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

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

***Notice to Hong Kong investors:** The Issuer and Shuifa Group Co., Ltd. (水發集團有限公司) (the "**Guarantor**") confirm that the Bonds (as defined below) are intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) only and have been listed on The Stock Exchange of Hong Kong Limited on that basis. Accordingly, the Issuer and the Guarantor confirm that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.*

水发
SHUIFA

Shuifa International Holdings (BVI) Co., Ltd
（水发国际控股(BVI)有限公司）

(incorporated with limited liability in the British Virgin Islands)

PUBLICATION OF THE OFFERING CIRCULAR

U.S.$200,000,000 4.00 PER CENT. GUARANTEED BONDS DUE 2024 (THE "BONDS")
(STOCK CODE: 40624)

UNCONDITIONALLY AND IRREVOCABLY GUARANTEED BY

SHUIFA GROUP CO., LTD.
(水發集團有限公司)

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

Joint Global Coordinators

China International Capital Corporation	**Guotai Junan International**	**Huatai International**

Joint Lead Managers and Joint Bookrunners

China International Capital Corporation	**Guotai Junan International**	**Huatai International**	**Bank of China**	**Haitong Bank**	**CMB Wing Lung Bank Limited**
CNCB Capital	**Haitong International**	**SPDB International**	**CEB International**	**GF Securities**	**China Industrial Securities International**

This announcement is issued pursuant to Rule 37.39A of the Listing Rules.

Reference is made to the notice of listing of the Bonds on The Stock Exchange of Hong Kong Limited dated 24 March 2021 published by the Issuer.

The offering circular dated 17 March 2021 in relation to the Bonds is appended to this announcement.

Hong Kong, 25 March 2021

As at the date of this announcement, the sole director of Shuifa International Holdings (BVI) Co., Ltd (水发国际控股 (BVI)有限公司) is Mr. Feng Jianzhong; and the board of directors of Shuifa Group Co., Ltd. (水發集團有限公司) comprises Mr. Wang Zhenqin, Mr. Liu Xiaojun, Mr. Zhang Chunsheng, Mr. Kong Xiangquan, Mr. Zhang Huanping and Mr. Yan Fangjie.

IMPORTANT NOTICE

NOT FOR DISTRIBUTION DIRECTLY OR INDIRECTLY INTO THE UNITED STATES

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

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

THE FOLLOWING OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY ADDRESS IN THE UNITED STATES. 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 herein, 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 Issuer, the Guarantor and the Joint Lead Managers (each as defined herein) that: (1) you and any customers you represent are not, and that the electronic mail address that you gave the Issuer and/or the Guarantor and to which this e-mail has been delivered is not, located in the United States, its territories or possessions, (2) you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission, and (3) to the extent you purchase the securities described herein, you will be doing so in an offshore transaction as defined in regulations under the Securities Act in compliance with Regulation S thereunder.

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

Nothing in this electronic transmission constitutes, and may not be used in connection with, an offer or an invitation by or on behalf of any of the Issuer, the Guarantor or the Joint Lead Managers to subscribe or purchase any of the securities described herein, in any place where offers or solicitations are not permitted by law and access has been limited so that it shall not constitute in the United States or elsewhere a general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and any Joint Lead Manager or any affiliate of any Joint Lead Manager is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Joint Lead Manager or such affiliate on behalf of the Issuer and the Guarantor in such jurisdiction. Any securities to be issued in respect thereof will not be registered under the Securities Act and may not be offered or sold in the United States unless pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described herein. 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 Guarantor, the Joint Lead Managers nor any of their respective affiliates, directors, officers, employees, representatives, agents and each person who controls any of them accepts any liability or responsibility whatsoever in respect of any such alteration or change to the Offering Circular distributed to you in electronic format or any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Issuer, the Guarantor or the Joint Lead Managers.

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

PRIIPs REGULATION/PROHIBITION OF SALES TO EEA RETAIL INVESTORS — The securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PRIIPs REGULATION/PROHIBITION OF SALES TO UK RETAIL INVESTORS — The securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the securities or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the securities or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

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

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

Shuifa International Holdings (BVI) Co., Ltd
(水发国际控股(BVI)有限公司)

(incorporated with limited liability in the British Virgin Islands)

U.S.$200,000,000 4.00 per cent. Guaranteed Bonds due 2024
unconditionally and irrevocably guaranteed by

Shuifa Group Co., Ltd.
(水發集團有限公司)

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

Issue Price: 100.00 per cent. plus accrued interest, if any

The 4.00 per cent. guaranteed bonds in the aggregate principal amount of U.S.$200,000,000 due 2024 (the "**Bonds**") will be issued by Shuifa International Holdings (BVI) Co., Ltd (水发国际控股(BVI)有限公司) (the "**Issuer**") and will be unconditionally and irrevocably guaranteed (the "**Guarantee**") by Shuifa Group Co., Ltd. (水發集團有限公司) (the "**Guarantor**" or the "**Company**"), a company incorporated under the laws of the People's Republic of China (the "**PRC**"). The payment obligations of the Guarantor in respect of the Guarantee will be contained in a deed of guarantee (as amended or supplemented from time to time, the "**Deed of Guarantee**") entered into between the Issuer, the Guarantor and The Bank of New York Mellon, London Branch (the "**Trustee**") on or around 24 March 2021.

The Bonds will bear interest on their outstanding principal amount from and including 24 March 2021 (the "**Issue Date**") at the rate of 4.00 per cent. per annum and such interest will be payable semi-annually annually in arrear on 24 March and 24 September in each year (each an "**Interest Payment Date**"), commencing on 24 September 2021. The Bonds will constitute direct, unsubordinated, unconditional and (subject to Condition 4(a) of the Terms and Conditions of the Bonds (the "**Conditions**")) unsecured obligations of the Issuer and shall at all times rank pari passu and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable laws and regulations, at all times rank at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations.

The Guarantor will be required to file or cause to be filed with the State Administration of Foreign Exchange of the PRC or its local branch (the "**SAFE**") the Guarantee within 15 PRC Business Days after the execution of the Guarantee in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定(匯發[2014]29號)) and the Guidelines for Implementing the Provisions on the Administration of Foreign Exchange of Cross-border Guarantees (跨境擔保外匯管理操作指引) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 (the "**Cross-Border Security Registration**") and any implementation rules as issued by SAFE from time to time. The Guarantor shall complete the Cross-Border Security Registration and obtain a registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the Registration Deadline (being 90 PRC Business Days after the Issue Date).

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 (the "**NDRC**") on 14 September 2015 which came into effect on the same day, the Guarantor has registered the issuance of the Bonds with the NDRC and obtained a certificate from the NDRC on 2 December 2020 evidencing such registration and has undertaken to file or cause to be filed the requisite information and documents on the issuance of the Bonds to the NDRC within 10 PRC Business Days after the Issue Date.

Unless previously redeemed, or purchased and cancelled, the Issuer will redeem each Bond at its principal amount on 24 March 2024 (the "**Maturity Date**"). At any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (as defined in the Conditions) (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 and/or the Guarantor (as the case may be) satisfies the Trustee immediately prior to giving such notice that the Issuer (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay Additional Tax Amounts (as defined in the Conditions) as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands or the PRC, or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 17 March 2021, and such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it. Following the occurrence of a Relevant Event (as defined in the Conditions), each 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 Conditions) at 101 per cent. (in the case of a redemption for a Change of Control (as defined in the Conditions)) or 100 per cent. (in the case of a redemption for a No-Registration Event (as defined in the Conditions)) of their principal amount, together in each case with accrued interest up to (but excluding) the Put Settlement Date. See "*Terms and Conditions of the Bonds — Redemption and Purchase*".

The Bonds are being issued as "Green Bonds" under the Green Bond Framework. See "*Green Bond Framework*" beginning on page 87.

The Bonds will be issued in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. For a more detailed description of the Bonds, see "*Terms and Conditions of the Bonds*" beginning on page 62.

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

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

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

Investing in the Bonds involves risks. See "*Risk Factors*" beginning on page 16 for a discussion of certain factors to be considered in connection with an investment in the Bonds.

The Bonds are expected to be assigned a rating of "Baa1" by Moody's Investor Service, Inc. ("**Moody's**"). The Guarantor has been assigned a corporate credit rating of "Baa1" with stable outlook by Moody's. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, qualification, suspension, reduction or withdrawal at any time by the assigning rating agency.

The Bonds and the Guarantee 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. The Bonds and the Guarantee are being offered in offshore transactions outside the United States in reliance on Regulation S under the Securities Act. For a description of these and certain further restrictions on offers and sales of the Bonds and the Guarantee and the distribution of this Offering Circular, see "*Subscription and Sale*".

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

Joint Global Coordinators

China International Capital Corporation	**Guotai Junan International**	**Huatai International**

Joint Lead Managers and Joint Bookrunners

China International Capital Corporation	**Guotai Junan International**	**Huatai International**	**Bank of China**	**Haitong Bank**	**CMB Wing Lung Bank Limited**
CNCB Capital	**Haitong International**	**SPDB International**	**CEB International**	**GF Securities**	**China Industrial Securities International**

Offering Circular dated 17 March 2021

IMPORTANT NOTICES

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

PRIIPs REGULATION/PROHIBITION OF SALES TO EEA RETAIL INVESTORS — The securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PRIIPs REGULATION/PROHIBITION OF SALES TO UK RETAIL INVESTORS — The securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the securities or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the securities or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

MiFID II product governance/Professional investors and ECPs only target market — Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Bonds (a "**distributor**") should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on the SEHK for the purposes of giving information with regard to the Issuer, the Guarantor and the Group. Each of the Issuer and the Guarantor accepts full responsibility for the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

Each of the Issuer and the Guarantor accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable inquiries that to the best of its knowledge and belief (i) this Offering Circular contains all information with respect to the Issuer, the Guarantor and its subsidiaries, taken as a whole (collectively, the ''**Group**''), the Guarantee and the Bonds which is material in the context of the issue and offering of the Bonds (including all information is required by applicable laws and information which, according to the particular nature of the Issuer, the Guarantor, the Bonds and the Guarantee, is necessary to enable investors and their investment advisors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the Guarantor and the Group and of the rights attaching to the Bonds and the Guarantee), (ii) the statements contained in this Offering Circular as at the date hereof relating to the Issuer, the Guarantor, the Group and the Bonds, are in every material respects true and accurate and not misleading, (iii) the opinions and intentions expressed in this Offering Circular as at the date hereof with regard to the Issuer, the Guarantor and the Group, are honestly and reasonably held, reached after considering all relevant circumstances and are based on reasonable assumptions, (iv) there are no other facts in relation to the Issuer, the Guarantor, the Group, the Bonds or the Guarantee, the omission of which would, in the context of the issue and offering of the Bonds, make any statement in this Offering Circular as at the date hereof, misleading in any material respect, (v) all reasonable enquiries have been made by the Issuer and the Guarantor to ascertain such facts and to verify the accuracy of all such information and statements relating to the Issuer, the Guarantor, the Group, the Guarantee and the Bonds in this Offering Circular and (vi) the statistical, industry, and market-related data and forward-looking statements in this Offering Circular, are based on or derived or extracted from sources which each of the Issuer and the Guarantor believes to be accurate and reliable in all material respects.

This Offering Circular has been prepared by the Issuer and the Guarantor solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of China International Capital Corporation Hong Kong Securities Limited, Guotai Junan Securities (Hong Kong) Limited and Huatai Financial Holdings (Hong Kong) Limited (together the "**Joint Global Coordinators**"), Bank of China Limited, Haitong Bank, S.A., CMB Wing Lung Bank Limited, CNCB (Hong Kong) Capital Limited, Haitong International Securities Company Limited, SPDB International Capital Limited, CEB International Capital Corporation Limited, GF Securities (Hong Kong) Brokerage Limited and China Industrial Securities International Brokerage Limited (together with the Joint Global Coordinators, the "**Joint Lead Managers**" and "**Joint Bookrunners**") to subscribe for or purchase any Bonds. The distribution of this Offering Circular, the offering of the Bonds and the giving of the Guarantee in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee and the Agents (as defined in the Conditions) to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds and the giving of the Guarantee or the possession or distribution of this Offering Circular or any offering or publicity material relating to the Bonds in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the giving of the Guarantee and the circulation of documents relating thereto, in certain jurisdictions and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds and the 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.

No person has been or is authorised in connection with the issue, offer or sale of the Bonds to give any information or to make any representation concerning the Issuer, the Guarantor, the Group, the Bonds or the Guarantee, other than as contained herein and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor, the Group, any Joint Lead Manager, the Trustee or the Agents or any person who controls any of them or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates or any person who controls any of them. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection herewith shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Guarantor or the Group or any of them since the date hereof or create any implication that there has been no change in the affairs of the Issuer or the Guarantor since the date hereof or the date upon which this Offering Circular has been most recently supplemented or that there has been no adverse change in the financial position of the Issuer or the Guarantor since the date hereof or the date upon which this Offering Circular has been most recently supplemented or that any other information supplied in connection with the Bonds is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

This Offering Circular is being furnished by the Issuer and the Guarantor in connection with the offering of the Bonds solely for the purpose of enabling a prospective investor to consider purchasing the Bonds. Investors must not use this Offering Circular for any other purpose, make copies of any part of this Offering Circular or give a copy of it to any other person, or disclose any information in this Offering Circular to any other person. The information contained in this Offering Circular has been provided by the Issuer, the Guarantor and other sources identified in this Offering Circular. Any reproduction or distribution of this Offering Circular, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Bonds is prohibited. Each offeree of the Bonds, by accepting delivery of this Offering Circular, agrees to the foregoing.

No representation or warranty, express or implied, is made or given by the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates or any person who controls any of them 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 or the Guarantee and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates or any person who controls any of them. The Joint Lead Managers, the Trustee and the Agents and their respective directors, officers, employees, representatives, agents, advisers, affiliates and any person who controls any of them have not independently verified any of the information contained in this Offering Circular and can give no assurance that this information is accurate, truthful or complete. Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates or any person who controls any of them in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Issuer and the Guarantor and the merit and risks involved in investing in the Bonds. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Bonds.

To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates or any person who controls any of them accepts any responsibility for the contents of this Offering Circular or any statement made or purported to be made by any such person or on its behalf in connection with the Issuer, the Guarantor, the Group, the issue and offering of the Bonds or the giving of the Guarantee. Each of the Joint Lead Managers, the Trustee, the Agents and their respective directors, officers, employees, representatives, agents, advisers or affiliates or any person who controls any of them accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement. None of the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates or affiliates or any person who controls any of them undertakes to review the financial condition or affairs of the Issuer, the Guarantor or the Group for so long as the Bonds remain outstanding nor to advise any investor or potential investor of the Bonds of any information coming to the attention of any of the Joint Lead Managers, the Trustee, the Agents or their respective directors, officers, employees, representatives, agents, advisers or affiliates or affiliates or any person who controls any of them. This Offering Circular is not intended to provide the basis of any credit or other evaluation, nor should it be considered as a recommendation by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates or any person who controls any of them that any recipient of this Offering Circular should purchase any Bonds. Each potential purchaser of the Bonds should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Bonds should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

Any of the Joint Lead Managers and their respective affiliates may purchase the Bonds for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Bonds and/or other securities of the Issuer or the Guarantor or their respective 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 have regard to the factors described under the section headed "*Risk Factors*" in this Offering Circular. This Offering Circular identifies in general terms certain information that a prospective investor should consider prior to making an investment in the Bonds. However, a prospective investor should conduct its own thorough analysis (including its own accounting, legal and tax analysis) prior to deciding whether to invest in any Bonds as any evaluation of the suitability for an investor of an investment in the Bonds depends upon a prospective investor's particular financial and other circumstances, as well as on the specific terms of the Bonds and, if it does not have experience in financial, business and investment matters sufficient to permit it to make such a determination, it should consult its financial, legal or other professional adviser prior to deciding to make an investment on the suitability of the Bonds.

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

IN CONNECTION WITH THE ISSUE OF THE BONDS, ANY JOINT LEAD MANAGER APPOINTED AND ACTING IN ITS CAPACITY AS A STABILISING MANAGER (THE "STABILISING MANAGER") (OR ANY PERSON ACTING ON BEHALF OF THE STABILISING MANAGER) MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND DIRECTIVES, OVER-ALLOT AND EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL, BUT IN DOING SO THE STABILISING MANAGER SHALL ACT AS PRINCIPAL AND NOT AS AGENT OF THE ISSUER AND/OR THE GUARANTOR. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER OR ANY PERSON ACTING ON BEHALF OF THE STABILISING MANAGER WILL UNDERTAKE STABILISATION ACTION. ANY LOSS OR PROFIT SUSTAINED AS A CONSEQUENCE OF ANY SUCH OVER-ALLOTMENT OR STABILISATION SHALL BE FOR THE ACCOUNT OF THE JOINT LEAD MANAGERS IN THE MANNER AGREED BY THEM. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS.

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

INDUSTRY AND MARKET DATA

Market data, certain industry forecasts and statistics used throughout this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although the Issuer and the Guarantor believe this information to be reliable, this information has not been independently verified by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates or any person who controls any of them and none of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or their respective directors, officers, employees, representatives, agents, advisers or affiliates or any person who controls any of them makes any representation as to the accuracy or completeness of that information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified. This Offering Circular summarises certain documents and other information, and investors should refer to them for a more complete understanding of what is discussed in those documents. Such information may not be consistent with other information compiled within or outside the PRC.

PRESENTATION OF FINANCIAL INFORMATION

This Offering Circular contains the audited consolidated financial information of the Group as at and for the years ended 31 December 2017, 2018 and 2019 which has been extracted from the audited consolidated financial statements of the Group as at and for the years ended 31 December 2018 and 2019 and reviewed consolidated financial information of the Group as at and for the six months ended 30 June 2019 and 2020 which has been extracted from the reviewed consolidated financial statements of the Group as at and for the six months ended 30 June 2020.

The consolidated financial information of the Group as at and for the year ended 31 December 2017, which have been audited by Zhonghui Certified Public Accountants LLP (中匯會計師事務所(特殊普通合夥)) ("**Zhonghui**"), the Group's auditor in 2017, and relied upon by Asia Pacific (Group) Certified Public Accountants (Special General Partnership) (亞太(集團)會計師事務所(特殊普通合夥)) ("**Asia Pacific**"), the Group's auditor in 2018, in Asia Pacific's audit of the consolidated financial information of the Group as at and for the year ended 31 December 2018, has been extracted from the audited consolidated financial statements of the Group as at and for the year ended 31 December 2018 (the "**2018 Audited Financial Statements**"). The consolidated financial information of the Group as at and for the years ended 31 December 2018 and 2019 has been extracted from the audited consolidated financial statements of the Group as at and for the year ended 31 December 2019 (the "**2019 Audited Financial Statements**", together with the 2018 Audited Financial Statements, the "**Audited Financial Statements**"), which have been audited by Da Hua Certified Public Accountants (Special General Partnership) ("**Da Hua**"), the Group's current auditor. The consolidated financial information of the Group as at and for the six months ended 30 June 2019 and 2020 has been extracted from the unaudited but reviewed consolidated financial statements of the Group as at and for the six months ended 30 June 2020 (the "**Reviewed Financial Statements**"), which have been reviewed by Da Hua. The Audited Financial Statements and the Reviewed Financial Statements were prepared and presented in accordance with the Accounting Standards for Business Enterprises in China (''**PRC GAAP**''). For a discussion of certain differences between PRC GAAP and IFRS, see "*Summary of Certain Differences Between PRC GAAP and IFRS*".

The Audited Financial Statements and the Reviewed Financial Statements have been prepared in Chinese only (the "**Chinese Financial Statements**") and the Chinese version of the Audited Financial Statements is available at the following website: https://www.shclearing.com/. An English translation of the Chinese Financial Statements has been prepared and included elsewhere in this Offering Circular for reference only (the "**Financial Statements Translation**"). Should there be any inconsistency between the Chinese Financial Statements and the Financial Statements Translation, the Chinese Financial Statements shall prevail. The Financial Statements Translation does not itself constitute audited financial statements and/or unaudited but reviewed financial statements, and is qualified in its entirety by, and is subject to the financial information set out or referred to in, the Chinese Financial Statements. None of the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates or any person who controls any of them has independently verified or checked the accuracy of the Financial Statements Translation and gives no assurance that the information contained in the Financial Statements Translation is accurate, truthful or complete. Potential investors must exercise caution when they use such financial information to evaluate the Group's financial condition and results of operations.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to the "**PRC**", "**China**" and "**mainland China**" are to the People's Republic of China (excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan), all references to the "**United States**" and "**U.S.**" are to the United States of America, and all references to "**Hong Kong**" are to the Hong Kong Special Administrative Region of the People's Republic of China; all references to "**Renminbi**", "**RMB**" and "**CNY**" are to the lawful currency of the PRC; all references to "**HKD**", "**HK$**" and "**HK dollars**" are to the lawful currency of Hong Kong, and all references to "**USD**", "**U.S.$**" and "**U.S. dollars**" are to the lawful currency of the United States of America.

This Offering Circular contains translation of certain Renminbi amounts into U.S. dollars at specified rates solely for the convenience of the reader. Unless otherwise specified, where financial information in Renminbi has been translated into U.S. dollars, it has been so translated, for convenience only, at the rate of RMB7.0651 to U.S.$1.00 (being the noon buying rate in New York City on 30 June 2020 as set forth in the weekly H.10 statistical release of the Federal Reserve Board of the Federal Reserve Bank of New York (the "**Noon Buying Rate**")). All such translations in this Offering Circular are provided solely for investors' convenience and no representation is made that the amounts referred to herein have been, could have been or could be converted into U.S. dollars or Renminbi, or vice versa, at any particular rate or at all. Further information regarding exchange rate is set forth in "*Exchange Rate Information*" in this Offering Circular. 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 this Offering Circular, unless otherwise indicated or the context otherwise requires, references to:

- "**CAGR**" refers to compound annual growth rate;
- "**CBRC**" refers to the China Banking Regulatory Commission of the PRC;
- "**CBIRC**" refers to the China Banking and Insurance Regulatory Commission of the PRC, CBRC's successor;
- "**CPC**" refers to the Central Committee of the Communist Party of China;
- "**GDP**" refers to gross domestic product;
- "**GFA**" refers to gross floor area;
- "**MOC**" refers to the Ministry of Commerce of the PRC;
- "**MOF**" refers to the Ministry of Finance of the PRC;
- "**MOFCOM**" refers to the Ministry of Commerce of the PRC;
- "**MOT**" refers to the Ministry of Railways of the PRC;
- "**MOT**" refers to the Ministry of Transport of the PRC;

- “**MOHURD**” refers to the Ministry of Housing and Urban-Rural Development of the PRC;

- “**NHC**” refers to the National Health Commission of the PRC;

- “**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;

- “**SAT**” refers to the State Administration of Taxation of the PRC;

- “**SCNPC**” refers to the Standing Committee of the National People’s Congress of the PRC;

- “**Shandong Provincial Government**” refers the People’s Government of Shandong Province of the PRC;

- “**Shandong SASAC**” refers to the Shandong Provincial State-owned Assets Supervision and Administration Commission of the PRC (山東省國有資產監督管理委員會);

- “**State Council**” refers to the State Council of the PRC;

- “**sq.m.**” refers to square metre(s); and

- “**VAT**” refers to value-added tax.

FORWARD-LOOKING STATEMENTS

The Issuer and the Guarantor have 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", "could", "estimate", "expect", "aim", "intend", "may", "plan", "will", "would" 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 revenue and profitability, planned projects and other matters as they relate to the Issuer, the Guarantor 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, the Guarantor 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, the Guarantor 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. Each of the Issuer and the Guarantor 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 Guarantor, 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;
- financial condition, performance and business prospects of the Group;
- the Group's capital expenditure plans and its ability to carry out those plans;
- the Group's access and cost of capital and financing;
- changes in the competition landscape in the industries where the Group operates;
- any changes in the laws, rules and regulations of the PRC government (including the Shandong Provincial Government and Shandong SASAC) and the rules, regulations and policies of the relevant governmental authorities relating to the Group's business;
- general political and economic conditions, including those related to the PRC or Jiangxi;
- 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 Group operates;
- fluctuations in prices of and demand for products and services that the Group provides;
- macroeconomic measures taken by the PRC government to manage economic growth;
- natural disasters, industrial action, terrorist attacks and other events beyond the Group's control;

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

Neither the Issuer nor the Guarantor undertakes any obligation to update or revise publicly any of the opinions or forward-looking statements expressed in this Offering Circular as a result of any new information, future events or otherwise.

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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 titled "Risk Factors", before making an investment decision.

OVERVIEW

The Group is a leading state-owned conglomerate that focuses on the provision of comprehensive water-related services and solutions, ranging from hydraulic engineering construction, water supply, wastewater treatment to clean energy. In particular, it has taken on a key role in the implementation of the Shandong Provincial Government's blueprint for the province with respect to the reform and development of water resources. Since its establishment in 2009, the Group has successfully developed into a well-known water enterprise with sizeable assets and on such solid foundation, it has increasingly expanded its business portfolio to cover various other businesses, such as modern agriculture, cultural tourism, medical and health care and real estate development. This has led to the diversification of the Group's earnings base and enabled it to increase its profitability through new revenue streams. For the years ended 31 December 2017, 2018 and 2019, the Group's operating revenue was approximately RMB5,782.1 million, RMB11,067.7 million and RMB21,337.8 million, respectively, growing at a CAGR of approximately 92.1% from 2017 to 2019. For the six months ended 30 June 2019 and 2020, the Group's operating revenue was approximately RMB7,094.6 million and RMB12,125.3 million, respectively. Over the years, the Group has received various honours and awards in recognition of its business achievements, such as "Enterprise of AAA Credit" by China Water Engineering Association in 2016, "2016 Shandong Lushui Cup Excellent Hydraulic Engineering Project of the Year (2016年度山東省"魯水杯"優質水利工程)" by the Shandong Provincial Department of Water Resources, "Dayu Hydraulic Science and Technology Award (First Class Award) (大禹水利科學技術獎(一等獎))" by Dayu Hydraulic Science and Technology Awards Committee and "Shandong Science and Technology Progress Award (Second Class Award) (山東省科學技術進步獎(二等獎))" by the Shandong Provincial Government in 2018.

The Group's core water business has seen rapid growth with current domestic geographic coverage spanning 26 provinces in the PRC and in particular, 16 cities and regions across Shandong Province. In addition, the Group successfully established operations in overseas markets, including the People's Republic of Bangladesh, Myanmar and Nepal. Giving consideration to certain relevant policies of Shandong SASAC, its main shareholder, the Group recently reclassified its businesses into three principal segments, namely (i) water business, (ii) modern agriculture, and (iii) cultural tourism:

- **Water business**

  - ***Hydraulic engineering construction.*** The Group is one of the principal investment and financing platforms carrying out hydraulic engineering construction on behalf of the Shandong Provincial Government. As at 30 June 2020, approximately over 66.0% of the Group's hydraulic construction projects were located in Shandong Province, with the remaining situated in other regions of the PRC and overseas markets. For the six months ended 30 June 2020, the Group had contracted a total of 167 hydraulic construction projects with an aggregate contractual amount of RMB3.4 billion, of which 46 had been completed.

- *Water supply.* The Group's water supply business primarily comprises the provision of water to both industrial and residential users in Shandong Province, covering cities and towns such as Weifang, Taian, Dezhou, Rizhao, Jining, Heze and Liaocheng, and being the largest water supplier in these areas in terms of volume. As at 30 June 2020, the Group had 129 raw water pump stations and 48 water supply plants, with an aggregate designed daily supply capacity of approximately 4.1 million cubic metres.

- *Wastewater treatment.* Part of the Group's initiative to align its development with the province's overall direction of building an ecological civilisation, its wastewater treatment business primarily comprises the treatment of (i) municipal and industrial wastewater and (ii) landfill leachate, before discharge into surface and ground waters in accordance with relevant national and local standards. As at 30 June 2020, the Group had a total of over 24 wastewater treatment plants in operation across Shandong Province, Fujian Province, Jilin Province, Shanxi Province and Anhui Province.

- *Clean energy.* The Group's clean energy business is a recent addition in active response to the national call for energy savings and emission reduction and includes photovoltaic power generation, hydropower generation, biomass power generation, central heating, urban gas services and natural gas. With increasing focus placed on this segment, the Group had undertaken various acquisitions to grow its operations, including the equity acquisition of Dalian Energas Gas-System Co., Ltd. (大連派思燃氣系統股份有限公司) at the end of 2018 so as to expand into liquefied natural gas and natural gas operations, as well as a proposed equity acquisition of China Shuifa Singyes Energy Holdings Limited (中國水發興業能源集團有限公司) (formerly known as China Singyes Solar Technologies Holdings Limited (中國興業太陽能技術控股有限公司)) in May 2019 to further enhance its business scale.

• **Modern agriculture.** The Group's modern agriculture business primarily entails the provision of a broad assortment of innovative modern agricultural products and services utilising advanced technologies, ranging from construction of planting bases, agricultural and ancillary product processing, agriculture-related financial services, agriculture information technology services, to agriculture advisory and branding. As at 30 June 2020, the Group held equity interests in more than 50 agricultural professional cooperatives in the PRC.

• **Cultural tourism**

- *Medical and health care.* The Group's medical and health care offerings include medical and elderly care, Chinese medication and maternal and child care. It generates revenue for this sub-segment primarily through medical services provided at its hospital facilities and from the supply of pharmaceuticals and medicines.

- *Real estate development.* The Group engages in the development and sales of residential properties in the PRC and provides property management services for such properties. As at 30 June 2020, the Group had 24 property development projects with a total GFA of approximately 4.7 million sq.m. in the PRC, including three completed properties and 21 projects under construction.

- *Cultural tourism.* The Group's cultural tourism business primarily comprises traditional tourism services such as travel agency services for national parks and natural scenic attractions, cultural industry related operations including publishing, filming and advertising media, investment management relating to the cultural industry and other integrated tourism services relating to health care and education.

- **Other businesses.** The Group also engages in other ancillary business activities, including (i) equity investment, (ii) purchases and sales of goods, and (iii) the provision of services relating to hydraulic consultation, hydraulic design, supervision of hydraulic works and heating and power supply pipeline connection.

Staying true to its fundamental "Benefiting People, Green, Intelligence" development strategy, the Group has become a water mega-enterprise with the largest asset scale, most integrated industry chain and strongest comprehensive business strength in Shandong Province. It also enjoys a leading position among the country's provincial-level hydraulic investment and financing platforms. As at 31 December 2017, 2018 and 2019 and 30 June 2020, the Group had total assets of approximately RMB47,454.6 million, RMB75,989.4 million, RMB107,135.3 million and RMB119,475.9 million, respectively, and net assets of approximately RMB9,579.0 million, RMB19,304.2 million, RMB26,306.5 million and RMB30,489.1 million, respectively.

COMPETITIVE STRENGTHS

The Group believes that the following strengths are key to its consistent growth and enable the Group to compete successfully within the industries in which it operates:

- Strong support from the Shandong Provincial Government
- Principal government investment and financing platform for hydraulic engineering construction in Shandong Province
- Comprehensive business portfolio spanning the entire water industry chain
- Diversified earnings base with multiple, stable and recurring revenue streams
- Active expansion in the clean energy business has led to increasing profit
- Prudent financing structure and diversified funding channels
- Sound corporate governance with experienced senior management team

BUSINESS STRATEGIES

The Group plans to implement the following business strategies in order to continue its evolvement into a leading modern water conglomerate in the PRC with an international presence:

- Continue to enhance the breadth and depth of the Group's business portfolio
- Further expand the Group's geographic footprint and market position both domestically and internationally
- Enhance the Group's technical competitiveness through innovative research and development initiatives
- Continue to diversify financing channels and adhere to prudent financial management and instil a cluster management system for better efficiencies

RECENT DEVELOPMENTS

Please see the section headed "*Description of the Group — Recent Developments*" for details.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

The following tables set forth the summary consolidated financial information of the Group as at and for the periods indicated. The consolidated financial information of the Group as at and for the year ended 31 December 2017, which have been audited by Zhonghui and relied upon by Asia Pacific, the Group's auditor in 2018, in Asia Pacific's audit of the consolidated financial information of the Group as at and for the year ended 31 December 2018, has been extracted from the 2018 Audited Financial Statements. The consolidated financial information of the Group as at and for the years ended 31 December 2018 and 2019 has been extracted from the 2019 Audited Financial Statements, which have been audited by Da Hua, the Group's current auditor. The consolidated financial information of the Group as at and for the six months ended 30 June 2019 and 2020 has been extracted from the Reviewed Financial Statements, which have been reviewed by Da Hua. Information contained in or derived from these financial statements may have been different if an audit had been conducted. The Audited Financial Statements and the Reviewed Financial Statements were prepared and presented in accordance with PRC GAAP. PRC GAAP differs in certain respects from IFRS. For a discussion of certain differences between PRC GAAP and IFRS, see "Summary of Certain Differences Between PRC GAAP and IFRS".

The Audited Financial Statements and the Reviewed Financial Statements have been prepared in Chinese only and the Financial Statements Translation has been prepared and included elsewhere in this Offering Circular for reference only. Should there be any inconsistency between the Chinese Financial Statements and the Financial Statements Translation, the Chinese Financial Statements shall prevail. The Financial Statements Translation does not itself constitute audited financial statements and/or unaudited but reviewed financial statements, and is qualified in its entirety by, and is subject to the financial information set out or referred to in, the Chinese Financial Statements. None of the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates or any person who controls any of them has independently verified or checked the accuracy of the Financial Statements Translation and gives no assurance that the information contained in the Financial Statements Translation is accurate, truthful or complete. Potential investors must exercise caution when they use such financial information to evaluate the Group's financial condition and results of operations.

The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, the relevant consolidated financial statements of the Group, including the notes thereto, included elsewhere in this Offering Circular.

Summary Consolidated Income Statement Data

	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
	(RMB in '000)	(RMB in '000)	(RMB in '000)	(RMB in '000)	(RMB in '000)
Total operating revenue	**5,782,117**	**11,067,712**	**21,337,826**	**7,094,578**	**12,125,343**
Less: Operating cost	4,425,039	8,132,203	17,620,328	5,558,292	9,815,218
Taxes and surcharges	68,760	210,682	243,851	91,387	130,434
Selling and distribution expenses	58,038	150,972	285,243	98,196	203,472
Research and development expenses	–	–	75,207	14,560	44,020
General and administrative expenses	739,854	1,193,964	1,566,658	640,264	969,554
Finance expenses	586,032	1,012,991	1,510,992	539,987	1,056,018
Net loss of exchange	5,449	65,913	151,541	(25,576)	26,542
Add: Other income	39,917	79,223	352,847	37,844	139,792
Investment income	16,469	58,015	56,711	11,544	240,475
Fair value change income	–	–	–	–	16
Asset disposal income	59	2,203	4,616	(122)	16,757
Operating profit/(loss)	**(44,609)**	**440,428**	**298,180**	**175,582**	**330,209**
Add: Non-operating income	173,572	138,509	630,982	133,590	66,320
Less: Non-operating expenses	30,009	27,334	65,990	8,421	23,585
Total profit	**98,954**	**551,602**	**863,172**	**300,751**	**372,944**
Less: Income tax expenses	(8,698)	200,393	255,190	91,380	119,304
Net profit/(loss)	**107,652**	**351,210**	**607,981**	**209,371**	**253,640**
Profit/loss attributable to minority shareholders	93,099	245,497	125,545	151,986	189,591
Net profit attributable to parent company	14,553	105,712	482,437	57,385	64,049
Other comprehensive income after tax	–	895	(4,477)	(1,034)	(7,294)
Total comprehensive income	**107,652**	**352,104**	**603,504**	**208,337**	**246,346**
Total comprehensive income attributable to parent company	14,553	106,607	478,122	56,351	56,755
Total comprehensive income attributable to minority shareholders	93,099	245,497	125,382	151,986	189,591

Summary Consolidated Balance Sheet Data

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	(Audited)	(Audited)	(Audited)	(Unaudited)
	(RMB in '000)	(RMB in '000)	(RMB in '000)	(RMB in '000)
Current assets				
Cash and cash equivalents	4,708,355	6,727,026	10,735,369	13,576,897
Financial assets at fair value through profit or loss	–	10,000	315,000	100
Notes receivable[(1)]	187,773	225,286	307,955	401,931
Accounts receivable[(1)]	2,444,777	4,083,552	8,457,564	8,550,797
Receivables financing	–	–	7,929	4,100
Prepayments	1,470,403	4,543,629	2,635,280	3,089,444
Other receivables[(1)]	3,669,484	3,794,500	1,224,426	3,756,435
Inventories	5,011,016	8,459,547	17,223,104	18,810,384
Held-for-sale assets	–	–	13,429	12,285
Other current assets	574,914	984,142	2,093,692	2,151,928
Total current assets	**18,066,721**	**28,827,683**	**43,013,748**	**50,354,301**
Non-current assets				
Available-for-sale financial assets	129,924	295,964	553,094	465,896
Long-term receivables	2,216,402	2,537,484	2,528,550	1,896,985
Long-term equity investments	585,692	547,961	682,287	976,529
Investment properties	1,380,753	1,855,864	1,829,579	1,864,992
Fixed assets[(1)]	7,429,436	12,785,353	21,132,389	24,358,770
Construction in progress[(1)]	12,295,182	16,801,563	20,864,796	21,385,492
Biological assets	7,701	5,693	4,253	22,754
Intangible assets	3,454,198	9,910,339	11,337,113	12,496,658
Capitalised development expenditures	–	4,706	13,459	21,854
Goodwill	290,902	930,065	2,718,857	3,019,207
Long-term prepaid expenses	196,417	272,765	518,461	690,692
Deferred tax assets	365,540	416,303	459,811	496,202
Other non-current assets	1,035,707	797,693	1,478,859	1,425,555
Total non-current assets	**29,387,853**	**47,161,755**	**64,121,507**	**69,121,585**
Total assets[(2)]	**47,454,574**	**75,989,438**	**107,135,255**	**119,475,886**
Current liabilities				
Short-term loans	1,727,721	5,108,461	8,876,203	9,350,203
Notes payables[(1)]	193,818	1,017,122	3,089,737	4,206,515
Accounts payable[(1)]	2,971,100	4,333,650	5,322,869	3,541,855
Advances from customers	1,059,060	3,213,214	3,667,792	3,888,331
Employee benefits payable	73,735	139,312	219,812	188,066
Taxes payable	313,760	575,430	774,098	464,188
Other payables[(1)]	5,980,048	5,404,549	4,564,194	4,186,195
Held-for-sale liabilities	–	–	3,308	2,766
Current portion of non-current liabilities	3,515,327	4,483,552	5,346,250	8,014,484
Other current liabilities	6,156	13,831	141,241	120,657
Total current liabilities	**15,840,725**	**24,289,122**	**32,005,503**	**33,963,260**

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	(Audited)	**(Audited)**	**(Audited)**	**(Unaudited)**
	(RMB in ’000)	**(RMB in ’000)**	**(RMB in ’000)**	**(RMB in ’000)**
Long-term liabilities				
Long-term loans	12,571,430	18,202,327	22,902,299	24,545,422
Bonds payable	5,751,186	6,762,322	15,504,789	17,305,356
Long-term payable(1)	3,065,776	6,334,821	8,884,851	11,564,178
Provisions	10,255	46,160	9,050	9,050
Deferred income	231,999	356,393	742,484	821,006
Deferred tax liabilities	397,436	620,101	779,748	778,499
Other non-current liabilities	6,753	73,980	–	–
Total long-term liabilities	**22,034,834**	**32,396,104**	**48,823,221**	**55,023,512**
Total liabilities	**37,875,559**	**56,685,226**	**80,828,724**	**88,986,772**
Equity				
Paid-in capital	4,302,416	5,205,776	5,205,776	5,205,776
Other equity instruments	–	–	2,271,997	2,793,748
Additional paid-in capital	210,165	5,623,262	5,671,738	5,717,984
Other comprehensive income	–	895	(3,420)	(10,714)
Special reserve	45,409	46,762	20,152	27,259
Surplus reserve	987	987	987	987
Retained earnings	271,949	368,946	747,650	805,579
Equity attributable to parent company	4,830,927	11,246,628	13,914,881	14,540,620
Minority interest	4,748,089	8,057,585	12,391,650	15,948,494
Total equity	**9,579,015**	**19,304,213**	**26,306,531**	**30,489,114**
Total liabilities and equity	**47,454,574**	**75,989,438**	**107,135,255**	**119,475,886**

Notes:

(1) Pursuant to the “Notice on Amending the Format of General Enterprise Financial Statements for the Year of 2018 (Caikuai [2018] No.15)” issued by MOF on 15 June 2018, the Group had adjusted the presentation of its financial statements and had made corresponding retrospective adjustments to certain line items in the 2018 Audited Financial Statements in accordance with the new reporting requirements on financial statements. For details of such adjustments, see Note 4.33 of the 2018 Audited Financial Statements which are included elsewhere in this Offering Circular. The summary audited consolidated financial information of the Group as at and for the periods indicated above is presented in accordance with such new accounting standard.

(2) As at 31 December 2018, approximately 1.8% of the total assets of the Group constituted “public assets” within the scope of 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). Such assets comprised the Group’s hospital facilities operated under its medical and health care business sub-segment.

In December 2019, the Group had disposed of these hospital facilities and consequently, they were not consolidated into the Group’s financials as at and for the year ended 31 December 2019.

Other Financial Data

	As at and for the year ended 31 December			As at and for the six months ended 30 June	
	2017	2018	2019	2019	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
EBITDA[(1)] (RMB in '000)	1,302,482	2,470,281	4,118,501	1,640,367	2,883,525
EBITDA margin[(2)]	22.5%	22.3%	19.3%	23.1%	23.8%
Gross profit[(3)]	1,357,078	2,935,510	3,717,498	1,536,286	2,310,126
Gross profit margin[(3)]	23.5%	26.5%	17.4%	21.7%	19.1%
Total indebtedness (RMB in '000)	26,457,695	40,641,763	61,514,392	80,828,724	88,986,772
Gearing ratio (total indebtedness/ total assets)	55.8%	53.5%	57.4%	75.5%	74.5%
Short-term indebtedness/total indebtedness	19.8%	23.5%	23.1%	39.6%	38.2%

Notes:

(1) EBITDA for any period is calculated as profit before tax adjusted for depreciation of fixed assets, amortisation of intangible assets, amortization of long-term prepayments and the portion of finance expenses after the deduction of capitalised interest. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of the Group's operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, the Group believes that investors should consider, among other things, the components of EBITDA, such as operating revenue and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. The Group has included EBITDA because the Group believes that it is a useful supplement to the cash flow data as a measure of the Group's performance and the Group's ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare the Group's EBITDA to EBITDA presented by other companies because not all companies use the same definitions.

The following table reconciles the Group's EBITDA to the Group's profit before tax for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
	(RMB in '000)	(RMB in '000)	(RMB in '000)	(RMB in '000)	(RMB in '000)
Total profit	**98,954**	**551,602**	**863,172**	**300,751**	**372,944**
Add:					
Depreciation of fixed assets	382,045	460,376	963,154	523,941	1,122,765
Amortisation of intangible assets	108,399	171,179	421,381	104,474	161,163
Amortisation of long-term prepayments	34,397	11,642	188,465	121,604	134,139
Finance expenses (excluding capitalised interest)	678,687	1,275,481	1,682,329	589,597	1,092,514
EBITDA	**1,302,482**	**2,470,281**	**4,118,501**	**1,640,367**	**2,883,525**

(2) EBITDA margin is calculated as EBITDA divided by operating revenue.

