional investment cost, as the initial investment cost under the cost method. The audit, legal, valuation and consulting fees, other intermediary fees, and related administrative fees paid by the acquiring entity or acquirer for the business combination, shall be recognized in profit or loss as incurred.

(b.2) Long-term equity investments acquired by other means:

- For long-term equity investments acquired by payments in cash, the initial cost is the actually paid purchase cost. The initial investment cost includes expenses directly related to obtaining long-term equity investment, taxes and other necessary expenses.
- For long-term equity investments acquired through issuance of equity securities, the initial cost is the fair value of the issued equity securities.
- For the long-term equity investments obtained through exchange of non-monetary assets, if the exchange has commercial substance, and the fair values of assets traded out and traded in can be measured reliably, the initial cost of long-term equity investment traded in with non-monetary assets are determined based on the fair values of the assets traded out together with relevant taxes. Difference between fair value and book value of the assets traded out is recorded in profit or loss. If the exchange of non-monetary assets does not meet the above criteria, the book value of the assets traded out and relevant taxes are recognized as the initial cost of long-term equity investment traded in.
- For long-term equity investment acquired through debt restructuring, the initial cost is determined based on the fair value of the equity obtained. and the difference between the initial investment cost and the book value of the creditor's rights is included in the current profit or loss.

(c) **Subsequent measurement and recognition of profit or loss**

Long-term equity investment to an entity over which the **Company** has ability of control shall be accounted for at cost method. Long-term equity investment to a joint venture or an associate shall be accounted for at equity method.

(c.1) Cost method

For Long-term equity investment at cost method, the cost of the long-term equity investment shall be adjusted when additional amount is invested or a part of it is withdrawn. The **Company** recognizes its share of cash dividends or profits which have been declared to distribute by the investee as current investment income.

(c.2) Equity method

Generally, for long term equity investment measured at equity method, accounting

practice are as following:

If the initial cost of the investment is in excess of the share of the fair value of the net identifiable assets in the investee at the date of investment, the difference shall not be adjusted to the initial cost of long-term equity investment; if the initial cost of the investment is in short of the share of the fair value of the net identifiable assets in the investee at the date investment, the difference shall be included in the current profit or loss and the initial cost of the long-term equity investment shall be adjusted accordingly.

The **Company** recognizes the share of the investee's net profits or losses, as well as its share of the investee's other comprehensive income, as investment income or losses and other comprehensive income respectively. Meanwhile the **Company** adjusts the carrying amount of the investment accordingly. The carrying amount of the investment shall be reduced by the share of any profit or cash dividends declared to distribute by the investee. The investor's share of the investee's owners' equity changes, other than those arising from the investee's net profit or loss, other comprehensive income or profit distribution, would be recognized in the investor's equity, and the carrying amount of the long-term equity investment shall be adjusted accordingly. The **Company** recognizes its share of the investee's net profits or losses after making appropriate adjustments based on the fair values of the investee's identifiable net assets at the investment date. If the accounting policy and accounting period adopted by the investee is not in consistency with the **Company**, the financial statements of the investee shall be adjusted according to the **Company's** accounting policies and accounting period, based on which, investment income or loss and other comprehensive income, etc., shall be adjusted. The unrealized profits or losses resulting from inter-company transactions between the **Company** and its associate or joint venture are eliminated in proportion to the **Company's** equity interest in the investee, based on which investment income or losses shall be recognized. Any losses resulting from inter-company transactions between the investor and the investee, which are attributable to asset impairment, shall be recognized in full.

Where the **Company** obtains the power of joint control or significant influence, but not control, over the investee, due to additional investment or other reason, the relevant long-term equity investment shall be accounted for by using the equity method, initial cost of which shall be the fair value of the original investment plus the additional investment. Where the original investment is classified as available-for sale investment, difference between its fair value and its carrying value, in addition to the cumulated fair value fluctuation recorded in other comprehensive income, shall be recognized as profit or loss.

Due to the disposal of part of the equity investment and other reasons lost the joint control or significant impact on the investee, the remaining after the disposal of equity measured at fair value, the difference between the proceeds actually received and the carrying amount shall be recognized in profit or loss for the reporting period. For a

long-term equity investment accounted for using the equity method, any other comprehensive income previously recognized shall be accounted for on the same basis as would have been required if the investee had directly disposed the related assets or liabilities on a pro-rata basis upon the disposal of the equity investment.

(d) Equity Investment Held for Sale

Accounting of equity method ceases when the equity investment in an associates or joint venture which is classified in whole or in part as holding assets for sale, the relevant accounting treatment, please refer to *Note 3.16 Non-current Assets (or Disposal Groups) as Held-for-Sale*.

For residual equity investments that is not classified as held for sale, the equity method shall continue to be used for accounting treatment prior to the sale of the portion of equity investments that is classified as held for sale.

If the equity investment in an associated enterprise or joint venture that has been classified as held for sale no longer qualifies the conditions for the classification of assets for sale, the equity method shall be applied for retroactive adjustment from the date when the investment is classified as holding assets for sale. The equity investments are classified as financial statements held for sale and adjusted accordingly.

(e) Impairment testing and impairment provision

For the investment of subsidiaries, associates or joint ventures, please refer to *Note 3.23 Impairment of Long-term Assets*.

3.18 Investment Properties

(a) Classification of investment properties

Investment properties are properties to earn rentals or for capital appreciation or both. Examples include land leased out under operating leases, land held for long-term capital appreciation, buildings leased out under operating leases.

(b) The measurement model of investment property

The **Company** adopts the fair value model for subsequent measurement of investment properties.

The **Company's** investment properties have an active property trading market in its location, and the **Company** can obtain the market price and other relevant information of the same or similar properties from the properties trading market, so as to make a reasonable estimate of the fair value of the investment properties. Therefore, the **Company** adopts the fair value model for follow-up measurement of the investment properties. Changes in fair value is recorded in current profits and losses.

When determining the fair value of investment properties, reference shall be made to the prevailing market price of the same or similar properties in the active market; If it is impossible to obtain the current market price of the same or similar properties, it shall make a reasonable estimate of the fair value of the investment properties by

referring to the recent transaction price of the same or similar properties in the active market and taking into account the transaction situation, transaction date, location and other factors; Or based on the expected future rental income and the present value of the relevant cash flows.

3.19 Property, plant and equipment

Property, plant and equipment refer to the tangible assets held for use in the production or supply of goods or services, for rental to others, or for administrative purpose with expected useful lives exceeding one year.

(a) Recognition criteria of property, plant and equipment

Property, plant and equipment will only be recognized at the actual cost paid when obtaining when all the following criteria are satisfied:

- it is probable that the future economic benefits relating to the property, plant and equipment will flow into the **Company**;
- the costs of the property, plant and equipment can be measured reliably.

Subsequent expenditure for property, plant and equipment shall be recorded in cost of property, plant and equipment, if above criteria are satisfied, whereas, recorded in current profit or loss if the above criteria cannot be satisfied.

(b) Depreciation methods of property, plant and equipment

From the next month when the property, plant and equipment reaches the expected useable state, the **Company** shall calculate the depreciation according to the method of straight-line depreciation, and determine the depreciation life and annual depreciation rate according to the categories of property, plant and equipment, estimated economic service life and estimated net salvage value rate as follows:

Categories of property, plant and equipment	Depreciation method	Estimated useful life (years)	Residual rates (%)	Annual depreciation rates (%)
Buildings and constructions	Straight-line depreciation	30	0.00 to 5.00	3.17 to 3.33
Machinery equipment	Straight-line depreciation	5 to 10	0.00 to 5.00	9.50 to 20.00
Electronic equipment	Straight-line depreciation	3 to 8	0.00 to 5.00	11.88 to 33.33
Vehicles	Straight-line depreciation	3 to 20	0.00 to 5.00	4.75 to 33.33
Special equipment	Straight-line depreciation	3 to 10	0.00 to 5.00	9.50 to 33.33
Office equipment	Straight-line depreciation	4 to 5	0.00 to 5.00	19.00 to 25.00

For the property, plant and equipment with impairment provided, the impairment provision should be excluded from the cost before calculating depreciation.

At the end of reporting period, the **Company** shall review the useful life, estimated

net residual value and depreciation method of the property, plant and equipment. Estimated useful life of the property, plant and equipment shall be adjusted if it is changed.

(c) Criteria, valuation and depreciation methods of property, plant and equipment obtained through a finance lease. (The following accounting policies are applicable to 2020 and before)

If the entire risk and rewards related to the leased assets have been transferred, the lease shall be a finance lease. The cost of the property, plant and equipment obtained through a finance lease is determined at the lower of the present value of the fair value of the leased assets and the minimum lease payment on the day of the lease. The property, plant and equipment obtained by a finance lease are depreciated in the method which is in consistency with the property, plant and equipment owned by the **Company** itself. For property, plant and equipment obtained through a finance lease, if it is reasonably certain that the ownership of the leased assets will be transferred to the lessee by the end of the lease term, they shall be depreciated over their remaining useful lives; otherwise, the leased assets shall be depreciated over the shorter of the lease terms or their remaining useful lives.

3.20 Construction in Progress

(a) Classification of construction in progress

Construction in progress is measured on an individual project basis.

(b) Criteria and timing of transfer from construction in progress to property, plant and equipment

The initial book values of the property, plant and equipment are stated at total expenditures incurred before they are ready for their intended use, including construction expenses, original value of equipment, other necessary expenditures incurred to bring construction in progress to an intended usable condition, and specific borrowings and general borrowings incurred for the purpose of borrowing money for the project before the asset reaches its intended usable condition. The company will transfer construction in progress to property, plant and equipment when the project's installation or construction is completed and ready for use. For construction in progress that has been ready for intended use but relevant budgets for the completion of projects have not been completed, the estimated values of project budgets, prices, or actual costs should be included in the costs of relevant property, plant and equipment, and depreciation should be provided according to relevant policies of the **Company** when the property, plant and equipment are ready for intended use. After the completion of budgets needed for the completion of projects, the estimated values should be substituted by actual costs, but depreciation already provided is not adjusted.

3.21 Borrowing Costs

(a) Recognition criteria for capitalization of borrowing costs and capitalization

period

The borrowing costs incurred by the **Company** that can be directly attributed to the acquisition, construction or production of assets eligible for capitalization shall be capitalized into the cost of related assets when the following conditions are met simultaneously:

- expenditures are being incurred;
- borrowing costs are being incurred, and;
- acquisition, construction or production activities that are necessary to prepare the assets for their intended use or sale have commenced.

Other borrowing interest, discount or premium and exchange difference shall be included in the profits and losses incurred in the current period.

Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally and when the interruption is for a continuous period of more than 3 months, until the acquisition, construction or production is resumed.

Capitalization of such borrowing costs ceases when the qualifying assets being acquired, constructed or produced become ready for their intended use or sale. The expenditure incurred subsequently shall be recognized as expenses.

(b) Measurement of capitalized amounts of borrowing costs

Where funds are borrowed specifically for purchase, construction or manufacturing of assets eligible for capitalization, costs eligible for capitalization are the actual costs incurred less any income earned on the temporary investment of such borrowings.

Where funds allocated for purchase, construction or manufacturing of assets eligible for capitalization are part of a general borrowings, the eligible amounts are determined by applying a capitalization rate to the weighted average excess of accumulated capital expenditures over those on specific borrowings. The capitalization rate will be the weighted average of the borrowing costs applicable to the general borrowings.

3.22 Intangible Assets

(a) Measurement method of intangible assets

Intangible assets are stated at actual cost at acquisition.

(b) The useful life and amortization of intangible assets

(b.1) The estimated useful lives of the intangible assets with limited useful lives are as follows:

Category	Useful life (years)	Basis
Land use rights	40, 70	Legal life
Sand and stone resources	35	Planned sand mining years

Category	Useful life (years)	Basis
Finance software	5	The service life is determined by reference to the period for the Company to bring economic benefits

For intangible assets with finite useful life, the estimated useful life and amortization method are reviewed annually at the end of each reporting period and adjusted when necessary. No change incurs in current year in the estimated useful life and amortization method upon review.

(b.2) Assets of which economic benefits are unforeseeable are regarded as intangible assets with indefinite useful lives. The **Company** reassesses the useful lives of those assets at every year end. If the useful lives of those assets are still indefinite, impairment test should be performed on those assets at the balance sheet date.

(b.3) Amortization of the intangible assets

For intangible assets with finite useful lives, their useful lives should be determined upon their acquisition. They are amortized on a straight-line basis over the period during which they can bring economic benefits to the **Company**. The amortization amount is credited to profit or loss for the current period according to the beneficial items. The amount to be amortized is cost deducting residual value. For intangible assets which has impaired, the accumulated impairment provision shall be deducted as well, with a residual value of nil. For intangible assets which are not expected to bring economic benefits to the **Company**, they are deemed as intangible assets with uncertain useful lives and are not amortized.

Intangible assets with indefinite useful lives shall not be amortized. The **Company** reassesses the useful lives of those assets at every year end. If there is evidence to indicate that the useful lives of those assets become finite, the useful lives shall be estimated, and the intangible assets shall be amortized systematically and reasonably within the estimated useful lives.

(c) Criteria of classifying expenditures on internal research and development projects into research phase and development phase

(c.1) The **Company** shall take the information and related preparatory activities for further development activities as the research stage, and the expenditure of the intangible assets research stage shall be recorded into the current profit and loss when incurred.

(c.2) The development activities that are carried out after the **Company** has completed the research phase shall be considered as the development phase.

(d) Criteria for capitalization of qualifying expenditures during the development phase

Expenditures arising from development phase on internal research and development projects must be capitalized if the **Company** can satisfy all of the following criteria:

- there is technical feasibility of completing the intangible assets (so that they will be available for use or sale);
- there is intention to complete and use or sell the assets;
- the method that the intangible assets generate economic benefits, including existence of a market for products produced by the intangible assets or for the intangible assets themselves, shall be proved. Or, if to be used internally, the usefulness of the assets shall be proved;
- adequate technical, financial, and other resources are available to complete the assets, and the **Company** has the ability to use or sell the assets; and
- the costs of the assets can be measured reliably.

3.23 Impairment of Long-term Assets

Impairment of the long-term equity investments of subsidiaries, or associates and joint ventures, property, plant and equipment, construction in progress, intangible assets, goodwill etc. (excluding inventories, investment properties measured according to fair value model, deferred tax assets, financial assets), according to the following methods:

On the balance sheet date, the **Company** makes a judgment on each asset. If there is evidence of impairment and the estimated recoverable amount is lower than its book value, impairment test assets should be performed. The impairment test shall be performed at least annually on the goodwill acquired in a business combination, intangible assets with indefinite useful lives or intangible assets that have not yet reached usable state of whether there is any indication of impairment.

The recoverable amount is determined by the higher value between the net value of the asset after deducting the disposal expense and the present value of the asset's expected future cash flow. The **Company** estimates the recoverable amount on the basis of a single asset; If it is difficult to estimate the recoverable amount of a single asset, the recoverable amount of the asset group shall be determined on the basis of the asset group to which the asset belongs. The determination of an asset group is based on whether the main cash inflow generated by the asset group is independent of other assets or the cash inflow generated by the asset group.

When the recoverable amount of an asset or asset group is lower than its book value, the **Company** shall reduce to the recoverable amount, the amount shall be recognized in the current profit and loss, while making provision for the corresponding asset impairment.

As for the impairment test of goodwill, the book value of the goodwill formed by business combination shall be allocated to the relevant asset group in a reasonable way from the date of purchase; Difficult to spread to the relevant asset groups of goodwill, should divide it to related to the combination of group assets. The relevant asset groups or combination of asset groups, it is able to benefit from the enterprise merger synergies of the asset group or combination of group assets, and not greater

than the portion of the report determined by the **Company**.

During the impairment test, if impairment indication exists in the assets or a group of assets, firstly, impairment testing for asset or assets group excluding goodwill shall be conducted. Impairment loss is recognized through comparing the recoverable amount of the assets and assets group with their carrying amount; then, impairment testing for assets or assets group including goodwill shall be conducted. The excess of the carrying amount of the assets or assets group (including goodwill allocated to the assets or assets group) over their recoverable amount is recognized as impairment loss.

Once the asset impairment loss is confirmed, it will not be reversed in subsequent accounting periods.

3.24 Long-term Deferred Expenses

Long-term deferred expenses are various expenses already incurred, which shall be amortized over current and subsequent periods with the amortization period exceeding one year.

Long-term deferred expenses are evenly amortized over the beneficial period.

3.25 Employee Benefits

Employee benefits refer to all forms of consideration or compensation given by an enterprise in exchange for service rendered by employees or for the termination of employment relationship. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits. Benefits provided to an employee's spouse, children, dependents, family members of deceased employees, or other beneficiaries are also employee benefits.

According to liquidity, employee compensation shall be presented in the "Employee benefits payable" item and the "Long-term employee benefits payable" item respectively on the statement of financial position.

(a) Short-term employee benefits

(a.1) Monetary benefits (Wages, bonuses, allowances, subsidies)

The **Company** recognizes, in the accounting period in which an employee provides service, actually incurred short-term employee benefits as a liability, with a corresponding charge to current profit or loss or relevant cost of assets.

(a.2) Welfare

Welfare incurred are charged to the profits and losses of the current period or the related asset costs, according to the actual amount actually incurred. Employee benefits which are non-monetary benefits are measured at fair value.

(a.3) Social insurance contributions such as medical insurance premium, work injury insurance premium, maternity premium, etc., housing funds, and labor union expenditure and employee education funds.

Payments made by the **Company** of social insurance contributions for

employees, such as premiums or contributions on medical insurance, pensions, work injury insurance and maternity insurance, payments of housing funds, and labor union expenditure and employee education funds provided in accordance with relevant requirements, in the accounting period in which employees provide services, is calculated according to prescribed bases and percentages of provision in determining the amount of employee benefits.

(a.4) Short-term paid absences

Paid absences are classified into accumulating paid absences and non-accumulating paid absences. The company shall recognize the related employee benefits arising from accumulating paid absences when the employees render service that increases their entitlement to future paid absences. The additional payable amounts shall be measured at the expected additional payments as a result of the unused entitlement that has accumulated.

(a.5) Short-term profit-sharing schemes

The **Company** shall recognize the related employee benefits payable under a profit-sharing plan when all of the following conditions are satisfied:

- the **Company** has a present legal or constructive obligation to make such payments as a result of past events; and
- a reliable estimate of the amounts of employee benefits obligation arising from the profit-sharing plan can be made.

(b) Post-employment benefits

(b.1) Defined contribution plans

The **Company** shall recognize, in the accounting period in which an employee provides service, the contribution payable to a defined contribution plan as a liability, with a corresponding charge to the profit or loss for the reporting period or the cost of a relevant asset.

Post-employment benefits falling due for more than 12 months after the end of the reporting period are discounted to their present values, the amount recognized should be discounted, to reflect the time value of money (Determined based on the market rate of return on the government bonds or high-quality corporate bonds in an active market that match the maturity schedule and currency of the defined benefit plan on the balance sheet date).

(b.2) Defined benefit plans

(b.2.1) Determining the present value of defined benefit plan obligations and current service costs

Based on the expected unit benefit method, the unbiased and mutually consistent actuarial assumptions are used to estimate the relevant demographic variables and financial variables, etc., to measure the obligations arising from the defined benefit plans and to determine the vesting period of the relevant obligations. The **Company**

will set a benefit plan based on the corresponding discount rate (based on the market rate of return of government bonds or high-quality corporate bonds in active markets that match the maturity and currency of the defined benefit plan at the balance sheet date) of the obligation to be discounted to determine the present value of the defined benefit plan obligations and current service costs.

(b.2.2) Determine the amount of the net defined benefit liability (asset)

If there is any asset in the defined benefit plan, the **Company** will recognize the deficit or surplus as a net debt or net asset of the defined benefit plan, which caused from the current value of the defined benefit plan obligations less of the fair value of the defined benefit plan assets.

If there is a surplus in the defined benefit plan, the **Company** measures the net profit of the defined benefit plan based on the lower of the surplus of the defined benefit plan and the upper limit of the asset.

(b.2.3) Determine amounts to be recognized in profit or loss

Service costs include current service costs, past service costs and gains or losses on settlement of a defined benefit plan. Except for the current service costs that are required or permitted to be included in the cost of an asset by other accounting standards, other service costs are included in the profit or loss for the current period.

Net interest on the net defined benefit liability (asset), including the interest income of the scheme assets, the interest expenses of the defined benefit plan obligations and the interest rates affected by the asset cap, shall be included in the profits and losses of the current period.

(b.2.4) Determine amounts to be recognized in other comprehensive income

Changes arising from the remeasurement of net liabilities or net assets of defined benefit plans, including:

- Actuarial gains or losses: the increase or decrease in the present value of the previously defined benefit plan obligations as a result of changes to actuarial assumptions and experience adjustments.
- Return on plan assets: excluding amounts included in net interest on the net defined benefit liability (asset).
- Any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

The above changes in the net liabilities or net assets of the re-measured defined benefit plan are directly charged to other comprehensive income and are not permitted to be reversed to profit or loss in subsequent accounting periods, but the **Company** can transfer these changes in other comprehensive income within the scope of equity.

(c) **Termination benefits**

The **Company** providing termination benefits to employees shall recognize an employee benefits liability for termination benefits, with a corresponding charge to

the profit or loss of the reporting period, at the earlier of the following dates:

- when the **Company** cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal.
- when the **Company** recognizes costs or expenses related to a restructuring that involves the payment of termination benefits.

Termination benefits falling due for more than 12 months after the end of the reporting period are discounted to their present values (based on the market rate of return of government bonds or high-quality corporate bonds in active markets that match the maturity and currency of the defined benefit plan at the balance sheet date).

(d) Other long-term employee benefits

When other long-term employee benefits provided by the **Company** to the employees satisfies the conditions for classifying as a defined contribution plan, those benefits shall be accounted for as a liability at their discounted value, with a corresponding charge to the profit or loss of the reporting period or the cost of a relevant asset.

When other long-term employee benefits provided by the **Company** to the employees satisfies the conditions for classifying as a defined benefit plan, at the year end, the cost of employee benefits arising from other long-term employee benefits as the following components:

- Service costs
- Net interest on the other long-term employee benefits liability (asset)
- Remeasurement of changes in net liabilities or net assets of other long-term employee benefits.

In order to simplify the relevant accounting treatment, the total net amount of the above items is included in the current profit and loss or the cost of related assets.

3.26 Estimated Liabilities

(a) Recognition criteria of estimated liabilities

The **Company** recognizes the estimated liabilities when obligations related to contingencies satisfy all the following conditions:

- that obligation is a present obligation of the **Company**;
- it is likely to cause any economic benefit to flow out of the **Company** as a result of performance of the obligation; and
- the amount of the obligation can be measured reliably.

(b) Measurement method of estimated liabilities

The estimated liabilities of the **Company** are initially measured at the best estimate of expenses required for the performance of relevant present obligations. The **Company**, when determining the best estimate, has had a comprehensive consideration of risks with respect to contingencies, uncertainties and the time value of money. The carrying amount of the estimated liabilities shall be reviewed at the end of every reporting

period. If conclusive evidence indicates that the carrying amount fails to be the best estimate of the estimated liabilities, the carrying amount should be adjusted based on the updated best estimate.

3.27 Revenue

Applicable from 1 January 2021

(a) General Principle

Revenue is defined as the gross inflow of economic benefits arising in the course of the ordinary activities of the **Company** when those inflows result in the increases in shareholders' equity, other than increases relating to contributions from shareholders.

The **Company** shall recognize revenue when it satisfies a performance obligation in the contract as the customer obtains control of a good or service. Control of a good or service refers to the ability to direct the use of and obtain substantially all of the remaining economic benefits from, the good or service.

When the contract has two or more obligation performances, the **Company** shall allocate the transaction price to each performance obligation in proportion to a relative stand-alone selling price at contract inception of the promised good or service underlying each performance obligation in the contract and recognize revenue based on the transaction price allocated to each performance obligation.

The transaction price is the amount of consideration to which the **Company** expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. When determining the transaction price of the contract, if the contract includes a variable consideration, the **Company** shall determine the best estimate of the variable consideration based on the expected value or the most likely amount and include in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. If the contract contains a significant financing component, the **Company** shall determine the transaction price at an amount that reflects the price that a customer would have paid for the promised goods or services if the customer had paid cash for those goods or services when (or as) they transfer to the customer. The difference between the transaction price and the promised consideration shall be amortized using the effective interest method within the contract period. The **Company** need not consider the effects of a significant financing component if the period between when the **Company** transfers control of a good or service to a customer and when the customer pays for that good or service will be one year or less.

The **Company** satisfies a performance obligation over time, if one of the following criteria is met; otherwise a performance obligation is satisfied at a point in time:

- the customer simultaneously receives and consumes the benefits provided by the **Company's** performance as the **Company** performs;

- the **Company's** performance creates or enhances an asset that the customer controls as the asset is created or enhanced;
- the **Company's** performance does not create an asset with an alternative use to the **Company** and the **Company** has an enforceable right to payment for performance completed to date.

For each performance obligation satisfied over time, the **Company** shall recognize revenue over time by measuring the progress towards complete satisfaction of that performance obligation, unless those progress cannot be reasonably measured. The **Company** measures the progress of a performance obligation for the service rendered using input methods (or output methods). In some circumstances, the **Company** cannot be able to reasonably measure the progress of a performance obligation, but the **Company** expects to recover the costs incurred in satisfying the performance obligation. In those circumstances, the **Company** shall recognize revenue only to the extent of the costs incurred until such time that it can reasonably measure the progress of the performance obligation.

The **Company** shall recognize revenue at the point in which a customer obtains control of a promised good or service if a performance obligation is satisfied at a point in time. To determine the point in time at which a customer obtains control of a promised good or service, the **Company** shall consider indicators of the transfer of control, which include, but are not limited to, the followings:

- The **Company** has a present right to payment for the good or service – a customer is presently obliged to pay for the good or service;
- The **Company** has transferred legal title of an asset to a customer-the customer has legal title to the asset;
- The **Company** has transferred physical possession of an asset to a customer-the customer has physical possession of the asset;
- The **Company** has transferred the significant risks and rewards of ownership of the asset to a customer-the customer has the significant risks and rewards of ownership of the asset;
- The customer has accepted the asset.

(a.1) Sales return clause

For sales return clause, when the customer obtains the control of a product, the **Company** shall recognize revenue for the transferred products in the amount of consideration to which the **Company** expects to be entitled and a refund liability at the amounts receivable for which the **Company** does not expect to be entitled; meanwhile, an asset shall be recognized as receivables on the cost of return measured at the former carrying amount of the product expected to be returned less any expected costs to recover those products (including potential decreases in the value to the entity of returned products), and the net amount of the former carrying amount of the product when transferred to the customer less above mentioned cost shall be

recorded into the cost of sales. At the end of each reporting period, the **Company** shall re-assess the expectations about the sales return and remeasure above mentioned assets and liabilities.

(a.2) Warranties

In accordance with the contract, the law or other requirements, the **Company** provides a warranty in connection with the sale of a product or construction of a project. For warranties which provide a customer with assurance that the related product will function as the parties intended because it complies with agreed-upon specifications, the **Company** shall treat it in accordance with "*Accounting Standards for Business Enterprise No.13 - Contingencies*". If a warranty, or a part of a warranty, provides a customer with a service in addition to the assurance that the product complies with agreed-upon specifications, the **Company** shall treat it as a performance obligation, and allocate the transaction price to the warranty based on the relative proportion to the stand-alone selling price of the product and the service, and recognize revenue when the customer obtains the control of the service. In assessing whether a warranty provides a customer with a service in addition to the assurance that the product complies with agreed-upon specifications, the **Company** shall consider factors such as: whether the warranty is required by law; the length of the warranty coverage period and the nature of the tasks that the **Company** promises to perform.

(a.3) Principal versus agent

If the **Company** obtains the control of the specified good or service from another party and then transfers the good or service to the customer, the **Company** has the right to determine the transaction price, which means that the **Company** controls the specified good or service before it is transferred to a customer, and is therefore a principal, and recognizes revenue in the gross amount of consideration to which it expects to be entitled in exchange for the specified good or service transferred. Otherwise, the **Company** is an agent, and shall recognize revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by another party. The fee or commission might be the net amount of received or receivable consideration that the **Company** retains after paying the other party the consideration received in exchange for the goods or services to be provided by that party or determined based on the specified commission amount or proportion.

(a.4) Consideration payable to a customer

The **Company** shall account for consideration payable to a customer as a reduction of the transaction price unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the **Company**. The reduction of revenue shall be recognized when (or as) the later of either of the following events occurs: the **Company** recognizes revenue for the transfer of the related goods or services to the

customer; and the **Company** pays or promises to pay the consideration.

(a.5) Customers' unexercised rights

Upon receipt of a prepayment for a good or service from a customer, the **Company** shall recognize a contract liability in the amount of the prepayment and recognize revenue when it satisfies its performance obligation. If the prepayment to the **Company** is non-refundable and the customer may not exercise part or all of its contractual rights, and the **Company** expects to be entitled to a breakage amount related to those unexercised rights of the customer, the **Company** shall recognize the expected breakage amount as revenue in proportion to the pattern of rights exercised by the customer; otherwise, the **Company** shall recognize the remaining balance of above mentioned liability as revenue when the likelihood of the customer exercising its remaining rights becomes remote.

(a.6) Contract modifications

When the construction contract modifications exist between the **Company** and the customer:

- The **Company** shall account for a contract modification as a separate contract if the modification results in the addition of promised construction services that are distinct and increase of the price of the contract, and the price of the contract increases by an amount of consideration that reflects the **Company's** stand-alone selling prices of the additional promised construction services;
- If the contract modification is not accounted for as a separate contract in accordance with above mentioned circumstance (i), and the remaining construction services are distinct from the construction services transferred on or before the date of the contract modification, the **Company** shall account for the contract modification as if it were a termination of the existing contract and the creation of a new contract with the combination of the remaining performance obligations of the existing contract and the contract modification.
- If the contract modification is not accounted for as a separate contract in accordance with above mentioned circumstance (i), and the remaining construction services cannot be distinct from the construction services transferred on or before the date of the contract modification, the **Company** shall account for the contract modification as if it were a part of the existing contract and the effect that the contract modification has on the transaction price, and on the entity's measure of progress towards complete satisfaction of the performance obligation, is recognized as an adjustment to revenue at the date of the contract modification.

(b) Specific Method

Revenue recognition methods of the Company are as follows:

Land development revenue: The **Company** is entrusted with the land development project and is entitled to collect the land transfer cost for repayment or obtain the receipt voucher according to the contract, and the relevant economic benefits are

likely to flow into the company. As the **Company** is able to control the commodities under construction during the performance of the **Company**, the **Company** shall treat them as performance obligations performed within a certain period of time and recognize revenue according to the performance progress, except where the performance progress cannot be reasonably determined. The **Company** shall determine the performance schedule of the service in accordance with the input method. If the performance progress cannot be reasonably determined and the costs incurred by the **Company** are expected to be compensated, the revenue shall be recognized according to the amount of costs incurred until the performance progress can be reasonably confirmed.

Entrusted construction revenue: According to the entrusted Construction Agreement signed between the **Company** and the client, after the project is handed over, the **Company** has the right to collect settlement payment from the client in accordance with the contract.

Commercial housing sales revenue: House sales revenue belongs to the performance obligation at a certain point. The **Company** will confirm the realization of the sales revenue at the time when the customer obtains the control of relevant commodities after the property is completed and accepted as qualified and the delivery conditions agreed in the sales contract are met.

Project settlement revenue: The **Company's** project contracting business mainly belongs to the performance obligation performed within a certain period of time. According to the performance progress, the **Company** recognizes the income within the contract period. The **Company** adopts the input method, that is, the appropriate performance progress is determined according to the proportion of the accumulated actual cost to the estimated total contract cost. When the performance progress cannot be reasonably determined, the **Company** shall recognize revenue based on the amount of costs that are expected to be reimbursed for the incurred costs until the performance progress can be reasonably determined.

The following accounting policies are applicable for the year 2020 and before:

(a) Revenue from sale of goods

Revenue from sales of goods shall be recognized if the following criteria are satisfied:

- significant risks and rewards related to ownership of the goods have been transferred to the buyer;
- the **Company** retains neither continuous management rights associated with ownership of the goods sold nor effective control over the goods sold;
- relevant amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow into the **Company**; and
- relevant amount of cost incurred or to be incurred can be measured reliably.

(b) Revenue from rendering of services

When the outcome of rendering of services can be estimated reliably at the balance sheet date, revenue associated with the transaction is recognized using the percentage of completion method. Percentage of completion is determined by using the proportion of services performed to date to the total services that should be performed, or the proportion of cost incurred for rendering of the services to date to the total estimated cost.

The **Company** shall determine the total income from rendering of services in accordance with the price of the contract or agreement received or receivable, except the price of the contract or agreement received or receivable is unfair. On the balance sheet date, the total amount of labor services provided is multiplied by the progress of completion and deducted the accumulated amount of labor service income confirmed in the previous accounting period to confirm the income from providing labor service. Meanwhile, the carrying amount of labor costs incurred for the current period is calculated by multiplying the estimated total cost of provision of services by the completion progress deducting the accumulated recognized service costs in previous accounting periods.

The outcome of rendering of services can be estimated reliably when all of the following conditions are satisfied: the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the **Company**; the percentage of completion of the transaction can be measured reliably; the costs incurred and to be incurred for the transaction can be measured reliably.

If the outcome of rendering of services cannot be estimated reliably at the balance sheet date, the revenue is recognized to the extent of costs incurred that are expected to be recoverable.

(c) Revenue from alienating the right to use assets

Revenue from alienating of right to use assets consists of interest revenue and royalty revenue.

The **Company** shall recognize the amount of revenue from the alienating of right to use assets based on the following circumstances, respectively:

- interest revenue should be calculated in accordance with the period for which the enterprise's cash is used by others and the effective interest rate; or
- the amount of royalty revenue should be calculated in accordance with the period and method of charging as stipulated in the relevant contract or agreement.

(d) Construction contracts

Under the circumstances that result of the construction contracts can be estimated reliably, contract revenue and contract cost shall be recognized by using percentage of completion method, which is determined according to the completion stages of the construction contracts. The completion stages of the contracts shall be calculated at the portion of the contract costs incurred to the total estimated contract costs.

Under the circumstances that the result of the construction contracts cannot be estimated reliably, while the estimated contract costs can be recovered, the revenue shall be recognized to the extent of costs incurred that are expected to be recoverable, contract costs shall be recognized as expense upon incurrence. If the estimated contract costs cannot be recovered, they shall be charged in expenses upon incurrence, without any revenue recognized.

If the estimated contract costs exceed estimated contract revenue, the estimated loss shall be recognized as expenses in current period.

(e) Specific method of revenue recognition

- (e.1) Land development revenue: According to the agreement signed between the **Company** and the government, the government can control the land assets during the performance of the **Company**. Therefore, the **Company** takes the land assets as the performance obligations performed within a certain period of time and recognizes the income according to the performance progress.
- (e.2) Revenue from sales of goods: Commodity retail revenue shall be recognized when cash or credit card payment is obtained after the major risks and rewards of commodity ownership have been transferred to the buyer.
- (e.3) Revenue from resettlement housing sales: Through the acceptance of the owners, the delivery of owner's resettlement housing is treated as the time point of income recognition.
- (e.4) Entrusted construction revenue: According to the entrusted Construction Agreement signed between the **Company** and the client, after the project is handed over, the **Company** has the right to collect settlement payment from the client in accordance with the contract.
- (e.5) Revenue from environmental sanitation services: The **Company** completes the agreed sanitation and cleaning services according to the terms of the contract, has received the labor payment or has obtained the receipt certificate and the related economic benefits are likely to flow in, and the related labor costs that have occurred or will occur can be measured reliably to confirm the realization of income.

3.28 Government Grants

(a) Recognition of government grants

A government grant shall not be recognized until there is reasonable assurance that:

- the **Company** will comply with the conditions attaching to them; and
- the grants will be received.

(b) Measurement of government grants

Monetary grants from the government shall be measured at amount received or receivable, and non-monetary grants from the government shall be measured at their fair value or at their nominal value when reliable fair value is not available.

(c) Accounting for government grants

(c.1) Government grants related to assets

Government grants pertinent to assets mean the government grants that are obtained by the **Company** used for purchase or construction or forming the long-term assets by other ways. Government grants pertinent to assets shall be recognized as deferred income and should be recognized in profit or loss on a systematic basis over the useful lives of the relevant assets. Grants measured at their nominal value shall be directly recognized in profit or loss of the period when the grants are received. When the relevant assets are sold, transferred, written off or damaged before the assets are terminated, the remaining deferred income shall be transferred into profit or loss of the period of disposing relevant assets.

(c.2) Government grants related to income

Government grants other than related to assets are classified as government grants related to income. Government grants related to income are accounted for in accordance with the following principles:

- if the government grants related to income are used to compensate the enterprise's relevant expenses or losses in future periods, such government grants should be recognized as deferred income on acquisition and be recognized in profit or loss (or write down related expenses) in the period of recognizing relevant expenses;
- if the government grants related to income are used to compensate the enterprise's relevant expenses or losses incurred, such government grants are directly recognized in profit or loss (or write down related expenses) of the current period.
- For government grants comprised of part related to assets as well as part related to income, each part is accounted for separately; if it is difficult to identify different part, the government grants are accounted for as government grants related to income as a whole.
- Government grants related to daily operation are recognized in other income in accordance with their nature, and government grants irrelevant to daily operation activities are recognized in non-operating income (or write down related expenses).

(c.3) Discount interest on preferential policy loans

Fiscal interest discount funds disbursed directly to the **Company**, the **Company** offsets the relevant borrowing costs with the corresponding discount interest.

(c.4) Repayment of the government grants

If the confirmed government subsidy needs to be returned, the book value of the relevant assets shall be adjusted if the book value of the assets is deducted during the initial recognition; If there is a balance of relevant deferred income, the book balance of relevant deferred income shall be deducted and the excess part shall be recorded into the current profit and loss; In other cases, it shall be directly recorded into the

current profit and loss.

3.29 Deferred Tax Assets and Deferred Tax Liabilities

Temporary differences are differences between the carrying amount of an asset or liability in the statement of financial position and its tax base. The **Company** recognize the effect of taxable temporary differences and deductible temporary differences on income tax as deferred tax liabilities or deferred tax assets using liability method. Deferred tax assets and deferred tax liabilities shall not be discounted.

(a) Recognition of deferred tax assets

Deferred tax assets should be recognized for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized at the tax rates that are expected to apply to the period when the asset is realized, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- is not a business combination; and
- at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss)

The **Company** recognize a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint arrangements, to the extent that, and only to the extent that, it is probable that:

- the temporary difference will reverse in the foreseeable future; and
- taxable profit will be available against which the deductible temporary difference can be utilized.

At the end of each reporting period, if there is sufficient evidence that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized, the **Company** recognizes a previously unrecognized deferred tax asset.

The carrying amount of a deferred tax asset shall be reviewed at the end of each reporting period. An entity shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

(b) Recognition of deferred tax liabilities

A deferred tax liability shall be recognized for all taxable temporary differences at the tax rate that are expected to apply to the period when the liability is settled, except to the extent that the deferred tax liability arises from:

- the initial recognition of goodwill; or
- the initial recognition of an asset or liability in a transaction which:

- is not a business combination; and
- at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss)

An entity shall recognize a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint arrangements, except to the extent that both of the following conditions are satisfied:

- The **Company** is able to control the timing of the reversal of the temporary difference; and
- it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Recognition of deferred tax liabilities or assets involved in special transactions or events

(c.1) Deferred tax liabilities or assets related to business combination

For the taxable temporary difference or deductible temporary difference arising from a business combination not under common control, a deferred tax liability or a deferred tax asset shall be recognized, and simultaneously, goodwill recognized in the business combination shall be adjusted.

(c.2) Items directly recognized in equity

Current tax and deferred tax related to items that are recognized directly in equity shall be recognized in equity. Such items include:

- other comprehensive income generated from fair value fluctuation of available for sale investments;
- an adjustment to the opening balance of retained earnings resulting from either a change in accounting policy that is applied retrospectively or the correction of an error;
- amounts arising on initial recognition of the equity component of a compound financial instrument

(c.3) Unused tax losses and unused tax credits

(c.3.1) Unused tax losses and unused tax credits generated from daily operation of the Company itself

The criteria for recognizing deferred tax assets arising from the carryforward of unused tax losses and tax credits are the same as the criteria for recognizing deferred tax assets arising from deductible temporary differences. The **Company** recognizes a deferred tax asset arising from unused tax losses or tax credits only to the extent that there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilized by the **Company**. Income taxes in current profit or loss shall be deducted as well.

(c.3.2) Unused tax losses and unused tax credits arising from a business combination

The potential benefit of the acquiree's income tax loss carryforwards or other deferred tax assets might not satisfy the criteria for separate recognition when a business combination is initially accounted for but might be realized subsequently. An entity shall recognize acquired deferred tax benefits that it realizes after the business combination as follows:

- Acquired deferred tax benefits recognized within 12 months after acquisition date that result from new information about facts and circumstances that existed at the acquisition date shall be applied to reduce the carrying amount of any goodwill related to that acquisition. If the carrying amount of that goodwill is zero, any remaining deferred tax benefits shall be recognized in profit or loss.
- All other acquired deferred tax benefits realized shall be recognized in profit or loss.

(c.4) Temporary difference generated in consolidation elimination

When preparing consolidated financial statements, if temporary difference between carrying value of the assets and liabilities in the consolidated financial statements and their taxable bases is generated from elimination of intra-group unrealized profit or loss, deferred tax assets or deferred tax liabilities shall be recognized in the consolidated financial statements, and income taxes expense in current profit or loss shall be adjusted as well (except for deferred tax related to transactions or events recognized directly in equity and business combination).

(c.5) Equity-settled share-based payment

If tax authority permits tax deduction that relates to remuneration paid in shares, share options or other equity instruments of the **Company**, during the period in which a remuneration expense is recognized according to the accounting standards, the **Company** estimate the tax base in accordance with available information at the end of the accounting period and the temporary difference arising from it. Deferred tax shall be recognized when criteria of recognition are satisfied. If the amount of estimated future tax deduction exceeds the amount of the related cumulative remuneration expense, the excess of the associated current or deferred tax should be recognized directly in equity.

3.30 Leases

Applicable from 1 January 2021

(a) **Identifying a lease**

At inception of a contract, the **Company** shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of one or more identified assets for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the **Company** shall assess whether, throughout the period of use, the customer has the right to obtain substantially all of the economic benefits from use of the identified asset and to direct the use of the identified asset.

(b) Identifying a separate lease component

When a contract includes more than one separate lease components, the **Company** shall separate components of the contract and account for each lease component separately. The right to use an underlying asset is a separate lease component if both conditions have been satisfied: (i) the lessee can benefit from use of the underlying asset either on its own or together with other resources that are readily available to the lessee; (ii) the underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract.

(c) The Company as a lessee

At the commencement date, the **Company** identifies the lease that has a lease term of 12 months or less and does not contain a purchase option as a short-term lease. A lease qualifies as a lease of a low-value asset if the nature of the asset is such that, when new, the asset is typically of low value. If the **Company** subleases an asset, or expects to sublease an asset, the head lease does not qualify as a lease of a low-value asset.

The **Company** shall recognize the lease payments associated with those leases as cost of relevant asset or expenses in current profit or loss on a straight-line basic.

Except for the election of simple treatment as short-term lease or lease of a low-value asset as mentioned above, at the commencement date, the **Company** shall recognize a right-of-use asset and a lease liability.

(c.1) Right-of-use asset

A right-of-use asset is an asset that represents a lessee's right to use an underlying asset for the lease term.

At the commencement date, the **Company** shall initially measure the right-of-use asset at cost. The cost of the right-of-use asset shall comprise:

- the amount of the initial measurement of the lease liability;
 - any lease payments made at or before the commencement date, less any lease incentives received;
 - any initial direct costs incurred by the lessee; and
 - an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.
- The **Company** recognizes and measures the cost in accordance with the recognition criteria and measurement method for estimated liabilities, details please refer to *Note 3.27 Revenue*. Those costs incurred to produce inventories shall be included in the cost of inventories.

The right-of-use asset shall be depreciated according to the categories using straight-line method. If it is reasonably certain that the ownership of the underlying asset shall be transferred to the lessee by the end of the lease term, the depreciation rate shall be

determined based on the classification of the right-of-use asset and estimated residual value rate from the commencement date to the end of the useful life of the underlying asset. Otherwise, the depreciation rate shall be determined based on the classification of the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

(c.2) Lease liability

At the commencement date, the lease liability shall be measured at the present value of the lease payments that are not paid at that date. The lease payments included in the measurement of the lease liability comprise the following 5 items:

- fixed payments and in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease;
- amounts expected to be payable by the lessee under residual value guarantees.

In order to calculate the present value of the lease payments, interest rate implicit in the lease shall be used as the discount rate. If that rate cannot be readily determined, the **Company** shall use the incremental borrowing rate. The difference between the lease payments and its present value shall be recognized as unrecognized financing charges, calculated bases on the discount rate of the present value of the lease payments in each period within the lease term and recorded as interest expense in current profit or loss. Variable lease payments not included in the measurement of lease liabilities shall be recognized in current profit or loss when incurred.

After the commencement date, the **Company** shall remeasure the lease liability based on the revised present value of the lease payments and adjust the carrying amount of the right-of-use asset if there is a change in the in-substance fixed payments, or change in the amounts expected to be payable under a residual value guarantee, or change in an index or a rate used to determine lease payments, or change in the assessment or exercising of an option to purchase the underlying asset, or an option to extend or terminate the lease.

(d) The Company as a lessor

At the commencement date, the **Company** shall classify a lease as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset, otherwise it shall be classified as an operating lease.

(d.1) Operating leases

The **Company** shall recognize lease payments from operating leases as income on a straight-line basis over the term of the relevant lease and the initial direct costs

incurred in obtaining an operating lease shall be capitalized and recognized as an expense over the lease term on the same basis as the lease income. The **Company** shall recognize the variable lease payments relating to the operating lease but not included in the measurement of the lease receivables into current profit or loss when incurred.

(d.2) Finance leases

At the commencement date, the **Company** shall recognize the lease receivables at an amount equal to the net investment in the lease (the sum of the present value of the unguaranteed residual values and the lease payment that are not received at the commencement date discounted at the interest rate implicit in the lease) and derecognize the asset relating to the finance lease. The **Company** shall recognize interest income using the interest rate implicit in the lease over the lease term.

The **Company** shall recognize the variable lease payments relating to the finance lease but not included in the measurement of the net investment in the lease into current profit or loss when incurred.

(e) Lease modifications

(e.1) A lease modification accounted for as a separate lease

The **Company** shall account for a modification to a lease as a separate lease, if both:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope.

(e.2) A lease modification not accounted for as a separate lease

(e.2.1) The **Company** as a lessee

At the effective date of the lease modification, the **Company** shall redetermine the lease term of the modified lease and remeasure the lease liability by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

The **Company** shall account for the remeasurement of the lease liability by:

- decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease or shorten the lease term. The **Company** shall recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.
- Making a corresponding adjustment to the carrying amount of the right-of-use asset for all other lease modifications.

(e.2.2) The **Company** as a lessor

The **Company** shall account for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

For a modification to a finance lease that is not accounted for as a separate lease, the **Company** shall account for the modification as follows:

- if the lease would have been classified as an operating lease had the modification been in effect at the inception date, the **Company** shall account for the lease modification as a new lease from the effective date of the modification and measure the carrying amount of the underlying asset as the net investment in the lease immediately before the effective date of the lease modification;
- if the lease would have been classified as a finance lease had the modification been in effect at the inception date, the **Company** shall account for the lease modification according to the requirements in the modification or renegotiation of the contract.

(f) Sale and leaseback

The Company evaluates and determines whether the transfer of assets in a sale-and-leaseback transaction is a sale in accordance with the provisions of *Note 3.27 Revenue*.

(f.1) The Company as a seller (lessee)

If the transfer of the asset is not a sale, the **Company** shall continue to recognize the transferred asset and shall recognize a financial liability equal to the transfer proceeds. It shall account for the financial liability according to *Note 3.10 Financial Instruments*. If the transfer of the asset is a sale, the **Company** shall measure the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the **Company**. Accordingly, the **Company** shall recognize only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor.

(f.2) The Company as a buyer (lessor)

If the transfer of the asset is not a sale, the **Company** shall not recognize the transferred asset and shall recognize a financial asset equal to the transfer proceeds. It shall account for the financial asset according to *Note 3.10 Financial Instruments*. If the transfer of the asset is a sale, the **Company** shall account for the purchase of the asset applying applicable Accounting Standards of Business Enterprises, and for the lease applying the lessor accounting requirements.

The following accounting policies applicable for the year 2020 or before

A lease that risks and rewards related to relevant assets' ownership are transferred in substance shall be classified as a finance lease. Other lease shall be classified as an operating lease.

(a) Accounting for operating leases

(a.1) The **Company** as a lessee

The lease payments should be recognized as expenses of the reporting period over the lease terms (including rent-free periods) on a straight-line basis. If expenses relating to lease which should be borne by the **Company** are paid by the lessor of the assets, they shall be deducted from the total lease expenses and the balances shall be amortized over the lease terms and charged to expenses of the reporting period.

Initial direct costs relating to lease transactions incurred by the **Company** shall be recognized as expenses of the reporting period. Contingent rental, if included in the lease contract, shall be recognized as profit or loss upon incurrence.

(a.2) The **Company** as a lessor

Lease income should be recognized over the lease terms (including rent-free periods) on a straight-line basis. If expenses relating to leases which should be borne by the lessee of the assets are paid by the **Company**, they shall be deducted from the total lease income and the balances shall be amortized over the lease terms by the **Company**.

Initial direct costs relating to lease transactions incurred by the **Company** shall be recognized as expenses of the reporting period; if the amounts are material, they shall be capitalized and amortized over the lease terms on the same basis as the recognition of lease income. Contingent rental, if included in the lease contract, shall be recognized as profit or loss upon incurrence.

(b) Accounting for finance leases

(b.1) The **Company** as a lessee

At commencement of the lease, assets obtained through finance leases should be recorded at the lower of their fair values and the present values of the minimum lease payments. The **Company** shall recognize long-term payables at amounts equal to the minimum lease payments and shall record the differences between carrying amounts of the leased assets and the long-term payables as unrecognized finance charges. The **Company** adopts effective interest rate method, which shall be amortized over the lease terms as finance expenses by using effective interest rate method.

Initial direct costs are recorded in the value of the leased assets.

The **Company** adopts the same depreciation policy for the leased assets as its own property, plant and equipment. Depreciation period is determined according to the lease contract. If it is reasonably certain that the **Company** will obtain the ownership of the assets when the lease expires, the depreciation period will be the useful lives of the leased assets. If it is difficult to reasonably determine whether the **Company** can obtain the ownership of the underlying assets when the lease expires, depreciation period is the lower of the lease period and their useful lives.

(b.2) The **Company** as a lessor

At commencement of the lease, rental receivables shall be measured at minimum

lease receivables plus initial direct costs relating to lease transactions incurred by the **Company**. Unguaranteed residual values are recorded simultaneously. The differences between the undiscounted rental receivables plus unguaranteed residual values and their present values shall be recognized as unearned finance income, and shall be amortized over the lease terms as lease income at the effective rate.

3.31 Changes in Significant Accounting Policies and Accounting Estimates

(a) Changes in accounting policies

(a.1) For implementing the New Financial Instruments Standards:

- On 31 March 2017, the Ministry of Finance respectively issued the "Accounting Standards for Business Enterprises No.22 - Recognition and Measurement of Financial Instruments" (Caikuai [2017] No.7) and "Accounting Standards for Business Enterprises No.23 - Transfer of Financial Assets" (Caikuai [2017] No.8), "Accounting Standards for Business Enterprises No.24 - Hedging Accounting" (Caikuai [2017] No.9), issued "Accounting Standards for Business Enterprises No.37 - Presentation of Financial Instruments" on 2 May 2017 (Caikuai [2017] No.14) (hereinafter collectively referred to as the "**New Financial Instruments Standards**"). Non-listed companies that are required to implement the Accounting Standards for Business Enterprises shall implement the **New Financial Instruments Standards** from 1 January 2021. The **Company** implemented the above-mentioned **New Financial Instruments Standards** on 1 January 2021 and adjusted the relevant content of accounting policies. For details, please refer to *Note 3.10 Financial Instruments*.
- If the recognition and measurement of financial instruments before 1 January 2021 are inconsistent with the requirements of the **New Financial Instrument Standards**, the **Company** will retrospectively adjust the classification and measurement (including impairment) of financial instruments in accordance with the **New Financial Instruments Standards**. The difference between the original book value of the financial instrument and the new book value on the effective date of the **New Financial Instruments Standards** (i.e., 1 January 2021) is included in the retained earnings or other comprehensive income on 1 January 2021. At the same time, the **Company** has not adjusted the comparative financial statement data.
- For implementing the **New Financial Instruments Standards**, the influences of items on the consolidated statement of financial position and statement of financial position of the **Company** on 1 January 2021 are as follows:
- **Consolidated statement of financial position**

Items	31 Dec. 2020	1 Jan. 2021	Adjustments
Accounts receivable	175,737,335.11	169,622,077.62	-6,115,257.49
Other receivables	1,300,535,610.33	1,298,739,056.85	-1,796,553.48

Items	31 Dec. 2020	1 Jan. 2021	Adjustments
Available-for-sale financial assets	99,371,619.94	Not applicable	-99,371,619.94
Other equity instrument investments	Not applicable	25,550,000.00	25,550,000.00
Other non-current financial assets	-	73,821,619.94	73,821,619.94
Short-term borrowings	1,277,050,000.00	1,277,248,924.31	198,924.31
Other payables	1,151,646,293.95	1,089,338,304.52	-62,307,989.43
Including: Interest payable	62,307,989.43	-	-62,307,989.43
Non-current liabilities maturing within one year	4,667,412,000.00	4,729,521,065.12	62,109,065.12
Retained earnings	1,284,169,495.73	1,276,257,684.76	-7,911,810.97

• **Statement of financial position**

Items	31 Dec. 2020	1 Jan. 2021	Adjustments
Other receivables	3,092,680,727.66	3,088,703,502.66	-3,977,225.00
Available-for-sale financial assets	73,821,619.94	Not applicable	-73,821,619.94
Other non-current financial assets	Not applicable	73,821,619.94	73,821,619.94
Other payables	1,078,914,627.58	1,035,043,780.08	-43,870,847.50
Including: Interest payable	43,870,847.50	-	-43,870,847.50
Non-current liabilities maturing within one year	1,358,635,041.68	1,402,505,889.18	43,870,847.50
Retained earnings	775,093,763.47	771,116,538.47	-3,977,225.00

(a.2) For implementing the New Revenue Standards:

- On 5 July 2017, the *Ministry of Finance issued the Accounting Standards for Business Enterprises No.14 - Revenue (Caikuai [2017] No.22)* (hereinafter referred as to the "**New Revenue Standards**"). Domestic listed enterprises are required to implement the **New Revenue Standards** from 1 January 2020, and non-listed enterprises that implement the Accounting Standards for Enterprises are required to implement the **New Revenue Standards** from 1 January 2021. The **Company** implemented the **New Revenue Standards** on 1 January 2021 and adjusted the relevant contents of accounting policies. For details, please refer to *Note 3.27 Revenue*.
- According to the **New Revenue Standards**, the cumulative impact of initially applying this standard shall be recognized as an adjustment to the opening balance of retained earnings and other related accounts of the financial statements at the date of initial implementation (i.e., 1 January 2021), not restating comparative information. When initially applied the **New Revenue Standards**, the **Company** only recognized the cumulative impact of the contracts that were in progress as of the date of initial implementation.
- For implementing the **New Revenue Standards**, the influences of items on the consolidated statement of financial position and statement of financial position of

the **Company** on 1 January 2021 are as follows:

- **Consolidated statement of financial position**

Items	31 Dec. 2020	1 Jan. 2021	Adjustments
Advances from customers	101,518,315.01	38,309,751.08	-63,208,563.93
Contract liabilities	Not applicable	57,989,508.19	57,989,508.19
Other current liabilities	-	5,219,055.74	5,219,055.74

- **Statement of financial position**

There is no such item.