(3) Gross profit is calculated as operating revenue minus operating costs and gross profit margin is calculated as gross profit divided by operating revenue.

THE OFFERING

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

Issuer	Shuifa International Holdings (BVI) Co., Ltd (水发国际控股(BVI)有限公司)
Issuer's LEI	300300OMA1WZPQADIR61
Guarantor	Shuifa Group Co., Ltd. (水發集團有限公司)
The Bonds	U.S.$200,000,000 4.00 per cent. Guaranteed Bonds due 2024.
Guarantee	The Guarantor has in the Deed of Guarantee unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Bonds. Its payment obligations in that respect (the "**Guarantee**") are contained in the Deed of Guarantee.
Issue Price	The Bonds will be issued at 100.00 per cent. of their principal amount.
Form and Denomination	The Bonds will be issued in registered form in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
Interest	The Bonds will bear interest on their outstanding principal amount from and including 24 March 2021 at the rate of 4.00 per cent. per annum, payable semi-annually in arrear in equal instalments of US$20.00 per Calculation Amount (as defined in the Conditions) on 24 March and 24 September in each year, commencing 24 September 2021.
Issue Date	24 March 2021.
Maturity Date	24 March 2024.

Status of the Bonds	The Bonds will constitute direct, unsubordinated, unconditional and (subject to Condition 4(a) (*Negative Pledge*) of the Conditions) unsecured obligations of the Issuer which will at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable laws and regulations subject to Condition 4(a) (*Negative Pledge*) of the Conditions, at all times rank at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations.
Status of the Guarantee	The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable laws and regulations and subject to Condition 4(a) (*Negative Pledge*) of the Conditions, at all times rank at least equally with all its 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) (*Negative Pledge*) of the Conditions.
Undertakings relating to the Guarantee	The Guarantor will undertake (i) to report or cause to be reported with the National Development and Reform Commission of the PRC (the "**NDRC**") the requisite information and documents, within 10 PRC Business Days after the issue date of the Bonds and in accordance with the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Corporates (國家發展改革委關於推進企業發行外債案登記制管理改革的通知) promulgated by the NDRC on 14 September 2015 which came into effect immediately and any implementation rules as issued by the NDRC from time to time (the "**NDRC Post-issue Filing**"); and (ii) to register or cause to be registered with the State Administration of Foreign Exchange or its local branch ("**SAFE**") the Deed of Guarantee within 15 PRC Business Days after the execution of the Deed of Guarantee in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 (the "**Cross-Border Security Registration**") and any implementation rules as issued by SAFE from time to time. The Guarantor shall use its best endeavours to complete the Cross-Border Security Registration and obtain a registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the Registration Deadline (being 90 PRC Business Days after the Issue Date) and comply with all applicable PRC laws and regulations in relation to the Bonds and the Deed of Guarantee.

The Guarantor shall on or before the Registration Deadline after the later of the submission of the NDRC Post-issue Filing and receipt of the registration record from SAFE (or any other document evidencing the completion of registration issued by SAFE), provide the Trustee with (i) a certificate in English substantially in the form set out in the Trust Deed signed by an Authorised Signatory (as defined in the Trust Deed) of the Guarantor confirming the completion of the NDRC Post-issue Filing and the Cross-Border Security Registration; and (ii) copies of the relevant documents evidencing the NDRC Post-issue Filing (if any) and the Cross-Border Security Registration or any other document evidencing the completion of registration issued by SAFE and the particulars of such registration, each certified in English by an Authorised Signatory of the Guarantor, as being a true and complete copy of the original (the items specified in (i) and (ii) together, the "**Registration Documents**").

In addition, the Guarantor shall procure that, within 10 PRC Business Days after the Registration Documents are delivered to the Trustee, the Issuer shall give notice to the Bondholders (in accordance with Condition 16 *(Notices)* of the Conditions) confirming the completion of the NDRC Post-issue Filing and the Cross-Border Security Registration.

Taxation . . . . All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds or under the Guarantee of the Bonds shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands or the PRC or any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law. Where withholding or deduction is made by the Issuer or, as the case may be, the Guarantor for or on account of any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected withheld or assessed by or within the PRC at a rate up to and including the aggregate rate applicable on 17 March 2021 (the "**Applicable Rate**"), the Issuer or, as the case may be, the Guarantor will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been received by them had no such withholding or deduction been required. See "*Terms and Conditions of the Bonds — Taxation*".

Final Redemption	Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Maturity Date.
Redemption for Taxation Reasons	The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable), at their principal amount, together with any interest accrued to but excluding the date fixed for redemption, if, immediately prior to giving such notice, the Issuer and/or the Guarantor (as the case may be) satisfies the Trustee that the Issuer (or if the Guarantee were called, the Guarantor) has or will become obliged to pay Additional Tax Amounts (as defined in the Conditions) as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands or the PRC or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 17 March 2021, and such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, as further described in "*Terms and Conditions of the Bonds — Redemption and Purchase — Redemption for Taxation Reasons*".
Redemption for Relevant Events	At any time following the occurrence of a Relevant Event, a Bondholder will have the right, at such Bondholder's option, to require the Issuer to redeem all, but not some only, of such Bondholder's Bonds on the Put Settlement Date (as defined in Condition 6(c) (*Redemption for Relevant Events*) of the Conditions) at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No-Registration Event) of their principal amount, together, in each case, with any accrued interest up to but excluding the Put Settlement Date. A "**Change of Control**" occurs when: (i) Shandong SASAC and/or any other Person directly or indirectly Controlled by Shandong Provincial Government, collectively cease to, directly or indirectly, hold or own 100 per cent. of the issued share capital of the Guarantor; or (ii) the Guarantor ceases to directly or indirectly hold or own 100 per cent. of the issued share capital of the Issuer; or

	(iii) the Guarantor consolidates with or merges into or sells or transfers all or substantially all of the Guarantor's assets to any other person(s), unless such person(s) is/are Controlled by Shandong SASAC and/or any other Person directly or indirectly Controlled by Shandong Provincial Government.
	A "**No Registration Event**" occurs when the Registration Documents relating to the Cross-Border Security Registration are not delivered to the Trustee in accordance with Condition 4(d) (*Notification of Completion of the NDRC Post-issue Filing and the Cross-Border Security Registration*) of the Conditions on or before the Registration Deadline (being 90 PRC Business Days after the Issue Date).
Events of Default	The Bonds will contain certain events of default as further described in Condition 9 (*Events of Default*) of the Conditions.
Cross-Default	The Bonds are subject to a cross-default provision in respect of any present or future indebtedness of the Issuer or the Guarantor or any of their respective Subsidiaries for or in respect of moneys borrowed or raised, in aggregate equals or exceeds U.S.$30,000,000 or its equivalent in any other currency. See Condition 9(c) (*Cross-Default*) of the Conditions.
Further Issues	The Issuer may from time to time, without the consent of the Bondholders, create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date and first payment of interest on them, the timing for compliance with requirements set out in the Conditions in relation to the NDRC Post-issue Filing and the Cross Border Security Registration, and such other terms as the Issuer may determine at the time of issue as necessary for purposes of consummating the further issue) and so that such further issue shall be consolidated and form a single series with the outstanding Bonds as further described in Condition 15 (*Further Issues*) of the Conditions.
Trustee	The Bank of New York Mellon, London Branch.
Principal Paying Agent	The Bank of New York Mellon, London Branch.
Registrar and Transfer Agent	The Bank of New York Mellon SA/NV, Luxembourg Branch.

Clearing Systems	The Bonds will be represented initially by beneficial interests in the Global Certificate, which will be registered in the name of a nominee of, and deposited on the Issue Date with, a common depositary for Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described in this Offering Circular, certificates for the Bonds will not be issued in exchange for beneficial interests in the Global Certificate.
Notices and Payment	So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear and Clearstream and/or an Alternative Clearing System, any notice to the holders of the Bonds shall be validly given by the delivery of the relevant notice to Euroclear and Clearstream and/or the Alternative Clearing System, as applicable, for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.
Governing Law	English law.
Listing	Application has been made to the SEHK for the listing of, and permission to deal in, the Bonds on the SEHK by way of debt issues to Professional Investors only and it is expected that dealing in, and listing of, the Bonds on the SEHK will commence 25 March 2021.
Selling Restrictions	The Bonds will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See "*Subscription and Sale*".
Ratings	The Bonds are expected to be assigned a rating of "Baa1" by Moody's upon issuance. Additionally, the Guarantor has been assigned a corporate credit rating of "Baa1" with stable outlook by Moody's. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Green Bond Certificate	Hong Kong Quality Assurance Agency ("**HKQAA**") has issued an independent certification confirming that the Bonds are in compliance with the requirements of the HKQAA Green Finance Certification Scheme: 2018.
Use of Proceeds	See "*Use of Proceeds*" and "*Green Bond Framework*".

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Common Code . . . . 231461523.

RISK FACTORS

An investment in the Bonds is subject to a number of risks. Investors should carefully consider all of the information in this Offering Circular and, in particular, the risks described below, before deciding to invest in the Bonds. The following describes some of the significant risks relating to the Group, its business, the markets in which the Group operates and the Bonds. Some risks may be unknown to the Issuer and the Guarantor and other risks, currently believed to be immaterial, could in fact be material. Any of these could materially and adversely affect the business, financial condition, results of operations or prospects of the Group or the value of the Bonds. Each of the Issuer and the Guarantor believes that the risk factors described below represent the principal risks inherent in investing in the Bonds or, as the case may be, the Guarantee, but the ability of the Issuer and the Guarantor to pay interest, principal or other amounts on or in connection with any Bonds may be affected by some factors that may not be considered as significant risks by the Issuer and the Guarantor based on information currently available to them or which they are currently unable to anticipate. All of these factors are contingencies which may or may not occur and none of the Issuer or the Guarantor is in a position to express a view on the likelihood of any such contingency occurring. This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The actual results of the Group could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this Offering Circular.

None of the Issuer and the Guarantor represents that the statements below regarding the risk factors are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

RISKS RELATING TO THE GROUP'S GENERAL OPERATIONS

The Group's business is heavily dependent on the level of economic development in Shandong Province and the PRC.

The Group operates its business primarily in Shandong Province. Therefore, the Group's business, financial condition, results of operations and prospects have been and will continue to be heavily dependent on the level of economic development in Shandong Province and the PRC.

While the PRC economy has demonstrated rapid growth in the past 40 years, a slowdown in the growth of China's GDP in recent years has raised a concern that the historic rapid growth of the PRC economy may not be sustainable. According to the National Bureau of Statistics of the PRC, the annual growth rate of China's GDP in 2017 and 2018 was 6.9% and 6.6%, respectively, which were the third lowest and lowest growth rates in the last 26 years. The national economic condition of the PRC has a material effect on the performance of regional economies in the PRC. According to the Shandong Provincial Bureau of Statistics, Shandong's GDP increased from approximately RMB6,016.5 billion in 2014 to approximately RMB7,310.0 billion in 2020, which ranked it third in the country. These changes were generally in line with the change in the PRC's GDP growth rate during the same period. However, in line with and as a result of the deterioration of China's macroeconomic conditions, the annual growth rate in fixed asset investment of Shandong decreased significantly from 15.8% in 2014 to 4.1% in 2018. The future prospects of the economy of the PRC and Shandong Province depend on many different factors, most of which are beyond the Group's control. There is no assurance that the level of economic development in Shandong Province will continue to be maintained at historical growth rates, if at all, and it is unclear how the economic development in Shandong Province will be affected by a perceivable slowdown in the growth of the PRC economy. Any continued slowdown in the economic growth of Shandong Province may affect the fiscal income and financial condition of the local municipal governments as well as their plans and budgets for urban construction and development. This may in turn decrease demand for the Group's business and adversely affect the Group's business, financial condition, results of operations and prospects.

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

The Group's business operations require substantial capital resources. The Group has in the past met its capital requirements through (i) the cash flow generated from its operating activities, (ii) government subsidies, (iii) proceeds from bank and other borrowings and (iv) issuance of bonds and commercial paper in the PRC capital markets. The Group believes that substantial capital resources will continue be required to support its business operations and expansion. For example, for the six months ended 30 June 2020, the Group had contracted a total of 167 hydraulic construction projects with an aggregate contractual amount of RMB3.4 billion.

The ability of the Group to generate sufficient operating cash flow is affected by a number of factors, such as the Group's ability to carry on its business activities in an efficient manner, the budget and spending of local municipal governments on infrastructure development and fixed asset investments, due performance of the Group's contractors, changes in the general market conditions and regulatory environment and competition in certain sectors in which the Group operates. Any adverse change in any of these factors may create a capital shortfall. There is no assurance that the Group's operating activities will generate sufficient cash to satisfy its cash needs at all times. For the years ended 31 December 2017 and 2018 and the six months ended 30 June 2019, the Group had net operating cash outflows of approximately RMB3,317.1 million, RMB2,998.5 million and RMB957.8 million, respectively. See "— *The Group has historically experienced net operating cash outflows*" below.

A portion of the cash requirements of the Group is funded by government subsidies. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, the Group received government subsidies of approximately RMB132.2 million, RMB247.5 million, RMB495.6 million, RMB119.8 million and RMB190.6 million, respectively, from various government authorities in relation to its business development and operations. There is no assurance that the Group will continue to receive such government subsidies. See "— *A reduction or loss in governmental capital contribution and government subsidies could reduce the Group's profits*" below.

Insufficient cash flow generated from the Group's operating activities will increase the Group's reliance on external financing. As at 30 June 2020, the Group's total indebtedness (comprising short-term loans, non-current liabilities due within one year, long-term loans, bonds payable and long-term payables) was approximately RMB70.8 billion. As at 30 June 2020, the Group had total credit facilities of approximately RMB79.9 billion, of which approximately RMB34.3 billion had not been utilised. 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;
- the Group's business achievements and investors' confidence in the Group;
- the Group's ability to obtain the relevant governmental approvals required for domestic or international financing;
- provisions of tax and securities laws that may be applicable to the Group's efforts to raise capital; and
- political and economic conditions in the rest of the PRC generally.

There is no assurance that additional financing, either on a short-term or a long-term basis, will be available, or 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. This would restrict the Group's ability to grow and, over time, may reduce the quality and reliability of the products and service the Group provides and adversely affects the Group's business, financial condition, results of operations and prospects. In addition, substantial indebtedness may in turn increase the pressure on the Group's liquidity and cause additional operational risks. See "— *Substantial indebtedness may restrict the Group's business activities and increase the Group's exposure to various operational risks*" below.

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

The Group relies on bank loans and proceeds from bond issuances to satisfy a portion of its capital requirements, and consequently, the Group has had a significant amount of outstanding indebtedness. As at 30 June 2020, the Group's total indebtedness (comprising short-term loans, non-current liabilities due within one year, long-term loans, bonds payable and long-term payables) was approximately RMB70.8 billion, of which approximately RMB17.4 billion would become due within 12 months. As at 31 December 2017, 2018 and 2019 and 30 June 2020, the gearing ratio of the Group (representing the ratio of total indebtedness over total assets) was approximately 55.8%, 53.5%, 57.4% and 74.5%, respectively.

Substantial indebtedness could impact on the Group's business in a number of ways, including:

- requiring the Group to divert its operating cash flow to satisfy its indebtedness;
- increasing the Group's finance costs, thus affecting the overall profits of the Group;
- decreasing the Group's financial flexibility in carrying on its business or responding to unexpected market changes;
- limiting, together with the financial and other restrictive covenants of the Group's indebtedness, among other things, the Group's ability to borrow additional funds; and
- increasing the Group's vulnerability to adverse general economic and industry conditions.

As the Group's business scale continues to grow, its capital requirement and its reliance on external financing are likely to further increase. The Group's financial performance and operating results may be materially and adversely affected if its cash flows and capital resources are insufficient to fund its debt service obligations. Failure to service the Group's debt could result in the imposition of penalties, including increases in rates of interest that the Group pays, legal actions against the Group by its creditors, or bankruptcy.

Restrictive covenants contained in financing contracts may limit the Group's ability to incur additional indebtedness and restrict its future operations, and failure to comply with these restrictive covenants may adversely affect its liquidity, financial condition and results of operations.

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

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

Third-party security rights may also limit the Group's use of the underlying collateral assets and adversely affect its operation efficiency. As at 30 June 2020, the Group's restricted assets amounted to RMB10,567.2 million, representing 8.8% of the Group's total assets. If the Guarantor and its subsidiaries are unable to service and repay their debts under such loan facilities on a timely basis, the assets provided as security for such bank loans may be subject to foreclosure, which may adversely affect the Group's business, prospects and financial condition.

The Guarantor's controlling shareholder can exert influence on the Group that may not be in the Group's best interest.

As at the date of this Offering Circular, the Guarantor is 70.0%, 20.0% and 10.0% owned by Shandong SASAC, Shandong Guohui Investment Co., Ltd. (山東省國惠投資有限公司) and Shandong Provincial Council for Social Security Fund (山東省社會保障基金理事會), respectively. Shandong SASAC, being the Guarantor's controlling shareholder, has the power to appoint or nominate, and has appointed and/or nominated, the Guarantor's directors and senior management. As such, Shandong SASAC is able to significantly influence the Group's major business decisions and strategies, including the scope of its activities, investment decisions and dividend policy. Shandong SASAC may take actions that are not in the Group's best interests or that may not maximise the Group's profits. For example, Shandong SASAC could use its ability to influence the Group's business and strategy in a manner beneficial to Shandong Province as a whole, but which may not necessarily be in the Group's best interests. Shandong SASAC could also change its policies, plans, preferences, views, expectations, projections, forecasts and opinions as a result of changes in the PRC's economic, political and social environment and growth projections, and any such changes may have a material effect on the Group's business and prospects. In addition, any amendments, modifications or repeals of the existing policies of Shandong SASAC, if adverse to the Group, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Moreover, the Group has historically benefited from its relationship with Shandong SASAC and the Shandong Provincial Government, such as the receipt of government subsidies and cash capital injections. The Group does not control the timing or value of any such capital injections and government subsidies. The Group cannot assure prospective investors that Shandong SASAC or the Shandong Provincial Government will continue to inject assets into the Group's business or in a manner that is beneficial to the Group. See "— *A reduction or loss in governmental capital contribution and government subsidies could reduce the Group's profits*" below.

The Group is exposed to risks associated with entering into contracts with public bodies.

The Group's customers include agencies or entities owned or otherwise controlled by the PRC government. To the extent that the Group's projects are funded by the PRC government, they may be subject to delays or changes as a result of the changes in the PRC government's budgets or for other policy considerations. The PRC government's spending on infrastructure development and fixed asset investments has historically been, and will continue to be, cyclical in nature and vulnerable to fluctuations in the PRC's economic conditions and changes in the PRC government's policies. As such, the Group has exposure to the risks associated with contracting with PRC governmental entities and other public organisations.

In addition, any disputes with PRC governmental entities and other public organisations could potentially lead to contract termination if unresolved or may take a considerably longer period of time to resolve as compared to disputes with counterparties in the private sector, and payments due to the Group from these entities and organisations may be delayed as a result. In some circumstances, PRC governmental entities and public organisations may require the Group to change its construction methods, equipment or other performance terms, direct the Group to reconfigure its designs or purchase specific equipment for the relevant project or undertake additional obligations or change other contractual terms, resulting in increased costs in the corresponding project. Resolution of any disagreement with PRC governmental entities and public organisations with respect to such changes may be time-consuming and may also cause the Group to incur additional costs. Changes in governmental budgets and policies relating to the Group's projects could also result in delays in project commencement or completion, adverse changes to such projects or a withholding of, or delay in, payment to the Group. If a governmental entity or other public organisation terminates a contract with the Group, the Group's order book could be reduced and the Group's business plans may be materially and adversely affected. Any such adverse consequences associated with contracting with PRC governmental entities and other public organisations could materially and adversely affect the Group's business, financial condition, results of operations and prospects.

The Group's operations are subject to extensive regulatory requirements in the PRC, including, among others, environmental, safety and health regulations, and any failure to comply with such regulatory requirements may result in penalties, fines, governmental sanctions or suspension or revocation of its licences, permits or certificates.

The Group's operations are subject to extensive national and local laws, regulations, rules and policies in the PRC, including, among others, environmental, safety and health regulations. Given the volume and complexity of these applicable laws, regulations, rules or policies, compliance may be difficult or involve significant financial and other resources to ensure holistic and real time compliance. There is no assurance that the Group will be able to comply with all applicable laws, regulations, rules or policies or obtain the required licences, permits and certificates on a timely basis, if at all. Failure to comply with any such laws, regulations, rules or policies may result in penalties or fines, government sanctions, restrictions on the Group's business activities or, in the extreme cases, suspension or revocation of the Group's licences, permits or certificates, termination of government contracts or suspension of the Group's operations. Such events could materially and adversely affect the Group's business, financial condition, results of operations and reputation.

In addition, PRC laws and regulations are constantly evolving. The applicable laws, regulations, rules and policies relating to the Group's business may be subject to further changes or amendments, or uncertainties regarding their interpretation and application. The compliance costs, liabilities and requirements associated with any existing and future laws, regulations, rules and policies can have significant impacts on the Group's business, results of operations and financial condition. The Group is expected to incur continuous compliance costs, implement operational changes so as to fulfil regulatory requirements, develop and maintain internal policies, procedures and training programmes and purchase necessary insurance to ensure its compliance with any existing and future regulatory requirements. Moreover, as part of the national policy in promoting environmental protection, the Group is expected to comply with more and more stringent environmental laws and regulations. There can be no assurance that the PRC government will not impose additional or stricter laws or regulations, particularly relating to environment protection, which may increase the compliance costs of the Group.

The Group may fail to obtain or renew required governmental approvals, licences, permits and certificates for its operations.

The Group needs to obtain certain approvals, licences, permits and certificates from different government authorities and to comply with extensive procedural requirements in order to carry on its business activities under PRC laws and regulations. For example, the Group is required to maintain a health permit and (depending on the days of extraction from the water resources) maybe required to maintain a water intake permit for its water supply operations. Similarly, the Group is required to maintain a wastewater discharge permit for its wastewater treatment operations. In relation to its real property development operations, the Group is required to obtain a project approval and environmental assessment approval before it is permitted to commence construction of a property development project. As a property development project progresses, the Group needs to receive a land use right certificate (土地使用權證) or land use approval (用地批覆), the construction land planning permit (建設用地規劃許可證), the construction works planning permit (建設工程規劃許可證) and the construction engineering commencement permit (建築工程施工許可證). For more details regarding the major certificates, licences and permits required for the primary business operations of the Group, see "*PRC Regulations*". Governmental authorities in the PRC have broad discretion in implementing and enforcing applicable laws and regulations and in determining the grant of approvals, licences, permits and certificates necessary for the Group to conduct its business. The Group's ability to carry on its various business segments is therefore subject to its ability to obtain, and the PRC government's decision to issue, renew and not revoke, such requisite approvals, licences, permits and certificates.

There is no assurance that the Group will not encounter material delays or other impediments in fulfilling the conditions precedent to the approvals, or that the Group will be able to adapt to new laws, regulations or policies that may come into effect from time to time with respect to the industries in which its business operates or the particular processes with respect to regulatory approvals. There may also be delays on the part of the regulatory bodies in reviewing the Group's applications and granting the relevant approvals. There is no assurance that the Group will be able to obtain or renew its existing approvals, licences, permits and certificates on commercially reasonable terms in a timely manner, or at all, or that such approvals, licences, permits and certificates will not be revoked by the relevant authorities. For example, as at the date of this Offering Circular, (i) Litang County Heyuan Hydropower Development Co., Ltd. (理塘縣河源水電開發有限公司) has not obtained relevant project filing, environmental approval, construction land planning permit, construction works planning permit and construction engineering commencement permit for the Chama Ridong Power Station (查馬日東電站) and Shulu Yaza Power Station (舒魯亞紮電站), and has not obtained electricity power business permit and water intake permit for the Cuowa Power Station (措窪電站); (ii) Shuangcheng National Heating Power Co., Ltd. (雙城市國發熱電有限責任公司) has not obtained construction engineering commencement permit and environmental completion and check document for the Shuangcheng National Heating and Heating Cogeneration Project (國發熱電聯產項目); (iii) Heze Zhongxing Peony Water Environment Co., Ltd. (菏澤眾興牡丹水環境有限公司) has not obtained relevant land use rights certificate, property ownership rights certificates, construction land planning permit, construction works planning permit and construction engineering commencement permit for the construction of Heze City Peony District Wastewater Treatment Plant (菏澤市牡丹區污水處理廠工程); (iv) Heze Zhongxing Water Environment Co., Ltd. (菏澤眾興水環境有限公司) has not obtained relevant land use rights certificate, construction land planning permit, construction works planning permit and construction engineering commencement permit for Phase I Distribution Room for Self-use (自用一期配電間); (v) Lijin Xinhe Natural Gas Technology Service Co., Ltd. (利津辛河天然氣技術服務有限公司) has not obtained property ownership rights certificates for self-use office premises; (vi) Caoxian Donghe New Energy Co., Ltd. (曹縣東合新能源有限公司) has not obtained property ownership rights certificates for self-use office premises and relevant land use right certificate, construction works planning permit, construction land planning permit and construction engineering commencement permit for Emergency Peak Regulation Reserve Station Project (應急調峰儲備站項目); (vii) Shandong Xingye Furnace Charge Co., Ltd. (山東興業爐料有限公司) has not obtained property ownership rights certificates for its production office building; (viii) Hunan Highway Design Co., Ltd. (湖南省公路設計有限公司) has not obtained property ownership rights certificates for its commercial housing; (ix) Chengwu Shuihua Development Real Estate Co., Ltd. (成武水華發展置業有限公司) has not obtained property ownership rights certificates for Shuifa Yangguanglvcheng (水發•陽光綠城); and (x) Rongcheng Haoyang Thermal Power Co., Ltd. (榮成昊熱電有限責任公司) has not obtained property ownership rights certificates and the environmental completion and check document for Cogeneration PPP Project (熱電聯產PPP項目) or the heating business licence for its heating supply business. If the Group fails to obtain or encounters material delays in obtaining the requisite governmental approvals, licences, permits or certificates, the Group's business operations could be materially and adversely affected.

In addition, the Group could be subject to fines or penalties imposed by the relevant government authorities, or be required to cease the construction of a project or certain of the Group's operations due to non-compliance with the terms of the government approvals, licences, permits or certificates. Any such fines, penalties or orders for the cessation of construction or operation could materially and adversely affect the Group's business, financial condition and results of operations.

Furthermore, the registered capital of certain members of the Group is not fully paid-in within the prescribed time frame pursuant to their respective articles of association, which includes Shandong Shuifa Health Development Co., Ltd. (山東水發康養發展有限公司) (formerly known as Shandong Hehui Medical Co., Ltd. (山東合惠醫療有限公司)). As confirmed by the Company, the registered capital of certain other members of the Group, including Shuifa Anhe Group Co., Ltd. (水發安和集團有限公司), has been fully paid-in through debt-to-equity swaps or equity injections, however, the Company may not be able to provide sufficient documents evidencing the procedures for such paid-ins. If the registered capital of such members of the Group is not fully paid-in pursuant to the requirements under their respective articles of association, it may constitute a breach of the constitutional documents of the relevant member of the Group and applicable PRC laws and regulations and thus could materially and adversely affect such members' business, financial condition and results of operations and potentially that of the Group as a whole.

The lessors of some of the Group's leased properties did not provide valid title certificate or relevant authorisation documents evidencing their rights to lease the property to the Group. As a result, there are risks that the Group may not be able to continue to use such properties.

PRC regulations on the administration of local government debts will continue to impact the Group's financing model and business model.

The PRC government has in recent years issued multiple regulations intended to restrict the ability of local governments to use state-owned enterprises to incur debt that should be directly incurred by government bodies. These regulations include: the Opinion on Enhancing the Administration of Fiscal Debts of Local Governments (Guo Fa [2014] No. 43) (關於加強地方政府

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

In September 2014, the State Council of the PRC released Circular 43. According to Circular 43, local governments should finance the development of public interest projects by issuing government bonds, and financing vehicles are prohibited from functioning as the financing arm of the local government, may not incur new government debts and should carry on their operations and financing in accordance with market-oriented principles. Public interest projects that are profit earning, such as construction of non-toll free highways, may be developed either by private investors independently or by a special purpose company jointly set up by the local government and private investors. Private investors and such special purpose companies shall invest in accordance with market-oriented principles and may finance projects with bank loans, corporate bonds and asset-backed securitisation. Further, local governments shall not be liable for any of the debts of private investors or special purpose companies. Circular 50 reaffirms the Circular 43 position that local government debts shall only be incurred through the issuance of local government bonds within the quota approved by the State Council, and the local governments and their departments are not permitted to use any other means for debt financing. The local governments and their departments are prohibited from requesting or ordering enterprises to issue debts for or on behalf of the local governments.

Further, Circular 87 requires local governments and their departments not to take advantage of or make up a contract for the government procurement of services in such a manner that conceals an underlying objective of raising funds for any construction project, or finance from financial institutions or non-financial institutions through government procurement of services, and shall not make up a contract for accounts payable (receivable) by any means or enter into such a contract beyond their respective authority in an attempt to help financing platforms and other types of enterprises raise funds.

Circular 23 and Circular 706 establish further regulations for foreign debt issuance including the prohibition from including public assets as the enterprise's assets and restrictions on disclosing information in the offering circulars of bonds issuances that could give rise to the government's endorsement of such issuance or an association with the government's credit. According to Circular 706, any enterprise that intends to incur medium and long-term foreign debt is prohibited from including in its assets 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, pipe network facilities, other public assets and the land use rights of reserve land. As at 31 December 2018, certain assets of the Group were considered "public assets" within the scope of Circular 706. Such assets comprised the Group's hospital facilities operated under its medical and health care business sub-segment: Chengwu County People's Hospital (成武縣人民醫院), Leling People's Hospital (樂陵市人民醫院), Leling Hospital of Traditional Chinese Medicine (樂陵市中醫院) and Leling Maternal and Child Care Centre (樂陵市婦幼保健院). In light of Circular 706, these assets should not be included in the Group's corporate assets, but, in accordance with applicable accounting standards and principles, had been included in, and represented in aggregate approximately 1.8% of, the Group's total assets of RMB75,989.4 million as at 31 December 2018. See *"Summary Consolidated Financial Information of the Group — Summary Consolidated Balance Sheet Data"* for details of the respective asset amounts of these public assets and their corresponding percentage contribution to the Group's total assets as at 31 December 2018. In December 2019, the Group had disposed of these hospital facilities and consequently, they were not consolidated into the Group's financials as at and for the year ended 31 December 2019. Although there is no clear definition of "public assets" set out in Circular 706 and there remains uncertainty as to the Group's interpretation, potential investors should exercise caution in using such historical financial information to evaluate the Group's financial condition and results of operations. Circular 706 also reaffirms that the offering circulars of bonds issuances shall not disclose information that can implicitly or explicitly indicate the government's endorsement of capital raising or conduct misleading publicity that implies an association with the government's credit. In addition, the liability of the local government as the shareholder shall be limited to its agreed obligation to contribute to the registered capital of such enterprises, and the relevant foreign debts should be solely repaid by such enterprises as independent legal persons. The Joint Opinion, consistent with Circular 43 and Circular 50, bans local governments from engaging in "disguised" borrowing by using state-owned enterprises to issue corporate debt on their behalf.

More recently on 6 June 2019, the General Office of the NDRC issued the Circular of the General Office of the NDRC on the Relevant Requirements for Filing and Registration of Foreign Debts Issuance by Local State-owned Enterprises (國家發展改革委辦公廳關於對地方國有企業發行外債申請備案登記有關要求的通知) ("**Circular 666**"), which aims to strengthen the management of local government debts and prevent the risks of medium and long-term foreign debts and implicit debts of local government. Circular 666 expressly limits that use of proceeds derived from the issuance of foreign debts by local state-owned enterprises that undertake local government financing functions is limited to the repayment of medium and long-term foreign debts due within one year. Circular 666 also strengthens the position that local governments and their departments are prohibited from directly repaying or undertaking to repay the foreign debts of local state-owned enterprises with fiscal funds, or providing guarantees for the issuance of foreign debts by local state-owned enterprises, under which the relevant foreign debts should be solely repaid by such enterprises as independent legal persons. It further reaffirms the disclosure requirements under Circular 706 that offering circulars of bonds issuances are prohibited from including such misleading marketing information which may imply an association with the government's credit.

The Group believes that the PRC government will continue to implement the Debt Control Circulars and other relevant regulations and opinions to control local government debts. Accordingly, the Group should rely on the cash flow generated from its operations and external borrowings to satisfy its cash needs for servicing its outstanding indebtedness and for financing its operating activities. For the removal of doubt, the PRC government (including each of Shandong SASAC and the Shandong Provincial Government) has no obligation to repay any amount under the Bonds. An investment in the Bonds is relying solely on the credit risk of the Issuer, the Guarantor and the Group. If the Issuer and the Guarantor do not fulfil their respective obligations under the Bonds and the Guarantee, investors will only have recourse against the Group, and not the PRC government.

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

Various PRC governmental entities maintain and enforce regulations related to local government financing vehicles ("**LGFV**"). See "*PRC Regulations — Regulation on Fiscal Debts of Local Governments*". As at the date of this Offering Circular, the Guarantor is not on the list of LGFV maintained by CBRC or its successor, CBIRC. However, other governmental entities, including MOF, may from time to time interpret relevant laws and regulations differently based on their own interpretation of the specific activities engaged in by enterprises such as us. The Group therefore cannot be certain that certain regulations intended to apply to LGFV do not or will not apply to the Group or that such regulations will not be retrospectively applied to the Group, any of which could have a material impact on the Group's business, financial condition, results of operations and prospects.

A reduction or loss in governmental capital contribution and government subsidies could reduce the Group's profits.

The Group had, in the past, received certain support from the PRC government in various forms, including government subsidies and registered capital injections for its business operations and development. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, the Group received government subsidies of approximately RMB132.2 million, RMB247.5 million, RMB495.6 million, RMB119.8 million and RMB190.6 million, respectively, from various government authorities for its business development and operations. As at 30 June 2020, the Group had received an aggregate amount of approximately RMB5,381.8 million as registered capital injections from the Shandong Provincial Department of Water Resources pursuant to the approval of the Shandong Provincial Government. See "*Description of the Group — History and Development*". However, there is no assurance that the Group will continue to receive such support or in the forms in which it had received past support, since relevant government policies may change from time to time. Any loss or reduction in government subsidies or other form of government support could have a material and adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group has historically experienced net operating cash outflows.

For the years ended 31 December 2017 and 2018 and the six months ended 30 June 2019, the Group had net operating cash outflows of approximately RMB3,317.1 million, RMB2,998.5 million and RMB957.8 million, respectively. The Group's net operating cash outflows were largely attributable to the substantial capital requirements at the commencement of its relevant construction projects which involved the incurrence of higher cash outflows. If the Group's operating activities fail to generate sufficient cash to satisfy its cash requirements, the Group has to increase its reliance 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 has historically experienced significant fluctuation in its operating profit and any significant fluctuation in the future may have a material adverse impact on its business, financial condition and results of operations.

The Group has historically experienced significant fluctuation in its operating profit. For the year ended 31 December 2017, the Group had operating loss of RMB44.6 million, as compared to its operating profit of RMB440.4 million and RMB298.2 million for the years ended 31 December 2018 and 2019, respectively. The Group's operating profit may experience significant fluctuations from period to period due to a number of factors, including, among others, the lengthy development periods before revenue and profit from the development projects are realised and recognised, the ability of the Group to raise funds through external financing, construction schedules and any volatility in costs or expenses. The Group's future results of operations will also continue to be affected by and depend upon a number of factors, including social, political, economic, legal and other factors, most of which are beyond the Group's control. There is no assurance that the Group will not continue to experience such negative trends of, or fluctuations in, operating profit in the future. If the Group continues to experience significant fluctuation in its operating profit, or have an operating loss, the Group's business, financial conditions and results of operations may be materially and adversely affected.

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

As at 31 December 2017, 2018 and 2019 and 30 June 2020, the Group's accounts receivables amounted to RMB2,444.8 million, RMB4,083.6 million, RMB8,457.6 million and RMB8,550.8 million, respectively, representing 13.5%, 14.2%, 19.7% and 17.0% of the Group's current assets and 5.2%, 5.4%, 7.9% and 7.2% of the Group's total assets as at the corresponding dates. The Group's accounts receivables primarily comprise receivables from third-party customers deriving from the increase in sales of its hydraulic engineering construction, water supply and wastewater treatment businesses. As at 31 December 2017, 2018 and 2019 and 30 June 2020, the Group's other receivables amounted to RMB3,669.5 million, RMB3,794.5 million, RMB1,224.4 million and RMB3,756.4 million, respectively, representing 20.3%, 13.2%, 2.8% and 7.5% of the Group's current assets and 7.7%, 5.0%, 1.1% and 3.1% of the Group's total assets as at the corresponding dates. The Group's other receivables primarily comprise guarantee payments in relation to its newly acquired projects, rental payments, intercourse funds and reserve funds with third-parties or among its subsidiaries. There are inherent risks associated with the ability of the Group's third-party customers, which include local municipal governments and other government authorities, and the Group's contractors to make timely payments under such receivables and failure to make timely payments by these entities could materially and adversely affect the Group's liquidity and in turn affect its business, financial condition or results of operations. See "— *The Group is exposed to risks associated with entering into contracts with public bodies*".

The Group is exposed to risks relating to related party transactions.

The Group has historically engaged in a broad range of transactions with its related parties. These transactions primarily include provision and receipt of services and loans and advances. The details of the Group's related party transactions have been disclosed in the respective Note 9.5 to the 2018 Audited Financial Statements, Note XI.4 to the 2019 Audited Financial Statements and Note XI.2 to the Reviewed Financial Statements, which are included elsewhere in this Offering Circular. There are inherent risks associated with the ability of the Group's related parties and the Group's business partners to make timely payments and any failure to make timely payments by these entities could materially and adversely affect the Group's liquidity and in turn affect its business, financial condition, results of operations and prospects. In addition, while all related party transactions entered into by the Guarantor and its subsidiaries thus far are on market price terms, related party transactions entered into on a non-arm's-length basis in the future may erode the Group's competitiveness as a whole and damage its reputation.

The Group's financial condition and results of operations may be affected by material fluctuations of interest rates.

Most of the Group's bank loans bear interest that accrues at rates linked to the benchmark lending rates published by the PBOC. A material fluctuation in the benchmark lending rate may have a material impact on the Group's interest expenses and payables under its bank loans and in turn negatively affect its financing costs and results of operations. The PBOC from time to time adjusts interest rates as implementation of its economic and monetary policies. Since the outbreak of the global financial crisis in 2008, the PBOC started to lower the benchmark lending rates with an aim to encourage lending, increase liquidity in the market and promote the recovery of China's economy. Since 2008, the PBOC the benchmark one-year lending rate five times, from 7.47% to 5.31% in December 2008, which remained unchanged until September 2010. Since then, the one-year lending rate was gradually increased to 6.56% on 7 July 2011 and onwards. In recent years, a perceivable slowdown in the growth of the economy of the PRC again caused the PRC government to adopt more liberal monetary policies with the aim to stimulate the PRC's economic development. Since 2012, the PBOC for a number of times reduced the benchmark one-year lending rate to 4.35% as at 24 October 2015 and onwards. Although the Group's financial condition and results of operations may benefit from a low-interest environment, there is no assurance that this environment will continue. Any increase in the benchmark lending rate by the PBOC in the future will increase the Group's financing costs and adversely affect its profitability, financial condition and results of operations.

There are risks associated with any future material acquisitions by the Group.

The Group has historically diversified its business portfolio by investing in other companies and may continue to do so in the future. Although the Group conducts due diligence on target companies, the due diligence results may not reveal all facts that are necessary or material in evaluating the target company and the acquisition. Any failure to discover material risks and liabilities relating to the target company before the acquisition could increase the Group's exposure to financial and legal risks and liabilities. When determining the price for any acquisition, the Group needs to consider various factors, including the quality of the target business, estimated costs associated with the acquisition and the management of the target business, prevailing market conditions and intensity of competition. The Group needs to address different issues arising from the acquisition after the relevant transaction is completed, such as business, operation and management integration. There is no assurance that the Group is able to address these issues effectively at all times. In addition, any major acquisition or transaction of similar nature may consume substantial management attention and financial resources of the Group or even cause the Group to incur significant indebtedness. Any material decrease in its financial resources may limit the Group's ordinary operating activities and increase pressure on its liquidity, and in turn could adversely affect its business, financial condition and results of operations.

The Group is subject to joint venture risks.

The Group develops a number of projects through joint venture arrangements with independent third parties. Co-operation and agreement among the Group's joint venture partners on its existing or any future projects are important factors for the smooth operation and financial success of such projects. The Group's joint venture partners may (i) have economic or business interests or goals that are inconsistent with those of the Group; (ii) be unable or unwilling to fulfil their obligations under the relevant joint venture or other agreements; or (iii) experience financial or other difficulties. Further, the Group may not be able to control the decision-making process of the joint ventures as, in some cases, it does not have majority control of the joint venture. The Group does, however, through contractual provisions or representatives appointed by it, typically have the ability to influence certain material decisions. Although the Group has not experienced any significant problems with its joint venture partners to date, there is no assurance that disputes among its joint venture partners will not arise in the future that could adversely affect such projects.

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

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

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

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

- mechanical production interruptions, electricity outages and equipment failure;
- operating limitations imposed by environmental or other regulatory requirements;
- work-related personal injuries;
- on-site occupational accidents;
- credit risks relating to the performance of customers or other contractual third-parties;
- disruption in the global capital markets and the economy in general;
- loss on investments;
- environmental or industrial accidents; and
- catastrophic events, such as fires, earthquakes, explosions, floods or other natural disasters.

The Group maintains insurance policies that provide different types of risk coverage, which the Group believes to be consistent with applicable law and industry and business practice in the PRC. However, claims under the insurance policies may not be honoured fully or on time, or the insurance coverage may not be sufficient to cover costs associated with accidents incurred in the Group's operations due to the above-mentioned operational risks. Certain types of losses (such as from wars, acts of terrorism or acts of God, business interruption, property risks and third-party (public) liability) are not insured in the PRC because they are either uninsurable or not economically insurable. To the extent that the Group suffers loss or damage that is not covered by insurance or that exceeds the limit of its insurance coverage, its business, financial condition, results of operations and cash flow may be materially and adversely affected.

Labour shortages, labour disputes or increases in labour costs could have a material adverse effect on the Group's business, financial condition and results of operations

In recent years, work stoppages, employee suicide and other similar events in certain cities in the PRC have caused the PRC government to amend labour laws to enhance protection of employees' rights. Increasing awareness of labour protection as well as increasing minimum wages is likely to increase the labour costs afforded by PRC enterprises in general, including the Group or the contractors participating in the Group's projects. The Group believes that it has good working relationship with its employees across its various business segments and has not experienced any material work stoppages, strikes or other labour problems in the past. However, there is no assurance that any of such events will not arise in the future. If the Group's employees were to engage in a strike or other work stoppage, the Group could experience significant disruption in its operations and/or higher on-going labour costs, which may have a material adverse effect on the Group's business, financial condition and results of operations. Similarly, any labour shortages, labour disputes or increases in labour costs of the Group's third-party contractors could cause an extension of the construction progress and an increase in the Group's fees payable to the contractors, which could in turn materially and adversely affect the Group's business and results of operations.

The Group may not be able to fully detect money laundering and other illegal or improper activities in its business operations on a timely basis.

The Group is required to comply with applicable anti-money laundering, anti-terrorism laws and other regulations in the PRC and other relevant jurisdictions. The PRC's anti-money laundering law requires financial institutions to establish sound internal control policies and procedures with respect to anti-money laundering monitoring and reporting activities. Such policies and procedures require the Group to, among other things, establish a customer identification system in accordance with the relevant rules, record the details of customer activities and report suspicious transactions to the relevant authorities. As at the date of this Offering Circular, the Group has not adopted policies and procedures aimed at detecting and preventing the use of its business vehicles to facilitate money laundering activities and terrorist acts. In the event that the Group fails to detect money laundering or other illegal or improper activities or fails to fully comply with applicable laws and regulations, the relevant government agencies may freeze its assets or impose fines or other penalties on it. Any of these may materially and adversely affect its business reputation, financial condition and results of operations.

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

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

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

- conducting any inside dealing; or
- otherwise not complying with applicable laws or the Group's internal policies and procedures.

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

The Group is exposed to litigation risks.

The Group may from time to time be involved in disputes with governmental entities, indigenous residents, contractors, suppliers, employees and other third-party service providers during the course of its daily operations. Claims may be brought against members of the Group based on a number of causes, such as defective or incomplete work, personal injuries, property damages, breach of warranty or delay in completion and delivery projects. In addition, the Group may bring up claims against project contractors for additional costs incurred as a result of the contractors' underperformance or non-performance, project defects or default by the contractors. If the disputes or claims are not resolved or settled through negotiation or mediation, the Group may be involved in lengthy and costly litigation or arbitration proceedings, which may distract the Group's financial and managerial resources. In the event that the Group prevails in those legal proceedings, there is no assurance that the judgement or awards will be effectively enforced. If a judgment or award is rendered against the Group, the amounts payable by the Group may not be fully covered by the Group's insurance, and the amounts could differ from the provisions made by the Group based on its estimates. Any material charges associated with claims brought against the Group and material write downs associated with the Group's claims could have a material adverse impact on its financial condition, results of operations and cash flow. As at the date of this Offering Circular, there are no known litigation, arbitration or administrative proceedings against the Group or any of its directors that could have a material adverse effect on the Group's business, results of operations or financial condition.

The Group may be subject to claims of infringement of third-party intellectual property rights.

In the process of implementing new technologies and processes, the Group may not be aware of third-party intellectual property rights and, accordingly, may be unable to assess the scope and validity of such rights in relation to its products and operations. In addition, research and development of new construction processes is inherently uncertain in a rapidly evolving technology environment as there may be numerous patent applications pending, many of which are confidential when filed and relate to similar technologies.

Accordingly, the Group may become subject to lawsuits for infringement on third party intellectual property rights. Intellectual property litigation could adversely affect the development or sale of the challenged product or technology and require the Group to pay substantial damages or royalties to licence proprietary rights from third parties. Such licences may not be available to the Group on acceptable terms, if at all. Given the rapid technological change that characterises the Group's industries, there is no assurance that its current measures are adequate and that it will not be subject to claims of infringement by third parties. Any intellectual property litigation could cause the Group reputational damage and to incur significant expenses or divert its personnel's attention and efforts, any of which could have a material adverse effect on its business, financial condition or results of operations.

The preferential tax treatment that the Group currently enjoys and prevailing tax regulations in the PRC may be unfavourably changed or discontinued.

The Group's results of operations and profitability are affected by changes in tax rates and the relevant preferential tax treatment in the PRC. A number of the Group's subsidiaries currently enjoy income tax exemptions and reductions, in accordance with the relevant PRC tax rules and regulations, by reasons that these companies are (i) energy conservation service enterprises implementing contract-based energy management projects, (ii) classified as a "High and New Technology Enterprise" by the PRC government, (iii) providing wastewater treatment services as listed under the Circular on Issuing the Catalogue of Preferential Value-added Tax Policies for Products and Labor Services Generated from the Comprehensive Utilization of Resources (Caishui (2015) Circular 78) (資源綜合利用產品和勞務增值稅優惠目錄(財稅[2015]78號)) ("**Circular 78**") issued by SAT on 1 July 2015, (iv) are operating projects relating to environmental protection, energy saving and water saving, (v) are in operations of agricultural planting, (vi) a non-profit medical organisation or among others. For details, see "*Taxation — PRC*".

In addition to income tax, the VAT applicable to the Group's business may also fluctuate. Pursuant to Circular 78, the previous exemption of the Group's wastewater treatment, sludge and reusable water treatment revenue has been reduced to a 70.0% VAT refund and the reusable water treatment revenue has been reduced to a 50.0% VAT refund. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, the VAT refund that the Group recognised amounted to RMB11.5 million, RMB5.5 million, RMB62.8 million, RMB2.4 million and RMB10.8 million, respectively. For details, see Note 6.45 to the 2018 Audited Financial Statements, Note VIII.51 to the 2019 Audited Financial Statements and Note VIII.50 to the Reviewed Financial Statements, which are included elsewhere in this Offering Circular. However, there is no assurance that the Group will continue to receive such tax refund in the future.

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, the Group's effective tax rates, calculated as income tax expense divided by profit before income tax, were -8.8%, 36.3%, 29.6%, 30.4% and 32.0%, respectively. The Group's effective tax rates may change from year to year due to changes in or discontinuation of any preferential tax treatment. There is no assurance that the PRC policies with respect to the preferential tax treatment that the Group currently enjoys will not be unfavourably changed or discontinued, or that the approval for such preferential tax treatment will be granted to the Group in a timely manner, or at all. The termination or expiration of such preferential tax treatment or the imposition of additional taxes on the Group may lead to an increase in its expenses and may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Guarantor does not have the minimum number of supervisors as required under its articles of association and applicable PRC laws, and the lack of a valid board of supervisors may also expose the Guarantor to corporate governance risks.

The Company Law of the PRC and the Guarantor's articles of association provide that the Guarantor shall establish and have in place a board of supervisors of not less than five members, of which all non-employee supervisors are to be nominated and appointed by Shandong SASAC as the controlling shareholder of the Guarantor. However, as at the date of this Offering Circular, three members of its board of supervisors, namely Mr. Zhao Ronghao, Mr. Tian Yi and Mr. Fu Tao, have stepped down from their positions with immediate effect pursuant to and in compliance with the Implementing Opinion of the People's Government of Shandong Province on the Reform of Provincial Institutions in Shandong Province《山東省人民政府關於山東省省級機構改革的實施意見》(the "**Implementing Opinion**") issued by the Shandong Provincial Government on 6 November 2018. According to the Implementing Opinion, the duties and responsibilities of the board of supervisors of provincial-level state-owned enterprises under the direct supervision of Shandong SASAC will be assumed by the Shandong Provincial Audit Office and such enterprises will cease to have individual board of supervisors thereafter. Consequently, Shandong SASAC will no longer nominate and appoint supervisors of the Guarantor. The two remaining employee supervisors of the Guarantor, Ms. Zhang Jin and Mr. Wang Zhonghua, are currently suspended from their duties, given that the requisite minimum number of members to form a functionable board of supervisors is not met. Although there are no prescribed legal consequences or penalties for the Guarantor's lack of a functioning board of supervisors with at least five members, the Guarantor is, strictly speaking, in contravention of its articles of association and the Company Law of the PRC.

Further, Article 37 of the Regulations of the PRC on the Administration of Company Registration ("**Company Registration Regulations**") requires that changes in directors and supervisors should be filed with relevant authorities, and if the articles of association need to be amended, Article 35 of the Company Registration Regulations require such amendment to be registered with relevant authorities as well. However, as at the date of the Offering Circular, there remains some uncertainty regarding the administrative and procedural actions to be taken by the Guarantor with respect to the change in supervisors and the Guarantor is waiting on further instructions from Shandong SASAC, so accordingly no such filings or registrations had been made. Although there are no prescribed legal consequences or penalties for the lack of such filing and registration by the Guarantor, the Guarantor is, strictly speaking, in contravention of the Company Registration Regulations.

In addition, there is lack of clarity as to how the functions previously performed by the board of supervisors will be carried out going forward, and there is no assurance that the Guarantor will not be exposed to corporate governance risks as a result of this change, which could in turn have an adverse effect on its business, financial condition and results of operations.

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

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

The Group relies heavily on information technology systems for its business and any information technology system limitations or failures could adversely affect its business, financial condition and results of operations.

The Group's business depends on the integrity and performance of the business, accounting and other data processing systems at the holding company and at its subsidiaries. If the Group's systems may not be able to effectively address the issues arising from an increased business or may otherwise fail to perform, the Group could experience unanticipated disruptions in business, slower response times and limitation on its ability to monitor and manage data and risk exposures, control financial and operation conditions, and keep accurate records. These consequences could result in operating outages, poor operating performance, financial losses, and intervention of regulatory authorities. Although the Group's systems have not experienced major systems failures and delays in the past, there is no assurance that the Group's systems would not experience future systems failures and delays, or the measures taken by the Group to reduce the risk of system disruptions are adequate. If internet traffic and communication volume increase unexpectedly or other unanticipated events occur, the Group may need to expand and upgrade the Group's technology, systems and network infrastructure. There is no assurance that the Group will be able to accurately project the rate, timing or cost of any increases, or expand and upgrade the Group's systems and infrastructure to accommodate any increases in a timely manner.

RISKS RELATING TO THE GROUP'S BUSINESS

The Group may not successfully implement its growth strategy.

The Group has historically been focused on its water business, including hydraulic engineering construction, water supply, wastewater treatment and clean energy. Over the years, it has diversified its business into other areas, such as medical and health care, real estate development, tourism, modern agriculture, equity investment and other ancillary businesses including hydraulic consultation, hydraulic design, supervision of hydraulic works and heating and power supply pipeline connection services. As part of its business strategies, the Group continues to develop other new business while maintaining sustainable growth of its existing business. Whether the Group could successfully implement this strategy depends to a certain extent on the Group's ability to identify attractive projects, obtain required approvals from relevant regulatory authorities, obtain sufficient capital on acceptable terms in a timely manner and maintain close working relationships with various government authorities and agencies. The success of negotiations with respect to any particular project cannot be assured. There is no assurance that the Group will be able to successfully implement this strategy, manage or integrate newly acquired operations with its existing operations. Failure to implement the Group's growth strategy could have a material adverse impact on its business, financial condition and results of operations.

The Group operates in multiple businesses and this business structure exposes the Group to challenges not faced by companies with a single or small number of businesses.

The Group operates through a large number of subsidiaries in multiple industries. Due to the diverse characteristics of its subsidiaries and business segments, the Group faces challenges not found in companies with a single or a small number of business lines.

In particular:

- the Group is exposed to business, market and regulatory risks relating to different industries, markets and geographic areas, and may from time to time expand its businesses to new industries, markets and geographic area in which it has limited operating experience. Success in such businesses requires the Group to devote substantial resources to monitor changes in these different operating environments; and

- successful operation of the Group's subsidiaries and associated companies requires an effective management system. As the Group continues to grow its businesses in an increasing number of different industries, the Group's operations may become more complex, which would increase the difficulty of implementing its management system.

As at 30 June 2020, the Group had 580 subsidiaries. The Group strives to implement its corporate governance and operational and safety standards across its subsidiaries in the PRC in a uniform manner. Implementing and monitoring these standards in each of its subsidiaries may be difficult and failure to do so may result in violations of local regulations or the Group's internal policies. There is no assurance that it can effectively monitor each subsidiary and prevent all non-compliance. Any violation or non-compliance could affect the Group's reputation and business prospects in or outside the PRC, which could materially and adversely affect its financial condition and results of operations.

The Guarantor provides direct funding, guarantees and other support to certain of its subsidiaries and associated companies. For instance, the Guarantor provides shareholder loans to, or acts as a guarantor for the borrowings of, certain subsidiaries and associated companies. If a subsidiary or associated company defaults on any borrowings lent or guaranteed by the Guarantor, the Guarantor will not receive the repayment as planned or the relevant lender may exercise its right under the guarantee to demand repayment from the Guarantor. The occurrence of either of these types of events may result in a funding shortage at the Guarantor level and may materially and adversely affect the Guarantor's ability to provide financial support to its other portfolio companies. If the Guarantor'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's profit margin is sensitive to fluctuations in the cost of construction materials and other raw materials.

The cost of construction materials, such as steel and cement, which constitutes a significant portion of the Group's operating cost, may fluctuate. Any increase in the cost of construction materials may adversely impact the Group's overall cost budgeting. Furthermore, contracting fees may be affected by volatile price movements of construction materials. The Group seeks to reduce its exposure to short-term price fluctuations of construction materials and limit project cost overruns by centralising its procurement to lower purchase costs. The Group also manages the cost of outsourced construction work through a tender process which, among other things, considers procurement of principal construction materials at fixed prices. Nonetheless, the Group's profit margin is sensitive to changes in market prices for construction materials and its profitability may be materially and adversely affected if it is unable to adjust its selling prices and pass on significant cost increases to its customers.

The cost of raw water and raw materials, electricity, labour and other costs incurred in the Group's production processes and operations may also experience price fluctuations. In the event that the Group's cost saving measures fail to mitigate the effect of rising prices, its results of operation and financial condition may be materially and adversely affected.

The Group may not be able to adjust the tariff or unit price charged for its water supply and wastewater treatment services in a timely manner.

The tariffs or unit prices for the Group's wastewater treatment services are negotiated separately with the local government authorities with which it enters into the relevant cooperation agreements. The cooperation agreements generally contain provisions setting out the circumstances under which the Group can propose adjustments to the tariffs or unit prices it charges. These circumstances include, among other things, inflation, changes to benchmark utilities charges, and changes in relevant regulations with regard to incoming wastewater and sludge to be treated and the quality standards for treated wastewater and sludge. However, any price adjustment is subject to the approval of the relevant local governmental authority. As such, the Group does not have absolute control over pricing. The cooperation agreements typically provide for periodic assessments by the contracting government authorities of the tariffs or unit prices based on specific adjustment formulas. However, there is no assurance that the such assessments will be carried out as scheduled and the tariffs or unit prices will be consequently increased in a timely manner, or that the increased tariffs or unit prices will sufficiently compensate the Group for any increased costs.

There is also no assurance that the local governments will have sufficient funds to accommodate increased tariffs or unit prices or that they will not demand reduced tariffs or unit prices for purposes of public welfare or in instances when the relevant benchmark prices or key cost indices have decreased. For details, see "*PRC Regulations — Regulations Relating to the Water Industry — Pricing*". Furthermore, the actual expenditures of the Group may exceed the expected tariff amount due to reasons beyond its control. If the Group incurs significantly greater operating costs without a corresponding increase in its tariffs or unit prices charged or if it was compelled to reduce its tariffs or unit prices at the insistence of the government authorities, the Group may be unable to sustain its profitability and its financial condition and results of operations may be materially and adversely affected.

In addition, according to PRC pricing laws, the PRC government may direct, guide or fix the prices of public utilities that are important to public welfare. The NDRC sets the guidelines for water supply prices and makes adjustments from time to time. The unit procurement price for raw water is also determined by relevant local government authorities. For details, see "*PRC Regulations — Regulations Relating to the Water Industry — Pricing*". The Group's water supply business is directly affected by the price of reusable water, water supply prices, as well as the unit procurement price for raw water, all of which are beyond the Group's control. Any negative changes in such prices may have a material and adverse impact on its business, and in turn, its results of operations and financial condition.

Pollution may adversely affect the Group's water supply business.

Water is the principal resource for any water-related business and the quality of raw water has a significant impact on water production. As indicated by government authorities in the Fifth Session of the Standing Committee of the Thirteenth National People's Congress of Shandong Province when passing the Water Pollution Prevention and Control Regulations of Shandong Province (山東省水污染防治條例), which became effective from 1 December 2018, water pollution in Shandong Province remains a major concern. The causes of pollution include the discharge of untreated sewage directly to surface water, disordered industrial development and low awareness of environmental protection. When raw water is contaminated by pollutants, the Group is required to undertake additional technical procedures to treat and process the raw water into clean drinking water, which increases its operating costs and requires it to invest significantly in treatment technologies. If the Group's treatment of polluted raw water is not sufficiently effective, it will not be able to provide its water supply services in accordance with the required legal or contractual standards, which could have a material adverse effect on its water supply business as well as its reputation in the water industry. This in turn will negatively impact its prospects.

The Group's products may not be able to meet certain new and more stringent standards as defined by evolving regulations.

The Group's products must meet certain standards as defined by the relevant PRC authorities. For example, the Group's wastewater effluent meets the National Wastewater Standards (GB18918-2002) before discharging and the Group is required to ensure that the quality of the tap water it supplies meets the National Drink Water Standard (GB5749-2006). These standards may evolve and become more stringent. The Group's products may not be able to meet the new standard immediately, or at all. If the Group's products fail to meet any new standards, it may be required to stop the production and marketing of these products, which may disrupt the Group's growth and have a material adverse effect on it business, results of operations and financial position.

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

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

The Group's operations may be adversely affected if there is any significant downtime at its facilities for repair and maintenance.

The Group's plants and facilities are subject to normal wear and tear in the course of operation. As a result, its plants and facilities may require extended downtime for repairs and maintenance as and when it is necessary during their life cycles. However, if the time and cost required for such repairs and maintenance exceed the Group's expectations, depending on factors including whether any required repair can be done on-site, the extent of damage, the availability of replacement components and the capacity of its third-party repair and maintenance services providers, the Group's operations, particularly water supply, wastewater treatment and clean energy, may be affected for a period longer than anticipated and its revenue from the relevant project may be less than originally estimated. In addition, if any extraordinary or extensive repairs to the Group's plants or equipment are required due to any significant or catastrophic event, substantial damage, other unexpected event or component failure or otherwise, its plants or facilities could require significant downtime during which they would not be able to treat wastewater, sludge or treated water from wastewater plants or supply quality water as required under its cooperation arrangements. Any significant downtime of the Group's plants and facilities could reduce the total output and utilisation of these plants and facilities, lead to breach of agreements with customers or have serious consequences for the surrounding communities and industries, which in turn could cause its customers to terminate their agreements with the Group or subject the Group to claims for compensation and damages. Thus, any such extraordinary or extensive repairs and maintenance, the termination of agreements with customers or any resulting claims or disputes could materially and adversely affect the Group's business, financial condition and results of operation.

Any interruption, shortage of utilities or fluctuation in utility prices may adversely affect operations of the Group.

Operations of the Group's water supply plants and wastewater treatment plants as well as other production facilities require consistent supply of utilities, especially electricity, gas and water. As a result, the operations of these plants and production facilities may be interrupted if there is an insufficient supply of utilities or a suspension of such supply. Any shortage of supply may, therefore, adversely affect the Group's production and prevents the Group from satisfying demands or obligations under the relevant agreements with its customers during the affected period.

The Group is subject to project development risks and cost overruns, and delays may adversely affect the Group's results of operations.

There are certain construction, financing, operating and other risks associated with the Group's project developments. Construction projects undertaken by the Group typically require substantial capital expenditures during the construction phase and usually require a number of years before they become operational and generate revenue. The time taken and the costs involved in completing construction can be adversely affected by many factors, including shortages of materials, equipment and labour, adverse weather conditions, natural disasters, labour disputes, disputes with subcontractors, accidents, changes in governmental priorities and other unforeseen circumstances. Any of these could give rise to delays in the completion of construction and/or cost overruns. Construction delays or failure to complete the construction of a project according to its planned specifications, schedules or budgets can result in loss of revenues, liabilities and reputational damage. There is no assurance that the Group will not experience such delays in delivery of its projects in the future or that they will not be subject to any liabilities for any such delays.

The Group's customers may make claims against it and/or terminate its services in whole or in part prematurely should the Group breach the terms of agreements with such customers or fail to implement projects which fully satisfy contractual requirements and customer expectations.

The Group enters into agreements with its customers for the construction projects, products and services it provides relating to its various business segments, such as hydraulic engineering construction, water supply, wastewater treatment and real estate development. There is no assurance that projects relating to the Group's business operations will not experience delayed in delivery or that these projects will be completed to the requirements and expectations of the Group's customers. Failure to complete projects on time or fully in compliance with the contractual requirements and expectations of the Group's customers, or the delivery by the Group of defective systems or products, may lead to claims being brought against the Group by its customers and/or termination of its services in whole or in part by the Group's customers prematurely. Unsatisfactory design or workmanship, staff turnover, human error, failure to deliver services on time, default or breach of contract by the Group's subcontractors or misinterpretation of or failure to adhere to regulations and procedures could result in delays or failures in the delivery of projects. As a result, the Group could experience delays in the recognition of its revenue from such projects and the Group may not receive payments from the relevant customers, which could adversely affect the Group's cash flow. This in turn could have a material adverse effect on the Group's business, financial condition and results of operations. In addition, the Group's reputation may be negatively affected which in turn affect the Group's ability to obtain new projects.

The Group may be exposed to claims in relation to the unsatisfactory performance of third-party contractors and subcontractors, and disputes with business partners may also adversely affect its businesses.

The Group has arrangements with third-party contractors and subcontractors that are essential to certain of its business operations. For example, the Group depends on qualified design institutes and independent subcontractors for the design works of its hydraulic engineering construction projects. The Group also relies on independent third-party contractors for the construction of its property development projects. The Group generally selects third-party contractors and subcontractors through public tendering process. The Group endeavours to employ companies with good reputations, strong track records, reliable performance and adequate financial resources. The Group also implements quality control procedures and closely monitors the progress of construction or the provision of services undertaken by such third-party contractors and subcontractors. However, there is no assurance that the Group's third-party contractors and subcontractors will always provide services of the quality required by the Group. If the performance of any third-party contractor or subcontractor fails to meet the requirements of the Group, the Group may need to replace such contractor or subcontractor or take other remedial actions, which could adversely affect the cost and development schedule of its projects. Moreover, the Group's contractors and subcontractors may undertake projects for other enterprises operating similar business, engage in risky undertakings or otherwise encounter financial or other difficulties, which may adversely affect their ability to complete the Group's projects on time, within budget or at all. All of these third-party related factors may have a material adverse impact on the quality of services provided by the Group's contractors and subcontractors and the Group's reputation, credibility, financial position and business operations.

The Group has in the past formed, and will in the future continue to form, joint ventures, consortiums or other cooperative relationships with other parties, including in some cases, foreign governmental entities or foreign companies, to jointly engage in certain business activities. The Group may have disputes with these business partners in the course of cooperation, such as performance of each party's obligations, scope of each party's responsibilities, product quality and logistics services. If such disputes cannot be settled in a timely manner or at all, the relevant operations of the Group will be affected, which in turn may have an adverse effect on the Group's business and results of operations.

The Group is subject to risks associated with technological changes and changing market trends.

The Group's future business success will depend on its ability to achieve continual technology innovation and meet changing market trends and evolving client demand. Accordingly, the Group has to predict and adapt to changing market trends, develop or adopt competitive technologies and equipment and apply technological innovations to the development of its products and services in a timely manner. There is no assurance that the Group's efforts in this regard will succeed.

There are rapid changes in the regulations or standards for the technology and equipment to be adopted in the Group's business operations, particularly relating to water supply, wastewater treatment, clean energy and hydraulic or agricultural related information and automation technology and products development. If the Group fails to develop or adopt new technologies in a timely manner to meet the changing industry trends, or if its clients or competitors have developed or adopted advanced technologies or equipment which are more effective or more commercially attractive, its business, financial condition, results of operations and future development may be adversely and materially affected. The Group strives to enhance its existing products and services through its research and development efforts. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, research and development expenses of the Group amounted to approximately RMB26.5 million, RMB35.7 million, RMB75.2 million, RMB14.6 million and RMB44.0 million, respectively. However, the Group faces risks related to its research and development efforts, including delays, cost overruns and unanticipated technical difficulties. There is no assurance that its investment in research and development will yield any positive results as it expects, in which case, its business and financial condition may be adversely affected.

Performance of the Group's modern agriculture business depends upon the market for agricultural products.

The market for agricultural products in the PRC has historically been cyclical. Thus, prices and demand for the Group's agricultural products and services are subject to a number of factors, including, among others, the market for agricultural products, the availability of farm lands and the increase of industrial areas, crop prices and other crop input costs, changes in farming practice, as well as governmental regulations and environmental protection measures.

Changes in any of these factors could materially and adversely affect the performance of the Group's modern agriculture business, which in turn could adversely affect its business, financial condition and results of operation as a whole.

Malpractice, misconduct or sub-standard medical services and products provided by the Group may expose the Group to the possibility of litigation, complaints, or government investigations, which may result in penalties, reputational harm, or otherwise adverse consequences for its business.

The Group is exposed to the risk of legal claims and regulatory actions arising out of the services and products it provides under its medical and healthcare business.

With the advent of new technologies and modalities of treatment, the amount of medical malpractice litigation brought by patients has increased across the industry. Moreover, if the Group's medical service providers were to offer novel healthcare services that involve the treatment of more complex medical conditions which do not have guaranteed positive outcomes, their exposure to medical malpractice litigation may increase. Such medical malpractice litigation is typically brought against the patient's medical professional, who may also seek to include as a defendant the medical facility at which treatment was given. While the Group seeks to ensure that its medical professionals have appropriate medical malpractice insurance and that clinical insurance is maintained in line with industry custom for its medical services providers, there is no assurance that such insurance coverage will be sufficient to cover all potential liabilities and risks that they may face. See "— *The insurance coverage of the Group may not adequately protect it against all operational risks*". In addition, the Group's medical personnel may be subject to disciplinary actions from the respective governing professional bodies and they may be fined and/or have their licences suspended or revoked. If its arrangements for insurance or indemnification are not adequate to cover potential claims, including in the case of claims exceeding policy aggregate limitations or exceeding the resources of the indemnifying party, the Group may be required to make substantial payments, which may have a material adverse effect on its business, financial condition, results of operations, cash flows and prospects.

Additionally, if there are any investigations, disciplinary actions or legal claims, or any other major lapses in the service quality of the Group's medical professionals and service staff, whether actual or perceived, or if there are other circumstances beyond the Group's control that result in adverse publicity to its medical services providers, the Group could suffer reputational harm as a whole which in turn could adversely affect its business, financial condition and results of operation.

The Group's medical and health care business is subject to challenges that affect the medical industry generally, including seasonal variation in patient volumes.

The Group's medical and health care business is subject to challenges currently facing the medical industry in the PRC. The Group believes that the key ongoing industry-wide challenges are providing high-quality patient care in a competitive environment while managing costs. The Group's medical and health care business is affected by seasonal factors, such as patient volume, seasonal cycles of illness and climate and weather conditions. Any failure by the Group to effectively manage these challenges could result in a material adverse effect on its medical and health care business.

The PRC government may adopt measures aimed at slowing down growth in the real estate sector, which in turn may affect the land development industry.

Since 2005, the PRC government has from time to time introduced various measures to curtail property speculation in response to concerns over, among other things, the increases in property investments and property prices and the overheating of the property market. For example, according to the Notice of the State Council on Issues Relating to Further Well Managing the Central Control of the Real Estate Market (國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知) issued by the General Office of the State Council on 26 January 2011 and the Notice of the State Council on Continuity to Well Manage the Central Control Work 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) promulgated by the

General Office of the State Council on 26 February 2013, the government will firmly restrain speculative demands and strengthen market supervision to better control the overheating of the PRC real estate market. Such measures may limit property developers' access to capital resources, reduce market demand for their properties and increase their operating costs in complying with these measures, which in turn could have an adverse impact on the demand for land developed by the Group. There is no assurance that the PRC government will not adopt additional and more stringent measures to further dampen the growth of the property sector, which could slow down property development in the PRC. This may have a material adverse effect on the Group's business, financial condition and results of operations.

The PRC government may impose fines or penalties on the Group or revoke the land use rights with respect to certain land held by the Group.

Under applicable PRC laws and regulations, the PRC government may impose an idle land fee equal to 20.0% of the land premium or allocation fees if (i) the Group does not commence development on the land held by the Group within one year after the date specified in the relevant land use rights grant contract, (ii) the Group commences development on an area which is less than one-third of the area granted, or (iii) the capital invested in the development is less than one-fourth of the total investment approved for the development, and the development is suspended for more than one year without governmental approval. The PRC government may revoke the land use rights certificate without compensation if the Group does not commence development for more than two years after the date specified in the relevant land use rights grant contract without a compelling cause. The State Council issued the Notice on Promoting the Saving and Intensification of Use of Land (國務院關於促進節約集約用地的通知) which states, among other things, that the Ministry of Land and Resources and other authorities are required to research and commence the drafting of implementation rules concerning the levy of land appreciation fees on idle land. Furthermore, the Ministry of Land and Resources issued in August 2009 the 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 reiterates its policy on idle land.

As at 30 June 2020, the Group had land with a total site area of approximately 1.8 million sq.m. on which the Group had not commenced development within the time stipulated in the relevant land use rights grant contracts. This land has been approved by the government for commercial and/or residential developments and is expected to be used for such development purposes. As at the date of this Offering Circular, the Group has not received any fine or penalty or notice of fine or penalty from the relevant government authorities relating to its idle land. However, there is no assurance that the government authorities will not penalise the Group in the future. The imposition of fines and penalties could have a material and adverse effect on the Group's business, financial condition and results of operations.

The Group's real estate development business may be materially and adversely affected if mortgage financing becomes more costly, less attractive or less available for purchasers.

Most of the purchasers of the residential properties the Group develops and sells rely on mortgages provided by PRC commercial banks to fund their purchase. Mortgage financing relating to property purchase has been heavily regulated in the PRC. In the past few years, different levels of the PRC government introduced a number of policies and measures to control the rapidly increasing property prices and to curtail the overheating property market in the PRC, including:

- limiting the monthly mortgage payment to 50.0% of an individual borrower's monthly income and limiting all monthly debt service payments of an individual borrower to 55.0% of his or her monthly income;

- requiring all first-time homeowners to make a down-payment of no less than 30.0% of the purchase price of the underlying property;

- requiring any second-time home buyers to make a down-payment of no less than 60.0% of the purchase price of the underlying property and to pay a mortgage loan interest rate of no less than 110.0% of the relevant PBOC benchmark one-year bank lending interest rate;

- for a commercial property buyer, (i) requiring banks not to finance any purchase of pre-sold properties, (ii) increasing the minimum amount of down-payment to 50.0% of the purchase price of the underlying property, (iii) increasing the minimum mortgage loan interest rate to 110.0% of the relevant PBOC benchmark one-year bank lending interest rate, and (iv) limiting the terms of such bank borrowings to no more than ten years, while allowing commercial banks allowed flexibility based on their risk assessment;

- for a buyer of commercial/residential dual-purpose properties, increasing the minimum amount of down-payment to 45.0% of the purchase price of the underlying property, with the other terms similar to those of commercial properties; and

- in areas where the prices of residential housing have risen to an overly high level or too fast, or housing is in short supply, commercial banks may suspend the granting of housing loans for a buyer's third purchase and ensuing housing units according to the buyer's risk status; commercial banks may also suspend the granting of housing loans to non-residents who cannot provide local tax payment proof or proof of social insurance payment for a period of one year or longer.

The PRC government also sought to control the development of the PRC property market by adjusting the benchmark lending interest rate. See "— *The Group's financial condition and results of operations may be affected by material fluctuations of interest rates*". A material increase in the interest rate may significantly increase the cost of mortgage financing and may affect the affordability of the Group's properties. All of these policies and measures have had a material impact on the property sales and prices of property in the PRC, including Shandong Province. Continued controls over mortgage financing for property purchase will reduce the availability and attractiveness of mortgage financing and many of the prospective customers may not be able to purchase the properties the Group develops. Accordingly, the Group's real estate development business and its related financial condition and results of operations may be materially and adversely affected.

The real estate development business is subject to claims under statutory quality warranties.

Under the Regulations on Administration of Development and Operation of Urban Real Estate (城市房屋地產開發經營管理條例) enacted by the State Council, and Regulations for the Administration of Sale of Commodity Building (商品房銷售管理辦法), all property developers in the PRC must provide certain quality warranties for the properties they develop or sell. The Group is required to provide these warranties to the purchasers of the properties it develops and sells. Generally, the Group receives quality warranties from its third-party contractors with respect to its property projects. If a significant number of claims were brought against the Group under its warranties and if the Group was unable to obtain compensation for such claims from third-party contractors in a timely manner or at all, the Group could incur significant expenses to resolve such claims or face delays in remedying the related defects, which could in turn harm its reputation, and materially adversely affect its real estate development business and related financial condition and results of operations.

The PRC property market is cyclical, and the Group's real estate development activities are susceptible to significant fluctuations.

Starting from the second half of 2009, the number and price of residential property development projects have increased in major cities as a result of an increase in demand driven by domestic economic growth. In order to prevent the overheating of the property market and the possible formation of a speculative bubble, the PRC government introduced a series of regulatory measures in an effort to stabilize the real estate market and facilitate its sustainable development, including raising the down payment ratio and residential mortgage loan interest rate, limiting the number of houses that a single household may purchase, increasing the supply of affordable housing to low- and middle-income families, increasing the supply of public housing to targeted populations, restricting foreign investments in properties in the PRC, abolishing the preferential business tax treatment on transfer of ordinary housing within five years and launching new property tax schemes in certain cities. In previous years, the property market in the PRC has witnessed signs of a slowdown, with some developers reported to have lowered prices in order to stimulate sales and some local governments reported to have relaxed property purchase restrictions previously imposed as cooling measures to help boost demand. In the event of actual or perceived oversupply, together with the effect of the PRC government policies to curtail the overheating of the property market, property prices may fall significantly, and property sales of the Group could be adversely affected. The growth of the property market in the PRC has become relatively flat in the last twelve months. It is uncertain what the effect of the lifting of the various government regulations on the property market will be as property prices are ultimately driven by demand and supply. There is no assurance that the problems of oversupply and falling property prices will not recur in the PRC property market. To the extent that supply in the overall property market significantly exceeds demand, the Group may be affected by significant market downturns, and its sales of real properties, financial condition and results of operations could be materially and adversely affected.

In addition, the results of operations of the Group's real estate development business are subject to seasonality and may fluctuate from time to time. The number of properties that the Group can develop or complete during any particular period is subject to a number of factors including but not limited to the availability of land, construction schedules, permit approvals and lengthy development periods before revenue and profit from developments are realised and recognised (in particular for projects that are developed in multiple phases over the course of several years). Therefore, the cyclical property market in the PRC affects the timing for the Group's sale of completed properties. This cyclicality, combined with the lead time required for the completion of projects and the sale of properties, means that the results of operations of the Group relating to real estate development activities may be susceptible to significant fluctuations from year to year.

The Group may have limited control over the companies in which it invests.

The Group may have limited control over certain companies in which it invests. The Group may not be able to influence the business, financial or management decisions of the companies in which it invests, which could result in the Group not being able to achieve the expected investment return. As the Group does not participate in the daily management of the majority of these companies, it may not be aware of issues arising from their daily operations and legal compliance. Even if the Group is aware of such issues, it may not be able to cause such companies to resolve the issues due to its limited influence on them. Therefore, certain issues arising from the daily operations and legal compliance of these companies may materially and adversely affect the Group's business, financial condition and results of operations.

Certain of the Group's business operations are with a limited operating history and their historical results of operations and financial performance are not indicative of future performance.

Certain of the Group's business operations have relatively short operating history. For example, the Group expanded its business operations into wastewater treatment and medical and health care in 2014. The Group also commenced its business operations of real estate development and equity investment in 2016. Consequently, the past profitability of these business that are with limited operating history may not be indicative of their future profitability, which may be subject to many factors beyond the Group's control, such as the receptiveness of its customers and performance of third parties. In addition, as the Group develops its business in response to competition and changes in the industry and regulatory environment, the Group may continue to introduce new business operations or products, improve its existing products or adjust and optimize its business model. There is no assurance that the Group may achieve the expected results for any such business developments, and its financial condition and results of operations may be materially and adversely affected as a result.

The Group faces competition with existing and new market participants in the markets it operates.

The Group faces competition in the markets in which it operates. For example, the Group competes with other state-owned enterprises in the PRC with regard to its water business. The real estate development industry in the PRC is also intensively competitive. The Group's competitors include large PRC state-owned enterprises, privately-owned domestic companies and leading international companies. As a result of the PRC's accession to the World Trade Organisation, the PRC government has opened up domestic markets to foreign competition, and foreign invested companies are now allowed to participate in various types of infrastructure projects. The Group also competes with both local and international companies in capturing new business opportunities in the PRC. Some of these companies have significant financial resources, marketing and other capabilities. In the PRC, some of the local companies have extensive local knowledge and business relationships and a longer operational track record in the relevant local markets than the Group. The international companies are able to capitalize on their overseas experience to compete in the PRC markets. The Group's market position depends on its ability to anticipate and respond to various competitive factors, including pricing strategies adopted by competitors, changes in customer preferences, availability of capital and financing resources and the introduction of new or improved products and services.

There is no assurance that the Group's current or potential competitors will not offer services or products comparable or superior to those that the Group offers and at the same or lower prices or adapt more quickly than the Group to evolving industry trends or changing market conditions. The Group may lose its customers to its competitors if, among other things, it fails to keep up with competitive pricing or to sustain and upgrade its capacity and technology. Increased competition may result in price reductions, reduced profit margins and loss of market share.

RISKS RELATING TO THE GROUP'S FINANCIAL STATEMENTS AND THIS OFFERING CIRCULAR

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

The Guarantor from time to time issues corporate bonds, private placement bonds and medium-term notes in the domestic capital markets in the PRC. According to applicable PRC securities regulations on debt capital markets, the Guarantor needs to publish its semi-annual and annual financial information to satisfy its continuing disclosure obligations relating to its corporate bonds, private placement bonds and medium-term notes. After the Bonds are issued, the Guarantor is obliged by the terms of the Bonds, among others, to provide holders of the Bonds with its audited financial statements and certain unaudited but reviewed periodical financial statements. The 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. Further, certain historical financial information of the Group published in its prior annual reports in the PRC had been adjusted and restated to correct certain errors due to miscalculations and address subsequent changes in accounting standards and the Group's accounting policies. For example, the Group's financial information as at and for the year ended 31 December 2018 had been adjusted and restated in the 2019 Audited Financial Statements. Such adjustments and restatements may cause discrepancies between the historical financial information of the Group as published in its semi-annual and annual reports in the PRC and the audited consolidated financial information disclosed elsewhere in this Offering Circular. As such, unless specifically incorporated by reference herein, financial information published by the Group 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 information included elsewhere in this Offering Circular. The Group is not responsible to holders of the Bonds for the financial information (whether audited, unaudited but reviewed or unaudited and unreviewed) from time to time published in the PRC if not disclosed in this Offering Circular and therefore prospective investors should not place any reliance on any such financial information.

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

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

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

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

The Group's historical financial information may not be directly comparable with its future financial information.

The historical financial information of the Group is sometimes adjusted or restated to address subsequent changes in accounting standards, the Group's accounting policies and/or applicable laws and regulations with retrospective impact on the Group's financial reporting, correction of an error recorded in the previous period or to reflect the comments provided by the Group's independent auditors during the course of their audit or review in subsequent financial periods. Such adjustment or restatement may cause discrepancies between the financial information with respect to a particular period or date contained in the Group's historical financial statements and that contained in its future financial statements. For example, pursuant to the "Notice on Amending the Format of General Enterprise Financial Statements for the Year of 2018 (Caikuai [2018] No.15)" issued by the MOF on 15 June 2018, the Group had adjusted the presentation of its financial statements and had made corresponding retrospective adjustments to certain line items in the 2018 Audited Financial Statements in accordance with the new reporting requirements on financial statements. As such, the Group's financial information contained in the 2018 Audited Financial Statements may not be directly comparable with its historical financial information. For details of such adjustments, see Note 4.33 of the 2018 Audited Financial Statements which are included elsewhere in this Offering Circular.

The Group's auditor has no affiliation with any international accounting authority and limited international capital markets experience.

The Group's current independent auditor, Da Hua, is a registered member of The Chinese Institute of Certified Public Accountants and although it has significant audit experience in the PRC, it has limited international capital markets experience. Prospective investors should consider this prior to making any investment decision.

The Group's auditors have received adverse regulatory investigations and/or warnings issued by relevant PRC authorities in recent years.

Da Hua, the independent auditor of the Group for the year ended 31 December 2019 and the six months ended 30 June 2020, is a registered accounting firm in the PRC supervised by relevant PRC regulatory agencies, including MOF and China Securities Regulatory Commission (the "**CSRC**"). It has been subject to investigations as well as penalties imposed by regulatory authorities in the past, and is currently under investigation initiated by CSRC in respect of the audit work performed by Da Hua in relation to the annual financial statements of two publicly listed companies. Such CSRC investigation is still ongoing and have yet to be finalised, there is no certainty as to how long such CSRC investigation may last, or what sanctions, if any, may be imposed on Da Hua. As at the date of this Offering Circular, Da Hua has not been subject to any fines or penalties in relation to such CSRC investigation. However, there is no assurance that CSRC will not impose any fines or penalties in relation to such CSRC investigation or any CSRC investigation in the future or that the abovementioned investigation would not subject Da Hua or any of its management, officers or employees to further regulatory actions imposed by other PRC authorities. In addition, Da Hua was administratively penalised by CSRC for certain deficiencies in its audit work performed for certain companies (other than the Group). Such deficiencies include insufficient diligence when performing its audit, inaccurate disclosures in the financial statements and inadequate procedures when performing its audit. Da Hua had been fined and issued warning letters in respect of such administrative penalties.

As confirmed by Da Hua, all previous or ongoing penalties, investigations, administrative penalties, fines and litigation do not (i) disqualify the Da Hua team from participating in this offering as the Group's auditor and its ability in providing the corresponding comfort letters, (ii) have any impact on Da Hua's unqualified audit opinions for the 2019 Audited Financial Statements, (iii) have any impact on Da Hua in continuing to provide audit services to the Group, or (iv) have any impact on Da Hua's ability to provide services to the Group in relation to any future bond issuance by the Group. However, there is no assurance that these regulatory actions would not subject Da Hua or any of its management, officers or employees to further sanctions imposed by other PRC authorities or suspension of business operations by MOF and/or the CSRC. Such further sanctions, revocations and suspensions may restrict Da Hua from providing audit services or other services to the Group. In that case, the Group may have to discontinue its current engagement with Da Hua.

Asia Pacific, the independent auditor of the Group for the year ended 31 December 2018, is a registered accounting firm in the PRC supervised by relevant PRC regulatory agencies. Various branches of the CSRC issued warning notices to Asia Pacific and its relevant accounting personnel since 2016, the most recent ones dated 6 December and 23 December 2019, all relating to either Asia Pacific's negligence in performing its audit services for PRC companies or deficiencies identified in its internal controls. The Chinese Institute of Certified Public Accountants ("**CICPA**") also imposed disciplines in December 2018 on the accounting personnel of Asia Pacific regarding certain irregularities in their auditing services provided for the relevant PRC companies. Furthermore, Asia Pacific had been subject to regulatory investigations initiated by the CSRC in December 2016, which led to subsequent regulatory measures as imposed by the CSRC. The partner-in-charge as well as other quality control personnel of the corresponding matter had been called for a regulatory conversation with the provincial bureau of the CSRC.

As confirmed by Asia Pacific, the CSRC warning notices are not related to the Asia Pacific team serving as the Group's auditor for the year ended 31 December 2018 and the six months ended 30 June 2019. The CSRC warning notices and industrial disciplines imposed by CICPA do not (i) disqualify the Asia Pacific team from participating in this offering as the Group's auditor and its ability in providing the corresponding comfort letters, (ii) have any impact on Asia Pacific's unqualified audit opinions for the 2018 Audited Financial Statements, (iii) have any impact on Asia Pacific in continuing to provide audit services to the Group, if any, or (iv) have any impact on Asia Pacific's ability to provide services to the Group in relation to any future bond issuance by the Group.