(a.3) For implementing the New Lease Standards:

- On 7 December 2018, the Ministry of Finance issued the *Accounting Standards for Business Enterprises No.21 - Lease* (here in after referred as to the "**New Lease Standards**"). It requires companies listed both inside and outside China and companies listed outside China and prepare financial statements in accordance with *International Financial Reporting Standards or Accounting Standards for Business Enterprises* to implement it for preparing financial statements from 1 January 2019 on; other companies that adopt *Accounting Standards for Business Enterprises* implement it from 1 January 2021 on, and the companies whose parent company or subsidiary is listed outside China and prepares financial statements in accordance with *International Financial Reporting Standards or Accounting Standards for Business Enterprises* are permitted to early implement the standard. The **Company** implemented the **New Lease Standards** on 1 January 2021 and adjusted the relevant contents of accounting policies. For details, please refer to *Note 3.30 Leases*.

There is no impact on items in the financial statements as of 1 January 2021 because of implementing the **New Lease Standards**.

(a.4) For implementing the *Accounting Standards for Business Enterprises Interpretation No.14*:

- On 26 January 2021, the Ministry of Finance issued the *Accounting Standards for Business Enterprises Interpretation No.14* (Caikuai [2021] No.1) (*hereinafter referred as to the "Interpretation No.14"*), and the **Company** implemented the **Interpretation No.14** as of the date of promulgation. The **Company** implemented **Interpretation No.14** on 26 January 2021, which has no material impact on the **Company's** financial statements for the reporting period.

(a.5) For implementing the *Accounting Standards for Business Enterprises Interpretation No.15*:

- On 30 December 2021, the Ministry of Finance issued the *Accounting Standards for Business Enterprises Interpretation No.15* (Caikuai [2021] No.35) (*hereinafter referred as to the "Interpretation No.15"*), and the

Company implemented the *"Relevant Presentation of Centralized Management of Funds"* as of the date of promulgation. The **Company** implemented *Interpretation No.15* on 30 December 2021, which has no material impact on the **Company's** financial statements for the reporting period.

(b) Changes in accounting estimates

The **Company** has no change in accounting estimates for reporting period.

(c) The first implementation of New Financial Instruments Standards, New Revenue Standards and New Lease Standards adjust the consolidated statement of financial position and statement of financial position at the beginning of the current year of the first implementation.

• **Consolidated statement of financial position**

Items	31 Dec. 2020	1 Jan. 2021	Adjustments
Current liabilities:			
Accounts receivable	175,737,335.11	169,622,077.62	-6,115,257.49
Other receivables	1,300,535,610.33	1,298,739,056.85	-1,796,553.48
Non-current assets:			
Available-for-sale financial assets	99,371,619.94	Not applicable	-99,371,619.94
Other equity instrument investments	Not applicable	25,550,000.00	25,550,000.00
Other non-current financial assets	-	73,821,619.94	73,821,619.94
Current liabilities:			
Short-term borrowings	1,277,050,000.00	1,277,248,924.31	198,924.31
Advances from customers	101,518,315.01	38,309,751.08	-63,208,563.93
Contract liabilities	Not applicable	57,989,508.19	57,989,508.19
Other current liabilities	-	5,219,055.74	5,219,055.74
Other payables	1,151,646,293.95	1,089,338,304.52	-62,307,989.43
Including: Interest payable	62,307,989.43	-	-62,307,989.43
Non-current liabilities maturing within one year	4,667,412,000.00	4,729,521,065.12	62,109,065.12
Retained earnings	1,284,169,495.73	1,276,257,684.76	-7,911,810.97

• **Statement of financial position**

Items	31 Dec. 2020	1 Jan. 2021	Adjustments
Current liabilities:			
Other receivables	3,092,680,727.66	3,088,703,502.66	-3,977,225.00
Non-current assets:			
Available-for-sale financial assets	73,821,619.94	Not applicable	-73,821,619.94
Other non-current financial assets	Not applicable	73,821,619.94	73,821,619.94
Current liabilities:			

Items	31 Dec. 2020	1 Jan. 2021	Adjustments
Other payables	1,078,914,627.58	1,035,043,780.08	-43,870,847.50
Including: Interest payable	43,870,847.50	-	-43,870,847.50
Non-current liabilities maturing within one year	1,358,635,041.68	1,402,505,889.18	43,870,847.50
Retained earnings	775,093,763.47	771,116,538.47	-3,977,225.00

(d) Since 1 December 2021, the Company and its subsidiaries have changed the follow-up measurement of investment properties from the cost model to the fair value model, and retroactively adjust the previous year.

- The influences of items on the adjustment of consolidated statements are as follows:

Items	Amount before change in 2020	The impact of accounting policy changes	Amount after change in 2020
Investment properties	803,826,718.12	-177,897,106.31	625,929,611.81
Property, plant and equipment	801,307,210.97	346,064,101.04	1,147,371,312.01
Deferred tax liabilities	-	33,882,945.08	33,882,945.08
Retained earnings	1,149,885,446.08	134,284,049.65	1,284,169,495.73
Costs of sales	2,007,893,738.34	-11,359,447.78	1,996,534,290.56
Gains/(losses) from changes in fair values	-	6,979,300.00	6,979,300.00
Income tax expenses	17,623,448.38	1,744,825.00	19,368,273.38

- The influences of items on the adjustment of balance sheet are as follows:

Items	Amount before change in 2020	The impact of accounting policy changes	Amount after change in 2020
Investment properties	15,084,901.51	48,928,898.49	64,013,800.00
Property, plant and equipment	100,888,951.64	-	100,888,951.64
Deferred tax liabilities	-	11,118,224.44	11,118,224.44
Retained earnings	775,093,763.47	37,810,674.05	812,904,437.52
Costs of sales	373,425,414.66	-1,841,476.44	371,583,938.22
Gains/(losses) from changes in fair values	-	-631,600.00	-631,600.00
Income tax expenses	-	-157,900.00	-157,900.00

4. TAXATION

4.1 Major Categories of Tax and Tax Rates Applicable to the Company

Categories of tax	Basis of tax assessment	Tax rate (%)
Value added tax (VAT)	Sales of goods or provision of taxable services	3.00, 5.00, 6.00, 9.00, 13.00

Categories of tax	Basis of tax assessment	Tax rate (%)
Urban maintenance and construction tax	Turnover taxes payable	7.00
Educational surcharge	Turnover taxes payable	3.00
Local educational surcharge	Turnover taxes payable	2.00
Property tax	Taxable rental income, residual value of house	12.00, 1.20
Enterprise income tax	Taxable profits	25.00

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.1 Cash and Cash Equivalents

Items	31 Dec. 2021	31 Dec. 2020
Cash on hand	700,167.15	1,337,904.11
Cash in bank	2,257,575,043.04	1,997,176,775.42
Other monetary funds	1,699,231.10	3,488,407.86
Total	2,259,974,441.29	2,002,003,087.39

Notes: The restricted cash and cash equivalents as at 31 December 2021, please refer to *Note 5.52 Restricted Assets*.

5.2 Notes Receivable

Items	31 Dec. 2021	31 Dec. 2020
Bank acceptance bills	100,000.00	500,000.00
Commercial acceptance bills	-	-
Total	100,000.00	500,000.00

5.3 Accounts Receivable

(a) Accounts receivable by aging

Aging	31 Dec. 2021	31 Dec. 2020
Within 1 year (including 1 year)	131,411,124.38	65,231,016.08
1 to 2 years	18,913,639.51	8,686,706.67
2 to 3 years	7,376,864.44	101,968,751.16
3 to 4 years	101,634,351.15	-
4 to 5 years	-	-
Over 5 years	150,882.00	1,047,317.00
Sub-total	259,486,861.48	176,933,790.91
Less: Provision for bad debt	1,950,588.48	1,196,455.80
Total	257,536,273.00	175,737,335.11

(b) Disclosure by classification method of bad debt accrual

(b.1) As at 31 December 2021

Items	31 Dec. 2021				
	Accounts receivable		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Provision for bad debt individually	-	-	-	-	-
Provision for bad debt recognized by portfolios	259,486,861.48	100.00	1,950,588.48	0.75	257,536,273.00
Including: Portfolio 1	170,076,785.93	65.54	-	-	170,076,785.93
Portfolio 2	74,382,128.26	28.67	371,910.67	0.50	74,010,217.59
Portfolio 3	15,027,947.29	5.79	1,578,677.81	10.50	13,449,269.48
Total	259,486,861.48	100.00	1,950,588.48	0.75	257,536,273.00

(b.1.1) As at 31 December 2021, provision for bad debt individually are as follows:
There is no such item.

(b.1.2) As at 31 December 2021, the receivables with the related parties within the scope of consolidation of Shaoxing Shangyu District State-owned Capital Investment Operation Co., Ltd. in portfolio 1:

Entity name	31 Dec. 2021		
	Accounts receivable	Provision for bad debt	Reason
Shaoxing Shangyu Shanty Town Transformation Investment Development Co., Ltd.	143,541,905.39	-	The risk of bad debts is low.
Shaoxing Shangyu Xiaxin Umbrella City Construction and Development Co., Ltd.	8,140,045.00	-	The risk of bad debts is low.
Shaoxing Shangyu Xingyue Town Construction and Development Co., Ltd.	5,408,520.00	-	The risk of bad debts is low.
Shaoxing Shangyu Daoyuan Town Construction and Development Co., Ltd.	5,365,135.00	-	The risk of bad debts is low.
Shaoxing Shangyu Yushun Town Construction and Development Co., Ltd.	3,131,101.00	-	The risk of bad debts is low.
Shaoxing Shangyu Liangyu Town Construction and Development Co., Ltd.	2,000,000.00	-	The risk of bad debts is low.
Shaoxing Shangyu Shunhui Market Investment Development Co., Ltd.	1,722,369.21	-	The risk of bad debts is low.
Shaoxing Shangyu Shunhui Town Construction and Development Co., Ltd.	234,460.00	-	The risk of bad debts is low.
Shaoxing Shangyu Hefeng Construction Development Co., Ltd.	89,734.00	-	The risk of bad debts is low.
Shangyu Materials Regeneration Utilization Co., Ltd.	12,605.28	-	The risk of bad debts is low.
Shaoxing Shangyu District Water Supply Co., Ltd.	10,368.96	-	The risk of bad debts is low.

Entity name	31 Dec. 2021		
	Accounts receivable	Provision for bad debt	Reason
Others	420,542.09	-	The risk of bad debts is low.
Total	170,076,785.93		

(b.1.3) As at 31 December 2021, details of accounts receivable in portfolio 2 are as follows:

Entity name	31 Dec. 2021		
	Accounts receivable	Provision for bad debt	Provision ratio (%)
China Construction Third Bureau Group Co., Ltd.	31,976,160.46	159,880.80	0.50
Shaoxing City Shangyu District Urban and Rural Construction Service Center	16,900,000.00	84,500.00	0.50
Shaoxing Shangyu District Education and Sports Bureau	5,800,000.00	29,000.00	0.50
Shaoxing Shangyu District Environmental Sanitation Management Center	4,500,000.00	22,500.00	0.50
Zhejiang Construction Engineering Group Co., Ltd.	4,488,113.26	22,440.57	0.50
Shaoxing City Shangyu District Xiaoyue Town People's Government	3,438,760.00	17,193.80	0.50
Shaoxing Shangyu District Baiguan Street Office	1,737,709.37	8,688.55	0.50
Shaoxing City Shangyu District Zhangzhen Town People's Government	874,112.00	4,370.56	0.50
Shangyu District Dingzhai Township People's Government	573,756.11	2,868.78	0.50
Zhejiang Highway and Transportation Management Center	540,000.00	2,700.00	0.50
Shangyu District Fenghui Town People's Government	490,500.00	2,452.50	0.50
Shaoxing City Shangyu District E-Games Town Management Committee	331,878.00	1,659.39	0.50
Others	2,731,139.06	13,655.72	0.50
Total	74,382,128.26	371,910.67	

(b.1.4) As at 31 December 2021, in portfolio 3, accounts receivable with bad debt provision recognized collectively by aging analysis

Aging	31 Dec. 2021		
	Accounts receivable	Provision for bad debt	Provision ratio (%)
Within 1 year (including 1 year)	11,264,580.05	563,229.02	5.00
1 to 2 years	567,806.90	56,780.69	10.00

Aging	31 Dec. 2021		
	Accounts receivable	Provision for bad debt	Provision ratio (%)
2 to 3 years	-	-	20.00
3 to 4 years	3,195,560.34	958,668.10	30.00
4 to 5 years	-	-	30.00
Over 5 years	-	-	50.00
Total	15,027,947.29	1,578,677.81	

(b.2) As at 31 December 2020

Items	31 Dec. 2020				
	Accounts receivable		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Accounts receivable with individually significant balance and provision for bad debt recognized individually	-	-	-	-	-
Accounts receivable with bad debt provision recognized collectively by similar credit risk characteristics	176,433,790.91	99.72	696,455.80	0.39	175,737,335.11
Portfolio 1	167,466,638.83	94.65	-	-	167,466,638.83
Portfolio 2	8,967,152.08	5.07	696,455.80	7.77	8,270,696.28
Accounts receivable with individually insignificant balance but provision for bad debt recognized individually	500,000.00	0.28	500,000.00	100.00	-
Total	176,933,790.91	100.00	1,196,455.80	0.68	175,737,335.11

(b.2.1) As at 31 December 2020, accounts receivable with individually significant balance but recognized provision for bad debt individually: There is no such item.

(b.2.2) As at 31 December 2020, in portfolio 1, the details of accounts receivable without bad debts are as follows:

Entity name	31 Dec. 2020			
	Accounts receivable	Provision for bad debt	Provision ratio (%)	Reason
Shaoxing Shangyu Shanty Town Transformation Investment Development Co., Ltd.	115,416,059.11	-	-	The risk of bad debts is low.

Entity name	31 Dec. 2020			
	Accounts receivable	Provision for bad debt	Provision ratio (%)	Reason
Shaoxing Shangyu Daoyuan Town Construction and Development Co., Ltd.	8,265,135.00	-	-	The risk of bad debts is low.
Shaoxing City Shangyu District Xiaoyue Town People's Government	5,923,419.00	-	-	The risk of bad debts is low.
Shaoxing City Shangyu District Daoxu Town People's Government	5,412,667.50	-	-	The risk of bad debts is low.
Shaoxing Shangyu Xingyue Town Construction and Development Co., Ltd.	5,408,520.00	-	-	The risk of bad debts is low.
Shaoxing Shangyu Liangyu Town Construction and Development Co., Ltd.	5,080,000.00	-	-	The risk of bad debts is low.
Shaoxing City Shangyu District Urban and Rural Construction Service Center	4,275,000.00	-	-	The risk of bad debts is low.
Others	17,685,838.22	-	-	The risk of bad debts is low.
Total	167,466,638.83	-	-	

(b.2.3) As at 31 December 2020, in portfolio 2, accounts receivable with bad debt provision recognized collectively by aging analysis:

Aging	31 Dec. 2020		
	Accounts receivable	Provision for bad debt	Provision ratio (%)
Within 1 year (including 1 year)	8,407,798.08	420,389.90	5.00
1 to 2 years	-	-	-
2 to 3 years	12,037.00	2,407.40	20.00
3 to 4 years	-	-	-
4 to 5 years	-	-	-
Over 5 years	547,317.00	273,658.50	50.00
Total	8,967,152.08	696,455.80	

(b.3) Changes of provision for bad debt during the reporting period:

Items	31 Dec. 2020	Changes in accounting policies	1 Jan. 2021	Changes during the reporting period			31 Dec. 2021
				Provision	Recovery or reversal	Elimination or write-off	
Provision for bad debt	1,196,455.80	6,115,257.49	7,311,713.29	-	5,361,124.81	-	1,950,588.48
Total	1,196,455.80	6,115,257.49	7,311,713.29	-	5,361,124.81	-	1,950,588.48

(b.4) Large amounts of accounts receivable at closing balance by entity

Entity name	Nature	31 Dec. 2021	Aging	Proportion of the balance to the total accounts receivable (%)	Provision for bad debt
Shaoxing Shangyu Shanty Town Transformation Investment Development Co., Ltd.	Current payment	143,541,905.39	Within 1 year, 1 to 2 years, 2 to 3 years, 3 to 4 years	55.32	-
China Construction Third Bureau Group Co., Ltd.	Current payment	31,976,160.46	Within 1 year	12.32	159,880.80
Shaoxing City Shangyu District Urban and Rural Construction Service Center	Current payment	16,900,000.00	Within 1 year	6.51	84,500.00
Shaoxing Shangyu Xiaxin Umbrella City Construction and Development Co., Ltd.	Current payment	8,140,045.00	Within 1 year	3.14	-
Shaoxing Shangyu District Education and Sports Bureau	Current payment	5,800,000.00	Within 1 year	2.24	29,000.00
Total		206,358,110.85		79.53	273,380.80

5.4 Prepayments

(a) Prepayments by aging

Aging	31 Dec. 2021		31 Dec. 2020	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year (including 1 year)	36,126,123.41	42.48	119,771,457.00	98.02
1 to 2 years	48,027,176.67	56.48	1,765,312.29	1.44
2 to 3 years	353,790.82	0.42	136,404.00	0.11
Over 3 years	527,421.50	0.62	527,421.50	0.43
Total	85,034,512.40	100.00	122,200,594.79	100.00

5.5 Other Receivables

(a) Other receivables by category

Items	31 Dec. 2021	31 Dec. 2020
Interest receivable	-	-
Dividend receivable	252,393.93	-
Other receivables	1,425,398,508.11	1,300,535,610.33
Total	1,425,650,902.04	1,300,535,610.33

(b) Interest receivable

There is no such item.

(c) Dividend receivable

(c.1) Dividend receivable by category

Items (or the investees)	31 Dec. 2021	31 Dec. 2020
Ordinary share dividends	252,393.93	-
Sub-total	252,393.93	-
Less: Provision for bad debt	-	-
Total	252,393.93	-

(d) Other receivables

(d.1) Other receivables by aging

Aging	31 Dec. 2021	31 Dec. 2020
Within 1 year (including 1 year)	630,200,750.11	398,031,956.60
1 to 2 years	57,512,415.06	32,958,674.03
2 to 3 years	16,897,097.31	184,680,589.25
3 to 4 years	56,015,368.20	57,018,349.80
4 to 5 years	55,537,931.80	182,838,300.87
Over 5 years	678,488,020.48	517,276,829.89
Sub-total	1,494,651,582.96	1,372,804,700.44
Less: Provision for bad debt	69,253,074.85	72,269,090.11
Total	1,425,398,508.11	1,300,535,610.33

(d.2) Disclosure by classification method of bad debt accrual

(d.2.1) As at 31 December 2021, provision for bad debt recognized based on three stages model

Stages	Other receivables	Provision for bad debt	Carrying amount
Stage 1	1,434,651,582.96	9,253,074.85	1,425,398,508.11
Stage 2			
Stage 3	60,000,000.00	60,000,000.00	
Total	1,494,651,582.96	69,253,074.85	1,425,398,508.11

(d.2.1.1) As at 31 December 2021, provision for bad debt at stage 1:

Category	31 Dec. 2021				
	Other receivables		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Provision for bad debt recognized by portfolios	1,434,651,582.96	100.00	9,253,074.85	0.64	1,425,398,508.11
Including: Portfolio 3	556,976,993.40	38.82	-	-	556,976,993.40
Portfolio 4	850,755,490.37	59.30	4,253,777.48	0.50	846,501,712.89

Category	31 Dec. 2021				
	Other receivables		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Provision for bad debt recognized by portfolios	1,434,651,582.96	100.00	9,253,074.85	0.64	1,425,398,508.11
Portfolio 5	26,919,099.19	1.88	4,999,297.37	18.57	21,919,801.82
Total	1,434,651,582.96	100.00	9,253,074.85	0.64	1,425,398,508.11

(d.2.1.1.1) As at 31 December 2021, the receivables with the related parties within the scope of consolidation of Shaoxing Shangyu District State-owned Capital Investment Operation Co., Ltd. in portfolio 3:

Entity name	31 Dec. 2021			
	Other receivables	Provision for bad debt	Provision ratio (%)	Reason
Shaoxing Shangyu District State-owned Capital Investment Operation Co., Ltd.	495,430,098.07	-	-	-
Shaoxing Shangyu Traffic Group Co., Ltd.	60,000,000.00	-	-	-
Shaoxing Shangyu Shanty Town Transformation Investment Development Co., Ltd.	529,499.00	-	-	-
Shaoxing Shangyu Oriental Tourism Co., Ltd.	75,000.00	-	-	-
Others	942,396.33	-	-	-
Total	556,976,993.40	-	-	-

(d.2.1.1.2) As at 31 December 2021, the other receivables with relevant government departments, other State-owned enterprises in portfolio 4:

Entity name	31 Dec. 2021		
	Other receivables	Provision for bad debt	Provision ratio (%)
Shaoxing City Shangyu District Urban and Rural Construction Service Center	624,695,908.27	3,123,479.55	0.50
Shaoxing Shangyu Urban Construction Qianjiang Smart City Construction Co., Ltd.	68,100,000.00	340,500.00	0.50
Shaoxing Shangyu District Construction Development Co., Ltd.	32,846,322.99	164,231.62	0.50
Shaoxing Shangyu District Environmental Sanitation Management Center	21,615,428.10	108,077.14	0.50
Shaoxing City Shangyu District Supply and Marketing Cooperative Corporation	11,801,063.37	59,005.32	0.50
Shaoxing City Shangyu District Xiaguan Supply and Marketing Cooperative Corporation	9,117,748.00	45,588.74	0.50

Entity name	31 Dec. 2021		
	Other receivables	Provision for bad debt	Provision ratio (%)
Shangyu District Branch of Shaoxing Bureau of Land and Resources	8,208,695.00	41,043.48	0.50
Shangyu Xiangying Glass Co., Ltd.	6,930,668.00	34,653.34	0.50
Shaoxing Shangyu District Public Resources Trading Center	6,460,000.00	32,300.00	0.50
Shaoxing Shangyu District Housing and Urban-Rural Construction Bureau	5,002,000.00	25,010.00	0.50
Shangyu Shunxing Electric Power Co., Ltd.	4,615,662.00	23,078.31	0.50
Songxia Supply and Marketing Cooperative of Shangyu District, Shaoxing City	5,554,233.92	27,771.17	0.50
Shaoxing Shangyu District Real Estate Management Center	3,876,769.80	19,383.85	0.50
Shangyu Branch of Shaoxing Natural Resources and Planning Bureau	1,119,000.00	5,595.00	0.50
Others	40,811,990.92	204,059.96	0.50
Total	850,755,490.37	4,253,777.48	

(d.2.1.1.3) As at 31 December 2021, in portfolio 5, other receivables with bad debt provision recognized collectively by aging analysis:

Aging	31 Dec. 2021		
	Other receivables	Provision for bad debt	Provision ratio (%)
Within 1 year (including 1 year)	15,914,050.65	793,591.26	5.00
1 to 2 years	3,064,555.80	306,455.58	10.00
2 to 3 years	16,458.50	3,291.70	20.00
3 to 4 years	32,130.00	9,639.00	30.00
4 to 5 years	298,161.51	89,448.45	30.00
Over 5 years	7,593,742.73	3,796,871.38	50.00
Total	26,919,099.19	4,999,297.37	

(d.2.1.2) As at 31 December 2021, provision for bad debt at stage 2:

There is no such item.

(d.2.1.3) As at 31 December 2021, provision for bad debt at stage 3:

Items	Other receivables	Provision ratio (%)	Provision for bad debt	Carrying amount
Provision for bad debt individually	-	-	-	-
Other receivables with individually insignificant balance but recognized	-	--	-	-

Items	Other receivables	Provision ratio (%)	Provision for bad debt	Carrying amount
provision for bad debt individually				
Other receivables with individually significant balance and provision for bad debt recognized individually	60,000,000.00	100.00	60,000,000.00	-
Total	60,000,000.00	100.00	60,000,000.00	-

(d.2.1.3.1) As at 31 December 2021, other receivables with provision for bad debt individually

Entity name	31 Dec. 2021			
	Other receivables	Provision for bad debt	Provision ratio (%)	Reason
Shenyang Wuzhou Business Plaza Development Co., Ltd.	60,000,000.00	60,000,000.00	-	The risk of bad debts is high, and it probably cannot be recovered.
Total	60,000,000.00	60,000,000.00	-	

(d.2.2) As at 31 December 2020, the provision for bad debts is accrued based on the incurred loss model as follows:

Items	31 Dec. 2020				
	Other receivables		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Other receivables with individually significant balance and provision for bad debt recognized individually	60,000,000.00	4.37	60,000,000.00	100.00	-
Other receivables with bad debt provision recognized collectively by similar credit risk characteristics	1,312,804,700.44	95.63	12,269,090.11	0.93	1,300,535,610.33
Portfolio 1	1,228,093,612.51	89.46	-		1,228,093,612.51
Portfolio 2	84,711,087.93	6.17	12,269,090.11	14.48	72,441,997.82
Other receivable with individually insignificant balance but recognized provision for bad debt individually	-	-	--	-	-
Total	1,372,804,700.44	100.00	72,269,090.11	5.26	1,300,535,610.33

(d.2.2.1) As at 31 December 2020, other receivables with individually significant

balance and recognized provision for bad debt individually

Entity name	31 Dec. 2020			
	Other receivables	Provision for bad debt	Provision ratio (%)	Reason
Shenyang Wuzhou Business Plaza Development Co., Ltd.	60,000,000.00	60,000,000.00	100.00	The risk of bad debts is high, and it probably cannot be recovered.
Total	60,000,000.00	60,000,000.00	100.00	

(d.2.2.2) As at 31 December 2020, in portfolio 1, the details of other receivables without bad debts are as follows:

Entity name	Other receivables	Proportion of the balance to the total other receivables (%)	Provision for bad debt	
Shaoxing Shangyu District Municipal Engineering Management Center	369,195,492.85	26.89	-	
Shaoxing Shangyu District Construction Development Co., Ltd.	366,099,876.31	26.67	-	
Shaoxing Shangyu District Garden Management Center	136,497,927.42	9.94	-	
Shaoxing City Shangyu District Demolition and Resettlement Office	120,931,574.00	8.81	-	
Shaoxing Shangyu City Construction Qianjiang Smart City Construction Co., Ltd.	68,100,000.00	4.96	-	
Shaoxing Shangyu District Transportation Group Co., Ltd.	60,000,000.00	4.37	-	
Shaoxing City Shangyu District Lianghu Town People's Government	40,000,000.00	2.91	-	
Shaoxing Shangyu District Environmental Sanitation Management Center	21,648,648.10	1.58	-	
Others	45,620,093.83	3.32	-	
Total	1,228,093,612.51	89.46	-	

(d.2.2.3) As at 31 December 2020, in portfolio 2, other receivables with bad debt provision recognized collectively by aging analysis

Aging	31 Dec. 2020		
	Other receivables	Provision for bad debt	Provision ratio (%)
Within 1 year (including 1 year)	41,424,830.67	2,071,241.54	5.00

Aging	31 Dec. 2020		
	Other receivables	Provision for bad debt	Provision ratio (%)
1 to 2 years	13,842,942.33	1,384,294.23	10.00
2 to 3 years	12,417,106.09	2,483,421.22	20.00
3 to 4 years	1,746,979.51	524,093.85	30.00
4 to 5 years	9,167,877.08	2,750,363.13	30.00
Over 5 years	6,111,352.25	3,055,676.14	50.00
Total	84,711,087.93	12,269,090.11	

(d.3) Changes in the provision, recovery or reversal of bad debt

Items	31 Dec. 2020	Changes in accounting policies	1 Jan. 2021	Changes during the reporting period			31 Dec. 2021
				Provision	Recovery or reversal	Elimination or write-off	
Provision for bad debt	72,269,090.11	1,796,553.48	74,065,643.59	-	4,812,568.74	-	69,253,074.85
Total	72,269,090.11	1,796,553.48	74,065,643.59	-	4,812,568.74	-	69,253,074.85

(d.4) Top five closing balances by entity

Entity name	Nature	31 Dec. 2021	Aging	Proportion of the balance to the total other receivables (%)	Provision for bad debt
Shaoxing City Shangyu District Urban and Rural Construction Service Center	Current payment	624,695,908.27	Within 1 year, 2 to 3 years, 3 to 4 years, 4 to 5 years, over 5 years	41.80	3,123,479.55
Shaoxing Shangyu District State-owned Capital Investment Operation Co., Ltd.	Current payment	495,430,098.07	Within 1 year	33.15	-
Shaoxing Shangyu Urban Construction Qianjiang Smart City Construction Co., Ltd.	Current payment	68,100,000.00	1 to 2 years	4.56	340,500.00
Shaoxing Shangyu Traffic Group Co., Ltd.	Current payment	60,000,000.00	4 to 5 years, over 5 years	4.01	-
Shenyang Wuzhou Business Plaza Development Co., Ltd.	Current payment	60,000,000.00	Over 5 years	4.01	60,000,000.00
Total		1,308,226,006.34		87.53	

5.6 Inventories

(a) Inventories by category

Items	31 Dec. 2021	31 Dec. 2020
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	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Raw materials	42,616,058.69	-	42,616,058.69	60,177.00	-	60,177.00
Low-value consumption goods	351,330.42	-	351,330.42	1,508,740.00	-	1,508,740.00
Stock products	76,132,160.90	173,077.95	75,959,082.95	124,946,290.37	173,077.95	124,773,212.42
Development costs	8,438,853,589.17	-	8,438,853,589.17	8,221,582,873.58	-	8,221,582,873.58
Development products	721,429,640.21	-	721,429,640.21	948,545,142.55	-	948,545,142.55
Costs to fulfill a contract	13,826,835,135.22	-	13,826,835,135.22	13,396,557,623.06	-	13,396,557,623.06
Total	23,106,217,914.61	173,077.95	23,106,044,836.66	22,693,200,846.56	173,077.95	22,693,027,768.61

(b) Provision for impairment

Items	31 Dec. 2020	Increase during the reporting period		Decrease during the reporting period		31 Dec. 2021
		Provision	Others	Reversal or written-down	Others	
Stock products	173,077.95					173,077.95
Total	173,077.95					173,077.95

5.7 Contract Assets

Items	31 Dec. 2021			31 Dec. 2020		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Completed and unsettled assets	55,131,407.28	-	55,131,407.28	-	-	-
Unexpired warranty deposit	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-
Less: Contract assets disclosed as other non-current assets; Contract assets disclosed non-current assets maturing within one year	-	-	-	-	-	-
Total	55,131,407.28	-	55,131,407.28	-	-	-

5.8 Other Current Assets

Items	31 Dec. 2021	31 Dec. 2020
Pending deduct VAT	180,170,217.23	86,350,187.91
Prepaid tax	2,143,455.47	2,167,034.12
Financial products	-	47,500,000.00

Items	31 Dec. 2021	31 Dec. 2020
Total	182,313,672.70	136,017,222.03

5.9 Available-for-sale Financial Assets

Items	31 Dec. 2021			31 Dec. 2020		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Available-for-sale debt instruments	-	-	-	-	-	-
Available-for-sale equity instruments	-	-	-	99,371,619.94	-	99,371,619.94
Including: Measured at fair value	-	-	-	-	-	-
Measured at cost	-	-	-	99,371,619.94	-	99,371,619.94
Total	-	-	-	99,371,619.94	-	99,371,619.94

5.10 Long-term Equity Investments

Investees	31 Dec. 2020	Changes during the reporting period				
		Increase during the reporting period	Decrease during the reporting period	Gains /(losses) on investments under the equity method	Adjustments of other comprehensive income	Changes in other equity
I. Joint ventures						
Shaoxing City Shangyu District Donghai Joint Venture Chase Gas Station	597,188.34	-	172,801.70	288,918.10	-	-
Zhejiang Tianquan Intelligent Technology Co., Ltd.	-	3,750,000.00	-	-222,379.31	-	-
Sub-total	597,188.34	3,750,000.00	172,801.70	66,538.79	-	-
II. Associates						
Shaoxing Shangyu Datong Asset Management Co., Ltd.	29,641,366.35	-	-	3,545,954.68	-	-
Shaoxing Shangyu Cao'e Jiangjiang Shanghuahai Development and Construction Co., Ltd.	9,849,549.22	-	-	-9,849,549.22	-	-
Shaoxing Shangyu Chaohui Trading Co., Ltd.	-	-	-	-	-	-
Shaoxing Shangyu District Yijia Real Estate Development Co., Ltd.	3,330,199.98	-	-	-	-3,330,199.98	-
Shaoxing Datong Shopping Center Co., Ltd.	30,158,201.04	-	2,391,756.52	3,594,671.39	-	-
Shaoxing Yuyi Cultural Creativity Co., Ltd.	-	350,000.00	-	-53,771.97	-	-
Shaoxing Shangyu Cao'ejiang Agricultural Products Co., Ltd.	870,843.97	-	64,000.00	55,652.70	-	-

Investees	31 Dec. 2020	Changes during the reporting period				
		Increase during the reporting period	Decrease during the reporting period	Gains /(losses) on investments under the equity method	Adjustments of other comprehensive income	Changes in other equity
Shaoxing Shangyu Hengtai Used Car Evaluation Co., Ltd.	244,416.52	-	40,000.00	6,407.79	-	-
Shaoxing City Shangyu District Huiduoli Agricultural Products Co., Ltd.	3,179,609.03	-	135,000.00	543,051.74	-	-
Shaoxing Datong Fanshifu Green Food Co., Ltd.	-	-	-	-	-	-
Hangzhou Angel Electric Vehicle Co., Ltd.	-	-	-	-	-	-
Shaoxing Shangyu Luheng Renewable Resources Development Co., Ltd.	-	7,350,000.00	-	-1,837.50	-	-
Sub-total	77,274,186.11	7,700,000.00	2,630,756.52	-2,159,420.39	-3,330,199.98	
Total	77,871,374.45	11,450,000.00	2,803,558.22	-2,092,881.60	-3,330,199.98	

(Continued)

Investees	Changes during the reporting period			31 Dec. 2021	Provision for impairment at 31 Dec. 2021
	Declaration of cash dividends or distribution of profit	Provision for impairment	Others		
I. Joint ventures					
Shaoxing City Shangyu District Donghai Joint Venture Chase Gas Station				713,304.74	
Zhejiang Tianquan Intelligent Technology Co., Ltd.				3,527,620.69	
Sub-total				4,240,925.43	
II. Associates					
Shaoxing Shangyu Datong Asset Management Co., Ltd.				33,187,321.03	
Shaoxing Shangyu Cao'e Jiangjiang Shanghuahai Development and Construction Co., Ltd.					
Shaoxing Shangyu Chaohui Trading Co., Ltd.					
Shaoxing Shangyu District Yijia Real Estate Development Co., Ltd.					
Shaoxing Datong Shopping Center Co., Ltd.				31,361,115.91	
Shaoxing Yuyi Cultural Creativity Co., Ltd.				296,228.03	
Shaoxing Shangyu Cao'ejiang Agricultural Products Co., Ltd.				862,496.67	
Shaoxing Shangyu Hengtai Used Car Evaluation Co., Ltd.				210,824.31	

Investees	Changes during the reporting period			31 Dec. 2021	Provision for impairment at 31 Dec. 2021
	Declaration of cash dividends or distribution of profit	Provision for impairment	Others		
Shaoxing City Shangyu District Huiduoli Agricultural Products Co., Ltd.				3,587,660.77	
Shaoxing Datong Fanshifu Green Food Co., Ltd.					
Hangzhou Angel Electric Vehicle Co., Ltd.					
Shaoxing Shangyu Luheng Renewable Resources Development Co., Ltd.				7,348,162.50	
Sub-total				76,853,809.22	
Total				81,094,734.65	

5.11 Other Equity Instrument Investments

Items	31 Dec. 2021	31 Dec. 2020
Non-listed equity instrument investment:	-	-
Shaoxing Shangyu Urban Construction Qianjiang Smart City Construction Co., Ltd.	50,000.00	-
Shaoxing Shangyudatong Small Loan Co., Ltd.	4,700,000.00	-
Shaoxing Zhicheng Auction Co., Ltd.	500,000.00	-
Zhejiang Rural Economy Investment Co., Ltd.	50,000.00	-
Zhejiang Xinghe Chunfeng Cultural Tourism Development Co., Ltd.	12,000,000.00	-
Shaoxing Shangyu Binxia Real Estate Co., Ltd.	8,000,000.00	-
Shaoxing Youban Zhirui Renewable Resources Co., Ltd.	250,000.00	-
Total	25,550,000.00	-

5.12 Other Non-current Financial Assets

(a) Other non-current financial assets

Items	31 Dec. 2021	31 Dec. 2020
Debt instruments investments	-	-
Equity instruments investments	62,322,319.11	-
Financial assets designated as fair value measurement and whose changes are recorded in current profits and losses	-	-
Total	62,322,319.11	-

(b) Other non-current financial assets - the details are as follows:

Items	31 Dec. 2020	Changes in accounting policies	1 Jan. 2021	Increase during the reporting period	Decrease during the reporting period	31 Dec. 2021	Equity of interest in investee (%)
Ningbo Free Trade Zone Yuke Steady Investment Partnership (limited Partnership)	--	73,821,619.94	73,821,619.94	-	11,499,300.83	62,322,319.11	19.93

Items	31 Dec. 2020	Changes in accounting policies	1 Jan. 2021	Increase during the reporting period	Decrease during the reporting period	31 Dec. 2021	Equity of interest in investee (%)
Total	-	73,821,619.94	73,821,619.94	-	11,499,300.83	62,322,319.11	-

5.13 Investment Properties -

(a) Investment properties accounted for using fair value model

Items	Building and plants	Total
Balance at 31 Dec. 2020	625,929,611.81	625,929,611.81
Increase during the reporting period	134,879,700.00	134,879,700.00
(i) Acquisition	-	-
(ii) Transfer from inventories	-	-
(iii) Gratuitous transfer in	119,153,997.29	119,153,997.29
(iv) Changes in fair value	15,725,702.71	15,725,702.71
Decrease during the reporting period	193,857,111.81	193,857,111.81
(i) Disposal	-	-
(ii) Other transfers	193,857,111.81	193,857,111.81
(iii) Gratuitous transfer out	-	-
(iv) Changes in fair value	-	-
Balance at 31 Dec. 2021	566,952,200.00	566,952,200.00

5.14 Property, plant and equipment

(a) Property, plant and equipment by category

Items	31 Dec. 2021	31 Dec. 2020
Property, plant and equipment	1,998,170,475.91	1,147,371,312.01
Disposal of property, plant and equipment	-	-
Total	1,998,170,475.91	1,147,371,312.01

(b) Property, plant and equipment

(b.1) General information of property, plant and equipment

Items	Buildings and constructions	Machinery equipment	Vehicles
I. Initial cost:			
Balance at 31 Dec. 2020	1,234,841,204.23	24,512,791.30	103,545,530.98
Increase during the reporting period	1,099,024,733.19	-	12,600,540.91
(i) Acquisition	23,046,794.10	-	12,032,540.91
(ii) Transfer from construction in progress	-	-	-
(iii) Gratuitous transfer in	801,456,362.00	-	568,000.00
(iv) Other transfers	274,521,577.09	-	-
Decrease during the reporting period	146,235,184.01	-	924,656.71

Items	Buildings and constructions	Machinery equipment	Vehicles
(i) Disposal	-	-	924,656.71
(ii) Gratuitous transfer out	146,235,184.01	-	-
(iii) Others	-	-	-
Balance at 31 Dec. 2021	2,187,630,753.41	24,512,791.30	115,221,415.18
II. Accumulated depreciation:			
Balance at 31 Dec. 2020	224,781,842.77	10,858,531.36	43,318,269.38
Increase during the reporting period	135,827,043.93	896,065.66	12,508,781.59
(i) Provision	100,226,577.42	896,065.66	11,940,781.59
(ii) Gratuitous transfer in	624,191.83	-	568,000.00
(iii) Others	34,976,274.68	-	-
Decrease during the reporting period	46,492,336.81	-	23,466.32
(i) Disposal	-	-	23,466.32
(ii) Gratuitous transfer out	46,492,336.81	-	-
Balance at 31 Dec. 2021	314,116,549.89	11,754,597.02	55,803,584.65
III. Provision for impairment:			
Balance at 31 Dec. 2020	-	-	-
Increase during the reporting period	-	-	-
Decrease during the reporting period	-	-	-
Balance at 31 Dec. 2021	-	-	-
IV. Carrying amount:			
Balance at 31 Dec. 2021	1,873,514,203.52	12,758,194.28	59,417,830.53
Balance at 31 Dec. 2020	1,010,059,361.46	13,654,259.94	60,227,261.60

(Continued)

Items	Office equipment	Electronic equipment	Special equipment	Total
I. Initial cost:				
Balance at 31 Dec. 2020	33,176,428.35	1,429,830.40	59,414,966.25	1,456,920,751.51
Increase during the reporting period	4,943,901.63	34,114.00	2,187,325.76	1,118,790,615.49
(i) Acquisition	4,912,425.84	34,114.00	1,873,425.76	41,899,300.61
(ii) Transfer from construction in progress	-	-	-	-
(iii) Gratuitous transfer in	31,475.79	-	313,900.00	802,369,737.79
(iv) Others	-	-	-	274,521,577.09
Decrease during the reporting period	4,901,228.52	-	6,330,510.03	158,391,579.27
(i) Disposal	4,901,228.52	-	6,330,510.03	12,156,395.26

Items	Office equipment	Electronic equipment	Special equipment	Total
(ii) Gratuitous transfer out	-	-	-	146,235,184.01
(iii) Other transfers	-	-	-	-
Balance at 31 Dec. 2021	33,219,101.46	1,463,944.40	55,271,781.98	2,417,319,787.73
II. Accumulated depreciation:				
Balance at 31 Dec. 2020	22,045,927.82	1,052,191.98	7,492,676.19	309,549,439.50
Increase during the reporting period	3,572,152.17	181,432.11	5,952,021.64	158,937,497.10
(i) Provision	3,572,152.17	181,432.11	5,849,830.09	122,666,839.04
(ii) Gratuitous transfer in	-	-	102,191.55	1,294,383.38
(iii) Others	-	-	-	34,976,274.68
Decrease during the reporting period	955,759.99	-	1,866,061.66	49,337,624.78
(i) Disposal	955,759.99	-	1,866,061.66	2,845,287.97
(ii) Gratuitous transfer out	-	-	-	46,492,336.81
Balance at 31 Dec. 2021	24,662,320.00	1,233,624.09	11,578,636.17	419,149,311.82
III. Provision for impairment:				
Balance at 31 Dec. 2020	-	-	-	-
Increase during the reporting period	-	-	-	-
Decrease during the reporting period	-	-	-	-
Balance at 31 Dec. 2021	-	-	-	-
IV. Carrying amount:				
Balance at 31 Dec. 2021	8,556,781.46	230,320.31	43,693,145.81	1,998,170,475.91
Balance at 31 Dec. 2020	11,130,500.53	377,638.42	51,922,290.06	1,147,371,312.01

5.15 Construction in Progress

(a) Construction in progress by category

Items	31 Dec. 2021	31 Dec. 2020
Construction in progress	677,551,164.08	522,020,462.72
Construction materials	-	-
Total	677,551,164.08	522,020,462.72

(b) Construction in progress

(b.1) General information of construction in progress

Items	31 Dec. 2021			31 Dec. 2020		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Shishi Flower and Bird	2,829,025.91	-	2,829,025.91	2,829,025.91	-	2,829,025.91

Items	31 Dec. 2021			31 Dec. 2020		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Market Project						
Songxia Small and Micro Industrial Park Project	-	-	-	119,451,516.84	-	119,451,516.84
One River and Two Banks Lighting Project	44,367,657.51	-	44,367,657.51	41,339,705.66	-	41,339,705.66
Binhai Mall Phase I Project	256,121,569.32	-	256,121,569.32	171,301,217.89	-	171,301,217.89
Chengdong C-80 Block Reconstruction Project	168,922,949.96	-	168,922,949.96	104,652,713.11	-	104,652,713.11
Shangyu Urban Resources Recycling Green Complex Project	19,494,899.65	-	19,494,899.65	9,397,444.65	-	9,397,444.65
Green Complex Project	40,747,843.01	-	40,747,843.01	9,947,596.30	-	9,947,596.30
Changtang Town Small and Micro Enterprise Park Project	27,851,538.93	-	27,851,538.93	26,290,643.82	-	26,290,643.82
Digital Creative Plaza	20,285,109.31	-	20,285,109.31	-	-	-
Village Homestay Project Phase I	23,051,615.30	-	23,051,615.30	-	-	-
People's Hospital Science and Technology Complex Building Mechanical Garage Project	6,098,665.88	-	6,098,665.88	-	-	-
Binjiang Shopping Mall project	23,256,495.96	-	23,256,495.96	-	-	-
Digital Agricultural Complex Project	17,188,635.12	-	17,188,635.12	-	-	-
Others	27,335,158.22	-	27,335,158.22	36,810,598.54	-	36,810,598.54
Total	677,551,164.08	-	677,551,164.08	522,020,462.72	-	522,020,462.72

(b.2) Provision for impairment during the reporting period

There is no such item.

(c) Construction materials

There is no such item.

5.16 Intangible Assets

(a) General information of intangible assets

Items	Land use rights	Finance software	Sand and stone resources	Others	Total
I. Initial cost:					
Balance at 31 Dec. 2020	828,484,122.78	990,274.75	868,970,000.00	69,000.00	1,698,513,397.53
Increase during the reporting period	2,842,576,429.00	996,000.00	-	-	2,843,572,429.00
(i) Acquisition	41,437,250.00	996,000.00	-	-	42,433,250.00

Items	Land use rights	Finance software	Sand and stone resources	Others	Total
(ii) Internal research and development	-	-	-	-	-
(iii) Transfer from inventories	-	-	-	-	-
(iv) Others	2,801,139,179.00	-	-	-	2,801,139,179.00
Decrease during the reporting period	434,717,178.00	-	-	-	434,717,178.00
(i) Disposal		-	-	-	
(ii) Gratuitous transfer out	434,717,178.00	-	-	-	434,717,178.00
(iii) Transfer to inventories		-	-	-	
Balance at 31 Dec. 2021	3,236,343,373.78	1,986,274.75	868,970,000.00	69,000.00	4,107,368,648.53
II. Accumulated amortization:					
Balance at 31 Dec. 2020	109,610,367.77	754,372.63	64,138,261.89	4,025.00	174,507,027.29
Increase during the reporting period	33,841,137.57	138,767.13	24,827,714.28		58,807,618.98
(i) Provision	16,892,961.50	138,767.13	24,827,714.28		41,859,442.91
(ii) Other transfers	16,948,176.07				16,948,176.07
Decrease during the reporting period	80,849,776.29				80,849,776.29
(i) Disposal					
(ii) Gratuitous transfer out	80,849,776.29				80,849,776.29
(iii) Transfer to inventories					
Balance at 31 Dec. 2021	62,601,729.05	893,139.76	88,965,976.17	4,025.00	152,464,869.98
III. Provision for impairment:					
Balance at 31 Dec. 2020					
Increase during the reporting period					
(i) Provision					
Decrease during the reporting period					
(i) Disposal					
(ii) Other transfers					
Balance at 31 Dec. 2021					
IV. Carrying amount:					
Balance at 31 Dec. 2021	3,173,741,644.73	1,093,134.99	780,004,023.83	64,975.00	3,954,903,778.55
Balance at 31 Dec. 2020	718,873,755.01	235,902.12	804,831,738.11	64,975.00	1,524,006,370.24

5.17 Goodwill

(a) Initial recognition

Investees or matters that goodwill arising from	31 Dec. 2020	Increase during the reporting period	Decrease during the reporting period		31 Dec. 2021
		Business combination	Disposal	Others	
Shaoxing Shangyu Jianmin	1,378,475.89	-	-	-	1,378,475.89

Investees or matters that goodwill arising from	31 Dec. 2020	Increase during the reporting period	Decrease during the reporting period		31 Dec. 2021
		Business combination	Disposal	Others	
Poultry Slaughter Co., Ltd.					
Total	1,378,475.89	-	-	-	1,378,475.89

(b) Provision for impairment

There is no such item.

5.18 Long-term Deferred Expenses

Items	31 Dec. 2020	Increase during the reporting period	Amortization during the reporting period	Other decrease during the reporting period	31 Dec. 2021
Renovation costs	42,855,291.37	2,341,667.76	10,868,275.79		34,328,683.34
Total	42,855,291.37	2,341,667.76	10,868,275.79		34,328,683.34

5.19 Deferred Tax Assets and Deferred Tax Liabilities

(a) Deferred tax assets before offsetting

Items	31 Dec. 2021		31 Dec. 2020	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment loss	-	-	2,279,644.48	569,911.12
Provision for credit impairment	3,058,022.84	764,505.71	-	-
Total	3,058,022.84	764,505.71	2,279,644.48	569,911.12

(b) Deferred tax liabilities before offsetting

Items	31 Dec. 2021		31 Dec. 2020	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Changes in fair value of investment properties	151,257,483.04	37,814,370.76	135,531,780.32	33,882,945.08
Total	151,257,483.04	37,814,370.76	135,531,780.32	33,882,945.08

(c) Unrecognized deferred tax assets

Items	31 Dec. 2021	31 Dec. 2020
Deductible temporary differences	68,318,718.44	71,358,979.38
Total	68,318,718.44	71,358,979.38

5.20 Other Non-current Assets

Items	31 Dec. 2021	31 Dec. 2020
Prepayment for land purchases	12,250,000.00	12,250,000.00
Total	12,250,000.00	12,250,000.00

5.21 Short-term Borrowings

(a) Disclosure of short-term borrowings by category

Items	31 Dec. 2021	31 Dec. 2020
Pledge loans	94,200,000.00	-
Mortgage loans	412,000,000.00	166,000,000.00
Guarantee loans	943,000,000.00	961,050,000.00
Mortgage and guarantee loans	144,000,000.00	145,000,000.00
Credit loans	200,000,000.00	5,000,000.00
Interest payable	1,907,820.97	-
Total	1,795,107,820.97	1,277,050,000.00

(b) Overdue short-term borrowings

There is no such item.

5.22 Notes Payable

Items	31 Dec. 2021	31 Dec. 2020
Bank acceptance bills	1,488,000.00	7,440,000.00
Total	1,488,000.00	7,440,000.00

5.23 Accounts Payable

(a) Accounts payable categorized by aging

Aging	31 Dec. 2021	31 Dec. 2020
Within 1 year (including 1 year)	273,864,803.45	167,706,050.07
1 to 2 years	8,739,091.82	100,863,679.80
2 to 3 years	11,635,165.55	23,838,179.66
Over 3 years	26,890,507.69	41,532,234.04
Total	321,129,568.51	333,940,143.57

(b) Large amounts of accounts payable at closing balance by entity

Items	Balance at 31 Dec. 2021	Proportion of the balance to the total accounts payable (%)
China Railway No.2 Engineering Group Co., Ltd.	33,228,067.12	10.35
Zhejiang Jitai Mechanical & Electrical Equipment Sales Co., Ltd.	21,732,282.23	6.77
Ningbo Municipal Engineering Construction Group Co., Ltd.	12,529,082.52	3.90
Shangyu Shunxing Electric Power Co., Ltd.	9,128,670.13	2.84
Shaoxing Shangyu District Water Materials Trade Co., Ltd.	8,583,409.02	2.67
Total	85,201,511.02	26.53

5.24 Advances from customers

(a) Advances from customers categorized by aging

Aging	31 Dec. 2021	31 Dec. 2020
Within 1 year (including 1 year)	44,112,160.63	92,483,118.50
1 to 2 years	54,617.01	1,881,152.84
2 to 3 years	62,088.30	202,785.67
Over 3 years	192,922.27	6,951,258.00
Total	44,421,788.21	101,518,315.01

5.25 Contract Liabilities

Items	31 Dec. 2021	31 Dec. 2020
Goods payment received in advance	29,983,034.88	-
Project payment received in advance	223,983,331.66	-
Total	253,966,366.54	-

5.26 Employee Benefits Payable

(a) Details of employee benefits payable

Items	31 Dec. 2020	Increase during the reporting period	Decrease during the reporting period	31 Dec. 2021
Short-term employee benefits	10,062,873.08	219,839,521.47	208,273,264.11	21,629,130.44
Post-employment benefits-defined contribution plans	200,116.02	14,911,073.21	14,542,747.88	568,441.35
Termination benefits		46,661.00	46,661.00	
Total	10,262,989.10	234,797,255.68	222,862,672.99	22,197,571.79

(b) Short-term employee benefits

Items	31 Dec. 2020	Increase during the reporting period	Decrease during the reporting period	31 Dec. 2021
Salaries, bonuses, allowances and subsidies	9,644,218.48	191,151,507.72	179,846,756.75	20,948,969.45
Employee benefits	11,400.00	10,558,447.64	10,400,082.98	169,764.66
Social insurance:	235,226.19	6,793,629.48	6,754,102.88	274,752.79
Health insurance	222,079.51	6,516,953.65	6,486,338.66	252,694.50
Injury insurance	7,252.68	241,516.33	232,604.72	16,164.29
Birth insurance	5,894.00	35,159.50	35,159.50	5,894.00
Housing accumulation fund	127,180.00	9,922,021.32	9,894,241.56	154,959.76
Labor union funds and employee education funds	44,848.41	1,413,915.31	1,378,079.94	80,683.78
Total	10,062,873.08	219,839,521.47	208,273,264.11	21,629,130.44

(c) Defined contribution plans

Items	31 Dec. 2020	Increase during the reporting period	Decrease during the reporting period	31 Dec. 2021
Basic endowment insurance	188,953.56	12,393,253.12	12,038,439.56	543,767.12
Unemployment insurance	11,162.46	452,312.48	438,800.71	24,674.23
Enterprise annuity		2,065,507.61	2,065,507.61	
Total	200,116.02	14,911,073.21	14,542,747.88	568,441.35

5.27 Taxes Payable

Items	31 Dec. 2021	31 Dec. 2020
Value added tax (VAT)	7,788,462.83	6,012,874.20
Enterprise income tax	16,167,193.89	23,238,760.67
Urban maintenance and construction tax	254,621.73	352,413.40
Property tax	6,966,693.31	4,686,383.28
Urban land use tax	2,713,684.57	1,939,729.41
Consumption tax	51,582.51	140,151.57
Personal income tax	924,785.92	1,112,698.92
Stamp duty	246,335.11	251,440.64
Educational surcharge	108,352.07	148,772.73
Local educational surcharge	71,611.94	99,181.83
Employment security fund for the disabled	-	12,865.57
Land value increment tax	8,472.21	-
Others	48,914.54	20,429.06
Total	35,350,710.63	38,015,701.28

5.28 Other Payables

(a) Other payables by category

Items	31 Dec. 2021	31 Dec. 2020
Interest payable	-	62,307,989.43
Dividend payable	59,000.00	34,000.00
Other payables	664,953,148.68	1,089,304,304.52
Total	665,012,148.68	1,151,646,293.95

(b) Interest payable

Items	31 Dec. 2021	31 Dec. 2020
Interest on long-term borrowings with installment interest payments and the repayment of the principal at maturity	-	17,310,148.77
Interest on corporate bonds	-	43,870,847.50
Interest on short-term borrowings	-	198,924.31
Interest on long-term payables	-	928,068.85

Items	31 Dec. 2021	31 Dec. 2020
Total	-	62,307,989.43

(c) Dividend payable

Items	31 Dec. 2021	31 Dec. 2020
Shaoxing Shangyu Arts & Crafts Co., Ltd.	59,000.00	31,000.00
Shaoxing Shangyu Storage and Transportation Co., Ltd.	-	3,000.00
Total	59,000.00	34,000.00

(d) Other payables

(d.1) Disclosure of other payables by aging

Aging	31 Dec. 2021	31 Dec. 2020
Within 1 year (including 1 year)	381,435,971.53	892,878,821.35
1 to 2 years	171,860,100.82	127,027,362.95
2 to 3 years	33,801,923.25	12,189,178.55
Over 3 years	77,855,153.08	57,208,941.67
Total	664,953,148.68	1,089,304,304.52

(d.2) Large amounts of other payables at closing balance by entity

Items	Balance at 31 Dec. 2021	Proportion of the balance to the total other payables (%)
Shaoxing Shangyu District Municipal Finance Bureau	65,522,682.25	9.85
Shaoxing Shangyu Hangzhou Bay Binhai New Town Investment Development and Construction Co., Ltd.	63,000,000.00	9.47
Dongguan Supply and Marketing Cooperative of Shangyu District, Shaoxing	63,000,000.00	9.47
Songxia Supply and Marketing Cooperative of Shangyu District, Shaoxing City	49,000,000.00	7.37
Shaoxing Shangyu District Baiguan Supply and Marketing Cooperative	40,000,000.00	6.03
Total	280,522,682.25	42.19

5.29 Non-current Liabilities Maturing within One Year

(a) Non-current liabilities maturing within one year by category

Items	31 Dec. 2021	31 Dec. 2020
Long-term borrowings maturing within one year	1,256,504,000.00	901,282,000.00
Bonds payable maturing within one year	997,083,333.33	425,453,041.68
Long-term payables maturing within one year	31,900,000.00	31,900,000.00
Interest payable	130,620,825.38	-
Total	2,416,108,158.71	1,358,635,041.68

5.30 Other Current Liabilities

Items	31 Dec. 2021	31 Dec. 2020
Output tax to be transferred	23,277,516.06	-
Total	23,277,516.06	-

5.31 Long-term Borrowings

(a) Long-term borrowings by category

Items	31 Dec. 2021	31 Dec. 2020
Pledge loans	1,388,212,000.00	1,453,344,000.00
Mortgage loans	246,500,000.00	689,350,000.00
Guarantee loans	1,894,480,000.00	1,826,500,000.00
Credit loans	70,000,000.00	40,000,000.00
Mortgage and pledge loan		37,500,000.00
Pledge and guarantee loans	103,000,000.00	202,000,000.00
Mortgage and guarantee loans	389,200,000.00	420,000,000.00
Local government bonds	900,000,000.00	900,000,000.00
Sub-total	4,991,392,000.00	5,568,694,000.00
Less: Long-term borrowings maturing within one year	1,256,504,000.00	901,282,000.00
Total	3,734,888,000.00	4,667,412,000.00

5.32 Bonds Payable

(a) General information of bonds payable

Items	31 Dec. 2021	31 Dec. 2020
19 Yu Chengjian Bond	-	996,083,333.33
18 Yu Chengjian Foreign Bond	-	1,562,143,886.24
21 Yu Chengjian Foreign Bond	1,530,168,000.00	-
20 Shangyu Parking Lot Bond	994,666,666.67	993,666,666.67
21 Shangyu Chengjian MTN001	699,641,443.40	-
21 Shangyu Parking Lot Bond I	993,509,600.00	-
21 Yucheng I	995,750,473.58	-
Total	5,213,736,183.65	3,551,893,886.24

(b) Changes in bonds payable (except for other financial instruments classified as financial liabilities such as preference shares and perpetual bonds)

Bonds	Par value	Issue date	Bonds-duration	Amount issued	31 Dec. 2020	Including: Non-current liabilities maturing within one year
14 Yu Chengjian Bond	100.00	7 Aug. 2014	7 years	1,800,000,000.00	358,473,041.68	358,473,041.68
19 Yu Chengjian Bond	100.00	28 Nov. 2019	3+2 years	1,000,000,000.00	996,083,333.33	-
"Shangyu Tang Pu Small	100.00	12 Feb.	3 years	10,000,000.00	10,000,000.00	10,000,000.00

Bonds	Par value	Issue date	Bonds- duration	Amount issued	31 Dec. 2020	Including: Non-current liabilities maturing within one year
Town Road" Income Right of Assets		2018				
"Shangyu Xie Tang Small Town Assanation" Income Right of Assets	100.00	13 Feb. 2018	3 years	10,000,000.00	10,000,000.00	10,000,000.00
"Shangyu Xia Guan Small Town Traffic" Income Right of Assets	100.00	22 Feb. 2018	3 years	10,000,000.00	10,000,000.00	10,000,000.00
"Shangyu Ding Zhai Small Town Road" Income Right of Assets	100.00	9 Feb. 2018	3 years	20,000,000.00	20,000,000.00	20,000,000.00
"Shangyu Liang Hu Small Town Rural Appearance" Income Right of Assets	100.00	28 Mar. 2018	3 years	9,170,000.00	9,170,000.00	9,170,000.00
"Shangyu Liang Hu Small Town Rural Appearance" Income Right of Assets	100.00	3 Apr. 2018	3 years	2,540,000.00	2,540,000.00	2,540,000.00
"Shangyu Liang Hu Small Town Rural Appearance" Income Right of Assets	100.00	17 Apr. 2018	3 years	5,270,000.00	5,270,000.00	5,270,000.00
18 Yu Chengjian Foreign Bond	100.00	20 Dec. 2018	3 years	1,674,134,017.84	1,562,143,886.24	-
21 Yu Chengjian Foreign Bond	100.00	19 Nov. 2021	5 years	1,530,168,000.00	-	-
20 Shangyu Parking Lot Bond	100.00	17 Apr. 2020	7 years	1,000,000,000.00	993,666,666.67	-
21 Shangyu Chengjian MTN001	100.00	18 Jan. 2021	3+2 years	700,000,000.00	-	-
21 Shangyu Parking Lot Bond I	100.00	28 Jun. 2021	7 years	1,000,000,000.00	-	-
21 Yucheng I	100.00	30 Jul. 2021	3+2 years	1,000,000,000.00	-	-
Total				9,771,282,017.84	3,977,346,927.92	425,453,041.68

(Continued)

Bonds	Issued amount during the reporting period	Bond issue fee	Amortization of premium /discount	Repayment during the reporting period	31 Dec. 2021	Including: Bonds payable maturing within one year
14 Yu Chengjian Bond	-	-	-	358,473,041.68	-	-
19 Yu Chengjian Bond	-	-	1,000,000.00	-	997,083,333.33	997,083,333.33
"Shangyu Tang Pu Small Town Road" Income Right of	-	-	-	10,000,000.00	-	-

Bonds	Issued amount during the reporting period	Bond issue fee	Amortization of premium /discount	Repayment during the reporting period	31 Dec. 2021	Including: Bonds payable maturing within one year
Assets						
"Shangyu Xie Tang Small Town Assanation" Income Right of Assets	-	-	-	10,000,000.00	-	-
"Shangyu Xia Guan Small Town Traffic" Income Right of Assets	-	-	-	10,000,000.00	-	-
"Shangyu Ding Zhai Small Town Road" Income Right of Assets	-	-	-	20,000,000.00	-	-
"Shangyu Liang Hu Small Town Rural Appearance" Income Right of Assets	-	-	-	9,170,000.00	-	-
"Shangyu Liang Hu Small Town Rural Appearance" Income Right of Assets	-	-	-	2,540,000.00	-	-
"Shangyu Liang Hu Small Town Rural Appearance" Income Right of Assets	-	-	-	5,270,000.00	-	-
18 Yu Chengjian Foreign Bond	-	-	3,831,675.81	1,565,975,562.05	-	-
21 Yu Chengjian Foreign Bond	1,530,168,000.00	-	-	-	1,530,168,000.00	-
20 Shangyu Parking Lot Bond	-	-	1,000,000.00	-	994,666,666.67	-

Bonds	Issued amount during the reporting period	Bond issue fee	Amortization of premium /discount	Repayment during the reporting period	31 Dec. 2021	Including: Bonds payable maturing within one year
21 Shangyu Chengjian MTN001	700,000,000.00	-925,056.60	566,500.00	-	699,641,443.40	-
21 Shangyu Parking Lot Bond I	1,000,000,000.00	-7,000,000.00	509,600.00	-	993,509,600.00	-
21 Yucheng I	1,000,000,000.00	-4,646,226.42	396,700.00	-	995,750,473.58	-
Total	4,230,168,000.00	-12,571,283.02	7,304,475.81	1,991,428,603.73	6,210,819,516.98	997,083,333.33

5.33 Long-term Payables

(a) Long-term payables by category

Items	31 Dec. 2021	31 Dec. 2020
Long-term payables	1,338,644,100.00	680,544,100.00
Specific items payable	242,035,025.77	154,325,025.77
Sub-total	1,580,679,125.77	834,869,125.77
Less: Long-term payables maturing within one year	31,900,000.00	31,900,000.00
Total	1,548,779,125.77	802,969,125.77

(b) Long-term payables by nature:

Items	31 Dec. 2021	31 Dec. 2020
Zhejiang Jianrong Investment Development Co., Ltd.	648,350,000.00	680,250,000.00
Shaoxing Shangyu District Municipal Finance Bureau	690,000,000.00	-
Others	294,100.00	294,100.00
Sub-total	1,338,644,100.00	680,544,100.00
Less: Long-term payables maturing within one year	31,900,000.00	31,900,000.00
Total	1,306,744,100.00	648,644,100.00

(c) Specific items payable

Items	31 Dec. 2020	Increase during the reporting period	Decrease during the reporting period	31 Dec. 2021
Fiscal appropriation	154,325,025.77	87,710,000.00	-	242,035,025.77
Total	154,325,025.77	87,710,000.00	-	242,035,025.77

5.34 Deferred Income

Items	31 Dec. 2020	Increase during the reporting period	Decrease during the reporting period	31 Dec. 2021	Reason
Government grants	40,566,448.91	35,000,000.00	4,176,948.91	71,389,500.00	
Total	40,566,448.91	35,000,000.00	4,176,948.91	71,389,500.00	

5.35 Paid-in Capital

Investment entity	31 Dec. 2020		Increase during the reporting period	Decrease during the reporting period	31 Dec. 2021	
	Amount	Proportion of ownership interest (%)			Amount	Proportion of ownership interest (%)
Shaoxing Shangyu District State-owned Assets Supervision and Administration Commission	83,300,000.00	49.00	-	-	83,300,000.00	49.00
Shaoxing Shangyu District State-owned Capital Investment and Operation Co., Ltd.	86,700,000.00	51.00	-	-	86,700,000.00	51.00
Total	170,000,000.00	100.00	-	-	170,000,000.00	100.00

5.36 Capital Reserves

Items	31 Dec. 2020	Increase during the reporting period	Decrease during the reporting period	31 Dec. 2021
Capital premium (share premium)	3,533,915,324.66	-	-	3,533,915,324.66
Other capital reserves	11,573,485,961.62	4,793,738,213.21	3,460,789,417.69	12,906,434,757.14
Total	15,107,401,286.28	4,793,738,213.21	3,460,789,417.69	16,440,350,081.80

Note: Changes and relevant reasons for capital reserves

(a) The increase of capital reserve in the current period is as follows:

(a.1) According to the government documents, the **Company** received financial appropriation in this current period increased the capital reserve - other capital reserve by CNY3,015,812,000.00.

(a.2) According to the government documents, assets those were transferred into the **Company** for free of charge in this current period, and increased the capital reserve - other capital reserve by CNY1,777,926,213.21.

(b) The decrease of capital reserve in the current period is as follows:

(b.1) According to the government documents, assets those were transferred out of the **Company** for free of charge in this current period, and decreased the capital reserve - other capital reserve by CNY3,443,257,363.66.

(b.2) The **Company** written off seedling assets in this current period, and decreased the capital reserve - other capital reserve by CNY17,532,054.03.

5.37 Other Comprehensive Income

Items	31 Dec. 2020	Changes in accounting policies	1 Jan. 2021	Changes during the reporting period					31 Dec. 2021
				Amount before tax	Less: Items previously recognized in other comprehensive income being reclassified to current profit or loss	Less: Income tax expenses	Attributable to the parent company	Attributable to non-controlling interest	
II. Items that may be reclassified subsequently to profit or loss				141,217.36	-	-	141,217.36		141,217.36
Exchange differences on translating foreign operations				141,217.36	-	-	141,217.36		141,217.36
Total				141,217.36	-	-	141,217.36		141,217.36

5.38 Surplus Reserves

Items	31 Dec. 2020	Changes in accounting policies	1 Jan. 2021	Increase during the reporting period	Decrease during the reporting period	31 Dec. 2021
Statutory surplus reserves	85,000,000.00	-	85,000,000.00	-	-	85,000,000.00
Total	85,000,000.00	-	85,000,000.00	-	-	85,000,000.00

Changes and relevant reasons for surplus reserves:

Pursuant to the **Company** Law of the People's Republic of China and Articles of Association, the **Company** appropriates 10.00% of net profit to the statutory surplus reserves.

5.39 Retained Earnings

Items	2021	2020
Balance at the end of last period before adjustments	1,149,885,446.08	1,058,265,591.77
Adjustments for the opening balance (increase /(decrease))	126,372,238.68	68,590,621.65
Balance at the beginning of the reporting period after adjustments	1,276,257,684.76	1,126,856,213.42
Add: Net profit attributable to owners of the parent company for the reporting period	166,689,357.73	158,207,377.70
Less: Appropriation to statutory surplus reserves	-	894,095.39
Payment of ordinary share dividends	-	-
Balance at the end of the reporting period	1,442,947,042.49	1,284,169,495.73

Adjustments for the opening balance:

Because of the influence of change in accounting policies, the retained earnings at the

beginning of the period was affected by CNY126,372,238.68.

5.40 Revenue and Cost of Sales

(a) Revenue and cost of sales

Items	2021		2020	
	Revenue	Costs of sales	Revenue	Costs of sales
Principal activities	2,155,233,715.52	1,821,740,502.30	2,346,352,605.84	2,002,276,013.69
Other activities	32,556,299.70	9,134,181.55	23,487,408.65	5,617,724.65
Total	2,187,790,015.22	1,830,874,683.85	2,369,840,014.49	2,007,893,738.34

(b) Revenue and cost of sales by categories

Items	2021		2020	
	Revenue	Costs of sales	Revenue	Costs of sales
Land development	515,019,428.04	490,494,693.37	515,894,355.95	491,327,958.05
Commercial housing sales	224,907,389.75	162,824,230.96	239,313,514.10	176,219,643.09
Rental	120,020,771.95	73,356,701.95	77,570,927.65	45,047,795.39
Project settlement	273,733,073.21	242,193,747.36	283,010,785.61	253,331,568.07
Environmental sanitation services	171,111,383.86	145,296,805.40	136,260,587.05	96,204,513.38
Entrusted construction	207,321,314.34	194,512,593.94	390,163,135.13	371,583,938.22
Sales of goods	612,975,597.42	498,291,618.18	681,822,079.99	555,979,368.13
Others	62,701,056.65	23,904,292.69	45,804,629.01	18,198,954.01
Total	2,187,790,015.22	1,830,874,683.85	2,369,840,014.49	2,007,893,738.34

5.41 Taxes and Surcharges

Items	2021	2020
Consumption tax	2,919,442.51	2,458,237.50
Urban maintenance and construction tax	2,335,670.32	2,393,099.52
Educational surcharge	1,181,730.05	1,013,089.97
Local educational surcharge	424,394.94	675,473.23
Property tax	18,597,606.94	6,398,158.31
Urban land use tax	16,636,946.93	3,153,592.65
Vehicle and vessel usage tax	19,278.48	10,884.20
Stamp duty	1,783,143.17	1,073,910.28
Land value increment tax	5,934,845.13	6,488,062.96
Others	31,522.64	-
Total	49,864,581.11	23,664,508.62

5.42 Finance Costs

Items	2021	2020
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Items	2021	2020
Interest expenses	93,461,580.49	93,915,010.91
Less: Interest income	29,253,914.49	56,896,133.11
Net interest expenses	64,207,666.00	37,018,877.80
Foreign exchange losses	-	-
Less: Foreign exchange gains	12,144,964.89	34,700,875.03
Net foreign exchange losses	-12,144,964.89	-34,700,875.03
Bank charges	1,746,469.55	5,304,980.16
Others	15,431,488.66	12,471,944.61
Total	69,240,659.32	20,094,927.54

5.43 Other Income

Items	2021	2020	Related to assets /income
Government grants	196,221,315.83	74,643,928.16	Related to income
Government grants	4,176,948.91	983,500.00	Related to assets
Total	200,398,264.74	75,627,428.16	

5.44 Investment Income/(losses)

Items	2021	2020
Investment income from long-term equity investments under equity method	-2,092,881.60	3,880,072.06
Gains on disposal of long-term equity investments	7,669,800.02	-
Investment income from other equity instrument investments during holding period	584,000.00	-
Investment income from available-for-sale financial assets during holding period	-	47,350,219.14
Investment income from financial products	-	253,846.72
Total	6,160,918.42	51,484,137.92

5.45 Gains/(Losses) from Changes in Fair Values

The source of fair value change	2021	2020
Investment properties measured at fair value	15,725,702.71	6,979,300.00
Total	15,725,702.71	6,979,300.00

5.46 Credit Impairment Losses

Items	2021	2020
Credit impairment loss of accounts receivable	5,361,124.81	-
Credit impairment loss of other receivables	4,812,568.74	-
Total	10,173,693.55	-

5.47 Impairment Loss of Assets

Items	2021	2020
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Items	2021	2020
Bad debt of receivables	-	-28,712,007.75
Total	-	-28,712,007.75

5.48 Non-operating Income

Items	2021	2020
Gains from damage or scrappage of non-current assets	118,640.15	14,175.34
Penalty and confiscatory income	6,690,000.00	-
Others	10,086,761.03	10,461,462.51
Total	16,895,401.18	10,475,637.85

5.49 Non-operating Expenses

Items	2021	2020
Loss from damage or scrappage of non-current assets	33,603.36	176,234.00
Donations	55,700.00	258,606.00
Amercement outlay	4,976.77	696,486.73
Others	6,466,896.54	970,385.22
Total	6,561,176.67	2,101,711.95

5.50 Income Tax Expenses

Items	2021	2020
Current tax expenses	8,829,936.60	16,880,810.60
Deferred tax expenses	3,736,831.09	2,487,462.78
Total	12,566,767.69	19,368,273.38

5.51 Supplementary Information to the Statement of Cash Flows

(a) Supplementary information to the statement of cash flows

Supplementary information	2021	2020
(i) Adjustments of net profit to cash flows from operating activities:		
Net profit	155,672,440.20	138,732,630.64
Add: Provisions for impairment of assets	-	28,712,007.75
Credit impairment losses	-10,173,693.55	-
Depreciation of property, plant and equipment, investment properties, oil and gas asset and productive biological assets	122,666,839.04	70,533,274.78
Amortization of intangible assets	41,859,442.91	42,939,330.99
Amortization of long-term deferred expenses	10,868,275.79	15,310,398.19
Losses /(gains) on disposal of property, plant and equipment, intangible assets and other long-term assets	-	-
Losses /(gains) on scrapping of property, plant and equipment	85,036.79	162,058.66

Supplementary information	2021	2020
Losses /(gains) on changes in fair value	-15,725,702.71	-6,979,300.00
Finance costs /(income) recognized in profit or loss	579,236,742.40	295,480,896.91
Investment losses /(income) recognized in profit or loss	-6,160,918.42	-51,484,137.92
Decreases /(increases) in deferred tax assets	-194,594.59	742,637.78
Increases /(decreases) in deferred tax liabilities	3,931,425.68	-
Decreases /(increases) in inventories	-2,505,341,092.32	-1,536,434,455.42
Decreases /(increases) in operating receivables	-283,305,839.51	577,013,368.25
Increases /(decreases) in operating payables	179,975,995.02	173,423,834.63
Others		
Net cash flows from operating activities	-1,726,605,643.27	-251,847,454.76
(ii) Significant investing and financing activities not involving cash receipts and payments:		
Conversion of debt into capital	-	-
Convertible corporate bonds maturing within one year	-	-
Property, plant and equipment acquired under finance leases	-	-
(iii) Net increases in cash and cash equivalents:		
Cash at the end of the reporting period	2,258,627,646.20	1,998,514,679.53
Less: Cash at the beginning of the reporting period	1,998,514,679.53	2,818,074,361.48
Add: Cash equivalents at the end of the reporting period	-	-
Less: Cash equivalents at the beginning of the reporting period	-	-
Net increase in cash and cash equivalents	260,112,966.67	-819,559,681.95

(b) The components of cash and cash equivalents

Items	31 Dec. 2021	31 Dec. 2020
Cash	2,258,627,646.20	1,998,514,679.53
Including: Cash on hand	700,167.15	1,337,904.11
Cash in bank available for immediate use	2,257,575,043.04	1,997,176,775.42
Other monetary funds available for immediate use	352,436.01	
Due from central banks available for immediate use		
Deposits in other banks		
Interbank lending		
Cash equivalents		
Including: Bond investments maturing within three months		
Cash and cash equivalents at the end of the reporting period	2,258,627,646.20	1,998,514,679.53

5.52 Restricted Assets

Items	31 Dec. 2021	Reason
Cash and cash equivalents	1,346,795.09	Security deposit
Property, plant and equipment	394,954,745.53	Loan mortgage
Intangible assets	88,690,217.95	Loan mortgage
Inventories	143,681,262.96	Loan mortgage
Total	628,673,021.53	

5.53 Government Grants

(a) Government grants related to assets

Categories	Amount	Accounts recorded	Amount in profit or loss	Accounts recorded in profit or loss or written down the related cost and expense loss
Fiscal appropriation	35,000,000.00	Deferred Income	4,176,948.91	Other income

(b) Government grants related to income

Categories	Amount	Amount in profit or loss or written down the related cost and expense loss	Accounts recorded in profit or loss or written down the related cost and expense loss
Fiscal grants	196,221,315.83	196,221,315.83	Other Income
Fiscal interest discount	522,293,673.25	522,293,673.25	Finance costs

6. CHANGES IN THE SCOPE OF CONSOLIDATION

6.1 Business Combination not under Common control

(a) Business combination not under common control during the reporting period

Name of the acquirees	Date of acquiring the equity interests	Acquisition costs	Share of interest (%)	Ways to acquire the equity interests
Shaoxing Shangyu Guanxi Rural Tourism Development Co., Ltd.	24 Mar. 2021	7,500,000.00	54.9296	Purchase

(Continued)

Name of the acquirees	Acquisition date	Basis for the acquisition date	Revenue of the acquirees from the acquisition date to the end of the reporting period	Net profits of the acquirees from the acquisition date to the end of the reporting period
Shaoxing Shangyu Guanxi Rural Tourism Development Co., Ltd.	24 Mar. 2021	Actual control	-	-25,646.30

(b) Identifiable assets and liabilities of the acquirees as at acquisition date

Combination costs	Shaoxing Shangyu Guanxi Rural Tourism Development Co., Ltd.
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Combination costs	Shaoxing Shangyu Guanxi Rural Tourism Development Co., Ltd.
- Cash	7,500,000.00
Total combination costs	7,500,000.00
Less: Fair value of the share of net identifiable assets acquired	7,500,000.00
Difference between goodwill/ combination costs and fair value of the share of net identifiable assets acquired	-

6.2 Business Combination under Common Control

There is no such item.

6.3 Reverse Purchase

There is no such item.

6.4 Disposal of Subsidiaries

There is no such item.

6.5 Other Situations Leading to Changes in the Scope of Consolidation

- (a) Shaoxing Shangyu South Urban Construction and Development Co., Ltd. was established in March 2021 with a registered capital of CNY100.00 million, which was subscribed and invested by the **Company**, with an equity ratio of 100.00%. As at 31 December 2021, the actual contribution was CNY100.00 million. Therefore, it should be incorporated into the merger of the **Company** from its establishment.
- (b) Shaoxing Shangyu Chengji Project Management Co., Ltd. was established in August 2021 with a registered capital of CNY200.00 million, which was subscribed and invested by Shaoxing Shangyu Garden Municipal Group Co., Ltd., with an equity ratio of 100.00%. As at 31 December 2021, the actual contribution was nil. Therefore, it shall be incorporated into the merger of the **Company** from its establishment.

7. INTERESTS IN OTHER ENTITIES

7.1 Interests in Subsidiaries

- (a) Constitution of enterprise group

Name of subsidiary	Principal place of business	Registered Address	Nature of business	Percentage of equity interests by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
Shaoxing Shangyu Urban-Rural Ecological Environment Protection Development Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Environmental protection cleaning services, landscape construction	100.00	-	Business combination not under common control
Shaoxing Shangyu	Shangyu	Shangyu	Urban village rebuilt,	100.00	-	Business

Name of subsidiary	Principal place of business	Registered Address	Nature of business	Percentage of equity interests by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
Chengzhong Village Reconstruction Investment Development Co., Ltd.	District, Shaoxing City	District, Shaoxing City	construction			combination not under common control
Shaoxing Shangyu Haina Property Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Real estate development, sales	100.00	-	Newly established
Shaoxing Shangyu Hongyan Construction and Development Co., Ltd	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	New community construction and development	-	100.00	Newly established
Shaoxing Shangyu Construction Labor Affairs Agent Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Labor service dispatch, environmental protection cleaning services	100.00	-	Newly established
Shaoxing Shangyu Leju Property Service Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Property management services; maintenance of landscaping;	100.00	-	Business combination not under common control
Shaoxing Shangyu Urban Construction Asset Management Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Real estate development and sales	100.00	-	Business combination not under common control
Shaoxing Shangyu City Construction Project Management Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Construction agent, property maintenance and management business	100.00	-	Newly established
Shaoxing Shangyu Environmental Sanitation Management Group Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Sanitation, cleaning, transportation and disposal of garbage in urban areas; construction, operation and maintenance of sanitation infrastructure	100.00	-	Newly established
Shaoxing Shangyu Environmental Sanitation Equipment Maintenance Service Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Vehicle maintenance, Sanitation equipment maintenance service	-	100.00	Newly established
Shaoxing Shangyu Sanitation Group Yuxi Sanitation Management Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Operational cleaning, collection, transportation and processing services of municipal domestic waste	-	100.00	Newly established

Name of subsidiary	Principal place of business	Registered Address	Nature of business	Percentage of equity interests by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
Shaoxing Shangyu Solid Waste Treatment Service Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Landfill treatment of construction waste and domestic waste	-	100.00	Newly established
Shaoxing Shangyu Solid Waste Clearing and Transportation Service Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Operational cleaning, collection, transportation and treatment services of municipal solid waste	-	100.00	Newly established
Shaoxing Shangyu Sanitation Group Urban Sanitation Management Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Operational cleaning, collection, transportation and treatment services of municipal solid waste	-	100.00	Newly established
Shaoxing Shangyu e-jiang Muck Transportation and Disposal Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Collection and cleaning of construction waste soil and mud	-	100.00	Business combination not under common control
Shaoxing Shangyu Huanji Renewable Resources Utilization Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Renewable resources utilization	-	100.00	Business combination not under common control
Shaoxing Shangyu Lighting Engineering Investment Management Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Street lamp repair and maintenance	100.00	-	Newly established
Shaoxing Shangyu Lighting Engineering Investment Management Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Investment management and consulting services for lighting construction projects	100.00	-	Newly established
Shaoxing Shangyu District High-speed Rail New Town Construction Investment Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Project investment and management services	100.00	-	Business combination under common control
Shaoxing Shangyu Small Town Construction Investment Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Small town project construction and investment	100.00	-	Business combination under common control
Shaoxing Shangyu Municipal Public Engineering Quality Testing Co., Ltd	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Routine testing of building materials	100.00	-	Business combination not under common control
Shangyu City	Hong Kong	Hong Kong	Investment	100.00	-	Newly

Name of subsidiary	Principal place of business	Registered Address	Nature of business	Percentage of equity interests by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
Construction Hong Kong Co., Ltd.						established
Shaoxing Shangyu Garden Municipal Construction Development Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Construction, management and maintenance of garden public facilities	100.00	-	Newly established
Shaoxing Shangyu Lvxin Trade Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Building materials sales, seedling planting, sales	-	100.00	Newly established
Shaoxing Shangyu Green Energy Environmental Protection New Material Co., Ltd	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Research and development of new environmental protection materials	-	60.00	Newly established
Shaoxing Shangyu Municipal Construction Engineering Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Contracted construction of municipal roads construction projects;	-	100.00	Business combination not under common control
Shaoxing Shangyu Landscaping Engineering Construction Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Construction and management of landscaping projects	-	100.00	Business combination not under common control
Shaoxing Shangyu Garden Maintenance Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Landscaping maintenance management, engineering construction	-	100.00	Newly established
Shaoxing Shangyu Municipal Maintenance Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Maintenance and operation management of municipal facilities	-	100.00	Newly established
Shaoxing Datong Holdings Group Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Trading	51.04	-	Business combination under common control
Shaoxing Datong Agricultural Products Wholesale Market Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Agricultural wholesale	-	100.00	Business combination under common control
Shaoxing Datong E-Commerce Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	E-commerce	-	50.00	Business combination under common control
Shaoxing Datong	Shangyu	Shangyu	Culture media	-	51.00	Business

Name of subsidiary	Principal place of business	Registered Address	Nature of business	Percentage of equity interests by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
Culture Media Co., Ltd.	District, Shaoxing City	District, Shaoxing City				combination under common control
Shaoxing Shangyu Datong Farm Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Agricultural trade	-	51.00	Business combination under common control
Shaoxing Shangyu Yutong Agricultural Technology Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Agricultural science and technology	-	60.00	Business combination under common control
Shaoxing Datong Supermarket Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Food business	-	100.00	Business combination under common control
Shaoxing Shangyu District Yusheng Property Management Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Property management	-	100.00	Business combination under common control
Shaoxing Shangyu District Yutong Real Estate Development Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Real estate development	-	100.00	Business combination under common control
Shaoxing Datong Mall Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Trading	-	76.64	Business combination under common control
Shaoxing Shangyu Datong Mall Enterprise Management Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Business management	-	95.00	Business combination under common control
Shaoxing Shangyu Datong Shunyang Investment Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Financial services	-	57.15	Business combination under common control
Shaoxing Shangyu Yibin Trading Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Trading	-	100.00	Business combination under common control
Shaoxing Shangyu Datong Binjiang	Shangyu District,	Shangyu District,	Market management	-	100.00	Business combination

Name of subsidiary	Principal place of business	Registered Address	Nature of business	Percentage of equity interests by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
Farmers Market Management Co., Ltd.	Shaoxing City	Shaoxing City				under common control
Shaoxing Shangyu Datong Binhai Mall Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Trading	-	55.00	Business combination under common control
Shaoxing Shangyu Datong Binjiang Mall Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Trading	-	100.00	Business combination under common control
Shaoxing Shangyu District Tea Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Tea sales	-	59.75	Business combination under common control
Shaoxing Shangyu Datong Market Development Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Real estate development	-	100.00	Business combination under common control
Shaoxing Shangyu District Neighborhood Center Asset Management Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Asset management	-	100.00	Business combination under common control
Shaoxing Shangyu District Material Recycling Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Recycling of recycled materials	-	65.00	Business combination under common control
Shaoxing Shangyu Datong Used Car Trading Market Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Used car trading	-	80.00	Business combination under common control
Shaoxing Shangyu District Agricultural Production Materials Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Agricultural production services	-	66.62	Business combination under common control
Shaoxing Shangyu Runnong Chemical Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Chemical product sales	-	51.00	Business combination under common control
Shaoxing Shangyu Jianmin Poultry Slaughter Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Poultry slaughter	-	100.00	Business combination under

Name of subsidiary	Principal place of business	Registered Address	Nature of business	Percentage of equity interests by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
	City					common control
Shaoxing City Shangyu District Donghai Gas Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Gas sales	-	50.00	Business combination under common control
Shaoxing City Shangyu District Dongguan Liquid Gas Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Liquid gas sales	-	65.00	Business combination under common control
Shaoxing Shangyu District Sinopec Datong Oil and Gas Station Construction and Development Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Oil and gas sales	-	50.00	Business combination under common control
Xiaojin County Jinshun Agricultural Products Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Agricultural product sales	-	100.00	Business combination under common control
Zhoushan Yutong Petrochemical Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Oil and gas sales	-	100.00	Business combination under common control
Shaoxing Shangyu Datong Pension Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Maintenance service	-	100.00	Business combination under common control
Shaoxing Shangyu Datong Rural Tourism Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Tourism	-	100.00	Business combination under common control
Shaoxing Fengbao Agricultural Material Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Pesticide wholesale and pesticide retail	-	100.00	Newly established
Shaoxing Shangyu Datong Dingzan Agricultural Development Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Agricultural gardening services	-	55.00	Newly established
Shaoxing Shangyu Community Service Center Management Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Community service management	-	100.00	Newly established

Name of subsidiary	Principal place of business	Registered Address	Nature of business	Percentage of equity interests by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
Shaoxing Shangyu Greenland Agricultural Garden Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Agricultural gardening services	-	100.00	Business combination under common control
Shaoxing Shangyu South Urban Construction and Development Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City		100.00	-	Newly established
Shaoxing Shangyu Guanxi Rural Tourism Development Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City		-	54.93	Business combination not under common control
Shaoxing Shangyu Chengji Project Management Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City		-	100.00	Newly established

(b) Illustration for the difference between percentage of equity interests and percentage of voting rights: There is no such item.

(c) Basis for having control power over the investees with voting rights of 50.00% or lower, and having no control power over the investee with voting rights above 50.00%:

Sequence Number	Name of subsidiary	Percentage of equity interests by the Company (%)	Reasons
1	Shaoxing City Shangyu District Donghai Gas Co., Ltd.	50.00	Signed a concert party agreement
2	Shaoxing Shangyu District Sinopec Datong Oil and Gas Station Construction and Development Co., Ltd.	50.00	Signed a concert party agreement

(d) Basis for control power over important structured entities within the scope of consolidation: There is no such item.

(e) Basis for defining the **Company** as an agent or a principal: There is no such item.

7.2 Interests in Joint Arrangements or Associates

(a) Material joint ventures or associates

Company name	Principal place of business	Registered address	Nature of business	Percentage of equity interests by the Company (%)		Measurement methods
				Direct	Indirect	
Joint ventures						
Shaoxing City Shangyu District Donghai Joint Venture Chase Gas Station	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Gas station	-	50.00	Equity method
Zhejiang Tianquan Intelligent Technology Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Software and information technology services	-	50.00	Equity method
Associates						
Shaoxing Shangyu Datong Asset Management Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Asset management	-	42.26	Equity method
Shaoxing Shangyu Cao'e Jiangjiang Shanghuahai Development and Construction Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Agriculture, forestry, animal husbandry and fishery	-	45.45	Equity method
Shaoxing Shangyu Chaohui Trading Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Trading	-	39.00	Equity method
Shaoxing Shangyu District Yijia Real Estate Development Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Real estate development	-	40.00	Equity method
Shaoxing Datong Shopping Center Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Retail	-	32.91	Equity method
Shaoxing Shangyu Cao'ejiang Agricultural Products Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Wholesale and retail	-	40.00	Equity method
Shaoxing Shangyu Hengtai Used Car Evaluation Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Asset valuation	-	40.00	Equity method
Shaoxing City Shangyu District Huiduoli Agricultural Products Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Agricultural product sales	-	30.00	Equity method
Shaoxing Datong Fanshifu Green Food Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Food sales	-	35.00	Equity method
Shaoxing Yuyi Cultural Creativity Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Cultural and creative event planning	-	45.45	Equity method
Shaoxing Shangyu Luheng Renewable Resources Development Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Recycling of renewable resources	-	24.50	Equity method

8. FAIR VALUE DISCLOSURES

8.1 Assets and Liabilities Measured at Fair Value at 31 December 2021

Items	Fair value at the end of the reporting period using			
	Level 1	Level 2	Level 3	Total
I. Recurring fair value measurements			654,824,519.11	654,824,519.11
(i) Trading financial assets:	-	-	-	-
i) Financial assets at fair value through profit or loss:	-	-	-	-
● Debt instrument investments	-	-	-	-
● Equity instrument investments	-	-	-	-
● Derivative financial assets	-	-	-	-
ii) Financial assets designated as at fair value through profit or loss	-	-	-	-
● Debt instrument investments	-	-	-	-
● Equity instrument investments	-	-	-	-
(ii) Accounts receivable financing	-	-	-	-
(iii) Other debt investments	-	-	-	-
(iv) Other equity instrument investments	-	-	25,550,000.00	25,550,000.00
(v) Other non-current financial assets	-	-	62,322,319.11	62,322,319.11
(vi) Investment properties:	-	-	566,952,200.00	566,952,200.00
i) Lands held to earn rentals	-	-	-	-
ii) Buildings held to earn rentals	-	-	566,952,200.00	566,952,200.00
iii) Lands held for transfer after capital appreciation	-	-	-	-
(vii) Biological assets:	-	-	-	-
i) Consumptive biological assets	-	-	-	-
ii) Productive biological assets	-	-	-	-
Total assets measured at fair value on a recurring basis	-	-	-	-
(viii) Held-for-trading financial liabilities:	-	-	-	-
i) Transactional bonds	-	-	-	-
ii) Derivatives	-	-	-	-
iii) Others	-	-	-	-
(ix) Financial liabilities designated as at fair value through profit or loss	-	-	-	-
Total liabilities measured at fair value on a recurring basis	-	-	-	-
II. Non-recurring fair value measurements	-	-	-	-
(i) Assets held for sale	-	-	-	-

Items	Fair value at the end of the reporting period using			
	Level 1	Level 2	Level 3	Total
Total assets measured at fair value on a non-recurring basis	-	-	-	-
Total liabilities measured at fair value on a non-recurring basis	-	-	-	-

8.2 Valuation Technique(s), Qualitative Information and Quantitative Information about the Significant Inputs Used in Level 3 of the Fair Value Hierarchy

Other equity instrument investment and other non-current financial assets: since the operating environment, operating condition and financial condition of the invested enterprise have not changed significantly, the **Company** measures the investment cost as a reasonable estimate of fair value.

Leased buildings: The investment properties are the leased commercial housing, which can be obtained from the real estate market with comparable transaction cases with the appraisal object, so the market comparison method is used for valuation. The appraisal was conducted by Zhongshui Asset Evaluation Co., Ltd., and issued the appraisal report Zhongshui Zhiyuan [2022] No.020312.

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

9.1 Basic Information of Parent Company

Name of the parent	Registered address	Registered capital	Percentage of equity interests in the Company (%)	Voting rights in the Company (%)
Shaoxing Shangyu District State-owned Capital Investment and Operation Co., Ltd.	Shangyu District, Shaoxing City, Zhejiang Province	1.00 billion	51.00	51.00

Ultimate Controlling Owner is Shaoxing Shangyu District State-owned Assets Supervision and Administration Commission.

9.2 Basic Information of Subsidiaries

Details of the subsidiaries please refer to *Note 7 INTERESTS IN OTHER ENTITIES*.

9.3 Joint Ventures and Associates of the Company

(a) Basic information of significant joint ventures and associates

Details of significant joint ventures and associates please refer to *Note 7.2 Interests in Joint Arrangements or Associates*.

(b) Details of other joint ventures or associates trading with the **Company** during the reporting period, or with outstanding balances arising in prior periods

There is no such item.

9.4 Other Related Parties of the Company

Name	Relationship with the Company
Shaoxing Shangyu Shanty Town Transformation Investment Development Co., Ltd.	Under the same control of ultimate controlling owner
Shaoxing Shangyu Economic Development Zone Investment and Development Group Co., Ltd.	Under the same control of ultimate controlling owner
Shaoxing Shangyu Xiabin Umbrella City Construction and Development Co., Ltd.	Under the same control of ultimate controlling owner
Shaoxing Shangyu Xingyue Town Construction and Development Co., Ltd.	Under the same control of ultimate controlling owner
Shaoxing Shangyu Daoyuan Town Construction and Development Co., Ltd.	Under the same control of ultimate controlling owner
Shaoxing Shangyu Yushun Town Construction and Development Co., Ltd.	Under the same control of ultimate controlling owner
Shaoxing Shangyu Liangyu Town Construction and Development Co., Ltd.	Under the same control of ultimate controlling owner
Shaoxing Shangyu Shunhui Market Investment Development Co., Ltd.	Under the same control of ultimate controlling owner
Shaoxing Shangyu Solid Waste Cleaning and Transportation Service Co., Ltd.	Under the same control of ultimate controlling owner
Shaoxing Shangyu Shunhui Town Construction and Development Co., Ltd.	Under the same control of ultimate controlling owner
Shaoxing Shangyu Urban Construction Qianjiang Smart City Construction Co., Ltd.	Under the same control of ultimate controlling owner
Shaoxing Shangyu Traffic Group Co., Ltd.	Under the same control of ultimate controlling owner
Shaoxing Shangyu District State-owned Capital Investment Operation Co., Ltd.	Under the same control of ultimate controlling owner

9.5 Related Party Transactions

(a) Purchases or sales of goods, rendering or receiving of services

There is no such item.

(b) Guarantees

The Company as guarantor:

Details of information related please refer to *Note 11.2 Contingencies*.

9.6 Receivables and Payables with Related Parties

(a) Receivables

Items	Related parties	31 Dec. 2021		31 Dec. 2020	
		Amount	Provision for bad debt	Amount	Provision for bad debt
Accounts receivable	Shaoxing Shangyu District Shanty Town Reconstruction Investment	143,541,905.39	-	115,416,059.11	-

Items	Related parties	31 Dec. 2021		31 Dec. 2020	
		Amount	Provision for bad debt	Amount	Provision for bad debt
	Development Co., Ltd.				
Accounts receivable	Shaoxing Shangyu Economic Development Zone Investment Development Group Co., Ltd.	-	-	200,000.00	-
Accounts receivable	Shaoxing Shangyu Xiaxin Umbrella City Construction and Development Co., Ltd.	8,140,045.00	-	-	-
Accounts receivable	Shaoxing Shangyu Xingyue Town Construction and Development Co., Ltd.	5,408,520.00	-	-	-
Accounts receivable	Shaoxing Shangyu Daoyuan Town Construction and Development Co., Ltd.	5,365,135.00	-	-	-
Accounts receivable	Shaoxing Shangyu Yushun Town Construction and Development Co., Ltd.	3,131,101.00	-	-	-
Accounts receivable	Shaoxing Shangyu Liangyu Town Construction and Development Co., Ltd.	2,000,000.00	-	-	-
Accounts receivable	Shaoxing Shangyu Shunhui Market Investment Development Co., Ltd.	1,722,369.21	-	-	-
Accounts receivable	Shaoxing Shangyu Solid Waste Cleaning and Transportation Service Co., Ltd.	420,542.09	-	-	-
Accounts receivable	Shaoxing Shangyu Shunhui Town Construction and Development Co., Ltd.	234,460.00	-	-	-
Other receivables	Shaoxing Shangyu City Construction Qianjiang Smart City Construction Co., Ltd.	68,100,000.00	340,500.00	68,100,000.00	-
Other receivables	Shaoxing Shangyu District Transportation Group Co., Ltd.	60,000,000.00	-	60,000,000.00	-
Other receivables	Shaoxing Shangyu District State-owned Capital Investment Operation Co., Ltd.	495,430,098.07	-	-	-
Other receivables	Shaoxing Shangyu Shanty Town Transformation	529,499.00	-	-	-

Items	Related parties	31 Dec. 2021		31 Dec. 2020	
		Amount	Provision for bad debt	Amount	Provision for bad debt
	Investment Development Co., Ltd.				

(b) Payables

Items	Related parties	31 Dec. 2021	31 Dec. 2020
Other payables	Shaoxing Shangyu Hangzhou Bay Binhai New Town Investment Development and Construction Co., Ltd.	63,000,000.00	-
Other payables	Shaoxing Shangyu Economic Development Zone Investment Development Group Co., Ltd.	10,499,999.55	172,719,928.00
Other payables	Shaoxing Shangyu District State-owned Capital Investment and Operation Co., Ltd.	-	156,950,000.00
Accounts payable	Shaoxing Shangyu Yushun Town Construction and Development Co., Ltd.	291,713.50	-
Accounts payable	Shaoxing Shangyu Shunhui Town Construction and Development Co., Ltd.	113,677.00	-

10. SHARE-BASED PAYMENTS

There is no such item.

11. COMMITMENTS AND CONTINGENCIES

11.1 Significant Commitments

As at 31 December 2021, the **Company** has no significant commitments need to be disclosed.

11.2 Contingencies

Significant contingencies existing at the balance sheet date:

- (a) Contingent liabilities arising from outstanding litigations and the estimate of the financial effects:

There is no such item.

- (b) Contingent liabilities resulting from debt guarantees of other entities and the estimate of the financial effects

Guarantor company	Guaranteed company	Guaranty bank	Amount (CNY'000)	Guarantee start date	Guarantee maturity date	Whether the guarantee is due or not
Shaoxing Shangyu Urban Construction Group Co., Ltd.	Shaoxing Shangyu Hangzhou Bay Binhai New Town	Beijing Financial Assets Exchange	500,000.00	19 Jun. 2019	19 Jun. 2024	Not yet

Guarantor company	Guaranteed company	Guaranty bank	Amount (CNY'000)	Guarantee start date	Guarantee maturity date	Whether the guarantee is due or not
	Investment Development and Construction Co., Ltd.					
Shaoxing Shangyu Urban Construction Group Co., Ltd.	Shaoxing Shangyu Hangzhou Bay Construction and Development Group Co., Ltd.	Yongwin Financial Leasing Co., Ltd.	180,000.00	12 Sept. 2019	12 Sept. 2024	Not yet
Shaoxing Shangyu Urban Construction Group Co., Ltd.	Shaoxing Shangyu Economic Development Zone Investment and Development Group Co., Ltd.	Agricultural Development Bank of China	1,200,000.00	21 Apr. 2017	20 Apr. 2037	Not yet
Shaoxing Shangyu Urban Construction Group Co., Ltd.	Shaoxing Shangyu Economic Development Zone Investment and Development Group Co., Ltd.	Bank of China, Shangyu Sub-branch	91,000.00	30 Sept. 2020	21 Dec. 2022	Not yet
Shaoxing Shangyu Urban Construction Group Co., Ltd.	Shaoxing Shangyu District Water Supply Co., Ltd.	Agricultural Development Bank of China	50,000.00	31 Mar. 2021	20 Mar. 2022	Not yet
Shaoxing Shangyu Urban Construction Group Co., Ltd.	Shaoxing Shangyu Cultural Tourism Group Co., Ltd.	Bank of Communications, Shangyu Sub-branch	300,000.00	30 Apr. 2021	28 Apr. 2023	Not yet
Shangyu Chengzhong Village Gaizao Investment Development Co., Ltd.	Shaoxing Shangyu Traffic Group Co., Ltd.	Agricultural Development Bank of China	1,325,000.00	18 Sept. 2015	17 Sept. 2027	Not yet
Shaoxing Datong Holding Group Co., Ltd.	Dongguan Supply and Marketing Cooperative of Shangyu	Zhejiang Shangyu Rural Commercial Bank, Dongguan Sub-branch	35,000.00	3 Oct. 2019	30 Jun. 2022	Not yet

Guarantor company	Guaranteed company	Guaranty bank	Amount (CNY'000)	Guarantee start date	Guarantee maturity date	Whether the guarantee is due or not
	District, Shaoxing					
Shaoxing Datong Holding Group Co., Ltd.	Zhangzhen Supply and Marketing Cooperative of Shangyu District, Shaoxing	Zhejiang Shangyu Rural Commercial Bank, Zhangzhen Sub-branch	6,000.00	19 Dec. 2019	30 Jun. 2022	Not yet
Shaoxing Datong Holding Group Co., Ltd.	Shaoxing Shangyu Huiduoli Agricultural Materials Co., Ltd.	Bank of Shaoxing, Shangyu Sub-branch	3,000.00	23 Jul. 2019	23 Jul. 2022	Not yet
Shaoxing Datong Holding Group Co., Ltd.	Hangzhou Inte Medicine Co., Ltd.	Agricultural Bank of China	25,000.00	7 May 2020	9 Apr. 2022	Not yet
Total			3,715,000.00			

(c) Others

There is no such item.

12. EVENTS AFTER THE REPORTING PERIOD

There is no such item.

13. OTHER SIGNIFICANT MATTERS

There is no such item.

14. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

14.1 Accounts Receivable

(a) Accounts receivable by aging

Aging	31 Dec. 2021	31 Dec. 2020
Within 1 year (including 1 year)	2,620,000.00	2,371,653.63
1 to 2 years	2,310,000.00	3,480,000.00
2 to 3 years	3,480,000.00	-
3 to 4 years	-	-
4 to 5 years	-	-
Over 5 years	-	500,000.00
Sub-total	8,410,000.00	6,351,653.63
Less: Provision for bad debt	-	500,000.00

Aging	31 Dec. 2021	31 Dec. 2020
Total	8,410,000.00	5,851,653.63

(b) Disclosure by classification method of bad debt accrual

(b.1) As at 31 December 2021 (According to simplified model)

Items	31 Dec. 2021				
	Accounts receivable		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Provision for bad debt individually	-	-	-	-	-
Provision for bad debt recognized by portfolios	8,410,000.00	100.00	-	-	8,410,000.00
Including: Portfolio 1	8,410,000.00	100.00	-	-	8,410,000.00
Portfolio 2	-	-	-	-	-
Portfolio 3	-	-	-	-	-
Total	8,410,000.00	100.00	-	-	8,410,000.00

(b.1.1) As at 31 December 2021, the receivables with the related parties within the scope of consolidation of Shaoxing Shangyu District State-owned Capital Investment Operation Co., Ltd. in portfolio 1:

Entity name	31 Dec. 2021		
	Accounts receivable	Provision for bad debt	Provision ratio (%)
Shaoxing Shangyu Urban Rural Ecological Environmental Protection Development Co., Ltd.	250,000.00	-	-
Shaoxing Shangyu Urban Construction Project Management Co., Ltd.	3,920,000.00	-	-
Shaoxing Shangyu Urban Construction Assets Management Co., Ltd.	1,330,000.00	-	-
Shangyu Municipal Construction Engineering Co., Ltd.	550,000.00	-	-
Shangyu Yuanlin Virescence Engineering Construction Co., Ltd.	550,000.00	-	-
Shaoxing Shangyu Leju Property Service Co., Ltd.	710,000.00	-	-
Shangyu District High-speed Rail New Town Construction Investment Co., Ltd.	400,000.00	-	-
Shangyu Chengzhong Village Gaizao Investment Development Co., Ltd.	300,000.00	-	-
Shaoxing Shangyu Lianghua Engineering Investment Management Co., Ltd.	400,000.00	-	-
Total	8,410,000.00	-	-

(b.1.2) As at 31 December 2021, the receivables with relevant government

departments, other State-owned enterprises in portfolio 2: There is no such item.

(b.1.3) As at 31 December 2021, the receivables from other customers (This portfolio takes the aging of receivables as the credit risk characteristic) in portfolio 3: There is no such item.