There is no assurance that the abovementioned regulatory actions would not subject Da Hua or Asia Pacific or any of their respective management, officers or employees to further sanctions imposed by other PRC authorities or suspension of business operations by MOF and/or the CSRC. Such further sanctions, revocations and suspensions may restrict Da Hua or Asia Pacific from providing audit services, if any, or other services to the Group.

RISKS RELATING TO THE PRC

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

Substantially all of the Group's revenue is derived from its operations in the PRC. The economy of the PRC experienced rapid growth in the past 40 years. There has been a slowdown in the growth of the PRC's GDP since the second half of 2013 and this has raised market concerns that the historic rapid growth of the economy of the PRC may not be sustainable. According to the National Bureau of Statistics of the PRC, the annual growth rate of China's GDP decreased from 7.3 per cent. in 2014 to 6.1 per. cent in 2019. China's economy has experienced a significant slowdown since the outbreak of COVID-19 in 2020 and China recorded a GDP of 2.3 per cent for the year. In May 2017, Moody's changed China's long-term sovereign credit rating and foreign currency issuer ratings to A1 from Aa3. In September 2017, S&P Global Ratings also downgraded China's long-term sovereign credit rating to A+ from AA-, citing increasing economic and financial risks from a prolonged period of strong credit growth. Further indication of the slowdown in the growth of China's economy is evidenced by press reports of a recent increase in bond defaults by PRC corporate issuers.

The future performance of China's economy is not only affected by the economic and monetary policies of the PRC government, but it is also exposed to material changes in global economic and political environments as well as the performance of certain major developed economies in the world, such as the United States and the European Union. Starting in April 2018, the United States imposed tariffs on various categories of imports from China, and the PRC responded with similarly sized tariffs on United States' products. While China and the United States reached a phase one trade deal in January 2020, the amicable resolution of such a trade war remains elusive, and the lasting impacts any trade war may have on the PRC economy and the industries the Group operates in remain uncertain. Furthermore, in the wake of the United Kingdom's exit from the European Union on 31 January 2020 ("**Brexit**") with the transition period ended on 31 December 2020 and the United Kingdom officially ceased to be a member of the European Union, there remains uncertainty about the future relationship between the United Kingdom and the European Union. Although a new trade and cooperation agreement between the United Kingdom and the European Union, which was agreed upon on 24 December 2020, will apply on a provisional basis until 30 April 2021, it is unclear how this would affect the fiscal, monetary and regulatory landscape within the United Kingdom, the European Union and globally. These could include further falls in stock exchange indices, a fall in the values of currencies, an increase in exchange rates and/or greater volatility of markets in general due to the increased uncertainty. Therefore, there exists continued uncertainty for the overall prospects for the global and the PRC economies this year and beyond.

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

The economy of the PRC differs from the economies of most developed countries in many respects, including with respect to government involvement, level of development, economic growth rate, control of foreign exchange and allocation of resources. The economy of the PRC has been transitioning from a planned economy to a more market-oriented economy. In recent years, the PRC government has implemented a series of measures emphasising market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises.

However, a large portion of productive assets in the PRC remain owned by the PRC government. The PRC government continues to play a significant role in regulating industrial development, the allocation of resources, production, pricing and management, and there can be no assurance that the PRC government will continue to pursue the economic reforms or that any such reforms will not have an adverse effect on the Group's business.

The Group's operations and financial results could also be affected by changes in political, economic and social conditions or the relevant policies of the PRC government, such as changes in laws and regulations (or the interpretation thereof). In addition, the growth of development in the economic and technology development zones and infrastructure construction demand in the PRC depends heavily on economic growth. If the PRC's economic growth slows down or if the economy of the PRC experiences a recession, the growth of development in Chinese economic and technology development zones and infrastructure construction demand may also slow down, and the Group's business prospects may be materially and adversely affected. The Group's operations and financial results, as well as its ability to satisfy its obligations under the Bonds, could also be materially and adversely affected by changes to or introduction of measures to control changes in the rate or method of taxation and the imposition of additional restrictions on currency conversion.

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

As substantially all of the Group's business are conducted, and substantially all of the Group's assets are located, in the PRC, the Group's 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, China has not developed a fully integrated legal system and recently enacted laws and regulations that may not sufficiently cover all aspects of economic activities in the PRC. In particular, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, the PRC legal system is based, in part, on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, the Group may not be aware of the Group's violation of these policies and rules until sometime after the violation. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management's attention and it may be difficult to obtain a swift and equitable enforcement of laws in the PRC, or the enforcement of judgements by a court of another jurisdiction. These uncertainties relating to the interpretation and implementation of PRC laws and regulations may adversely affect the legal protections and remedies that are available to the Group in its operations and to the holders of the Bonds.

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

Most of the Group's operating income is denominated in Renminbi, which is also the reporting currency. Renminbi is not a freely convertible currency. A portion of the Group's cash may be required to be converted into other currencies in order to meet the Group's foreign currency needs, including cash payments on declared dividends, if any, on the Bonds. However, the PRC government may restrict future access to foreign currencies for current account transactions at its discretion. If this were to occur, the Group might not be able to pay dividends to the holders of the Bonds in foreign currencies. On the other hand, foreign exchange transactions under capital account in the PRC continue to be not freely convertible and require the approval of the SAFE. These limitations could affect the Group's ability to obtain foreign currencies through equity financing, or to obtain foreign currencies for capital expenditures.

Any occurrence of force majeure events, natural disasters or outbreaks of contagious diseases may have a material adverse effect on the Group's business operations, financial condition and results of operations.

Any occurrence of force majeure events, natural disasters or outbreaks of epidemics and contagious diseases, including coronavirus (COVID-19), avian influenza, severe acute respiratory syndrome, swine influenza caused by the H1N1 virus or H1N1 influenza, may materially and adversely affect the Group's business and results of operations. An outbreak of an epidemic or contagious disease could result in a widespread health crisis and restrict the level of business activities in affected areas, which may, in turn, adversely affect the Group's business. In early 2020, COVID-19 has spread globally throughout Asia, Europe, North America and other regions. COVID-19 is highly infectious and has resulted in numerous deaths around the world. The World Health Organization announced in March 2020 that COVID-19 has developed into a pandemic. In an effort to contain the spread of COVID-19, the PRC government has taken a number of measures, including, among other steps, extending the Chinese New Year holidays, and imposing travel, quarantine and other work-related restrictions. The extent to which COVID-19 impacts the Group's results, the level of economic activity and the pace of any economic recovery will depend on future developments, which are highly uncertain and cannot be predicted, particularly in light of the recent resurgence of reported infections, including in Europe, Canada and to a lesser extent, the PRC, as well as the emergence and rapid spread of new variants of the COVID-19 virus in Europe, and new information which may emerge. Moreover, the PRC has experienced natural disasters like earthquakes, floods and droughts in the past few years. Any future occurrence of severe natural disasters in the PRC may materially and adversely affect its economy and therefore the Group's business. The Group cannot assure investors that any future occurrence of natural disasters or outbreaks of epidemics and contagious diseases, or the measures taken by the PRC government or other countries in response to such contagious diseases, will not seriously disrupt the Group's operations or those of the Group's customers, which may have a material and adverse effect on the Group's business and results of operations.

The implementation of PRC employment regulations may increase labour costs in the PRC generally.

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

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

Further, in the event that there is a labour shortage or a significant increase to labour costs, the Group's business operation costs is likely to increase. In such circumstances, the profit margin may decrease and the financial results may be adversely affected. In addition, inflation in the PRC has increased in recent years. Inflation in the PRC increases the costs of raw materials required by the Group for conducting its business and the costs of labour as well. Rising labour costs may increase the Group's operating costs and partially erode the cost advantage of the Group's operations and therefore negatively impact the Group's profitability.

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

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

RISKS RELATING TO THE BONDS AND THE GUARANTEE

The Issuer is currently a special purpose finance vehicle and payments with respect to the Bonds are dependent upon cash flow from other members of the Group.

As at the date of this Offering Circular, the Issuer is a special purpose finance vehicle with no material operations. The Group conducts its operations primarily through its subsidiaries in the PRC which will not provide guarantees for the Bonds. The Issuer's primary assets will be intergroup loans to non-PRC subsidiaries. Some of such non-PRC subsidiaries may not have material operations or assets. Accordingly, the Issuer's ability to pay principal and interest on the Bonds will depend upon its receipt of principal and interest payments on the intergroup loans from such borrowing subsidiaries and the ability of the Guarantor to honour its obligations under the Guarantee of the Bonds. The borrowing subsidiaries and the Guarantor may not have material operations or assets, and therefore depend upon the receipt of sufficient funds from their subsidiaries or other members in the Group to meet their obligations.

The Issuer may undertake operating activities in the future that diminishes its ability to meet payment obligations under the Bonds.

The Issuer currently does not have any operating activities. However, the Issuer may undertake operating activities in the future. Engaging in operating activities may cause the Issuer to incur additional debt or other liabilities, including but not limited to accounts payables with trade creditors, wage payables and taxes payables. Such debt or liability will rank at least *pari passu* with the Bonds. As a result, the payment obligations under the Bonds may be adversely affected in the situations described in "*Risk Factors — Risks Relating to the Bonds and the Guarantee – The Bonds and the Guarantee are unsecured obligations*". In addition, operating activities may involve operating expenses and operating losses, some of which are unforeseen. Expenses and losses could affect the Issuer's financial position. If the Issuer experiences negative cash flow from operations over a prolonged period of time, or if the Issuer suffers unexpected cash outflows, the Issuer's liquidity and ability to fulfil the payment obligations under the Bonds may be adversely affected.

The Guarantor has its own operations and assets but also relies on dividend payments from its subsidiaries other than the Issuer. The Guarantor's ability to satisfy its obligation under the Guarantee may be impacted because certain subsidiaries of the Guarantor are subject to restrictions on the payment of dividends.

The Guarantor has its own operations and assets which generate income. However, its ability to make payments in respect of the Guarantee also depends to a large extent upon the receipt of dividends, distributions, interest or advances from its subsidiaries other than the Issuer, associated companies and jointly controlled entities. The ability of such subsidiaries, associated companies and jointly controlled entities to pay dividends and other amounts to the Guarantor may be subject to their profitability and to applicable laws and restrictions on the payment of dividends and other amounts contained in financing or other agreements. For example, PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including the IFRS. PRC laws also require enterprises to set aside part of their net profit as statutory reserves. These statutory reserves are not available for distribution as cash dividends. In addition, restrictive covenants in bank credit facilities or other agreements that the Guarantor or its subsidiaries may enter into in the future may also restrict the ability of the subsidiaries to provide capital or declare dividends to the Guarantor and its ability to receive distributions. As at the date of this Offering Circular, Shandong Shuifa Holding Group Co., Ltd. (山東水發控股集團有限公司), Heze Zhongxing Water Environment Co., Ltd. (菏澤眾興水環境有限公司), Shandong Shuifa Huangshui East Transfer Engineering Co., Ltd. (山東水發黃水東調工程有限公司), Shandong Shuifa Tianyuan Water Group Co., Ltd. (山東水發天源水務集團有限公司), Shuifa Zhongxing Group Co., Ltd. (水發眾興集團有限公司), Shandong Huaihai Hydraulic Engineering Co., Ltd. (山東淮海水利工程有限公司), Lukong Water Group Co., Ltd. (魯控水務集團有限公司), Shandong Water Conservancy Construction Group Co., Ltd. (山東水利建設集團有限公司), Shandong Water Development Group Co., Ltd. (山東水利發展集團有限公司), Shuifa Environmental Protection Group Co., Ltd. (水發環保集團有限公司), Hunan Highway Design Co., Ltd. (湖南省公路設計有限公司), Shuifa Planning and Design Co., Ltd. (水發規劃設計有限公司) and Shandong Dachi Chixiang Electric Co., Ltd. (山東達馳馳翔電氣有限公司) are subject to restrictions on the payment of dividends in relation to certain financing agreements that the respective subsidiary entered with their creditor(s). Certain financing agreements prescribe restrictions such as (i) dividends are not to be distributed in any form until the principal, interest and other payables under such bank financings are paid or (ii) without prior consent, dividends may only be distributed under prescribed limit or (iii) other limits on the amount of distributed dividends. These restrictions would potentially reduce the amounts that the Guarantor receives from its subsidiaries. Therefore, the Guarantor’s ability to satisfy its obligations under the Guarantee may be impacted.

The Issuer may issue additional Bonds in the future.

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

The Bonds do not contain restrictive operating covenants.

The Trust Deed will contain various covenants intended to benefit the Bondholders that limit the ability of the Issuer or the Guarantor to, among other things, incur liens on Relevant Indebtedness (as defined in the Conditions). In addition, the Trust Deed does not contain any other covenants or provisions designed to afford the Bondholders protection in the event of a highly leveraged transaction involving the Issuer or the Guarantor that could adversely affect such holders. Subject to the terms of the existing debt and credit facilities of the Issuer and the Guarantor, the Issuer and the Guarantor may incur substantial additional indebtedness in the future.

The Bonds and the Guarantee are unsecured obligations.

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

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

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

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

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

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in this Offering Circular or any applicable supplement;
- 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;
- 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 the Bonds will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the potential investor's home currency;
- understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant financial markets; and
- be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Bonds are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments 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 a financial advisor) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of the Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

Additionally, 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 (i) the Bonds are legal investments for it, (ii) the Bonds can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

The Bonds being issued as green bonds may not be a suitable investment for all investors seeking exposure to green assets.

In connection with the issue of the Bonds, the Company has requested the Hong Kong Quality Assurance Agency (the "**HKQAA**") to issue an independent certification (a "**HKQAA Pre-issuance Stage Certificate**") confirming that the Bonds are in compliance with the requirements of the Green Finance Certification Scheme operated by the HKQAA (the "**HKQAA Green Finance Certification Scheme**"). The HKQAA Green Finance Certification Scheme is a set of voluntary guidelines that aim to facilitate the development of green finance and the green industry. On 16 October 2020, the HKQAA issued the HKQAA Pre-issuance Stage Certificate to the Company. See "*The HKQAA Green Finance Certification Scheme*" for more details.

There is currently no market consensus on what precise attributes are required for a particular project to be defined as "green" and therefore, no assurance can be provided to potential investors that the relevant eligible green projects as further detailed in the Green Bond Framework (as defined in "*Green Bond Framework*") will continue to meet the relevant eligibility criteria. Although applicable green projects are expected to be selected in accordance with the categories recognised by the HKQAA Green Finance Certification Scheme and are expected to develop in accordance with applicable legislation and standards, there can be no guarantee that adverse environmental and/or social impacts will not occur during the design, construction, commissioning and/or operation of any such green projects. Where any negative impacts are insufficiently mitigated, green projects may become controversial and/or may be criticised by activist groups or other stakeholders.

Potential investors should be aware that each of the HKQAA Pre-issuance Stage Certificate and the Green Bond Rating will not be incorporated into, and will not form part of, the Offering Circular. The HKQAA Pre-issuance Stage Certificate and the Green Bond Rating may not reflect the potential impact of all risks related to the Bonds, their marketability, trading price or liquidity or any other factors that may affect the price or value of the Bonds. Neither the HKQAA Pre-issuance Stage Certificate nor the Green Bond Rating is a recommendation to buy, sell or hold securities and is only valid as of its date of issue. Further, although the Issuer will use the net proceeds as described in "*Use of Proceeds*" herein, it would not be an event of default under the Conditions if (i) the Issuer were to fail to comply with such obligations and/or (ii) the HKQAA Pre-issuance Stage Certificate or the Green Bond Rating were to be withdrawn. Any failure to use the net proceeds of the Bonds in connection with green projects, and/or any failure to meet, or to continue to meet, the investment requirements of certain environmentally focused investors with respect to the Bonds may affect the value and/or trading price of the Bonds, and/or may have consequences for certain investors with portfolio mandates to invest in green assets.

None of the Issuer, the Guarantor, the Trustee, the Agents and the Joint Lead Managers make any representation as to the suitability for any purpose of the HKQAA Pre-issuance Stage Certificate or the Green Bond Rating or whether the Bonds fulfil the relevant environmental criteria. Each potential purchaser of the Bonds should determine for itself the relevance of the information contained in the Offering Circular regarding the use of proceeds and its purchase of the Bonds should be based upon such investigation as it deems necessary.

The obligations of the Guarantor under the Guarantee are structurally subordinated to the liabilities and obligations of its subsidiaries.

The Guarantor's ability to perform its obligations under the Guarantee is effectively dependent on the cash flow of its subsidiaries. Any claim by the Trustee against the Guarantor in relation to the Guarantee will be effectively subordinated to all existing and future obligations of the Guarantor's subsidiaries (which have not provided the Guarantee), and all claims by creditors of such subsidiaries will have priority to the assets of such entities over the claims of the Trustee under the Guarantee.

Credit ratings may not reflect all risks.

The Bonds are expected to be assigned a rating of "Baa1" by Moody's upon issuance. Additionally, the Guarantor has been assigned a corporate credit rating of "Baa1" with stable outlook by Moody's. The ratings represent opinions of the rating agencies and their assessment of the ability of the Issuer and the Guarantor to perform their respective obligations under the Bonds and the Guarantee and credit risks in determining the likelihood that payments will be made when due under the Bonds. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Bonds. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. The Group cannot assure investors that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. None of the Issuer, the Guarantor, the Trustee or the Agents has any obligation to inform holders of the Bonds of any such revision, downgrade or withdrawal. Each rating should be evaluated independently of the other rating. A suspension reduction or withdrawal of the ratings may adversely affect the market price of the Bonds and the Issuer's or the Guarantors' ability to obtain financing or to access the capital markets.

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

Following the occurrence of a Change of Control (as defined in the Conditions), the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all of such holder's Bonds at 101 per cent. of their principal amount, together with accrued and unpaid interest on the amount of Bonds being repurchased to but excluding the date of redemption. In addition, following the occurrence of a Non-Registration Event (as defined in the Conditions), the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all of such holder's Bonds at their principal amount, together with accrued interest to but excluding the date of redemption. If such an event were to occur, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to repurchase or redeem the Bonds in time, or on acceptable terms, or at all. There is also no assurance that the Guarantor would have sufficient liquidity at such time to make the required repurchase or redemption of the Bonds. The ability to repurchase or redeem the Bonds in such event may also be limited by the terms of other debt instruments. The Issuer's and the Guarantor's failure to repay, repurchase or redeem tendered Bonds could constitute an event of default under the Bonds, which may also constitute a default under the terms of the Issuer's, the Guarantor's or the Group's other indebtedness.

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 (including a change in interpretation or a statement of an official position), the Issuer (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay Additional Tax Amounts (as defined in the Conditions), as further described in Condition 6(b) (*Redemption for Tax Reasons*). If the Issuer redeems the Bonds prior to their maturity date, investors may not receive the same economic benefits they would have received had they held the Bonds to maturity, and they may not be able to reinvest the proceeds they receive on redemption in similar securities. In addition, the Issuer's ability to redeem the Bonds may reduce the market price of the Bonds.

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

Pursuant to the Deed of Guarantee, the Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deed. The Guarantor is required to file with SAFE the Guarantee within 15 PRC Business Days (as defined in the Conditions) after the execution of Guarantee in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 ("**Foreign Exchange Cross-Border Guarantee Rules**"), the Operational Guidelines on Foreign Exchange Administration of Cross-border Guarantee (跨境擔保外匯管理操作指引) promulgated by SAFE on 12 May 2014 (the "**SAFE Guidelines**"), and any implementation rules as issued by SAFE from time to time.

There is no assurance that the Guarantor will be able to complete the registration of the Guarantee with SAFE within the prescribed timeframe or at all. Under the Conditions, Bondholders may require the Issuer to redeem their Bonds in the event that the Guarantee is not registered within a specified timeframe. Bondholders who do not exercise such redemption option should note that before requisite registrations of the Guarantee given by the Guarantor are completed, it is uncertain whether the Guarantee given by the Guarantor can be enforced in practice.

Although the failure to register does not render the Guarantee ineffective or invalid under PRC laws, SAFE may impose penalties on the Guarantor if the Guarantor fails to complete the Cross-Border Security Registration. Further, there may be hurdles at the time of remittance of funds (if any cross-border payment is to be made by the Guarantor under the Guarantee) as domestic banks may require evidence of SAFE registration in connection with the Guarantee in order to effect such remittance. Prior to the performance or discharge of its obligations under the Guarantee, the Guarantor is also required to complete a verification process with banks for each remittance under the Guarantee.

The interpretation of the Foreign Exchange Cross-Border Guarantee Rules and the SAFE Guidelines may involve significant uncertainty, and may adversely affect the practical enforceability of the Guarantee given by the Guarantor in the PRC. In addition, the administration of the Foreign Exchange Cross-Border Guarantee Rules and SAFE Guidelines may be subject to a certain degree of executive and policy discretion by the SAFE.

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

The NDRC issued the NDRC Circular on 14 September 2015, which came into effect on the same day. According to the NDRC Circular, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities issued outside the PRC with a maturity not less than one year with the NDRC prior to the issue of the securities. Furthermore, relevant issuers are required to notify the NDRC the particulars of the relevant issues within 10 working days after the completion of the issue of the securities. The NDRC Circular is silent on the legal consequences of non-compliance with the post-issue notification requirement under the NDRC Circular. In the worst-case scenario, such non-compliance with the post-issue notification requirement under the NDRC Circular may result in it being unlawful for the Issuer and/or the

Guarantor to perform or comply with any of their respective obligations under the Bonds and the Guarantee, and the Bonds might be subject to enforcement as provided in Condition 9 (*Events of Default*) of the Conditions. Potential investors of the Bonds are advised to exercise due caution when making their investment decisions. The Guarantor has undertaken to notify the NDRC of the particulars of the issue of the Bonds within 10 PRC Business Days after the Issue Date.

The PRC government has no payment or other obligations under the Bonds and/or the Guarantee.

The PRC government (including Shandong SASAC and the Shandong Provincial Government) is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Bonds, the Guarantee or the transaction documents relating to the Bonds and the Guarantee in lieu of the Issuer or the Guarantor. This position has been reinforced by Circular 23, Circular 706 and Circular 666. See "— *Risks relating to the Group's General Operations — PRC regulations on the administration of local government debts will continue to impact the Group's financing model and business model*" above.

The PRC government as the ultimate shareholder of the Issuer and the Guarantor only has limited liability in the form of its equity contribution in the Issuer and the Guarantor. As such, the PRC government does not have any payment or other obligations under the Bonds, the Guarantee or the transaction documents relating to the Bonds. The Bonds are solely to be repaid by the Issuer and/or the Guarantor (as the case may be) as an obligor and the obligations of the Issuer and/or the Guarantor (as the case may be) under the Bonds or the Guarantee shall solely be fulfilled by the Issuer and/or the Guarantor (as the case may be) as an independent legal person. Therefore, investors should base their investment decision only on the financial condition of the Issuer, the Guarantor and the Group and base any perceived credit risk associated with an investment in the Bonds only on the Group's own financial information reflected in its audited consolidated financial statements. In the event the Issuer and/or the Guarantor (as the case may be) does not fulfil its obligations under the Bonds, investors will only be able to claim as an unsecured creditor against the the Group and its assets, and not any other person including the PRC government (including Shandong SASAC and the Shandong Provincial Government) or any other local or municipal government. As Circular 23, Circular 706 and Circular 666 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.

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

The 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 this Offering Circular.

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

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

Investors may experience difficulties in effecting service of legal process and enforcing judgments against the Issuer and the Guarantor and their management.

The Guarantor is incorporated in the PRC and a substantial majority of the Group's assets are located in the PRC. In addition, the Issuer and the Guarantor's directors and senior management reside within the PRC and the assets of the Group's directors and officers may be located within the PRC. As a result, it may not be possible to effect service of process outside the PRC upon such directors and senior management, including for matters arising under applicable securities laws. The Issuer and the Guarantor have irrevocably submitted to the exclusive jurisdiction of the Hong

Kong courts in the transaction documents relating to the Bonds. On 14 July 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "**Choice of Court Arrangement**"), pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a "choice of court" agreement in writing may apply for recognition and enforcement of the judgment in the PRC. On 18 January 2019, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters between the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的案排) (the "**2019 Arrangement**"), which seeks to establish a bilateral legal mechanism with greater clarity and certainty for recognition and enforcement of judgments in a wider range of civil and commercial matters between the courts of Hong Kong and the PRC. The 2019 Arrangement will be implemented by local legislation in Hong Kong and will take effect after both Hong Kong and the PRC have completed the necessary procedures to enable implementation and shall apply to judgments made by the courts of Hong Kong and the PRC on or after the date of the commencement of the 2019 Arrangement. Upon commencement of the 2019 Arrangement, the Choice of Court Arrangement shall be terminated, except for "choice of court" agreements in writing made between parties before the commencement of the 2019 Arrangement, in which case the Choice of Court Arrangement shall continue to apply. However, the recognition and enforcement of judgments rendered by a Hong Kong court in the PRC are subject to the provisions, limits, procedures and other terms and requirements of the 2019 Arrangement. Therefore, it may be uncertain for Bondholders to enforce any judgments obtained from such foreign courts against the Guarantor, or any of its directors or senior management in the PRC.

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

As the Issuer is incorporated under the laws of the British Virgin Islands and the Guarantor is a state-owned enterprise incorporated under the laws of the PRC, any insolvency proceeding relating to the Issuer and/or the Guarantor would likely involve the insolvency laws of the British Virgin Islands or the PRC, as applicable, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Bonds are familiar. Potential investors should analyse the risks and uncertainties carefully before investing in the Bonds.

A trading market for the Bonds may not develop, and there are restrictions on resales of the Bonds.

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 an application has been made for the listing of the Bonds on the SEHK, no assurance can be given as to the liquidity of, or trading marked for, the Bonds. None of the Joint Lead Managers is obligated to make a market in the Bonds, and if the Joint Lead Managers do so they may discontinue such market-making activity at any time without notice. Further, the Bonds may be allocated to a limited number of investors, in which case liquidity may be limited. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, the holders of the Bonds will only be able to resell the Bonds in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. It is the investors' obligation to ensure that offers and sales of the Bonds within the United States and other countries comply with applicable securities laws. Please see "*Subscription and Sale*". None of the Issuer or the Guarantor can predict whether an active trading market for the Bonds will develop or be sustained.

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

International financial markets and world economic conditions may adversely affect the market price of the Bonds.

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

Exchange rate risks, exchange controls and interest rate risks may result in a Bondholder receiving less on the Bonds than expected.

The Issuer will pay principal, premium (if any) and interest on the Bonds in U.S. Dollars. This presents certain risks relating to currency conversions if a Bondholder's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than U.S. Dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of the U.S. Dollars 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 U.S. Dollars would decrease (i) the Investor's Currency equivalent yield on the Bonds; (ii) the Investor's Currency equivalent value of the principal payable on the Bonds; and (iii) the Investor's Currency equivalent market value of the Bonds.

Governments 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, a Bondholder may receive less interest or principal than expected, or no interest or principal.

The Bonds will carry a fixed interest rate. Consequently, the trading price of the Bonds will vary with fluctuations in interest rates. If a Bondholder tries to sell any Bonds before their maturity, the Bondholder may receive an offer that is less than the amount invested.

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

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

While the Bonds are represented by the Global Certificate, the Issuer will discharge its payment obligations under the Bonds by making payments to the relevant Clearing System for distribution to its account holders. A holder of a beneficial interest in the Global Certificate must rely on the procedures of the relevant Clearing System to receive payments under the Bonds. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

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

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

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

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

The Conditions contain provisions for calling meetings of holders of the Bonds to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders of the Bonds including holders who did not attend and vote at the 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.

As a privately held company, public information about the Group is very limited.

Unlike publicly listed companies that have sufficient public disclosure for investors to fully understand their business, operation, prospects and risks, the Guarantor is a privately held company with very limited public information. As a result, potential investors of the Bonds could only rely on this Offering Circular to understand the Group's business, operation, prospects and risks, which may not present a comprehensive picture of the Group.

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

Certain debt agreements entered into by members of the Group contain operational and financial restrictions that prohibit such member of the Group from incurring additional indebtedness, restrict such member of the Group from creating security or granting guarantees or prohibit such member of the Group from changing its business and corporate structure, or amending its articles of association, in each case without the lender's prior consent.

If the Issuer or the Guarantor is unable to comply with the restrictions and covenants in the Bonds, or if any of the Guarantor or its subsidiaries, including 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, the Guarantor or the relevant subsidiary, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. Furthermore, some of the Issuer's or the Guarantor's debt agreements, including the Bonds, contain (or may in the future contain) cross-acceleration or cross-default provisions. As a result, the default by the Issuer or the Guarantor under one debt agreement may cause the acceleration of repayment of debt, including the Bonds, or result in a default under its other debt agreements, including the Bonds. If any of these events occur, the Issuer and the Guarantor cannot assure holders that their respective assets and cash flows would be sufficient to repay in full all of their respective indebtedness, or that the Issuer and the Guarantor would be able to find alternative financing. Even if they could obtain alternative financing, they cannot assure holders that it would be on terms that are favourable or acceptable to them.

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

The Conditions provide that the Trustee may, without the consent of Bondholders, agree to any modification of the Trust Deed, the Conditions and/or the Agency Agreement which in the opinion of the Trustee will not be materially prejudicial to the interests of Bondholders and to any modification of the Trust Deed, the Conditions or the Agency Agreement which in the opinion of the Trustee is of a formal, minor or technical nature or is to correct a manifest error or to comply with any mandatory provision of applicable law.

In addition, the Trustee may, without the consent of the Bondholders, authorise or waive any breach or proposed breach of the Trust Deed, the Conditions or the Agency Agreement (other than a proposed breach, or a breach relating to the subject of certain reserved matters) if, in the opinion of the Trustee, the interests of the Bondholders will not be materially prejudiced thereby.

The Issuer may be treated as a PRC resident enterprise for PRC tax purposes and certain withholding taxes may be applicable.

Under the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) (the "**EIT Law**") which both took effect on 1 January 2008 and was amended respectively on 24 February 2017 and 29 December 2018 and the implementation rules which both took effect on 1 January 2008, enterprises established outside the PRC whose "de facto management bodies" are located in China are considered "resident enterprises" for PRC tax purposes.

The implementation rules define the term "de facto management body" as a management body that exercises full and substantial control and management over the business, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation specified certain criteria for the determination of the "de facto management bodies" for foreign enterprises that are controlled by PRC enterprises.

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

Although it is unclear under PRC tax law whether the Issuer has a "de facto management body" located in China for PRC tax purposes, the Group takes the position that the Issuer is not a PRC resident enterprise for tax purposes. There is no assurance that the tax authorities will agree with its position. If the Issuer is deemed to be a PRC resident enterprise for EIT purposes, the Issuer would be subject to the PRC enterprise income tax at the rate of 25.0%. on its worldwide taxable income. Furthermore, if the Issuer is deemed to be a PRC resident enterprise, the Issuer may be under an obligation to withhold PRC income tax on payments of interest or redemption premium (if any) at a rate of 10%. for non-PRC resident enterprises, or at a rate of 20%. for non-PRC resident individuals. In addition, any gain realised by such investors from the transfer of the Bonds may be regarded as being derived from sources within the PRC and may be subject to a 10.0%. PRC income tax for non-PRC resident enterprises and a 20.0%. PRC income tax for non-PRC resident individuals. Furthermore, as the Guarantor is a PRC tax resident, the Guarantor will be required to withhold PRC tax on payments under the Guarantee with respect to interest or any redemption premium at the above rates regardless of whether the Issuer is treated as a PRC tax resident. The PRC tax liability may be reduced under applicable tax treaties, such as 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》). However, it is unclear whether in practice non-resident Bondholders would be able to obtain the benefit of income tax treaties entered into between the PRC and their countries. Subject to certain exceptions, the Issuer and Guarantor will be required to pay additional amounts with respect to any such PRC withholding taxes. The request to pay additional amounts will increase the cost in issuing the Bonds and may adversely impact the cash flows of the Issuer and Guarantor.

TERMS AND CONDITIONS OF THE BONDS

The following, subject to modification and other than the words in italics, is the text of the Terms and Conditions of the Bonds which will appear on the reverse of each of the definitive Certificates and referred to in the global certificate evidencing the Bonds:

The issue of the US$200,000,000 in aggregate principal amount of 4.00 per cent. guaranteed bonds due 2024 (the "**Bonds**", which expression includes any further bonds issued pursuant to Condition 15 and to be consolidated and forming a single series therewith) was authorised by a resolution of the board of directors of Shuifa International Holdings (BVI) Co., Ltd (水发国际控股(BVI)有限公司) (the "**Issuer**") passed on 30 September 2020 and the guarantee of the Bonds was authorised by a resolution of the board of directors of Shuifa Group Co., Ltd. (水發集團有限公司) (the "**Guarantor**") passed on 28 September 2020. The Bonds are constituted by a trust deed (as amended or supplemented from time to time, the "**Trust Deed**") dated on or about 24 March 2021 (the "**Issue Date**") among the Issuer, the Guarantor and The Bank of New York Mellon, London Branch (the "**Trustee**", which expression shall include all persons for the time being as the trustee or trustees under the Trust Deed, and shall include its successors or assigns) as trustee for the holders of the Bonds. The Bonds have the benefit of a deed of guarantee (as amended or supplemented from time to time, the "**Deed of Guarantee**") dated on or about 24 March 2021 entered into by the Guarantor and the Trustee relating to the Bonds. These terms and conditions (these "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the certificates evidencing the Bonds. An agency agreement (as amended or supplemented from time to time, the "**Agency Agreement**") dated on or about the Issue Date relating to the Bonds has been entered into among the Issuer, the Guarantor, the Trustee, The Bank of New York Mellon, London Branch as the principal paying agent (in that capacity, the "**Principal Paying Agent**", which expression shall include any successor thereof), The Bank of New York Mellon SA/NV, Luxembourg Branch as registrar (in that capacity, the "**Registrar**", which expression shall include any successor thereof) and as transfer agent (in that capacity, the "**Transfer Agent**", which expression shall include any successor or additional transfer agent appointed from time to time) and any other agents appointed thereunder with respect to the Bonds. Copies of the Trust Deed, the Agency Agreement and the Deed of Guarantee are available for inspection during usual business hours following prior written request and satisfactory proof of holding at the principal office of the Trustee (presently at One Canada Square, London E14 5AL, United Kingdom) and at the specified office of the Principal Paying Agent. "**Agents**" means the Principal Paying Agent, the Registrar, the Transfer Agent and any other agent or agents appointed from time to time with respect to the Bonds. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Agency Agreement and the Deed of Guarantee applicable to them.

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

1 Form, Specified Denomination and Title

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

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

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

In these Conditions, "**Bondholder**" and "**holder**" mean the person in whose name a Bond is registered.

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

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

2 Transfers of Bonds and Delivery of New Certificates

(a) **Transfer:** A holding of Bonds may, subject to Conditions 2(d) and 2(e), be transferred in whole or in part (but in any case in a Specified Denomination) upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Bonds to be transferred, together with the form of transfer endorsed on such Certificate(s) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or the relevant Transfer Agent may require. In the case of a transfer of only part of a holding of Bonds evidenced by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred (which shall be in a Specified Denomination) shall be issued to the transferor. In the case of a transfer of the Bonds to a person who is already a holder of the Bonds, a new Certificate evidencing the enlarged holding shall only be issued against surrender of the Certificate evidencing the existing holding. No transfer of title to a Bond will be valid unless and until entered on the Register.

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

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

(c) **Transfer or Exercise Free of Charge:** Certificates, on transfer, shall be issued and registered without charge to the relevant Bondholder by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon payment by the relevant Bondholder of any tax or other governmental charges that may be imposed in relation to them (or the giving of such indemnity and/or security and/or pre-funding as the Registrar or the relevant Transfer Agent may require in respect thereof).

(d) **Closed Periods:** No Bondholder may require the transfer of a Bond to be registered (i) during the period of 15 days ending on (and including) the due date for any payment of principal (or premium) in respect of that Bond, (ii) after a Put Exercise Notice has been deposited in respect of such Bond pursuant to Condition 6(c), (iii) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(a)), or (iv) during the period of 15 days prior to (and including) any date on which Bonds may be called for redemption by the Issuer pursuant to Condition 6(b).

(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 form of which is scheduled to the Agency Agreement (the "**Regulations**"). Each of the Issuer and the Registrar may change the Regulations from time to time, with the prior written approval of the Trustee and (in the case of any regulation proposed by the Issuer) the Registrar. A copy of the current Regulations will be made available for inspection by the Registrar to any Bondholder upon prior written request and satisfactory proof of holding.

3 Guarantee and Status

(a) **Guarantee:** The Guarantor has in the Deed of Guarantee unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Bonds. Its payment obligations in that respect (the "**Guarantee**") are contained in the Deed of Guarantee. The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable law and subject to Condition 4(a), at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

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

4 Negative Pledge; Undertakings relating to the Guarantee

(a) **Negative Pledge:** So long as any Bond remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor will, and each of the Issuer and the Guarantor will ensure that none of its Subsidiaries will, create, or have outstanding, any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or to secure any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Bonds (i) the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or (ii) such other security as either (A) the Trustee may in its absolute discretion deem not materially less beneficial to the interest of the Bondholders or (B) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.

(b) **Undertakings relating to the Guarantee:** The Guarantor undertakes to file or cause to be filed with SAFE, the Deed of Guarantee within 15 PRC Business Days after the execution of the Deed of Guarantee in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 (the "**Cross-Border Security Registration**") and any implementation rules as issued by SAFE from time to time. The Guarantor shall use its best endeavours to complete the Cross-border Security Registration and obtain a registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the Registration Deadline and comply with all applicable PRC laws and regulations in relation to the issue of the Bonds and the Deed of Guarantee.

(c) **Undertakings relating to NDRC:** The Guarantor undertakes to report or cause to be reported with the National Development and Reform Commission of the PRC (the "**NDRC**") the requisite information and documents within 10 PRC Business Days after the Issue Date (as defined in Condition 4(h)) in accordance with the Circular on Promoting the Reform of the Filing and Registration System on the Issuance by Enterprises of Foreign Debt (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 which came into effect on 14 September 2015, and any implementation rules as issued by the NDRC from time to time (the "**NDRC Post-issue Filing**").

(d) **Notification of Completion of the NDRC Post-issue Filing and the Cross-Border Security Registration:** The Guarantor shall on or before the Registration Deadline after the later of the submission of the NDRC Post-issue Filing and receipt of the registration record from SAFE (or any other document evidencing the completion of registration issued by SAFE), provide the Trustee with (i) a certificate in English substantially in the form set out in the Trust Deed signed by an Authorised Signatory (as defined in the Trust Deed) of the Guarantor confirming the completion of the NDRC Post-issue Filing and the Cross-Border Security Registration; and (ii) copies of the relevant documents evidencing the NDRC Post-issue Filing (if any) and the Cross-Border Security Registration or any other document evidencing the completion of registration issued by SAFE and the particulars of such registration, each certified in English by an Authorised Signatory of the Guarantor as being a true and complete copy of the original (the items specified in (i) and (ii) together, the "**Registration Documents**").

In addition, the Guarantor shall procure that, within 10 PRC Business Days after the documents comprising the Registration Documents are delivered to the Trustee, the Issuer gives notice to the Bondholders (in accordance with Condition 16) confirming the completion of the NDRC Post-issue Filing and the Cross-Border Security Registration.

The Trustee shall have no obligation or duty to monitor or ensure the completion of (or otherwise assist with) the NDRC Post-issue Filing or the Cross-Border Security Registration on or before the Registration Deadline or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the NDRC Post-issue Filing or the Cross Border Security Registration and/or the Registration Documents or any translation thereof or to give notice to the Bondholders confirming the completion of the NDRC Post-issue Filing or the Cross-Border Security Registration, and shall not be liable to Bondholders or any other person for not doing so.

(e) **Issuer Activities:** The Issuer shall not, and the Guarantor will procure that the Issuer will not, carry on any business activity or any other activity whatsoever other than in connection with the offering, sale or issue of the Bonds or any other debt instruments and any other activities reasonably incidental thereto (such incidental activities shall, for the avoidance of doubt, include the lending of the proceeds from the issue of the Bonds or any other debt instruments to the Guarantor and any other Subsidiaries of the Guarantor).

(f) **Financial Statements:** So long as any Bond remains outstanding, the Guarantor shall furnish the Trustee with (A) a Compliance Certificate of the Guarantor (on which the Trustee may rely conclusively as to such compliance and shall not be liable to any Bondholder or any other person for such reliance) and a copy of the relevant Guarantor Audited Financial Reports within 180 calendar days of the end of each Relevant Period prepared in accordance with PRC GAAP (audited by a nationally or internationally recognised firm of independent accountants) of the Guarantor and if such statements shall be in the Chinese language, together with an English language translation of the same translated by (x) a nationally or internationally recognised firm of accountants or (y) a professional translation service provider and checked by a nationally or internationally recognised firm of accountants, together in each such case with a certificate in English signed by an Authorised Signatory of the Guarantor certifying that such translation is complete and accurate; and (B) a copy of the Guarantor Unaudited Financial Reports within 90 calendar days of the end of each Relevant Period prepared on a basis consistent with the Guarantor Audited Financial Reports and if such statements shall be in the Chinese language, together with an English language translation of the same and translated by (x) a nationally or internationally recognised firm of accountants or (y) a professional translation service provider and checked and confirmed by a nationally or internationally recognised firm of accountants, together in each such case with a certificate in English signed by an Authorised Signatory of the Guarantor certifying that such translation is complete and accurate.

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

(g) **Ratings**: So long as any Bond remains outstanding, save with the approval of an Extraordinary Resolution of the Bondholders, the Issuer will maintain ratings on the Bonds by at least one Rating Agency.

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

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

(a) no Relevant Event (as defined in Condition 6(c)), Event of Default (as defined in Condition 9) or Potential Event of Default (as defined in the Trust Deed) has occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event had occurred, giving details of it; and

(b) each of the Issuer and the Guarantor has complied with all its covenants and obligations under the Trust Deed, the Deed of Guarantee and the Bonds or, if such non-compliance occurred, giving details of it.

(i) "**Guarantor Audited Financial Reports**" means, for a Relevant Period, the annual audited consolidated profit and loss, balance sheet and cash flow statements of the Guarantor together with any statements, reports (including any directors' and auditors' reports) and notes attached to or intended to be read with any of them, prepared in accordance with PRC GAAP;

"**Guarantor Unaudited Financial Reports**" means, for a Relevant Period, the semi-annual (or any other interim reporting period required by applicable law or regulations) unaudited and reviewed or unreviewed consolidated profit and loss, balance sheet and cash flow statements of the Guarantor, together with any statements, reports (including any directors' and auditors' reports) and notes attached to or intended to be read with any of them (if any), prepared on a basis consistent with the Guarantor Audited Financial Reports;

"**Issue Date**" means 24 March 2021;

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

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

"**PRC Business Day**" means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are generally open for business in Beijing, the PRC;

"**PRC GAAP**" means the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and all applicable guidance, bulletins and other relevant accounting regulations issued thereafter, as amended from time to time;

"**Rating Agency**" means any one of (1) Fitch Ratings Ltd. and its successors; (2) S&P Global Ratings and its successors; (3) Moody's Investors Service, Inc., a subsidiary of Moody's Corporation, and its successors or (4) any other reputable credit rating agency of international standing;

"**Registration Deadline**" means the day falling 90 PRC Business Days after the Issue Date;

"**Relevant Indebtedness**" means any indebtedness issued outside the PRC which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock certificates or other securities which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter market or other securities market (which for the avoidance of doubt, does not include bilateral loans, syndicated loans or club deal loans);

"**Relevant Period**" means, (i) in relation to the Guarantor Audited Financial Reports, each period of twelve months ending on the last day of the Guarantor's financial year (being 31 December of that financial year) and, (ii) in relation to the Guarantor Unaudited Financial Reports for a semi-annual report, each period of six months ending on the last day of the first half of the Guarantor's financial year (being 30 June of that financial year or any other interim reporting period required by applicable law or regulations); and

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

"**Subsidiary**" means, with respect to any person, (i) 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 (ii) 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.