(b.2) As at 31 December 2020 (According to the incurred loss model)

Items	31 Dec. 2020				
	Accounts receivable		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Accounts receivable with individually significant balance and provision recognized for bad debt individually	-	-	-	-	-
Accounts receivable with bad debt provision recognized collectively by similar credit risk characteristics	5,851,653.63	92.13	-	-	5,851,653.63
Including: Portfolio 1	5,851,653.63	92.13	-	-	5,851,653.63
Portfolio 2	-	-	-	-	-
Accounts receivable with individually insignificant balance but provision recognized for bad debt individually	500,000.00	7.87	500,000.00	100.00	-
Total	6,351,653.63	100.00	500,000.00	7.87	5,851,653.63

(b.2.1) As at 31 December 2020, accounts receivable that are individually insignificant but with bad debt provided on an individual basis

Entity name	31 Dec. 2020	
	Accounts receivable	Provision for bad debt
Zhongliang Wang	500,000.00	500,000.00
Total	500,000.00	500,000.00

(b.2.2) As at 31 December 2020, in portfolio 2, accounts receivable with bad debt provision recognized collectively by aging analysis: There is no such item.

(b.3) Top five closing balances by entity

Entity name	Balance at 31 Dec. 2021	Proportion of the balance to the total accounts receivable (%)	Provision for bad debt
Shaoxing Shangyu Urban Construction Project Management Co., Ltd.	3,920,000.00	46.61	-
Shaoxing Shangyu Urban Construction Assets Management Co., Ltd.	1,330,000.00	15.81	-

Entity name	Balance at 31 Dec. 2021	Proportion of the balance to the total accounts receivable (%)	Provision for bad debt
Shaoxing Shangyu Leju Property Service Co., Ltd.	710,000.00	8.44	-
Shangyu Municipal Construction Engineering Co., Ltd.	550,000.00	6.54	-
Shangyu Yuanlin Virescence Engineering Construction Co., Ltd.	550,000.00	6.54	-
Total	7,060,000.00	83.95	-

14.2 Other Receivables

(a) Other receivables by category

Items	31 Dec. 2021	31 Dec. 2020
Interest receivable	-	-
Dividend receivable	-	-
Other receivables	4,928,380,239.74	3,092,680,727.66
Total	4,928,380,239.74	3,092,680,727.66

(b) Interest receivable

There is no such item.

(c) Dividend receivable

There is no such item.

(d) Other receivables

(d.1) Disclosure of other receivables by aging

Aging	31 Dec. 2021	31 Dec. 2020
Within 1 year (including 1 year)	2,658,863,017.63	1,764,328,338.19
1 to 2 years	1,573,953,577.33	620,278,150.75
2 to 3 years	63,396,661.14	61,643,306.46
3 to 4 years	33,230,998.53	30,198,236.24
4 to 5 years	27,503,131.80	193,968,167.15
Over 5 years	576,087,981.51	422,868,633.69
Sub-total	4,933,035,367.94	3,093,284,832.48
Less: Provision for bad debt	4,655,128.20	604,104.82
Total	4,928,380,239.74	3,092,680,727.66

(d.2) Disclosure by classification method of bad debt accrual

(d.2.1) As at 31 December 2021, provision for bad debt recognized based on three stages model

Stages	Other receivables	Provision for bad debt	Carrying account
--------	-------------------	------------------------	------------------

Stages	Other receivables	Provision for bad debt	Carrying account
Stage 1	4,933,035,367.94	4,655,128.20	4,928,380,239.74
Stage 2	-	-	-
Stage 3	-	-	-
Total	4,933,035,367.94	4,655,128.20	4,928,380,239.74

(d.2.1.1) As at 31 December 2021, provision for bad debt at stage 1:

Items	31 Dec. 2021				
	Other receivables		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Provision for bad debt recognized by portfolios	-	-	-	-	-
Including: Portfolio 3	4,186,485,889.42	84.87	-	-	4,186,485,889.42
Portfolio 4	744,545,391.45	15.09	3,722,726.97	0.50	740,822,664.48
Portfolio 5	2,004,087.07	0.04	932,401.23	46.52	1,071,685.84
Total	4,933,035,367.94	100.00	4,655,128.20	0.09	4,928,380,239.74

(d.2.1.1.1) As at 31 December 2021, other receivables with provision for bad debt individually: There is no such item.

(d.2.1.1.2) As at 31 December 2021, the receivables with the related parties within the scope of consolidation of Shaoxing Shangyu District State-owned Capital Investment Operation Co., Ltd. in portfolio 3:

Entity name	31 Dec. 2021		
	Other receivables	Provision for bad debt	Provision ratio (%)
Shaoxing Shangyu Haina Real Estate Co., Ltd.	1,667,204,531.66	-	-
Shaoxing Shangyu South Urban Construction and Development Co., Ltd.	1,678,280,000.00	-	-
Shaoxing Shangyu District State-owned Capital Investment Operation Co., Ltd.	658,032,000.00	-	-
Shaoxing Shangyu Small Town Construction Investment Co., Ltd.	99,270,006.62	-	-
Shaoxing Shangyu Lvxin Trade Co., Ltd.	38,000,000.00	-	-
Shaoxing Shangyu Greenland Agricultural Garden Co., Ltd.	31,050,000.00	-	-
Shaoxing Shangyu Lianghua Engineering Investment Management Co., Ltd.	11,092,300.00	-	-
Others	3,557,051.14	-	-
Total	4,186,485,889.42	-	-

(d.2.1.1.3) As at 31 December 2021, the receivables with relevant government departments, other State-owned enterprises in portfolio 4:

Entity name	31 Dec. 2021		
	Other receivables	Provision for bad debt	Provision ratio (%)
Shaoxing City Shangyu District Urban and Rural Construction Service Center	624,668,649.27	3,123,343.25	0.50
Shaoxing Shangyu Urban Construction Qianjiang Smart City Construction Co., Ltd.	68,100,000.00	340,500.00	0.50
Shaoxing Shangyu District Construction Development Co., Ltd.	23,903,789.44	119,518.95	0.50
Shaoxing Shangyu District Environmental Sanitation Management Center	21,381,322.10	106,906.61	0.50
Shangyu Housing and Urban-Rural Development Bureau	5,000,000.00	25,000.00	0.50
Shaoxing Shangyu District Real Estate Management Center	1,282,426.00	6,412.13	0.50
Shaoxing Shangyu Hangzhou Bay Economic Development Zone Holding Group Co., Ltd.	209,189.64	1,045.95	0.50
Zhejiang Shaoxing Petroleum Branch of Sinopec Sales Co., Ltd.	15.00	0.08	0.50
Total	744,545,391.45	3,722,726.97	

(d.2.1.1.4) As at 31 December 2021, the receivables from other customers (This portfolio takes the aging of receivables as the credit risk characteristic) in portfolio 5:

Aging	31 Dec. 2021		
	Other receivables	Provision for bad debt	Provision ratio (%)
Within 1 year (including 1 year)	5,000.00	250.00	5.00
1 to 2 years	13,500.00	1,350.00	10.00
2 to 3 years	29,000.00	5,800.00	20.00
3 to 4 years	1,500.00	450.00	30.00
4 to 5 years	264,961.51	79,488.45	30.00
Over 5 years	1,690,125.56	845,062.78	50.00
Total	2,004,087.07	932,401.23	

(d.2.2) As at 31 December 2020, the provision for bad debts is accrued based on the incurred loss model as follows:

Items	31 Dec. 2020				
	Other receivables		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Other receivables with individually significant balance and provision for bad debt recognized individually	-	-	-	-	-
Other receivables with bad debt provision recognized collectively by similar credit risk characteristics	3,093,284,832.48	100.00	604,104.82	0.02	3,092,680,727.66
Portfolio 1	3,091,277,892.41	99.94	-	-	3,091,277,892.41
Portfolio 2	2,006,940.07	0.06	604,104.82	30.10	1,402,835.25
Other receivables with individually insignificant balance but provision for bad debt recognized individually	-	-	-	-	-
Total	3,093,284,832.48	100.00	604,104.82	0.02	3,092,680,727.66

(d.2.2.1) In portfolio 1, the details of other receivables without bad debts are as follows:

Entity name	Other receivables	Provision for bad debt	Provision ratio (%)	Reason
Shaoxing Shangyu Haina Property Co., Ltd.	1,545,759,542.66	-	-	The risk of bad debts is low.
Shaoxing Shangyu Chengzhong Village Reconstruction Investment Development Co., Ltd.	467,881,786.64	-	-	The risk of bad debts is low.
Shaoxing Shangyu District Municipal Engineering Management Center	368,375,492.85	-	-	The risk of bad debts is low.
Shaoxing Shangyu Urban Construction Asset Management Co., Ltd.	218,609,912.78	-	-	The risk of bad debts is low.
Shaoxing Shangyu District Garden Management Center	136,497,927.42	-	-	The risk of bad debts is low.
Shaoxing City Shangyu District Demolition and Resettlement Office	120,931,574.00	-	-	The risk of bad debts is low.
Shaoxing Shangyu City Construction Qianjiang Smart City Construction Co., Ltd.	68,100,000.00	-	-	The risk of bad debts is low.
Shaoxing City Shangyu District Lianghu Town People's Government	40,000,000.00	-	-	The risk of bad debts is low.

Entity name	Other receivables	Provision for bad debt	Provision ratio (%)	Reason
Shaoxing Shangyu Small Town Construction Investment Co., Ltd.	35,268,628.14	-	-	The risk of bad debts is low.
Shaoxing Shangyu District Environmental Sanitation Management Center	21,381,322.10	-	-	The risk of bad debts is low.
Others	68,471,705.82	-	-	The risk of bad debts is low.
Total	3,091,277,892.41	-	-	

(d.2.2.2) In portfolio 2, other receivables with bad debt provision recognized collectively by aging analysis

Aging	31 Dec. 2020		
	Other receivables	Provision for bad debt	Provision ratio (%)
Within 1 year (including 1 year)	13,500.00	675.00	5.00
1 to 2 years	29,000.00	2,900.00	10.00
2 to 3 years	1,515.00	303.00	20.00
3 to 4 years	264,961.51	79,488.45	30.00
4 to 5 years	1,641,217.06	492,365.12	30.00
Over 5 years	56,746.50	28,373.25	50.00
Total	2,006,940.07	604,104.82	-

14.3 Long-term Equity Investments

Items	31 Dec. 2021			31 Dec. 2020		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Subsidiaries	5,354,760,521.90	-	5,354,760,521.90	5,202,220,544.90	-	5,202,220,544.90
Joint ventures and associates	3,527,620.69	-	3,527,620.69	-	-	-
Total	5,358,288,142.59	-	5,358,288,142.59	5,202,220,544.90	-	5,202,220,544.90

(a) Investments in subsidiaries

Investees	31 Dec. 2020	Increase during the reporting period	Decrease during the reporting period	31 Dec. 2021	Provision for impairment during the reporting period	Provision for impairment at 31 Dec. 2021
Shaoxing Shangyu Urban Rural Ecological Environmental Protection Development Co., Ltd.	62,024,033.42	-	-	62,024,033.42	-	-
Shangyu Chengzhong Village Gaizao Investment Development Co., Ltd.	2,177,333,316.35	-	-	2,177,333,316.35	-	-

Investees	31 Dec. 2020	Increase during the reporting period	Decrease during the reporting period	31 Dec. 2021	Provision for impairment during the reporting period	Provision for impairment at 31 Dec. 2021
Shaoxing Shangyu Haina Real Estate Co., Ltd.	201,023,357.44	-	-	201,023,357.44	-	-
Shaoxing Shangyu Construction Labor Affairs Agency Co., Ltd.	2,000,000.00	-	-	2,000,000.00	-	-
Shaoxing Shangyu Leju Property Service Co., Ltd.	-	1,000,000.00	-	1,000,000.00	-	-
Shaoxing Shangyu Urban Construction Assets Management Co., Ltd.	-	-	-	-	-	-
Shaoxing Shangyu Environmental Sanitation Management Group Co., Ltd.	227,556,031.00	-	-	227,556,031.00	-	-
Shaoxing Shangyu Street Lamp Management Co., Ltd.	100,000.00	-	-	100,000.00	-	-
Shaoxing Shangyu Urban Construction Project Management Co., Ltd.	1,000,000.00	9,000,000.00	-	10,000,000.00	-	-
Shaoxing Shangyu Lianghua Engineering Investment Management Co., Ltd.	30,000,000.00	-	-	30,000,000.00	-	-
Shangyu District High-speed Rail New Town Construction Investment Co., Ltd.	1,409,469,236.96	-	-	1,409,469,236.96	-	-
Shaoxing Shangyu Small Town Construction Investment Co., Ltd.	658,265,619.00	-	-	658,265,619.00	-	-
Shaoxing Shangyu Municipal Public Works Quality Inspection Co., Ltd.	3,595,015.85	-	-	3,595,015.85	-	-
Shangyu Urban Construction Hong Kong Company Limited	85,419.00	-	-	85,419.00	-	-
Shaoxing Shangyu Garden Municipal Group Co., Ltd.	232,382,698.80	42,539,977.00	-	274,922,675.80	-	-
Shaoxing Datong Holding Group Co., Ltd.	147,385,817.08	-	-	147,385,817.08	-	-
Shaoxing Shangyu Hongyan Construction and Development Co., Ltd.	50,000,000.00	-	-	50,000,000.00	-	-
Shaoxing Shangyu South Urban Construction and Development Co., Ltd.	-	100,000,000.00	-	100,000,000.00	-	-

Investees	31 Dec. 2020	Increase during the reporting period	Decrease during the reporting period	31 Dec. 2021	Provision for impairment during the reporting period	Provision for impairment at 31 Dec. 2021
Total	5,202,220,544.90	152,539,977.00	-	5,354,760,521.90	-	-

Note:

(a) Due to the negative net assets of Shaoxing Shangyu Urban Construction Asset Management Co., Ltd. on the transfer date, the cost of long-term equity investment is zero.

(b) Investments in joint ventures and associates

Investees	31 Dec. 2020	Changes during the reporting period				
		Increase during the reporting period	Decrease during the reporting period	Gains/(losses) on investments under the equity method	Adjustments of other comprehensive income	Changes in other equity
Joint ventures						
Zhejiang Tianquan Intelligent Technology Co., Ltd.	-	3,750,000.00	-	-222,379.31	-	-
Total	-	3,750,000.00	-	-222,379.31	-	-

(Continued)

Investees	Changes during the reporting period			31 Dec. 2021	Provision for impairment at 31 Dec. 2021
	Declaration of cash dividends or distribution of profit	Provision for impairment	Others		
Joint ventures					
Zhejiang Tianquan Intelligent Technology Co., Ltd.	-	-	-	3,527,620.69	-
Total	-	-	-	3,527,620.69	-

14.4 Revenue and Cost of Sales

(a) Revenue and cost of sales

Items	2021		2020	
	Revenue	Costs of sales	Revenue	Costs of sales
Principal activities	64,417,807.68	57,236,515.82	390,163,135.13	371,583,938.22
Other activities	2,471,698.04	-	5,448,383.47	-
Total	66,889,505.72	57,236,515.82	395,611,518.60	371,583,938.22

(b) Revenue and cost of sales by category

Items	2021		2020	
	Revenue	Costs of sales	Revenue	Costs of sales
Commercial housing sales	577,572.37	620,000.00	-	-

Items	2021		2020	
	Revenue	Costs of sales	Revenue	Costs of sales
Entrusted construction	59,362,664.80	56,535,871.24	390,163,135.13	371,583,938.22
Rental	4,477,570.51	80,644.58	-	-
Others	2,471,698.04	-	5,448,383.47	-
Total	66,889,505.72	57,236,515.82	395,611,518.60	371,583,938.22

14.5 Investment Income

Items	2021	2020
Investment income from long-term equity investments under equity method	-222,379.31	-
Gains on disposal of long-term equity investments	-	-
Investment income from available-for-sale financial assets during the holding period	-	6,536,219.14
Investment income from other equity instrument investments during the holding period	-	-
Total	-222,379.31	6,536,219.14

Name of the Company: Shaoxing Shangyu Urban Construction Group Co., Ltd.

Legal Representative:



Chief Financial Officer:



Finance Manager:



Date: 28 April 2022



统一社会信用代码

911101020854927874

营业执照

(副本)(5-1)



名称 容诚会计师事务所(特殊普通合伙)

类型 特殊普通合伙企业

出资人 周厚发

经营范围

审查企业会计报表，出具审计报告，验证企业资本，出具验资报告，办理企业合并、分立、清算事宜中的审计业务，出具审计报告，基本建设财务决算审计，代理记账，税务咨询，税务代理，财务管理咨询，会计培训，法律、法规、规章、规范性文件规定的其他业务，软件开发，软件及辅助设备销售，(市场主体依法自主选择经营项目，开展经营活动；依法须经批准的项目，经相关部门批准后依批准的内容开展经营活动；不得从事国家和本市产业政策禁止和限制类项目的经营活动。)

成立日期 2013年12月10日

合伙期限 2013年12月10日至 长期

主要经营场所 北京市西城区阜成门外大街22号1幢外经贸大厦901-22至901-26

登记机关



2021 年 08 月 27 日



会计师事务所 执业证书

名称：容诚会计师事务所(特殊普通合伙)

名

首席合伙人：周厚发

主任会计师：

经营场所：北京市西城区阜成门外大街22号1幢外经贸大厦901-22至901-26

组织形式：特殊普通合伙

执业证书编号：11010032

批准执业文号：京财会许可[2013]0067号

批准执业日期：2013年10月25日

证书序号：0011869

说明

1. 《会计师事务所执业证书》是证明持有人经财政部门依法审批，准予执行注册会计师法定业务的凭证。
2. 《会计师事务所执业证书》记载事项发生变动的，应当向财政部门申请换发。
3. 《会计师事务所执业证书》不得伪造、涂改、出租、出借、转让。
4. 会计师事务所终止或执业许可注销的，应当向财政部门交回《会计师事务所执业证书》。

发证机关：北京市财政局
二〇一三年六月十日

中华人民共和国财政部制

姓名: 周宇霞
 Full name: 周宇霞
 Sex: 女
 Date of birth: 1975-12-13
 所属会计师事务所(特准) (Firm name): 浙江分所
 Working unit: 浙江分所
 身份证号 (ID card No.): 360502197512150066



注册会计师继续教育
 (继续教育学时记录)

2021
检

浙江注册会计师协会

证书编号:
No. of Certificate: 110001690007

批准注册协会:
Authorized Institute of CPAs: 浙江省注册会计师协会

发证日期:
Date of Issuance: 2021 年 11 月 12 日

年度检验登记
 Annual Renewal Registration

本证书经检验合格, 继续有效一年。
 This certificate is valid for another year after this renewal.

注册会计师继续教育
 (继续教育学时记录)

2020
检

浙江注册会计师协会

年度检验登记
 Annual Renewal Registration

本证书经检验合格, 继续有效一年。
 This certificate is valid for another year after this renewal.

年 月 日



Auditor's Report

Shaoxing Shangyu Urban Construction Group Co., Ltd.

RSM SZ [2021] No. 310Z0256

RSM CHINA CPA LLP
CHINA·BEIJING

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Auditor's Report

RSM SZ [2021] NO.310Z0256

To the Shareholders of Shaoxing Shangyu Urban Construction Group Co., Ltd.:

Opinion

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

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

Basis for Opinion

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

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

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

In preparing the financial statements, Management is responsible for assessing Shangyu Urban Construction 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 Shangyu Urban Construction Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Shangyu Urban Construction Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

the entities or business activities within Shangyu Urban Construction 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 to 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.

(There is no text below, which is the signature and stamp page of RSM SZ [2021]

NO 3000006, Shangyu Urban Construction Group's audit report.)



China-Beijing

Name of CPA:



Name of CPA:



Name of CPA:



Date: 28 April 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER

容诚会计师事务所
审 核 章

Prepared by: Shuang Shuang Urban Construction Company Limited

Item	2019	2018	Item	2019	2018
Current assets			Current liabilities		
Cash and cash equivalents	1,000,000,000.00	1,000,000,000.00	Short-term borrowings	0.00	1,000,000,000.00
Financial assets at fair value through profit or loss			Financial liabilities at fair value through profit or loss		
Derivative financial assets			Derivative financial liabilities		
Receivables	10	100,000,000.00	Other payables	0.00	1,000,000,000.00
Accounts receivable	0.00	100,000,000.00	Accounts payable	0.00	100,000,000.00
Prepayments	0.00	100,000,000.00	Advances from customers	0.00	100,000,000.00
Other receivables	0.00	1,000,000,000.00	Employee benefits payable	0.00	100,000,000.00
Inventory	0.00	100,000,000.00	Taxes payable	0.00	100,000,000.00
Assets classified as held for sale			Other payables	0.00	1,000,000,000.00
Total current assets	1,000,000,000.00	1,000,000,000.00	Total current liabilities	1,000,000,000.00	1,000,000,000.00
Non-current assets			Non-current liabilities		
Available-for-sale financial assets	0.00	100,000,000.00	Long-term borrowings	0.00	1,000,000,000.00
Long-term equity investments	0.00	100,000,000.00	Long-term payables	0.00	1,000,000,000.00
Long-term receivables	0.00	100,000,000.00	Long-term payables	0.00	100,000,000.00
Long-term equity investments	0.00	100,000,000.00	Long-term employee benefits payable	0.00	100,000,000.00
Investment properties	0.00	100,000,000.00	Deferred income	0.00	100,000,000.00
Property, plant and equipment	0.00	100,000,000.00	Deferred income	0.00	100,000,000.00
Construction in progress	0.00	100,000,000.00	Deferred income	0.00	100,000,000.00
Intangible assets	0.00	100,000,000.00	Deferred income	0.00	100,000,000.00
Other non-current assets	0.00	100,000,000.00	Deferred income	0.00	100,000,000.00
Total non-current assets	0.00	100,000,000.00	Total non-current liabilities	0.00	100,000,000.00
Total assets	1,000,000,000.00	1,000,000,000.00	Total liabilities	1,000,000,000.00	1,000,000,000.00
Equity			Equity		
Shareholders' equity	0.00	1,000,000,000.00	Shareholders' equity	0.00	1,000,000,000.00
Long-term deferred income	0.00	100,000,000.00	Long-term deferred income	0.00	100,000,000.00
Deferred income	0.00	100,000,000.00	Deferred income	0.00	100,000,000.00
Other non-current assets	0.00	100,000,000.00	Other non-current assets	0.00	100,000,000.00
Total non-current assets	0.00	100,000,000.00	Total non-current assets	0.00	100,000,000.00
Total assets	1,000,000,000.00	1,000,000,000.00	Total assets	1,000,000,000.00	1,000,000,000.00

Legal Representative

Chief Financial Officer

Finance Manager

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 DECEMBER

容诚会计师事务所
审 核 章

Prepared by: Shanning Mengzi Urban Construction Group Co., Ltd.

	Unit	2019	2018
I. Revenue	1.01	2,265,069,649.49	2,196,476,029.02
Less: Costs of sales	1.01	2,007,093,706.54	2,005,226,154.95
Transport and freightage	1.01	23,004,709.40	25,346,917.49
Selling and distribution expenses		60,983,261.78	64,637,707.42
General and administrative expenses		224,897,946.40	198,427,420.96
Research and development expenses			
Finance costs	1.01	20,094,007.54	16,723,267.99
Including: Income expenses		60,423,000.93	57,001,984.32
Interest income		16,899,133.13	19,679,072.51
Add: Other income	1.34	75,627,628.18	114,449,847.56
Investment income(Gain/Loss)	1.01	3,186,137.82	7,084,911.36
Including: Investment income from associates and joint ventures		1,000,070.26	5,947,124.97
Gain/(Loss) from changes in fair value			
Impairment loss of assets	1.01	(28,711,687.75)	4,971,459.66
Gain/(Loss) from disposal of assets	1.01	-	6,352,896.82
		111,086,106.34	111,682,146.93
II. Profit/(Loss) from operations		257,975,942.95	1,875,673.42
Add: Non-operating income	1.41	1,201,711.89	3,611,873.36
Less: Non-operating expenses	1.41	(26,762,076.24)	(58,199,546.17)
III. Profit/(Loss) before tax		17,415,448.59	16,887,999.59
Less: Income tax expenses	1.41	(22,138,797.86)	(34,393,999.87)
IV. Net profit/(loss) for the year		(4,723,349.27)	(17,506,000.28)
(1) Net profit/(loss) for continuity		(4,723,349.27)	(17,506,000.28)
Net profit/(loss) from continuing operation		-	-
Net profit/(loss) from discontinued operation		-	-
(2) Net profit/(loss) by ownership attribution			
Attributable to owners of the parent		(46,413,454.92)	(12,869,199.87)
Attributable to non-controlling interests		(29,679,747.96)	3,594,680.79
V. Other comprehensive income for the year, after tax			
(a) attributable to owners of the parent			
(i) Items that will not be reclassified subsequently to profit or loss			
1. Remeasurement of the net defined benefit liability (asset)			
2. Share of the other comprehensive income of the investee accounted for using the equity method which will not be reclassified subsequently to profit or loss			
(ii) Items that may be reclassified subsequently to profit or loss			
1. Share of the other comprehensive income of the investee accounted for using the equity method which will be reclassified subsequently to profit or loss			
2. Gain/(Loss) arising from changes in fair value of available-for-sale financial assets			
3. Gain/(Loss) arising from reclassification of held-for-trading investment as available-for-sale financial assets			
4. The effective portion of the gains/losses on cash flow hedge			
5. Exchange differences on translating foreign operations			
6. Others			
(b) attributable to non-controlling interests			
VI. Total comprehensive income for the year		(4,723,349.27)	(17,506,000.28)
Attributable to owners of the parent		(46,413,454.92)	(12,869,199.87)
Attributable to non-controlling interests		(29,679,747.96)	3,594,680.79
VII. Earnings per share:			
Basic earnings per share			
Diluted earnings per share			

In the current period, the net profit realized by the company before the consolidation was CNY2,265,069,649.49. And the net profit realized by the company in the prior period was CNY2,196,476,029.02.

Legal Representative:

Chief Financial Officer:

Finance Manager:

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER

容诚会计师事务所
审 核 章
Unit: RMB 100,000
2019

Prepared by: Shaoxing Shengru Metal Construction Group Co., Ltd.

Item	2019	2018
I. Cash flows from operating activities		
Cash received from sale of goods or rendering of services	2,339,222,329.59	2,211,218,748.76
Refund of tax and interest	-	-
Other cash received relating to operating activities	3,359,256,856.37	3,860,387,004.42
Sub-total of cash inflows from operating activities	6,098,479,185.97	6,071,605,753.17
Cash paid for material, commodities or labor	3,775,228,021.44	3,999,627,497.19
Cash paid to and for employees	214,384,677.14	182,239,708.47
Payments of all types of taxes	83,402,499.24	96,891,274.00
Other cash paid relating to operating activities	275,719,402.77	1,217,683,302.73
Sub-total of cash outflows from operating activities	4,248,734,600.60	4,496,441,782.39
Net cash flows from operating activities	1,849,744,585.37	1,575,163,970.78
II. Cash flows from investing activities		
Cash received from disposal of investments	38,791,200.00	-
Cash received from returns on investments	47,604,969.87	6,046,824.49
Net cash received from deposits of property, plant and equipment, intangible assets and other long-term assets	30,761.95	11,446,788.88
Net cash received from deposits of subsidiaries or other business units	-	312,384.82
Other cash received relating to investing activities	2,890.33	-
Sub-total of cash inflows from investing activities	86,148,161.15	17,886,938.19
Cash paid to acquire property, plant and equipment, intangible assets and other long-term assets	279,485,803.75	287,983,041.00
Cash paid to acquire investments	31,040,888.00	8,120,888.88
Net cash paid to acquire subsidiaries and other business units	-	-
Other cash payments relating to investing activities	-	21,027.22
Sub-total of cash outflows from investing activities	310,526,691.75	296,124,949.10
Net cash flows from investing activities	-224,378,530.60	-278,237,910.91
III. Cash flows from financing activities		
Cash received from capital contributions	150,000,000.00	-
Including: Cash receipts from minority shareholders' investments absorbed by subsidiaries	-	-
Cash received from borrowings	3,257,334,000.00	3,817,459,000.00
Other cash received relating to financing activities	175,218,899.88	251,838,143.71
Sub-total of cash inflows from financing activities	3,582,552,899.88	4,069,297,143.71
Cash repayments of amounts borrowed	3,449,769,000.00	4,211,838,888.88
Cash payments for dividends, distribution of profit or interest expense	427,303,564.54	715,687,449.22
Including: Cash payments for dividends and distribution of profit to minority shareholders	-	-
Other cash payments relating to financing activities	12,128,487.86	140,375,129.16
Sub-total of cash outflows from financing activities	3,889,199,051.40	5,067,901,467.26
Net cash flows from financing activities	-306,646,151.52	-998,604,323.55
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-45,887,761.67	16,394,374.82
V. Net increase / (decrease) in cash and cash equivalents	-169,366,857.32	-489,899,886.95
Plus: Cash and cash equivalents at the beginning of the period	3,819,074,361.48	4,308,974,248.43
VI. Cash and cash equivalents at the end of the period	3,649,707,504.16	3,819,074,361.48

Legal Representative

Chief Financial Officer

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

Prepared by: Shaoxing Shengye (Group) Construction Group Co., Ltd.

2020

Item	Company's equity attributable to the parent companies											Total equity supply
	Paid in capital	Other equity instruments		Capital reserves	Less Treasury stock	Other comprehensive income	Specific reserves	Surplus reserves	Retained	Non-controlling interests		
		Preference shares	Resignation capital securities								Others	
I. Balance at 31 December 2019	17,940,000.00			12,500,000,000.00				80,000,000.00	1,495,000,000.00	15,000,000,000.00	1,795,000,000.00	16,795,000,000.00
(a) Changes in accounting policy												
(b) Extension of prior period errors												
(c) Business combinations under common control												
(d) Others									14,000,000.00	1,000,000,000.00	1,014,000,000.00	10,154,000,000.00
II. Balance at 1 January 2020	17,940,000.00			12,500,000,000.00				80,000,000.00	1,495,000,000.00	15,000,000,000.00	1,795,000,000.00	16,795,000,000.00
III. Changes in equity during the reporting period												
(a) Total comprehensive income												
(1) Capital contributions in valid periods by investors												
(2) Capital contributed by holders of other equity instruments												
(3) Share-based payments recognized in current results												
(4) Others												
(b) Profit distribution												
(1) Withdrawal of surplus reserves												
(2) Profit distribution to investors (or distributions)												
(3) Others												
(c) Share Transfer between equity												
(1) Capital reserves transfer to paid in capital												
(2) Surplus reserves transfer to paid in capital												
(3) Surplus reserves used to issue non-controlling shares												
(4) Reduced treasury stock results in retained earnings												
(5) Others												
(d) Specific reserves												
(1) Withdrawal during the reporting period												
(2) Usage during the reporting period												
(e) Others												
IV. Balance at 31 December 2020	17,940,000.00			12,500,000,000.00				80,000,000.00	1,495,000,000.00	15,000,000,000.00	1,795,000,000.00	16,795,000,000.00

Prepared by: Shaoxing Shengye (Group) Construction Group Co., Ltd.

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Prepared by: Shaoxing Shengye (Group) Construction Group Co., Ltd.

Table 1



AS AT 31 DECEMBER

容诚会计师事务所
审 核 章

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STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

Prepared by: Shanning Shangyu Urban Education Group Co., Ltd.

容诚会计师事务所

Unit: Yuan Currency: CNY

审 核 章

	Note	2020	2019
I. Revenue	13.4	205,601,518.49	142,204,979.49
Less: Costs of sales	13.4	275,421,404.06	1,014,006.49
Transport and exchange		1,200,400.00	1,424,700.00
Selling and distribution expenses			
Administrative expenses		21,286,279.06	17,903,371.49
Research and development expenses			
Finance costs		-14,609,140.24	-4,274,870.49
Including: Interest expense		55,434,450.30	27,713,864.38
Interest income		14,303,337.40	34,885,006.77
ADD: Other income		46,572,600.00	147,702,681.49
Investment income(losses)	13.5	8,026,219.14	681,882.00
Including: Investment income from associates and joint ventures		-	681,882.00
Gain(losses) from changes in fair value			
Impairment loss of assets		3,101,881.12	-1,342,380.00
Gain(losses) from disposal of assets			
II. Profit(loss) from operations		76,446,677.14	143,204,979.49
Add: Non-operating income		1,608,217.67	-
Less: Non-operating expenses		-	-
III. Profit(loss) before tax		78,054,894.81	143,204,979.49
Less: Income tax expenses			
IV. Net profit(loss) for the year		78,054,894.81	143,204,979.49
Net profit(loss) from continuing operation		78,054,894.81	143,204,979.49
Net profit(loss) from discontinued operation			
V. Other comprehensive income for the year, after tax			
(i) Items that will not be reclassified subsequently to profit or loss			
1. Remeasurement of the net defined benefit liability (asset)			
2. Share of the other comprehensive income of the investee accounted for using the equity method which will not be reclassified subsequently to profit or loss			
(ii) Items that may be reclassified subsequently to profit or loss			
1. Share of the other comprehensive income of the investee accounted for using the equity method which will be reclassified subsequently to profit or loss			
2. Gain(losses) arising from changes in fair value of available-for-sale financial assets			
3. Gain(losses) arising from reclassification of held-to-maturity investment to available-for-sale financial assets			
4. The effective portion of the gains/losses on cash flow hedge			
5. Exchange differences on translating foreign operations			
VI. Total comprehensive income for the year		78,054,894.81	143,204,979.49
VII. Earnings per share:			
Basic earnings per share			
Diluted earnings per share			

Legal Representative

Chief Financial Officer

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER

容诚会计师事务所
Rongcheng Certified Public Accountants

Prepared by: Shaoxing Shengyu Urban Construction Group Co., Ltd.

审 核 章

Items	Unit	2020	2019
I. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		432,943,381.49	18,433,843.37
Refund of tax and fees		-	-
Other cash received relating to operating activities		926,971,641.48	826,334,481.49
Sub-total of cash inflows from operating activities		1,359,915,022.97	844,768,324.86
Cash paid for received commodities or labor		144,704,860.49	182,556,463.43
Cash paid to and on employees		6,512,879.79	1,349,763.44
Payments of all types of taxes		1,149,135.49	1,187,462.42
Other cash paid relating to operating activities		1,203,291,519.43	563,333,551.94
Sub-total of cash outflows from operating activities		2,504,500,385.40	747,387,240.23
Net cash flows from operating activities		-1,144,585,362.43	97,381,084.63
II. Cash flows from investing activities			
Cash received from disposal of investments		35,778,340.94	-
Cash received from returns on investments		4,334,219.14	289,307.88
Net cash received from disposals of property, plant and equipment, intangible assets and other long-term assets		-	-
Net cash received from disposals of subsidiaries or other business units		-	111,344.00
Other cash received relating to investing activities		-	-
Sub-total of cash inflows from investing activities		40,112,560.08	400,651.88
Cash paid to acquire property, plant and equipment, intangible assets and other long-term assets		204,883.49	15,384.01
Cash paid to acquire investments		-	20,887,419.00
Net cash paid to acquire subsidiaries and other business units		-	-
Other cash payments relating to investing activities		-	-
Sub-total of cash outflows from investing activities		204,883.49	20,902,803.01
Net cash flows from investing activities		39,907,676.59	-19,899,141.13
III. Cash flows from financing activities			
Cash received from capital contributions		-	1,372,300,000.00
Cash received from borrowings		1,847,500,000.00	1,372,300,000.00
Other cash received relating to financing activities		9,950,000.00	13,782,944.00
Sub-total of cash inflows from financing activities		2,897,450,000.00	2,758,382,944.00
Cash repayments of amounts borrowed		1,244,150,000.00	792,750,000.00
Cash payments for dividends, distribution of profits or interest expenses		165,203,473.71	375,111,760.70
Other cash payments relating to financing activities		7,828,407.46	9,950,000.00
Sub-total of cash outflows from financing activities		2,417,181,881.17	1,167,811,760.70
Net cash flows from financing activities		480,268,118.83	1,590,571,183.30
IV. Effect of foreign exchange rate changes on cash and cash equivalents			
V. Net increase(decrease) in cash and cash equivalents		-654,327,653.45	558,052,126.80
Plus: Cash and cash equivalents at the beginning of the period		1,088,427,034.34	530,374,907.54
VI. Cash and cash equivalents at the end of the period		434,099,380.89	1,088,427,034.34

Legal Representative

Chief Financial Officer

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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER

容誠會計師事務所
中核
Zhong Ke Certified Public Accountants

Items	Profit or Loss		Other equity instruments		Capital reserves	Less treasury shares	Other comprehensive income	Specific reserves	Surplus reserves	Retained earnings	Total reserves/equity
	Profit	Loss	Performance shares	Proportional capital increase							
3. Balance at 1 December 2019	179,696,000.00		-	-	8,630,000,000.00	-	-	-	84,000,000.00	784,247,000.00	9,797,926,000.00
Add: Changes in accounting policy											-
Correction of prior period errors											-
Others											-
35. Balance at 1 January 2020	179,696,000.00		-	-	8,630,000,000.00	-	-	-	84,000,000.00	784,247,000.00	9,797,926,000.00
36. Changes in equity during the reporting period					1,627,000,000.00				894,000.00	78,564,500.00	1,699,564,500.00
(i) Total comprehensive income											
(ii) Capital contribution or withdrawal by owners											
1. Ordinary shares contributed by owners											
2. Capital contributed by holders of other equity instruments											
3. The amount of share-based payments included in owners' equity											
4. Others											
(iii) Profit distribution											
1. Withdrawal of surplus reserves											
2. Profit distribution to investors (or distributions)											
3. Others											
(iv) Transfer between equity											
1. Capital reserves transfer to paid-in capital											
2. Surplus reserves transfer to paid-in capital											
3. Surplus reserves used to cover accumulated deficits											
4. Deduct benefit plan transfer to retained earnings											
5. Others											
(v) Specific reserves											
1. Withdrawal during the reporting period											
2. Change during the reporting period											
(vi) Others											
37. Balance at 31 December 2020	179,696,000.00		-	-	10,257,000,000.00	-	-	-	84,894,000.00	862,811,500.00	11,291,400,500.00



黃建印
Huang Jian Yin

燕晚印
Yan Wan Yin

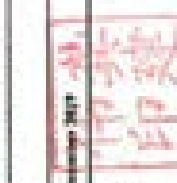
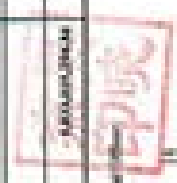
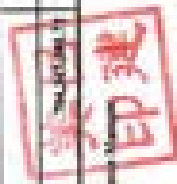
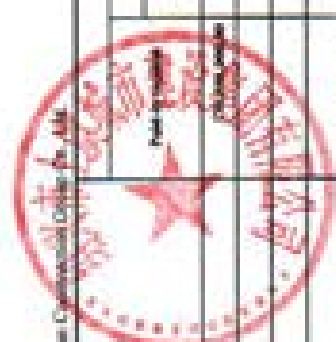
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Wei Jian Yin

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER

Prepared for: Shanghai Shuangyu Urban Construction Co., Ltd.

2017

Items	Other equity instruments			Capital reserves	Loan premium	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Total owners' equity
	Preference shares	Preferred capital instruments	Others							
(a) Balance at 31 December 2016	-	-	-	1,977,971,280.79	-	-	-	68,429,268.73	78,429,268.73	8,793,219,269.26
Additional changes in accounting policy	-	-	-	-	-	-	-	-	-	-
Correction of prior period errors	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
(b) Balance at 1 January 2017	-	-	-	1,977,971,280.79	-	-	-	68,429,268.73	78,429,268.73	8,793,219,269.26
(c) Changes in equity during the reporting period	-	-	-	601,660,933.06	-	-	-	15,454,458.48	127,718,980.17	699,834,351.31
(d) Total comprehensive income	-	-	-	-	-	-	-	-	-	-
(e) Capital contributions as evidenced by	-	-	-	601,660,933.06	-	-	-	-	-	601,660,933.06
1. Ordinary shares issued by owners	-	-	-	-	-	-	-	-	-	-
2. Capital contributed by holders of other equity instruments	-	-	-	-	-	-	-	-	-	-
3. The amount of share-based payments recognized as increase of equity	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-
(f) Profit distribution	-	-	-	601,660,933.06	-	-	-	-	-	601,660,933.06
1. Withdrawal of surplus reserves	-	-	-	-	-	-	-	-	-	-
2. Profit distribution to holders (as dividends)	-	-	-	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-	-	-	-
(g) Transfer between equity	-	-	-	-	-	-	-	-	-	-
1. Capital reserves transfer to paid-in capital	-	-	-	-	-	-	-	-	-	-
2. Surplus reserves transfer to paid-in capital	-	-	-	-	-	-	-	-	-	-
3. Surplus reserves used to cover accounted deficits	-	-	-	-	-	-	-	-	-	-
4. General transfer plan transfer to retained earnings	-	-	-	-	-	-	-	-	-	-
5. Others	-	-	-	-	-	-	-	-	-	-
(h) Specific reserves	-	-	-	-	-	-	-	-	-	-
1. Withdrawal during the reporting period	-	-	-	-	-	-	-	-	-	-
2. Usage during the reporting period	-	-	-	-	-	-	-	-	-	-
(i) Others	-	-	-	-	-	-	-	-	-	-
(j) Balance at 31 December 2017	-	-	-	2,579,632,213.85	-	-	-	83,883,727.21	196,148,248.90	9,493,053,620.57



Shaoxing Shangyu Urban Construction Group Co., Ltd.

Notes to the Financial Statements

Year 2020



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

1. BASIC INFORMATION ABOUT THE COMPANY

1.1 Corporate Information

On 28 May 2002, Shangyu Urban Construction Development Co., Ltd. (hereinafter referred to as "the Company") was established by Shangyu Planning and Construction Bureau (now renamed as Shaoxing Shangyu District Housing and Urban-Rural Construction Bureau) with a capital contribution of CNY100 million and has been audited by the Shangyu Tongji Certified Public Accountants Firm and issued with the verification report No.286 (2002).

According to Shaoxing Shangyu District Municipal People's Government's document (2014) No.51, Shangyu Urban Construction Development Co., Ltd. was promoted to group company, and its name was changed to Shaoxing Shangyu Urban Construction Group Co., Ltd. The investor has changed from Shaoxing Shangyu District Housing and Urban-Rural Construction Bureau to Shangyu District State-owned Assets Supervision and Administration Commission. The registered capital increased to CNY1 billion, and CNY0.5 billion was invested in the form of land-use rights, of which CNY0.1 billion was required to be invested on 28 May 2002, and CNY0.4 billion was gradually paid in place before 30 September 2025; CNY0.5 billion was invested in the form of currency, of which the payment time of CNY70 million was 27 September 2017, and CNY0.43 billion contribution should be gradually in place no later than 30 September 2022.

On 27 September 2017, Shaoxing Shangyu District State-owned Assets Supervision and Administration Commission invested CNY70 million in monetary funds. As at 31 December 2018, the cumulative contribution of shareholders was CNY170 million, with a 100.00% shareholding ratio.

On 1 October 2019, according to Shaoxing Shangyu District State-owned Assets Supervision and Administration Commission's document (2019) No.54, 51% equity of Shaoxing Shangyu District State-owned Assets Supervision and Administration Commission was transferred to Shaoxing Shangyu District State-owned Capital Investment and Operation Co., Ltd. for free. After the change in owner's equity, Shaoxing Shangyu District State-owned Capital Investment and Operation Co., Ltd. subscribed CNY86,700,000.00, and paid in CNY86,700,000.00, with a shareholding ratio of 51.00%. Shaoxing Shangyu District State-owned Assets Supervision and Administration Commission subscribed CNY83,300,000.00, and paid in CNY83,300,000.00, with a shareholding ratio of 49.00%.

The Company was involved in the following operating activities: urban infrastructure construction; shantytown demolition, reconstruction and resettlement; land consolidation development and management; garden, greening, municipal engineering construction; urban municipal, garden, environmental sanitation infrastructure maintenance; environmental sanitation cleaning services; urban space advertising management rights and naming rights Operation; house leasing; property management; sales of building materials; foreign investment and operation management; related design, scientific research, quality inspection and consultation of urban construction projects.

Legal representative: Jianwei Kung.

Company address: Room 401, No. 638 Jiangdong North Road, Baiguan Street, Shangyu District, Shaoxing.

The parent company of the Company is Shaoxing Shangyu District State-owned Capital Investment and Operation Co., Ltd.

Ultimate Controlling Owner is Shaoxing Shangyu District State-owned Assets Supervision and Administration Commission.

The financial statements were approved and authorized to issue on 28 April 2021.

1.2 Scope of Consolidation

(a) Incorporated subsidiaries of the Company

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

Sequence Number	Name of Subsidiaries	Abbreviation of Subsidiaries	Proportion of Ownership Interest (%)	
			Direct	Indirect
1	Shaoxing Shangyu Urban-Rural Ecological Environment Protection Development Co., Ltd.	Urban-Rural Ecological Environment Protection	100.00	
2	Shaoxing Shangyu Chengzhong Village Reconstruction Investment Development Co., Ltd.	Chengzhong Village Reconstruction	100.00	
3	Shaoxing Shangyu Haina Property Co., Ltd.	Haina Property	100.00	
4	Shaoxing Shangyu Hongyan Construction and Development Co., Ltd.	Shangyu Hongyan Construction	50.00	50.00
5	Shaoxing Shangyu Construction Labor Affairs Agent Co., Ltd.	Labor Affairs Agent	100.00	
6	Shaoxing Shangyu Leju Property Service Co., Ltd.	Leju Property	100.00	
7	Shaoxing Shangyu Urban Construction Asset Management Co., Ltd.	Urban Construction Asset Management	100.00	
8	Shaoxing Shangyu City Construction Project Management Co., Ltd.	City Construction Project	100.00	

Sequence Number	Name of Subsidiaries	Abbreviation of Subsidiaries	Proportion of Ownership Interest (%)	
			Direct	Indirect
9	Shaoxing Shangyu Environmental Sanitation Management Group Co., Ltd.	Environmental Sanitation Management	100.00	
10	Shaoxing Shangyu Environmental Sanitation Equipment Maintenance Service Co., Ltd.	Environmental Sanitation Equipment Maintenance		100.00
11	Shaoxing Shangyu Sanitation Group Yuxi Sanitation Management Co., Ltd.	Yuxi Sanitation Management		100.00
12	Shaoxing Shangyu Solid Waste Treatment Service Co., Ltd.	Solid Waste Treatment Service		100.00
13	Shaoxing Shangyu Solid Waste Clearing and Transportation Service Co., Ltd.	Solid Waste Clearing and Transportation Service		100.00
14	Shaoxing Shangyu Sanitation Group Urban Sanitation Management Co., Ltd.	Sanitation Group Urban Sanitation Management		100.00
15	Shaoxing City Shangyu District Ejiajiang Construction Waste Disposal Co., Ltd.	Ejiajiang Construction Waste Disposal		100.00
16	Shaoxing Shangyu District Street Light Management Co., Ltd.	Street Light Management	100.00	
17	Shaoxing Shangyu Lighting Engineering Investment Management Co., Ltd.	Lighting Engineering	100.00	
18	Shaoxing Shangyu District High-speed Rail New Town Construction Investment Co., Ltd.	High-speed Rail New Town	100.00	
19	Shaoxing Shangyu Small Town Construction Investment Co., Ltd.	Small Town Construction	100.00	
20	Shaoxing Shangyu Municipal Public Engineering Quality Testing Co., Ltd.	Municipal Public Engineering Quality Testing	100.00	
21	Shangyu Urban Construction Hong Kong Co., Ltd.	Shangyu Urban Construction Hong Kong	100.00	
22	Shaoxing Shangyu Garden Municipal Group Co., Ltd.	Garden Municipal Group	100.00	
23	Shaoxing Shangyu Lixin Trade Co., Ltd.	Lixin Trade		100.00
24	Shaoxing Shangyu Green Energy Environmental Protection New Material Co., Ltd.	Green Energy Environmental Protection		60.00
25	Shaoxing Shangyu Municipal Construction Engineering Co., Ltd.	Municipal Construction		100.00
26	Shaoxing Shangyu Landscaping Engineering Construction Co., Ltd.	Landscaping		100.00

Sequence Number	Name of Subsidiaries	Abbreviation of Subsidiaries	Proportion of Ownership Interest (%)	
			Direct	Indirect
27	Shaoxing Shangyu Municipal Maintenance Co., Ltd.	Municipal Maintenance		100.00
28	Shaoxing Shangyu Garden Maintenance Co., Ltd.	Garden Maintenance		100.00
29	Shaoxing Datong Holdings Group Co., Ltd.	Datong Group	51.04	
30	Shaoxing Datong Agricultural Products Wholesale Market Co., Ltd.	Agricultural Products Wholesale Market		100.00
31	Shaoxing Datong E-Commerce Co., Ltd.	E-Commerce		50.00
32	Shaoxing Datong Culture Media Co., Ltd.	Culture Media		51.00
33	Shaoxing Shangyu Datong Farm Co., Ltd.	Datong Farm		51.00
34	Shaoxing Shangyu Yutong Agricultural Technology Co., Ltd.	Agricultural Technology		60.00
35	Shaoxing Datong Supermarket Co., Ltd.	Datong Supermarket		100.00
36	Shaoxing Shangyu District Yuheng Property Management Co., Ltd.	Property Management		100.00
37	Shaoxing Shangyu District Yutong Real Estate Development Co., Ltd.	Yutong Real Estate		100.00
38	Shaoxing Datong Mall Co., Ltd.	Datong Mall		76.64
39	Shaoxing Shangyu Datong Mall Enterprise Management Co., Ltd.	Mall Enterprise Management		95.00
40	Shaoxing Shangyu Datong Shunyang Investment Co., Ltd.	Shunyang Investment		57.15
41	Shaoxing Shangyu Yibin Trading Co., Ltd.	Yibin Trading		100.00
42	Shaoxing Shangyu Datong Binjiang Farmers Market Management Co., Ltd.	Binjiang Farmers Market		100.00
43	Shaoxing Shangyu Datong Binhai Mall Co., Ltd.	Binhai Mall		55.00
44	Shaoxing Shangyu Datong Binjiang Mall Co., Ltd.	Binjiang Mall		100.00
45	Shaoxing Shangyu District Tea Co., Ltd.	Datong Tea		59.75
46	Shaoxing Shangyu Datong Market Development Co., Ltd.	Market Development		100.00
47	Shaoxing Shangyu District Neighborhood Center Asset Management Co., Ltd.	Neighborhood Center Asset Management		100.00

Sequence Number	Name of Subsidiaries	Abbreviation of Subsidiaries	Proportion of Ownership Interest (%)	
			Direct	Indirect
48	Shaoxing Shangyu District Material Recycling Co., Ltd.	Material Recycling		65.00
49	Shaoxing Shangyu Datong Used Car Trading Market Co., Ltd.	Used Car Trading		80.00
50	Shaoxing Shangyu District Agricultural Production Materials Co., Ltd.	Agricultural Production Materials		66.62
51	Shaoxing Shangyu Runnong Chemical Co., Ltd.	Runnong Chemical		51.00
52	Shaoxing Shangyu Jianmin Poultry Slaughter Co., Ltd.	Jianmin Poultry Slaughter		100.00
53	Shaoxing City Shangyu District Donghai Gas Co., Ltd. [Note 1]	Donghai Gas		50.00
54	Shaoxing City Shangyu District Dongguan Liquid Gas Co., Ltd.	Dongguan Liquid Gas		65.00
55	Shaoxing Shangyu District Sinopec Datong Oil and Gas Station Construction and Development Co., Ltd. [Note 1]	Sinopec Oil and Gas		50.00
56	Xiaojin County Jinshun Agricultural Products Co., Ltd.	Jinshun Agricultural Products		100.00
57	Zhoushan Yutong Petrochemical Co., Ltd.	Yutong Petrochemical		100.00
58	Shaoxing Shangyu Datong Pension Co., Ltd.	Datong Pension		100.00
59	Shaoxing Shangyu Datong Rural Tourism Co., Ltd.	Datong Rural Tourism		100.00
60	Shaoxing Fengbao Agricultural Material Co., Ltd.	Fengbao Agricultural Material		100.00
61	Shaoxing Shangyu Datong Dingzan Agricultural Development Co., Ltd.	Dingzan Agricultural		55.00
62	Shaoxing Shangyu Community Service Center Management Co., Ltd.	Community Service Center		100.00
63	Shaoxing Shangyu Greenland Agricultural Garden Co., Ltd.	Greenland Agricultural Garden		100.00
64	Shaoxing Shangyu Huanji Renewable Resources Utilization Co., Ltd.	Huanji Renewable Resources		100.00

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

Note 1: The Company holds 50.00% of the shares of Shaoxing City Shangyu District Donghai Gas Co., Ltd. and Shaoxing Shangyu District Sinopec Datong Oil and Gas Station Construction and Development Co., Ltd., and signed a

concerted action agreement. Therefore, the Company has a substantial control, and so it is incorporated into the merger as a subsidiary.

(b) Change of the scope of consolidation

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

Sequence Number	Name of Subsidiaries	Abbreviation of Subsidiaries	Reason of incorporation
1	Shaoxing Fengbao Agricultural Material Co., Ltd.	Fengbao Agricultural Material	Newly established
2	Shaoxing Shangyu Datong Dingzan Agricultural Development Co., Ltd.	Dingzan Agricultural	Newly established
3	Shaoxing Shangyu Greenland Agricultural Garden Co., Ltd.	Greenland Agricultural Garden	Business combinations under common control
4	Shaoxing Shangyu Huanji Renewable Resources Utilization Co., Ltd.	Huanji Renewable Resources	Business combinations not under common control

The subsidiaries reduced during the reporting period are as follows:

Sequence Number	Name of Subsidiaries	Abbreviation of Subsidiaries	Reason of Reduction
1	Zhonghe Pension (Shaoxing) Co., Ltd.	Zhonghe Pension	Cancellation

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

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Basis of Preparation

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

2.2 Going Concern

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

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

accounting policies in the Accounting Standards for Business Enterprises.

3.1 Statement of Compliance with the Accounting Standards for Business Enterprises

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

3.2 Accounting Period

The accounting year of the Company is from January 1 to December 31 in calendar year.

3.3 Operating Cycle

The normal operating cycle of the Company is twelve months.

3.4 Functional Currency

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

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

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

(a) Business combinations under common control

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

(b) Business combinations not under common control

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

and the fair value of the identifiable net assets it obtains from the acquired entity:

- (i) It shall reexamine the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities it obtains from the acquired entity as well as the combination costs;
- (ii) If, after the reexamination, the combination costs are still less than the fair value of the identifiable net assets it obtains from the acquired entity, the balance shall be recognized in profit or loss of the reporting period.