5 Interest

The Bonds bear interest on their outstanding principal amount from and including the Issue Date at the rate of 4.00 per cent. per annum (the "**Rate of Interest**"), payable semi-annually in arrear on 24 March and 24 September in each year (each an "**Interest Payment Date**") commencing on 24 September 2021.

Each Bond will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate evidencing such Bond, payment of principal or premium (if any) is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder, and (b) the day falling seven days after the Trustee or the Principal Paying Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant Bondholder under these Conditions).

Interest in respect of any Bond shall be calculated per Calculation Amount (as defined below). The amount of interest payable on the first Interest Payment Date shall be US$20.00 per Calculation Amount. The amount of interest payable per Calculation Amount for any other period shall be equal to the product of the Rate of Interest, the Calculation Amount and the Day Count Fraction, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

In this Condition 5:

"**Calculation Amount**" means US$1,000; and

"**Day Count Fraction**" means, in respect of any period, the number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed).

6 Redemption and Purchase

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

(b) **Redemption for Taxation Reasons:** The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice in accordance with Condition 16 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, if (i) the Issuer and/or the Guarantor (as the case may be) satisfies the Trustee immediately prior to the giving of such notice that the Issuer (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay Additional Tax Amounts (as defined in Condition 8) as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands or the PRC, or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of, 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 17 March 2021 and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds (or the Guarantee, as the case may be) then due.

Prior to the publication by the Issuer of any notice of redemption pursuant to this Condition 6(b), the Issuer (or the Guarantor, as the case may be) shall deliver to the Trustee:

(i) a certificate of the Issuer signed by an Authorised Signatory of the Issuer (or a certificate of the Guarantor signed by an Authorised Signatory of the Guarantor, as the case may be) stating that the obligation referred to in (i) above of this Condition 6(b) cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it; and

(ii) an opinion, addressed to and in form and substance satisfactory to the Trustee, of independent tax or legal advisers of recognised standing to the effect that the Issuer (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendment or statement.

The Trustee shall be entitled (but not obliged) to accept and rely upon such certificate and opinion as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above of this Condition 6(b), in which event the same shall be conclusive and binding on the Bondholders and the Trustee shall be protected and shall have no liability to any Bondholder or any person for so accepting and relying on such certificate or opinion.

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

(c) **Redemption for Relevant Events:** At any time following the occurrence of a Relevant Event, a Bondholder will have the right, at such Bondholder's option, to require the Issuer to redeem all, but not some only, of such Bondholder's Bonds on the Put Settlement Date at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together, in each case, with any accrued interest up to but excluding such Put Settlement Date. In order to exercise such right, the holder of the relevant Bond must deposit at the specified office of the Principal Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of the Principal Paying Agent (a "**Put Exercise Notice**"), together with the Certificate evidencing the Bonds to be redeemed by not later than 30 days following a Relevant Event, or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 16.

The "**Put Settlement Date**" shall be the 14th day (in the case of a redemption for a Change of Control) or the 5th day (in the case of a redemption for a No Registration Event) after the expiry of such period of 30 days as referred to above. A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds the subject of the Put Exercise Notices delivered as aforesaid on the Put Settlement Date.

The Issuer shall give notice to Bondholders in accordance with Condition 16 and to the Trustee and the Principal Paying Agent in writing by not later than 14 days (in the case of a redemption for a Change of Control) or five PRC Business Days (in the case of a redemption for a No Registration Event) following the first day on which it becomes aware of the occurrence of a Relevant Event, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Bonds pursuant to this Condition 6(c).

Neither the Trustee nor the Agents shall have an obligation or a duty (i) to take any steps to ascertain whether a Relevant Event or any event which could lead to the occurrence of a Relevant Event has occurred or may occur, or (ii) to verify the accuracy, validity and/or genuineness of any documents in relation to or connection with any Relevant Event, and shall not be liable to Bondholders, the Issuer, the Guarantor or any other person for not doing so.

In this Condition 6:

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

(i) Shandong SASAC and/or any other Person directly or indirectly Controlled by Shandong Provincial Government, collectively cease to, directly or indirectly, hold or own 100 per cent. of the issued share capital of the Guarantor; or

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

(iii) the Guarantor consolidates with or merges into or sells or transfers all or substantially all of the Guarantor's assets to any other person(s), unless such person(s) is/are Controlled by Shandong SASAC and/or any other Person directly or indirectly Controlled by Shandong Provincial Government.

"**Control**" means (i) the ownership or control of 50 per cent. of the voting rights of the issued share capital of a person or (ii) the right to appoint and/or remove all or the majority of the members of a person's board of directors or other governing body, in each case whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise; the term "**Controlled**" has meanings correlative to the foregoing;

a "**No Registration Event**" occurs when the Registration Conditions are not complied with in accordance with Condition 4 (d);

"**Registration Conditions**" means the receipt by the Trustee of the Registration Documents relating to the Cross-Border Security Registration in accordance with Condition 4(d);

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

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

"**Shandong Provincial Government**" means the People's Government of Shandong Province of the PRC or its successor; and

"**Shandong SASAC**" means the State-owned Assets Supervision and Administration Commission of the People's Government of Shandong Province of the PRC or its successor.

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

(e) **Purchase:** The Issuer, the Guarantor and their respective Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Issuer, the Guarantor or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for, among other things, the purposes of calculating quorums at meetings of the Bondholders.

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

(g) **Calculations**: Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying the calculations of any amount payable under any notice of redemption, or have a duty to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection thereto, and shall not be liable to the Bondholders or any other person for not doing so.

7 Payments

(a) **Method of Payment:**

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

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

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

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

(b) **Payments subject to Fiscal Laws:** Payments will be subject in all cases (i) to any applicable 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 day on which the bank where a registered account is maintained is open for receipt of such transfers, for value the next following such 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), or, in the case of payments of principal or premium (if any) where the relevant Certificate has not been surrendered at the specified office of any Transfer Agent, on a Payment Business Day on which the Principal Paying Agent is open for business and on which the relevant Certificate is surrendered.

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

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

(e) **Delay in Payment:** Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a Payment Business Day, if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so), or if a wire transfer made in accordance with Condition 7(a)(ii) reaches the registered account of the relevant holder after the due date for payment.

(f) **Non-Payment Business Days:** If any date for payment in respect of any Bond is not a Payment Business Day, the holder shall not be entitled to payment until the next following Payment Business Day nor to any interest or other sum in respect of such postponed payment. In this Condition 7, "**Payment Business Day**" means a day (other than a Saturday, a Sunday or a public holiday) on which commercial banks and foreign exchange markets are generally open for business and settlement of U.S. dollars payments in New York City, the place in which the specified office of the Principal Paying Agent is located and the place (if any) where payment is to be made by wire transfer to an account maintained by a bank in U.S. dollars.

8 Taxation

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

Where such withholding or deduction is made by the Issuer or, as the case may be, the Guarantor by or within the PRC at the rate of up to and including the aggregate rate applicable on 17 March 2021 (the "**Applicable Rate**"), the Issuer or, as the case may be, the Guarantor will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

If (i) the Issuer is required to make any deduction or withholding by or within the British Virgin Islands, or (ii) the Issuer or, as the case may be, the Guarantor is required to make a deduction or withholding by or within the PRC at a rate in excess of the Applicable Rate, then the Issuer (or the Guarantor, as the case may be) 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 or additional amounts payable under the preceding paragraph shall be payable in respect of any Bond (or the Guarantee of the Bonds, as the case may be):

(a) **Other Connection:** to a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his (or the beneficial owner) having any present or former connection with the British Virgin Islands (in the case of payments made by the Issuer) or the PRC (in the case of payments made by the Issuer or the Guarantor) other than the mere holding of the Bond;

(b) **Failure to Provide Certification:** where, following notice addressed to the holder, the withholding or deduction could be avoided by the holder or beneficial owner making a declaration of non-residence or other similar claim for exemption to the appropriate authority;

(c) **Surrender more than 30 days after the Relevant Date:** in respect of which the Certificate evidencing it is presented or surrendered (where presentation or surrender is required) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such Additional Tax Amounts on presenting or surrendering (as the case may be) the Certificate evidencing such Bond for payment on the last day of such period of 30 days (as if such last day were a Payment Business Day);

(d) **FATCA:** any tax, assessment, withholding or deduction required by sections 1471 through 1474 of the Code (commonly referred to as "**FATCA**"), any current or future U.S. Treasury regulations or rulings promulgated thereunder, any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA, any law, regulation or other official guidance enacted or published in any jurisdiction implementing an intergovernmental agreement with respect to FATCA, or any agreement with the U.S. Internal Revenue Service under FATCA; or

(e) **Holder Other Than the Beneficial Owner:** to a holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of the British Virgin Islands (in the case of payments by the Issuer) or PRC (in the case of payments by the Issuer or the Guarantor), for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the holder thereof.

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

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

9 Events of Default

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

(a) **Non-Payment:** the Issuer or the Guarantor (i) fails to pay any amount of principal or premium (if any) in respect of the Bonds or the Guarantee of the Bonds, as the case may be, on the due date for payment thereof or (ii) fails to pay any amount of interest in respect of the Bonds or the Guarantee of the Bonds, as the case may be, within seven PRC Business Days after the due date for payment thereof; or

(b) **Breach of Other Obligations:** the Issuer or the Guarantor does not perform or comply with any one or more of their respective other obligations under the Bonds, the Trust Deed and the Deed of Guarantee (other than where such default gives rise to a redemption pursuant to Condition 6(c)), which default is incapable of remedy or, if such default is capable of remedy, such default is not remedied within 30 days after notice of such default shall have been given to the Issuer or the Guarantor (as the case may be) by the Trustee; or

(c) **Cross-default of Issuer, Guarantor or Subsidiaries:**

(i) any other present or future indebtedness of the Issuer or the Guarantor or any of their respective Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or

(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 the Guarantor or any of their respective Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 9(c) have occurred equals or exceeds US$30,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the US dollar as quoted by any leading bank on the day on which this Condition 9(c) operates); or

(d) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against the whole or any material part of the property, assets or revenues of the Issuer or the Guarantor or any of their respective Principal Subsidiaries and continue(s) unsatisfied and unstayed for a period of 45 days after the date(s) thereof or, if later, the date therein specified for payment; or

(e) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or the Guarantor or any of their respective Principal Subsidiaries on the whole or any material part of its assets becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and such action is not discharged within 30 days after the date thereof; or

(f) **Insolvency:** the Issuer or the Guarantor or any of their respective Principal Subsidiaries 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 any material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any material part of the debts of the Issuer, the Guarantor or any of their respective Principal Subsidiaries; or

(g) **Winding-up:** 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 the Guarantor or any of their respective Principal Subsidiaries (except for the voluntary and solvent winding up of any Principal Subsidiary), or the Issuer, the Guarantor or any of their respective Principal Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, dissolution, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Bondholders, or (ii) in the case of any Principal Subsidiary of the Issuer or the Guarantor, whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer or the Guarantor (as the case may be) or another of their respective Subsidiaries or (iii) a disposal of or by a Principal Subsidiary at Fair Market Value and the net proceeds from such disposal shall be transferred to or otherwise vested in the Issuer, the Guarantor or any of their respective 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 material part of the undertaking, assets and revenues of the Issuer, the Guarantor or any of their respective Principal Subsidiaries; or

(i) **Authorisation and Consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Bonds, the Trust Deed and the Deed of Guarantee, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Bonds, the Trust Deed and the Deed of Guarantee 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 or the Guarantor to perform or comply with any one or more of its obligations under any of the Bonds, the Trust Deed and/or the Deed of Guarantee; or

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

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

In this Condition 9:

"**Fair Market Value**" means the price that would be paid in an arm's-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by such seller.

"Principal Subsidiary" at any time shall mean one of the Guarantor's Subsidiaries

(i) as to which one or more of the following conditions is/are satisfied:

(a) its revenue or (in the case of one of the Guarantor's Subsidiaries which has one or more Subsidiaries) consolidated revenue is at least 3% of the Guarantor's consolidated revenue;

(b) its net profit or (in the case of one of the Guarantor's Subsidiaries which has one or more Subsidiaries) consolidated net profit attributable to the Guarantor (in each case before taxation and exceptional items) is at least 3% of the Guarantor's consolidated net profit (before taxation and exceptional items); or

(c) its total assets or (in the case of one of the Guarantor's Subsidiaries which has one or more Subsidiaries) consolidated net assets attributable to the Guarantor (in each case after deducting minority interests in Subsidiaries) are at least 3% of the Guarantor's consolidated total assets (after deducting minority interests in Subsidiaries);

all as calculated by reference to the then latest audited financial statements (consolidated or, as the case may be, unconsolidated) of the Guarantor's Subsidiary and the Guarantor's then latest consolidated financial statements, provided that: (1) in the case of a Subsidiary of the Guarantor acquired after the end of the financial period to which the then latest consolidated audited financial statements of the Guarantor relate, the reference to the then latest audited financial statements of the Guarantor and its Subsidiaries for the purposes of the calculation above shall, until audited financial statements for the financial period in which the acquisition is made are published, be deemed to be a reference to the then latest audited financial statements of the Guarantor and its Subsidiaries adjusted to consolidate the latest audited financial statements (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such financial statements; (2) if, in the case of a Subsidiary of the Guarantor which itself has one or more Subsidiaries, no consolidated financial statements are prepared and audited, its consolidated revenue, net assets and net profits shall be determined on the basis of pro forma consolidated financial statements of the relevant Subsidiary and its Subsidiaries prepared for this purpose and opined on by its auditors; or (3) if the financial statements of a Subsidiary of the Guarantor (not being a Subsidiary referred to in (1) above) are not consolidated with those of the Guarantor then the determination of whether or not the Subsidiary is a Principal Subsidiary shall, if the Guarantor requires, be based on a pro forma consolidation of its financial statements (consolidated, if appropriate) with the consolidated financial statements of the Guarantor and its Subsidiaries; or

(ii) to which is transferred all or substantially all of the assets of the Guarantor's Subsidiary which immediately prior to the transfer was a Principal Subsidiary, provided that, with effect from such transfer, the Subsidiary which so transfers its assets and undertakings shall cease to be a Principal Subsidiary (but without prejudice to paragraph (i) above) and the Guarantor's Subsidiary to which the assets are so transferred shall become a Principal Subsidiary. A certificate of the Guarantor's auditors as to whether or not the Guarantor's Subsidiary is a Principal Subsidiary shall be conclusive and binding on all parties in the absence of manifest error.

10 Prescription

Claims against the Issuer or the Guarantor for payment in respect of the Bonds or the Guarantee 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.

11 Replacement of Certificates

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

12 Meetings of Bondholders, Modification and Waiver

(a) **Meetings of Bondholders:** The Trust Deed contains provisions for convening meetings of the Bondholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed, the Agency Agreement or the Deed of Guarantee. Such a meeting may be convened by the Issuer, the Guarantor or the Trustee and shall be convened by the Trustee if requested in writing to do so by Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes the modification or abrogation of certain of the provisions of these Conditions and certain of the provisions of the Trust Deed, including consideration of proposals, *inter alia*, (i) to modify the Maturity Date 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, (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, or (v) to modify or cancel any term of the Deed of Guarantee (other than as provided in Condition 12(b)), in which case the necessary quorum will be two or more persons holding or representing at least 75 per cent., or at any adjourned meeting at least 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 or voted at the meeting at which such resolution was passed).

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

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

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

(c) **Entitlement of the Trustee:** In connection with the exercise of its functions, rights powers and discretions (including but not limited to those referred to in this Condition 12) the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require on behalf of any Bondholder, nor shall any Bondholder be entitled to claim, from the Issuer, the Guarantor or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

13 Enforcement

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

14 Indemnification of the Trustee

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

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

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

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

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

15 Further Issues

The Issuer may from time to time, without the consent of the Bondholders, create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date and the first payment of interest on them and the timing for compliance with the requirements set out in these Conditions in relation to the NDRC Post-issue Filing and the Cross-Border Security Registration, and such other terms as the Issuer may determine at the time of issue as necessary for purposes of consummating the further issue) and so that such further issue shall be consolidated and form a single series with the outstanding Bonds. References in these Conditions to the Bonds include (unless the context requires otherwise) any other securities issued pursuant to this Condition 15 and forming a single series with the Bonds. Any further securities forming a single series with the outstanding Bonds may be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Bondholders and the holders of securities of other series where the Trustee so decides.

16 Notices

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

So long as the Bonds are evidenced by the Global Certificate and the Global Certificate is held by or on behalf of Euroclear and Clearstream or an Alternative Clearing System, any notice to the holders of the Bonds shall be validly given by the delivery of the relevant notice to Euroclear and Clearstream or the Alternative Clearing System, as applicable, for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

17 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999, except and to the extent (if any) that the Bonds expressly provided for such Act to apply to any of their terms.

18 Governing Law and Jurisdiction

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

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

(c) **Agent for Service of Process:** Each of the Issuer and the Guarantor has irrevocably appointed in the Trust Deed an agent in Hong Kong to receive service of process in any Proceedings in Hong Kong based on any of the Bonds, the Trust Deed, the Agency Agreement or the Deed of Guarantee. If for any reason the Issuer and/or the Guarantor ceases to have such an agent in Hong Kong, the Issuer and/or, as the case may be, the Guarantor shall promptly appoint a new agent in Hong Kong to accept service of process and deliver to the Trustee a copy of the agent's acceptance of that appointment within 30 days of such cessation. Nothing herein shall affect the right to serve process in any other manner permitted by law.

(d) **Waiver of Immunity:** Each of the Issuer and the Guarantor has waived any right to claim sovereign or other immunity from jurisdiction, enforcement 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, revenues or other assets whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

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

Terms defined in the "Terms and Conditions of the Bonds" set out in this Offering Circular shall have the same meanings in the paragraphs below.

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

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

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

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

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

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

PAYMENT

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

CALCULATION OF INTEREST

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

NOTICES

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

MEETINGS

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

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

BONDHOLDER’S REDEMPTION

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

ISSUER’S REDEMPTION

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

TRANSFERS

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

CANCELLATION

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

TRUSTEE'S POWERS

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

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

USE OF PROCEEDS

The Issuer estimates that the net proceeds from the offering of the Bonds, consisting of the gross proceeds less commissions and other estimated expenses payable by the Issuer in connection with the offering of the Bonds, will be approximately U.S.$199.0 million. The net proceeds are planned to be used for project construction and refinancing of the Group's existing indebtedness.

The net proceeds the Group receives from the issue of the Bonds will be used in accordance with the Green Bond Framework. See *"Green Bond Framework"* for more information.

GREEN BOND FRAMEWORK

Overview of the Framework

The Company's Green Bond Framework aims to demonstrate that the Group is developing a green business and financing environmentally-friendly projects, so as to continue to promote the Group's sustainable corporate social responsibility strategy.

For each green bond issued by the Company, the Company is committed to follow the International Capital Market Association (ICMA) Green Bond Principles, including:

(1) Use of proceeds

(2) Project evaluation and screening

(3) Capital management

(4) Report disclosure

Use of Proceeds

The proceeds of each green bond will be applied to the Group's own operating projects in one or more of the following categories:

	Environmental Protection Investment	Project Type	Typical Project Situation
1	Renewable energy	• Hydropower	• Multiple hydropower projects
		• Recycling of biomass resources and other new energy application and utilisation	• Multiple biomass generation/cogeneration projects
		• Solar photovoltaic power generation and solar thermal energy application	• Multiple solar energy related projects

	Environmental Protection Investment	Project Type	Typical Project Situation
2	Pollution prevention, waste, wastewater prevention	• Waste management and prevention, and recycling, processing and utilisation of renewable resources	• Waste lead-acid battery disposal and utilisation projects
		• Wastewater treatment, and recycling, processing and utilisation of renewable resources	• Black odorous water treatment, refuse transfer station construction projects
		• Wastewater treatment	• Sewage treatment facility construction projects
3	Sustainable water resources .	• Sustainable infrastructure for clean or drinking water, and sustainable urban drainage system	• Government and social capital cooperation projects for integrated water supply construction and engineering
		• Sustainable infrastructure for clean or drinking water	• Organic and inorganic hybrid separation membrane projects

Project Evaluation and Selection Process

- The Group will establish a stringent investment management mechanism and codify rules and measures for outbound investments to enhance outbound investment efficiencies and reduce investment risks.

- The Group's outbound investments shall conform with national industrial policies and the Group's development plans. The industry or project of such investment should be closely related to the Group's operations with good prospects and economic benefits.

- Each outbound project investment must adhere to the following fundamental principles:

  – Comply with national laws, regulations and related industrial policies;

  – Align with the overall strategic blueprint and structural adjustment direction of the province's state-owned capital;

  – Conform with the Group's development strategies and planning requirements;

  – Be conducive to distinguishing the Group's core businesses and enhancing the Group's core competitiveness;

  – Non-core business investments should conform with adjustments and refinements in the Group's strategic direction, and shall not affect the development of core businesses;

- Investment scale should be compatible with the investment entity's asset management scale, asset liability level and actual operational capabilities; and
- Fully conduct scientific validation, focus on risks and ensure investment safety.

Project Evaluation Process

- In order to verify the project qualification, the Company and its subsidiaries and relevant management departments collect information from various entities for review, including but not limited to:
  - Shuifa Group Co., Ltd.
  - Shuifa Huaxia Group Co., Ltd.
  - Shuifa Environmental Protection Group Co., Ltd.
  - Shandong Water Conservancy Development Group Co., Ltd.
  - Shuifa Public Utilities Group Co., Ltd.
  - China Water Development Industrial Energy Group Co., Ltd.
  - The Company's other relevant management departments, etc.
- According to the development trend of the water conservancy industry, the Company's strategic planning, annual business goals and other factors, the Company shall systematically and comprehensively formulate annual plans, and regularly conduct project management and control and effectiveness review to maximize benefits.

Project Investment Management

- The Company has established, among others, a water business department, an agricultural business department (marketing department), an energy business department and a cultural tourism business department. Each project is reported through each department based on project type. For new projects, the relevant business department is responsible for the preliminary review, feasibility validation, risk analysis and preparation of relevant meeting materials. After approval, the relevant business department is responsible for the specialised investment, operation and management of the corresponding business segment.

  (1) The feasibility analysis report will focus on the following:

  - accuracy of the project feasibility report's conclusions;
  - accuracy and control of, among other things, the project status, industry and development prospects;
  - authenticity, completeness and relevance of the document attachments to the feasibility reports;
  - progressiveness, scientific validity and economic viability of technology (processes) plans;

- authenticity and accuracy of the feasibility report's basis of preparation, testing and computation methods and models and technical parameters, and reasonableness and sufficiency of forecast data;

- reasonableness of project investment amount or appraised value;

- feasibility and reasonableness of investment and financing plans;

- feasibility of the project organisation, management and operation mechanisms;

- completeness, appropriateness and degree of compliance of disclosure, analysis and handling of project risks and special issues; and

- other review criteria.

(2) Project expert review

Reviewing experts for the project are required to complete the "Expert Review Opinion on Shuifa Group Co., Ltd.'s Investment Project Feasibility Report (水發集團有限公司投資專案可行性報告專家評審意見)" which will eventually form the review report of the review committee and signed by all the committee members.

Impact on the environment

- The assessment of environmental benefits in the feasibility study of each qualified green project requires an environmental impact assessment (EIA) in accordance with the local requirements of the project. The assessment is carried out by a designated professional body which prepares an EIA report. The results of the assessment include the identification and analysis of the different environmental factors and their impacts on the environment throughout the life cycle, as well as the description of measures needed to reduce the impact on the environment. The unit responsible for the EIA report then submits the EIA report to the local regulatory department, and the project is carried out after approval by the regulatory department is secured.

Participation of stakeholders

- The main stakeholders in the life cycle of the project include the local regulatory department of the project, employees, equipment suppliers, contractors, surrounding residents and external legal counsel. The unit responsible for the project is responsible for the full participation of the stakeholders through the inquiry and approval process, publicity, business meetings, information sharing and other means.

Capital Management

- The board of directors approves the project leader and the business team for each project. The relevant subsidiary will carry out the project implementation, set up the office, and formulated the employee responsibility system, production and operation plan, enterprise development strategy and specific operational measures. At the same time, such subsidiary will conscientiously implement the Company's regulations on investment management, paid capital and contract management, and establish and improve the project financial management system. The subordinate financial supervisor is then appointed by the subsidiary, who acts for and on behalf of the subsidiary, and accepts the Group's financial inspection. In addition, every month's operation status and details should be reported on a monthly basis to the Group's headquarters. Any single fund amount exceeding the limit must be reviewed by the Group's capital management centre. The Company will ensure each of the following is achieved:

– Each investment project has a separate account, dedicated to special funds, and regularly monitors cash flow, including the flow and delivery of funds.

– The total expenditure of the green project and its accounts are updated frequently so that the certification authority can assess the positive impact of each project on the environment.

– Unused project funds will be handled in accordance with the Group's liquidity management strategy. Unused project funds can be used as low-risk investments, including time deposits, or for temporary working capital needs; but the ultimate goal of the proceeds is to invest in green projects.

– Maintaining a prudent financial management system. For more information, please refer to "Shuifa Group Compilation of Rules and Measures – Shuifa Group Co., Ltd.'s Centralised Capital Management Measures (水發集團制度彙編 – 水發集團有限公司資金集中管理辦法)".

- The Company also undertakes that the proceeds of green bonds shall not be utilised for the following purposes:

  – activities that violate national laws and regulations, international conventions and agreements, or are subject to international bans and sanctions;

  – production or trade of weapons and ammunition;

  – production or trade of alcoholic beverages (except for beer and wine);

  – production or trade of tobacco;

  – enterprises engaged in gambling or casino operations or similar businesses;

  – production or trade of radioactive materials (excluding equipment which radioactive source is considered insignificant and/or adequately shielded, for example, quality control equipment); or

  – production or activities involving harmful or exploitative forced labour or harmful child labour.

Progress Monitoring Internal Control and Information Disclosure

Internal Monitoring of Progress

	Internal monitoring	Content	Frequency
1	The Company implements a centralised management system for fund management. This means the Group will have a cash collection system. Any fund utilisation by a subsidiary must be registered through the system and subject to monitoring at the Group level. If the amount of funds used is substantial, approval of the relevant departments and senior personnel is required.	Details of funds used, etc.	Once a quarter

	Internal monitoring	Content	Frequency
2	Subsidiaries review relevant project plans and monitor the progress and effectiveness of the project implementation	Project progress, etc.	Once a quarter
3	The Group measures the progress of its subsidiaries on a quarterly basis, reviews the achievement of KPIs (project indicators), monitors the progress of the projects, and assesses whether there is any significant environmental impact.	Sewage treatment volume, solid waste treatment volume, water supply volume, power generation volume, etc.	Once a quarter
4	Annual project review: Review the implementation status and effectiveness of the Group's management system and develop an optimization plan.	Overall impact on the environment and assessment	Once a year

Information Disclosure

- Publish a green financing framework book through the Company's official website, meetings, etc., to showcase the Group's investment in green projects, including but not limited to information such as investment types.
- Project progress:
  - Projects under planning
  - Projects under construction
  - Completed projects
- Use of proceeds information:
  - The cumulative amount assigned to each eligible item
  - Balance of proceeds that have not yet been allocated
- The Company has created a website platform to maintain good communication with its partners for existing and future sustainable financing activities and projects. The relevant URL is http://www.sdsf.com.cn/.

External Review

The HKQAA has certified that the Bonds comply with the requirements of the HKQAA Green Finance Certification Scheme. See "*The HKQAA Green Finance Certification Scheme*".

THE HKQAA GREEN FINANCE CERTIFICATION SCHEME

Information relating to the HKQAA in this Offering Circular have been obtained from public sources, including the Green Finance Certification Scheme Handbook (as defined below) and other publicly available information. Although this information is believed to be reliable, it has not been independently verified by the Issuer, the Guarantor, the Joint Lead Managers, the Agents or their respective directors, officers or advisers, and none of the Issuer, the Guarantor, the Joint Lead Managers, the Agents and their respective directors and advisers makes any representation as to the accuracy or completeness of that information.

THE HKQAA

The HKQAA is a non-profit distributing organisation by the Hong Kong Government and is the only Hong Kong organisation accredited as a Designated Operational Entity by the Executive Board of the Clean Development Mechanism ("**CDM**") under the United Nations Framework Convention on Climate Change to deliver CDM validation and verification services.

THE HKQAA GREEN FINANCE CERTIFICATION SCHEME

The HKQAA Green Finance Certification Scheme was developed with reference to, among others, the CDM, the Green Bond Principles published by the International Capital Market Association (the "**ICMA Green Bond Principles**") and the Announcement of the People's Bank of China [2015] No. 39 (中國人民銀行公告[2015]第39號) and the Catalogue of Projects Supported by Green Bonds (綠色債券支援專案目錄) promulgated by the PBOC on 15 December 2015 (the "**PBOC Green Bond Categories**"). The benefits of the HKQAA Green Finance Certification Scheme include (i) an issuer being able to attract a larger and broader investor base that focuses on making environmentally-friendly investments, (ii) recognising an issuer's efforts in promoting environmentally-friendly investment, (iii) providing confidence to investors on the ongoing green performance of a particular debt instrument, (iv) encouraging the development of the green economy and (v) promoting a common understanding of green finance.

Under the HKQAA Green Finance Certification Scheme, an applicant may apply for either (i) a pre-issuance stage certificate or (ii) a post-issuance stage certificate.

An applicant may apply for a pre-issuance stage certificate ahead of an issuance of a Green Finance financial instrument. A Green Finance financial instrument is defined in the handbook of the HKQAA Green Finance Certification Scheme (the "**Green Finance Certification Scheme Handbook**") as a financial instrument for achieving economic growth while reducing pollution and greenhouse gas emissions, minimising waste and improving efficiency in the use of natural resources. A pre-issuance stage certificate is an "as-at" certificate and provides assurance that the applicant's past activities (up to the issuance date of the pre-issuance stage certificate) complies with the HKQAA Green Finance Certification Scheme.

As part of the application for a pre-issuance stage certificate, an applicant is required to complete the relevant application forms (including a self-declaration form) and provide an Environmental Method Statement to the HKQAA which will assess and validate its adequacy in producing a positive environmental effect. An Environmental Method Statement shall include:

(i) the intended secondary class of classification ("**Green Category(ies)**") in Appendix A of the Green Finance Certification Scheme Handbook and a description of the positive environmental effect resulting from such Environmental Method Statement;

(ii) a selection mechanism for projects proposed by the applicant to be funded by a specified financial instrument for achieving economic growth while reducing pollution and greenhouse gas emissions, minimising waste and improving efficiency in the use of natural resources, that either fulfil the eligibility criteria set by the applicant for the specific Green Category(ies) or have the capability to make a positive impact on the environment ("**Green Project(s)**") and Green Project eligibility criteria of the specified Green Category;

(iii) a Green Project evaluation mechanism;

(iv) a use and management of proceeds plan;

(v) an information disclosure plan;

(vi) an impact assessment plan; and

(vii) a plan to engage with the public, including individuals, groups or communities, affected, or likely to be affected, by the proposed project activity, or actions leading to the implementation of such an activity (a "**Stakeholder Engagement**" plan).

An annual surveillance assessment by the HKQAA to verify and examine the applicant's continual conformance and fulfilment of all the requirements under the HKQAA Green Finance Certification Scheme is not required.

When the HKQAA has completed its assessment and validation of the Environmental Method Statement and no non-conforming issues are outstanding, it will make a recommendation of certification to the Certification Review Board which reviews and approves the recommendation. Upon such approval, a pre-issuance stage certificate and a Certification Mark (a trademark designed by the HKQAA indicating that the applicant's Green Finance financial instrument is duly certified under the HKQAA Green Finance Certification Scheme) are issued to the applicant.

Once a pre-issuance stage certificate has been issued, the applicant's Environmental Method Statement will be accessible via the HKQAA website. Such pre-issuance stage certificate will only be valid if the applicant's Environmental Method Statement for the time being corresponds to the version of the applicant's Environmental Method Statement accessible via the HKQAA website.

If an applicant makes any change to its Environmental Method Statement after the issuance of a pre-issuance stage certificate, the corresponding pre-issuance stage certificate will be regarded as invalid. An applicant shall inform the HKQAA in writing for any change in its Environmental Method Statement within one month after the occurrence of any foreseeable or actual changes. An applicant has to make a new application to the HKQAA for the certification of the revised Environmental Method Statement.

On 16 October 2020, the HKQAA issued a pre-issuance stage certificate certifying that the Bonds comply with the requirements of the HKQAA Green Finance Certification Scheme.

HKQAA CERTIFICATION DISCLAIMER

The issuance of the HKQAA Pre-issuance Stage Certificate relating to the Bonds by the HKQAA is based solely on the Green Finance Certification Scheme Handbook and does not, and is not intended to, make any representation or give any assurance with respect to any other matter relating to the Bonds or any eligible green projects, including but not limited to this Offering Circular, the transaction documents, the Company or the management of the Company.

The issuance of the HKQAA Pre-issuance Stage Certificate relating to the Bonds by the HKQAA was addressed solely to the Company and is not a recommendation to any person to purchase, hold or sell the Bonds and such certification does not address the market price or suitability of the Bonds for a particular investor. The certification also does not address the merits of the decision by the Company, or any third party to participate in any eligible green projects and does not express and should not be deemed to be an expression of an opinion as to the Company or any aspect of any eligible green projects (including but not limited to the financial viability of any eligible green projects) other than with respect to conformance with the Green Finance Certification Scheme Handbook.

In issuing the HKQAA Pre-issuance Stage Certificate, HKQAA shall not be liable for any loss or damage suffered by any person whatsoever or howsoever caused by, arising from and/or in connection with, whether directly or indirectly, the certification of the Bonds. The HKQAA Pre-issuance Stage Certificate does not and is not in any way intended to address the likelihood of timely payment of interest when due on the Bonds and/or the payment of principal at maturity or any other date.

The HKQAA Pre-issuance Stage Certificate may be withdrawn at any time in HKQAA's sole and absolute discretion and there can be no assurance that the HKQAA Pre-issuance Stage Certificate will not be withdrawn.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the consolidated total indebtedness (both short-term and long-term portions), total owner's equity and total capitalisation of the Group as at 30 June 2020 (i) on an actual basis, and (ii) on an adjusted basis to give effect to the issue of the Bonds before deducting the commissions and other estimated expenses payable in connection with the offering of the Bonds.

The summary consolidated financial information below should be read in conjunction with the Audited Financial Statements and the Reviewed Financial Statements and the notes to those financial statements included elsewhere in this Offering Circular.

	As at 30 June 2020			
	Actual		As adjusted	
	(RMB in '000)	(U.S.$ in '000)[1]	(RMB in '000)	(U.S.$ in '000)[1]
Short-term indebtedness				
Short-term loans	9,350,203	1,323,435	9,350,203	1,323,435
Current portion of non-current liabilities	8,014,484	1,134,377	8,014,484	1,134,377
Total short-term indebtedness	**17,364,687**	**2,457,812**	**17,364,687**	**2,457,812**
Long-term indebtedness				
Long-term loans	24,545,422	3,474,179	24,545,422	3,474,179
Bonds payable	17,305,356	2,449,414	17,305,356	2,449,414
Long-term payables	11,564,178	1,636,803	11,564,178	1,636,803
Bonds to be issued[2]	–	–	1,413,020	200,000
Total long-term indebtedness	**53,414,956**	**7,560,396**	**54,827,976**	**7,760,396**
Total indebtedness[3]	**70,779,643**	**10,018,208**	**72,192,663**	**10,218,208**
Total equity	**30,489,114**	**4,315,454**	**30,489,114**	**4,315,454**
Total capitalisation[4]	**101,268,757**	**14,333,662**	**102,681,777**	**14,533,662**

Notes:

(1) For convenience only, all translations from Renminbi into U.S. dollars are made at the rate of RMB7.0651 to U.S.$1.00, based on the noon buying rate as set forth in the H.10 statistical release of on 30 June 2020.

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

(3) Total indebtedness equals the sum of short-term indebtedness and long-term indebtedness.

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

Since 30 June 2020, the Group's total indebtedness has increased mainly due to increases in short-term loans, current portion of non-current liabilities and long-term loans. The increase in short-term loans was attributable to new loan facilities obtained from banks to supplement the Group's working capital. The increase in current portion of non-current liabilities was mainly attributable to increases in long-term loans and financial leasing amounts in 2020. The increase in long-term loans was primarily due to the increase of long-term borrowings from banks and other financial institutions to meet the capital requirements of the Group's new projects. The increase in the Group's total indebtedness was partially offset by a decrease in bonds payable due to the reclassification of certain amounts to current portion of non-current liabilities. In addition, the Group's total equity recorded an increase primarily as a result of increases in other comprehensive income and special reserve.

In May 2020, the Issuer issued bonds in an aggregate amount of U.S.$350,000,000 and a coupon rate of 4.30% (the "**May 2020 Bonds**"). In August 2020, the Group issued additional May 2020 Bonds in an aggregate principal amount of U.S.$50,000,000, which were consolidated and form a single class with the May 2020 Bonds issued in May 2020. The total aggregate outstanding amount of the May 2020 Bonds as at the date of this Offering Circular is U.S.$400,000,000. In September 2020, the Guarantor issued one-year private placement bonds in an aggregate principal amount of RMB1.5 billion and a coupon rate of 4.12%. In the same month, the Guarantor also issued two super short-term notes in aggregate principal amounts of RMB1.5 billion and RMB1.0 billion and coupon rates of 3.53% and 3.40%, respectively. In October 2020, the Guarantor issued five-year medium-term notes in an aggregate principal amount of RMB1.0 billion and a coupon rate of 4.28%. In January 2021, the Guarantor issued super short-term private placement notes in an aggregate principal amount of RMB0.5 billion and a coupon rate of 4.58%. As at the date of this Offering Circular, the entire principal amounts of the foregoing debt securities remain outstanding.

Except as otherwise disclosed above, there has been no material change in the consolidated capitalisation and indebtedness of the Group since 30 June 2020.

EXCHANGE RATE INFORMATION

PRC

PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of Renminbi appreciated by 2.0%. against U.S. dollar. The PRC government has since made and in the future may make further adjustments to the exchange rate system. On 18 May 2007, PBOC enlarged, effective on 21 May 2007, the floating band for the trading prices in the inter-bank spot exchange market of Renminbi against U.S. dollar from 0.3%. to 0.5%. around the central parity rate. This allows Renminbi to fluctuate against U.S. dollar by up to 0.5%. above or below the central parity rate published by PBOC. The floating band was further widened to 1.0%. on 16 April 2012. These changes in currency policy resulted in Renminbi appreciating against U.S. dollar by approximately 26.9%. from 21 July 2005 to 31 December 2013. On 14 March 2014, PBOC further widened the floating band against U.S. dollar to 2.0%. On 11 August 2015, PBOC announced to improve the central parity quotations of Renminbi against U.S. dollar by authorising market-makers to provide central parity quotations to the China Foreign Exchange Trading Centre daily before the opening of the interbank foreign exchange market with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates. Following the announcement by PBOC on 11 August 2015 and until the date of this Offering Circular, Renminbi has both depreciated and fluctuated significantly against U.S. dollar. The PRC government may adopt further reforms of its exchange rate system, including making Renminbi freely convertible in the future.

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

	Renminbi per U.S. dollar Noon Buying Rate[(1)]			
Period	**End**	**Average[(2)]**	**High**	**Low**
	(RMB per U.S.$1.00)			
2015	6.4778	6.2869	6.4896	6.1870
2016	6.9430	6.6549	6.9580	6.4480
2017	6.5063	6.7350	6.9575	6.4773
2018	6.8755	6.6292	6.9737	6.2649
2019	6.9618	6.9014	7.1786	6.6822
2020				
September	6.7896	6.8106	6.8474	6.7529
October	6.6919	6.7254	6.7898	6.6503
November	6.5760	6.6029	6.6899	6.5556
December	6.5250	6.5393	6.5705	6.5208
2021				
January	6.4282	6.4672	6.4822	6.4282
February	6.4730	6.4601	6.4869	6.4344
March (through 5 March)	6.4960	6.4736	6.4960	6.4648

Notes:

1. Exchange rates between Renminbi and U.S. dollar represent the noon buying rates as set forth in the H.10 statistical release of the Federal Reserve Board.

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

DESCRIPTION OF THE ISSUER

OVERVIEW

The Issuer is a limited liability company incorporated under the BVI Business Companies Act, 2004. It was incorporated in the British Virgin Islands on 17 June 2019 with Shuifa International Holdings Co., Limited (水发国际控股有限公司) as its sole shareholder, which, in turn, is wholly-owned by the Guarantor. Its registered office is at Ritter House, PO Box 3170, Road Town, Tortola VG1110, British Virgin Islands.

BUSINESS ACTIVITY

The Issuer was established with full capacity to carry on or undertake any business or activity, do any act or enter into any transaction and has full rights and powers for the above purposes set out in its memorandum of association. The Issuer does not sell any products or provide any services and it has undertaken no business activities since the date of its incorporation, other than those incidental to its incorporation and establishment as an indirect wholly-owned subsidiary of the Guarantor and those incidental to the issue of debt securities, including the Bonds.

FINANCIAL STATEMENTS

Under British Virgin Islands law, the Issuer is not required to publish interim or annual financial statements. The Issuer has not published, and does not propose to publish, any financial statements. The Issuer is, however, required to keep proper books of account as are necessary to give a true and fair view of the state of the Issuer's affairs and to explain its transactions.

DIRECTORS AND OFFICERS

The sole director of the Issuer is Jianzhong Feng and he does not hold any shares or options to acquire shares of the Issuer. The Issuer does not have any employees and has no subsidiaries.

LEGAL PROCEEDINGS

As at the date of this Offering Circular, the Issuer is not involved in any litigation or arbitration proceedings, and it is not aware of any pending or threatened action against it.

DESCRIPTION OF THE GROUP

OVERVIEW

The Group is a leading state-owned conglomerate that focuses on the provision of comprehensive water-related services and solutions, ranging from hydraulic engineering construction, water supply, wastewater treatment to clean energy. In particular, it has taken on a key role in the implementation of the Shandong Provincial Government's blueprint for the province with respect to the reform and development of water resources. Since its establishment in 2009, the Group has successfully developed into a well-known water enterprise with sizeable assets and on such solid foundation, it has increasingly expanded its business portfolio to cover various other businesses, such as modern agriculture, cultural tourism, medical and health care and real estate development. This has led to the diversification of the Group's earnings base and enabled it to increase its profitability through new revenue streams. For the years ended 31 December 2017, 2018 and 2019, the Group's operating revenue was approximately RMB5,782.1 million, RMB11,067.7 million and RMB21,337.8 million, respectively, growing at a CAGR of approximately 92.1% from 2017 to 2019. For the six months ended 30 June 2019 and 2020, the Group's operating revenue was approximately RMB7,094.6 million and RMB12,125.3 million, respectively. Over the years, the Group has received various honours and awards in recognition of its business achievements, such as "Enterprise of AAA Credit" by China Water Engineering Association in 2016, "2016 Shandong Lushui Cup Excellent Hydraulic Engineering Project of the Year (2016年度山東省"魯水杯"優質水利工程)" by the Shandong Provincial Department of Water Resources, "Dayu Hydraulic Science and Technology Award (First Class Award) (大禹水利科學技術獎(一等獎))" by Dayu Hydraulic Science and Technology Awards Committee and "Shandong Science and Technology Progress Award (Second Class Award) (山東省科學技術進步獎(二等獎))" by the Shandong Provincial Government in 2018.