(c) Accounting treatment of transaction costs in business combinations

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

3.6 Method of Preparing the Consolidated Financial Statements

(a) Scope of consolidation

The scope of consolidated financial statements shall be determined on the basis of control. It not only includes subsidiaries determined based on voting power (or similar) or other arrangement, but also structured entities under one or several contract arrangements.

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

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

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

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

- (i) The purpose of the Company is to provide investment management services to investors and obtain funds from one or more investors.
- (ii) The Company's sole operating purpose is to allow investors to obtain returns

through capital appreciation, investment income or both.

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

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

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

(c) Method of preparing the consolidated financial statements

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

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

- (i) Combine items of assets, liabilities, owner's equity, income, expenses and cash flows of the Company with those of the Company's subsidiaries.
- (ii) Offset the carrying amount of the Company's long-term equity investment in the subsidiaries and the Company's share of owner's equity of the subsidiaries.
- (iii) Eliminate the impact of intragroup transactions between the Company and the subsidiaries or between subsidiaries, and when intragroup transactions indicate an impairment of related assets, the losses shall be recognized in full.
- (iv) Make adjustments to special transactions from the perspective of the group.

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

- (i) Addition of subsidiaries or business

Addition of subsidiaries or business through business combination under common control

When preparing consolidated statements of financial position, the opening balance of

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

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

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

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

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

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

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

(ii) Disposal of subsidiaries or business

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

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

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

(e) Special consideration in consolidation elimination

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

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

subsidiary's equity.

- (ii) Due to not belonging to paid-in capital and capital reserve, and being different from retained earnings and undistributed profit, "Special provision" and "General risk provision" shall be recovered at the share of the parent after long-term equity investment to the subsidiaries is eliminated with the subsidiaries' equity.
- (iii) If temporary difference between the book value of the assets and liabilities in the consolidated statement of financial position and their tax basis is generated as a result of unrealized intra-group transaction profit or loss elimination, deferred tax assets or deferred tax liabilities shall be recognized, and adjusting income expense simultaneously, excluding deferred taxes related to transactions or events recognized in owner's equity or business combination.
- (iv) Unrealized intra-group transactions profit or loss generated from the Company selling assets to its subsidiaries shall be eliminated with "net profit attributed to the owners of the parent company" in full. Unrealized intra-group transactions profit or loss generated from the subsidiaries selling assets to the Company shall be eliminated with "net profit attributed to the owners of the parent company" and "non-controlling interests" pursuant to the proportion that the related subsidiaries distribute to the Company. Unrealized intra-group transactions profit or loss generated from the assets sales between the subsidiaries shall be eliminated with "net profit attributed to the owners of the parent company" and "non-controlling interests" pursuant to the proportion that the selling subsidiaries distribute to the Company.
- (v) If loss attributed to the minority shareholders of a subsidiary in current period is more than the minority shareholders' share of this subsidiary's owner's equity at the beginning of the period, non-controlling interest is still be written down.

(f) Accounting for Special Transactions

(i) Purchasing of non-controlling interests

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

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

Business combination under common control in steps through multiple transactions

The Company treats the transactions as one single transaction of gaining control over

the subsidiary if the transactions should be classified as "a package deal". In individual financial statements, equity investment is always recognized as long-term equity investment in each transaction prior of the combination date, and the initial cost of the investment is determined according to the share of book value of the acquiree's net assets in the ultimate controlling entity's consolidated financial statements calculated at the corresponding shareholding ratio. The difference between the initial cost of the long-term equity investment and the consideration paid is adjusted in capital reserve (capital premium or share premium). If the capital reserve is not enough to be offset, surplus reserve and undistributed profit shall be offset in turn. Long-term equity investment is subsequently measured at cost, whereas no consolidated financial statements are prepared. At the combination date, initial cost of the long-term equity investment is determined according to the share of book value of the acquiree's net assets in the ultimate controlling entity's consolidated financial statements calculated at the accumulated shareholding ratio. The difference between the initial cost of the long-term equity investment and the carrying amount of the long-term equity investment prior of control is gained plus book value of additional consideration transferred at consolidation date is adjusted in capital reserve (capital premium or share premium). If the capital reserve is not enough to be offset, surplus reserve and undistributed profit shall be offset in turn. Simultaneously, consolidated financial statements should be prepared at consolidation date, and the Company shall adjust the consolidated financial statements, as if the entities involved in the combination have existed in the current status since the ultimate controlling entity began to control.

If one or more of the following situations exist in trade terms, conditions and economic effect, the multiple transactions are usually accounted for as a package deal:

- These transactions are made at the same time or under the condition of considering the influence of each other.
- These transactions as a whole can achieve a complete business result.
- The occurrence of one transaction depends on occurrence of at least other transaction.
- One transaction is not economic when considered separately, but economic when considered together with other transactions.

If the transactions cannot be classified as "a package deal", a financial asset (financial asset at fair value through profit or loss or available for sale financial assets) or a long-term equity investment on equity method is recognized for each transaction prior of combination date at the fair value of the consideration transferred. At the consolidation date, in individual financial statements of the Company, the initial cost of the investment is determined according to the share of book value of the acquiree's net assets in the ultimate controlling entity's consolidated financial statements calculated at the corresponding share of equity interest. The difference between the

initial cost of the long-term equity investment and the carrying amount of the long-term equity investment prior of control is gained plus book value of additional consideration paid at consolidation date is adjusted in capital reserve (capital premium or share premium). If the capital reserve is not enough to be offset, surplus reserve and undistributed profit shall be offset in turn.

The Company shall adjust its consolidated financial statements, as if the entities involved in the combination have existed in the current status since the ultimate controlling entity began to control. When preparing the consolidated financial statements, with the time limit of not earlier than when the acquiring entity and acquired entity were under the control of the ultimate controlling entity, the assets and liabilities of the combined entities are consolidated in the comparative financial statements of the combining entity's consolidated financial statements, and the net assets added in the combination are adjusted in the related items of the owner's equity of the comparative financial statements. If the retained earnings of the combined entity attributable to the combining entity prior of the combination date cannot be recovered completely due to that the capital reserve(capital premium or share premium) is not enough, the Company disclose this situation in the note to the financial statements, including the amount of retained earnings of the combined entity prior of the consolidation date, the amount attributable to the Company, and the amount of retained earnings not recovered in the consolidated statement of financial position.

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

Business combination not under common control in stages through multiple transactions

The Company treats the transactions as one single transaction of gaining control over the subsidiary if the transactions should be classified as "a package deal". In individual financial statements, equity investment is always recognized as long-term equity investment in each transaction prior of the combination date, and the initial cost of the investment is determined according to the fair value of the consideration paid. Long-term equity investment is subsequently measured at cost, whereas no consolidated financial statements are prepared. At the combination date, in individual financial statements, initial cost of the long-term equity investment is determined according to the carrying amount of the original long-term equity investment plus newly added cost of the investment (fair value of the consideration paid in order to

obtain additional share). In the consolidated financial statements, preliminary investment cost is eliminated with the share of the fair value of the subsidiary's identifiable net assets. The difference is recognized as goodwill or profit or loss of the reporting period.

If the transactions cannot be classified as "a package deal", a financial asset (financial asset at fair value through profit or loss or available for sale financial assets) or a long-term equity investment on equity method is recognized for each transaction prior of combination date at the fair value of the consideration paid. At the consolidation date, in the separate financial statements of the Company, the initial cost of the equity investment which is accounted for on cost method is measured at the carrying amount of the original long-term equity investment (financial assets or long-term equity investment on equity method) plus newly added cost of the investment. In the consolidated financial statements, the share of the acquired entity's equity held prior of the acquisition date shall be re-measured at its fair value at the acquisition date. Difference between the fair value of the equity share and its book value is recognized as investment income. If other comprehensive income was recognized concerning the equity interest held prior of the acquisition date, the other comprehensive income should be transferred to investment income of reporting period which the acquisition belongs to, excluding other comprehensive income recognized due to the movement of net assets or net liabilities under the circumstances of beneficiary plan being re-defined. The Company shall disclose in the note the fair value at the acquisition date of the equity interest held by it prior of the acquisition date, and the amount of related gains or losses due to re-measurement at fair value.

(iii) *Disposing investment in subsidiaries without losing control*

For partial disposal of the long-term equity investment in the subsidiaries without control, when the Company prepares consolidated financial statements, difference between consideration received for the disposal and the corresponding subsidiary's net assets continuingly calculated from the acquisition date or combination date shall be adjusted in capital reserve (capital premium or share premium). If the balance of capital reserve is not enough, retained earnings shall be adjusted.

(iv) *Disposing investment in subsidiaries with controlling right lost*

Disposal through one transaction

For partial disposal of the long-term equity investment in the subsidiaries with controlling right lost, when the Company prepares consolidated financial statements, the remaining equity interest shall be re-measured at its fair value at the date when the controlling right is lost. Consideration received for disposal of the equity interest, plus the fair value of the remaining equity interest, minus share of the former subsidiary's net assets continuingly calculated from the acquisition date or combination date, shall be recognized in investment income of the period when the controlling right is lost, and the goodwill is written off as well (if the original business combination was not

under common control and goodwill exists). Other comprehensive income related to the original investment is recognized as investment income of the reporting period.

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

Disposal in steps

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

If the disposal in steps should not be classified as "a package deal", transactions prior of the date when controlling right is lost should be accounted for according to related policy in "Disposing investment in subsidiaries without control".

If the disposal in steps should be classified as "a package deal", these transactions should be considered as a single transaction and accounted for according to related policy in "Disposing investment in subsidiaries with controlling right lost". Among them, for transactions prior of the date when controlling right is lost, difference between consideration received and share of corresponding subsidiary's net assets is recognized as other comprehensive income in the consolidated financial statements, which as a whole is recognized as profit or loss when the controlling right is lost.

(v) Diluting equity share of parent company in its subsidiaries due to additional capital injection by the subsidiaries' minority shareholders.

Other shareholders (minority shareholders) of the subsidiaries inject additional capital in the subsidiaries, which resulted in the dilution of equity interest of parent company in these subsidiaries. In the consolidated financial statements, difference between share of the corresponding subsidiaries' net assets calculated based on the parent's equity interest before and after the capital injection shall be adjusted in capital reserve (capital premium and share premium). If the balance of capital reserve is not enough, retained earnings should be adjusted.

3.7 Classification of Joint Arrangements and Accounting for Joint Operation

A joint arrangement is an arrangement of which two or more parties have joint control.

A joint arrangement of the Company is classified as either a joint operation or a joint venture.

(a) Joint operation

A joint operation is a joint arrangement whereby the parties have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Company shall recognize the following items in relation to its interest in a joint

operation, and account for them in accordance with relevant accounting standards:

- (i) Its assets, including its share of any jointly held assets;
- (ii) Its liabilities, including its share of any jointly incurred liabilities;
- (iii) its revenue from the sale of its share of the output arising from the joint operation;
- (iv) its share of the revenue from the sale of the output by the joint operation; and
- (v) Its expenses, including its share of any expenses incurred jointly.

(b) Joint venture

A joint venture is a joint arrangement whereby the parties have joint control of the arrangement have rights to the net assets of the arrangement.

The Company accounts for its investment in the joint venture by using the equity method.

3.8 Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits with banks and other financial institutions. Cash equivalents include short-term (generally within three months of maturity at acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

3.9 Foreign Currency Transactions and Foreign Currency Financial Statements

Translation

(a) Selection of foreign exchange rate when foreign currency transactions occur

Foreign currency transactions are converted into reporting currency at spot exchange rates prevailing on the day when the transactions occur or the exchange rate similar to the spot exchange rate on the date of transaction determined in a systematic and reasonable way (hereinafter referred to as the approximate spot exchange rate).

(b) Translation of foreign currency monetary items on the balance sheet date

On the balance sheet date, foreign currency monetary items shall be converted at the spot rates prevailing on the balance sheet date. Foreign exchange difference resulted from the difference of the spot rates prevailing on the balance sheet date and the spot rates prevailing on the day when the transactions occur or the spot rate prevailing on the last balance sheet date is recognized as profit or loss of the reporting period; For foreign currency non-monetary items measured at fair value, the spot exchange rate on the fair value determination date shall be used for translation, and the difference between the converted amount of the functional currency and the original functional currency is included in the current profit and loss.

(c) Foreign currency financial statements translation

Before translating the financial statements of foreign entities, the accounting period and accounting policy shall be adjusted so as to conform to that of the Company. The adjusted foreign entities' financial statements shall be converted in accordance with

the following method:

- (i) The asset and liability items in the statement of financial position shall be converted at the spot exchange rates prevailing on the balance sheet date. The owners' equity items except retained earnings shall be converted at the spot exchange rates on the occurrence date.
- (ii) The income and expense items in the statement of profit and other comprehensive income shall be converted at the spot exchange rates on the occurrence date or other approximate exchange rate.
- (iii) The differences arising from the conversion of financial statements denominated in foreign currency in compliance with the aforesaid principle shall be presented separately as "other comprehensive income" under the owners' equity of the consolidated statement of financial position.
- (iv) Foreign currency cash flows and foreign entity's statement of cash flows shall be converted at the spot exchange rate on the occurrence date or other approximate exchange rate. Effect on cash due to exchange rate fluctuation shall be presented separately in the statement of cash flows as an adjustment item.

When disposing of overseas operation and losing control, the foreign currency statements translation difference related to the overseas operation listed under the owner's equity item in the statement of financial position shall be transferred to the current profit or loss of the disposal of the overseas operation in full or in proportion to the disposal of the overseas operation.

3.10 Financial Instruments

(a) Classification of financial assets

(i) Financial assets at fair value through profit or loss

This category comprises financial assets defined as held for trading, or those designated as at fair value through profit or loss. The former mainly includes shares, bonds, funds, and derivative financial instruments investment that are not designated effective hedging instruments that are acquired principally for the purpose of sale in the near future. Such financial assets are initially recognized at fair values when acquired. Relevant transaction expenses are included in the current profit or loss. Cash dividends that have been declared but not distributed and bond interests that have matured but not been drawn included in the consideration paid are recognized as receivables separately. The interests or cash dividends to be received during the holding period are recognized as investment income. On the balance sheet date, this category of financial assets is measured at fair value, and change in fair values is included in the current profit or loss. Difference between the fair value and initial measurement amount is recognized as investment income upon disposal; meanwhile, gains or losses from changes in fair values are written-off.

(ii) Held-to-maturity investments

This category of financial assets comprises non-derivative financial assets with fixed

or determinable payments and fixed maturity, other than loans and receivables, for which there is a positive intention and ability to hold to maturity. Held-to-maturity investments are initially measured at fair values plus the related transaction costs when acquired. Bond interests that have matured but not been drawn included in the consideration paid is recognized as a receivable separately. The interest income calculated at amortization cost and effective interest rate during the holding period is recognized as investment income. The difference between the amount received and the book value of the investment is included in the investment profit or loss upon disposal.

(iii) Receivables

Receivables include accounts receivable, other receivables, notes receivable and prepayments, etc. Receivables arise from external sales of goods or rendering of service by the Company. They are recognized initially at the contract price or agreement price receivable from the purchasing party.

(iv) Available-for-sale financial assets

This category of financial assets comprises those financial assets that cannot be classified as financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables. Available-for-sale financial assets are initially recognized at fair values plus the related transaction costs when acquired. Cash dividends that have been declared but not distributed and bond interests that have matured but not been drawn included in the consideration paid are recognized as receivables separately. The interests or cash dividends to be received during the holding period are recognized as investment income.

If the available-for-sale financial assets are foreign currency monetary financial assets, the exchange gains and losses arising therefrom shall be included in the profits and losses of the current period. Interest on available-for-sale debt instrument investments calculated using the actual interest rate method is included in profit or loss for the current period. The cash dividends of available-for-sale equity instrument investments are included in the current profit or loss when the investee declares the distribution of dividends. It is measured at fair value at the end of the period and change in fair value is included in other comprehensive income at the end of the period. The difference between the amount received and the book value of the financial asset is included in the investment profit or loss upon disposal. Meanwhile, the corresponding accumulated change in fair value recognized in other comprehensive income is transferred into investment profit or loss.

(b) Classification of financial liabilities

(i) Financial liabilities at fair value through profit or loss

This category of financial liabilities comprises financial liabilities that are defined as held for trading, or those that are designated as at fair value through profit or loss. This category of financial liabilities is initially measured at fair value. Relevant

transaction costs are included in the current profit or loss. On the balance sheet date, change in fair values is included in the current profit or loss.

(ii) Other financial liabilities

Other financial liabilities are those financial liabilities excluding financial liabilities at fair value through profit or loss.

(c) Reclassification of financial assets

An investment will be reclassified as available-for-sale if, as a result of a change in intention or ability, it fails to meet the requirements for classification as held-to-maturity. After the reclassification, it will be subsequently measured at fair value. If the held-to maturity investment is partially disposed, or a large part of it has been reclassified, and not included in the exceptions illustrated in provision 16 of "Enterprise and business accounting standards No. 22-Recognition and measurement of financial instruments", as a result of which, the remaining of the investment fails to meet the requirements for classification as held-to-maturity, any remaining held-to-maturity investments should also be reclassified as available-for-sale, and subsequently measured at fair value. However, it is prohibited that the above available-for-sale is reclassified back to held-to-maturity within current fiscal year and the following two fiscal years.

On the date of reclassification, difference between carrying value of the investment and its fair value is recorded in other comprehensive income, which shall be transferred out and recognized as profit or loss upon incurrence of impairment or de-recognition of the investment.

(d) Classification of financial liabilities and equity instruments

Except for special situation, financial liabilities and equity instrument should be classified in accordance with the following principles:

- (i) If the Company has no unconditional right to avoid delivering cash or another financial instrument to fulfill a contractual obligation, this contractual obligation meets the definition of financial liabilities. Some financial instruments do not comprise terms and conditions related to obligations of delivering cash or another financial instrument explicitly, they may include contractual obligation indirectly through other terms and conditions.
- (ii) If a financial instrument must or may be settled in the entity's own equity instruments, it should be considered that the entity's own equity instruments are alternatives of cash or another financial instrument, or to entitle the holder of the equity instruments to sharing the remaining rights over the net assets of the issuer. If the former is the case, the instrument is a liability of the issuer, otherwise, it is an equity instrument of the issuer. Under some circumstances, it is regulated in the contract that the financial instrument must or may be settled in the entity's own equity instruments, where, amount of contractual rights and obligations are calculated by multiplying the number of the equity instruments to be available or

delivered by its fair value upon settlement. Such contracts shall be classified as financial liabilities, regardless that the amount of contractual rights and liabilities is fixed, or fluctuate totally or partially with variables other than market price (such as interest rate, the price of a commodity, or the price of a financial instrument) of the entity's own equity instruments.

(c) Transfer of financial assets

Transfer of financial assets include below situations:

- The contractual rights to receive cash flows from the financial asset are transferred to another entity; or
- The financial assets are totally or partially transferred to another entity, while the rights to receive cash flows from the asset or obligations to pay the received cash flows to one or several payees are retained.

(1) Derecognition of transferred financial assets

The financial assets should be derecognized if the Company has transferred substantially all the risks and rewards of the asset, or the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When judging whether control of the asset has been transferred or not, the Company shall lay emphasis on the transferee's substantial capability to sell the financial asset. If the transferee itself can sell the financial asset as a whole to a third party that has no any relationship with it, without any restrictions on this sale through supplemental terms, it is shown that the control of the asset has been given up.

The principle of substance over form is adopted to determine whether the transfer of a financial asset satisfies the criteria described above for derecognition of a financial asset.

If the entire transfer of financial asset satisfies the criteria for derecognition, the difference between the amounts of the following two items shall be included in the current profit or loss:

- The book value of the transferred financial asset;
- The sum of the consideration received from the transfer and the accumulated amount of the changes in fair value originally and directly included in owners' equity (where the financial asset transferred is an available-for-sale financial asset).

If the partial transfer of financial asset satisfies the criteria for derecognition, the entire book value of the transferred financial asset shall be split into the derecognized and recognized part according to their respective fair value and the difference between the amounts of the following two items shall be included in the current profit or loss:

- The book value of derecognized part;
- The sum of the consideration for the derecognized part and the portion of

derecognition corresponding to the accumulated amount of the changes in fair value originally and directly included in owners' equity (where the financial asset transferred is an available-for-sale financial asset).

(ii) Continue to involve in the transferred financial assets

Where neither transfer nor retention of substantially all risks and rewards of ownership of a financial asset and control of the financial asset has not been abandoned, the relevant financial asset shall be recognized in accordance with the degree of its continuous involvement in the transferred financial asset, and the relevant liability shall be recognized accordingly.

The degree of continuous involvement in the transferred financial assets refers to the level of risk that the company faces when the value of the financial assets' changes.

(iii) Continue to confirm the transferred financial assets

If the ownership of the transferred financial asset still retains almost all the risks and rewards, the entire transferred financial asset shall continue to be recognized, and the consideration received will be recognized a financial liability.

The financial assets and the related financial liabilities recognized cannot offset each other. In the subsequent accounting period, the Company should continue to confirm the income generated by the financial assets and the expenses incurred by the financial liabilities. Where the transferred financial assets are measured at amortized cost, the related liabilities recognized shall not be designated as financial liabilities at fair value through profit or loss.

(f) Derecognition of financial liability

A financial liability shall be totally or partly derecognized if its present obligations are totally or partly dissolved.

If the assets to be used to settle a financial liability is transferred to another institute or establish a trust, where the present obligations still exist, either the financial liability or the assets transferred shall not be derecognized. Where the Company enters into an agreement with a creditor so as to substitute the existing financial liabilities with any new financial liability, and the new financial liability is substantially different from the contractual stipulations regarding the existing financial liability, it shall derecognize the existing financial liability, and shall at the same time recognize a new financial liability.

Where substantial revisions are made to some or all of the contractual stipulations of the existing financial liability, the Company shall derecognize the existing financial liability totally or partly, and at the same time recognize the financial liability with revised contractual stipulations as a new financial liability.

Upon total or partial derecognition of financial liabilities, the difference between the book value of the financial liabilities derecognized and the consideration paid (including non-cash assets surrendered or new financial liabilities assumed) shall be included in the current profit or loss.

(g) Offsetting financial assets and liabilities

Financial assets and liabilities shall be presented separately in the statement of financial position and shall not be offset. However, they shall be presented on a net basis after offset if the following criteria are both satisfied.

- (i) The Company has a legal right to offset the recognized amounts, and the right is executable at present; and
- (ii) The Company has an intention to settle on a net basis or liquidate the asset and settle the liability simultaneously.

Asset transfer that does not satisfy the criteria for derecognition of this asset, the transferor shall not offset the asset and the liability.

(h) Impairment testing and impairment provision of financial assets**(i) Objective evidence for the impairment of the financial assets**

- The issuer or debtor encounters serious financial difficulties;
- The debtor violates the terms of contract, for example, it cannot repay the interest or the principal of the loan on schedule;
- The creditor makes concessions to the debtor in financial difficulties from the respect of economy or law;
- The creditor is possible to bankrupt or execute other financial restructuring;
- The financial asset is no longer traded in the active market since the issuer encounters significant financial difficulties;
- It is unrecognizable whether cash flows from an asset in one group of financial assets has decreased, however, it is identifiable that the estimated future cash flows of the group of financial assets has decreased and measurable since they are initially recognized through overall assessment on them on the basis of public data;
- The debtor's technological, market, economic or legal environment encounters significant unfavorable change, as a result of which investment cost may not be recovered;
- A serious or prolonged Decline in the fair value of equity instrument; and
- Other objective evidence that indicate impairment of financial assets.

(ii) Impairment provision of the financial assets (excluding receivables)**Impairment provision of held-to-maturity investments**

When a held-to maturity investment is impaired, the carrying amount of the held-to maturity investment shall be written down to the present value of its expected future cash flows (excluding future credit loss that have not occurred), the amount written down shall be recognized as impairment loss in current profit or loss.

The present value of the estimated future cash flows is determined by discounting at the original effective rate of the held-to-maturity investment, considering the value of

related guaranty (deducting expense incurred for obtaining or selling this guaranty). The original effective rate is the effective rate calculated when the held-to-maturity investment is initially recognized. For held-to-maturity investments with floating interest rates, the current effective interest rate as stipulated in the contract may be used as the discount rate in calculating the present value of future cash flows.

Even if the terms of the contract are renegotiated or modified due to financial difficulties of the debtor or the issuer of financial assets, the impairment loss is still calculated using the original effective interest rate of the financial asset calculated before the revision of the terms.

If, in a subsequent period, the carrying amount of held-to-maturity investment increases and the increase can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment losses are reversed, included in current profit or loss.

Impairment provision of available-for-sale financial assets

When recognizing impairment loss, the cumulative loss due to decreases in fair value shall be removed from equity to profit or loss. After impairment loss related to an available-for-sale debt instrument has been recognized, interest income of the instrument is calculated at the discount rate used in determining present value of the future cash flows when calculating impairment provision of the instrument.

If, in a subsequent period, the carrying amount of available-for-sale debt instruments investments increases and the increase is related objectively to an event occurring after the impairment was recognized, the previously recognized impairment losses are reversed, and included in current profit or loss. The impairment losses of available-for-sale equity instruments cannot be reversed through profit or loss.

(i) Method of determining the fair value of financial assets and financial liabilities

The Company determines fair value of the related assets and liabilities based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal market refers to the market with the largest trading volume and the highest trading activity of related assets or liabilities; The most advantageous market refers to the market that can sell related assets for the maximum amount or transfer related liabilities for the minimum amount after considering transaction costs and transportation costs. The Company using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

● Valuation techniques

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, including the market

method, the revenue method and the cost method. The Company uses fair value measurement in accordance with one or more of the valuation techniques to measure fair value. When using various techniques to measure fair value, the Company shall consider the reasonableness of each valuation result and select the most representative amount of fair value as the fair value.

In the application of valuation techniques, the Company will give priority to the relevant observable inputs and only use unobservable inputs if the relevant observable inputs cannot be obtained or made impracticable. Observable inputs can be acquired from the market data, which reflect the assumptions used by market participants in pricing the underlying assets or liabilities. Unobservable inputs cannot be acquired from the market data, but it is based on the best available information from market participants on the assumptions used in pricing the underlying asset or liability.

● Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly;
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

3.11 Measured at fair value

Fair value refers to the price that market participants can receive from the sale of an asset or pay for the transfer of a liability in an orderly transaction that occurs on the measurement date.

The Company determines fair value of the related assets and liabilities based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The Company using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The principal market refers to the market with the largest trading volume and the highest trading activity of related assets or liabilities; The most advantageous market refers to the market that can sell related assets for the maximum amount or transfer related liabilities for the minimum amount after considering transaction costs and transportation costs.

Where there are financial assets or financial liabilities in an active market, the Company shall determine their fair value by quoting from the active market. If there

is no active market for financial instruments, the Company shall use valuation technology to determine their fair value.

At fair value measurement of financial assets, the ability of a market participant to generate economic benefits by using the asset for the best use, or by selling the asset to another market participant who can use it for the best use, is taken into account.

● **Valuation techniques**

In the application of valuation techniques, the Company will give priority to the relevant observable inputs and only use unobservable inputs if the relevant observable inputs cannot be obtained or made impracticable. Observable inputs can be acquired from the market data, which reflect the assumptions used by market participants in pricing the underlying assets or liabilities. Unobservable inputs cannot be acquired from the market data, but it is based on the best available information from market participants on the assumptions used in pricing the underlying asset or liability.

● **Fair value hierarchy**

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly;

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

3.12 Receivables

(a) Receivable with individually significant balance and recognized provision for bad debts individually

(i) Assessment basis or standard of amount individually significant

Assessment basis or standard of amount individually significant: The amount of accounts receivable over CNY1 million and other receivables over CNY1 million is assessed individually significant.

Method of provision for bad debts of receivables that are individually significant: After separate impairment test, if there is objective evidence of impairment, the impairment loss of receivables that are individually significant shall be measured at the difference between the individual receivable's carrying amount and the present value of estimated future cash flows, and shall be included in current profit or loss.

Where there is a small difference between the estimated future cash flows of the short-term accounts receivable and its present value, the estimated future cash flows may not be discounted when determining the related impairment losses.

(b) Receivables with provision for bad debts recognized on the basis of similar credit risk characteristics

Determine the basis of the portfolio:

Portfolio 1: According to the combination of credit risk characteristics after the combination of the smaller risk, a separate test does not indicate a significant impairment in receivables.

Portfolio 2: Remaining receivables excluding Portfolio 1.

Accrual method for bad debt provision by portfolio:

Portfolio 1: no provision for bad debts will be made due to very little possibility of bad debt losses

Portfolio 2: Aging analysis method.

The proportion of bad debt provision in the receivables portfolio of each aging section is as follows:

Aging	Proportion of provision for accounts receivable (%)	Proportion of provision for other receivables (%)
Within 1 year (including 1 year)	5.00	5.00
1 to 2 years	10.00	10.00
2 to 3 years	20.00	20.00
3 to 4 years	30.00	30.00
4 to 5 years	30.00	30.00
Over 5 years	50.00	50.00

(c) Receivables that are individually insignificant but with bad debt provided on an individual basis

For receivables that are individually insignificant with objective evidence of impairment, they shall be separated from relevant portfolios and separately assessed for impairment to recognize the impairment losses. Bad debts are provided at the difference between the present value of estimated future cash flows of the receivable and its carrying value.

3.13 Inventories

(a) Classification of inventories

Inventories refer to the finished products or commodities held by the Company in daily activities for sale, materials and materials consumed in the production process, in the production process or in the process of providing labor services, including raw materials, low-value consumption goods, development products etc.

(b) Measurement method of cost of inventories sold or used

The cost of inventories used or sold is determined on the weighted average basis.

(c) Inventory system

The perpetual inventory system is adopted. The inventories should be counted at least once a year, and surplus and losses of inventory counting shall be included in current year profit and loss.

(d) Provision for impairment of inventory

Inventories are stated at the lower of cost and net realizable value. The excess of cost over net realizable value of the inventories is recognized as provision for impairment of inventory, and recorded in profit or loss.

Net realizable value of the inventory should be determined on the basis of reliable evidence obtained, and factors such as purpose of holding the inventory and events occur after balance sheet date shall be considered.

In normal operation process, for merchandise inventories for direct sale, including stock commodities and materials for sale, their net realizable values are determined at estimated selling prices less estimated selling expenses and relevant taxes and surcharges; for inventories held to execute sales contract or service contract, their net realizable values are calculated on the basis of contract price. If the quantities of inventories specified in sales contracts are less than the quantities held by the Company, the net realizable value of the excess portion of inventories shall be based on general selling prices.

At the end of the period, provisions for inventory impairment are determined on an individual basis. For inventories with large quantity and low unit price, the provisions for inventory impairment are determined on a category basis. For inventories related to the product portfolios manufactured and sold in the same area, and of which the final usage or purpose is identical or similar thereto, and which is difficult to separate from each other for measurement purpose, provisions for inventory impairment shall be determined on a portfolio basis.

If any factor rendering write-downs of the inventories has been eliminated, the amounts written down are recovered and reversed from the inventory impairment, which has been provided for. The reversed amounts are included into the current profit or loss.

(e) Amortization method of low-value consumables

- (i) One-off writing off method is adopted in amortization of low-value consumables.
- (ii) One-off writing off method is adopted in amortization of packaging material

3.14 Non-current assets (or disposal groups) as held for sale

(a) Classification of non-current assets (or disposal groups) as held for sale

The Company classifies a non-current asset (or disposal group) as held for sale if the following requirements are met simultaneously:

- (i) The asset or disposal group must be available for immediate sale in its present condition subject only to the terms that are usual and customary for sales of such assets (or disposal group).

- (ii) Its sale must be highly probable, i.e., the Company must be committed to a plan to sell the asset (or disposal group) and obtain definite purchase commitment, and the sale is expected to complete within one year and those regulations that require the approval of the company's relevant authorities or regulatory authorities before they can be sold have already been approved.

When the Company acquires a non-current asset (or disposal group) exclusively with a view to its subsequent disposal, it shall classify the non-current asset (or disposal group) as held for sale at the acquisition date only if the one-year requirement is met and it is highly probable that any other criteria that are not met at that date will be met within a short period following the acquisition (usually within three months).

The Company that is committed to dispose its equity investment in a subsidiary which will lead to its loss of control of the subsidiary shall classify the investment as held for sale in the separate financial statements of the Company, and classify all the assets and liabilities of that subsidiary as held for sale in the consolidated financial statements of the group, when the above criteria are met, regardless of whether the Company will remain part of equity investment in the subsidiary.

(b) Measurement of non-current assets (or disposal groups) held for sale

The principal of measurement of non-current assets (or disposal groups) held for sale does not apply to the following assets: investment properties that are measured in accordance with the fair value model, biological assets that are measured at fair value less costs to sell, assets arising from employee benefits, deferred tax assets, financial assets within the scope of relevant accounting standards related to financial instruments and contractual rights under insurance contracts as defined in accounting standards related to insurance contracts.

When the non-current assets (or disposal groups) are initially measured or subsequently measured at balance sheet date, if the carrying value of the asset (or disposal group) is higher than the fair value less cost to sell, it shall be written-down to its fair value, and the difference shall be recognized as impairment loss of the reporting period, and provision for asset impairment shall be recognized simultaneously. If on the subsequent balance sheet date, the net amount of the non-current assets held for sale or the fair value of the disposal group minus the selling expenses increases, the previously written-down amount shall be restored, and the assets shall be recognized after being classified as held for sale. The impairment loss is reversed within the amount of asset impairment loss recognized after being classified as held for sale, and the reversed amount is included in the current profit or loss. The book value of goodwill that has been deducted cannot be reversed.

When the assets (or disposal groups) ceases to be classified as held for sale or the non-current assets are removed from disposal groups since the criteria for held for sale are no longer met, the assets shall be measured at the lower of:

- (i) its carrying amount before the asset (or disposal group) was classified as held for

sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had the asset (or disposal group) not been classified as held for sale, and

- (ii) its recoverable amount at the date of the subsequent decision not to sell.

(c) Presentation

An entity shall present a non-current asset classified as held for sale and the assets of a disposal group classified as held for sale separately from other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale shall be presented separately from other liabilities in the statement of financial position. Those assets and liabilities shall not be offset and presented as a single amount.

3.15 Long-term Equity Investments

Long-term equity investments refer to equity investments where an investor has control of, or significant influence over, an investee, as well as equity investments in joint ventures. If the Company have significant influence on the investee, the investee is an associate of the Company.

(a) Determination basis of joint control or significant influence over the investee

Joint control is the relevant agreed sharing of control over an arrangement, and the arranged relevant activity must be decided under unanimous consent of the parties sharing control. In determining whether there is a joint control, it is first determined whether all parties or combinations of parties have collective control of the arrangement. If all parties or a group of parties must act in unison to determine the relevant activities of an arrangement, it is considered that all parties or a group of participants collectively control the arrangement. Secondly, it is necessary to decide whether the decision-making related to the arrangement must be unanimously approved by the participants who collectively control the arrangement. If there is a combination of two or more parties that can collectively control an arrangement, it does not constitute a common control. To determine whether there is common control, not to consider the protection of the rights.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but not be able to exercise control or joint control over those policies. When an investing enterprise can exercise significant influences over the investee, the investee shall be its associate.

When the Company directly or indirectly owns more than 20.00% (including 20.00%) but less than 50.00% of the voting shares of the investee, it can be presumed that the investor has significant influence over the investee, unless it can be clearly shown that this is not the case.

(b) Determination of initial investment cost

- (i) Long-term equity investments generated in business combinations

For a business combination involving enterprises under common control: if the Company makes payment in cash, transfer non-cash assets or bear debts and issues equity securities as the consideration for the business combination, book value of the owners' equity of the acquiree obtained is recognized as the initial cost of the long-term equity investment on the combination date. The difference between the initial investment cost and the carrying amount of cash paid, non-cash assets transferred, liabilities assumed and par value of share issued shall be adjusted to the stock premium in the capital reserve; if there is no sufficient premium in the capital reserve for write-downs, the retained earnings shall be adjusted.

For business combination not under common control, the Company recognizes the combination cost determined on the combination date as the initial cost of long-term equity investment. When exercising control over an investee not under common control due to additional investment or other reasons, in separate financial statements, the investor shall change to the cost method and use the carrying amount of the previously held equity investment, together with the additional investment cost, as the initial investment cost under the cost method. The audit, legal, valuation and consulting fees, other intermediary fees, and related administrative fees paid by the acquiring entity or acquirer for the business combination, shall be recognized in profit or loss as incurred.

(ii) Long-term equity investments acquired by other means

For long-term equity investments acquired by payments in cash, the initial cost is the actually paid purchase cost. The initial investment cost includes expenses directly related to obtaining long-term equity investment, taxes and other necessary expenses.

For long-term equity investments acquired through issuance of equity securities, the initial cost is the fair value of the issued equity securities.

For the long-term equity investments obtained through exchange of non-monetary assets, if the exchange has commercial substance, and the fair values of assets traded out and traded in can be measured reliably, the initial cost of long-term equity investment traded in with non-monetary assets are determined based on the fair values of the assets traded out together with relevant taxes. Difference between fair value and book value of the assets traded out is recorded in profit or loss. If the exchange of non-monetary assets does not meet the above criteria, the book value of the assets traded out and relevant taxes are recognized as the initial cost of long-term equity investment traded in.

For long-term equity investment acquired through debt restructuring, the initial cost is determined based on the fair value of the equity obtained, and the difference between the initial investment cost and the book value of the creditor's rights is included in the current profit or loss.

(c) Subsequent measurement and recognition of profit or loss

Long-term equity investment to an entity over which the Company has ability of

control shall be accounted for at cost method. Long-term equity investment to a joint venture or an associate shall be accounted for at equity method.

(i) Cost method

For Long-term equity investment at cost method, the cost of the long-term equity investment shall be adjusted when additional amount is invested or a part of it is withdrawn. The Company recognizes its share of cash dividends or profits which have been declared to distribute by the investee as current investment income.

(ii) Equity method

Generally, for long term equity investment measured at equity method, accounting practice are as following:

If the initial cost of the investment is in excess of the share of the fair value of the net identifiable assets in the investee at the date of investment, the difference shall not be adjusted to the initial cost of long-term equity investment; if the initial cost of the investment is in short of the share of the fair value of the net identifiable assets in the investee at the date investment, the difference shall be included in the current profit or loss and the initial cost of the long-term equity investment shall be adjusted accordingly.

The Company recognizes the share of the investee's net profits or losses, as well as its share of the investee's other comprehensive income, as investment income or losses and other comprehensive income respectively. Meanwhile the Company adjusts the carrying amount of the investment accordingly. The carrying amount of the investment shall be reduced by the share of any profit or cash dividends declared to distribute by the investee. The investor's share of the investee's owners' equity changes, other than those arising from the investee's net profit or loss, other comprehensive income or profit distribution, would be recognized in the investor's equity, and the carrying amount of the long-term equity investment shall be adjusted accordingly. The Company recognizes its share of the investee's net profits or losses after making appropriate adjustments based on the fair values of the investee's identifiable net assets at the investment date. If the accounting policy and accounting period adopted by the investee is not in consistency with the Company, the financial statements of the investee shall be adjusted according to the Company's accounting policies and accounting period, based on which, investment income or loss and other comprehensive income, etc., shall be adjusted. The unrealized profits or losses resulting from inter-company transactions between the Company and its associate or joint venture are eliminated in proportion to the Company's equity interest in the investee, based on which investment income or losses shall be recognized. Any losses resulting from inter-company transactions between the investor and the investee, which are attributable to asset impairment, shall be recognized in full.

Where the Company obtains the power of joint control or significant influence, but not control, over the investee, due to additional investment or other reason, the

relevant long-term equity investment shall be accounted for by using the equity method, initial cost of which shall be the fair value of the original investment plus the additional investment. Where the original investment is classified as available-for sale investment, difference between its fair value and its carrying value, in addition to the cumulated fair value fluctuation recorded in other comprehensive income, shall be recognized as profit or loss.

Due to the disposal of part of the equity investment and other reasons lost the joint control or significant impact on the investee, the remaining after the disposal of equity measured at fair value, the difference between the proceeds actually received and the carrying amount shall be recognized in profit or loss for the reporting period. For a long-term equity investment accounted for using the equity method, any other comprehensive income previously recognized shall be accounted for on the same basis as would have been required if the investee had directly disposed the related assets or liabilities on a pro-rata basis upon the disposal of the equity investment.

(d) Equity Investment Held for Sale

Accounting of equity method ceases when the equity investment in an associates or joint venture which is classified in whole or in part as holding assets for sale, the relevant accounting treatment, please refer to *Note 3.14 ASSETS HELD FOR SALE*.

For residual equity investments that is not classified as holding for sale, the equity method shall continue to be used for accounting treatment prior to the sale of the portion of equity investments that is classified as holding for sale.

If the equity investment in an associated enterprise or joint venture that has been classified as holding for sale no longer qualifies the conditions for the classification of assets for sale, the equity method shall be applied for retroactive adjustment from the date when the investment is classified as holding assets for sale. The equity investments are classified as financial statements held for sale and adjusted accordingly.

3.16 Investment Properties

(a) Classification of investment properties

Investment properties are properties to earn rentals or for capital appreciation or both. Examples include land leased out under operating leases, land held for long-term capital appreciation, buildings leased out under operating leases.

(b) The measurement model of investment property

The Company adopts the cost model for subsequent measurement of investment properties.

The Company calculates the depreciation or amortization based on the net amount of investment property cost less the accumulated impairment and the net residual value using straight-line method. The estimated useful life and annual depreciation rates which are determined according to the categories, estimated economic useful lives and estimated net residual rates are listed as followings:

Category	Estimated useful life (year)	Residual rates (%)	Annual depreciation rates (%)
Buildings and constructions	10 to 40	5.00	2.38 to 9.50

3.17 Property, plant and equipment

Property, plant and equipment refer to the tangible assets held for use in the production or supply of goods or services, for rental to others, or for administrative purpose with expected useful lives exceeding one year.

(a) Recognition criteria of property, plant and equipment

Property, plant and equipment will only be recognized at the actual cost paid when obtaining when all the following criteria are satisfied:

- it is probable that the future economic benefits relating to the property, plant and equipment will flow into the Company;
- the costs of the property, plant and equipment can be measured reliably.

Subsequent expenditure for property, plant and equipment shall be recorded in cost of property, plant and equipment, if above criteria are satisfied, whereas, recorded in current profit or loss if the above criteria cannot be satisfied.

(b) Depreciation methods of property, plant and equipment

From the next month when the property, plant and equipment reaches the expected useable state, the Company shall calculate the depreciation according to the method of straight-line depreciation, and determine the depreciation life and annual depreciation rate according to the categories of property, plant and equipment, estimated economic service life and estimated net salvage value rate as follows:

Categories of property, plant and equipment	Estimated useful life (years)	Residual rates (%)	Annual depreciation rates (%)
Buildings and constructions	30	0.00 to 5.00	3.17 to 3.33
Machinery equipment	5 to 10	0.00 to 5.00	9.50 to 20.00
Electronic equipment	3 to 8	0.00 to 5.00	11.88 to 33.33
Vehicles	3 to 20	0.00 to 5.00	4.75 to 33.33
Special equipment	3 to 10	0.00 to 5.00	9.50 to 33.33
Office equipment	4 to 5	0.00 to 5.00	19.00 to 25.00

For the property, plant and equipment with impairment provided, the impairment provision should be excluded from the cost before calculating depreciation.

At the end of reporting period, the Company shall review the useful life, estimated net residual value and depreciation method of the fixed assets. Estimated useful life of the property, plant and equipment shall be adjusted if it is changed.

(c) Criteria, valuation and depreciation methods of property, plant and equipment obtained through a finance lease.

If the entire risk and rewards related to the leased assets have been transferred, the lease shall be a finance lease. The cost of the property, plant and equipment obtained

through a finance lease is determined at the lower of the present value of the fair value of the leased assets and the minimum lease payment on the day of the lease. The property, plant and equipment obtained by a finance lease are depreciated in the method which is in consistency with the property, plant and equipment owned by the Company itself. For property, plant and equipment obtained through a finance lease, if it is reasonably certain that the ownership of the leased assets will be transferred to the lessee by the end of the lease term, they shall be depreciated over their remaining useful lives; otherwise, the leased assets shall be depreciated over the shorter of the lease terms or their remaining useful lives.

3.18 Construction in Progress

(a) Classification of construction in progress

Construction in progress is measured on an individual project basis.

(b) Criteria and timing of transfer from construction in progress to property, plant and equipment

The initial book values of the property, plant and equipment are stated at total expenditures incurred before they are ready for their intended use, including construction expenses, original value of equipment, other necessary expenditures incurred to bring construction in progress to an intended usable condition, and specific borrowings and general borrowings incurred for the purpose of borrowing money for the project before the asset reaches its intended usable condition. The company will transfer construction in progress to property, plant and equipment when the project's installation or construction is completed and ready for use. For construction in progress that has been ready for intended use but relevant budgets for the completion of projects have not been completed, the estimated values of project budgets, prices, or actual costs should be included in the costs of relevant property, plant and equipment, and depreciation should be provided according to relevant policies of the Company when the property, plant and equipment are ready for intended use. After the completion of budgets needed for the completion of projects, the estimated values should be substituted by actual costs, but depreciation already provided is not adjusted.

3.19 Borrowing Costs

(a) Recognition criteria for capitalization of borrowing costs and capitalization period

The borrowing costs incurred by the Company that can be directly attributed to the acquisition, construction or production of assets eligible for capitalization shall be capitalized into the cost of related assets when the following conditions are met simultaneously:

- (i) expenditures are being incurred, which comprise disbursements incurred in the form of payments of cash, transfer of non-monetary assets or assumption of interest-bearing debts;

- (ii) borrowing costs are being incurred, and;
- (iii) acquisition, construction or production activities that are necessary to prepare the assets for their intended use or sale have commenced.

Other borrowing interest, discount or premium and exchange difference shall be included in the profits and losses incurred in the current period.

Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally and when the interruption is for a continuous period of more than 3 months, until the acquisition, construction or production is resumed.

Capitalization of such borrowing costs ceases when the qualifying assets being acquired, constructed or produced become ready for their intended use or sale. The expenditure incurred subsequently shall be recognized as expenses.

(b) Measurement of capitalized amounts of borrowing costs

Where funds are borrowed specifically for purchase, construction or manufacturing of assets eligible for capitalization, costs eligible for capitalization are the actual costs incurred less any income earned on the temporary investment of such borrowings.

Where funds allocated for purchase, construction or manufacturing of assets eligible for capitalization are part of a general borrowings, the eligible amounts are determined by applying a capitalization rate to the weighted average excess of accumulated capital expenditures over those on specific borrowings. The capitalization rate will be the weighted average of the borrowing costs applicable to the general borrowings.

3.20 Intangible Assets

(a) Measurement method of intangible assets

Intangible assets are stated at actual cost at acquisition.

(b) The useful life and amortization of intangible assets

- (i) The estimated useful lives of the intangible assets with limited useful lives are as follows:

Category	Useful life (year)	Basis
Land use rights	40 years, 70 years	Legal life
Sand and stone resources	35 years	Planned sand mining years
Finance software	5 years	The service life is determined by reference to the period for the Company to bring economic benefits

For intangible assets with finite useful life, the estimated useful life and amortization method are reviewed annually at the end of each reporting period and adjusted when necessary. No change incurs in current year in the estimated useful life and amortization method upon review.

- (ii) Assets of which economic benefits are unforeseeable are regarded as intangible assets with indefinite useful lives. The Company reassesses the useful lives of those assets at every year end. If the useful lives of those assets are still indefinite, impairment test should be performed on those assets at the balance sheet date.

(iii) Amortization of the intangible assets

For intangible assets with finite useful lives, their useful lives should be determined upon their acquisition. They are amortized on a straight-line basis over the period during which they can bring economic benefits to the Company. The amortization amount is credited to profit or loss for the current period according to the beneficial items. The amount to be amortized is cost deducting residual value. For intangible assets which has impaired, the accumulated impairment provision shall be deducted as well, with a residual value of nil. For intangible assets which are not expected to bring economic benefits to the Company, they are deemed as intangible assets with uncertain useful lives and are not amortized.

Intangible assets with indefinite useful lives shall not be amortized. The Company reassesses the useful lives of those assets at every year end. If there is evidence to indicate that the useful lives of those assets become finite, the useful lives shall be estimated, and the intangible assets shall be amortized systematically and reasonably within the estimated useful lives.

(c) Criteria of classifying expenditures on internal research and development projects into research phase and development phase

- (i) The Company shall take the information and related preparatory activities for further development activities as the research stage, and the expenditure of the intangible assets research stage shall be recorded into the current profit and loss when incurred.
- (ii) The development activities that are carried out after the Company has completed the research phase shall be considered as the development phase.

(d) Criteria for capitalization of qualifying expenditures during the development phase

Expenditures arising from development phase on internal research and development projects must be capitalized if the Company can satisfy all of the following criteria:

- (i) there is technical feasibility of completing the intangible assets (so that they will be available for use or sale);
- (ii) there is intention to complete and use or sell the assets;
- (iii) the method that the intangible assets generate economic benefits, including existence of a market for products produced by the intangible assets or for the intangible assets themselves, shall be proved. Or, if to be used internally, the usefulness of the assets shall be proved;
- (iv) adequate technical, financial, and other resources are available to complete the

- assets, and the Company has the ability to use or sell the assets; and
- (v) the costs of the assets can be measured reliably.

3.21 Impairment of Long-Term Assets

Impairment of the Long-term equity investments of subsidiaries, or associates and joint ventures, Property, Plant and Equipment, Construction in Progress, Intangible Assets, Goodwill etc., according to the following methods:

On the balance sheet date, the Company makes a judgment on each asset. If there is an evidence of impairment and the estimated recoverable amount is lower than its book value, impairment test assets should be performed. The impairment test shall be performed at least annually on the goodwill acquired in a business combination, intangible assets with indefinite useful lives or intangible assets that have not yet reached usable state of whether there is any indication of impairment.

The recoverable amount is determined by the higher value between the net value of the asset after deducting the disposal expense and the present value of the asset's expected future cash flow. The Company estimates the recoverable amount on the basis of a single asset; If it is difficult to estimate the recoverable amount of a single asset, the recoverable amount of the asset group shall be determined on the basis of the asset group to which the asset belongs. The determination of an asset group is based on whether the main cash inflow generated by the asset group is independent of other assets or the cash inflow generated by the asset group.

When the recoverable amount of an asset or asset group is lower than its book value, the Company shall reduce to the recoverable amount, the amount shall be recognized in the current profit and loss, while making provision for the corresponding asset impairment.

As for the impairment test of goodwill, the book value of the goodwill formed by business combination shall be allocated to the relevant asset group in a reasonable way from the date of purchase; Difficult to spread to the relevant asset groups of goodwill, should divide it to related to the combination of group assets. The relevant asset groups or combination of asset groups, it is able to benefit from the enterprise merger synergies of the asset group or combination of group assets, and not greater than the portion of the report determined by the Company.

During the impairment test, if impairment indication exists in the assets or a group of assets, firstly, impairment testing for asset or assets group excluding goodwill shall be conducted. Impairment loss is recognized through comparing the recoverable amount of the assets and assets group with their carrying amount; then, impairment testing for assets or assets group including goodwill shall be conducted. The excess of the carrying amount of the assets or assets group (including goodwill allocated to the assets or assets group) over their recoverable amount is recognized as impairment loss.

Once the asset impairment loss is confirmed, it will not be reversed in subsequent

accounting periods.

3.22 Long-term Deferred Expenses

Long-term deferred expenses are various expenses already incurred, which shall be amortized over current and subsequent periods with the amortization period exceeding one year.

(a) Amortization method

Long-term deferred expenses are evenly amortized over the beneficial period.

(b) Amortization period

Item	Amortization period (year)
Renovation costs	Over the beneficial period

3.24 Employee Benefits

Employee benefits refer to all forms of consideration or compensation given by an enterprise in exchange for service rendered by employees or for the termination of employment relationship. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits. Benefits provided to an employee's spouse, children, dependents, family members of deceased employees, or other beneficiaries are also employee benefits.

According to liquidity, employee compensation shall be presented in the "Employee benefits payable" item and the "Long-term Employee benefits payable" item respectively on the statement of financial position.

(a) Short-term employee benefits

(i) Monetary benefits (Wages, bonuses, allowances, subsidies)

The Company recognizes, in the accounting period in which an employee provides service, actually incurred short-term employee benefits as a liability, with a corresponding charge to current profit or loss or relevant cost of assets.

(ii) Welfare

Welfare incurred are charged to the profits and losses of the current period or the related asset costs, according to the actual amount actually incurred. Employee benefits which are non-monetary benefits are measured at fair value.

(iii) Social insurance contributions such as medical insurance premium, work injury insurance premium, maternity premium, etc., housing funds, and labor union expenditure and employee education funds.

Payments made by the Company of social insurance contributions for employees, such as premiums or contributions on medical insurance, pensions, work injury insurance and maternity insurance, payments of housing funds, and labor union expenditure and employee education funds provided in accordance with relevant requirements, in the accounting period in which employees provide services, is calculated according to prescribed bases and percentages of provision in determining

the amount of employee benefits.

(iv) Short-term paid absences

Paid absences are classified into accumulating paid absences and non-accumulating paid absences. The company shall recognize the related employee benefits arising from accumulating paid absences when the employees render service that increases their entitlement to future paid absences. The additional payable amounts shall be measured at the expected additional payments as a result of the unused entitlement that has accumulated.

(v) Short-term profit-sharing schemes

The Company shall recognize the related employee benefits payable under a profit-sharing plan when all of the following conditions are satisfied:

- the Company has a present legal or constructive obligation to make such payments as a result of past events; and
- a reliable estimate of the amounts of employee benefits obligation arising from the profit-sharing plan can be made.

(b) Post-employment benefits

(i) Defined contribution plans

The Company shall classify post-employment benefits plans as defined contribution plans.

The Company shall recognize, in the accounting period in which an employee provides service, the contribution payable to a defined contribution plan as a liability, with a corresponding charge to the profit or loss for the reporting period or the cost of a relevant asset.

Post-employment benefits falling due for more than 12 months after the end of the reporting period are discounted to their present values, the amount recognized should be discounted, to reflect the time value of money (Determined based on the market rate of return on the government bonds or high-quality corporate bonds in an active market that match the maturity schedule and currency of the defined benefit plan on the balance sheet date).