The Group's core water business has seen rapid growth with current domestic geographic coverage spanning 26 provinces in the PRC and in particular, 16 cities and regions across Shandong Province. In addition, the Group successfully established operations in overseas markets, including the People's Republic of Bangladesh, Myanmar and Nepal. Giving consideration to certain relevant policies of Shandong SASAC, its main shareholder, the Group recently reclassified its businesses into three principal segments, namely (i) water business, (ii) modern agriculture, and (iii) cultural tourism:

- **Water business**

  - ***Hydraulic engineering construction.*** The Group is one of the principal investment and financing platforms carrying out hydraulic engineering construction on behalf of the Shandong Provincial Government. As at 30 June 2020, approximately over 66.0% of the Group's hydraulic construction projects were located in Shandong Province, with the remaining situated in other regions of the PRC and overseas markets. For the six months ended 30 June 2020, the Group had contracted a total of 167 hydraulic construction projects with an aggregate contractual amount of RMB3.4 billion, of which 46 had been completed.

  - ***Water supply.*** The Group's water supply business primarily comprises the provision of water to both industrial and residential users in Shandong Province, covering cities and towns such as Weifang, Taian, Dezhou, Rizhao, Jining, Heze and Liaocheng, and being the largest water supplier in these areas in terms of volume. As at 30 June 2020, the Group had 129 raw water pump stations and 48 water supply plants, with an aggregate designed daily supply capacity of approximately 4.1 million cubic metres.

  - ***Wastewater treatment.*** Part of the Group's initiative to align its development with the province's overall direction of building an ecological civilisation, its wastewater treatment business primarily comprises the treatment of (i) municipal and industrial wastewater and (ii) landfill leachate, before discharge into surface and ground waters in accordance with relevant national and local standards. As at 30 June 2020, the Group had a total of over 24 wastewater treatment plants in operation across Shandong Province, Fujian Province, Jilin Province, Shanxi Province and Anhui Province.

– ***Clean energy.*** The Group's clean energy business is a recent addition in active response to the national call for energy savings and emission reduction and includes photovoltaic power generation, hydropower generation, biomass power generation, central heating, urban gas services and natural gas. With increasing focus placed on this segment, the Group had undertaken various acquisitions to grow its operations, including the equity acquisition of Dalian Energas Gas-System Co., Ltd. (大連派思燃氣系統股份有限公司) at the end of 2018 so as to expand into liquefied natural gas and natural gas operations, as well as the equity acquisition of China Shuifa Singyes Energy Holdings Limited (中國水發興業能源集團有限公司) (formerly known as China Singyes Solar Technologies Holdings Limited (中國興業太陽能技術控股有限公司)) ("**Singyes Solar**") in November 2019 to further enhance its business scale.

- **Modern agriculture.** The Group's modern agriculture business primarily entails the provision of a broad assortment of innovative modern agricultural products and services utilising advanced technologies, ranging from construction of planting bases, agricultural and ancillary product processing, agriculture-related financial services, agriculture information technology services, to agriculture advisory and branding. As at 30 June 2020, the Group held equity interests in more than 50 agricultural professional cooperatives in the PRC.

- **Cultural tourism**

– ***Medical and health care.*** The Group's medical and health care offerings include medical and elderly care, Chinese medication and maternal and child care. It generates revenue for this sub-segment primarily through medical services provided at its hospital facilities and from the supply of pharmaceuticals and medicines.

– ***Real estate development.*** The Group engages in the development and sales of residential properties in the PRC and provides property management services for such properties. As at 30 June 2020, the Group had 24 property development projects with a total GFA of approximately 4.7 million sq.m. in the PRC, including three completed properties and 21 projects under construction.

– ***Cultural tourism.*** The Group's cultural tourism business primarily comprises traditional tourism services such as travel agency services for national parks and natural scenic attractions, cultural industry related operations including publishing, filming and advertising media, investment management relating to the cultural industry and other integrated tourism services relating to health care and education.

- **Other businesses.** The Group also engages in other ancillary business activities, including (i) equity investment, (ii) purchases and sales of goods, and (iii) the provision of services relating to hydraulic consultation, hydraulic design, supervision of hydraulic works and heating and power supply pipeline connection.

Staying true to its fundamental "Benefiting People, Green, Intelligence" development strategy, the Group has become a water mega-enterprise with the largest asset scale, most integrated industry chain and strongest comprehensive business strength in Shandong Province. It also enjoys a leading position among the country's provincial-level hydraulic investment and financing platforms. As at 31 December 2017, 2018 and 2019 and 30 June 2020, the Group had total assets of approximately RMB47,454.6 million, RMB75,989.4 million, RMB107,135.3 million and RMB119,475.9 million, respectively, and net assets of approximately RMB9,579.0 million, RMB19,304.2 million, RMB26,306.5 million and RMB30,489.1 million, respectively.

COMPETITIVE STRENGTHS

The Group believes that the following strengths are key to its consistent growth and enable the Group to compete successfully within the industries in which it operates:

Strong support from the Shandong Provincial Government

Given the Group's role and function in the government's plan to improve the state of water resources in Shandong Province, it has also received strong financial support from the Shandong Provincial Government for its business and operational development in the form of, among others, capital injection, government capital contribution and government subsidies:

- ***Capital contributions***. Since its incorporation, the Group has received substantial capital injections from the Shandong Provincial Government on 28 occasions . As at 30 June 2020, the Shandong Provincial Department of Water Resources had made capital injections that amounted in aggregate to approximately RMB5,381.8 million pursuant to the approval of the Shandong Provincial Government. See "*– History and Development*" below for further information.

- ***Government subsidies***. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, the Group received government subsidies of approximately RMB132.2 million and RMB247.5 million, RMB495.6 million, RMB119.8 million and RMB190.6 million, respectively, from various government authorities in relation to its business development and operations. See Notes 6.32, 6.45, 6.48 and 6.55 to the 2018 Audited Financial Statements, Notes VIII.39 and VIII.51 to the 2019 Audited Financial Statements and Notes VIII.38 and VIII.50 to the Reviewed Financial Statements included elsewhere in this Offering Circular for details of the government subsidies received by the Group for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020.

- ***Equity transfers***. In 2016, the Shandong Provincial Department of Water Resources transferred the equity interests of 22 enterprises to the Group in accordance with Lu Zheng Banfa [2016] No. 39 Document (魯政辦發[2016]39號文件). In July 2018, the Shandong Provincial Government approved the proposed gratuitous equity transfers of Shandong Agricultural Industrial Group Corporation (山東省農業實業集團公司), Shandong Agricultural Financing Guarantee Co., Ltd. (山東省農業融資擔保有限公司) and certain other entities from the Shandong Provincial Department of Agriculture to the Group as part of the reorganisation of those entities and to establish the Group as the sole agricultural investment and financing platform in Shandong Province.

- ***Operational and management support***: In addition, a substantial majority of the Group's directors are appointed by Shandong SASAC and reserved matters such as director compensation are decided by the Group's shareholders, including Shandong SASAC and the Shandong Provincial Council for Social Security Fund. Further, given that the Group's major decisions concerning investment and financing of key hydraulic projects and asset disposals are subject to review and approval at the Shandong Provincial Water Conservancy Construction Investment and Financing Joint Conference comprised of Shandong SASAC, the Shandong Provincial Department of Finance and the Shandong Provincial Department of Water Resources and is generally convened by the deputy governor of the provincial government in charge of hydraulic works, this effectively means the relevant government authorities do pay particular attention to the Group's business development. All of the foregoing speaks volumes of the Group's close relationship with Shandong SASAC and the Shandong Provincial Government and the operational support it can garner from them.

Such government support has enabled the Group to partake in more capital-intensive and large-scale projects with time, thereby ensuring the constant upgrading of its construction competencies and the expansion of its operational scale. This has been instrumental toward the building of the Group's leading market position in Shandong Province, and the Group believes that it will continue to maintain such leadership in hydraulic engineering construction.

Principal government investment and financing platform for hydraulic engineering construction in Shandong Province

As one of the principal investment and financing platforms carrying out hydraulic engineering construction on behalf of the Shandong Provincial Government, the Group is well-positioned to benefit, and believes it will continue to benefit, from strong government support for its continued growth and development. In particular, the alignment of the Group's business plans and strategies with the province's hydraulic infrastructure related policies has greatly contributed to its success. Notwithstanding the substantial financial expenditures that the provincial government has always permitted to be incurred with respect to its agricultural, forestry and water development activities, including hydraulic engineering construction projects and works, investment in hydraulic engineering construction became a primary focus pursuant to the Shandong Province Hydraulic Development 13th Five-Year Plan (山東省水利發展"十三五"規劃) as part of renewed efforts to tackle serious issues relating to provincial water resources. The Group has capitalised on the opportunities presented by such government policies and financial spending to build a reputable track record in terms of taking on the main contractor role in major hydraulic engineering construction projects, such as the Huangshui East Diversion Emergency Project (黃水東調應急工程) and the Plain Reservoir Project (平原水庫項目).

The Group's dominant role in Shandong's water sector is also evident from various governmental directions, such as the Notice of the Shandong Provincial State-owned Assets Supervision and Administration Commission on Printing and Distributing the Establishment Plan of Shandong Water Development Group Co., Ltd. (Lu Guo Asset Rights [2017] No. 8) (《山東省國資委關於印發山東水務發展集團有限公司組建方案的通知》(魯國資產權字〔2017〕8號)) which designated the Group as the responsible entity for the investment and financing, construction and operation management of major provincial hydraulic projects in Shandong as entrusted by the Shandong Provincial Department of Water Resources, the Minutes of the Meeting of the Shandong Provincial Government ([2012] No. 8) (《山東省人民政府會議紀要》(〔2012〕第8號)) which approved the government's investment, through the Group, that will amount to 20.0% of total investment of construction projects relating to a plain reservoir along the Yellow River, and the Minutes of the Special Meeting of the Shandong Provincial Government on the Construction of Key Flood Control and Disaster Reduction Projects ([2019] No. 5) (《山東省人民政府重點防洪減災工程建設推進工作專題會議紀要》(〔2019〕5號)) which set out the Shandong Provincial Government's decision to accelerate construction of phase 2 of the Huangshui East Diversion Emergency Project and the proposal for funding needs of flood control and disaster mitigation projects to be prioritised, including the potential issue of special bonds as a financing source.

Consequently, the Group has been able to undertake the construction of large-scale water infrastructure within the province, which in turn bears testament to its importance in the government's objective to protect vital water resources and safeguard public water safety, including as follows:

- *Water resources*: In conjunction with the Rural Drinking Water Safety Projects and the Rainwater Utilisation Resources Projects, the Group was commissioned by the provincial government to cooperate with local governments in the construction of plain reservoirs and related water supply network.

- *Cross-regional diversion water engineering*: As a leading state-owned investment and financing platform for hydraulic engineering construction, the Group is in charge of construction of large scale cross-regional water diversion engineering projects.

- *Municipal water reserve*: In accordance with urban drinking water safety requirements, the Group was commissioned by local governments to construct a second water supply source for respective cities, including the construction of water supply pipelines and water plants, so as to ensure municipal water safety.

- *Environmental protection*: The Group is specifically authorised by the government to carry out the construction of sewage treatment plants, garbage treatment plants and river treatment engineering for urban or industrial parks.

Given the important role of the Group in safeguarding water sources in Shandong Province and undertaking the construction of large-scale water supply facilities, there is, with respect to its business, a public welfare angle stemming from the supply of water for the people's livelihood, a resources angle as a result of ensuring economic and social development, and an infrastructure angle from servicing the construction of urban parks. This unique combination has enabled the Group to enjoy relative regional exclusivity and thereby achieve a near-monopolistic position in the province's water industry.

Comprehensive business portfolio spanning the entire water industry chain

The Group offers an ever-expanding integrated range of water related services and products covering hydraulic engineering and construction, water supply, wastewater treatment to the newest addition of clean energy. For example, the Group's hydraulic engineering construction business has evolved from the provision of traditional construction services to include financing, consultation, planning and supervision, design, tendering agency services and sales of hydraulic construction products. Alongside the expansion of its offerings, the Group has ensured that its operating subsidiaries carrying out such activities possess proven expertise and qualifications, such as Shandong Water Construction which holds a Level I qualification for general contracting of hydraulic and hydropower construction works, as well as Level III qualifications for environmental engineering, building construction works, steel structure works, metal structure manufacturing and installation, municipal public works, highway works and bridge engineering construction. As a testament to its capabilities, the Group has successfully expanded its hydraulic engineering construction operations in recent years into certain overseas markets and undertaken important projects in such countries, such as the Dredging of the Bangladeshi River Project (孟加拉河道疏浚項目), the Bangladesh Dhaka Centre Prison Development Project (孟加拉達卡中心監獄開發項目), the Nigeria Port and Industrial Park Construction Project (奈及利亞港口與工業園建設項目), the Myanmar Gonghai Hydropower Station Project (緬甸鞏海水電站等項目) and the Cambodian Shangding Waterworks Project (柬埔寨上丁水廠項目).

As the largest raw water supplier in Shandong Province in terms of volume, the Group had 68 water supply projects as at 30 June 2020 with an aggregate daily supply capacity of 6.2 million cubic metres, that can serve approximately 45.7 million urban users and 76 million rural users. As at the same date, the Group had 129 raw water pump stations and the supply pipeline network of the Group extends over 9,762 kilometres and includes both raw water pipes and end-user water pipes. The scale of the Group's wastewater treatment operations has also grown significantly since its commencement in 2014, with more than 24 located in Shandong Province, Fujian Province, Jilin Province, Shanxi Province and Anhui Province being operated by the Group at 30 June 2020. In addition, the Group provides certain ancillary services, namely related to hydraulic consultation, hydraulic design, supervision of hydraulic works and heating and power supply pipeline connection services. Furthermore, the Group has not stopped its efforts to continue adding to its water capabilities and ongoing research and development initiatives relate to hydraulic or agricultural automation technologies and products, modern water resources management (such as automated control of reservoirs, water gates, water plants or irrigation areas), rural drinking water safety and efficient water-saving irrigation related informatics, as well as the construction of hydraulic data centres at the provincial, urban and county-levels.

Diversified earnings base with multiple, stable and recurring revenue streams

Leveraging the Group's operating history and proven track record in its core water businesses, it has expended significant efforts to add related businesses also centred on "clean living" to its portfolio, such as medical and health care, modern agriculture and cultural tourism. Consequently, the Group has achieved a diversified yet synergistic earnings base comprising revenue from multiple stable sources. For example, the Group's operating revenue generated from its modern agriculture business segment increased from RMB269.0 million for the year ended 31 December 2017 to RMB5,449.4 million for the year ended 31 December 2019. Designated by the Shandong Provincial Government to be the sole agricultural investment and financing platform in Shandong Province, the Group provides a comprehensive offering of efficient and high-end agricultural development and production services, including, among others, construction of planting bases, agricultural and ancillary products processing, agriculture-related financial services, agriculture information technology services, agriculture consulting services and brand promotion. As at 30 June 2020, the Group had equity interests in more than 50 agricultural professional cooperatives in the PRC.

The Group's focus on growing its cultural tourism business, specifically the integrated business development of its engagement in medical and health care, real estate and tourism, has provided it with a new revenue source that is gaining momentum. The Group's operating revenue generated from its cultural tourism business segment increased from RMB1,471.1 million for the year ended 31 December 2017 to RMB3,278.8 million for the year ended 31 December 2019. In particular, the Group's medical and health care segment has expanded its offerings since commencement in 2014 to now cover medical and elderly care, Chinese medication and maternal and child care, with income from medical services provided at its hospital facilities and from the supply of pharmaceuticals and medicines. Another contributor to this new revenue source for the Group is its cultural tourism sub-segment, which comprises traditional tourism services such as travel agency services in respect of national parks, cultural industry related operations, investment management relating to the cultural industry and other integrated tourism services relating to health care and education. As at the date of this Offering Circular, the Group has been contracted to carry out several representative tourism projects such as Fujian Yundingshan Project (福建雲頂山項目) and Jiangxi China Dongdu Project (江西中國洞都項目).

Active expansion in the clean energy business has led to increasing profit

The Group's strategy to add clean energy as a new business line through mergers and acquisitions primarily involving mature targets and thereby extend its water portfolio in an efficient manner has gained momentum in recent years, and is proving to be an important revenue growth driver. As at 30 June 2020, the Group's completed projects include 26 photovoltaic power generation projects with an aggregate installed capacity of approximately 570.5 megawatts, 23 hydropower generation projects with an aggregate installed capacity of approximately 361.0 megawatts, ten biomass power generation projects with an aggregate installed capacity of approximately 259.0 megawatts, ten central heating projects with a coverage area of approximately 57.8 million square metres and eight urban natural gas projects with an aggregate daily supply volume capacity of approximately 2.4 million cubic metres. For the years ended 31 December 2017, 2018 and 2019, the Group's operating revenue generated from its clean energy business was approximately RMB337.3 million, RMB1,694.4 million and RMB4,327.9 million, respectively, representing a CAGR of approximately 258.2% from 2017 to 2019. For the six months ended 30 June 2019 and 2020, the Group's operating revenue generated from its clean energy business was approximately RMB1,386.8 million and RMB4,209.7 million, representing approximately 19.6% and 34.7% of the Group's operating revenue for the same period. The Group's gross profit margin of its clean energy business for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020 was approximately 24.0%, 31.2%, 18.9%, 23.0% and 19.0%, respectively.

The Group believes that the active expansion of its clean energy business not only enhances, but enables it to fully realise, the synergies among its core water-related segments, share competitive advantages across business lines, optimise resource allocation efficiency and contribute to achieving its overall targets. As such, the Group has continued to pursue opportunities to grow its offerings, as demonstrated by the further addition of liquefied natural gas, natural gas operations and renewable energy to its operations through the equity acquisition of Energas Shares, a listed company on the Shanghai Stock Exchange (stock code: 603318) at the end of 2018 and the acquisition of Singyes Solar, a listed company on the main board of the SEHK (stock code: 00750) in November 2019.

Prudent financing structure and diversified funding channels

The Group funds its project development through various financing channels, such as bank loans, debt securities and financial leasing arrangements. Over the years, the Group has cultivated relationships with a number of reputable commercial banks and financial institutions in the PRC, including Industrial and Commercial Bank of China, China Development Bank, Agricultural Development Bank of China, China Construction Bank, The Export-Import Bank of China, Bank of China, Bank of Communications, China Everbright Bank, China Merchants Bank, Postal Savings Bank of China, Agricultural Bank of China, China Citic Bank, Hua Xia Bank, Industrial Bank Co., Ltd. and Ping An Bank, providing a solid foundation for the Group to access capital. As at 30 June 2020, the Group had total credit facilities of approximately RMB79.9 billion, of which approximately RMB34.3 billion had not been utilised. As at the same date, the Group's interest-bearing indebtedness amounted to approximately RMB70.6 billion, which is comprised as to 53.0% by bank loans, 30.0% by debt securities, and 17.0% by financial leasing arrangements and trusts. As at 30 June 2020, the Group had issued 15 outstanding domestic bonds with a total principal amount of RMB15.7 billion, which is comprised of medium-term notes in the amount of RMB2.4 billion, corporate bonds in the amount of RMB9.3 billion, private placement notes in the amount of RMB1.5 billion and ultra short-term financing notes in the amount of RMB2.5 billion. As at the same date, the Group had issued three outstanding offshore bonds with a total principal amount of US$1 billion.

The Group also leverages its excellent financial performance and credibility to access direct financing from capital markets through both public and private issuances of debt securities in the PRC. In 2019, the Group has received a stable "AA+" rating from Golden Credit Rating International Co., Ltd. (東方金誠國際信用評估有限公司) and a stable "AAA" Dagong Global Credit Rating Co. Ltd. (大公國際資信評估有限公司), both credit rating agencies in the PRC. In 2020, the Group has received a stable "AAA" rating from another PRC credit rating agency United Credit Ratings Co., Ltd. (聯合信用評級有限公司). The Group carefully manages the duration of its indebtedness to ensure its liquidity and sustainable funding. As at 30 June 2020, the Group's indebtedness due within one year (including short-term loans and non-current liabilities due within one year) represented 19.5% of its total indebtedness. The Group believes that its financial leverage is still at a manageable level to provide it with funding headroom and financing flexibility and the diversity of its resources will provide it with sufficient capital for future support and expansion.

Sound corporate governance with experienced senior management team

The Group has established a sound and effective corporate governance structure which covers aspects from financial and capital management matters, risk management, production safety, corporate personnel, information disclosure obligations, related party transactions, third-party guarantees to emergency incidents. A comprehensive three-tier internal management structure comprising the board of directors, the general manager and 13 departments is also in place to ensure that daily operations comply with applicable laws and internal risk control mechanisms. For more details, see "— *Internal Control*" and "*Directors, Supervisors and Senior Management — Corporate Governance*".

The Group recognises that its directors and senior management is the driving force in fostering and solidifying its success and leadership in the industries and markets in which it operates. With an average of over 20 years of experience gained from positions with government authorities or state-owned enterprises, the Group's directors and senior management possess in-depth understanding and industrial knowledge essential to its sustainable development and growth. The combination of the Group's corporate governance measures and controls and the capabilities of its senior management has enabled it to capitalise on market opportunities, formulate effective business strategies and maximise its profitability.

BUSINESS STRATEGIES

The Group plans to implement the following business strategies in order to continue its evolvement into a leading modern water conglomerate in the PRC with an international presence:

Continue to enhance the breadth and depth of the Group's business portfolio

Centred on its fundamental "Benefiting People, Green, Intelligence" development strategy, the Group's expansion efforts will focus on growing and cementing its leadership in its core water-related, modern agriculture and cultural tourism businesses. With the goal of building a leading enterprise, the Group will continue to push forward, maintain rapid momentum and strive for the development and advancement of its operations, including water source construction, water technologies, water conservancy design, renewable resources utilisation, hazardous waste disposal and clean energy. Measures that the Group intends to take include the following:

- ***Water business***. The Group intends to increase future investments in major hydraulic projects involving, among others, the utilisation of rainwater as a water resource, urban and rural water supply, river regulation and interbasin transfers. This is expected to facilitate hydraulic technological advancement at the provincial level and also relieve problems relating to insufficient funding channels for hydraulic investments. With respect to its water supply business, the Group plans to further expand its geographic coverage through the construction of new plants or additions of mature operational plants through mergers and acquisitions. Other than expanding its supply capacities, the Group will also continue to upgrade and improve its processing techniques to enhance the quality of the water it supplies, carry out regular testing and inspection to ensure optimal quality control, as well as explore measures to optimise its pipeline network in accordance with municipal requirements. Such plans in terms of adding new plants and facilities, refining technologies and processes utilised in its operations and overall enhancement of its operations will be similarly implemented for the Group's wastewater treatment business. Further, the Group will continue elevating the operating capabilities of its clean energy business (comprising photovoltaic power generation, hydropower generation, biomass power generation, central heating, urban gas services and natural gas) in line with its strategical expansion of this business segment during recent years.

- ***Modern agriculture***. The Group's fundamental strategy for this business is to keep building on its industry reputation and market position. Keeping in mind the national strategy plan for rural revitalisation, the Group will concentrate its development efforts on green, eco-friendly, efficient and innovative modern agriculture. As such, it will continue to allocate internal resources to its construction of large-scale quality planting bases and also enhancement efforts in respect of its Internet of Things (IoT) database, internet service platforms, planting equipment and agricultural technology services. Furthermore, it will remain attentive to relevant government policies and sentiments with respect to the agriculture industry and pursue opportunities strategically to grow its operations.

- ***Cultural tourism***. In line with the development of global cultural tourism, the Group will continue to grow this business segment through a multi-pronged approach with the ultimate objective of building a synergistic and integrated suite of offerings with shared resources that span tourism, culture, health and wellness, real estate, education and others. The Group will continue (1) developing plans for new medical and health care facilities and services, (2) seeking investment opportunities so as to expand the Group's real estate development activities, and (3) selecting and undertaking prominent tourism projects that will not only provide attractive returns but facilitate the enhancement of its market reputation, and also broadening the range of its services to offer more options to customers.

Furthermore, the Group believes that the PRC government's focus in recent years on environmental protection and the building of an eco-friendly society has created a favourable landscape for the Group to venture into new markets, new businesses and continue adding to its water portfolio. Leveraging its deep roots in the water industry, the Group will take care to select development projects with promising prospects that also support government industrial policies and are in line with municipal development strategies. It will also explore potential collaboration involving the utilisation of government resources, social capital investments and taking on the role of the driving state-owned entity to realise sustainable diversified development and growth. Based in Shandong Province but with a national focus, the key sectors on which the Group will focus its efforts remain those relating to public welfare, civic concerns and environmental protection. In this regard, it will continue to actively cooperate with the provincial and local governments to accelerate the strategic deployment of water conservancy reform as well as the development of agricultural, environmental and healthcare resources. The aim is to transform such resource advantages into business advantages for the Group and also help support the growth of other related industries. Through the strategic enhancement of its operations and offerings and consequently, maintaining its core competitiveness, the Group will be well-poised to pursue and capitalise on valuable opportunities to build on its success.

Further expand the Group's geographic footprint and market position both domestically and internationally

To develop into a nationwide leading water conglomerate, the Group has leveraged and, will continue to leverage, its dominance in Shandong Province, particularly its role as one of the Shandong Provincial Government's principal investment and financing platforms in relation to the water sector, to build on its overall domestic market position. This is evident from the geographic reach of the Group's water operations, which has expanded over the years to now cover not only 16 cities and regions across Shandong Province, but 26 provinces in the PRC, including Jilin, Heilongjiang, Sichuan, Fujian, Guangxi, Guizhou, Yunnan, Liaoning, Tianjin, Inner Mongolia, Xinjiang, Anhui, Hebei, Jiangxi, Gansu. Furthermore, the Group has embarked on its international plans and successfully established a presence in overseas markets, such as the People's Republic of Bangladesh, Myanmar and Nepal. The Group intends to continue with its geographical expansion, in particular, capture opportunities arising from the Belt and Road Initiative, to further enhance its reputation and prospects. Through the extension of its business network both domestically and internationally, the Group believes that it will be able to add to its existing competitive strengths and capabilities, capitalise on growth potential in new markets to realise attractive returns and also diversify revenue streams.

Enhance the Group's technical competitiveness through innovative research and development initiatives

Recognising that the Group's technical competitiveness is critical to its growth, the constant upgrading and optimisation of its research and development capabilities to ensure its access to and deployment of modern advanced technologies and processes is a key strategy. The Group's efforts in this regard will continue to focus on technologies which enhance product innovation, production efficiency, the effectiveness of control systems as well as the optimal operation of its businesses. As at the date of this Offering Circular, the Group has set up six research platforms and 11 nationally recognised high-tech entities dedicated to research areas and topics ranging from traditional hydraulic technology, water treatment technology, automation, cogeneration, concentrated brine treatment to engineering operational management. Scientific and technological innovation will continue to be of core importance to the Group and serve as strategic support to its businesses. As such, the Group plans to accelerate the creation of a national-level research and development platform, continue to increase research and development investment, vigorously introduce and cultivate leading talents in science and technology, and actively improve per capita labour efficiency. Other measures that the Group intends to implement include further collaboration with educational and research institutions. In addition, the Group will closely monitor industry trends and technological developments relating to the industries and markets in which it operates so that it is kept abreast of the latest up-to-date technologies and equipment and be able to invest in, develop or procure access in an efficient manner to ensure the quality of its products and services and its overall competitiveness.

Continue to diversify financing channels and adhere to prudent financial management and instil a cluster management system for better efficiencies

The Group plans to continue to improve its capital structure by increasing its financial leverage through diverse fundraising channels to lower its cost of capital and risk exposure yet remain poised to capture strategic market opportunities as they arise. In particular, the Group shall endeavour to develop and strengthen relationships with domestic and international financial institutions to secure funding on favourable terms to better support its business growth. It will also seek and contemplate alternative sources of funding, such as issuance of offshore debt securities, to diversify its capital resources and maintain a balanced debt structure consisting of short-term, medium-term and long-term credit facilities. To address interest rate risks, the Group may adjust its composition of onshore and offshore debt as well as its direct and indirect financing structure in accordance with credit policies and market changes. Asset diversification and securitisation is also a key direction. The objective is to prudently manage its financials while fulfilling investment and development needs to drive profitability. Therefore, the Group will continue its focuses on financial risk control, company growth, value creation, implementation of budget management and establishment of information platforms in order to encourage communications and interactions between business operation and financial management, contribute to the sustainable and healthy development of the Company and provide financial stability.

In addition, the Group is committed to building and instilling an innovative cluster management system, which will be integrated in a systematic manner into its business operations and become integral to its continuous growth. Such a system will be made possible through the establishing of an observer mechanism, accelerating informatisation, and promoting downward delegation of power and creation of a sharing process, thereby enhance the ability to empower at the headquarters-level and further motivate development at the subsidiary-level. As the deepening of operational reforms will continue to be of importance to the Group, it intends to proactively pursue innovation with respect to its mechanism and processes, intensify mixed reform efforts and also promote asset securitisation.

RECENT DEVELOPMENTS

Performance of the Group for the Nine Months Ended 30 September 2020

The Group has published its interim consolidated financial statements as at and for the nine months ended 30 September 2020 on the website of Shanghai Clearing House, but such financial statements have not been audited or reviewed by an independent auditor and may be subject to further adjustments. Such unaudited and unreviewed assessment should not be taken as an indication of the Group's business, financial condition or results of operation expected for these periods and potential investors should not rely on such interim financial information to evaluate the Group's financial condition and results of operation for these periods or the full year ended 31 December 2020. For the avoidance of doubt, the Guarantor's interim consolidated financial statements as at and for the nine months ended 30 September 2020 are not incorporated by reference herein and do not constitute part of this Offering Circular.

For the nine months ended 30 September 2020, the Group's operating revenue increased as compared to the same period in 2019 primarily due to a larger number of consolidated entities and significant increases in revenue generated from the Group's hydraulic engineering construction and clean energy businesses. The Group also recorded increased revenue across all of its other business segments as a result of projects that it had initially invested in being put into operation. However, the Group's operating cost increased in line with revenue, but at a greater margin, particularly due to increases in selling and distribution expenses, general and administrative expenses and financial expenses, as compared to the same period in 2019. Such increases primarily resulted from the increased scope of consolidation and the enlarged financing scale of the Group. Correspondingly, the Group's operating profit recorded a slight decrease. Nonetheless, the Group's total profit and net profit both increased for the nine months ended 30 September 2020 as compared to the same period in 2019.

As at 30 September 2020, the Group's total assets increased as compared to the balance as at 31 December 2019, primarily due to increases in cash and cash equivalents, inventory, fixed assets, construction in progress, intangible assets and goodwill, which are in line with the Group's business expansion and its increased scope of consolidation. The Group's total liabilities as at the same date also increased but by a lower margin. This was primarily attributable to an increase in total non-current liabilities as the Group incurred more long-term loans and bonds payable to meet its increased capital requirements and support its current rapid pace of business development and expansion. The Group's total current liabilities increased slightly primarily due to increases in short-term loans and notes payable.

None of the Joint Lead Managers, the Trustee, the Agents, or any person who controls any of them or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates or any person who controls any of them makes any representation, warranty or undertaking, express or implied of, or accepts any responsibility or liability with respect to, the Group or the Group's business, financial condition or results of operation.

Change in the Supervisors of the Guarantor

As at the date of this Offering Circular, three members of the Guarantor's board of supervisors, namely Mr. Zhao Ronghao, Mr. Tian Yi and Mr. Fu Tao, have stepped down from their positions with immediate effect pursuant to and in compliance with the Implementing Opinion of the People's Government of Shandong Province on the Reform of Provincial Institutions in Shandong Province《山東省人民政府關於山東省省級機構改革的實施意見》(the "**Implementing Opinion**") issued by the Shandong Provincial Government on 6 November 2018. According to the Implementing Opinion, the duties and responsibilities of the board of supervisors of provincial-level state-owned enterprises under the direct supervision of Shandong SASAC will be assumed by the Shandong Provincial Audit Office and such enterprises will cease to have individual board of supervisors thereafter. Consequently, Shandong SASAC will no longer nominate and appoint supervisors of the Guarantor. The two remaining employee supervisors of the Guarantor, Ms. Zhang Jin and Mr. Wang Zhonghua, are currently suspended from their duties, given that the requisite minimum number of members to form a functionable board of supervisors is not met. Please also see "*Risk Factors The Guarantor does not have the minimum number of supervisors as required under its articles of association and applicable PRC laws, and the lack of a valid board of supervisors may also expose the Guarantor to corporate governance risks*". However, as the change in supervisors was carried out in accordance with applicable regulations, the Guarantor believes that this development will not result in a material and adverse effect on its business and operations.

Undertaking of New Province-level Water Diversion Projects

On 8 July 2020, the Group set up a new wholly owned subsidiary, Shandong Water Diversion Engineering Co., Ltd. (山東調水工程有限公司) to be the primary operating entity for its undertaking of certain major water diversion projects in Shandong Province. The preliminary list of projects assigned to the Group by the provincial government include Guanlu Reservoir Project (官路水庫工程), Jiaodong Water Diversion Expansion Project (膠東調水擴建工程), Shandong Coastal Water Diversion Project (山東濱海調水工程), Shuifa Coastal Water Diversion Project (水發濱海調水工程) and Nanshui North Diversion Jiaodong Continuation Project (南水北調膠東續建工程). Total estimated investment amount of the foregoing projects is expected to exceed RMB70 billion with construction anticipated to commence at various times within the next five years. These projects are a part of the PRC government's initiative to improve water resources and conditions across the country, and the Group believes that it being entrusted with the lead contractor role not only represents acknowledgement of its industry position, but is also a valuable opportunity to showcase the strength of its core capabilities and further enhance its complementary ancillary competencies.

Issuance of Additional May 2020 Bonds

On 19 August 2020, the Issuer further issued additional May 2020 Bonds in an aggregate principal amount of U.S.$50,000,000, which were consolidated and form a single class with the May 2020 Bonds issued on 8 May 2020. The total aggregate outstanding amount of the May 2020 Bonds as at the date of this Offering Circular is U.S.$400,000,000.

HISTORY AND DEVELOPMENT

The Company's predecessor, Shandong Water Development Co., Ltd. (山東水務發展有限公司), was incorporated on 8 November 2009 pursuant to the approval of the Shandong Provincial Government. Subsequently, a change of name to "Shandong Water Development Group Co., Ltd. (山東水務發展集團有限公司)" was effected in August 2015, followed by a further name change in December 2016 to "Shuifa Group Co., Ltd. (水發集團有限公司)". As at the date of this Offering Circular, the Company has a registered capital of RMB5,381.8 million and is owned as to 70.0%, 20.0% and 10.0% by Shandong SASAC, the Shandong Guohui Investment Co., Ltd. (山東省國惠投資有限公司) and the Shandong Provincial Council for Social Security Fund (山東省社會保障基金理事會), respectively. See "— *Corporate Structure*" below.

The table below sets forth selected key milestones in the Group's history and development:

Year	Events
2009	• On 9 April 2009, pursuant to the "Approval Relating to the Relevant Matters of the Agreement on the Establishment Works of Shandong Water Development Co., Ltd. (Lu Zheng Zi [2009] No. 62)" 《關於同意山東水務發展有限公司組建工作有關事宜的批復》(魯政字〔2009〕62號)), the Shandong Provincial Government approved the incorporation of Shandong Water Development Co., Ltd. (山東水務發展有限公司), the Company's predecessor.
	• On 8 November 2009, Shandong Water Development Co., Ltd. (山東水務發展有限公司), the Company's predecessor, was officially incorporated with an initial registered capital of RMB1,350.0 million, which was provided by its sole shareholder, the Shandong Provincial Department of Water Resources in the form of various cash capital contributions between November 2009 and 2011.
2010	• In 2010, the Company invested in Shandong Water Investment Co., Ltd. (山東水務投資有限公司), completely acquired Shuifa Zhongxing (formerly known as Shandong Water Zhongxing Construction Development Co., Ltd. (山東水務眾興建設發展有限公司) and as Shandong Shuifa Zhongxing Water Group Co., Ltd. (山東水發眾興水務集團有限公司)) and became a controlling shareholder of Shandong Shuifa Tianyuan Water Group Co., Ltd. (山東水發天源水務集團有限公司), transforming itself from an investment and financing platform to an entity with economic operations.
2011	• In April 2011, Shandong Shuifa Holding Group Co., Ltd. (山東水發控股集團有限公司) was incorporated with an initial registered capital of RMB1,706.19 million. Its business scope includes activities relating to water resources management, renovations works of water supply and drainage system, irrigation areas and water-savings system, reinforcement works of reservoirs, river regulation works, wastewater treatment works and the investment, construction, operation management, design consultation and tendering agency services of hydraulic related projects. The Company directly owns the 100.0% equity interest in this subsidiary as at the date of this Offering Circular.

Year	Events
	• In June 2011, Shandong Shuifa Environmental Protection Group Co., Ltd. (山東水發環保集團有限公司), one of the eight subsidiaries through which the Group primarily operates its water supply business, was incorporated with an initial registered capital of RMB20.0 million. The Company indirectly owns the 100.0% equity interest in this subsidiary as at the date of this Offering Circular.
	• In June and July 2011, Shuifa Civil Industry Investment Group Co., Ltd. (水發民生產業投資集團有限公司) (formerly known as Shandong Shuifa Real Estate Group Co., Ltd. (山東水發置業集團有限公司)) and Shandong Herun Real Estate Co., Ltd. (山東和潤置業有限公司), the project companies through which the Group primarily operates its real estate development business following its acquisition of these two entities in 2016, were incorporated with an initial registered capital of RMB20.0 million and RMB20.0 million, respectively. See "— *Real Estate Developments*" below for more details.
2012	• Shandong Water Conservancy Construction Group Co., Ltd. (山東水利建設集團有限公司) (formerly known as Shandong Water Conservancy Dredging Engineering Office) has been the primary operating entity for the Group's hydraulic engineering construction business since 2012. This subsidiary was incorporated in November 1991 with an initial registered capital of RMB300.0 million. The Company directly owns the 100.0% equity interest in this subsidiary as at the date of this Offering Circular.
	• The Group accelerated its market expansion and reached a new level in terms of its operational scale and capabilities. This was made possible by the "one-stop" strategy it adopted for the development of its water business with a focus on the construction of plain reservoirs, thereby capitalizing on opportunities presented by the implementation of rural drinking water safety considerations.
2013	• In 2013, the Shandong Provincial Department of Water Resources made two capital injections amounted to a total of approximately RMB150.0 million in cash into the Company, thereby increasing the latter's registered capital to RMB1,500.0 million. Total cumulative injections from the Shandong Provincial Government amounted to RMB1,410 million.
2014	• In 2014, the Shandong Provincial Department of Water Resources made capital injections in cash in respect of the Company on three occasions which amounted to a total of approximately RMB539.086 million, further increasing the latter's registered capital to RMB2,039.086 million.
	• In March 2014, Lukong Water Group Co., Ltd. (魯控水務發展集團有限公司), one of the eight subsidiaries through which the Group primarily operates its water supply business, was incorporated with an initial registered capital of RMB480.34 million. The Company indirectly owns the 100.0% equity interest in this subsidiary as at the date of this Offering Circular.

Year	Events
	• In 2014, the Group commenced its medical services business through the establishment of Shandong Shuifa Health Development Co., Ltd. (山東水發康養發展有限公司) (formerly known as Shandong Hehui Medical Co., Ltd. (山東合惠醫療有限公司)) and its acquisition of Chengwu County People's Hospital (成武縣人民醫院). The Company indirectly owns a 48.57% equity interest in Shandong Shuifa Health Development Co., Ltd. as at the date of this Offering Circular.
2015	• On 21 August 2015, the Company changed its name from "Shandong Water Development Co., Ltd. (山東水務發展有限公司)" to "Shandong Water Development Group Co., Ltd. (山東水務發展集團有限公司)" pursuant to the "Notice Regarding the Agreement to Change the Name and Articles of Association of Shandong Water Development Co., Ltd." (《關於同意變更山東水務發展有限公司名稱及章程的通知》) issued by the Shandong Provincial Department of Water Resources. This officially signaled the Group's intention to diversify and expand its business footprint and market position both domestically and internationally.
	• In December 2015, the Group established Lu Medical Holdings Co., Ltd. (魯醫控股有限公司) with an initial registered capital of RMB50.0 million, and in cooperation with Leling Lehua Investment Development Co., Ltd. (樂陵市樂華投資發展有限公司), the Group further set up Lu Medical Holdings (Leling) Co., Ltd. (魯醫控股(樂陵)有限公司) as part of its reorganisation of its medical services business operations. As at the date of this Offering Circular, the Company directly owns the 100.0% equity interest in Lu Medical Holdings Co., Ltd. and also indirectly owns a 51.0% equity interest in Lu Medical Holdings (Leling) Co., Ltd.
	• In 2015, the Company's registered capital was further increased to RMB2,730.856 million following capital injections in the total amount of approximately RMB691.77 million in cash by the Shandong Provincial Department of Water Resources.
	• In 2015, the Group had built a business that covered the whole water industry chain, and also commenced its investment in clean energy, modern agriculture and cultural tourism, and successfully laid the foundation for its strategic growth plan based on the principle of "Rooted in Water Conservancy, Focused on Civic Welfare, Diversified Development".
2016	• In March 2016, the Company's registered capital was increased yet again to RMB2,990.856 million following another capital injection of RMB260.0 million.

Year	Events
	• On 16 December 2016, the Company changed its name from "Shandong Water Development Group Co., Ltd. (山東水務發展集團有限公司)" to "Shuifa Group Co., Ltd. (水發集團有限公司)" pursuant to the "Notice Regarding the Agreement to Change the Name and Articles of Association of Shandong Water Development Co., Ltd." (《關於同意變更山東水務發展有限公司名稱及章程的通知》) issued by the Shandong Provincial Department of Water Resources in November 2016 and the corresponding approval of the Shandong Provincial Administration for Industry and Commerce (山東省工商行政管理局). This marked a milestone for the Group's development blueprint in terms of breaking through geographical and industrial limitations and formally putting in place internationalised, diversified and modernised business strategies.
2017	• In June 2017, Shuifa Design Group Co., Ltd. (水發設計集團有限公司), one of the primary entities through which the Group operates its hydraulic engineering construction business, was incorporated with an initial registered capital of RMB201.0 million. The Company indirectly owns the 100.0% equity interest in this subsidiary as at the date of this Offering Circular.
	• In September 2017, the Shandong Provincial Department of Water Resources transferred its entire equity interest in the Company to Shandong SASAC pursuant to reform policies relating to centralised supervision of state-owned assets by the Shandong Provincial Government. Consequently, as a top-tier state-owned enterprise, the Group gained access to a much bigger platform with greater brand value and influence as well as an enhanced level of overall competitiveness.
	• In 2017, the Company's registered capital was increased to RMB4,222.856 million following the capital injections in the total amount of RMB1,232.0 million in cash by the Shandong Provincial Department of Water Resources. Total cumulative injections from the Shandong Provincial Government amounted to RMB4,302 million.
2018	• In 2018, the Company's registered capital was increased further to RMB5,205.8 million following two capital injections which amounted to a total of approximately RMB982.9 million in cash by the Shandong Provincial Department of Water Resources.
	• In July 2018, the Shandong Provincial Government approved the proposed gratuitous transfers of Shandong Agricultural Industrial Group Corporation (山東省農業實業集團公司), Shandong Agricultural Financing Guarantee Co., Ltd. (山東省農業融資擔保有限公司) and certain other entities from the Shandong Provincial Department of Agriculture to the Group to commence reorganisation of such entities and to establish the sole agricultural investment and financing platform in Shandong Province.