(ii) Defined benefit plans

Determining the present value of defined benefit plan obligations and current service costs

Based on the expected unit benefit method, the unbiased and mutually consistent actuarial assumptions are used to estimate the relevant demographic variables and financial variables, etc., to measure the obligations arising from the defined benefit plans and to determine the vesting period of the relevant obligations. The Company will set a benefit plan based on the corresponding discount rate (based on the market rate of return of government bonds or high-quality corporate bonds in active markets that match the maturity and currency of the defined benefit plan at the balance sheet

date) of the obligation to be discounted to determine the present value of the defined benefit plan obligations and current service costs.

Determine the amount of the net defined benefit liability (asset)

If there is any asset in the defined benefit plan, the company will recognize the deficit or surplus as a net debt or net asset of the defined benefit plan, which caused from the current value of the defined benefit plan obligations less of the fair value of the defined benefit plan assets.

If there is a surplus in the defined benefit plan, the company measures the net profit of the defined benefit plan based on the lower of the surplus of the defined benefit plan and the upper limit of the asset.

Determine amounts to be recognized in profit or loss

Service costs include current service costs, past service costs and gains or losses on settlement of a defined benefit plan. Except for the current service costs that are required or permitted to be included in the cost of an asset by other accounting standards, other service costs are included in the profit or loss for the current period.

Net interest on the net defined benefit liability (asset), including the interest income of the scheme assets, the interest expenses of the defined benefit plan obligations and the interest rates affected by the asset cap, shall be included in the profits and losses of the current period.

Determine amounts to be recognized in other comprehensive income

Changes arising from the remeasurement of net liabilities or net assets of defined benefit plans, including:

- (i) Actuarial gains or losses: the increase or decrease in the present value of the previously defined benefit plan obligations as a result of changes to actuarial assumptions and experience adjustments.
- (ii) Return on plan assets: excluding amounts included in net interest on the net defined benefit liability (asset).
- (iii) Any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

The above changes in the net liabilities or net assets of the re-measured defined benefit plan are directly charged to other comprehensive income and are not permitted to be reversed to profit or loss in subsequent accounting periods, but the company can transfer these changes in other comprehensive income within the scope of equity.

(c) Termination benefits

The Company providing termination benefits to employees shall recognize an employee benefits liability for termination benefits, with a corresponding charge to the profit or loss of the reporting period, at the earlier of the following dates:

- (i) when the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal.

- (ii) when the Company recognizes costs or expenses related to a restructuring that involves the payment of termination benefits.

Termination benefits falling due for more than 12 months after the end of the reporting period are discounted to their present values (based on the market rate of return of government bonds or high-quality corporate bonds in active markets that match the maturity and currency of the defined benefit plan at the balance sheet date).

(d) Other long-term employee benefits

When other long-term employee benefits provided by the Company to the employees satisfies the conditions for classifying as a defined contribution plan, those benefits shall be accounted for as a liability at their discounted value, with a corresponding charge to the profit or loss of the reporting period or the cost of a relevant asset.

When other long-term employee benefits provided by the Company to the employees satisfies the conditions for classifying as a defined benefit plan, at the year end, the cost of employee benefits arising from other long-term employee benefits as the following components:

- (i) Service costs
- (ii) Net interest on the other long-term employee benefits liability (asset)
- (iii) Remeasurement of changes in net liabilities or net assets of other long-term employee benefits.

3.24 Estimated Liabilities

(a) Recognition criteria of estimated liabilities

The Company recognizes the estimated liabilities when obligations related to contingencies satisfy all the following conditions:

- (i) that obligation is a present obligation of the Company;
- (ii) it is likely to cause any economic benefit to flow out of the Company as a result of performance of the obligation; and
- (iii) the amount of the obligation can be measured reliably.

(b) Measurement method of estimated liabilities

The estimated liabilities of the Company are initially measured at the best estimate of expenses required for the performance of relevant present obligations. The Company, when determining the best estimate, has had a comprehensive consideration of risks with respect to contingencies, uncertainties and the time value of money. The carrying amount of the estimated liabilities shall be reviewed at the end of every reporting period. If conclusive evidences indicate that the carrying amount fails to be the best estimate of the estimated liabilities, the carrying amount should be adjusted based on the updated best estimate.

3.25 Revenue

(a) Revenue from sale of goods

Revenue from sales of goods shall be recognized if the following criteria are satisfied:

- (i) significant risks and rewards related to ownership of the goods have been transferred to the buyer;
- (ii) the Company retains neither continuous management rights associated with ownership of the goods sold nor effective control over the goods sold;
- (iii) relevant amount of revenue can be measured reliably;
- (iv) it is probable that the economic benefits associated with the transaction will flow into the Company; and
- (v) relevant amount of cost incurred or to be incurred can be measured reliably.

(b) Revenue from rendering of services

When the outcome of rendering of services can be estimated reliably at the balance sheet date, revenue associated with the transaction is recognized using the percentage of completion method. Percentage of completion is determined by using the proportion of services performed to date to the total services that should be performed, or the proportion of cost incurred for rendering of the services to date to the total estimated cost.

The Company shall determine the total income from rendering of services in accordance with the price of the contract or agreement received or receivable, except the price of the contract or agreement received or receivable is unfair. On the balance sheet date, the total amount of labor services provided is multiplied by the progress of completion and deducted the accumulated amount of labor service income confirmed in the previous accounting period to confirm the income from providing labor service. Meanwhile, the carrying amount of labor costs incurred for the current period is calculated by multiplying the estimated total cost of provision of services by the completion progress deducting the accumulated recognized service costs in previous accounting periods.

The outcome of rendering of services can be estimated reliably when all of the following conditions are satisfied: the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the Company; the percentage of completion of the transaction can be measured reliably; the costs incurred and to be incurred for the transaction can be measured reliably.

If the outcome of rendering of services cannot be estimated reliably at the balance sheet date, the revenue is recognized to the extent of costs incurred that are expected to be recoverable.

(c) Revenue from alienating the right to use assets

Revenue from alienating of right to use assets consists of interest revenue and royalty revenue.

The Company shall recognize the amount of revenue from the alienating of right to use assets based on the following circumstances, respectively:

- (i) interest revenue should be calculated in accordance with the period for which the enterprise's cash is used by others and the effective interest rate; or
- (ii) the amount of royalty revenue should be calculated in accordance with the period and method of charging as stipulated in the relevant contract or agreement.

(d) Construction contracts

Under the circumstances that result of the construction contracts can be estimated reliably, contract revenue and contract cost shall be recognized by using percentage of completion method, which is determined according to the completion stages of the construction contracts. The completion stages of the contracts shall be calculated at the portion of the contract costs incurred to the total estimated contract costs.

Under the circumstances that the result of the construction contracts cannot be estimated reliably, while the estimated contract costs can be recovered, the revenue shall be recognized to the extent of costs incurred that are expected to be recoverable, contract costs shall be recognized as expense upon incurrence. If the estimated contract costs cannot be recovered, they shall be charged in expenses upon incurrence, without any revenue recognized.

If the estimated contract costs exceed estimated contract revenue, the estimated loss shall be recognized as expenses in current period.

(e) Specific method of revenue recognition

Revenue from resettlement housing sales: Through the acceptance of the owners, the delivery of owner's resettlement housing is treated as the time point of income recognition.

Revenue from sales of goods: After the main risks and rewards of the ownership of the goods have been transferred to the purchaser, the revenue from sales of goods is recognized when the cash is obtained or the other party swipes the card to pay the price of the goods.

Revenue from land development: The Company has completed and transferred the land demolition and reorganization, that is, the main risks and rewards of the ownership of the land demolition and reorganization of labor services are transferred to the purchaser; the Company no longer retains the continued management rights usually associated with the ownership, and no longer Demolition and reorganization of land to implement effective control; the amount of income can be reliably measured; the related economic benefits are likely to flow in; and when the costs incurred or to be incurred by the project can be reliably measured, the realization of income is confirmed.

Revenue from agent construction: According to the agent construction agreement signed and revenue recognition requirements from *Accounting Standards for Business Enterprises*, the agent construction has been transferred and the relevant payment has been received, that is, the main risks and rewards of the ownership of the agent construction projects are transferred to the purchaser; the Company no longer retains

the continued management rights usually associated with the ownership, and no longer implement effective control over the agent construction projects transferred; the amount of income can be reliably measured; the related economic benefits are likely to flow in; and when the costs incurred or to be incurred by the project can be reliably measured, the realization of income is confirmed.

Revenue from project settlement: The Company undertakes engineering projects. After the implementation and input of the projects, the Company shall recognize the project settlement income by reference to the investment amount settled with the entrusting party.

Revenue from environmental sanitation services: According to the price of the transaction contract, income shall be recognized after the completion of the environmental sanitation services.

Rental income: According to the lease contract or agreement signed with the lessee, the Company recognizes rental income.

3.26 Government Grants

(a) Recognition of government grants

A government grant shall not be recognized until there is reasonable assurance that:

- (i) the Company will comply with the conditions attaching to them; and
- (ii) the grants will be received.

(b) Measurement of government grants

Monetary grants from the government shall be measured at amount received or receivable, and non-monetary grants from the government shall be measured at their fair value or at their nominal value when reliable fair value is not available.

(c) Accounting for government grants

(i) Government grants related to assets

Government grants pertinent to assets mean the government grants that are obtained by the Company used for purchase or construction or forming the long-term assets by other ways.

Government grants pertinent to assets shall be recognized as deferred income and should be recognized in profit or loss on a systematic basis over the useful lives of the relevant assets. Grants measured at their nominal value shall be directly recognized in profit or loss of the period when the grants are received. When the relevant assets are sold, transferred, written off or damaged before the assets are terminated, the remaining deferred income shall be transferred into profit or loss of the period of disposing relevant assets.

(ii) Government grants related to income

Government grants other than related to assets are classified as government grants related to income. Government grants related to income are accounted for in accordance with the following principles:

- if the government grants related to income are used to compensate the enterprise's relevant expenses or losses in future periods, such government grants should be recognized as deferred income on acquisition and be recognized in profit or loss (or write down related expenses) in the period of recognizing relevant expenses;
- if the government grants related to income are used to compensate the enterprise's relevant expenses or losses incurred, such government grants are directly recognized in profit or loss (or write down related expenses) of the current period.
- For government grants comprised of part related to assets as well as part related to income, each part is accounted for separately; if it is difficult to identify different part, the government grants are accounted for as government grants related to income as a whole.
- Government grants related to daily operation are recognized in other income in accordance with their nature, and government grants irrelevant to daily operation activities are recognized in non-operating income (or write down related expenses).

(iii) Discount interest on preferential policy loans

When the finance will disburse the discounted interest funds to the loan bank, and the loan bank will provide the Company with a loan at a preferential policy rate, the actual amount of borrowings received recognized as the book value of the loan, and calculates the relevant borrowing costs based on the principal of the borrowings and the preferential policy interest rate.

Fiscal interest discount funds disbursed directly to the Company, The Company offsets the relevant borrowing costs with the corresponding discount interest.

(iv) Repayment of the government grants

If the confirmed government subsidy needs to be returned, the book value of the relevant assets shall be adjusted if the book value of the assets is deducted during the initial recognition; If there is a balance of relevant deferred income, the book balance of relevant deferred income shall be deducted and the excess part shall be recorded into the current profit and loss; In other cases, it shall be directly recorded into the current profit and loss.

3.27 Deferred Tax Assets and Deferred Tax Liabilities

Temporary differences are differences between the carrying amount of an asset or liability in the statement of financial position and its tax base. The Company recognize the effect of taxable temporary differences and deductible temporary differences on income tax as deferred tax liabilities or deferred tax assets using liability method. Deferred tax assets and deferred tax liabilities shall not be discounted.

(a) Recognition of deferred tax assets

Deferred tax assets should be recognized for deductible temporary differences to the

extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized at the tax rates that are expected to apply to the period when the asset is realized, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- (i) is not a business combination; and
- (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss)

The Company recognize a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint arrangements, to the extent that, and only to the extent that, it is probable that:

- (i) the temporary difference will reverse in the foreseeable future; and
- (ii) taxable profit will be available against which the deductible temporary difference can be utilized.

At the end of each reporting period, if there is sufficient evidence that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized, the Company recognizes a previously unrecognized deferred tax asset.

The carrying amount of a deferred tax asset shall be reviewed at the end of each reporting period. An entity shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

(b) Recognition of deferred tax liabilities

A deferred tax liability shall be recognized for all taxable temporary differences at the tax rate that are expected to apply to the period when the liability is settled, except to the extent that the deferred tax liability arises from:

- (i) the initial recognition of goodwill; or
- (ii) the initial recognition of an asset or liability in a transaction which:
 - is not a business combination; and
 - at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss)

An entity shall recognize a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint arrangements, except to the extent that both of the following conditions are satisfied:

- (i) The Company is able to control the timing of the reversal of the temporary difference; and
- (ii) it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Recognition of deferred tax liabilities or assets involved in special transactions or events

(i) Deferred tax liabilities or assets related to business combination

For the taxable temporary difference or deductible temporary difference arising from a business combination not under common control, a deferred tax liability or a deferred tax asset shall be recognized, and simultaneously, goodwill recognized in the business combination shall be adjusted.

(ii) Items directly recognized in equity

Current tax and deferred tax related to items that are recognized directly in equity shall be recognized in equity. Such items include:

- other comprehensive income generated from fair value fluctuation of available for sale investments;
- an adjustment to the opening balance of retained earnings resulting from either a change in accounting policy that is applied retrospectively or the correction of an error;
- amounts arising on initial recognition of the equity component of a compound financial instrument

(iii) Unused tax losses and unused tax credits

Unused tax losses and unused tax credits generated from daily operation of the Company itself

The criteria for recognizing deferred tax assets arising from the carryforward of unused tax losses and tax credits are the same as the criteria for recognizing deferred tax assets arising from deductible temporary differences. The Company recognizes a deferred tax asset arising from unused tax losses or tax credits only to the extent that there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilized by the Company. Income taxes in current profit or loss shall be deducted as well.

Unused tax losses and unused tax credits arising from a business combination

The potential benefit of the acquiree's income tax loss carryforwards or other deferred tax assets might not satisfy the criteria for separate recognition when a business combination is initially accounted for but might be realized subsequently. An entity shall recognize acquired deferred tax benefits that it realizes after the business combination as follows:

- Acquired deferred tax benefits recognized within 12 months after acquisition date that result from new information about facts and circumstances that existed at the acquisition date shall be applied to reduce the carrying amount of any goodwill related to that acquisition. If the carrying amount of that goodwill is zero, any remaining deferred tax benefits shall be recognized in profit or loss.
- All other acquired deferred tax benefits realized shall be recognized in profit or

loss.

(iv) Temporary difference generated in consolidation elimination

When preparing consolidated financial statements, if temporary difference between carrying value of the assets and liabilities in the consolidated financial statements and their taxable bases is generated from elimination of intra-group unrealized profit or loss, deferred tax assets or deferred tax liabilities shall be recognized in the consolidated financial statements, and income taxes expense in current profit or loss shall be adjusted as well (except for deferred tax related to transactions or events recognized directly in equity and business combination).

(v) Equity-settled share-based payment

If tax authority permits tax deduction that relates to remuneration paid in shares, share options or other equity instruments of the Company, during the period in which a remuneration expense is recognized according to the accounting standards, the Company estimate the tax base in accordance with available information at the end of the accounting period and the temporary difference arising from it. Deferred tax shall be recognized when criteria of recognition are satisfied. If the amount of estimated future tax deduction exceeds the amount of the related cumulative remuneration expense, the excess of the associated current or deferred tax should be recognized directly in equity.

3.28 Operating Leases and Finance Leases

A lease that risks and rewards related to relevant assets' ownership are transferred in substance shall be classified as a finance lease. Other lease shall be classified as an operating lease.

(a) Accounting for operating leases

(i) The Company as a lessee

The lease payments should be recognized as expenses of the reporting period over the lease terms (including rent-free periods) on a straight-line basis. If expenses relating to lease which should be borne by the Company are paid by the lessor of the assets, they shall be deducted from the total lease expenses and the balances shall be amortized over the lease terms and charged to expenses of the reporting period.

Initial direct costs relating to lease transactions incurred by the Company shall be recognized as expenses of the reporting period. Contingent rental, if included in the lease contract, shall be recognized as profit or loss upon incurrence.

(ii) The Company as a lessor

Lease income should be recognized over the lease terms (including rent-free periods) on a straight-line basis. If expenses relating to leases which should be borne by the lessee of the assets are paid by the Company, they shall be deducted from the total lease income and the balances shall be amortized over the lease terms by the Company.

Initial direct costs relating to lease transactions incurred by the Company shall be recognized as expenses of the reporting period; if the amounts are material, they shall be capitalized and amortized over the lease terms on the same basis as the recognition of lease income. Contingent rental, if included in the lease contract, shall be recognized as profit or loss upon incurrence.

(b) Accounting for finance leases

(i) The Company as a lessee

At commencement of the lease, assets obtained through finance leases should be recorded at the lower of their fair values and the present values of the minimum lease payments. The Company shall recognize long-term payables at amounts equal to the minimum lease payments, and shall record the differences between carrying amounts of the leased assets and the long-term payables as unrecognized finance charges. The Company adopts effective interest rate method, which shall be amortized over the lease terms as finance expenses by using effective interest rate method.

Initial direct costs are recorded in the value of the leased assets.

The Company adopts the same depreciation policy for the leased assets as its own property, plant and equipment. Depreciation period is determined according to the lease contract. If it is reasonably certain that the Company will obtain the ownership of the assets when the lease expires, the depreciation period will be the useful lives of the leased assets. If it is difficult to reasonably determine whether the Company can obtain the ownership of the underlying assets when the lease expires, depreciation period is the lower of the lease period and their useful lives.

(ii) The Company as a lessor

At commencement of the lease, rental receivables shall be measured at minimum lease receivables plus initial direct costs relating to lease transactions incurred by the Company. Unguaranteed residual values are recorded simultaneously. The differences between the undiscounted rental receivables plus unguaranteed residual values and their present values shall be recognized as unearned finance income, and shall amortized over the lease terms as lease income at the effective rate.

3.29 Changes in Significant Accounting Policies and Accounting Estimates

(a) Changes in accounting policies

On 10 December 2019, the Ministry of Finance issued *The Interpretation of Accounting Standards for Enterprises No. 13*. The Company shall implement this interpretation on 1 January 2020, and no retroactive adjustments shall be made for previous years.

(b) Changes in accounting estimates

The Company has no change in accounting estimates for reporting period.

4. TAXATION

4.1 Major Categories of Tax and Tax Rates Applicable to the Company

Categories of tax	Tax rate (%)	Basis of tax assessment
Value added tax (VAT)	13.00, 9.00, 6.00, 5.00, 3.00	Sales of goods or provision of taxable services
Urban maintenance and construction tax	7.00	Turnover taxes payable
Educational surcharge	3.00	Turnover taxes payable
Local educational surcharge	2.00	Turnover taxes payable
Property tax	12.00, 1.20	Taxable rental income, residual value of house
Enterprise income tax	25.00, 16.50	Taxable profits

4.2 Tax Preference

According to the *Notice on the Treatment of Income from Enterprises with Special Purpose Financial Funds (Cai Shui [2011] No. 70)* issued by the Ministry of Finance and the State Administration, the financial subsidies conforming to the regulations earned by the Company and its subsidiaries is non-taxable income. When calculating the taxable income, it is deducted from the total income.

4.3 Others

There is no such item.

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.1 Cash and Cash Equivalents

Items	31 Dec 2020	31 Dec 2019
Cash on hand	1,337,904.11	998,330.31
Cash in bank	1,997,176,775.42	2,922,076,031.17
Other monetary funds	3,488,407.86	15,268,601.00
Total	2,002,003,087.39	2,938,342,962.48

Notes:

As at 31 December 2020, the security deposits amounted to CNY3,488,407.86 are included in other monetary funds. Except for that, no other monetary funds are restricted to use or in some potential risks of recovery due to the mortgage, pledge or freezing.

5.2 Notes Receivable

(a) Notes receivable by category

Items	31 Dec 2020			31 Dec 2019		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Bank acceptance bills	500,000.00		500,000.00	965,331.05		965,331.05
Commercial acceptance bills						
Total	500,000.00		500,000.00	965,331.05		965,331.05

(b) Pledged notes receivable at 31 December 2020

There is no such item.

(c) Notes receivable discounted or endorsed to third parties but not yet matured at 31 December 2020

There is no such item.

5.3 Accounts Receivable

(a) Accounts receivable by category

(a) Accounts receivable by category					
Items	31 Dec 2020				Carrying amount
	Accounts receivable		Provision for bad debt		
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with individually significant balance and provision for bad debt recognized individually					
Accounts receivable with bad debt provision recognized collectively by similar credit risk characteristics	176,433,790.91	99.72	696,455.80	0.39	175,737,335.11
Portfolio 1	167,466,638.83	94.65			167,466,638.83
Portfolio 2	8,967,152.08	5.07	696,455.80	7.77	8,270,696.28
Accounts receivable with individually insignificant balance but provision for bad debt recognized individually	500,000.00	0.28	500,000.00	100.00	
Total	176,933,790.91	100.00	1,196,455.80	0.68	175,737,335.11

(Continued)

Items	31 Dec 2019				
	Accounts receivable		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with individually significant balance and provision for bad debt recognized individually					
Accounts receivable with bad debt provision recognized collectively by similar credit risk characteristics	185,201,425.87	99.73	560,623.35	0.30	184,640,802.52

Items	31 Dec 2019				Carrying amount
	Accounts receivable		Provision for bad debt		
	Amount	Proportion (%)	Amount	Proportion (%)	
Portfolio 1	178,323,320.81	96.03			178,323,320.81
Portfolio 2	6,878,105.06	3.70	560,623.35	8.15	6,317,481.71
Accounts receivable with individually insignificant balance but provision for bad debt recognized individually	500,000.00	0.27	500,000.00	100.00	
Total	185,701,425.87	100.00	1,060,623.35	0.57	184,640,802.52

(a.1) Accounts receivable with individually significant balance and provision for bad debt recognized individually

There is no such item.

(a.2) In portfolio 1, the details of accounts receivable without bad debts are as follows:

Entity name	Accounts receivable	Provision for bad debt	Provision ratio (%)	Reason
Shaoxing Shangyu District Shanty Town Reconstruction Investment Development Co., Ltd.	115,416,099.11			The risk of bad debts is low.
Shaoxing Shangyu Daoyuan Town Construction and Development Co., Ltd.	8,265,135.00			The risk of bad debts is low.
Shaoxing City Shangyu District Xiaoyue Town People's Government	5,923,419.00			The risk of bad debts is low.
Shaoxing City Shangyu District Daoxu Town People's Government	5,412,667.50			The risk of bad debts is low.
Shaoxing Shangyu Xingyue Town Construction and Development Co., Ltd.	5,408,520.00			The risk of bad debts is low.
Shaoxing Shangyu Liangyu Town Construction and Development Co., Ltd.	5,080,000.00			The risk of bad debts is low.
Shaoxing City Shangyu District Urban and Rural Construction Service Center	4,275,000.00			The risk of bad debts is low.
Others	17,685,838.22			The risk of bad debts is low.
Total	167,466,638.83			

(a.3) In portfolio 2, accounts receivable with bad debt provision recognized collectively by aging analysis

Aging	31 Dec 2020		
	Accounts receivable	Provision for bad debt	Provision ratio (%)
Within 1 year (including 1 year)	8,407,798.08	420,389.90	5.00
1 to 2 years			
2 to 3 years	12,037.00	2,407.40	20.00
3 to 4 years			
4 to 5 years			
Over 5 years	547,317.00	273,658.50	50.00
Total	8,967,152.08	696,455.80	

(a.4) Account receivables that are individually insignificant but with bad debt provided on an individual basis

Entity name	31 Dec 2020			
	Accounts receivable	Provision for bad debt	Provision ratio (%)	Reason
Zhongliang Wang	500,000.00	500,000.00	100.00	The risk of bad debts is high and it probably cannot be recovered.
Total	500,000.00	500,000.00		

(b) Provision, recovery or reversal of bad debt

Bad debt provided during the reporting period amounted to CNY135,832.45.

(c) Top five closing balances by entity

Entity name	Balance at 31 Dec 2020	Proportion of the balance to the total accounts receivable (%)	Provision for bad debt
Shaoxing Shangyu District Shanty Town Reconstruction Investment Development Co., Ltd.	115,416,089.11	65.23	
Shaoxing Shangyu Daoyuan Town Construction and Development Co., Ltd.	8,265,135.00	4.67	
Shaoxing City Shangyu District Xiaoyue Town People's Government	5,923,419.00	3.35	
Shaoxing City Shangyu District Daoxu Town People's Government	5,412,667.50	3.06	
Shaoxing Shangyu Xingyue Town Construction and Development Co., Ltd.	5,408,520.00	3.06	
Total	140,425,800.61	79.37	

5.4 Prepayments

(a) Prepayments by aging

Aging	31 Dec 2020		31 Dec 2019	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year (including 1 year)	119,771,457.00	98.02	23,874,677.45	85.38
1 to 2 years	1,765,312.29	1.44	3,424,928.93	12.25
2 to 3 years	136,404.00	0.11	663,825.50	2.37
Over 3 years	527,421.50	0.43		
Total	122,200,594.79	100.00	27,963,431.88	100.00

(b) Top five closing balances by entity

Entity name	Balance at 31 Dec 2020	Proportion of the balance to the total prepayments (%)
Shaoxing Shangyu Yushan Town Construction and Development Co., Ltd.	57,764,059.40	47.27
Shaoxing Shangyu Shanhui Town Construction and Development Co., Ltd.	29,676,642.60	24.29
Zhejiang Meihui Home Appliance Co., Ltd.	4,486,659.56	3.67
Shaoxing Shangyu District Water Supply Co., Ltd.	3,034,580.20	2.48
Shaoxing Qitong Electric Appliance Co., Ltd.	2,595,996.66	2.12
Total	97,557,938.42	79.83

5.5 Other Receivables

(a) Other receivables by category

Items	31 Dec 2020	31 Dec 2019
Interest receivable		1,316,305.00
Dividend receivable		
Other receivables	1,300,535,610.33	2,030,850,613.57
Total	1,300,535,610.33	2,032,166,918.57

(b) Interest receivable

(b.1) Interest receivable by category

Items	31 Dec 2020	31 Dec 2019
Time deposits		1,316,305.00
Total		1,316,305.00

(b.2) Overdue interest

There is no such item.

(c) Dividends receivable

There is no such item.

(d) Other Receivables

(d.1) Other receivables by category

Items	31 Dec 2020				
	Other receivables		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables with individually significant balance and provision for bad debt recognized individually	60,000,000.00	4.37	60,000,000.00	100.00	
Other receivables with bad debt provision recognized collectively by similar credit risk characteristics	1,312,804,700.44	95.63	12,269,090.11	0.93	1,300,535,610.33
Portfolio 1	1,228,093,612.51	89.46			1,228,093,612.51
Portfolio 2	84,711,087.93	6.17	12,269,090.11	14.48	72,441,997.82
Other receivable with individually insignificant balance but recognized provision for bad debt individually					
Total	1,372,804,700.44	100.00	72,269,090.11	5.26	1,300,535,610.33

(Continued)

Items	31 Dec 2019				
	Other receivables		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables with individually significant balance and provision for bad debt recognized individually					
Other receivables with bad debt provision recognized collectively by similar credit risk characteristics	2,074,543,528.38	100.00	43,692,914.81	2.11	2,030,850,613.57
Portfolio 1	1,934,215,528.13	93.24			1,934,215,528.13
Portfolio 2	140,328,000.25	6.76	43,692,914.81	31.14	96,635,085.44

Items	31 Dec 2019				
	Other receivables		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables with individually insignificant balance but recognized provision for bad debt individually					
Total	2,074,543,528.38	100.00	43,692,914.81	2.11	2,030,850,613.57

(d.1.1) Other receivables with individually significant balance and recognized provision for bad debt individually

Entity name	31 Dec 2020			
	Other receivables	Provision for bad debt	Provision ratio (%)	Reason
Shenyang Wuzhou Business Plaza Development Co., Ltd.	60,000,000.00	60,000,000.00	100.00	The risk of bad debts is high and it probably cannot be recovered.
Total	60,000,000.00	60,000,000.00		

(d.1.2) In portfolio 1, the details of other receivables without bad debts are as follows:

Entity name	Other receivables	Provision for bad debt	Provision ratio (%)	Reason
Shaoxing Shangyu District Municipal Engineering Management Center	369,195,492.85			The risk of bad debts is low.
Shaoxing Shangyu District Construction Development Co., Ltd.	366,099,876.31			The risk of bad debts is low.
Shaoxing Shangyu District Garden Management Center	136,497,927.42			The risk of bad debts is low.
Shaoxing City Shangyu District Demolition and Resettlement Office	120,931,574.00			The risk of bad debts is low.
Shaoxing Shangyu City Construction Qianjiang Smart City Construction Co., Ltd.	68,100,000.00			The risk of bad debts is low.
Shaoxing Shangyu District Transportation Group Co., Ltd.	60,000,000.00			The risk of bad debts is low.
Shaoxing City Shangyu District Lianghu Town People's Government	40,000,000.00			The risk of bad debts is low.
Shaoxing Shangyu District Environmental Sanitation Management Center	21,648,648.10			The risk of bad debts is low.

Entity name	Other receivables	Provision for bad debt	Provision ratio (%)	Reason
Others	45,620,093.83			The risk of bad debts is low.
Total	1,228,093,612.51			

(d.1.3) In portfolio 2, other receivables with bad debt provision recognized collectively by aging analysis

Aging	31 Dec 2020		
	Other receivables	Provision for bad debt	Provision ratio (%)
Within 1 year (including 1 year)	41,424,830.67	2,071,241.54	5.00
1 to 2 years	13,842,942.33	1,384,294.23	10.00
2 to 3 years	12,417,106.09	2,483,421.22	20.00
3 to 4 years	1,746,979.51	524,093.85	30.00
4 to 5 years	9,167,877.08	2,750,363.13	30.00
Over 5 years	6,111,352.25	3,055,676.14	50.00
Total	84,711,087.93	12,269,090.11	

(d.1.4) Other receivables that are individually insignificant but with bad debt provided on an individual basis

There is no such item.

(d.2) Provision, recovery or reversal of bad debt

Bad debt provided during the reporting period amounted to CNY28,576,175.30.

(d.3) Top five closing balances by entity

Entity name	Balance at 31 Dec 2020	Aging	Proportion of the balance to the total other receivables (%)	Provision for bad debt
Shaoxing Shangyu District Municipal Engineering Management Center	369,195,492.85	Within 1 year, 1 to 2 years, 2 to 3 years, 3 to 4 years, 4 to 5 years, over 5 years	26.89	
Shaoxing Shangyu District Construction Development Co., Ltd.	366,099,876.31	Within 1 year, 2 to 3 years	26.67	
Shaoxing Shangyu District Garden Management Center	136,497,927.42	1 to 2 years, 2 to 3 years, 3 to 4 years, 4 to 5 years	9.94	
Shaoxing City Shangyu District Demolition and Resettlement Office	120,931,574.00	Over 5 years	8.81	

Entity name	Balance at 31 Dec 2020	Aging	Proportion of the balance to the total other receivables (%)	Provision for bad debt
Shaoxing Shangyu City Construction Qianjiang Smart City Construction Co., Ltd.	68,100,000.00	Within 1 year	4.96	
Total	1,060,824,870.58		77.27	

5.6 Inventories

(a) Inventories by category

Items	31 Dec 2020			31 Dec 2019		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Raw materials	60,177.00		60,177.00	11,544.67		11,544.67
Low-value consumption goods	1,508,740.00		1,508,740.00	1,088,785.99		1,088,785.99
Stock products	124,946,290.37	173,077.95	124,773,212.42	150,093,744.51	173,077.95	149,920,666.56
Development costs	14,937,016,491.43		14,937,016,491.43	12,773,074,974.99		12,773,074,974.99
Development products	1,715,322,859.28		1,715,322,859.28	1,111,611,135.10		1,111,611,135.10
B.T. Construction Project	5,914,346,288.48		5,914,346,288.48	6,972,151,797.59		6,972,151,797.59
Total	22,693,200,846.56	173,077.95	22,693,027,768.61	21,008,031,982.85	173,077.95	21,007,858,904.90

(b) Provision for impairment

Items	31 Dec 2019	Increase during the reporting period		Decrease during the reporting period		31 Dec 2020
		Provision	Others	Reversal or written-down	Others	
Stock products	173,077.95					173,077.95
Total	173,077.95					173,077.95

(c) Other instruction

As at 31 December 2020, the carrying amount of inventories amounted to CNY254,642,932.50 is restricted to mortgage loans.

5.7 Other Current Assets

Items	31 Dec 2020	31 Dec 2019
Pending deduct VAT	76,349,782.76	65,616,765.67
Prepaid tax	2,167,034.12	1,881,566.94
Deferred expenses		17,050.02
Financial products	57,500,405.15	5,000,000.00
Total	136,017,222.03	72,515,382.63

5.8 Available-for-sale Financial Assets

(a) General information of available-for-sale financial assets

Items	31 Dec 2020			31 Dec 2019		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Available-for-sale debt instruments						
Available-for-sale equity instruments	99,371,619.94		99,371,619.94	114,900,000.00		114,900,000.00
Measured at fair value						
Measured at cost	99,371,619.94		99,371,619.94	114,900,000.00		114,900,000.00
Total	99,371,619.94		99,371,619.94	114,900,000.00		114,900,000.00

(b) Available-for-sale financial assets measured at fair value

There is no such item.

(c) Available-for-sale financial assets measured at cost

Investees	Book value			
	31 Dec 2019	Increase during the reporting period	Decrease during the reporting period	31 Dec 2020
Shaoxing Shangyu City Construction Qianjiang Smart City Construction Co., Ltd.	50,000.00			50,000.00
Ningbo Free Trade Zone Yuke Stable Investment Partnership (Limited Partnership)	109,600,000.00		35,778,380.06	73,821,619.94
Shaoxing Shangyu Datong Microfinance Co., Ltd.	4,700,000.00			4,700,000.00
Shaoxing Zhicheng Auction Co., Ltd.	500,000.00			500,000.00
Zhejiang Rural Economic Investment Co., Ltd.	50,000.00			50,000.00
Zhejiang Xinghe Spring Breeze Cultural Travel Development Co., Ltd.		12,000,000.00		12,000,000.00
Shaoxing Shangyu Binxia Real Estate Co., Ltd.		8,000,000.00		8,000,000.00
Shaoxing Youban Zhirui Renewable Resources Co., Ltd.		250,000.00		250,000.00
Total	114,900,000.00	20,250,000.00	35,778,380.06	99,371,619.94

(Continued)

Investees	Provision for impairment				Share of interest in investee (%)
	31 Dec 2019	Increase during the reporting period	Decrease during the reporting period	31 Dec 2020	
Shaoxing Shangyu City Construction Qianjiang Smart City Construction Co., Ltd.					0.50
Ningbo Free Trade Zone Yuke Stable Investment Partnership (Limited Partnership)					19.93
Shaoxing Shangyu Datong Microfinance Co., Ltd.					3.13
Shaoxing Zhicheng Auction Co., Ltd.					10.00
Zhejiang Rural Economic Investment Co., Ltd.					0.08
Zhejiang Xinghe Spring Breeze Cultural Travel Development Co., Ltd.					12.00
Shaoxing Shangyu Binxia Real Estate Co., Ltd.					40.00
Shaoxing Youban Zhinai Renewable Resources Co., Ltd.					5.00
Total					

(d) Changes in provision for impairment during the reporting period

There is no such item.

5.9 Long-term Equity Investments

Investees	31 Dec 2019	Changes during the reporting period				
		Increase during the reporting period	Decrease during the reporting period	Gains /(losses) on investments under the equity method	Adjustments of other comprehensive income	Changes in other equity
I. Joint ventures						
Shaoxing City Shangyu District Donghai Joint Venture Chase Gas Station	736,529.50			-139,341.16		
Subtotal	736,529.50			-139,341.16		

Investees	31 Dec 2019	Changes during the reporting period				
		Increase during the reporting period	Decrease during the reporting period	Gains/(losses) on investments under the equity method	Adjustments of other comprehensive income	Changes in other equity
II. Associates						
Shaoxing Shangyu Datong Asset Management Co., Ltd.	30,327,944.34			1,870,522.01		
Shaoxing Shangyu Cao'e Jiangjiang Shanghuahai Development and Construction Co., Ltd.	10,146,665.25			-297,116.03		
Shaoxing Shangyu Chachui Trading Co., Ltd.						
Shaoxing Shangyu District Yijia Real Estate Development Co., Ltd.	3,450,241.61			-120,041.63		
Shaoxing Datong Shopping Center Co., Ltd.	31,017,278.29			2,391,738.64		
Shaoxing Yuyi Cultural Creativity Co., Ltd.	151,830.56			-110,925.56		
Shaoxing Shangyu Cao'ejiang Agricultural Products Co., Ltd.	831,131.17			67,712.80		
Shaoxing Shangyu Hengtai Used Car Evaluation Co., Ltd.	246,522.56			37,893.96		
Shaoxing City Shangyu District Huiduoli Agricultural Products Co., Ltd.	3,000,000.00			179,609.03		
Shaoxing Datong Fanshifu Green Food Co., Ltd.						
Hangzhou Angel Electric Vehicle Co., Ltd.						
Subtotal	79,171,613.78			4,019,413.22		
Total	79,908,143.28			3,880,072.06		

(Continued)

Investees	Changes during the reporting period			31 Dec 2020	Provision for impairment at 31 Dec 2020
	Declaration of cash dividends or distribution of profit	Provision for impairment	Others		
I. Joint ventures					
Shaoxing City Shangyu District Donghai Joint Venture Chase Gas Station				597,188.34	
Subtotal				597,188.34	
II. Associates					
Shaoxing Shangyu Datong Asset Management Co., Ltd.	2,557,100.00			29,641,366.35	
Shaoxing Shangyu Cao'e Jiangjiang Shanghuahai Development and Construction Co., Ltd.				9,849,549.22	
Shaoxing Shangyu Chaohui Trading Co., Ltd.					
Shaoxing Shangyu District Yijia Real Estate Development Co., Ltd.				1,330,199.98	
Shaoxing Datong Shopping Center Co., Ltd.	1,250,835.89			30,158,201.04	
Shaoxing Yuyi Cultural Creativity Co., Ltd.	40,905.00				
Shaoxing Shangyu Cao'ejiang Agricultural Products Co., Ltd.	28,000.00			870,843.97	
Shaoxing Shangyu Hengtai Used Car Evaluation Co., Ltd.	40,000.00			244,416.52	
Shaoxing City Shangyu District Huiduoli Agricultural Products Co., Ltd.				1,179,609.03	
Shaoxing Datong Fanshifu Green Food Co., Ltd.					3,150,830.88
Hangzhou Angel Electric Vehicle Co., Ltd.					100,000.00
Subtotal	5,916,840.89			77,274,186.11	3,250,830.88
Total	5,916,840.89			77,871,374.45	3,250,830.88

Note: The value of net asset of Shaoxing Shangyu District Chaohui Trading Co., Ltd.

was negative, and thus the Company accounted for its long-term equity investment to zero.

5.10 Investment Properties

(a) Investment properties accounted for using cost model

Items	Building and plants	Total
I. Initial cost:		
Balance at 31 Dec 2019	940,818,256.56	940,818,256.56
Increase during the reporting period	273,863.66	273,863.66
(i) Acquisition	96,244.90	96,244.90
(ii) Transfer from inventories	120,419.69	120,419.69
(iii) Free transfer	57,199.07	57,199.07
Decrease during the reporting period	845,452.46	845,452.46
(i) Disposal	845,452.46	845,452.46
(ii) Others		
Balance at 31 Dec 2020	940,246,667.76	940,246,667.76
II. Accumulated depreciation and amortization:		
Balance at 31 Dec 2019	104,303,003.50	104,303,003.50
Increase during the reporting period	32,225,195.54	32,225,195.54
(i) Provision	32,225,195.54	32,225,195.54
Decrease during the reporting period	108,249.40	108,249.40
(i) Disposal	108,249.40	108,249.40
(ii) Others		
Balance at 31 Dec 2020	136,419,949.64	136,419,949.64
III. Provision for impairment		
Balance at 31 Dec 2019		
Increase during the reporting period		
(i) Provision		
Decrease during the reporting period		
(i) Disposal		
(ii) Others		
Balance at 31 Dec 2020		
IV. Carrying amount:		
Balance at 31 Dec 2020	803,826,718.12	803,826,718.12
Balance at 31 Dec 2019	836,515,253.06	836,515,253.06

(b) Other instruction

As at 31 December 2020, the carrying amount of investment properties amounted to CNY398,713,231.19 was restricted to mortgage loans.

5.11 Property, plant and equipment

(a) Property, plant and equipment by category

Items	31 Dec 2020	31 Dec 2019
Property, plant and equipment	801,307,210.97	648,936,533.79
Disposal of property, plant and equipment		
Total	801,307,210.97	648,936,533.79

(b) Property, plant and equipment

(b.1) General information of property, plant and equipment

Items	Buildings and constructions	Machinery equipment	Electronic equipment
I. Initial cost:			
Balance at 31 Dec 2019	723,202,726.27	17,926,859.11	1,372,623.00
Increase during the reporting period	130,074,337.77	6,867,410.83	61,224.49
(i) Acquisition		655,467.72	57,207.40
(ii) Transfer from construction in progress	19,081,075.51		
(iii) Business combination	2,002,244.46	6,211,943.11	4,017.09
(iv) Transfer from inventory			
(v) Free transfer	108,991,017.80		
Decrease during the reporting period	9,389,920.00	281,478.64	4,017.09
(i) Disposal	220,000.00	281,478.64	4,017.09
(ii) Business combination			
(iii) Free transfer	9,169,920.00		
(iv) Others			
Balance at 31 Dec 2020	843,887,144.04	24,512,791.30	1,429,830.40
II. Accumulated depreciation:			
Balance at 31 Dec 2019	155,249,308.62	6,210,138.19	900,715.66
Increase during the reporting period	28,175,671.01	4,796,976.89	155,493.41
(i) Provision	27,456,795.59	2,271,864.91	151,476.32
(ii) Business combination	718,875.42	2,525,111.98	4,017.09
(iii) Free transfer			
Decrease during the reporting period	3,533,096.00	148,583.72	4,017.09
(i) Disposal	209,000.00	148,583.72	4,017.09
(ii) Business combination			
(iii) Free transfer	3,324,096.00		
(iv) Others			
Balance at 31 Dec 2020	179,891,883.63	10,858,531.36	1,052,191.98
III. Provision for impairment:			

Items	Buildings and constructions	Machinery equipment	Electronic equipment
Balance at 31 Dec 2019			
Increase during the reporting period			
(i) Provision			
Decrease during the reporting period			
(ii) Disposal			
Balance at 31 Dec 2020			
IV. Carrying amount:			
Balance at 31 Dec 2020	663,995,260.41	13,654,259.94	377,638.42
Balance at 31 Dec 2019	567,953,417.65	11,716,720.92	471,907.34

(Continued)

Items	Vehicles	Special equipment	Office equipment	Total
I. Initial cost:				
Balance at 31 Dec 2019	78,776,563.60	14,669,512.59	29,522,463.71	865,470,748.28
Increase during the reporting period	25,343,660.38	45,239,987.85	4,147,156.61	211,733,777.93
(i) Acquisition	10,172,715.44	2,279,531.28	4,128,204.33	17,293,126.17
(ii) Transfer from construction in progress				19,081,075.51
(iii) Business combination	614,159.30	494,812.57		9,327,176.53
(iv) Transfer from inventory				
(v) Free transfer	14,556,785.64	42,465,644.00	18,952.28	166,032,399.72
Decrease during the reporting period	574,693.00	494,534.19	493,191.97	11,237,834.89
(i) Disposal	574,693.00	494,534.19	493,191.97	2,067,914.89
(ii) Business combination				
(iii) Free transfer				9,169,920.00
(iv) Others				
Balance at 31 Dec 2020	103,545,530.98	59,414,966.25	33,176,428.35	1,065,966,691.32
II. Accumulated depreciation:				
Balance at 31 Dec 2019	30,398,040.96	3,850,452.32	19,925,558.74	216,534,214.49
Increase during the reporting period	13,477,825.26	4,121,922.03	2,553,196.01	53,281,084.61
(i) Provision	13,331,962.62	3,902,231.57	2,553,196.01	49,667,527.02
(ii) Business combination	145,862.64	219,690.46		3,613,557.59
(iii) Free transfer				
Decrease during the reporting period	557,996.85	479,698.16	432,826.93	5,155,818.75

Items	Vehicles	Special equipment	Office equipment	Total
(i) Disposal	557,596.85	479,698.16	432,826.93	1,831,722.75
(ii) Business combination				
(iii) Free transfer				3,324,096.00
(iv) Others				
Balance at 31 Dec 2020	43,318,269.37	7,492,676.19	22,045,927.82	264,659,480.35
III. Provision for impairment:				
Balance at 31 Dec 2019				
Increase during the reporting period				
(i) Provision				
Decrease during the reporting period				
(i) Disposal				
Balance at 31 Dec 2020				
IV. Carrying amount:				
Balance at 31 Dec 2020	60,227,261.61	51,922,290.06	11,130,500.53	801,307,210.97
Balance at 31 Dec 2019	48,378,522.64	10,819,060.27	9,596,904.97	648,936,533.79

(b.2) Property, plant and equipment acquired under finance leases

There is no such item.

(b.3) Property, plant and equipment leasing out under operating leases

There is no such item.

(b.5) Other instruction

As at 31 December 2020, the carrying amount of property, plant and equipment amounted to CNY191,055,612.30 was restricted to mortgage loans.

5.12 Construction in Progress

(a) Construction in progress by category

Items	31 Dec 2020	31 Dec 2019
Construction in progress	522,020,462.72	222,289,552.33
Construction materials		
Total	522,020,462.72	222,289,552.33

(b) Construction in progress

(b.1) General information of construction in progress

Items	31 Dec 2020			31 Dec 2019		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Shishi Flower and Bird Market Project	2,829,025.91		2,829,025.91	2,358,625.76		2,358,625.76

Items	31 Dec 2020			31 Dec 2019		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Songxia Small and Micro Industrial Park Project	119,451,516.84		119,451,516.84	51,976,972.79		51,976,972.79
One river and two banks lighting project	41,339,705.66		41,339,705.66	36,444,726.85		36,444,726.85
Binhai Mall Phase I Project	171,301,217.89		171,301,217.89	115,457,869.63		115,457,869.63
Chengdong C-80 Block Reconstruction Project	104,652,713.11		104,652,713.11			
Shangyu Urban Resources Recycling Green Complex Project	9,397,444.65		9,397,444.65			
Green Complex Project	9,947,596.30		9,947,596.30			
Changtang Town Small and Micro Enterprise Park Project	26,290,643.82		26,290,643.82			
Others	36,810,598.54		36,810,598.54	16,051,357.30		16,051,357.30
Total	522,020,462.72		522,020,462.72	222,289,552.33		222,289,552.33

(b.2) Changes in significant projects of construction in progress

Projects	31 Dec 2019	Increase during the reporting period	Transfer to property, plant and equipment	Decrease during the reporting period	31 Dec 2020
One river and two banks lighting project	36,444,726.85	5,490,035.70		595,056.89	41,339,705.66
Binhai Mall Phase I Project	115,457,869.63	55,843,348.26			171,301,217.89
Songxia Small and Micro Industrial Park	51,976,972.79	67,474,544.05			119,451,516.84
Chengdong C-80 Block Reconstruction Project		104,652,713.11			104,652,713.11
Changtang Town Small and Micro Enterprise Park Project		26,290,643.82			26,290,643.82
Total	203,879,569.27	259,751,284.94		595,056.89	463,035,797.32

(b.3) Provision for impairment during the reporting period

There is no such item.

(c) Construction Materials

There is no such item.

5.13 Intangible Assets

(a) General information of intangible assets

Items	Land use rights	Finance software	Sand and stone resources	Others	Total
I. Initial cost:					
Balance at 31 Dec 2019	833,156,351.78	847,130.79	868,970,000.00		1,702,973,482.57
Increase during the reporting period	173,810,771.00	143,143.96		69,000.00	174,022,914.96
(i) Acquisition		143,143.96			143,143.96
(ii) Internal research and development					
(iii) Business combination				69,000.00	69,000.00
(iv) Free transfer	173,810,771.00				173,810,771.00
Decrease during the reporting period	178,483,000.00				178,483,000.00
(i) Disposal					
(ii) Free transfer	178,483,000.00				178,483,000.00
Balance at 31 Dec 2020	828,484,122.78	990,274.75	868,970,000.00	69,000.00	1,698,513,397.53
II. Accumulated amortization:					
Balance at 31 Dec 2019	110,641,772.56	571,207.87	39,310,547.61		150,523,528.04
Increase during the reporting period	17,834,831.69	272,760.02	24,827,714.28	4,025.00	42,939,330.99
(i) Provision	17,834,831.69	272,760.02	24,827,714.28	4,025.00	42,939,330.99
Decrease during the reporting period	18,955,831.74				18,955,831.74
(i) Disposal					
(ii) Free transfer	18,955,831.74				18,955,831.74
Balance at 31 Dec 2020	109,520,772.51	843,967.89	64,138,261.89	4,025.00	174,507,027.29
III. Provision for impairment:					
Balance at 31 Dec 2019					
Increase during the reporting period					
(i) Provision					
Decrease during the					

Items	Land use rights	Finance software	Sand and stone resources	Others	Total
reporting period					
(i) Disposal					
Balance at 31 Dec 2020					
IV. Carrying amount:					
Balance at 31 Dec 2020	718,963,350.27	146,306.86	804,831,738.11	64,975.00	1,524,006,370.24
Balance at 31 Dec 2019	722,514,579.22	275,922.92	829,699,452.39		1,552,449,954.53

(b) Other instruction

As at 31 December 2020, the carrying amount of intangible assets amounted to CNY 314,105,648.59 was restricted to mortgage loans.

5.14 Goodwill

(a) Initial recognition

Investees or matters that goodwill arising from	31 Dec 2019	Increase during the reporting period	Decrease during the reporting period		31 Dec 2020
		Business combination	Disposal	Others	
Shaoxing Shangyu Jianmin Poultry Slaughter Co., Ltd.	1,378,475.89				1,378,475.89
Total	1,378,475.89				1,378,475.89

(b) Provision for impairment

There is no such item.

5.15 Long-term Deferred Expenses

Items	31 Dec 2019	Increase during the reporting period	Amortization during the reporting period	Other decrease during the reporting period	31 Dec 2020
Renovation costs	36,652,394.11	21,513,295.45	15,310,398.19		42,855,291.37
Total	36,652,394.11	21,513,295.45	15,310,398.19		42,855,291.37

5.16 Deferred Tax Assets and Deferred Tax Liabilities

(a) Deferred tax assets before offsetting

Items	31 Dec 2020		31 Dec 2019	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment loss	2,279,644.48	569,911.12	5,250,195.60	1,312,548.90
Total	2,279,644.48	569,911.12	5,250,195.60	1,312,548.90

(b) Deferred tax liabilities before offsetting

There is no such item.

(c) Unrecognized deferred tax assets

Items	31 Dec 2020	31 Dec 2019
Deductible temporary differences	74,609,810.26	42,927,251.39
Total	74,609,810.26	42,927,251.39

5.17 Short-term Borrowings

(a) Disclosure of short-term borrowings by category

Items	31 Dec 2020	31 Dec 2019
Pledge loans		103,500,000.00
Mortgage loans	166,000,000.00	314,150,000.00
Guarantee loans	961,050,000.00	662,850,000.00
Mortgage and guarantee loans	145,000,000.00	145,000,000.00
Credit loans	5,000,000.00	
Total	1,277,050,000.00	1,225,500,000.00

(a.1) Mortgage loans

Borrowing units	Mortgage units	Loan banks	Mortgaged subjects	Amount
Shaoxing Shangyu Urban and Rural Ecological Environmental Protection Development Co., Ltd.	Shaoxing Shangyu Urban and Rural Ecological Environmental Protection Development Co., Ltd.	Industrial Bank, Shaoxing Branch	Real estates	10,000,000.00
Shaoxing Datong Holdings Group Co., Ltd.	Shaoxing Datong Holdings Group Co., Ltd.	Bank of Ningbo, Shangyu Sub-branch	Real estates	30,000,000.00
Shaoxing Datong Holdings Group Co., Ltd.	Shaoxing Datong Holdings Group Co., Ltd.	Bank of Ningbo, Shangyu Sub-branch	Real estates	20,000,000.00
Shaoxing Shangyu District Material Recycling Co., Ltd.	Shangyu Datong Asset Operation Co., Ltd.	Bank of Shaoxing, Shangyu Sub-branch	Real estates	9,000,000.00
Shaoxing Shangyu District Agricultural Production Materials Co., Ltd.	Shaoxing Shangyu District Agricultural Production Materials Co., Ltd.	Bank of Shaoxing, Shangyu Sub-branch	Buildings and constructions	5,000,000.00
Shaoxing Datong Mall Co., Ltd.	Shaoxing Datong Mall Co., Ltd.	Industrial and Commercial Bank of China, Shangyu Sub-branch	Buildings and constructions	10,000,000.00
Shaoxing Datong Mall Co., Ltd.	Shaoxing Datong Mall Co., Ltd.	Agricultural Bank of China, Shaoxing Shunshan Sub-branch	Buildings and constructions	27,000,000.00
Shaoxing Shangyu Datong Binjiang Mall Co., Ltd.	Shaoxing Shangyu Datong Binjiang Mall Co., Ltd.	Bank of Shaoxing, Shangyu Sub-branch	Real estates	30,000,000.00

Borrowing units	Mortgage units	Loan banks	Mortgaged subjects	Amount
Shaoxing Shangyu Yibin Trading Co., Ltd.	Shaoxing Shangyu Datong Binjiang Mall Co., Ltd.	Bank of Shaoxing, Shangyu Sub-branch	Real estates	25,000,000.00
Total				166,000,000.00

(a.2) Guarantee loans

Borrowing units	Guarantee units	Loan banks	Amount
Shaoxing Shangyu City Construction Group Co., Ltd.	Shaoxing Shangyu Economic Development Zone Investment Development Group Co., Ltd.	China Zheshang Bank, Shangyu Sub-branch	50,000,000.00
Shaoxing Shangyu City Construction Group Co., Ltd.	Shaoxing Shangyu Traffic Investment Co., Ltd.	Bank of Hangzhou, Shaoxing Branch	100,000,000.00
Shaoxing Shangyu City Construction Group Co., Ltd.	Shaoxing Shangyu Economic Development Zone Investment and Development Group Co., Ltd.	China Zheshang Bank, Shangyu Sub-branch	20,000,000.00
Shaoxing Shangyu City Construction Group Co., Ltd.	Shaoxing Shangyu Economic Development Zone Investment and Development Group Co., Ltd.	China Zheshang Bank, Shangyu Sub-branch	100,000,000.00
Shaoxing Shangyu Hongyan Construction and Development Co., Ltd.	Shaoxing Shangyu City Construction Group Co., Ltd.	Industrial and Commercial Bank of China, Shangyu Sub-branch	10,000,000.00
Shaoxing Shangyu Hongyan Construction and Development Co., Ltd.	Shaoxing Shangyu City Construction Group Co., Ltd.	Industrial and Commercial Bank of China, Shangyu Sub-branch	140,000,000.00
Shaoxing Shangyu Municipal Construction Engineering Co., Ltd.	Shaoxing Shangyu City Construction Group Co., Ltd.	China Everbright Bank, Shaoxing Branch	50,000,000.00
Shaoxing Shangyu Municipal Construction Engineering Co., Ltd.	Shaoxing Shangyu City Construction Group Co., Ltd.	Industrial Bank, Shaoxing Branch	120,000,000.00
Shaoxing Shangyu Environmental Sanitation Management Group Co., Ltd.	Shaoxing Shangyu City Construction Group Co., Ltd.	China Everbright Bank, Shaoxing Branch	10,000,000.00
Shaoxing Shangyu Environmental Sanitation Management Group Co., Ltd.	Shaoxing Shangyu City Construction Group Co., Ltd.	China Everbright Bank, Shaoxing Branch	90,000,000.00

Borrowing units	Guarantee units	Loan banks	Amount
Shaoxing Shangyu Landscaping Engineering Construction Co., Ltd.	Shaoxing Shangyu City Construction Group Co., Ltd.	Industrial Bank, Shaoxing Branch	90,000,000.00
Shaoxing Shangyu Landscaping Engineering Construction Co., Ltd.	Shaoxing Shangyu City Construction Group Co., Ltd.	Shanghai Pudong Development Bank, Shaoxing Shangyu Sub-branch	50,000,000.00
Shaoxing Shangyu Landscaping Engineering Construction Co., Ltd.	Shaoxing Shangyu City Construction Group Co., Ltd.	Shanghai Pudong Development Bank, Shaoxing Shangyu Sub-branch	50,000,000.00
Shaoxing Shangyu Landscaping Engineering Construction Co., Ltd.	Shaoxing Shangyu City Construction Group Co., Ltd.	Bank of Communications, Shaoxing Shangyu Sub-branch	28,000,000.00
Shaoxing Datong Holdings Group Co., Ltd.	Shaoxing Shangyu District State-owned Capital Investment and Operation Co., Ltd.	Bank of Ningbo, Shangyu Sub-branch	30,000,000.00
Shaoxing Datong Holdings Group Co., Ltd.	Shaoxing Shangyu District State-owned Capital Investment and Operation Co., Ltd.	Bank of Hangzhou, Shaoxing Shangyu Small and Micro Business Franchise Branch	20,000,000.00
Shaoxing Shangyu Datong Used Car Trading Market Co., Ltd.	Shaoxing Datong Holdings Group Co., Ltd.	Bank of Shaoxing, Shangyu Sub-branch	1,000,000.00
Shaoxing Shangyu Datong Market Development Co., Ltd.	Shaoxing Datong Holdings Group Co., Ltd.	Bank of Shaoxing, Shangyu Sub-branch	1,000,000.00
Shaoxing Datong Agricultural Products Wholesale Market Co., Ltd.	Shaoxing Datong Holdings Group Co., Ltd.	Bank of Shaoxing, Shangyu Sub-branch	50,000.00
Shaoxing Datong Supermarket Co., Ltd.	Shaoxing Datong Holdings Group Co., Ltd.	Bank of Shaoxing, Shangyu Sub-branch	1,000,000.00
Total			961,050,000.00

(a.3) Mortgage and guaranteed loans

Borrowing units	Mortgage units/individual	Guarantee units	Loan banks	Pledged subjects	Amount
Shaoxing Datong Holdings Group Co., Ltd.	Shaoxing Datong Agricultural Products Wholesale Market Co., Ltd.	Shaoxing Datong Agricultural Products Wholesale Market Co., Ltd.	Bank of Communications, Shangyu Shangjie Sub-branch	Real estates	30,000,000.00
Shaoxing Datong Holdings Group Co., Ltd.	Shaoxing Datong Agricultural Products Wholesale Market Co., Ltd.	Shaoxing Datong Agricultural Products Wholesale Market Co., Ltd.	Bank of Communications, Shangyu Shangjie Sub-branch	Real estates	50,000,000.00

Borrowing units	Mortgage units/individual	Guarantee units	Loan banks	Pledged subjects	Amount
Shaoxing Datong Holdings Group Co., Ltd.	Shaoxing Datong Agricultural Products Wholesale Market Co., Ltd.	Shaoxing Datong Agricultural Products Wholesale Market Co., Ltd.	Bank of Communications, Shangyu Shangjie Sub-branch	Real estates	40,000,000.00
Shaoxing Datong Holdings Group Co., Ltd.	Shaoxing City Shangyu District Supply and Marketing Cooperative Corporation	Shaoxing City Shangyu District Supply and Marketing Cooperative Corporation	Bank of Shaoxing, Shangyu Sub-branch	Real estates	5,000,000.00
Shaoxing Datong Holdings Group Co., Ltd.	Shaoxing City Shangyu District Supply and Marketing Cooperative Corporation	Shaoxing City Shangyu District Supply and Marketing Cooperative Corporation	Bank of Shaoxing, Shangyu Sub-branch	Real estates	20,000,000.00
Total					145,000,000.00

(a.3) Credit loans

Borrowing units	Loan banks	Amount
Shaoxing Datong Holdings Group Co., Ltd.	Zhejiang Shangyu Rural Commercial Bank	5,000,000.00
Total		5,000,000.00

(b) Overdue short-term borrowings

There is no such item.

5.18 Notes Payable

(a) Notes payable by category

Items	31 Dec 2020	31 Dec 2019
Bank acceptance bills	7,440,000.00	23,161,072.20
Total	7,440,000.00	23,161,072.20

At 31 December 2020, notes payable matured but not yet paid amounted to zero.

5.19 Accounts Payable

(a) Accounts Payable categorized by aging

Items	31 Dec 2020	31 Dec 2019
Within 1 year (including 1 year)	167,706,050.07	277,582,591.67
1 to 2 years	100,863,679.80	70,787,736.38
2 to 3 years	23,838,179.66	118,522,616.32
Over 3 years	41,532,234.04	7,217,011.27
Total	333,940,143.57	474,109,955.64

(b) Significant balances of accounts payable with aging of over one year

There is no such item.

(c) Top five closing balances by entity

Items	Balance at 31 Dec 2020	Proportion of the balance to the total accounts payable (%)
Zhejiang Zhongcheng Construction Group Co., Ltd.	77,489,044.57	23.20
China Railway No.2 Engineering Group Co., Ltd.	42,360,767.13	12.69
Zhejiang Zhongshe Construction Industry Group Co., Ltd.	4,113,292.96	1.23
Shaoxing Shangyu Xingyi Food Co., Ltd.	4,008,539.82	1.20
Zhejiang Baoye Construction Group Co., Ltd.	3,964,030.65	1.19
Total	131,935,675.13	39.51

5.20 Advance Payments

(a) Advances from Customers categorized by aging

Items	31 Dec 2020	31 Dec 2019
Within 1 year (including 1 year)	92,483,118.50	97,434,126.61
1 to 2 years	1,881,152.84	202,785.67
2 to 3 years	202,785.67	550,000.00
Over 3 years	6,951,258.00	7,201,258.00
Total	101,518,315.01	105,388,170.28

(b) Significant balances of advances from customers with aging of over one year

There is no such item.

5.21 Employee Benefits Payable

(a) Details of employee benefits payable

Items	31 Dec 2019	Increase during the reporting period	Decrease during the reporting period	31 Dec 2020
Short-term employee benefits	13,568,126.68	207,111,380.61	210,556,634.21	10,062,873.08
Post-employment benefits-defined contribution plans	544,020.61	3,999,527.36	4,343,431.95	200,116.02
Termination benefits				
Other benefits due within one year				
Total	14,052,147.29	211,110,907.97	214,900,066.16	10,262,989.10

(b) Short-term employee benefits

Items	31 Dec 2019	Increase during the reporting period	Decrease during the reporting period	31 Dec 2020
Salaries, bonuses, allowances and subsidies	13,105,345.42	161,627,269.66	165,076,996.60	9,655,618.48
Employee benefits		31,999,837.91	31,999,837.91	
Social insurance:	264,939.97	4,916,852.83	4,946,566.61	235,226.19
Health insurance	220,676.46	4,829,824.02	4,828,420.97	222,079.51
Injury insurance	19,280.68	26,534.19	38,562.19	7,252.68
Birth insurance	24,982.83	60,494.62	79,583.45	5,894.00
Housing accumulation fund	127,180.00	7,065,748.00	7,065,748.00	127,180.00
Labor union funds and employee education funds	10,661.29	1,501,672.21	1,467,485.09	44,848.41
Short-term absence pays				
Short-term profit-sharing plan				
Total	13,508,126.68	207,111,380.61	210,556,634.21	10,062,873.08

(c) Defined contribution plans

Items	31 Dec 2019	Increase during the reporting period	Decrease during the reporting period	31 Dec 2020
Basic endowment insurance	522,787.07	3,288,924.04	3,622,757.55	188,953.56
Unemployment insurance	21,233.54	89,489.16	99,560.24	11,162.46
Enterprise annuity		621,114.16	621,114.16	
Total	544,020.61	3,999,527.36	4,343,431.95	200,116.02

5.22 Taxes Payable

Items	31 Dec 2020	31 Dec 2019
Value added tax (VAT)	6,012,874.20	7,597,884.22
Enterprise income tax	23,238,760.67	19,216,975.32
Urban maintenance and construction tax	352,413.40	473,896.40
Property tax	4,686,383.28	5,001,048.41
Urban land use tax	1,939,729.41	864,724.86
Consumption tax	140,151.57	155,527.26
Personal income tax	1,112,698.92	1,077,416.67
Stamp duty	251,440.64	172,896.36
Educational surcharge	148,772.73	187,962.11
Local educational surcharge	99,181.83	126,848.35
Employment security fund for the disabled	12,865.57	12,865.57
Others	20,429.06	4,462.60
Total	38,015,701.28	34,892,508.13

5.23 Other Payables

(a) Other payables by category

Items	31 Dec 2020	31 Dec 2019
Interest payable	62,307,989.43	48,354,861.60
Dividend payable	34,000.00	411,180.72
Other payables	1,089,304,304.52	723,987,596.75
Total	1,151,646,293.95	772,753,639.07

(b) Interest payable

Items	31 Dec 2020	31 Dec 2019
Interest on long-term borrowings with installment interest payments and the repayment of the principal at maturity	17,310,148.77	20,992,084.53
Interest on corporate bonds	43,870,847.50	25,237,253.78
Interest on short-term borrowings	198,924.31	1,141,965.01
Interest on long-term payables	928,068.85	983,558.28
Total	62,307,989.43	48,354,861.60

Unpaid overdue interest with significant amount:

There is no such item.

(c) Dividends payable

Items	31 Dec 2020	31 Dec 2019
Shaoxing Shangyu Arts & Crafts Co., Ltd.	31,000.00	7,000.00
Shaoxing Shangyu Storage and Transportation Co., Ltd.	3,000.00	12,000.00
Individual shareholders of Shaoxing Shangyu District Agricultural Production Materials Co., Ltd.		392,180.72
Total	34,000.00	411,180.72

(d) Other payables

(d.1) Disclosure of other payables by aging

Items	31 Dec 2020	31 Dec 2019
Within 1 year (including 1 year)	892,878,821.35	523,873,932.02
1 to 2 years	127,027,362.95	141,422,324.72
2 to 3 years	12,189,178.55	17,094,872.47
Over 3 years	57,208,941.67	41,596,467.54
Total	1,089,304,304.52	723,987,596.75

(d.2) Top five closing balances by entity

Items	Balance at 31 Dec 2020	Proportion of the balance to the total other payables (%)
Shaoxing Shangyu Economic Development Zone Investment Development Group Co., Ltd.	172,719,928.00	15.86
Shaoxing Shangyu District State-owned Capital Investment and Operation Co., Ltd.	156,950,000.00	14.41
Shaoxing Shangyu District Municipal Finance Bureau	150,000,000.00	13.77
Dongguan Supply and Marketing Cooperative of Shangyu District, Shaoxing	65,315,000.00	6.00
Songxia Supply and Marketing Cooperative of Shangyu District, Shaoxing City	64,000,000.00	5.88
Total	608,984,928.00	55.92

5.24 Non-current Liabilities Maturing within One Year

(a) Non-current liabilities maturing within one year by category

Items	31 Dec 2020	31 Dec 2019
Long-term borrowings maturing within one year	901,282,000.00	1,538,910,000.00
Bonds payable maturing within one year	425,453,041.68	360,000,000.00
Long-term payables maturing within one year	31,900,000.00	31,900,000.00
Total	1,358,635,041.68	1,930,810,000.00

(b) Long-term borrowings maturing within one year by category

Items	31 Dec 2020	31 Dec 2019
Mortgage and guarantee loans	500,000.00	209,000,000.00
Pledge and guarantee loans	99,000,000.00	99,000,000.00
Mortgage and pledge loan	37,500,000.00	31,250,000.00
Pledge loans	65,132,000.00	53,660,000.00
Mortgage loans	262,150,000.00	244,000,000.00
Guarantee loans	437,000,000.00	902,000,000.00
Total	901,282,000.00	1,538,910,000.00

5.25 Long-term Borrowings

(a) Long-term borrowings by category

Items	31 Dec 2020	31 Dec 2019
Mortgage and guarantee loans	419,500,000.00	180,000,000.00
Pledge and guarantee loans	103,000,000.00	202,000,000.00
Mortgage and pledge loan		37,500,000.00
Pledge loans	1,388,212,000.00	1,453,344,000.00
Mortgage loans	427,200,000.00	489,200,000.00
Guarantee loans	1,389,500,000.00	1,195,000,000.00

Items	31 Dec 2020	31 Dec 2019
Local government bonds	900,000,000.00	900,000,000.00
Credit loans	40,000,000.00	
Total	4,667,412,000.00	4,457,044,000.00

(b) Mortgage and guarantee loans

Borrowing unit	Guarantee units/individual	Mortgage units	Loan banks	Mortgage subjects	Amount	Including: Long-term loan within one year
Shaoxing Shangyu City Construction Group Co., Ltd.	Shaoxing Shangyu Hangzhou Bay Binhai New City Investment Development and Construction Co., Ltd.	Shaoxing Shangyu City Construction Group Co., Ltd.	Industrial and Commercial Bank of China, Shangyu Sub-branch	Real estates	10,000,000.00	
Shaoxing Shangyu City Construction Group Co., Ltd.	Shaoxing Shangyu Hangzhou Bay Binhai New City Investment Development and Construction Co., Ltd.	Shaoxing Shangyu City Construction Group Co., Ltd.	Industrial and Commercial Bank of China, Shangyu Sub-branch	Real estates	50,000,000.00	
Shaoxing Shangyu Urban Construction Asset Management Co., Ltd.	Shaoxing Shangyu City Construction Group Co., Ltd.	Shaoxing Shangyu Urban Construction Asset Management Co., Ltd.	Agricultural Bank of China, Shaoxing Shangyu Sub-branch	Land use rights	80,000,000.00	500,000.00
Shaoxing Shangyu Hongyan Construction and Development Co., Ltd.	Shaoxing Shangyu City Construction Group Co., Ltd.	Shaoxing Shangyu Hongyan Construction and Development Co., Ltd.	China Agricultural Development Bank, Shaoxing Shangyu Sub-branch	Real estates	240,000,000.00	
Shaoxing Datong Supermarket Co., Ltd.	Shaoxing Datong Holdings Group Co., Ltd.	Shaoxing Yutong Real Estate Development Co., Ltd.	Huaxia Bank, Shaoxing Shangyu Sub-branch	Real estates	40,000,000.00	
Total					400,000,000.00	500,000.00

(c) Pledge and guarantee loans

Borrowing unit	Guarantee units/individual	Pledged units	Loan banks	Pledged subjects	Amount	Including: Long-term loan within one year
Shaoxing Shangyu Chengzhong Village Reconstruction Investment Development Co., Ltd.	Shaoxing Shangyu Haitu Investment Development Co., Ltd.	Shaoxing Shangyu Chengzhong Village Reconstruction Investment Development Co., Ltd.	Agricultural Bank of China, Shaoxing Shangyu Sub-branch	The right to income of demolition and resettlement housing project in the North 68# block of Baiguan Street, Shangyu District	202,000,000.00	99,000,000.00
Total					202,000,000.00	99,000,000.00

(d) Mortgage and pledge loan

Borrowing unit	Mortgage units	Pledged units	Loan banks	Mortgage subjects	Pledged subjects	Amount	Including: Long-term loan within one year
Shaoxing Shangyu Urban Construction Group Co., Ltd.	Shaoxing Shangyu Urban Construction Group Co., Ltd.	Shaoxing Shangyu Urban Construction Group Co., Ltd.	China Citic Bank, Shaoxing Shangyu Sub-branch	Real estates	Income right of project	37,500,000.00	37,500,000.00
Total						37,500,000.00	37,500,000.00

(e) Pledge loans

Borrowing unit	Pledged units	Loan banks	Pledged subjects	Amount	Including: Long-term loan within one year
Shaoxing Shangyu Small Town Construction Investment Co., Ltd.	Shaoxing Shangyu Small Town Construction Investment Co., Ltd.	Agricultural Bank of China, Shaoxing Shangyu Sub-branch	All rights and incomes of the government under the purchase agreement	100,000,000.00	4,000,000.00
Shaoxing Shangyu Small Town Construction Investment Co., Ltd.	Shaoxing Shangyu Small Town Construction Investment Co., Ltd.	Agricultural Bank of China, Shaoxing Shangyu Sub-branch	All rights and incomes of the government under the purchase agreement	200,000,000.00	5,000,000.00
Shaoxing Shangyu Small Town Construction Investment Co., Ltd.	Shaoxing Shangyu Small Town Construction Investment Co., Ltd.	Agricultural Bank of China, Shaoxing Shangyu Sub-branch	All rights and incomes of the government under the purchase agreement	3,150,000.00	

Borrowing unit	Pledged units	Loan banks	Pledged subjects	Amount	Including: Long-term loan within one year
Shaoxing Shangyu Chengzhong Village Reconstruction Investment Development Co., Ltd.	Shaoxing Shangyu Chengzhong Village Reconstruction Investment Development Co., Ltd.	China Construction Bank, Shaoxing Shangyu Sub-branch	Bai Guan Street involves the income right of Binjiang River urban district renovation project	663,990,000.00	32,500,000.00
Shaoxing Shangyu Chengzhong Village Reconstruction Investment Development Co., Ltd.	Shaoxing Shangyu Chengzhong Village Reconstruction Investment Development Co., Ltd.	Bank of China, Zhejiang Branch	Bai Guan Street involves the income right of Binjiang River urban district renovation project	230,204,000.00	11,232,000.00
Shaoxing Shangyu Chengzhong Village Reconstruction Investment Development Co., Ltd.	Shaoxing Shangyu Chengzhong Village Reconstruction Investment Development Co., Ltd.	Industrial and Commercial Bank of China, Shaoxing Shangyu Sub-branch	Bai Guan Street involves the income right of Binjiang River urban district renovation project	256,000,000.00	12,400,000.00
Total				1,453,344,000.00	65,132,000.00

(f) Mortgage loans

Borrowing unit	Mortgage units	Loan banks	Mortgage subjects	Amount	Including: Long-term loan within one year
Shaoxing Shangyu Urban Construction Group Co., Ltd.	Shaoxing Shangyu Urban Construction Group Co., Ltd.	Agricultural Bank of China, Shaoxing Shangyu Sub-branch	Real estates	1,000,000.00	1,200,000.00
Shaoxing Shangyu Urban Construction Group Co., Ltd.	Shaoxing Shangyu Urban Construction Group Co., Ltd.	Agricultural Bank of China, Shaoxing Shangyu Sub-branch	Real estates	4,500,000.00	1,800,000.00
Shaoxing Shangyu Urban Construction Group Co., Ltd.	Shaoxing Shangyu Urban Construction Asset Management Co., Ltd.	Agricultural Bank of China, Shaoxing Shangyu Sub-branch	Buildings and constructions	25,000,000.00	10,000,000.00
Shaoxing Shangyu Urban Construction Group Co., Ltd.	Shaoxing Shangyu Urban Construction Asset Management Co., Ltd.	Agricultural Bank of China, Shaoxing Shangyu Sub-branch	Buildings and constructions	50,000,000.00	20,000,000.00

Borrowing unit	Mortgage units	Loan banks	Mortgage subjects	Amount	Including: Long-term loan within one year
Shaoxing Shangyu Urban Construction Group Co., Ltd.	Shaoxing Shangyu Haina Property Co., Ltd.	China Minsheng Bank, Shaoxing Branch	Real estates	200,000,000.00	
Shaoxing Shangyu Chengzhong Village Reconstruction Investment Development Co., Ltd.	Shangyu Binjiang New Town Investment Development and Construction Co., Ltd. Shaoxing Shangyu District Construction Development Co., Ltd.	Bank of Communications, Shaoxing Shangyu Sub-branch	Land use rights	20,000,000.00	20,000,000.00
Shaoxing Shangyu Chengzhong Village Reconstruction Investment Development Co., Ltd.	Shaoxing Shangyu District Construction Development Co., Ltd. Shaoxing Shangyu Chengzhong Village Reconstruction Investment Development Co., Ltd.	Bank of Communications, Shaoxing Shangyu Sub-branch	Land use rights	80,000,000.00	80,000,000.00
Shaoxing Shangyu Chengzhong Village Reconstruction Investment Development Co., Ltd.	Shaoxing Shangyu Chengzhong Village Reconstruction Investment Development Co., Ltd. Shaoxing Shangyu Economic Development Zone Investment and Development Group Co., Ltd.	Bank of Communications, Shaoxing Shangyu Sub-branch	Land use rights	80,000,000.00	80,000,000.00
Shaoxing Shangyu Chengzhong Village Reconstruction Investment Development Co., Ltd.	Shaoxing Shangyu District Construction Development Co., Ltd.	Bank of Communications, Shaoxing Shangyu Sub-branch	Land use rights	50,000,000.00	20,000,000.00
Shaoxing Shangyu Horticulture Greening Engineering Construction Co., Ltd.	Shaoxing Shangyu Urban Construction Group Co., Ltd.	Huaxia Bank, Shaoxing Shangyu Sub-branch	Real estates	18,000,000.00	18,000,000.00

Borrowing unit	Mortgage units	Loan banks	Mortgage subjects	Amount	Including: Long-term loan within one year
Shaoxing Datong Holdings Group Co., Ltd.	Shaoxing Datong Agricultural Products Wholesale Market Co., Ltd.	Zhejiang Shangyu Rural Commercial Bank	Real estates	49,000,000.00	
Shaoxing Datong Agricultural Products Wholesale Market Co., Ltd.	Shaoxing Datong Agricultural Products Wholesale Market Co., Ltd.	Bank of China, Shangyu Sub-branch	Real estates	36,363,600.00	5,000,000.00
Shaoxing Datong Agricultural Products Wholesale Market Co., Ltd.	Shaoxing Datong Agricultural Products Wholesale Market Co., Ltd.	Bank of China, Shangyu Sub-branch	Real estates	36,363,600.00	5,000,000.00
Shaoxing Datong Agricultural Products Wholesale Market Co., Ltd.	Shaoxing Datong Agricultural Products Wholesale Market Co., Ltd.	Bank of China, Shangyu Sub-branch	Real estates	7,272,800.00	1,000,000.00
Shaoxing Datong Supermarket Co., Ltd.	Shaoxing City Shangyu District Supply and Marketing Cooperative Corporation	Zhejiang Shangyu Rural Commercial Bank	Real estates	29,700,000.00	
Shaoxing Shangyu Datong Market Development Co., Ltd.	Shaoxing Shangyu Datong Market Development Co., Ltd.	Zhejiang Shangyu Rural Commercial Bank, Xiaguan Sub-branch Dinghai Office	Real estates	70,000.00	70,000.00
Shaoxing Shangyu Datong Market Development Co., Ltd.	Shaoxing Shangyu Datong Market Development Co., Ltd.	Zhejiang Shangyu Rural Commercial Bank, Xiaguan Sub-branch Dinghai Office	Real estates	35,000.00	35,000.00
Shaoxing Shangyu Datong Market Development Co., Ltd.	Shaoxing Shangyu Datong Market Development Co., Ltd.	Zhejiang Shangyu Rural Commercial Bank, Xiaguan Sub-branch Dinghai Office	Real estates	45,000.00	45,000.00
Total				689,350,000.00	262,150,000.00

(g) Guarantee loans

Borrowing unit	Guarantee units/individual	Loan banks	Amount	Including: Long-term loan within one year
Shaoxing Shangyu Urban Construction Group Co., Ltd.	Shaoxing Shangyu Water Group Co., Ltd.	Shanghai Pudong Development Bank, Shaoxing Shangyu Sub-branch	26,000,000.00	26,000,000.00

Borrowing unit	Guarantee units/individual	Loan banks	Amount	Including: Long-term loan within one year
Shaoxing Shangyu Urban Construction Group Co., Ltd.	Shaoxing Shangyu Economic Development Zone Investment and Development Group Co., Ltd.	Bank of Shaoxing, Shangyu Sub-branch	147,000,000.00	
Shaoxing Shangyu Chengzhong Village Reconstruction Investment Development Co., Ltd.	Shaoxing Shangyu Urban Construction Group Co., Ltd.	China Minsheng Bank, Shaoxing Shangyu Sub-branch	340,000,000.00	20,000,000.00
Shaoxing Shangyu Chengzhong Village Reconstruction Investment Development Co., Ltd.	Shaoxing Shangyu Traffic Investment Co., Ltd.	China Everbright Bank, Shaoxing Branch	150,000,000.00	150,000,000.00
Shaoxing Shangyu Chengzhong Village Reconstruction Investment Development Co., Ltd.	Shaoxing Shangyu State-owned Capital Operation Co., Ltd.	China Zheshang Bank, Shaoxing Shangyu Sub-branch	30,000,000.00	30,000,000.00
Shaoxing Shangyu District High-speed Rail New Town Construction Investment Co., Ltd.	Shaoxing Shangyu Hangzhou Bay New Area Urban Construction Investment Development Co., Ltd.	Bank of Ningbo, Shaoxing Branch	150,000,000.00	
Shaoxing Shangyu District High-speed Rail New Town Construction Investment Co., Ltd.	Shaoxing Shangyu Hangzhou Bay New Area Urban Construction Investment Development Co., Ltd.	Bank of Ningbo, Shaoxing Branch	10,000,000.00	
Shaoxing Shangyu District High-speed Rail New Town Construction Investment Co., Ltd.	Shaoxing Shangyu Hangzhou Bay New Area Urban Construction Investment Development Co., Ltd.	Bank of Ningbo, Shaoxing Branch	140,000,000.00	
Shaoxing Shangyu District High-speed Rail New Town Construction Investment Co., Ltd.	Shaoxing Shangyu Urban Construction Group Co., Ltd.	Agricultural Bank of China, Shaoxing Shangyu Sub-branch	70,000,000.00	
Shaoxing Shangyu District High-speed Rail New Town Construction Investment Co., Ltd.	Shaoxing Shangyu Urban Construction Group Co., Ltd.	Agricultural Bank of China, Shaoxing Shangyu Sub-branch	80,000,000.00	
Shaoxing Shangyu Urban and Rural Ecological Environmental Protection Development Co., Ltd.	Shaoxing Shangyu City Construction Group Co., Ltd.	Bank of Shaoxing, Shaoxing Shangyu Branch	30,000,000.00	30,000,000.00

Borrowing unit	Guarantee units/individual	Loan banks	Amount	Including: Long-term loan within one year
Shaoxing Shangyu Hongyan Construction and Development Co., Ltd.	Shaoxing Shangyu Urban-Rural Ecological Environment Protection Development Co., Ltd.	Agricultural Bank of China, Shaoxing Shangyu Sub-branch	120,000,000.00	120,000,000.00
Shaoxing Shangyu Hongyan Construction and Development Co., Ltd.	Shaoxing Shangyu Urban-Rural Ecological Environment Protection Development Co., Ltd.	Agricultural Bank of China, Shaoxing Shangyu Sub-branch	50,000,000.00	
Shaoxing Shangyu Urban Construction Asset Management Co., Ltd.	Shaoxing Shangyu Urban Construction Group Co., Ltd.	Agricultural Bank of China, Shaoxing Shangyu Sub-branch	80,000,000.00	500,000.00
Shaoxing Shangyu Urban Construction Asset Management Co., Ltd.	Shaoxing Shangyu Urban Construction Group Co., Ltd.	Zhejiang Shangyu Rural Commercial Bank	20,000,000.00	
Shaoxing Shangyu Small Town Construction Investment Co., Ltd.	Shaoxing Shangyu Chengzhong Village Reconstruction Investment Development Co., Ltd.	Anhui Guoyuan Fiduciary Co., Ltd.	274,000,000.00	
Shaoxing Shangyu Landscaping Engineering Construction Co., Ltd.	Shaoxing Shangyu Urban Construction Group Co., Ltd.	China Everbright Bank, Shaoxing Branch	10,000,000.00	
Shaoxing Shangyu Environmental Sanitation Management Group Co., Ltd.	Shaoxing Shangyu Water Group Co., Ltd.	Huaxia Bank, Shaoxing Shangyu Sub-branch	60,000,000.00	60,000,000.00
Shaoxing Shangyu Environmental Sanitation Management Group Co., Ltd.	Shaoxing Shangyu Urban Construction Group Co., Ltd.	China Agricultural Development Bank, Shaoxing Shangyu Sub-branch	9,500,000.00	500,000.00
Shaoxing Shangyu Datong Binhai Mall Co., Ltd.	Shaoxing Datong Holdings Group Co., Ltd.	Huaxia Bank, Shaoxing Shangyu Sub-branch	30,000,000.00	
Total			1,826,500,000.00	437,000,000.00

(h) Local government bonds

Borrowing unit	Loan units	Amount	Including: Long-term loan within one year
Shaoxing Shangyu Chengzhong Village Reconstruction Investment Development Co., Ltd.	Shaoxing Shangyu District Municipal Finance Bureau	900,000,000.00	
Total		900,000,000.00	

(i) Credit loans

Borrowing unit	Loan units	Amount	Including: Long-term loan within one year
Shaohing Shangyu Urban Construction Group Co., Ltd.	Bank of Hangzhou	40,000,000.00	
Total		40,000,000.00	

5.26 Bonds payable

(a) General information of bonds payable

Items	31 Dec 2020	31 Dec 2019
14 Yu Chengjian Bond		355,855,398.82
19 Yu Chengjian Bond	996,083,333.33	995,083,333.33
"Shangyu Tang Pu Small Town Road" Income Right of Assets		10,000,000.00
"Shangyu Xie Tang Small Town Assanation" Income Right of Assets		10,000,000.00
"Shangyu Xia Guan Small Town Traffic" Income Right of Assets		10,000,000.00
"Shangyu Ding Zhai Small Town Road" Income Right of Assets		20,000,000.00
"Shangyu Liang Hu Small Town Rural Appearance" Income Right of Assets		9,170,000.00
"Shangyu Liang Hu Small Town Rural Appearance" Income Right of Assets		2,540,000.00
"Shangyu Liang Hu Small Town Rural Appearance" Income Right of Assets		5,270,000.00
18 Yu Chengjian Foreign Bond	1,562,143,886.24	1,664,981,580.62
20 Shangyu Parking Lot Bond	993,666,666.67	
Total	3,551,893,886.24	3,082,900,312.77

(b) Changes in bonds payable (except for other financial instruments classified as financial liabilities such as preference shares and perpetual bonds)

Bonds	Par value	Issue date	Bonds-duration	Amount issued	31 Dec 2019
14 Yu Chengjian Bond	100.00	7 Aug 2014	7 years	1,800,000,000.00	715,855,398.82
19 Yu Chengjian Bond	100.00	28 Nov 2019	5 years	1,000,000,000.00	995,083,333.33
"Shangyu Tang Pu Small Town Road" Income Right of Assets	100.00	12 Feb 2018	3 years	10,000,000.00	10,000,000.00
"Shangyu Xie Tang Small Town Assanation" Income Right of Assets	100.00	13 Feb 2018	3 years	10,000,000.00	10,000,000.00
"Shangyu Xia Guan Small Town Traffic" Income Right of Assets	100.00	22 Feb 2018	3 years	10,000,000.00	10,000,000.00

Bonds	Par value	Issue date	Bonds-dur ation	Amount issued	31 Dec 2019
"Shangyu Ding Zhai Small Town Road" Income Right of Assets	100.00	9 Feb 2018	3 years	20,000,000.00	20,000,000.00
"Shangyu Liang Hu Small Town Rural Appearance" Income Right of Assets	100.00	28 Mar 2018	3 years	9,170,000.00	9,170,000.00
"Shangyu Liang Hu Small Town Rural Appearance" Income Right of Assets	100.00	3 Apr 2018	3 years	2,540,000.00	2,540,000.00
"Shangyu Liang Hu Small Town Rural Appearance" Income Right of Assets	100.00	17 Apr 2018	3 years	5,270,000.00	5,270,000.00
18 Yu Chengjian Foreign Bond	100.00	20 Dec 2018	3 years	1,674,134,017.84	1,664,981,580.62
20 Shangyu Parking Lot Bond	100.00	17 Apr 2020	7 years	1,000,000,000.00	
Total				5,541,114,017.84	3,442,900,312.77

(Continued)

Bonds	Issued amount during the reporting period	Other increase	Bond issue fee	Amortization of premium /discount	Repayment during the reporting period	31 Dec 2020	Including Bonds payable maturing within one year
14 Yu Chengjian Bond				2,617,642.86	360,000,000.00	358,473,041.68	358,473,041.68
14 Yu Chengjian Bond				1,000,000.00		996,083,313.33	
"Shangyu Tang Pu Small Town Road" Income Right of Assets						10,000,000.00	10,000,000.00
"Shangyu Xie Tang Small Town Appearance" Income Right of Assets						10,000,000.00	10,000,000.00
"Shangyu Xia Guan Small Town Traffic" Income Right of Assets						10,000,000.00	10,000,000.00

Bonds	Issued amount during the reporting period	Other increase	Bond issue fee	Amortization of premium/discount	Repayment during the reporting period	31 Dec 2020	Including: Bonds payable maturing within one year
"Shangyu Ding Zhai Small Town Road" Income Right of Assets						20,000,000.00	20,000,000.00
"Shangyu Liang Hu Small Town Rural Appearance" Income Right of Assets						9,170,000.00	9,170,000.00
"Shangyu Liang Hu Small Town Rural Appearance" Income Right of Assets						2,540,000.00	2,540,000.00
"Shangyu Liang Hu Small Town Rural Appearance" Income Right of Assets						5,270,000.00	5,270,000.00
18 Yu Chengjian Foreign Bond		-107,413,913.00		4,576,218.62		1,562,143,886.24	
20 Shangyu Parking Lot Bond	1,000,000,000.00		-7,000,000.00	666,666.67		993,666,666.67	
Total	1,000,000,000.00	-107,413,913.00	-7,000,000.00	8,860,528.15	360,000,000.00	1,977,346,827.92	425,451,041.68

5.27 Long-term Payables

(a) Long-term payables by category

Items	31 Dec 2020	31 Dec 2019
Long-term payables	648,644,100.00	680,544,100.00
Specific items payable	154,325,025.77	96,425,025.77
Total	802,969,125.77	776,969,125.77

(b) Long-term payables by nature:

Items	31 Dec 2020	31 Dec 2019
Zhejiang Jianrong Investment Development Co., Ltd.	648,350,000.00	680,250,000.00
Others	294,100.00	294,100.00
Total	648,644,100.00	680,544,100.00

(c) Specific items payable

Items	31 Dec 2019	Increase during the reporting period	Decrease during the reporting period	31 Dec 2020
Fiscal appropriation	96,425,025.77	57,900,000.00		154,325,025.77
Total	96,425,025.77	57,900,000.00		154,325,025.77

5.28 Deferred Income

(a) Details of deferred income

Items	31 Dec 2019	Increase during the reporting period	Decrease during the reporting period	31 Dec 2020	Reason
Government grants	41,549,948.91		983,500.00	40,566,448.91	Government grants related to assets
Total	41,549,948.91		983,500.00	40,566,448.91	

(b) Items related to government grants

Items	31 Dec 2019	Increase during the reporting period	Recognized as non-operating income during the reporting period	Recognized as other income during the reporting period	Other fluctuation	31 Dec 2020	Related to assets/Related to profit or loss
Deferred income	41,549,948.91			983,500.00		40,566,448.91	Related to assets

5.29 Paid-in Capital

Investment entity	31 Dec 2019		Increase during the reporting period	Decrease during the reporting period	31 Dec 2020	
	Amount	Proportion of ownership interest (%)			Amount	Proportion of ownership interest (%)
Shaoxing Shangyu District State-owned Assets Supervision and Administration Commission	83,300,000.00	49.00			83,300,000.00	49.00
Shaoxing Shangyu District State-owned Capital Investment and Operation Co., Ltd.	86,700,000.00	51.00			86,700,000.00	51.00
Total	170,000,000.00	100.00			170,000,000.00	100.00

5.30 Capital Reserves

Items	31 Dec 2019	Increase during the reporting period	Decrease during the reporting period	31 Dec 2020
Capital premium (share premium)	2,238,325,230.80	1,296,487,581.97	897,488.11	3,533,915,324.66
Other capital reserves	11,530,741,672.38	375,713,449.36	332,969,160.12	11,573,485,961.62
Total	13,769,066,903.18	1,672,201,031.33	333,866,648.23	15,107,401,286.28

Note: Changes and relevant reasons for capital reserves

(a) The increase of capital reserve in the current period is as follows:

(a.1) The Company obtained 100.00% shareholding of Shaoxing Shangyu Greenland Agricultural Garden Co., Ltd. for free, which belonged to the business combination under common control. The Company took the share of the book value of Shaoxing Shangyu Greenland Agricultural Garden Co., Ltd. as the initial investment cost of the long-term equity investment. The difference between the initial investment cost of the long-term equity investment and the cash paid was adjusted to increase capital reserves - capital premium by CNY897,488.11.

(a.2) According to the government document, the 32.12% shareholding of Shaoxing Shangyu Chengzhong Village Reconstruction Investment Development Co., Ltd. owned by Shaoxing Shangyu District Municipal Finance Bureau was transferred to the Company for free. After the equity transfer, the Company's shareholding of Shaoxing Shangyu Chengzhong Village Reconstruction Investment Development Co., Ltd. changed from 67.88% to 100.00% with the increase in the share of owner's equity, which increased capital reserves - capital premium by CNY1,295,590,093.86.

(a.3) According to the government document, financial allocations were received during the reporting period, which increased capital reserves - other capital reserves by CNY46,742,308.96.

(a.4) According to the government document, assets were free transferred to the Company during the reporting period, which increased capital reserves - other capital reserves by CNY328,971,140.40.

(b) The decrease of capital reserve in the current period is as follows:

(b.1) 100.00% shareholding of Shaoxing Shangyu Greenland Agricultural Garden Co., Ltd. was transferred to the Company for free, which belonged to the business combination under common control. According to the relevant provisions of Accounting Standards for Business Enterprises, when preparing the comparative consolidated financial statements, the assets and liabilities of the above company were merged, and the net assets added by the merger were adjusted for capital reserves in the consolidated financial statements. At the same time, the retained earnings attributable to the Company were realized on the consolidated date.

Therefore, the consolidated financial statements of the Company at the end of 2019 recognized CNY50,000,000.00 of capital reserves. At the end of 2020, the investment of the merged party of the business combination under common control has been realized. The net assets of the merged party amounted to CNY50,000,000.00 on the consolidated date of the business combination under common control were transferred out. The retained earnings attributable to the parent company realized before the business combination under common control were transferred from the capital reserve to the retained earnings by CNY-49,102,511.89.

- (b.2) According to the government document, financial allocations were recovered during the reporting period, which decreased capital reserves - other capital reserves by CNY8,690,000.00.
- (b.3) According to the government document, assets were transferred out for free during the reporting period, which decreased capital reserves - other capital reserves by CNY324,279,160.12.

5.31 Surplus Reserves

Items	31 Dec 2019	Increase during the reporting period	Decrease during the reporting period	31 Dec 2020
Statutory surplus reserves	84,105,904.61	894,095.39		85,000,000.00
Total	84,105,904.61	894,095.39		85,000,000.00

5.32 Retained Earnings

Items	2020	2019
Balance at the end of last period before adjustments	1,058,265,991.77	973,439,996.39
Adjustments for the opening balance (increase /(decrease))	-49,099,505.22	-77,676,619.83
Balance at the beginning of the reporting period after adjustments	1,009,166,086.55	895,763,376.56
Add: net profit attributable to owners of the parent company for the reporting period	141,613,454.92	128,889,298.87
Less: appropriation to statutory surplus reserves	894,095.39	15,486,588.88
Appropriation to discretionary surplus reserves		
Provision for general risk reserves		
Payment of ordinary share dividends		
Ordinary shares dividends converted into share capital		
Balance at the end of the reporting period	1,149,885,446.08	1,009,166,086.55

5.33 Revenue and Cost of Sales

- (a) Revenue and cost of sales

Items	2020		2019	
	Revenue	Costs of sales	Revenue	Costs of sales
Principal activities	2,346,352,605.84	2,002,276,013.69	2,055,583,878.95	1,971,989,252.96
Other activities	23,487,408.65	5,617,724.65	52,891,660.57	29,530,861.94
Total	2,369,840,014.49	2,007,893,738.34	2,108,475,539.52	2,001,520,114.90

(b) Revenue and cost of sales by categories

Items	2020		2019	
	Revenue	Costs of sales	Revenue	Costs of sales
Land development income	515,894,355.95	491,327,958.05	273,570,481.52	260,543,315.73
Housing sales	239,313,514.10	176,219,643.09	697,787,865.55	828,012,187.66
Rental income	77,570,927.65	45,047,795.39	89,877,922.81	53,156,933.47
Project settlement income	283,010,785.61	253,331,568.07	146,080,481.90	137,897,565.64
Environmental sanitation services income	136,260,587.05	56,204,513.38	131,979,794.65	101,390,082.53
Agent construction income	390,163,135.13	371,583,938.22		
Sales of goods	681,822,079.99	555,979,368.13	712,228,965.13	580,984,240.22
Others	45,804,629.01	18,198,954.01	56,950,027.96	39,535,789.65
Total	2,369,840,014.49	2,007,893,738.34	2,108,475,539.52	2,001,520,114.90

5.34 Taxes and Surcharges

Items	2020	2019
Consumption tax	2,438,237.50	2,779,870.77
Urban maintenance and construction	2,393,099.52	4,614,913.65
Educational surcharge	1,013,089.97	2,059,856.92
Local educational surcharge	675,473.23	1,373,238.06
Property tax	6,398,158.31	5,397,368.87
Urban land use tax	3,153,992.65	2,300,650.76
Vehicle and vessel usage tax	10,884.20	10,644.16
Stamp duty	1,073,910.28	3,054,974.74
Employment security fund for the disabled		878,026.23
Land value added tax	6,488,062.96	2,891,373.30
Total	23,664,508.62	25,360,917.46

5.35 Finance Costs

Items	2020	2019
Interest expenses	93,915,010.91	77,011,985.32
Less: Interest income	56,896,133.11	79,655,172.51
Net interest expenses	37,018,877.80	-2,643,187.19
Foreign exchange losses		5,712,891.63

Items	2020	2019
Less: Foreign exchange gains	34,700,875.03	
Net foreign exchange losses	-34,700,875.03	5,712,891.63
Bank charges	5,304,980.16	2,964,258.99
Others	12,471,944.61	10,289,303.57
Total	20,094,927.54	16,323,267.00

5.36 Other Income

Items	2020	2019	Related to assets /income
Government grants	74,643,928.16	315,652,071.28	Related to income
Refund of individual income tax commission		5,276.48	Related to income
Agricultural trade market construction support award	983,500.00	983,500.00	Related to assets
Total	75,627,428.16	316,640,847.76	

5.37 Investment Income/(losses)

Items	2020	2019
Investment income from long-term equity investments under equity method	3,880,072.06	5,947,124.07
Gains on disposal of long-term equity investments		4,285.45
Investment income from financial assets at fair value through profit or loss during holding period		
Gains on disposal of financial assets at fair value through profit or loss		
Investment income from held-to-maturity investments during holding period		
Investment income from available-for-sale financial assets during holding period	47,350,219.14	1,103,507.98
Gains on disposal of available-for-sale financial assets		
Gains on the remeasurement of the remaining interest at fair value at the date of losing control		
Investment income from financial products	253,846.72	
Total	51,484,137.92	7,054,917.50

5.38 Impairment Loss of Assets

Items	2020	2019
Bad debt of receivables	-28,712,007.75	-5,432,147.62
Impairment of inventories		11,539.86
Impairment of long-term equity investments		-3,150,830.88
Total	-28,712,007.75	-8,571,438.64

5.39 Gains/ (losses) from Disposal of Assets

Items	2020	2019
Gains/(losses) from disposal of non-current assets (or disposal groups, excluding financial assets, long-term equity investment and investment property) classified as held for sale		
Gains/(losses) from disposal of property, plant and equipment, construction in progress, and intangible assets not classified as held for sale		6,332,006.85
Including: Gains/(losses) from disposal of property, plant and equipment		4,168,661.77
Gains/(losses) from disposal of intangible assets		2,163,345.08
Gains/(losses) from disposal of construction in progress		
Gains/(losses) from disposal of productive biological assets		
Total		6,332,006.85

5.40 Non-operating Income

Items	2020	2019
Gains from damage or scrappage of non-current assets	14,175.34	19,182.56
Penalty and confiscatory income		993,550.00
Others	10,461,462.51	1,066,920.05
Total	10,475,637.85	2,079,652.61

5.41 Non-operating Expenses

Items	2020	2019
Loss from damage or scrappage of non-current assets	176,234.00	11,876.51
Donations	258,606.00	62,460.00
Amercement outlay	696,486.73	391,903.20
Others	970,385.22	2,185,633.68
Total	2,101,711.95	2,651,873.39

5.42 Income Tax Expenses**(a) Details of income tax expenses**

Items	2020	2019
Current tax expenses	16,880,810.60	19,179,866.04
Deferred tax expenses	742,637.78	-353,885.46
Total	17,623,448.38	18,825,980.58

5.43 Supplementary Information to the Statement of Cash Flows**(a) Supplementary information to the statement of cash flows**

Supplementary information	2020	2019
(i) Adjustments of net profit to cash flows from operating activities:		

Supplementary information	2020	2019
Net profit	122,138,707.86	134,283,999.57
Add: Provisions for impairment of assets	28,712,007.75	8,571,438.64
Depreciation of property, plant and equipment, investment properties, oil and gas asset and productive biological assets	81,892,722.56	81,113,429.62
Amortization of intangible assets	42,939,330.99	43,515,095.54
Amortization of long-term deferred expenses	15,310,398.19	7,102,149.82
Losses /(gains) on disposal of property, plant and equipment, intangible assets and other long-term assets		-6,332,006.85
Losses /(gains) on scrapping of property, plant and equipment	162,058.66	-7,306.05
Losses /(gains) on changes in fair value		
Finance costs /(income) recognized in profit or loss	295,480,896.91	317,449,196.12
Investment losses /(income) recognized in profit or loss	-51,484,137.92	-7,054,917.50
Decreases /(increases) in deferred tax assets	742,637.78	-353,885.46
Increases /(decreases) in deferred tax liabilities		
Decreases /(increases) in inventories	-1,536,434,455.42	-812,431,022.12
Decreases /(increases) in operating receivables	577,013,368.25	2,538,017,104.21
Increases /(decreases) in operating payables	171,679,009.63	-714,577,330.72
Others		
Net cash flows from operating activities	-251,847,454.76	1,589,295,904.82
(ii) Significant investing and financing activities not involving cash receipts and payments:		
Conversion of debt into capital		
Convertible corporate bonds maturing within one year		
Property, plant and equipment acquired under finance leases		
(iii) Net increases in cash and cash equivalents:		
Cash at the end of the reporting period	1,998,514,679.53	2,818,074,361.48
Less: Cash at the beginning of the reporting period	2,818,074,361.48	3,287,075,228.47
Add: Cash equivalents at the end of the reporting period		
Less: Cash equivalents at the beginning of the reporting period		
Net increase in cash and cash equivalents	-819,559,681.95	-469,000,866.99

5.44 Restricted Assets

Items	31 Dec 2020	Reason
Cash and cash equivalents	3,488,407.86	Security deposit
Inventories	254,642,932.50	Loan mortgage
Investment properties	398,713,231.19	Loan mortgage

Items	31 Dec 2020	Reason
Property, plant and equipment	191,055,612.30	Loan mortgage
Intangible assets	314,105,648.59	Loan mortgage
Total	1,162,005,832.44	

5.45 Government Grants

(a) General information of government grants

Categories	Amount	Accounts recorded	Amount in profit or loss
Fiscal appropriation	74,643,928.16	Other income	74,643,928.16
Fiscal interest discount	201,565,886.00	Finance costs	201,565,886.00
Fiscal interest discount	35,058,603.00	Inventories	35,058,603.00
Total	311,268,417.16		311,268,417.16

(b) Amount Repaid to the Government and Reason

There is no such item.

6. CHANGES IN THE SCOPE OF CONSOLIDATION

6.1 Business Combination not Under Common control

(a) Business combination not under common control during the reporting period

Name of the acquirees	Date of acquiring the equity interests	Acquisition costs	Share of interest (%)	Ways to acquire the equity interests
Shaoxing Shangyu Huanji Renewable Resources Utilization Co., Ltd.	31 May 2020	3,485,354.60	100.00	Purchase

(Continued)

Name of the acquirees	Acquisition date	Basis for the acquisition date	Revenue of the acquirees from the acquisition date to the end of the reporting period	Net profits of the acquirees from the acquisition date to the end of the reporting period
Shaoxing Shangyu Huanji Renewable Resources Utilization Co., Ltd.	31 May 2020	Actual control		-849,336.58

(b) Combination costs

Combination costs	Shaoxing Shangyu Huanji Renewable Resources Utilization Co., Ltd.
—Cash	3,485,354.60
Total combination costs	3,485,354.60
Less: Fair value of the share of net identifiable assets acquired	4,021,037.37
Difference between goodwill/ combination costs and fair value of the share of net identifiable assets acquired	-535,682.77

6.2 Business Combination under Common Control

(a) Business combination under common control during the reporting period

Name of the combined party	Percentage of equity interest acquired during the combination (%)	Basis for the determination of business combination under common control	Combination date	Basis for the determination of the combination date
Shaoxing Shangyu Greenland Agricultural Garden Co., Ltd.	100.00	Under the same control	31 Dec 2020	Actual control

(Continued)

Name of the combined party	Revenue of the combined entity from the beginning of the reporting period to the combination date	Net profits of the combined entity from the beginning of the reporting period to the combination date	Revenue of the combined entity during the reporting period of comparison	Net profits of the combined entity during the reporting period of comparison
Shaoxing Shangyu Greenland Agricultural Garden Co., Ltd.		-3,006.67		-7,726.33

(b) Business combination costs

According to the approval of the government, the 100% shareholding of Shaoxing Shangyu Greenland Agricultural Garden Co., Ltd. owned by Shaoxing Shangyu District High-speed Railway New City Merchants Bureau were transferred to the Company's subsidiary Shaoxing Shangyu Urban-Rural Ecological Environment Protection Development Co., Ltd. The base date of equity transfer was 31 December 2020.

(c) Carrying amount of assets and liabilities of the combined entity as at combination date

Items	Shaoxing Shangyu Greenland Agricultural Garden Co., Ltd.	
	Combination date	31 Dec 2020
Assets:		
Cash and cash equivalents	97,794.89	1,100,801.56
Other receivables	799,693.22	87,799,693.22
Liabilities:		
Short-term borrowings		72,000,000.00
Other payables		1,000,000.00
Long-term borrowings		15,000,000.00
Net assets	897,488.11	900,494.78
Less: Non-controlling interests		

Items	Shaoxing Shangyu Greenland Agricultural Garden Co., Ltd.	
	Combination date	31 Dec 2020
Acquired net assets	897,488.11	900,494.78

6.3 Reverse Purchase

There is no such item.

6.4 Disposal of Subsidiaries

There is no such item.

6.5 Other Situations Leading to Changes in the Scope of Consolidation

- (a) Shaoxing Fengbao Agricultural Material Co., Ltd. was established in August 2020 with a registered capital of CNY500,000.00 and a 100% shareholding ratio. As at 31 December 2020, the actual contribution was CNY110,000.00. Therefore, it shall be incorporated into the merger of the Company from its establishment.
- (b) Shaoxing Shangyu Datong Dingzan Agricultural Development Co., Ltd. was established in November 2020 with a registered capital of CNY500,000.00. Shaoxing Datong Holdings Group Co., Ltd. subscribed for investment of CNY275,000.00 with a shareholding ratio of 55%, and Shaoxing Shangyu Dingzan Tourism Development Co., Ltd. subscribed for investment of CNY225,000.00 a shareholding ratio of 45%. As at 31 December 2020, the actual contribution from Shaoxing Datong Holdings Group Co., Ltd. was CNY275,000.00. Therefore, it shall be incorporated into the merger of the Company from its establishment.
- (c) In September, Zhonghe Pension (Shaoxing) Co., Ltd. was cancelled by the approval of Shaoxing Shangyu District Market Supervision and Administration Bureau.