Year	Events
	• In October 2018, there was a change in the ownership structure of the Company which resulted in Shandong SASAC, the Shandong Guohui Investment Co., Ltd. (山東省國惠投資有限公司) and the Shandong Provincial Council for Social Security Fund (山東省社會保障基金理事會) holding 70.0%, 20.0% and 10.0% of the equity interests in the Company, respectively, in place of the Shandong Provincial Department of Water Resources. See "— *Corporate Structure*" below.
	• On 10 December 2018, the Group's wholly-owned subsidiary, Shuifa Zhongxing, entered into a share transfer framework agreement with Energas Shares for the acquisition of 29.99% equity interest in Energas Shares with a purchase price of approximately RMB1,485.3 million. As at the date of this Offering Circular, Shuifa Zhongxing owns a 30.08% equity interest in Energas Shares following a cancellation in restricted shareholding repurchase by other minority shareholders in June 2019 (which was made pursuant to a restricted stock incentive scheme).
2019	• In March 2019, there was a re-alignment in the Group's core business segmentation in view of relevant policies of Shandong SASAC, and consequently, the Group's core businesses was reclassified into three principal segments: (i) water business, (ii) modern agriculture, and (iii) cultural tourism. This marked the Group officially becoming a provincial-level "water conservancy, agriculture and environment protection" platform.
	• In May 2019, the Group entered into a strategic cooperation agreement with the Shandong branch of the Agricultural Development Bank of China pursuant to which the Agricultural Development Bank is expected to provide support for the Group's development.
	• In August 2019, the Guarantor was assigned a corporate credit rating of "Baa3" with stable outlook by Moody's.
	• In October 2019, the Group entered into a strategic cooperation agreement with the Shandong branch of the Postal Savings Bank of China pursuant to which the Postal Savings Bank of China is expected to provide support for the Group's development.
	• On 28 November 2019, the Group completed its acquisition of a 66.92% equity interest in Singyes Solar, and Singyes Solar became an indirect subsidiary of the Guarantor.

Year	Events
2020	• On 10 February 2020, pursuant to the "Notice on Issuing the List of Provincial Major Projects for the Year of 2020 (Lu Zheng Zi [2020] No. 23)" (《關於下達2020年省重大項目名單的通知》(魯政字[2020] 23號)) issued by the Shandong Provincial Government, four projects of the Group were included in the List of Provincial Major Projects for the Year of 2020, namely Shuifa International Logistics Park (水發國際物流園), Heze Juye Port District Wanfeng Operation Area Phase I Project (菏澤巨野港區萬豐作業區一期工程), Heze Flower Dance World (菏澤花舞世界) and Jining Port Jiaxiang Port District Xiangcheng North Operation Area Tieshui Intermodal Logistics Park Project (濟寧港嘉祥港區祥城北 作業區鐵水聯運物流園區項目), among which Shuifa International Logistics Park is the only new province-level major project in Licheng District, Jinan for 2020. • In February 2020, the Group received another stable "AAA" rating from United Credit Ratings Co. Ltd. (聯合信用評級有限公司) after its first such rating from Dagong Global Credit Rating Co. Ltd. (大公國際資信評估有限公司) in 2019. • On 22 April 2020, the Group entered into a cooperation framework agreement with Qilu Equity Exchange Centre (齊魯股權交易中心), which ushers in a new cooperation model that is mutually beneficial to both provincial industry groups and financial enterprises. • On 1 May 2020, Singyes Solar Debt Restructuring Project was awarded "Best Restructuring Transaction in Asia Pacific in 2020" by The Banker. • On 14 May 2020, the Group entered into a comprehensive cooperation framework agreement with Huawei Technologies Co., Ltd. (華為技術有限公司). The parties will utilise Huawei's core technological advantages in the Internet of Things, cloud computing and big data to build Zhishui International Research and Development Centre (智水國際研發中心) and Zhinong China Research and Development Centre and Witpark (智農中國研發中心和智慧產業園區). • On 3 June 2020, the Group entered into a strategic cooperation agreement with Shandong Agricultural University to commence collaborative efforts in various aspects, including talent exchange and industry-university joint research. • In July 2020, the Guarantor was assigned a corporate credit rating of "Baa1" with stable outlook by Moody's.

AWARDS AND RECOGNITION

The Group has received various honours and awards in recognition of its business achievements, some of which are set forth below:

Year	Awards	Awarding Body
2007	National Science and Technology Progress Award (Second Class Award) (國家科學技術進步獎(二等獎))	State Council
	National Key New Product Certificate (國家重點新產品證書)	Ministry of Science and Technology of the PRC (中華人民共和國科學技術部), MOC, General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家質量監督檢驗檢疫總局) and Ministry of Environmental Protection of the PRC (國家環境保護總局)
2012	Recognised Enterprise Technology Centre of Shandong Province (山東省認定企業技術中心)	Economic and Information Commission of Shandong Province (山東省經濟和信息化委員會)
2014	Science and Technology Progress Award of Shandong Province (Second Class Award) (山東省科學技術進步獎(二等獎))	Shandong Provincial Government
	2014 Top 100 Most Advancing Building Materials Enterprises in China (2014中國最具成長性建材企業100強)	China Building Materials Enterprise Management Association (中國建築材料企業管理協會)
	2013 Excellent Hydraulic Engineering "Lushui Cup" of Shandong Province (2013年度山東省"魯水杯"優質水利工程)	Shandong Provincial Department of Water Resources
2015	2014 Science and Technology Award of Jiangsu Province (Second Class Award) (2014年度江蘇省科學技術獎(二等獎))	People's Government of Jiangsu Province (江蘇省人民政府)
	Dayu Hydraulic Science and Technology Award (大禹水利科學技術獎)	Dayu Hydraulic Science and Technology Awards Committee (大禹水利科學技術獎獎勵委員會)
	National Excellent Water Conservancy and Hydropower Engineering Survey and Design Award (Silver Award) (全國優秀水利水電工程勘測設計獎(銀質獎))	China Water Conservancy and Hydropower Investigation and Design Association (中國水利水電勘測設計協會)

Year	Awards	Awarding Body
	Natural Science Award (First Class Award) (自然科學獎(一等獎))	Ministry of Education of the PRC (中華人民共和國教育部)
	Second Class Award of 2015 Excellent Engineering Survey and Design of Shandong Province (2015年度山東省優秀工程勘察設計成果競賽二等獎)	Housing and Urban-Rural Construction Department of Shandong Province (山東省住房和城鄉建設廳)
	Excellent Installation Project Award of Shandong Province (山東省優質安裝工程獎)	Shandong Installation Association (山東省安裝協會)
2016	2015 Construction Engineering Quality Taishan Cup Project of Shandong Province (2015年度山東省建築工程質量泰山杯工程)	Housing and Urban-Rural Construction Department of Shandong Province (山東省住房和城鄉建設廳)
	Dayu Hydraulic Science and Technology Award (Third Class Award) (大禹水利科學技術獎(三等獎))	Dayu Hydraulic Science and Technology Awards Committee (大禹水利科學技術獎獎勵委員會)
	Hydraulic Science and Technology Progress First Class Award of Shandong Province (山東省水利科學技術進步一等獎)	Shandong Provincial Water Conservancy Bureau Science and Technology Committee (山東省水利廳科學技術委員會)
	Brand-name Product of Shandong Province (山東省名牌產品)	Shandong Provincial Bureau of Quality and Technology Supervision (山東省質量技術監督局)
	Enterprise of AAA Credit	China Water Engineering Association
2017	2016 Excellent Hydraulic Engineering “Lushui Cup” of Shandong Province (2016年度山東省“魯水杯”優質水利工程)	Shandong Provincial Department of Water Resources
	2016 Top 10 PCCP Enterprises in China (2016年度全國PCCP十強企業)	China Concrete & Cement-based Products Association (中國混凝土與水泥製品協會)
	Dayu Hydraulic Science and Technology Award (Third Class Award) (大禹水利科學技術獎(三等獎))	Dayu Hydraulic Science and Technology Awards Committee (大禹水利科學技術獎獎勵委員會)
	Second Class Award of 2017 First Beidou Time-Space Wisdom Application Innovation Contest of Shandong Province (2017首屆山東省北斗時空智慧應用創新大賽二等獎)	National Defense, Mechanics and Electronics Trade Union of Shandong Province (山東省國防機械電子工會) and Shandong Institute of Electronics (山東電子學會)

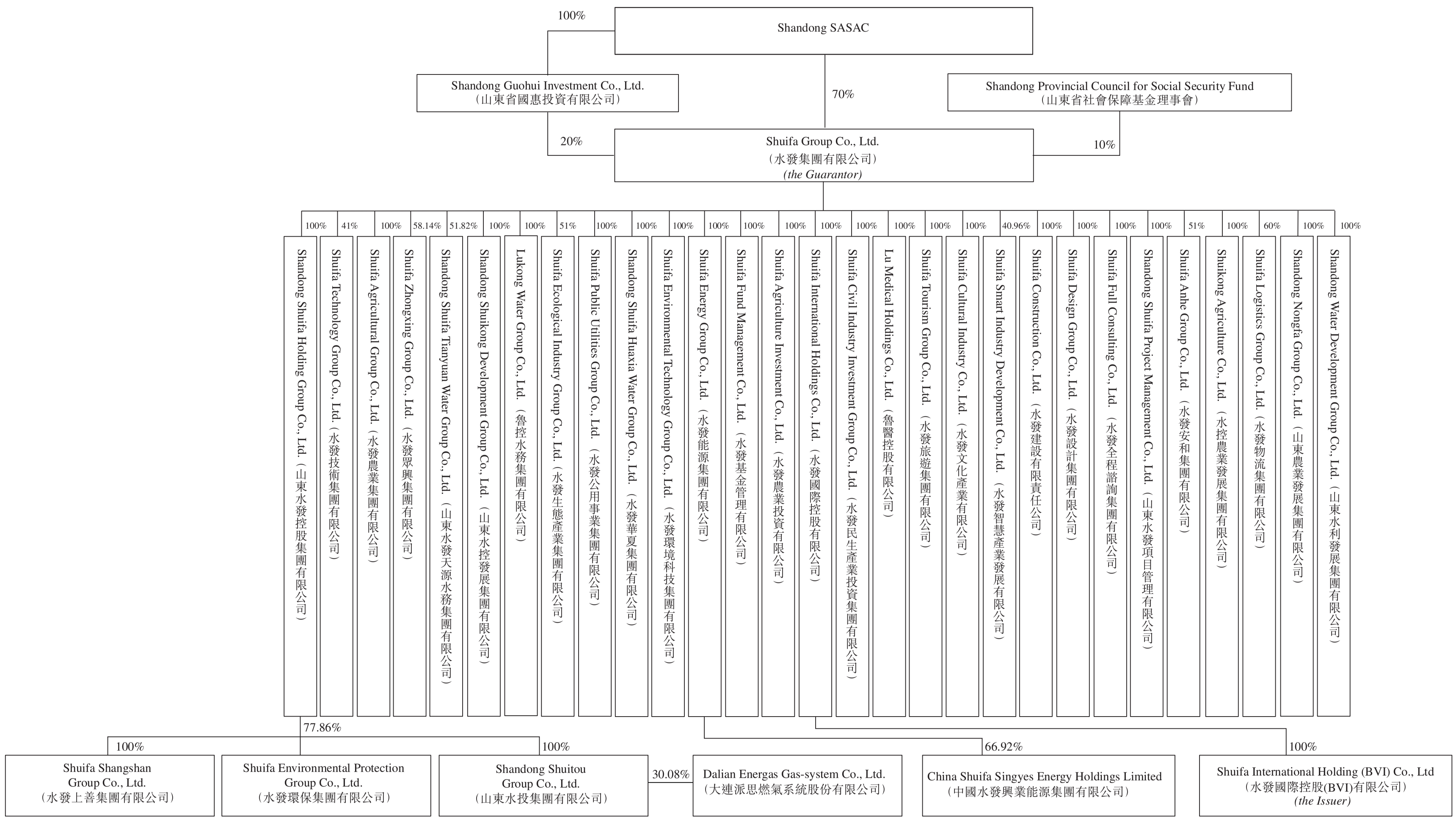
Year	Awards	Awarding Body
	Outstanding Award of Second Smart Life Maker Design Contest of Shandong Province (山東省(第二屆)智慧生活創客設計大賽特等獎)	National Defense, Mechanics and Electronics Trade Union of Shandong Province (山東省國防機械電子工會) and Shandong Institute of Electronics (山東電子學會)
2018	2017 Smart Internet of Things Technology Innovation Award (2017年智慧物聯科技創新成果獎)	Shandong Internet of Things Association (山東省物聯網協會)
	Science and Technology Progress Award of Shandong Province (Second Class Award) (山東省科學技術進步獎(二等獎))	Shandong Provincial Government
	2018 China Building Materials Gold Award (2018中國建築材料金材獎)	China Building Material Brand (中國建築材料品牌網) and China Construction Industry Cooperation Platform (中國建築業企業合作平臺)
	2018 Agriculture, Animal Husbandry and Fishery Harvest Award of Shandong Province (2018年山東省農牧漁業豐收獎)	Shandong Provincial Agriculture, Animal Husbandry and Fishery Harvest Awards Committee (山東省農牧漁業豐收獎獎勵委員會)
	Dayu Hydraulic Science and Technology Award (First Class Award) (大禹水利科學技術獎(一等獎))	Dayu Hydraulic Science and Technology Awards Committee (大禹水利科學技術獎獎勵委員會)
	Top Service Brand of Shandong Province (山東省服務名牌)	Shandong Provincial Bureau of Quality and Technology Supervision (山東省質量技術監督局)
	Jinan Specialised, Boutique, Unique and New Small and Medium-sized Enterprise (濟南市"專精特新"中小企業)	Jinan Economic and Information Technology Committee (濟南市經濟和資訊化委員會)
	Top Brand Product of Shandong Province (山東省名牌產品)	Shandong Provincial Bureau of Quality and Technology Supervision (山東省質量技術監督局)

Year	Awards	Awarding Body
2019	2018 Science and Technology Progress Award of Shandong Internet of Things Association (2018山東物聯網協會科技進步獎)	Shandong Internet of Things Association (山東省物聯網協會)
	Specialised, Boutique, Unique and New Small Giant Enterprise（"專精特新小巨人"企業）	Ministry of Industry and Information Technology（國家工業和信息化部）
	Shandong Major Energy Conservation Achievement Award (山東省重大節能成果獎)	People's Government of Shandong Province (山東省政府辦公廳)
	Shandong technology innovation demonstration enterprise (山東省技術創新示範企業)	Shandong Provincial Department of Industry and Information Technology (山東省工業和信息化廳)
	Shandong Taishan industry leading talent (山東省泰山領軍人才)	Shandong Provincial Party Committee Organization Department (山東省委組織部), Shandong Provincial Development and Reform Commission (山東省發展改革委), Shandong Provincial Science and Technology Department (山東省科技廳), Shandong Provincial Industry and Information Technology Department (山東省工業和信息化廳) and Shandong Provincial Human Resources and Social Security Department (山東省人力資源社會保障廳)
	Implementation Unit of "1000 Talents Plan" of Shandong Province (山東省千人計劃實施單位)	Shandong Overseas High-level Talents Introduction Working Group (山東省引進海外高層次人才工作小組)
	National Excellent Water Conservancy and Hydropower Engineering Survey and Design Award (全國優秀水利水電工程勘測設計獎)	China Water Conservancy and Hydropower Investigation and Design Association (中國水利水電勘測設計協會)
	2019 Agriculture, Animal Husbandry and Fishery Harvest Award of Shandong Province (2019年山東省農牧漁業豐收獎)	Shandong Provincial Agriculture, Animal Husbandry and Fishery Harvest Awards Committee (山東省農牧漁業豐收獎獎勵委員會)

Year	Awards	Awarding Body
	Jinan Specialised, Boutique, Unique and New Small and Medium-sized Enterprise (濟南市"專精特新"中小企業)	Jinan Economic and Information Technology Committee (濟南市經濟和資訊化委員會)
	2019 Outstanding Enterprise in Shandong Province (2019年山東省優秀企業)	Shandong Provincial Party Committee Organization Department (山東省委組織部), Shandong Provincial Party Committee Propaganda Department (山東省委宣傳部), Shandong Provincial Party Committee United Front Work Department (山東省委統戰部), Shandong Provincial Department of Industry and Information Technology (山東省工業和信息化廳), Shandong Provincial Human Resources and Social Security Department (山東省人力資源社會保障廳), Shandong Provincial Department of Commerce (山東省商務廳), Shandong SASAC and Shandong Provincial Local Financial Supervisory Commission (山東省地方金融監督管理局)
	Huangshui East Diversion Emergency Project was awarded the honour of "Major Event" (黃水東調工程創山東水利建設史多項紀錄被推選為"重大事件")	Shandong SASAC
2020	China Top 500 Service Enterprises (2020年中國服務企業500強) (the Group ranked 284th)	China Enterprise Confederation and China Entrepreneurs Association
	Shandong Province Top 100 Enterprises (2020年山東省百強企業) (the Group ranked 87th)	Shandong Provincial Department of Industry and Information Technology

CORPORATE STRUCTURE

The chart below illustrates the simplified corporate structure of the Group as at the date of this Offering Circular:



BUSINESS SEGMENTS

In view of relevant policies of Shandong SASAC, the Group recently reclassified its core businesses into three principal segments, namely (i) water business, including hydraulic engineering construction, water supply, wastewater treatment and clean energy, (ii) modern agriculture, and (iii) cultural tourism, including medical and health care, real estate development and cultural tourism. In addition, it also engages in other ancillary business activities, including equity investment, purchases and sales of goods, and the provision of services relating to hydraulic consultation, hydraulic design, supervision of hydraulic works and heating and power supply pipeline connection.

The table below sets forth the Group's operating revenue by business segment for the periods indicated, with each item expressed as a percentage of the Group's operating revenue:

	For the year ended 31 December						For the six months ended 30 June			
	2017		2018		2019		2019		2020	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in millions)		(RMB in millions)		(RMB in millions)		(RMB in millions)		(RMB in millions)	
Water business	**2,769.5**	**47.9**	**7,216.3**	**65.2**	**12,310.2**	**57.7**	**5,907.8**	**83.3**	**9,358.3**	**77.2**
Hydraulic engineering construction	1,497.6	25.9	4,046.2	36.6	5,203.3	24.4	3,258.6	45.9	3,484.5	28.7
Water supply	665.5	11.5	1,121.8	10.1	1,396.4	6.5	939.0	13.2	730.5	6.0
Wastewater treatment	269.1	4.7	353.9	3.2	543.7	2.5	323.4	4.6	365.7	3.0
Clean energy	337.3	5.8	1,694.4	15.3	4,327.9	20.3	1,386.8	19.6	4,209.7	34.7
Environmental protection[(3)]	–	–	–	–	838.9	3.9	–	–	568.0	4.7
Modern agriculture	**269.0**	**4.7**	**605.0**	**5.5**	**5,449.4**	**25.5**	**153.0**	**2.2**	**1,684.2**	**13.9**
Cultural tourism	**1,471.1**	**25.4**	**2,994.4**	**27.1**	**3,278.8**	**15.4**	**886.6**	**12.5**	**819.8**	**6.8**
Medical and health care	876.5	15.2	940.6	8.5	598.9	2.8	269.6	3.8	102.2	0.8
Real estate development	594.6	10.3	1,733.5	15.7	1,791.6	8.4	358.4	5.1	457.2	3.8
Cultural tourism	–	–	320.3	2.9	888.3	4.2	258.6	3.6	260.3	2.1
Other businesses[(1) (2)]	**1,272.5**	**22.0**	**252.1**	**2.3**	**299.5**	**1.4**	**147.1**	**2.1**	**263.0**	**2.2**
Total	**5,782.1**	**100.0**	**11,067.8**	**100.0**	**21,337.8**	**100.0**	**7,094.5**	**100.0**	**12,125.3**	**100.0**

Notes:

(1) Operating revenue generated from the Group's other businesses primarily included revenue derived from purchases and sales of goods and the provision of services relating to hydraulic consultation, hydraulic design, supervision of hydraulic works and heating and power supply pipeline connection. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, operating revenue generated from purchases and sales of goods and the provision of hydraulic related services (including hydraulic consultation, hydraulic design and supervision of hydraulic works) was reclassified into the Group's hydraulic engineering construction business.

(2) For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, revenue generated from the Group's equity investment sub-segment were derived under intercompany transactions which, depending on the classification of investment category and the corresponding accounting treatments, were first recorded under investment income and other comprehensive income and subsequently eliminated at the consolidated level. Such revenue generated from the Group's equity investment sub-segment were not recognised under operating revenue of the Group for the corresponding periods. Please refer to Note 4.14 to the 2018 Audited Financial Statements, Note IV.13 to the 2019 Audited Financial Statements and Note IV.13 to the Reviewed Financial Statements for details about the accounting treatments relating to long-term equity investments.

(3) This is a new sub-segment introduced in 2019 following the Group's acquisition of Energas Gas and Singye Solar and the subsequent integration of their businesses into its existing portfolio.

Water Business

The Group's water business primarily comprises four major sub-segments, including (i) hydraulic engineering construction, (ii) water supply, (iii) wastewater treatment and (iv) clean energy. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, the Group's operating revenue generated from its water business segment was approximately RMB2,769.5 million, RMB7,216.3 million, RMB12,310.2 million, and RMB5,907.8 million and RMB9,358.3 million, respectively, representing approximately 47.9%, 65.2%, 57.7%, 83.3% and 77.2% of the Group's operating revenue for the same periods.

Hydraulic Engineering Construction

The Group's hydraulic engineering construction operations have expanded from the provision of traditional construction services, such as the construction of dams, power plant facilities and water reservoirs, construction works relating to water diversion, drainage construction and navigation, dredging and filling, bridge reinforcement works, hydropower construction and other hydraulic ancillary infrastructure construction, to include financing, consultation, planning and supervision, design, tendering agency services and sales of hydraulic construction products which thus offers a comprehensive range of hydraulic-related services and products to its customers. The Group operates this sub-segment primarily through its direct wholly-owned subsidiaries, Shandong Water Conservancy Construction Group Co., Ltd. (山東水利建設集團有限公司) ("**Shandong Water Construction**") and Shuifa Design Group Co., Ltd. (水發設計集團有限公司) ("**Shuifa Design Group**"), with a geographical concentration along the Yellow River and coastal areas in Shandong Province and southwest Shandong. As at 30 June 2020, approximately over 66.0% of the Group's hydraulic construction projects were located in Shandong Province, with the remaining situated in other regions of the PRC, such as Anhui Province, Jiangsu Province, Sichuan Province and Jiangxi Province, and overseas markets including the People's Republic of Bangladesh, Myanmar, Nepal and others. For more details regarding the Group's overseas hydraulic engineering construction projects, see "— *Overseas Projects*" and "— *Certain Projects under Construction*".

The Group provides practical solutions to its customers through the provision of integrated services from financing, consultation, planning and supervision, design, construction to project management. Shandong Water Construction holds a Level I qualification for general contracting of hydraulic and hydropower construction works, as well as Level III qualifications for environmental engineering, building construction works, steel structure works, metal structure manufacturing and installation, municipal public works, highway works and bridge engineering construction. It was awarded "Enterprise of AAA Credit" by China Water Engineering Association in 2016, named "First Class Entity in the Standardization for Safe Production" by the Ministry of Water Resources in 2016 and granted Level "AA" credit by China International Contractors Association in 2017. Shuifa Design Group also holds 32 top-grade qualifications, including for general contracting of water conservancy and hydropower project construction, in relation to its business. The Group believes that it is the only local leading enterprise in Shandong Province that has the ability to construct dredging projects.

The table below sets forth a list of certain top-grade qualifications relating to the Group's hydraulic engineering construction business as at 30 June 2020:

Name of Certificate	Grade of Qualification	Licensee
General Contracting of Hydraulic and Hydropower Construction Works (水利水電工程施工總承包)	Level I	Shandong Water Construction
GB/T19001-2008 Quality Management System	Grade A	Shandong Water Construction
GB/T24001-2004 Environment Management System	Grade A	Shandong Water Construction
GB/T28001-2011 Occupational Health and Safety Management System	Grade A	Shandong Water Construction

Name of Certificate	Grade of Qualification	Licensee
Hydraulic Engineering Consultation (水利工程諮詢)	Grade A	Shuifa Design Group
Highway Construction Consultation (公路工程諮詢)	Grade A	Shuifa Design Group
Highway Design Industry (Highway) Profession (公路設計行業(公路)專業)	Grade A	Shuifa Design Group
Municipal Design Industry (Road Engineering) Profession (市政設計行業(道路工程)專業)	Grade A	Shuifa Design Group
Architectural Design Industry (Architectural Engineering) (建築設計行業(建築工程))	Grade A	Shuifa Design Group
Hydraulic Design Industry (River Remediation and Urban Flooding Control) Profession (水利設計行業(河道整治、城市防洪)專業)	Grade A	Shuifa Design Group
Engineering Survey Professional Class in (Engineering Measurement and Geotechnical Engineering) (工程勘察專業類(工程測量、岩土工程))	Grade A	Shuifa Design Group
Hydraulic Design Industry (水利設計行業)	Grade B	Shuifa Design Group
Agricultural and Forestry Industry (Agricultural Engineering) (農林行業(農業工程)	Grade B	Shuifa Design Group
Municipal Design Industry (市政設計行業)	Grade B	Shuifa Design Group
Landscape and Gardening Design Specialty (風景園林設計專項)	Grade B	Shuifa Design Group

As part of its construction capabilities, the Group also ensures that it has advanced and high-tech dredging construction equipment to support its projects, including, among others, six 120 cubic metres per hour cutter suction dredgers (designated for Yellow River located projects only), two Beaver B1600 cutter suction dredgers, four 220 kilowatt multi-purpose water construction work boats, two 80 cubic metre per hour dustpan suction dredgers, 2,800 metres of supporting pipelines for ship construction and other comprehensive types of dredging engineering equipment.

In terms of design capabilities, the Group has 25 Grade A qualifications and more than 50 industry qualifications. It not only won a number of Shandong Science and Technology Progress Awards, the Dayu Science and Technology Progress Award by the Ministry of Water Resources, but also had undertaken the comprehensive inspection and remediation of issues relating to the Nansi Lake control engineering works and river chief system.

Construction Projects

For the six months ended 30 June 2020, the Group had contracted a total of 167 hydraulic construction projects, of which 46 had been completed, as shown in the table below:

	For the year ended 31 December			For the six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
Total contracted projects	37	70	177	58	167
Including: Total completed projects	29	11	114	9	46
Projects under construction	8	59	63	49	121
Total contracted amounts (RMB in billions)	4.4	5.1	5.5	2.6	3.4

Representative Projects

The table below sets forth details of certain of the Group's representative projects as at 30 June 2020:

No.	Project Name	Investee Company / Repurchasing Party	Date of Commencement	Date of Completion	Contract Amount	Total Amount Invested
					(RMB in millions)	(RMB in millions)
1.	Source of the City Lake Lianqing Hu Environmental Pollution Control Project (城河源頭蓮青湖環境污染治理工程)	Zaozhuang Shuntong Water Co., Ltd. (棗莊市順通水務有限公司)	July 2017	October 2019	301.4	276.5
2.	Jingning County Urban and Rural Water Supply Tianbao Project (靜寧縣城鄉供水田堡工程)	Jingning County Yintao Water Supply Phase II Ancillary Engineering Construction Co., Ltd. (靜寧縣引洮供水二期配套工程建設有限責任公司)	October 2017	October 2021	284.4	187.1
3.	Shan County Dashahe Reservoir Project (單縣大沙河水庫工程)	Danshahe Reservoir Project Construction Management Office of Shan County Water Affairs Bureau (單縣水務局大沙河水庫工程建設管理處)	January 2018	June 2020	188.6	120.0
4.	Tongren County Reservoir Irrigation Project Segment 2 (同仁縣紮毛水庫灌溉工程二標段)	Tongren County Reservoir Irrigation District Construction Management Bureau (同仁縣紮毛水庫灌區建設管理局)	January 2018	June 2021	172.0	50.9
5.	Hubei Province Huangshi City Yujiashan Pumping Station-Dingfeng Gate "Gate and Station Conjugating" Reconstruction Project (湖北省黃石市餘家山泵站-鼎豐閘"閘站合一"重建工程)	Huangshi City Construction Investment Development Co., Ltd. (黃石市城市建設投資開發有限責任公司)	October 2017	October 2019	150.0	132.4

No.	Project Name	Investee Company / Repurchasing Party	Date of Commencement	Date of Completion	Contract Amount (RMB in millions)	Total Amount Invested (RMB in millions)
6.	Yugan County's 2017 Coordinating and Integrating Fund Advancement on High Standard Farmland Construction Project Construction Segment 1 (Ruihong Section) (餘幹縣2017年統籌整合資金推進高標準農田建設項目施工1標(瑞洪標段))	People's Government of the Ruihong Town of Yugan County (餘幹縣瑞洪鎮人民政府)	November 2017	April 2019	124.7	104.8
7.	Yuyao City Fourth Phase Surrounding Area Hubei North Block Land Cultivation and Improvement Integrated Project (余姚市四期圍區湖北北塊耕地墾造與土地改良一體化項目)	Ningbo Sunnong Group Co., Ltd. (寧波舜農集團有限公司)	December 2018	May 2020	108.6	74.0
8.	Hubei Province Honghu East Sub-block Flood Storage Area Storage Project Embankment Construction Segment 1(湖北省洪湖東分塊蓄滯洪區蓄滯工程腰口隔堤施工第1標段)	Hubei Province Honghu East Sub-block Flood Storage Area Construction Management Bureau (湖北省洪湖分蓄洪區工程管理局)	November 2018	November 2022	98.8	33.0
9.	Liaoning Province China-North Korea Boundary River Flood Control and Bank Protection Project (Phase II), Mashi Flood Control Project, Segment 5 Aihe West Branch Diversion Weir Reconstruction Project (遼寧省中朝界河防洪護岸工程(二期)馬市防洪工程第五標段愛河西支分流堰改建工程)	Dandong City Water Business Center (丹東市水務服務中心)	December 2018	December 2020	77.3	42.8
10	Liaoning Province Anshan City Nansha River, Yunliang River and Yangliuhe City Ecological Environment Comprehensive Management Project (Phase 1) PPP Project (遼寧省鞍山市南沙河、運糧河、楊柳河市區段生態環境綜合治理工程(一期)PPP項目)	Anshan City Housing and Urban-Rural Development Committee (鞍山市住房和城鄉建設委員會)	January 2020	January 2022	322.3	7.0

Selected Projects

- Plain Reservoir Project (平原水庫項目)

  This project was implemented to tackle water safety problems in the rural areas within Shandong. Under the project plan, 30 plain reservoirs will be constructed with estimated total investment of RMB9.97 billion. From 2012 to 2016, as commissioned by the Shandong Provincial Government, the Group participated in the construction of 24 plain reservoirs with a total amount invested of RMB7.31 billion, of which 20.0% (approximately RMB1,519 million in total) was funded by the Shandong Provincial Department of Finance.

- Huangshui East Diversion Emergency Project (黃水東調應急工程)

  This project was implemented pursuant to approval of the Development and Reform Committee of the Shandong Province (山東省發展和改革委員會) for the purposes of remedying the tight water supply situation in Qingdao, Yantai, Weifang and Weihai and ensuring a stable water supply in the Jiaodong area. It was the first large-scale hydraulic engineering construction project in Shandong Province that represented the successful integration of marketised operations for a municipal project. The Group was primarily responsible for the investment, financing and construction of the project and the provincial government had contributed approximately one-third of the project's total investment.

  This project contemplated the sourcing of water from Caodian and Mawan in Dongying, which passes through the Guangnan Reservoir and enters the Weibei Second Reservoir through pressurized pumping stations and water pipelines. The water route crosses five districts and counties in Dongying and Weifang. This project commenced in December 2016 and was completed in May 2019, with a total investment of RMB6.9 billion. Given the entire project completed within 850 days from the commencement date, the Group has effectively built up a corporate brand that delivers quality and efficiency. The project has been in operation since August 2019 and has a designed daily water supply capacity of 1.3 million cubic metres, which effectively guarantees the stability of the water supply in the area.

Overseas Projects

In recent years, the Group has successfully expanded its geographic network into overseas markets, such as the People's Republic of Bangladesh, Myanmar and Nepal. As at the date of this Offering Circular, the Group has undertaken several prominent hydraulic engineering construction projects in such countries, including the Dredging of the Bangladeshi River Project (孟加拉河道疏浚項目), the Bangladesh Dhaka Centre Prison Development Project (孟加拉達卡中心監獄開發項目), the Nigeria Port and Industrial Park Construction Project (奈及利亞港口與工業園建設項目), the Myanmar Gonghai Hydropower Station Project (緬甸鞏海水電站等項目) and the Cambodian Shangding Waterworks Project (柬埔寨上丁水廠項目). Through participating in such major projects, the Group has been able to effectively promote its brand, increase industry recognition of its capabilities and enhance its market share, all of which is geared toward its objective to build a strong international presence.

Construction and Development

The Group carries out its hydraulic construction projects either through in-house construction, typically in respect of those projects with greater contract values, or, for smaller projects, through outsourcing the works to local construction companies. As at the date of this Offering Circular, the Group fully undertakes the construction of approximately 90.0% of its projects. In that instance, the Group is responsible for the entire construction process (except for design), but an independent third-party supervision unit is also engaged to provide additional oversight. The Group usually funds its hydraulic engineering construction projects with internal cash and external resources, such as bank loans or bond financing. See "— *Competitive Strengths — Prudent financing structure and diversified funding channels*" for more details.

The Group secures its hydraulic engineering construction projects through public tenders. It enters into a construction contract with the customer (the relevant project owner) to take on the general contractor role. The construction contract typically specifies details such as the scope of work, the construction schedule, investment budgets, fees and payment terms, termination and warranties with respect to quality and on-schedule completion. The contract will stipulate that the Group be paid actual project costs, including any labour and material costs, management costs, finance costs, taxes and other project related expenses. The Group recognises revenue in accordance with project construction progress, and payment is settled in stages upon reaching certain milestones set out in the relevant contract based on the amount of work completed. Upon project completion and final inspection and acceptance by the customer, any residual amount payable under the construction contract will be paid to the Group except for the withholding of typically 5.0% of the total contract value as retention monies for any defects in the quality of the Group's work for the length of a one-year warranty period post-completion.

Construction Management

The Group has implemented and maintains a comprehensive management and supervision system to assist its management to exercise appropriate oversight and control over every stage of a project's lifecycle, including project implementation, labour management, raw materials monitoring, quality control and compliance / certification. Work is carried out in accordance with the agreed timeline and scope of work that are set out in the tender documents and contracts. Upon commencement of a construction project, the Group will set up a dedicated construction project team with a project manager to be responsible for project management and monitoring of construction works, and to ensure the quality, safety and timely completion of the project. The Safety Management Department of the Group will in turn supervise the construction project team and conduct regular inspection of project progress. Selection of raw material suppliers and procurement of equipment are also conducted based on project specifications and design, as well as in compliance with relevant laws and regulations.

Third-party Subcontractors

The Group generally selects third-party subcontractors through public tender and bidding based on certain criteria, such as reputation, track record in similar projects, financial strength and creditworthiness, technical capabilities, proposed construction blueprint and pricing. Subcontractors are typically responsible for the procurement of construction materials and equipment but the Group may reserve the right to designate specific suppliers. The Group either makes partial payments to the subcontractors according to construction progress or pays one fixed lump sum for the contracted services upon completion of a project. The Group generally withholds approximately 5.0% to 10.0% of the total contracting fees payable to a subcontractor for a period of one year (depending on the type of contracted construction) as retention monies against any issues with the subcontractor's work.

Water Supply

Leveraging the expertise and experience gained from its hydraulic engineering construction business, the Group has actively expanded its operations downstream into water supply and wastewater treatment. Since commencement of these operations, the Group's water supply and wastewater treatment businesses have grown to become two key sources of revenue.

The Group's water supply business primarily comprises the provision of water to both industrial and residential users in Shandong Province, covering 16 cities and towns such as Weifang, Taian, Dezhou, Rizhao, Jining, Heze and Liaocheng. It is the largest raw water supplier in these areas in terms of volume, with 115 urban and rural water supply projects and a daily water supply capacity of 6.0 million cubic meters. The Group's water supply projects in operation serve nearly a total of 120 million people in urban and rural areas combined. The Group had signed regional exclusive agreements ranging from 20 to 50 years with the local governments in respect of these water supply projects. As at the same date, the Group had 129 raw water pump stations and 48 water supply plants, with an aggregate designed daily supply capacity of approximately 4.1 million cubic metres. The supply pipeline network of the Group extends over 9,762 kilometres and includes both raw water pipes and end-user water pipes.

The following table sets forth the annual water supply volume of the Group by user type for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2017		2018		2019		2019		2020	
	Annual Volume	%	Annual Volume	%	Annual Volume	%	Annual Volume	%	Annual Volume	%
	(million cubic metres)		(million cubic metres)		(million cubic metres)		(million cubic metres)		(million cubic metres)	
Residential users	16.7	4.9	31.0	6.6	106.9	19.1	35.1	14.2	64.4	20.2
Industrial users	323.7	95.1	437.2	93.4	454.0	80.9	212.5	85.8	254.9	79.8
Total	**340.4**	**100.0**	**468.2**	**100.0**	**560.9**	**100.0**	**247.6**	**100.0**	**319.3**	**100.0**

The table below sets forth certain performance indicators of the Group's water supply operations for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
Total designed daily water supply capacity (in million cubic metres)	2.8	2.9	4.0	3.6	4.1
Actual water volume supplied (million cubic metres per year)	340.4	468.2	560.9	247.5	319.3
Average supply price (RMB per cubic metre)	1.95	2.40	2.49	2.57	2.3

Water Resources

The Group procures raw water primarily from its own or third-party reservoirs serving the Yellow River and also water diverted from the Jiaodong area. To secure water resources, the Group undertakes water reservoir projects either through the "Build-Own-Operate (BOO)" or the "Build-Own-Operate-Transfer (BOOT)" business models. In particular, it adopts a commercial arrangement with respect to such water reservoir projects which provides it with subsequent water intake rights and regional supply rights. This effectively ensures the scale of its water supply business and the resulting revenue generated from this sub-segment will increase as each relevant water reservoir project completes construction. As at 30 June 2020, the Group had 29 water reservoirs in operation across the province with a total designed storage capacity of approximately 505.3 million cubic metres and a total designed daily water intake volume of approximately 4.1 million cubic metres.

There are seven main operating subsidiaries for this business, namely Shandong Shuifa Tianyuan Water Group Co., Ltd. (山東水發天源水務集團有限公司), Shuifa Zhongxing (山東水發眾興集團有限公司), Shuifa Ecological Industry Group Co., Ltd. (水發生態產業集團有限公司) (formerly known as Qi Lu Shui Wu Group Co., Ltd. (齊魯水務集團有限公司)), Shuifa Environmental Technology Group Co., Ltd. (水發環境科技集團有限公司) (formerly known as Shuifa Shengbang Group Co., Ltd. (水發盛邦集團有限公司)), Shandong Water Development Group Co., Ltd. (山東水利發展集團有限公司), Shuifa Environmental Protection Group Co., Ltd. (水發環保集團有限公司) and Shuifa Huaxia Group Co., Ltd. (水發華夏集團有限公司).

The table below sets forth certain details of these seven operating subsidiaries as at 30 June 2020:

	Supply Region(s)	**Designed Daily Supply Capacity**	**Actual Daily Supply Volume**
		('000 cubic metres)	
Shandong Shuifa Tianyuan Water Group Co., Ltd. (山東水發天源水務集團有限公司)	Heze	722.9	471.3
Shuifa Zhongxing (山東水發眾興集團有限公司)	Weifang, Binzhou, Zhangqiu, Linyi, Zouping, Laiwu, Taian	1,083.0	543.4
Shuifa Ecological Industry Group Co., Ltd. (水發生態產業集團有限公司)	Xuecheng District, Zaozhuang, Zhoucun District, Zibo	176.0	79.5
Shuifa Environmental Technology Group Co., Ltd. (水發環境科技集團有限公司)	Linyi	450.0	123.1
Shandong Water Development Group Co., Ltd. (山東水利發展集團有限公司)	Dezhou, Maanshan, Wuhan	918.0	437.1
Shuifa Environmental Protection Group Co., Ltd. (水發環保集團有限公司)	Weifang, Shouguang	686.0	324.1
Shuifa Huaxia Group Co., Ltd. (水發華夏集團有限公司)	Chengwu	37.5	37.2
Total		**4,073.4**	**2,015.7**

Water Supply Agreements

In respect of water supply to industrial users, the Group enters into cooperation agreements with local governments or commercial users for a term generally ranging from three years to 30 years and directly settles payments with its customers on a monthly basis based on the actual volume of water supplied. The Group generally directly negotiates and sets the tariffs with the corresponding industrial user on a case by case basis while making reference to the guidance prices set by the government. This pricing mechanism is typically subject to periodic adjustment in accordance with and as specified in the cooperation agreements. The typical terms of these cooperation agreements include, among others, provision of unit prices, setting of mechanisms for pricing adjustments and settlement of payments, compliance with quality specifications, and granting of termination rights. In respect of water supply to residential users, the Group charges water tariffs calculated based on the actual volume of usage as recorded from water meters and the tariff rate as approved by the government.

Further, the Group's cooperation agreements with local governments in Shandong Province generally include exclusive supply rights such as those in concessionary agreements, i.e. the supplier has an exclusive right to operate its business in the relevant geographical regions for the specified term of the agreement. This is one of the key reasons contributing to the Group's dominant industry position in Shandong Province.

Water Quality

In order to ensure the safety and quality of its water resources, the Group carries out regular testing, inspection and maintenance with respect to its facilities, including water in-taking facilities, purification facilities, pumping stations and pipeline network. For example, the Group typically conducts extensive repairs and maintenance two to three times annually for its main pipeline and three to five times monthly for its supporting pipelines. This is particularly important, given that quality of the water supplied by the Group has to meet certain standards, such as the National Drink Water Standard (GB5749-2006). See "*PRC Regulations — Regulations Relating to the Water Industry*" for other regulations relating to the Group's water supply business.

Ancillary services

The Group also provides construction services on an intercompany basis in relation to its water supply business. Such construction works primarily involve the installation of pipelines for water distribution, construction of reservoirs for water storage, as well as the construction of supply plants. The Group's subsidiaries will typically undertake all aspects of the construction process, except for design-related work which is carried out by third-party subcontractors. Revenue is recognised from these intercompany transactions, but elimination is then carried out at the consolidated level.

Wastewater Treatment

The Group's wastewater treatment business primarily comprises the treatment of (i) municipal, industrial and high-concentration wastewater and (ii) landfill leachate, before discharge into the natural ecosystem in accordance with relevant national and local standards. Municipal wastewater, also known as sewage, is composed of domestic effluents and infiltrated ground water, which contain organic pollutants and pathogens that are likely to cause odour and transmit diseases. Industrial wastewater is produced by industries, particularly from chemical and pharmaceutical manufacturing, as an undesirable by-product and a major pollution source. Leachate is the liquid that drains or "leaches" from a waste landfill and contains various pollutants such as high concentrations of organic matters and inorganic constituents, which may cause extensive pollution in surface and ground water resources if not properly treated and discharged.