7. INTERESTS IN OTHER ENTITIES

7.1 Interests in Subsidiaries

(a) Constitution of enterprise group

Name of subsidiary	Principal place of business	Registered Address	Nature of business	Percentage of equity interests by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
Shaoxing Shangyu Urban-Rural Ecological Environment Protection Development Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Environmental protection cleaning services, landscape construction	100.00		Business combination not under common control
Shaoxing Shangyu Chengzhong Village Reconstruction Investment Development Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Urban village rebuilt, construction	100.00		Business combination not under common control

Name of subsidiary	Principal place of business	Registered Address	Nature of business	Percentage of equity interests by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
Shaoxing Shangyu Haina Property Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Real estate development, sales	100.00		Newly established
Shaoxing Shangyu Hongyan Construction and Development Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	New community construction and development		100.00	Newly established
Shaoxing Shangyu Construction Labor Affairs Agent Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Labor service dispatch, environmental protection cleaning services, municipal facilities maintenance services, greening maintenance services	100.00		Newly established
Shaoxing Shangyu Leju Property Service Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Property management services; maintenance of municipal public facilities; maintenance of landscaping; environmental sanitation and cleaning	100.00		Business combination not under common control
Shaoxing Shangyu Urban Construction Asset Management Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Real estate development and sales	100.00		Business combination not under common control
Shaoxing Shangyu City Construction Project Management Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Construction design, cost consultation, supervision and tendering agent, property maintenance and management business	100.00		Newly established
Shaoxing Shangyu Environmental Sanitation Management Group Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Sanitation, cleaning, transportation and disposal of garbage in urban areas, highways, rivers, towns and administrative villages; construction, operation and maintenance of sanitation infrastructure	100.00		Newly established

Name of subsidiary	Principal place of business	Registered Address	Nature of business	Percentage of equity interests by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
Shaoxing Shangyu Environmental Sanitation Equipment Maintenance Service Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Vehicle maintenance, Sanitation equipment maintenance service		100.00	Newly established
Shaoxing Shangyu Sanitation Group Yard Sanitation Management Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Operational cleaning, collection, transportation and processing services of municipal domestic waste		100.00	Newly established
Shaoxing Shangyu Solid Waste Treatment Service Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Landfill treatment of construction waste and domestic waste		100.00	Newly established
Shaoxing Shangyu Solid Waste Clearing and Transportation Service Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Operational cleaning, collection, transportation and treatment services of municipal solid waste		100.00	Newly established
Shaoxing Shangyu Sanitation Group Urban Sanitation Management Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Operational cleaning, collection, transportation and treatment services of municipal solid waste		100.00	Newly established
Shaoxing City Shangyu District Ejiang Construction Waste Disposal Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Collection and cleaning of construction waste soil and mud		100.00	Business combination not under common control
Shaoxing Shangyu Huanji Renewable Resources Utilization Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Renewable resources utilization		100.00	Newly established
Shaoxing Shangyu Lighting Engineering Investment Management Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Investment management and consulting services for lighting construction projects	100.00		Newly established
Shaoxing Shangyu Lighting Engineering Investment Management Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Investment management and consulting services for lighting construction projects	100.00		Newly established

Name of subsidiary	Principal place of business	Registered Address	Nature of business	Percentage of equity interests by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
Shaoxing Shangyu District High-speed Rail New Town Construction Investment Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Project investment and management services	100.00		Business combination under common control
Shaoxing Shangyu Small Town Construction Investment Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Small town project construction and investment	100.00		Business combination under common control
Shaoxing Shangyu Municipal Public Engineering Quality Testing Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Routine testing of building materials	100.00		Business combination not under common control
Shangyu City Construction Hong Kong Co., Ltd.	Hong Kong	Hong Kong	Investment	100.00		Newly established
Shaoxing Shangyu Garden Municipal Construction Development Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Construction, management and maintenance of garden public facilities	100.00		Newly established
Shaoxing Shangyu Lixin Trade Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Building materials sales, seedling planting, sales		100.00	Newly established
Shaoxing Shangyu Green Energy Environmental Protection New Material Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Research and development of new environmental protection materials		60.00	Newly established
Shaoxing Shangyu Municipal Construction Engineering Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Contracted construction of municipal roads, bridges, drainage, garden construction projects; pre-processing of municipal projects		100.00	Business combination not under common control
Shaoxing Shangyu Landscaping Engineering Construction Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Production, wholesale and retail of green seedlings, flowers, and general economic seedlings; construction of landscaping projects; market management services		100.00	Business combination not under common control

Name of subsidiary	Principal place of business	Registered Address	Nature of business	Percentage of equity interests by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
Shaoxing Shangyu Garden Maintenance Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Landscaping maintenance management, engineering construction		100.00	Newly established
Shaoxing Shangyu Municipal Maintenance Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Maintenance and operation management of municipal facilities		100.00	Newly established
Shaoxing Datong Holdings Group Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Trading	51.04		Business combination under common control
Shaoxing Datong Agricultural Products Wholesale Market Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Agricultural wholesale		100.00	Business combination under common control
Shaoxing Datong E-Commerce Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	E-commerce		50.00	Business combination under common control
Shaoxing Datong Culture Media Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Culture Media		51.00	Business combination under common control
Shaoxing Shangyu Datong Farm Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Agricultural Trade		51.00	Business combination under common control
Shaoxing Shangyu Yutong Agricultural Technology Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Agricultural Science and Technology		60.00	Business combination under common control
Shaoxing Datong Supermarket Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Food business		100.00	Business combination under common control

Name of subsidiary	Principal place of business	Registered Address	Nature of business	Percentage of equity interests by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
Shaoxing Shangyu District Yuhong Property Management Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Property management		100.00	Business combination under common control
Shaoxing Shangyu District Yutong Real Estate Development Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Real estate development		100.00	Business combination under common control
Shaoxing Datong Mall Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Trading		76.64	Business combination under common control
Shaoxing Shangyu Datong Mall Enterprise Management Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Business management		95.00	Business combination under common control
Shaoxing Shangyu Datong Shunyang Investment Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Financial Services		57.15	Business combination under common control
Shaoxing Shangyu Yibin Trading Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Trading		100.00	Business combination under common control
Shaoxing Shangyu Datong Binjiang Farmers Market Management Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Market management		100.00	Business combination under common control
Shaoxing Shangyu Datong Binhai Mall Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Trading		35.00	Business combination under common control
Shaoxing Shangyu Datong Binjiang Mall Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Trading		100.00	Business combination under common control
Shaoxing Shangyu District Tea Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Tea sales		99.75	Business combination under common control

Name of subsidiary	Principal place of business	Registered Address	Nature of business	Percentage of equity interests by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
Shaoxing Shangyu Datong Market Development Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Real estate development		100.00	Business combination under common control
Shaoxing Shangyu District Neighborhood Center Asset Management Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Asset Management		100.00	Business combination under common control
Shaoxing Shangyu District Material Recycling Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Recycling of recycled materials		65.00	Business combination under common control
Shaoxing Shangyu Datong Used Car Trading Market Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Used car trading		80.00	Business combination under common control
Shaoxing Shangyu District Agricultural Production Materials Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Agricultural production services		66.62	Business combination under common control
Shaoxing Shangyu Rannong Chemical Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Chemical product sales		51.00	Business combination under common control
Shaoxing Shangyu Jianmin Poultry Slaughter Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Poultry slaughter		100.00	Business combination under common control
Shaoxing City Shangyu District Donghai Gas Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Gas sales		50.00	Business combination under common control
Shaoxing City Shangyu District Dongguan Liquid Gas Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Liquid gas sales		65.00	Business combination under common control
Shaoxing Shangyu District Sinopec Datong Oil and Gas Station Construction and Development Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Oil and gas sales		50.00	Business combination under common control

Name of subsidiary	Principal place of business	Registered Address	Nature of business	Percentage of equity interests by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
Xiaojin County Jimshan Agricultural Products Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Agricultural product sales		100.00	Business combination under common control
Zhoushan Yitong Petrochemical Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Oil and gas sales		100.00	Business combination under common control
Shaoxing Shangyu Datong Pension Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Maintenance service		100.00	Business combination under common control
Shaoxing Shangyu Datong Rural Tourism Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Tourism		100.00	Business combination under common control
Shaoxing Fengbao Agricultural Material Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Pesticide wholesale and pesticide retail		100.00	Newly established
Shaoxing Shangyu Datong Dingnan Agricultural Development Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Agricultural gardening services		55.00	Newly established
Shaoxing Shangyu Community Service Center Management Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Community Service Management		100.00	Newly established
Shaoxing Shangyu Greenland Agricultural Garden Co., Ltd.	Shangyu District, Shaoxing City	Shangyu District, Shaoxing City	Agricultural gardening services		100.00	Business combination under common control

(i) Illustration for the difference between percentage of equity interests and percentage of voting rights: none.

(ii) Basis for having control power over the investees with voting rights of 50% or lower, and having no control power over the investee with voting rights above 50%

Sequence Number	Name of subsidiary	Percentage of equity interests by the Company (%)	Reasons
1	Shaoxing City Shangyu District Donghai Gas Co., Ltd.	50.00	Signed a concert party agreement

Sequence Number	Name of subsidiary	Percentage of equity interests by the Company (%)	Reasons
2	Shaoxing Shangyu District Sinopec Datong Oil and Gas Station Construction and Development Co., Ltd.	50.00	Signed a concert party agreement

(iii) Basis for control power over important structured entities within the scope of consolidation: none.

(iv) Basis for defining the Company as an agent or a principal: none.

(b) Important non-wholly owned subsidiary

Name of subsidiary	Percentage of equity interests held by minority shareholders (%)	Profit or loss attributable to non-controlling interests during the reporting period	Non-controlling interests at the end of the reporting period
Shaoxing Shangyu Chengzhong Village Reconstruction Investment Development Co., Ltd.	32.12	4,210,960.37	
Shaoxing Shangyu Green Energy Environmental Protection New Material Co., Ltd.	40.00	-9,931,279.28	321,835,079.18
Shaoxing Datong Holdings Group Co., Ltd.	48.96	-14,085,868.04	-14,085,868.04
Shaoxing Datong Mall Co., Ltd.	23.36	3,400,478.25	14,266,051.90
Shaoxing Shangyu District Tea Co., Ltd.	40.25	-155,705.31	2,573,802.95
Shaoxing Datong E-Commerce Co., Ltd.	50.00	195,573.35	10,212,068.00
Shaoxing Shangyu Datong Farm Co., Ltd.	49.00	30,056.63	4,147,826.84
Shaoxing Shangyu District Agricultural Production Materials Co., Ltd.	33.38	443,718.10	4,334,422.25
Shaoxing City Shangyu District Donghai Gas Co., Ltd.	50.00	3,482,509.79	13,596,685.77
Shaoxing City Shangyu District Dongguan Liquid Gas Co., Ltd.	35.00	94,804.10	1,780,742.94
Shaoxing Shangyu District Sinopec Datong Oil and Gas Station Construction and Development Co., Ltd.	50.00	3,187,118.23	14,085,229.05

Name of subsidiary	Percentage of equity interests held by minority shareholders (%)	Profit or loss attributable to non-controlling interests during the reporting period	Non-controlling interests at the end of the reporting period
Shaoxing Shangyu Datong Binhai Mall Co., Ltd.	45.00	-442,506.30	46,618,554.41
Shaoxing Shangyu Datong Shunyang Investment Co., Ltd.	42.85	-12,867,407.62	4,248,739.58
Others		2,962,800.67	38,229,040.38
Total		-19,474,747.06	461,842,375.21

Illustration for the difference between percentage of equity interests and percentage of voting rights from the minority shareholders of subsidiaries:

As at 31 December 2020, the registered capital subscribed by some minority shareholders of Datong Group Company is not in place.

(c) Main financial information of important non-wholly owned subsidiaries

Subsidiaries	31 Dec 2020					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shaoxing Shangyu Green Energy Environmental Protection New Material Co., Ltd.	55,942.86	804,831,738.11	804,887,680.97	299,983.02		299,983.02
Shaoxing Datong Holdings Group Co., Ltd.	489,326,135.87	1,152,409,188.91	1,641,735,324.78	1,114,223,671.91	258,560,548.91	1,372,784,220.82
Shaoxing Datong Mall Co., Ltd.	191,174,487.93	133,555,778.32	324,730,266.25	253,128,355.42		253,128,355.42
Shaoxing Shangyu District Tea Co., Ltd.	1,695,264.23	5,672,708.06	7,367,972.29	973,400.81		973,400.81
Shaoxing Datong E-Commerce Co., Ltd.	19,413,738.20	19,681,128.30	39,094,866.50	10,862,009.00		10,862,009.00
Shaoxing Shangyu Datong Farm Co., Ltd.	3,048,192.65	13,001,803.32	16,049,995.97	7,182,546.40		7,182,546.40
Shaoxing Shangyu District Agricultural Production Materials Co., Ltd.	26,290,001.47	5,991,633.32	32,281,634.79	22,476,660.71		22,476,660.71

Subsidiaries	31 Dec 2020					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shaoxing City Shangyu District Donghai Gas Co., Ltd.	29,433,433.36	25,722,859.82	55,156,293.58	25,909,983.20	272,100.00	26,182,083.20
Shaoxing City Shangyu District Dongguan Liquid Gas Co., Ltd.	1,935,463.98	8,529,634.56	10,465,098.54	5,456,551.93		5,456,551.93
Shaoxing Shangyu District Sinopec Datong Oil and Gas Station Construction and Development Co., Ltd.	14,134,317.34	15,236,694.06	29,371,011.40	1,194,463.29		1,194,463.29
Shaoxing Shangyu Datong Binhai Mall Co., Ltd.	47,478,639.42	171,632,122.78	219,110,762.20	85,533,974.63	30,000,000.00	115,533,974.63
Shaoxing Shangyu Datong Shuyang Investment Co., Ltd.	9,915,378.26		9,915,378.26			

(Continued)

Subsidiaries	31 Dec 2019					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shaoxing Shangyu Chengzhong Village Reconstruction Investment Development Co., Ltd.	9,364,451,112.43	210,196,923.63	9,574,648,036.06	1,871,721,055.09	3,682,444,000.00	5,554,165,055.09
Shaoxing Shangyu Green Energy Environmental Protection New Material Co., Ltd.	56,426.78	829,659,452.39	829,715,879.17	299,983.02		299,983.02
Shaoxing Datong Holdings Group Co., Ltd.	609,181,659.48	1,048,788,036.25	1,657,969,695.73	1,076,608,285.80	270,544,048.91	1,347,152,334.71

Subsidiaries	31 Dec 2019					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shaoxing Datong Mall Co., Ltd.	283,723,894.96	142,578,707.11	426,302,602.07	349,613,356.18		349,613,356.18
Shaoxing Shangyu District Tea Co., Ltd.	1,607,860.13	5,899,638.35	7,507,498.48	572,111.72		572,111.72
Shaoxing Datong E-Commerce Co., Ltd.	19,688,330.28	21,693,565.56	41,381,895.84	13,314,399.83		13,314,399.83
Shaoxing Shangyu Datong Farm Co., Ltd.	3,607,534.97	13,658,076.58	17,265,611.55	8,468,818.99		8,468,818.99
Shaoxing Shangyu District Agricultural Production Materials Co., Ltd.	13,651,104.89	9,385,201.38	23,036,306.27	10,905,695.64		10,905,695.64
Shaoxing City Shangyu District Donghai Gas Co., Ltd.	25,285,425.96	28,298,733.56	53,584,159.52	24,627,674.85	272,100.00	24,899,774.85
Shaoxing City Shangyu District Dongguan Liquid Gas Co., Ltd.	1,369,022.66	9,196,367.35	10,565,390.01	6,007,712.27		6,007,712.27
Shaoxing Shangyu District Sinopec Datong Oil and Gas Station Construction and Development Co., Ltd.	13,026,315.19	15,565,734.36	28,592,049.55	1,195,827.50		1,195,827.50
Shaoxing Shangyu Datong Binhai Mall Co., Ltd.	25,403,158.30	115,681,945.79	141,085,103.49	6,504,968.61	30,000,000.00	36,504,968.61

(Continued)

Subsidiaries	2020		
	Revenue	Net profit(loss) for the year	Total comprehensive income for the year
Shaoxing Shangyu Chengzhong Village Reconstruction Investment Development Co., Ltd.	399,779,815.41	13,110,088.33	13,110,088.33
Shaoxing Shangyu Green Energy Environmental Protection New Material Co., Ltd.		-24,828,198.20	-24,828,198.20
Shaoxing Datong Holdings Group Co., Ltd.	735,326,474.53	-28,770,155.31	-28,770,155.31
Shaoxing Datong Mall Co., Ltd.	356,987,148.58	14,556,841.87	14,556,841.87
Shaoxing Shangyu District Tea Co., Ltd.	1,952,726.79	-386,845.48	-386,845.48
Shaoxing Datong E-Commerce Co., Ltd.	32,436,495.84	385,146.69	385,146.69
Shaoxing Shangyu Datong Farm Co., Ltd.	13,604,839.94	61,340.06	61,340.06
Shaoxing Shangyu District Agricultural Production Materials Co., Ltd.	16,842,672.18	1,329,293.29	1,329,293.29
Shaoxing City Shangyu District Donghai Gas Co., Ltd.	96,207,200.46	6,965,019.61	6,965,019.61
Shaoxing City Shangyu District Dongguan Liquid Gas Co., Ltd.	11,453,941.23	270,868.87	270,868.87
Shaoxing Shangyu District Sinopec Datong Oil and Gas Station Construction and Development Co., Ltd.	53,789,503.07	5,374,236.46	5,374,236.46
Shaoxing Shangyu Datong Binhai Mall Co., Ltd.	4,727,942.39	-983,347.31	-983,347.31
Shaoxing Shangyu Datong Shuryang Investment Co., Ltd.		-30,028,955.94	-30,028,955.94

(Continued)

Subsidiaries	2019		
	Revenue	Net profit(loss) for the year	Total comprehensive income for the year
Shaoxing Shangyu Chengzhong Village Reconstruction Investment Development Co., Ltd.	949,750,099.71	108,758.06	108,758.06
Shaoxing Shangyu Green Energy Environmental Protection New Material Co., Ltd.		-25,071,270.52	-25,071,270.52
Shaoxing Datong Holdings Group Co., Ltd.	806,758,240.80	-858,246.31	-858,246.31

Subsidiaries	2019		
	Revenue	Net profit/(loss) for the year	Total comprehensive income for the year
Shaoxing Datong Mall Co., Ltd.	435,693,993.07	16,478,493.79	16,478,493.79
Shaoxing Shangyu District Tea Co., Ltd.	2,534,594.70	-991,382.36	-991,382.36
Shaoxing Datong E-Commerce Co., Ltd.	32,037,969.49	1,407,174.04	1,407,174.04
Shaoxing Shangyu Datong Farm Co., Ltd.	14,393,295.12	1,890,018.07	1,890,018.07
Shaoxing Shangyu District Agricultural Production Materials Co., Ltd.	284,390.13	689,022.35	689,022.35
Shaoxing City Shangyu District Donghai Gas Co., Ltd.	104,978,832.07	7,467,971.02	7,467,971.02
Shaoxing City Shangyu District Dongguan Liquid Gas Co., Ltd.	12,311,407.16	223,403.13	223,403.13
Shaoxing Shangyu District Sinopec Datong Oil and Gas Station Construction and Development Co., Ltd.	58,360,615.37	6,188,104.48	6,188,104.48
Shaoxing Shangyu Datong Binhai Mall Co., Ltd.	6,528,028.69	5,974,395.93	5,974,395.93

7.2 Transactions which Resulted in Change of Equity Interests in the Subsidiary but still Control the Subsidiary

According to the government document, the 32.12% shareholding of Shaoxing Shangyu Chengzhong Village Reconstruction Investment Development Co., Ltd. owned by Shaoxing Shangyu District Municipal Finance Bureau was transferred to the Company for free. After the equity transfer, the Company's shareholding of Shaoxing Shangyu Chengzhong Village Reconstruction Investment Development Co., Ltd. changed from 67.88% to 100.00% with the increase in the share of owner's equity.

7.3 Interests in Joint Arrangements or Associates

(a) Material joint ventures or associates

Company name	Principal place of business	Registered address	Nature of business	Percentage of equity interests by the Company (%)		Measurement methods
				Direct	Indirect	
Joint ventures						
Shaoxing City Shangyu District Donghai Joint Venture Chase Gas Station	Shangyu district, Shaoxing city	Shangyu district, Shaoxing city	Gas station		50.00	Equity method

Company name	Principal place of business	Registered address	Nature of business	Percentage of equity interests by the Company (%)		Measurement methods
				Direct	Indirect	
Associates						
Shaoxing Shangyu Datong Asset Management Co., Ltd.	Shangyu district, Shaoxing city	Shangyu district, Shaoxing city	Asset management		42.26	Equity method
Shaoxing Shangyu Cao'e Jiangjiang Shanguhai Development and Construction Co., Ltd.	Shangyu district, Shaoxing city	Shangyu district, Shaoxing city	Agriculture, forestry, animal husbandry and fishery		45.45	Equity method
Shaoxing Shangyu Chaohui Trading Co., Ltd.	Shangyu district, Shaoxing city	Shangyu district, Shaoxing city	Trading		39.00	Equity method
Shaoxing Shangyu District Yijia Real Estate Development Co., Ltd.	Shangyu district, Shaoxing city	Shangyu district, Shaoxing city	Real estate development		40.00	Equity method
Shaoxing Datong Shopping Center Co., Ltd.	Shangyu district, Shaoxing city	Shangyu district, Shaoxing city	Retail		32.91	Equity method
Shaoxing Shangyu Cao'ejiang Agricultural Products Co., Ltd.	Shangyu district, Shaoxing city	Shangyu district, Shaoxing city	Wholesale and retail		40.00	Equity method
Shaoxing Shangyu Hengtai Used Car Evaluation Co., Ltd.	Shangyu district, Shaoxing city	Shangyu district, Shaoxing city	Asset valuation		40.00	Equity method
Shaoxing City Shangyu District Huiduoli Agricultural Products Co., Ltd.	Shangyu district, Shaoxing city	Shangyu district, Shaoxing city	Agricultural product sales		30.00	Equity method
Shaoxing Datong Fanshifu Green Food Co., Ltd.	Shangyu district, Shaoxing city	Shangyu district, Shaoxing city	Food sales		35.00	Equity method
Shaoxing Yuyi Cultural Creativity Co., Ltd.	Shangyu district, Shaoxing city	Shangyu district, Shaoxing city	Cultural and creative event planning		45.45	Equity method

7.4 Important Joint Operations

There is no such item.

7.5 Equity in Structured Entities not Included in the Consolidated Financial

Statements

There is no such item.

7.6 Others

There is no such item.

8. RELATED PARTIES AND RELATED PARTY TRANSACTIONS**8.1 Basic Information of Parent Company**

Name of the parent	Registered address	Registered capital	Percentage of equity interests in the Company (%)	Voting rights in the Company (%)
Shaoxing Shangyu District State-owned Capital Investment and Operation Co., Ltd.	Shangyu District, Shaoxing City, Zhejiang Province	1.00 billion	51.00	51.00

Ultimate Controlling Owner is Shaoxing Shangyu District State-owned Assets Supervision and Administration Commission.

8.2 Basic Information of Subsidiaries

Details of the subsidiaries please refer to *Notes 7 INTERESTS IN OTHER ENTITIES*.

8.3 Joint Ventures and Associates of the Company

(a) Basic information of significant joint ventures and associates

Details of significant joint ventures and associates please refer to *Notes 7 INTERESTS IN OTHER ENTITIES 7.3 Interests in Joint Arrangements or Associates*.

(b) Details of other joint ventures or associates trading with the Company during the reporting period, or with outstanding balances arising in prior periods

There is no such item.

8.4 Other Related Parties of the Company

Name	Relationship with the Company
Shaoxing Shangyu District Shanty Town Reconstruction Investment Development Co., Ltd.	Under the same control of ultimate controlling owner
Shaoxing Shangyu District Transportation Group Co., Ltd.	Under the same control of ultimate controlling owner
Shaoxing Shangyu Economic Development Zone Investment Development Group Co., Ltd.	Under the same control of ultimate controlling owner
Shaoxing Shangyu Hongda Highway Construction Co., Ltd.	Under the same control of ultimate controlling owner
Shaoxing Shangyu District Water Supply Co., Ltd.	Under the same control of ultimate controlling owner
Shaoxing Shangyu Cultural Tourism Group Co., Ltd.	Under the same control of ultimate controlling owner

Name	Relationship with the Company
Shaoxing Shangyu Hangzhou Bay Binhai New City Investment Development and Construction Co., Ltd.	Under the same control of ultimate controlling owner
Shaoxing Shangyu Hangzhou Bay New District Urban Construction Investment Development Co., Ltd.	Under the same control of ultimate controlling owner
Shaoxing Shangyu Hangzhou Bay Industrial Park Investment Development Co., Ltd.	Under the same control of ultimate controlling owner
Shaoxing Shangyu New Rural Construction Development Investment Co., Ltd.	Under the same control of ultimate controlling owner
Shaoxing Shangyu Tongchang Municipal Engineering Co., Ltd.	Under the same control of ultimate controlling owner

8.5 Related Party Transactions

(a) Entrustment/Contracting

There is no such item.

(b) Leases

There is no such item.

(c) Guarantees

The Company as guarantor:

Details of information related please refer to *Notes 10. COMMITMENTS AND CONTINGENCIES 10.2 Contingencies.*

The Company as guarantee:

Details of information related please refer to *Notes 5.17 Short-term Borrowings and Notes 5.25 Long-term Borrowings.*

(d) Transfers of assets and debt restructuring

There is no such item.

(e) Key management personnel compensation

There is no such item.

(f) Other related party transactions

There is no such item.

8.6 Receivables and Payables with Related Parties

(a) Receivables

Items	Related parties	31 Dec 2020	31 Dec 2019
Accounts receivable	Shaoxing Shangyu District Shanty Town Reconstruction Investment Development Co., Ltd.	115,416,059.11	108,413,036.50
Accounts receivable	Shaoxing Shangyu Economic Development Zone Investment Development Group Co., Ltd.	200,000.00	200,000.00

Items	Related parties	31 Dec 2020	31 Dec 2019
Other receivables	Shaoxing Shangyu City Construction Qianjiang Smart City Construction Co., Ltd.	68,100,000.00	65,400,000.00
Other receivables	Shaoxing Shangyu District Transportation Group Co., Ltd.	60,000,000.00	60,000,000.00
Other receivables	Shaoxing Shangyu Binxia Real Estate Co., Ltd.		122,383,390.94
Other receivables	Shaoxing City Shangyu District Huiduoli Agricultural Products Co., Ltd.		6,657,486.28

(b) Payables

Items	Related parties	31 Dec 2020	31 Dec 2019
Advances from customers	Shaoxing Shangyu District Shanty Town Reconstruction Investment Development Co., Ltd.		20,123,604.00
Other payables	Shaoxing Shangyu Economic Development Zone Investment Development Group Co., Ltd.	172,719,928.00	85,541,000.00
Other payables	Shaoxing Shangyu District State-owned Capital Investment and Operation Co., Ltd.	156,950,000.00	

8.7 Commitments with Related Parties

There is no such item.

8.8 Others

There is no such item.

9. SHARE-BASED PAYMENTS

There is no such item.

10. COMMITMENTS AND CONTINGENCIES**10.1 Significant Commitments**

As at 31 December 2020, the Company has no significant commitments need to be disclosed.

10.2 Contingencies

Significant contingencies existing at the balance sheet date:

- (a) Contingent liabilities arising from outstanding litigations and the estimate of the financial effects

There is no such item.

- (b) Contingent liabilities resulting from debt guarantees of other entities and the estimate of the financial effects

Guarantor company	Guaranteed company	Guaranty bank	Amount (CNY'000)	Guarantee start date	Guarantee maturity date	Whether the guarantee is due or not
Shaoxing Shangyu Urban Construction Group Co., Ltd.	Shaoxing Shangyu Hangzhou Bay Binhai New City Investment Development and Construction Co., Ltd.	Beijing Financial Assets Exchange	50,000.00	19 Jun 2019	19 Jun 2024	Not yet
Shaoxing Shangyu Urban Construction Group Co., Ltd.	Shaoxing Shangyu Hangzhou Bay Construction Development Group Co., Ltd.	Yongwin Financial Leasing Co., Ltd.	300,000.00	12 Sep 2019	12 Sep 2024	Not yet
Shaoxing Shangyu Urban Construction Group Co., Ltd.	Shaoxing Shangyu Economic Development Zone Investment Group Co., Ltd.	Agricultural Development Bank of China	1,200,000.00	21 Apr 2017	20 Apr 2037	Not yet
Shaoxing Shangyu Urban Construction Group Co., Ltd.	Shaoxing Shangyu Economic Development Zone Investment Group Co., Ltd.	Bank of Nanjing, Hangzhou Branch	350,000.00	17 Dec 2018	16 Dec 2021	Not yet
Shaoxing Shangyu Urban Construction Group Co., Ltd.	Shaoxing Shangyu Economic Development Zone Investment Group Co., Ltd.	Bank of China, Shangyu Sub-branch	300,000.00	30 Sep 2020	21 Dec 2022	Not yet
Shaoxing Shangyu Urban Construction Group Co., Ltd.	Shaoxing Shangyu Hongda Highway Construction Co., Ltd.	Bank of Shanghai	50,000.00	27 Mar 2020	6 Mar 2021	Not yet
Shaoxing Shangyu Urban Construction Group Co., Ltd.	Shaoxing Shangyu District Water Supply Co., Ltd.	Agricultural Development Bank of China	50,000.00	24 Mar 2020	23 Mar 2021	Not yet
Shaoxing Shangyu Urban Construction Group Co., Ltd.	Shaoxing Shangyu Cultural Tourism Group Co., Ltd.	Bank of Communications, Shangyu Sub-branch	300,000.00	8 May 2019	8 May 2021	Not yet
Shaoxing Shangyu Urban Construction Group Co., Ltd.	Shaoxing Shangyu District Transportation Group Co., Ltd.	Luso International Banking Co., Ltd., Guangzhou Branch	200,000.00	18 Sep 2019	18 Mar 2022	Not yet
Shaoxing Shangyu Chengzhong Village	Shaoxing Shangyu District Transportation Group Co., Ltd.	Agricultural Development Bank of China	4,200,000.00	18 Sep 2015	17 Sep 2027	Not yet

Guarantor company	Guaranteed company	Guaranty bank	Amount (CNY'000)	Guarantee start date	Guarantee maturity date	Whether the guarantee is due or not
Reconstruction Investment Development Co., Ltd.						
Shaoxing Shangyu Chengzhong Village Reconstruction Investment Development Co., Ltd.	Shaoxing Shangyu New Rural Construction Development Investment Co., Ltd.	China Development Bank	1,200,000.00	30 Dec 2014	29 Dec 2024	Not yet
Shaoxing Shangyu High-speed Railway New City Construction Investment Co., Ltd.	Shaoxing Shangyu Hangzhou Bay Binhai New City Investment Development and Construction Co., Ltd.	Huaxia Bank, Shangyu Sub-branch	48,000.00	8 Jun 2018	8 Jun 2021	Not yet
Shaoxing Shangyu High-speed Railway New City Construction Investment Co., Ltd.	Shaoxing Shangyu Hangzhou Bay Industrial Park Investment Development Co., Ltd.	Yunnan International Trust Co., Ltd.	200,000.00	30 Jun 2015	31 May 2021	Not yet
Shaoxing Shangyu High-speed Railway New City Construction Investment Co., Ltd.	Shaoxing Shangyu Tongchang Municipal Engineering Co., Ltd.	China Minsheng Bank, Shaoxing Branch	19,000.00	26 Jun 2019	19 Jun 2021	Not yet
Shaoxing Datong Holdings Group Co., Ltd.	Dongguan Supply and Marketing Cooperative of Shangyu District, Shaoxing	Zhejiang Shangyu Rural Commercial Bank, Dongguan Sub-branch	35,000.00	3 Oct 2019	30 Jun 2022	Not yet
Shaoxing Datong Holdings Group Co., Ltd.	Supply and Marketing Cooperative of Zhangchen, Shangyu District, Shaoxing	Zhejiang Shangyu Rural Commercial Bank, Zhangchen Sub-branch	6,000.00	19 Dec 2019	30 Jun 2022	Not yet
Shaoxing Datong Holdings Group Co., Ltd.	Shaoxing Yubei Oil Products Co., Ltd.	Zhejiang Shangyu Rural Commercial Bank, Lihai Sub-branch	2,000.00	6 Dec 2019	5 Dec 2021	Not yet
Shaoxing Datong Holdings Group Co., Ltd.	Shaoxing City Shangyu District Huidouli Agricultural Products Co., Ltd.	Bank of Shaoxing, Shangyu Sub-branch	3,000.00	23 Jul 2019	23 Jul 2022	Not yet

Guarantor company	Guaranteed company	Guaranty bank	Amount (CNY'000)	Guarantee start date	Guarantee maturity date	Whether the guarantee is due or not
Shaoxing Datong Holdings Group Co., Ltd.	Hangzhou Inte Medicine Co., Ltd.	Agricultural Bank of China	25,000.00	7 May 2020	9 Apr 2021	Not yet
Shaoxing Datong Holdings Group Co., Ltd.	Hangzhou Inte Medicine Co., Ltd.	Bank of Hangzhou	10,000.00	21 Feb 2020	19 Feb 2021	Not yet
Total			8,548,000.00			

10.3 Others

There is no such item.

11. EVENTS AFTER THE REPORTING PERIOD

11.1 Significant Non-adjusting Events

There is no such item.

11.2 Profit Distribution

There is no such item.

11.3 Sales Returns

There is no such item.

11.4 Others

There is no such item.

12. OTHER SIGNIFICANT MATTERS

12.1 Corrections of Prior Period Accounting Errors

There is no such item.

12.2 Debt Restructuring

There is no such item.

12.3 Assets Exchange

There is no such item.

12.4 Annuity Plan

There is no such item.

12.5 Discontinued Operations

There is no such item.

13. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

13.1 Accounts Receivable

(a) Accounts receivable by category

Items	31 Dec 2020				
	Accounts receivable		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with individually significant balance and provision recognized for bad debt individually					
Accounts receivable with bad debt provision recognized collectively by similar credit risk characteristics	5,851,653.63	92.13			5,851,653.63
Portfolio 1	5,851,653.63	92.13			5,851,653.63
Portfolio 2					
Accounts receivable with individually insignificant balance but provision recognized for bad debt individually	500,000.00	7.87	500,000.00	100.00	
Total	6,351,653.63	100.00	500,000.00	7.87	5,851,653.63

(Continued)

Items	31 Dec 2019				
	Accounts receivable		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with individually significant balance and provision recognized for bad debt individually					
Accounts receivable with bad debt provision recognized collectively by similar credit risk characteristics	6,156,075.00	92.49			6,156,075.00
Portfolio 1	6,156,075.00	92.49			6,156,075.00
Portfolio 2					
Accounts receivable with individually insignificant balance but provision recognized for bad debt individually	500,000.00	7.51	500,000.00	100.00	
Total	6,656,075.00	100.00	500,000.00	100.00	6,156,075.00

(a.1) Accounts receivable with individually significant balance and provision recognized for bad debt individually

There is no such item.

(a.2) In portfolio 1, the details of accounts receivable without bad debts are as follows:

Entity name	Accounts receivable	Provision for bad debt	Provision ratio (%)	Reason
Shaoxing Shangyu City Construction Project Management Co., Ltd.	2,470,000.00			The risk of bad debts is low.
Shaoxing Shangyu Urban Construction Asset Management Co., Ltd.	1,070,000.00			The risk of bad debts is low.
Shaoxing Shangyu Municipal Construction Engineering Co., Ltd.	550,000.00			The risk of bad debts is low.
Shaoxing Shangyu Landscaping Engineering Construction Co., Ltd.	550,000.00			The risk of bad debts is low.
Shaoxing Shangyu Leju Property Service Co., Ltd.	450,000.00			The risk of bad debts is low.
Shaoxing Shangyu Urban-Rural Ecological Environment Protection Development Co., Ltd.	250,000.00			The risk of bad debts is low.
Others	511,653.63			The risk of bad debts is low.
Total	5,851,653.63			

(a.3) In portfolio 2, accounts receivable with bad debt provision recognized collectively by aging analysis

There is no such item.

(a.4) Account receivables that are individually insignificant but with bad debt provided on an individual basis

Entity name	31 Dec 2020			
	Accounts receivable	Provision for bad debt	Provision ratio (%)	Reason
Zhongliang Wang	500,000.00	500,000.00	100.00	The risk of bad debts is high and it probably cannot be recovered.
Total	500,000.00	500,000.00		

(b) Provision, recovery or reversal of bad debt

There is no such item.

(c) Disclosure of top five closing balances by entity:

Entity name	Carrying amount	Proportion of the balance to the total accounts receivable (%)	Provision for bad debt
Shaoxing Shangyu City Construction Project Management Co., Ltd.	2,470,000.00	38.89	
Shaoxing Shangyu Urban Construction Asset Management Co., Ltd.	1,070,000.00	16.85	
Shaoxing Shangyu Municipal Construction Engineering Co., Ltd.	550,000.00	8.66	
Shaoxing Shangyu Landscaping Engineering Construction Co., Ltd.	550,000.00	8.66	
Zhongliang Wang	500,000.00	7.87	500,000.00
Total	5,140,000.00	80.93	500,000.00

13.2 Other Receivables

(a) Other receivables by category

Items	31 Dec 2020	31 Dec 2019
Interest receivable		
Dividend receivable		
Other receivables	3,092,680,727.66	2,355,157,231.00
Total	3,092,680,727.66	2,355,157,231.00

(b) Interest receivable

(b.1) Interest receivable by category

There is no such item.

(b.2) overdue interest

There is no such item.

(c) Dividend receivable

There is no such item.

(d) Other receivables

(d.1) Disclosure of other receivables by category

Items	31 Dec 2020				
	Other receivables		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables with individually significant balance and provision for bad debt recognized individually					

Items	31 Dec 2020				
	Other receivables		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables with bad debt provision recognized collectively by similar credit risk characteristics	3,093,284,832.48	100.00	604,104.82	0.02	3,092,680,727.66
Portfolio 1	3,091,277,892.41	99.94			3,091,277,892.41
Portfolio 2	2,006,940.07	0.06	604,104.82	30.10	1,402,835.25
Other receivables with individually insignificant balance but provision for bad debt recognized individually					
Total	3,093,284,832.48	100.00	604,104.82	0.02	3,092,680,727.66

(Continued)

Items	31 Dec 2019				
	Other receivables		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables with individually significant balance and provision for bad debt recognized individually					
Other receivables with bad debt provision recognized collectively by similar credit risk characteristics	2,338,865,216.94	100.00	3,707,985.94	0.16	2,335,157,231.00
Portfolio 1	2,330,569,176.65	99.65			2,330,569,176.65
Portfolio 1	8,296,040.29	0.35	3,707,985.94	44.70	4,588,054.35
Other receivables with individually insignificant balance but provision for bad debt recognized individually					
Total	2,338,865,216.94	100.00	3,707,985.94	0.16	2,335,157,231.00

(d.1.1) Other receivables with individually significant balance and provision for bad debt recognized individually

There is no such item.

(d.1.2) In portfolio 1, the details of other receivables without bad debts are as follows:

Entity name	Other receivables	Provision for bad debt	Provision ratio (%)	Reason
Shaoxing Shangyu Haina Property Co., Ltd.	1,545,759,542.66			The risk of bad debts is low.
Shaoxing Shangyu Chengzhong Village Reconstruction Investment Development Co., Ltd.	467,881,786.64			The risk of bad debts is low.
Shaoxing Shangyu District Municipal Engineering Management Center	368,375,492.85			The risk of bad debts is low.
Shaoxing Shangyu Urban Construction Asset Management Co., Ltd.	218,609,912.78			The risk of bad debts is low.
Shaoxing Shangyu District Garden Management Center	136,497,927.42			The risk of bad debts is low.
Shaoxing City Shangyu District Demolition and Resettlement Office	120,931,574.00			The risk of bad debts is low.
Shaoxing Shangyu City Construction Qianjiang Smart City Construction Co., Ltd.	68,100,000.00			The risk of bad debts is low.
Shaoxing City Shangyu District Lianghu Town People's Government	40,000,000.00			The risk of bad debts is low.
Shaoxing Shangyu Small Town Construction Investment Co., Ltd.	35,268,628.14			The risk of bad debts is low.
Shaoxing Shangyu District Environmental Sanitation Management Center	21,381,322.10			The risk of bad debts is low.
Others	68,471,705.82			The risk of bad debts is low.
Total	3,091,277,892.41			

(d.1.3) In portfolio 2, other receivables with bad debt provision recognized collectively by aging analysis

Aging	31 Dec 2020		
	Other receivables	Provision for bad debt	Provision ratio (%)
Within 1 year (including 1 year)	13,500.00	675.00	5.00
1 to 2 years	29,000.00	2,900.00	10.00
2 to 3 years	1,515.00	303.00	20.00
3 to 4 years	264,961.51	79,488.45	30.00
4 to 5 years	1,641,217.06	492,365.12	30.00
Over 5 years	56,746.50	28,373.25	50.00
Total	2,006,940.07	604,104.82	

(d.1.4) Other receivables that are individually insignificant but with bad debt provided on an individual basis

There is no such item.

(d.2) Provision, recovery or reversal of bad debt

The reversal of the provision for bad debt during the reporting period amounted to CNY3,103,881.12.

(d.3) Top five closing balances by entity

Entity name	Carrying amount	Aging	Proportion of the balance to the total other receivables (%)	Provision for bad debt
Shaoxing Shangyu Haina Property Co., Ltd.	1,545,759,542.66	Within 1 year, 1 to 2 years	49.97	
Shaoxing Shangyu Chengzhong Village Reconstruction Investment Development Co., Ltd.	467,881,786.64	Within 1 year, 1 to 2 years	15.13	
Shaoxing Shangyu District Municipal Engineering Management Center	368,375,492.85	Within 1 year, 1 to 2 years, 2 to 3 years, 3 to 4 years, 4 to 5 years, over 5 years	11.91	
Shaoxing Shangyu Urban Construction Asset Management Co., Ltd.	218,609,912.78	Within 1 year, 1 to 2 years, 2 to 3 years, 3 to 4 years, 4 to 5 years, over 5 years	7.07	
Shaoxing Shangyu District Garden Management Center	136,497,927.42	1 to 2 years, 2 to 3 years, 3 to 4 years, 4 to 5 years	4.41	
Total	2,737,124,662.35		88.49	

13.3 Long-term Equity Investments

Investees	31 Dec 2019	Changes during the reporting period				
		Increase during the reporting period	Decrease during the reporting period	Gains/(losses) on investments under the equity method	Adjustments of other comprehensive income	Changes in other equity
I. Subsidiaries						
Shaoxing Shangyu Urban-Rural Ecological Environment Protection Development Co., Ltd.	62,024,033.42					

Investees	31 Dec 2019	Changes during the reporting period				
		Increase during the reporting period	Decrease during the reporting period	Gains/(losses) on investments under the equity method	Adjustments of other comprehensive income	Changes in other equity
Shaoxing Shangyu Chengzhong Village Reconstruction Investment Development Co., Ltd.	881,743,222.49	1,295,590,093.86				
Shaoxing Shangyu Haina Property Co., Ltd.	201,023,357.44					
Shaoxing Shangyu Construction Labor Affairs Agent Co., Ltd.	2,000,000.00					
Shaoxing Shangyu Leju Property Service Co., Ltd.						
Shaoxing Shangyu Urban Construction Asset Management Co., Ltd.						
Shaoxing Shangyu Environmental Sanitation Management Group Co., Ltd.	50,000,000.00	177,556,031.00				
Shaoxing Shangyu District Street Light Management Co., Ltd.	100,000.00					
Shaoxing Shangyu City Construction Project Management Co., Ltd.	1,000,000.00					
Shaoxing Shangyu Lighting Engineering Investment Management Co., Ltd.	30,000,000.00					
Shaoxing Shangyu District High-speed Rail New Town Construction Investment Co., Ltd.	1,409,469,236.96					

Investors	31 Dec 2019	Changes during the reporting period				
		Increase during the reporting period	Decrease during the reporting period	Gains/(losses) on investments under the equity method	Adjustments of other comprehensive income	Changes in other equity
Shaoxing Shangyu Small Town Construction Investment Co., Ltd.	658,265,619.00					
Shaoxing Shangyu Municipal Public Engineering Quality Testing Co., Ltd.	3,995,015.85					
Shangyu Urban Construction Hong Kong Co., Ltd.	85,419.00					
Shaoxing Shangyu Municipal Construction Engineering Co., Ltd.	232,382,698.80					
Shaoxing Datong Holdings Group Co., Ltd.	147,385,817.08					
Shaoxing Shangyu Hongyan Construction and Development Co., Ltd.		50,000,000.00				
Subtotal	3,679,074,420.04	1,523,146,124.86				
Total	3,679,074,420.04	1,523,146,124.86				

(Continued)

Investees	Changes during the reporting period			31 Dec 2020	Provision for impairment at 31 Dec 2020
	Declaration of cash dividends or distribution of profit	Provision for impairment	Others		
I. Subsidiaries					
Shaoxing Shangyu Urban-Rural Ecological Environment Protection Development Co., Ltd.				62,024,033.42	
Shaoxing Shangyu Chengzhong Village Reconstruction Investment				2,177,333,316.35	

Investees	Changes during the reporting period			31 Dec 2020	Provision for impairment at 31 Dec 2020
	Declaration of cash dividends or distribution of profit	Provision for impairment	Others		
Development Co., Ltd.					
Shaoxing Shangyu Haina Property Co., Ltd.				201,023,357.44	
Shaoxing Shangyu Construction Labor Affairs Agent Co., Ltd.				2,000,000.00	
Shaoxing Shangyu Leju Property Service Co., Ltd.					
Shaoxing Shangyu Urban Construction Asset Management Co., Ltd.					
Shaoxing Shangyu Environmental Sanitation Management Group Co., Ltd.				227,556,031.00	
Shaoxing Shangyu District Street Light Management Co., Ltd.				100,000.00	
Shaoxing Shangyu City Construction Project Management Co., Ltd.				1,000,000.00	
Shaoxing Shangyu Lighting Engineering Investment Management Co., Ltd.				30,000,000.00	
Shaoxing Shangyu District High-speed Rail New Town Construction Investment Co., Ltd.				1,409,469,236.96	
Shaoxing Shangyu Small Town Construction Investment Co., Ltd.				658,265,619.00	
Shaoxing Shangyu Municipal Public Engineering Quality Testing Co., Ltd.				3,595,015.83	
Shangyu Urban Construction Hong Kong Co., Ltd.				85,419.00	

Investees	Changes during the reporting period			31 Dec 2020	Provision for impairment at 31 Dec 2020
	Declaration of cash dividends or distribution of profit	Provision for impairment	Others		
Shaoxing Shangyu Municipal Construction Engineering Co., Ltd.				232,382,698.80	
Shaoxing Datong Holdings Group Co., Ltd.				147,385,817.08	
Shaoxing Shangyu Hongyan Construction and Development Co., Ltd.				50,000,000.00	
Subtotal				5,202,220,544.90	
Total				5,202,220,544.90	

Other instruction:

- (a) Due to the negative net assets of Shaoxing Shangyu Leju Property Service Co., Ltd. on the transfer date, the cost of long-term equity investment is zero.
- (b) Due to the negative net assets of Shaoxing Shangyu Urban Construction Asset Management Co., Ltd. on the transfer date, the cost of long-term equity investment is zero.

13.4 Revenue and Cost of Sales

Items	2020		2019	
	Revenue	Costs of sales	Revenue	Costs of sales
Principal activities	390,163,135.13	371,583,938.22		
Other activities	5,448,383.47	1,841,476.44	14,209,016.28	1,914,006.48
Total	395,611,518.60	373,425,414.66	14,209,016.28	1,914,006.48

13.5 Investment Income

Items	2020	2019
Investment income from long-term equity investments under equity method		308,098.57
Gains on disposal of long-term equity investments		4,285.45
Investment income from financial assets at fair value through profit or loss during the holding period		
Gains on disposal of financial assets at fair value through profit or loss		
Investment income from held-to-maturity investments during the holding period		
Investment income from available-for-sale financial assets during the holding period	6,536,219.14	289,507.98

Items	2020	2019
Gains on disposal of available-for-sale financial assets		
Gains on the remeasurement of the remaining interest at fair value at the date of loss of control		
Investment income from financial products		
Total	6,536,219.14	601,892.00



Name of the Company: Shaoxing Shangyu Urban Construction Group Co., Ltd.

Legal Representative:



Chief Financial Officer:



Finance Manager:



Date: 28 April 2021



证书序号: 000392

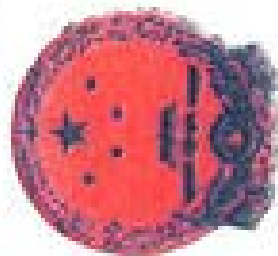
会计师事务所 证券、期货相关业务许可证

经财政部 中国证监会 批准
容诚会计师事务所(特殊普通合伙) 执行证券、期货相关业务。

首席合伙人: 肖厚发



证书号: 18 发证时间: 二〇二一年七月二日
证书有效期至: 二〇二一年七月二日



会计师事务所

执业证

名称：容诚会计师事务所（特殊普通合伙）

首席合伙人：周厚发

主任会计师：

经营场所：北京市西城区阜成门外大街22号1幢B座
大厦901-22至901-26

组织形式：特殊普通合伙

执业证书编号：11010032

批准执业文号：京财会许可[2013]0067号

批准执业日期：2013年10月25日

说明

1. 《会计师事务所执业证书》是证明持有人经财政部门依法审批，准予执行注册会计师法定业务的凭证。
2. 《会计师事务所执业证书》记载事项发生变动的，应当向财政部门申请换发。
3. 《会计师事务所执业证书》不得伪造、涂改、出租、出借、转让。
4. 会计师事务所终止或执业许可过期的，应当向财政部门交回《会计师事务所执业证书》。

发证机关：



中华人民共和国财政部制



统一社会信用代码

911101020834927874

营业执照

(副本) (5-1)



名称 容通会计师事务所(特殊普通合伙)

类型 特殊普通合伙企业

拼清联创始人 商厚发

经营范围

审查企业会计账簿，出具审计报告，验证企业资本，出具验资报告，办理企业合并、分立、清算事宜中的审计业务，发现企业会计账簿或会计记录有虚假记载、误导性陈述或者重大遗漏的，承担相应的民事责任，法律行政法规规定的其它注册会计师业务，接受委托办理法律允许事项。(依法须经批准的项目，经相关部门批准后方可开展经营活动，不得从事国家和本市产业政策禁止和限制类项目的经营活动。)

成立日期 2013年12月10日

合伙期限 2013年12月10日至 长期

主要经营场所 北京市西城区阜成门外大街22号1幢外经贸大厦901-22室901-26

登记机关



2021年04月29日

市场主体应当于每年1月1日至6月30日通过
国家企业信用信息公示系统报送公示年度报告。

国家企业信用信息公示系统网址: <http://www.gsxt.gov.cn>

国家市场监督管理总局监制

姓名 Name: 周华樱
 性别 Sex: 女
 出生日期 Date of Birth: 1975-12-15
 工作单位 Working Unit: 普华永会计师事务所(特殊普通合伙) 普华永道分所
 身份证号 ID No.: 360502197512150066



证书编号: 110001090007
 The cert. No.: 110001090007

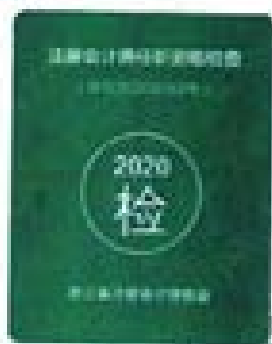
所属会计师事务所: 浙江省注册会计师协会
 Associated Institute of CPAs: 浙江省注册会计师协会

发证日期: 2021 年 11 月 17 日
 Date of Issuance: 2021 11 17



年度检验登记
 Annual Renewal Registration

本证书检验合格, 继续有效一年。
 This certificate is valid for another year after this renewal.



年度检验登记
 Annual Renewal Registration

本证书检验合格, 继续有效一年。
 This certificate is valid for another year after this renewal.

年 月 日

证书编号: 1100012090007
No. of Certificate

发证机构: 浙江省注册会计师协会
Issuing Institute of CPA

发证日期: 2015-12-31
Date of Issuance

姓名: 王明
Sex: 男
出生日期: 1984-12-31
Date of Birth
工作单位: 中国联合网络通信有限公司浙江分公司
Workplace
身份证号: 330206198412310017
Identification No.

照片



年度检验登记
Annual Renewal Registration

本证书有效期限, 续用可续一年。
This certificate is valid for another year after this.

2020 检

2015-12-31

注册会计师工作单位变更事项登记
Registration of the Change of Working Unit by CPA

同意调出
Agree the holder to be transferred from

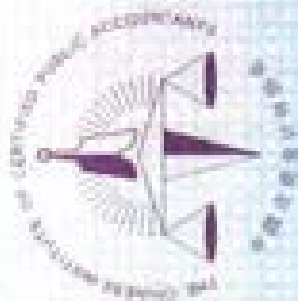
同意调入
Agree the holder to be transferred to

所长/主任
Chairman

所长/主任签字
Signature of the Chairman/President of CPA

日期
Date

2020 年 12 月 31 日



Field name	姓 名	叶 露 露
Sex	性 别	女
Exp. date	有 效 期	1993-03-11
Date of issue	发 证 日 期	1993-03-11
Issued by	发 证 机 关	江苏省注册会计师协会 (特准登记)
Working place	工 作 单 位	江苏分所
Address	办 事 所 址	300402199303111660



年度检验登记
Annual Renewal Registration

本证书经检验合格，继续有效一年。
This certificate is valid for another year after this renewal.

证书编号: 1101040310825
No. of Certificate

批准注册协会: 江苏省注册会计师协会
Authorized Institute of: 江苏省注册会计师协会

发 证 日 期: 2020 年 07 月 02 日
Date of Issuance

ISSUER

Shaoxing Shangyu Urban Construction Group Co., Ltd.

(紹興市上虞城市建設集團有限公司)

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Shangyu District, Shaoxing

Zhejiang Province, PRC

PRINCIPAL AGENT

China Central Depository & Clearing Co., Ltd.

No. 10, Finance Street

Xicheng District

Beijing, PRC

REGISTRAR

China Central Depository & Clearing Co., Ltd.

No. 10, Finance Street

Xicheng District

Beijing, PRC

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