As at 30 June 2020, the Group had over 24 wastewater treatment plants in operation located in Shandong Province, Fujian Province, Jilin Province, Shanxi Province and Anhui Province. The Group's wasterwater treatment capabilities cover the entire industry chain, and it believes that it possesses the largest county-level wastewater treatment plant in Shandong Province and a landfill leachate disposal project which is viewed as an industry benchmark.

The table below sets forth certain performance indicators of the Group's wastewater treatment operations for the periods indicated:

	For the year ended 31 December			**For the six months ended 30 June**	
	2017	**2018**	**2019**	**2019**	**2020**
Daily treatment capacity (million tonnes)	0.7	0.9	1.0	1.0	1.1
Annual treatment capacity (million tonnes)	238.9	323.2	368.7	284.2	388.2
Actual annual treatment volume (million tonnes)	227.0	255.4	294.8	136.8	159.1

The Group conducts this business through seven main operating subsidiaries, namely Shandong Shuifa Tianyuan Water Group Co., Ltd. (山東水發天源水務集團有限公司), Shuifa Zhongxing (山東水發眾興集團有限公司), Shuifa Ecological Industry Group Co., Ltd. (水發生態產業集團有限公司) (formerly known as Qi Lu Shui Wu Group Co., Ltd. (齊魯水務集團有限公司)), Shuifa Environmental Technology Group Co., Ltd. (水發環境科技集團有限公司) (formerly known as Shuifa Shengbang Group Co., Ltd. (水發盛邦集團有限公司)), Shuifa Environmental Protection Group Co., Ltd. (水發環保集團有限公司), Shuifa Public Utilities Group Co., Ltd. (水發公用事業集團有限公司) and Lukong Water Group Co., Ltd. (魯控水務發展集團有限公司).

The table below sets forth certain details of these seven operating subsidiaries as at 30 June 2020:

	Type	Annual Treatment Volume	Average Daily Treatment Volume
		('000 cubic metres)	
Shandong Shuifa Tianyuan Water Group Co., Ltd. (山東水發天源水務集團有限公司)	Municipal wastewater	33,694.4	185.0
Shuifa Zhongxing (山東水發眾興集團有限公司)	Municipal and industrial wastewater	27,628.7	151.8
Shuifa Ecological Industry Group Co., Ltd. (水發生態產業集團有限公司)	Municipal wastewater	32,198.7	176.9
Lukong Water Group Co., Ltd. (魯控水務發展集團有限公司)	Municipal and industrial wastewater	20,438.3	112.4
Shuifa Environmental Protection Group Co., Ltd. (水發環保集團有限公司)	Industrial wastewater	26,981.5	148.2
Shuifa Public Utilities Group Co., Ltd. (水發公用事業集團有限公司)	Municipal wastewater and solid leachate	12,498.1	68.6
Shuifa Environmental Technology Group Co., Ltd. (水發環境科技集團有限公司)	Municipal wastewater	5,722.7	31.4
Total		**159,162.4**	**874.3**

Wastewater Treatment Agreements

Similar to its water supply agreements, the Group enters into cooperation agreements with a term generally ranging from three years to 30 years with local governments or community management committees in the PRC in respect of wastewater treatment services. Pursuant to such agreements, the Group charges the relevant local governments treatment fees based on the volume of discharged wastewater and the agreed tariff for the contractual period. The agreements will typically stipulate a fixed minimum volume of wastewater to be treated as well as a pre-set minimum unit price, such that the Group is still entitled to receive payments based on such minimum volume and unit price even when the actual wastewater volume treated or actual unit price does not meet such specifications. However, if the actual volume and unit price exceed the minimum set in the agreements, then the Group will receive payments calculated based on the actual volume and/or unit price.

Similar to water supply tariff charged to industrial users, the Group directly negotiates tariffs with the corresponding customer while making reference to the guidance prices set by the government, subject to periodic adjustments in accordance with a set mechanism specified in the cooperation agreement. Typical terms of these wastewater treatment cooperation agreements are similar to those for its water supply services, including the granting of exclusive rights to operate its wastewater treatment services in relevant regions covered by such agreements. The Group settles payment with the local governments on a monthly or quarterly basis and has a termination right if payments are not received within the agreed time period pursuant to such agreements.

After the wastewater treatment plant is approved for construction, the Group can apply for and obtain exclusive operating rights, thereby deriving a monopolistic position. It will sign a minimum water volume contract, which ensures that its profitability remains stable.

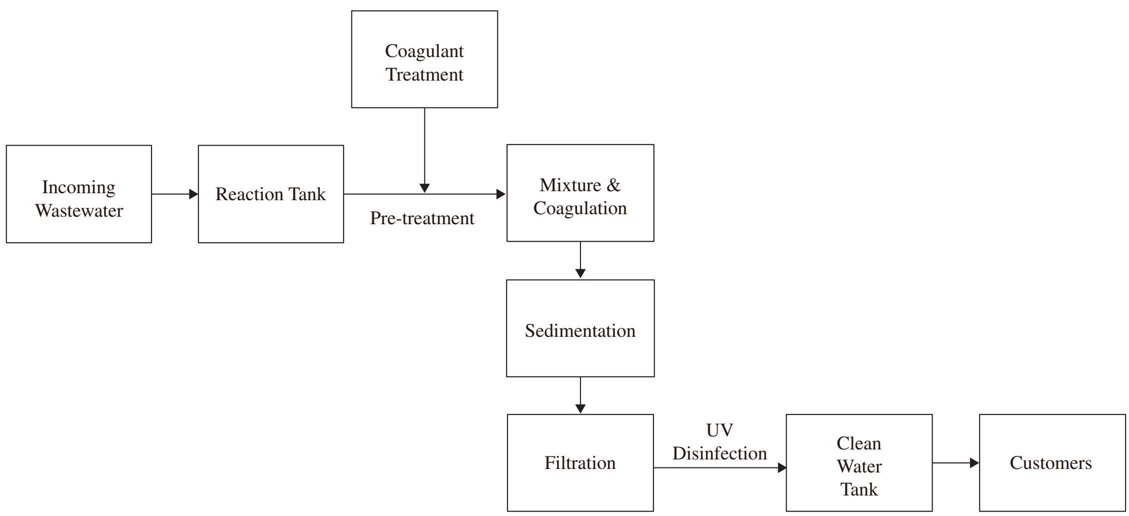
Processes and Techniques

The Group customises and adopts a range of scientific and technologically-advanced processes and techniques for the treatment of municipal and industrial wastewater and landfill leachate, taking into account factors such as (i) waste composition, (ii) discharge standards, (iii) volume to be treated and (iv) customer specifications.

Treatment of Wastewater

In general, the treatment of wastewater involves a series of physical, biological and chemical processes. Wastewater is collected through the pipeline network and directed to the wastewater treatment plants.

The flow chart below sets forth a general illustration of the treatment processes of municipal and industrial wastewater:



- Coagulation treatment. Floating particles in the wastewater are removed using physical treatment methods. Incoming wastewater is first pumped through a coarse screen and a fine screen to filter out larger particles, after which it passes through a grit chamber which removes fine suspended solids. The pre-treated wastewater then enters into a biological reaction tank for coagulation treatment, which focuses on the application of cultivated micro-organisms to remove colloid and soluble organic pollutants in the wastewater.

- Sedimentation. The biologically treated wastewater then enters the sedimentation tank for sludge-water separation and the final sedimentation tank for disinfection.

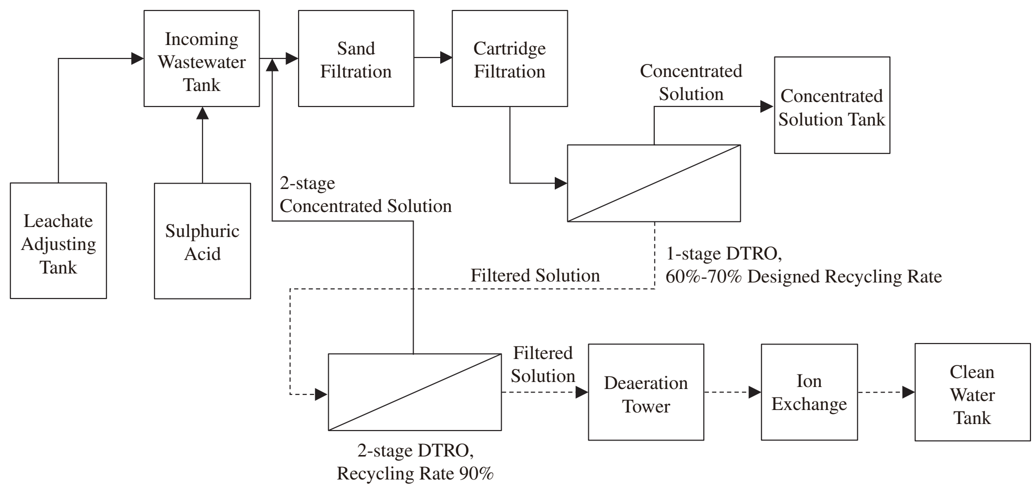
- UV disinfection. At this stage, suspended solids, total phosphorous, nitrogen and organic matters, which are difficult to degrade in the water, are handled using a combination of physical and chemical treatment methods. If necessary, further treatment is carried out utilising biological treatment methods.

The deployment of advanced processes and techniques by the Group is necessary to ensure its treated wastewater effluents meet requisite standards, such as the National Wastewater Standards (GB18918-2002) before reuse or release to surface water in the environment. See "*PRC Regulations*" for other regulations relating to the Group's wastewater treatment business.

Treatment of Landfill Leachate

The treatment process of landfill leachate is highly complex due to the high variable quantity and quality of waste leachates. There are various technologies and methods that can be utilised, but the Group's process mainly involves the 2-stage distube reverse osmosis (DTRO) system. The DTRO module system is designed to ensure molecular and ionic separation of the whole spectrum of pollutants, including colloids, bacteria, viruses and organic matter.

The flow chart below sets forth a general illustration of the treatment process of landfill leachate:



Projects in Operation

As at 30 June 2020, the Group had a total of 24 wastewater treatment projects in operation, certain details of which are set forth in the table below.

No	Project Name	Type	Term of Cooperation Agreement	Cumulative Annual Treatment Volume	Unit Tariff	Total Designed Daily Treatment Capacity	Actual Daily Treatment Volume
			(years)	('000 cubic metres)	(RMB)	('000 cubic metres)	('000 cubic metres)
1	Fangyuan Environmental Protection (Yongchun) Co., Ltd. (芳源環保(永春)有限公司)	Municipal wastewater	25	5,261.9	0.91	30.0	28.9
2	Fangyuan Environmental Protection (Nan'an) Co., Ltd. (芳源環保(南安有限公司)	Municipal wastewater	30	8,012.3	1.06	50.0	44.0
3	Quanzhou Yingyuan Environmental Protection Co., Ltd. (泉州盈源環保有限公司)	Municipal wastewater	20	3,883.0	1.02	25.0	21.3
4	Jilin Gongzhuling Company (吉林公主嶺公司)	Municipal wastewater	28	4,872.8	1.32	50.0	26.7
5	Fusong County Songjiang River Project (撫松縣松江河項目)	Municipal wastewater	30	2,532.9	1.22	20.0	13.9
6	Juancheng Hongyuan Water Company (鄄城泓源水務公司)	Municipal wastewater	30	1,479.9	1.70	20.0	8.2
7	Jilin Lingyuan Company (吉林嶺源公司)	Municipal wastewater	30	7,651.6	1.85	50.0	42.0
8	Zouping Zhongxing Water Development Co., Ltd. (鄒平眾興水務有限公司)	Municipal wastewater	30	27,565.4	1.29	160.0	150.6
9	Lijin Water Development Co., Ltd. (利津濱海水務有限公司)	Industrial wastewater	30	63.3	2.75	10.0	0.4
10	Changle Sapphire Water Development Co., Ltd. (昌樂藍寶石水務發展有限公司)	Municipal and industrial wastewater	30	12,072.5	1.83	60.0	66.3

No	Project Name	Type	Term of Cooperation Agreement	Cumulative Annual Treatment Volume	Unit Tariff	Total Designed Daily Treatment Capacity	Actual Daily Treatment Volume
			(years)	('000 cubic metres)	(RMB)	('000 cubic metres)	('000 cubic metres)
11	Yiyuan Water Development Co., Ltd. (沂源水務發展有限公司)	Municipal and industrial wastewater	30	10,424.4	1.30	80.0	57.3
12	Zibo Zhoucun Ganqing Wastewater Treatment Co., Ltd. (淄博市周村淦清污水處理有限公司)	Municipal and industrial wastewater	30	7,604.0	1.10	60.0	41.8
13	Zibo Zhoucun Wangcun Wastewater Treatment Co., Ltd. (淄博市周村區王村污水處理有限公司)	Municipal and industrial wastewater	30	2,097.8	1.10	20.0	11.5
14	Leling Water Development Co., Ltd. (樂陵水務發展有限公司)	Municipal and industrial wastewater	30	8,473.4	1.30	60.0	46.8
15	Wucheng County Shuifa Environmental Protection Co., Ltd. (武城縣水發環保有限公司)	Municipal and industrial wastewater	30	5,029.3	1.40	30.0	27.8
16	Pingyin Shuifa Wastewater Treatment Co., Ltd. (The First Wastewater Treatment Plant) (平陰水務發展有限公司 (第一污水處理廠))	Municipal and industrial wastewater	30	6,133.6	2.50	46.0	33.9
17	Lukong Jiuji (Nanling) Water Development Co., Ltd. (魯控久基(南陵)水務發展有限公司)	Municipal wastewater	30	507.1	1.28	11.0	3.5
18	Taian Water Control Development Co., Ltd. (泰安水控發展有限公司)	Municipal wastewater	30	236.8	1.50	1.5	1.3
19	Heze Zhongxing Water Environment Co., Ltd. (菏澤眾興水環境有限公司)	Industrial wastewater	30	12,762.6	1.40	80.0	70.1
20	Heze Zhongxing Peony Water Environment Co., Ltd. (菏澤眾興牡丹水環境有限公司)	Industrial wastewater	30	14,218.9	1.23	80.0	78.1

No	Project Name	Type	Term of Cooperation Agreement	Cumulative Annual Treatment Volume	Unit Tariff	Total Designed Daily Treatment Capacity	Actual Daily Treatment Volume
			(years)	('000 cubic metres)	(RMB)	('000 cubic metres)	('000 cubic metres)
21	Jinniu Park Recycled Water Station (金牛公園中水站)	Municipal wastewater	25	1,643.7	1.70	10.0	9.1
22	Pingding Zhongwei Water Purification Co., Ltd. (平定中瑋水質淨化有限公司)	Municipal wastewater	20	5,280.0	1.27	30.0	29.0
23	Houma Municipal Wastewater Treatment Co., Ltd. (侯馬市政通污水處理有限責任公司)	Municipal wastewater	30	5,574.4	1.86	40.0	30.6
24	Lanling County Biying Wastewater Treatment Co., Ltd. (蘭陵縣碧贏污水處理有限公司)	Municipal wastewater	30	5,722.7	1.17	40.0	31.4
	Total			**159,104.2**		**1,063.5**	**874.5**

Clean Energy

The Group has constantly sought to explore new business opportunities and develop additional revenue sources. One such example is its clean energy business (which includes power generation and heat generation) that it commenced through various mergers and acquisitions. The Group's offerings include photovoltaic power generation, hydropower generation, biomass power generation, central heating and urban gas services. The primary operating entities for this segment include, among others, Shuifa Energy Group Co., Ltd. (水發能源集團有限公司), Shuifa Zhongxing, Shuifa Public Utilities Group Co., Ltd. (水發公用事業集團有限公司), Shuifa Huaxia Group Co., Ltd. (水發華夏集團有限公司) and Shuifa Anhe Group Co., Ltd. (水發安和集團有限公司). The Group believes that the scale of its biomass installed capacity is among the top three in the PRC; the scale of its photovoltaic power operations ranks second in Shandong Province; the scale of its wind power operations ranks first in Shandong Province among state-owned enterprises; and its market shares for curtain walls and smart dimming film rank ninth and first in the PRC, respectively.

As at 30 June 2020, the Group's completed projects include 26 photovoltaic power generation projects with an aggregate installed capacity of approximately 570.5 megawatts, 23 hydropower generation projects with an aggregate installed capacity of approximately 361.0 megawatts, ten biomass power generation projects with an aggregate installed capacity of approximately 259.0 megawatts, ten central heating projects with a coverage area of approximately 57.8 million square metres and eight urban natural gas projects with an aggregate daily supply volume capacity of approximately 2.4 million cubic metres. As at the date of this Offering Circular, the aggregate installed capacity of the Group's clean energy projects is 1,190.5 megawatts.

Further, the Group had 21 projects under construction as at 30 June 2020, comprising 12 hydropower generation projects and nine biomass power generation projects, as detailed in the following table.

Project	Estimated Installed Capacity	Estimated Investment	Amount Invested
	(MW)	(RMB in millions)	(RMB in millions)
Hydropower generation			
Queruduo Hydropower Station (確如多水電站)	151.0	2,552.0	1,982.0
La Suva Power Station (拉蘇瓦電站)	120.0	1,423.2	235.6
Cuowa Power Station (措窪電站)	57.0	607.0	555.2
Dawanyaoshu Power Station (大彎腰樹電站)	54.0	504.0	199.6
Bay East Power Station (灣東電站)	60.0	562.4	752.2
Nanmenguan Hydropower Station (南門關水電站)	40.0	600.0	496.2
Kuxirong Power Station (苦西絨電站)	24.0	240.0	118.3
Xining Power Station (西寧電站)	13.0	148.8	103.1
Moziyan Power Station (磨子岩電站)	16.0	133.2	111.2
Shanshuping Power Station (杉樹坪電站)	20.0	116.4	195.3
Luoshan River Power Station (羅山溪電站)	7.8	71.9	39.5
Liuzhong River Power Station (流中塘電站)	5.0	54.7	36.2
Sub-total	**567.8**	**7,013.6**	**4,824.4**

Project	Estimated Installed Capacity	Estimated Investment	Amount Invested
	(MW)	(RMB in millions)	(RMB in millions)
Biomass power generation			
Heilongjiang Fuhua Jinhe Environmental Energy Technology Co., Ltd. Cogeneration Project (黑龍江富華錦河環能科技有限公司熱電聯產項目)	60.0	450.0	241.8
Puyang County Biomass Thermal Power Project (濮陽縣生物質熱電項目)	30.0	314.0	268.8
Liangshan Qianneng Biomass Cogeneration Project (梁山前能生物質熱電聯產項目)	30.0	352.3	243.6
Fuyu City Shuntai Biomass Power Generation Project (扶餘市順泰生物質能發電項目)	30.0	275.0	305.6
Haiyang Yongneng Biomass Heat-Electricity Cogeneration Project (海陽永能生物質熱電聯產項目)	30.0	271.0	92.1
Shandong Feixian Bioenergy Comprehensive Utilisation Project (山東費縣生物能源化綜合利用項目)	30.0	354.8	325.5
Jiangsu Hongdong Biomass Heat-Electricity Cogeneration Project (江蘇宏東生物質能熱電聯產項目)	30.0	273.9	255.3
Shandong Mingke Energy-saving Engineering Co., Ltd. 2# Unit Project (山東明科新能源股份有限公司2#機組項目)	15.0	50.0	35.0
Xiangfen Biomass Power Generation 2# Unit Project (襄汾生物質發電2#機組項目)	15.0	85.1	82.6
Sub-total	**270.0**	**2,426.1**	**1,850.3**
Total		**9,439.6**	**6,674.7**

Representative Project — Bagmati Hydropower Station (巴格馬蒂水電站)

As at the date of this Offering Circular, the Bagmati Hydropower Station, which is located at the Bagmati River in the Mark Wanpur area of Nepal, has been connected to the grid and in operation. The Bagmati Hydropower Station is one of the earliest investment projects by Chinese state-owned enterprises in Nepal, representing a transnational investment project in alignment with the Belt and Road Initiative promoted by the PRC government. The Group's involvement in this project has enhanced its brand and reputation in both the PRC and Nepal, particularly given that this project is also viewed as part of Nepal's plan to address the country's power situation and to promote its economic development.

As at 30 June 2020, the installed capacity of the hydropower station was 22.0 megawatts. For the six months ended 30 June 2020, the power generation output of the hydropower station is 486,024.0 megawatts per hour and the average installed utilisation of the hydropower station is 1,262.4 hours.

Modern Agriculture

In recent years, the Group has been continuously broadening the scale of its modern agriculture business. In July 2018, the Shandong Provincial Government approved the proposed gratuitous transfers of Shandong Agricultural Industrial Group Corporation (山東省農業實業集團公司), Shandong Agricultural Financing Guarantee Co., Ltd. (山東省農業融資擔保有限公司) and certain other entities from the Shandong Provincial Department of Agriculture to the Group to commence reorganisation of such entities and to establish the sole agricultural investment and financing platform in Shandong Province. The main operating entities for this business are Shuifa Agriculture Investment Co., Ltd. (水發農業投資有限公司) and Shandong Shuikong Development Group Co., Ltd. (山東水控發展集團有限公司). For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, the Group's operating revenue generated from its modern agriculture business segment was approximately RMB269.0 million, RMB605.0 million, RMB5,449.4 million, RMB153.0 million and RMB1,684.2 million, respectively, representing approximately 4.7%, 5.5%, 25.5%, 2.2% and 13.9% of the Group's operating revenue for the same periods.

The Group provides a comprehensive offering of efficient and high-end agricultural development and production services covering the construction of planting bases, agricultural and ancillary products processing, agriculture-related finance, agriculture information technology, agriculture advisory and brand promotion. In particular, the Group has been keen to promote the integration of internet technology with its agricultural services. For example, the Group developed a management platform for its agricultural supply chain services, "Nongbopin" (儂伯品), which utilises an "agent-to-customer (A2C)" model to facilitate internet-based information sharing, modernised agricultural planting, systematic and precise ordering and scientific methods for production management.

As at 30 June 2020, the Group had equity interests in more than 50 agricultural professional cooperatives in the PRC. As at the same date, the Group also owned transferred land of approximately 3,333.4 million sq.m. and cooperative land of approximately 853.3 million sq.m. in Shandong, Xinjiang, Inner Mongolia and other regions of the PRC. The Group has the land use rights for the transferred land and cooperative land while the transferors retain the land contract rights.

The Group actively participates in the national rural revitalisation strategy, with the goal of creating green, ecological, efficient and innovative modern agriculture, which is mainly classified into four areas: institutional agriculture, facility agriculture, park agriculture, and field agriculture. In this regard, the Group had carried out large-scale planting of cotton and sugar beet on more than 4 million mu of land in Xinjiang, establishing one of the PRC's long-staple cotton planting bases, and also built a forest of 1 million acres in the Heze region in Shandong, including the largest catalpa tree seedling base and the single largest oil peony seedling base in the PRC.

Cultural Tourism

Following the recent reorganisation of the Group's business segmentation, the Group has expended efforts on growing its cultural tourism business, specifically the integrated business development of its engagement in medical and health care, real estate and tourism, which has generated increased revenues for the Group. For the years ended 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, the Group's operating revenue generated from its cultural tourism business segment was approximately RMB1,471.1 million, RMB2,994.4 million, RMB3,278.8 million, RMB886.6 million and RMB819.8 million, respectively, representing approximately 25.4%, 27.1%, 15.4%, 12.5% and 6.8% of the Group's operating revenue for the same periods. As at the date of this Offering Circular, the Group has two tourism projects in operation with half-annual visitor volume of 38,000 as at 30 June 2020, whereas the development of its new projects such as Flower Dance World (花舞世界) and Central China Tribal Village (華夏部落) continues to see good progress.

Medical and Health Care

The Group commenced its medical and health care business in 2014 following the establishment of Shandong Shuifa Health Development Co., Ltd. (山東水發康養發展有限公司) (formerly known as Shandong Hehui Medical Co., Ltd. (山東合惠醫療有限公司)), an indirect majority-owned subsidiary. Subsequently, the Group started growing this segment through its establishment of Lu Medical Holdings Co., Ltd. (魯醫控股有限公司) ("**Lu Medical Holdings**"), a direct wholly-owned subsidiary, which then set up Lu Medical Holdings (Leling) Co., Ltd. (魯醫控股(樂陵)有限公司), as well as various acquisitions of hospital facilities.

In December 2019, the Group disposed of the four hospital facilities operated by it under this sub-segment: Chengwu County People's Hospital (成武縣人民醫院), Leling People's Hospital (樂陵市人民醫院), Leling Hospital of Traditional Chinese Medicine (樂陵市中醫院) and Leling Maternal and Child Care Centre (樂陵市婦幼保健院), to the local government of Leling City in exchange for certain land parcels and buildings which are permitted to be developed and used for medical and health care purposes (the "**Disposal**"). The relevant real property rights in respect of the land parcels and buildings had been transferred to and registered under Lu Medical Holdings (Leling) Co., Ltd. (魯醫控股(樂陵)有限公司), an indirect subsidiary of the Company. Going forward, the Group intends to refocus more on the research and development of pharmaceuticals and medicines, as well as health rehabilitation and wellness facilities and services. In 2016, the Group acquired the 100% equity interest in Shandong Wantong Pharmaceutical Co., Ltd. (山東萬通藥業有限公司).

Prior to the Disposal, the Group generated revenue for this sub-segment through medical services provided at its hospital facilities and from the supply of pharmaceuticals and medicines, as further detailed in the table below:

	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
	(RMB in millions)				
Hospital medical care	753.8	746.4	375.4	212.2	–
Supply of pharmaceuticals and medicines	107.1	125.3	102.8	55.1	102.8

According to Circular 706, which was jointly issued by the NDRC and MOF on 11 May 2018, any enterprise that intends to incur medium and long-term foreign debt is prohibited from including "public assets" in its corporate assets. Prior to the Disposal, the Group's four hospital facilities were considered "public assets" within the scope of Circular 706. These assets were included in, and represented in aggregate approximately 1.8% of, the Group's total assets of RMB75,989.4 million as at 31 December 2018 in accordance with applicable accounting standards and principles. See "*Summary Consolidated Financial Information of the Group — Summary Consolidated Balance Sheet Data*" for details of the respective asset amounts of these public assets and their corresponding percentage contribution to the Group's total assets as at 31 December 2018. Although there is no clear definition of "public assets" set out in Circular 706 and there remains uncertainty as to the Group's interpretation, potential investors should exercise caution in its consideration of these assets and when using such historical financial information to evaluate the Group's financial condition and results of operations.

As at the date of this Offering Circular, the Group owns two projects, Shengshi Health and Wellness (盛世康養) and Chengwu Elderly Rehabilitation Centre (成武養老康復中心), both of which have been selected as the first batch of typical cases of medical and elderly care integration in Shandong Province. Among them, Shengshi Health and Wellness was selected as one of the "Top Ten Brands for Elderly Care in China", whereas Chengwu Elderly Rehabilitation Centre is a "medical, rehabilitation and health" elderly care institution, with supporting medical departments, functional rehabilitation departments, entertainment centres and senior colleges, that has promoted the socialisation of local elderly care services and regional economic development.

Real Estate Development

The Group also engages in the development and sales of residential properties in the PRC and provides property management services for such properties. The Group commenced its real estate development business in 2016 through its acquisition of the 100% equity interest in Shuifa Civil Industry Investment Group Co., Ltd. (水發民生產業投資集團有限公司) (formerly known as Shandong Shuifa Real Estate Group Co., Ltd. (山東水發置業集團有限公司)) and a 51.0% equity interest in Shandong Herun Real Estate Co., Ltd. (山東和潤置業有限公司). These two project companies are the main entities through which the Group operates this business segment. However, according to the Group's future development plan, it is currently in the process of gradually reducing and retiring its real estate development projects.

As at 30 June 2020, the Group had 24 property development projects with a total GFA of approximately 4.7 million sq.m. in the PRC, including three completed properties and 21 projects under construction. For the years ended 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, the Group’s contracted sales amounted to approximately RMB614.0 million, RMB2,504.0 million, RMB1,792.0 million, RMB2,715.0 million and RMB1,411.0 million, respectively. As at 30 June 2020, the Group also possessed quality low-cost land reserves of approximately 1.8 million sq.m. at prime locations in Jinan and Heze, Shandong Province and Baoting, Hainan Province. As at the date of this Offering Circular, the Group had obtained land use right certificates for all of its property development projects (both completed and under construction).

Land Bank

As at 30 June 2020, the Group’s land reserves amounted to a total GFA of approximately 1.8 million sq.m. held for future development.

The following table sets forth a further breakdown of the Group’s land bank as at 30 June 2020:

Name of Land Parcel	Location	GFA [1]	Year Acquired	Proposed Type of Development
		(in thousand sq.m.)		
Longtianwenlv Town Project (龍田文旅小鎮)	Jinan	148.2	2017 and 2018	Commercial
Heze Great Wall Road (菏澤長城路)	Heze	332.5	2017	Residential
Shuifa Li Yuan (水發驪園)	Jinan	107.3	2017	Residential
Shuifa Yunqi Valley (水發雲棲穀) . .	Jinan	85.3	2015	Residential
Baoting Tianshan Yuquan Resort Hotel (保亭天山玉泉度假酒店) . .	Baoting	128.8	2017	Hotel
Shuifa Heshan Project (水發 • 和山項目)	Jinan	56.0	2017	Residential
Jindiyuan Project (金地源項目)	Heze	193.3	2017	Residential
Jinyuan Taifu Project (金源泰福項目)	Heze	100.0	2017	Health care
Shuifa Lingxiu Mansion (水發 • 領秀府)	Heze	68.8	2019	Residential and commercial
Jinan Geographic Information Town (濟南地理資訊小鎮)	Jinan	98.3	2019	Residential and commercial
Land parcel on the north side of Kirin Lake (麒麟湖北側地塊)	Heze	153.3	2013	Residential

Name of Land Parcel	Location	GFA (1)	Year Acquired	Proposed Type of Development
		(in thousand sq.m.)		
Taishan Garden (泰山院子)	Taian	158.0	2017	Residential
Donggushan (東穀山)	Zaozhuang	61.6	2020	Residential
Baoenwenlv Town Project (報恩文旅小鎮)	Pingwu	143.2	2019	Residential and commercial
Total		**1,834.6**		

Note:

(1) All figures are derived from internal records.

Property Development Process

The Group has developed a set of detailed and standardized operating procedures to enable real-time monitoring and supervision of each stage of its property development process. This includes, among others, conduct of feasibility study, site selection, project planning, project design and construction, marketing, pre-sales, sales, post-sales support, and others. These processes are managed, coordinated, implemented and supervised by the departments of its regional offices and project companies. Under these operating procedures, substantial input from, and constant monitoring and supervision by, different departments will be in place for each stage of the development process.

- *Project Planning and Land Acquisition*

The Group acquires its land through public tender, auction or listing-for-sale. Pre-acquisition, the Group will collect all relevant information regarding the potential opportunity and conduct preliminary feasibility studies and market research with respect to the chosen site. The Group will proceed with the acquisition if it concludes from such evaluation procedures that a particular site possesses good development potential and an acceptable risk profile. The Group enters into a land grant contract (土地使用權出讓合同) with the local land bureau and obtains the land use right certificate (土地使用權證) and the approval of land for construction (建設用地批准書) upon successful bidding of the relevant land parcel.

- *Development Model and Project Financing*

The Group undertakes full development of the majority of its projects with the remaining conducted through a joint development model in which it cooperates with other experienced developers so as to mitigate operating risks and utilise the combined economies of scale for optimal efficiencies. The Group primarily funds its property development projects with internal cash and external financing, such as bank loans or trust loans.

- *Project Design*

The Group places great emphasis on master planning and architectural design of each property development project. It typically engages reputable and experienced third-party architecture and interior design firms, taking into account various factors such as the proposed type of development, targeted customer demographics and the site area and surroundings.

- *Construction Management and Procurement*

The Group develops and manages its property development projects through project companies. The Group begins the pre-construction process by obtaining the necessary permits and certificates prior to commencement of construction and after having been granted development rights to the relevant land parcel. These include, among others, the construction land planning permit (建設用地規劃許可證), the construction works planning permit (建設工程規劃許可證) and the construction engineering commencement permit (建設工程施工許可證). The Group generally contracts out the construction works to independent construction companies through statutory tenders. Shortlisted candidates are evaluated based on criteria such as reputation, track record in similar projects, financial strength and creditworthiness, technical capabilities, proposed construction blueprint and price. These construction companies undertake a wide spectrum of work, including foundation groundwork, building construction, equipment installation and engineering. The contracts entered into between the Group and such contractors will specific quality requirements and a project schedule to be adhered to, with payment to be settled based on construction progress and actual work completed. In the event of delay or poor workmanship, the Group may require the contractor to rectify the defect or pay a penalty. The Group usually designates a particular entity engaged through the relevant project company to conduct organised procurement of required construction materials and equipment.

- *Pricing and Sales*

The Group generally pre-sell the properties it developed prior to completion of construction. Under such pre-sales model, the Group generally enters into a pre-sales contract of commercial housing (商品房預售合同) with the buyer and receives a deposit which it uses toward construction costs. The unit is delivered to the buyer upon completion of construction and settlement of the residual payment.

When determining the selling price of its properties, the Group considers various factors, including, but not limited to, location and environment, size, ancillary facilities, market demand and supply, average selling prices of similar properties in the vicinity, population size and demographics, economic conditions and income level, as well as its financial bottom line in order to realise a profit margin. Each of the Group's project companies has established its own sales department which is responsible for the formulation and implementation of marketing and sales plans for the property developments. Its properties primarily target middle to high income buyers, which given the stability of their earning power, form a relatively more reliable customer base with a healthy and sustainable demand for real estate.

- *Property Management Services*

To complete its real estate development portfolio, the Group also engages third-party property management companies to provide property management services for its properties which enhances such properties' market value and appeal to consumers. This also enables the Group to compete more effectively against other experienced developers.

Property Development Projects

Completed Projects

As at 30 June 2020, the Group had completed three property development projects with a total amount invested of approximately RMB2,195.0 million.

The table below sets forth certain information of these projects as at 30 June 2020:

				As at 30 June 2020				
Project Name	**Location**	**Type**	**Date Completed**	**Total Amount Invested**	**Total GFA[(2)]**	**GFA Completed[(3)]**	**GFA Sold[(4)]**	**Contracted Sales**
				(RMB in millions)	(sq.m. in thousands)	(sq.m. in thousands)	(sq.m. in thousands)	(RMB in millions)
Dingtaofu Qian Yipin District (定陶府前一品小區)	Heze, Shandong Province	Residential	January 2018	366.0	103.0	103.0	90.3	384.0
Herun Happy City (和潤幸福城)	Jinan, Shandong Province	Residential	October 2018	1,643.0	334.3	334.3	309.6	2,074.0
Shuifa Run City (水發 • 潤城)	Qingdao, Shandong Province	Residential	December 2019	186.0	39.8	39.8	24.9	220.0
Total				**2,195.0**	**477.1**	**477.1**	**424.8**	**2,678.0**

Notes:

(1) All figures are derived from internal records.

(2) Total GFA is set out in the certificates of completion, pre-sale permits, construction works planning permits, construction land planning permits or government-approved design plans (based on the certificate, permit or document that has the most recent date).

(3) GFA completed refers to the total GFA as set out in the certificates of completion.

(4) GFA sold refers to the total GFA sold or pre-sold as specified in the relevant sale and purchase agreements on an aggregate basis.

Projects under Construction

As at 30 June 2020, the Group had 21 property development projects under construction with an estimated total investment of approximately RMB22,631.0 million.

The table below sets forth certain information of these projects as at 30 June 2020:

Project Name	Location	Type	Estimated Date of Completion	As at 30 June 2020		
				Total GFA	Estimated Total Investment	Contracted Sales
				(sq.m. in thousands)	(RMB in millions)	(RMB in millions)
Tai Shan Garden (泰安泰山院子)	Taian, Shandong Province	Residential	September 2023	435.8	3,683.0	1,060.0
Herun Shangdong Enterprise Mansion (和潤•尚東企業公館) .	Jinan, Shandong Province	Commercial	December 2020	151.0	862.0	370.0
Taoli Chunfeng Garden (桃李春風花園)	Jinan, Shandong Province	Residential	December 2020	61.6	1,456.0	120.0
Jiashan No. 1 (嘉善壹號)	Heze, Shandong Province	Commercial and Residential	April 2021	118.7	544.0	190.0
Heze Chengtou Tianxiang Mansion (菏澤城投天香府)	Heze, Shandong Province	Commercial and Residential	December 2020	220.2	1,131.0	531.0
Shuifa Lanyue Dragon City (水發•瀾悅龍城)	Zaozhuang, Shandong Province	Commercial and Residential	May 2020	234.0	983.0	890.0
Shuifa Summer Palace (水發•頤和園)	Zaozhuang, Shandong Province	Commercial and Residential	August 2021	271.8	1,314.0	770.0
Shuichen Junyue Mansion (水辰•君悅府)	Zaozhuang, Shandong Province	Commercial and Residential	March 2021	368.0	1,375.0	1,810.0
Xuefu Chuntian (學府春天)	Jining, Shandong Province	Commercial and Residential	October 2020	53.6	208.0	92.0
Junan Tianyuan Beer Town (君安天源啤酒小鎮)	Juancheng, Shandong Province	Commercial and Residential	March 2021	349.0	850.0	472.0
Heiyun Square (海韻廣場)	Weifang, Shandong Province	Commercial	June 2020	69.0	250.0	18.0
Shuifa Yangguanglvcheng (水發•陽光綠城)	Heze, Shandong Province	Commercial and Residential	December 2020	504.0	1,560.0	511.0
Shuifa Jinan Yinxiang (水發•江南印象)	Heze, Shandong Province	Commercial and Residential	December 2020	101.6	544.0	160.0
Shuifa Lingxiu Mansion (水發•領秀府)	Heze, Shandong Province	Commercial and Residential	June 2022	81.4	785.0	124.0
Zaozhuang Financial Centre 2 (棗莊金融中心)	Zaozhuang, Shandong Province	Comercial	April 2021	339.7	300.0	341.0
Shuifa Lanyue Phoenix City (水發•瀾月鳳城)	Zaozhuang, Shandong Province	Commercial and Residential	June 2023	229.0	1,747.0	–
Shuifa Information Town (水發信息小鎮)	Jinan, Shandong Province	Commercial and Residential	June 2024	188.5	1,508.0	–
Longtianwenlv Town (龍田文旅小鎮)	Zhangqiu, Shandong Province	Commercial and Residential	December 2022	83.1	783.0	–
Baoenwenlv Town Project (報恩文旅小鎮)	Pingwu, Sichuan Province	Commercial and Residential	July 2025	246.4	1,500.0	–

Project Name	Location	Type	Estimated Date of Completion	As at 30 June 2020		
				Total GFA	Estimated Total Investment	Contracted Sales
				(sq.m. in thousands)	(RMB in millions)	(RMB in millions)
Pingnan Rural Tourism Town (平南農旅小鎮)	Pingwu, Sichuan Province	Commercial	September 2025	35.0	418.0	–
Donggushan (東穀山)	Zaozhuang, Shandong Province	Residential	June 2022	171.3	830.0	–
Total				**4,312.7**	**22,631.0**	**7,459.0**

Notes:

(1) All figures are derived from internal records.

(2) Total GFA is set out in the certificates of completion, pre-sale permits, construction works planning permits, construction land planning permits or government-approved design plans (based on the certificate, permit or document that has the most recent date).

Cultural Tourism

In recent years, the Group has been actively expanding its business operations in cultural tourism in alignment with its integrated development of its medical and health care, real estate development and tourism services. The Group's cultural tourism business primarily comprises traditional tourism services such as travel agency services for national parks and natural scenic attractions, cultural industry related operations including publishing, filming and advertising media, investment management relating to the cultural industry and other integrated tourism services relating to health care and education. The Group primarily conducts its cultural tourism business through its directly wholly-owned subsidiaries, Shuifa Tourism Group Co., Ltd. (水發旅遊集團有限公司), Shuifa Culture Industry Co., Ltd. (水發文化產業有限公司) and Shuifa Civil Industry Investment Group Co., Ltd. (水發民生產業投資集團有限公司) (formerly known as Shandong Shuifa Real Estate Group Co., Ltd. (山東水發置業集團有限公司)).

In 2018, the Group acquired a 51.0% equity interest in Yida (Fujian) Tourism Group Co., Ltd. (易達(福建)旅遊集團有限公司) to further expand its cultural tourism business which resulted in an increase in revenue to the Group for that year. As at the date of this Offering Circular, the Group has been contracted to carry out several representative tourism projects such as Fujian Yundingshan Project (福建雲頂山項目) and Jiangxi China Dongdu Project (江西中國洞都項目).

Other Businesses

The Group's other businesses primarily include (i) equity investment, (ii) purchases and sales of goods and (iii) other ancillary businesses such as hydraulic consultation, hydraulic design, supervision of hydraulic works and heating and power supply pipeline connection services. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, the Group's operating revenue generated from its other businesses was approximately RMB1,272.5 million, RMB252.1 million, RMB299.5 million, RMB147.1 million and RMB263.0 million, respectively, representing approximately 22.0%, 2.3%, 1.4%, 2.1% and 2.2% of the Group's operating revenue for the same periods. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, operating revenue generated from purchases and sales of goods and the provision of hydraulic related services (including hydraulic consultation, hydraulic design and supervision of hydraulic works) was reclassified and included under the Group's hydraulic engineering construction segment.

Equity Investment

The Group conducts this business through Shuifa Funds Management Co., Ltd. (水發基金管理有限公司) (formerly known as Shandong Shuifa Construction Fund Management Co., Ltd. (山東水發建設基金管理有限公司)) ("**Shuifa Fund**"), an indirect wholly-owned subsidiary. Shuifa Fund provides equity investment, equity investment and funds management and other equity investment consulting services to support the financing requirements and development of the Group's water-related businesses. In the past, Shuifa Fund had only invested in the Group's own water-related projects and therefore revenue generated under such intercompany transactions were eliminated at the consolidated level for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020.

Purchases and Sales of Goods

This business is primarily operated through Shandong Shuili Fengshi Automatic System Co., Ltd. (山東水利鋒士系統自動化有限公司) ("**Shandong Fengshi**") and Shandong Voight Tube Limited by Share Ltd (山東沃特管業股份有限公司) ("**Shandong Voight Tube**"), which are indirect majority-owned subsidiaries of the Group. Shanghai Voight Tube was selected as one of "China Top 100 Building Materials Enterprises with Growth Potential", and was given the "Golden Materials Award" for China Building Materials in the first China Building Materials Gold Award Ceremony in 2018.

Through Shandong Fengshi and Shandong Voight Tube, the Group engages in (i) hydraulic or agricultural related information and automation technology and product development and (ii) manufacturing and sales of quality cement products, respectively. The Group's hydraulic or agricultural related products are mainly related to monitoring analysis of flood control and drought resistance, modernized water resources management (such as automated control of reservoirs, water gates, water plants or irrigation areas), rural drinking water safety and efficient water-saving irrigation related informatics, the construction of third class hydraulic data centres at the provincial, urban or country-level and modern agricultural planting. Its cement products include PCCP steel cylinder concrete pipes, concrete drainage pipes, concrete blocks, ultra-high molecular weight polyethylene diaphragm composite pipes. Both subsidiaries deploy advanced technologies and equipment in its operations, are committed to continuous research and development efforts and have in place a sound quality control system for their production.

Provision of Ancillary Services

The Group also provides certain ancillary services, namely related to hydraulic consultation, hydraulic design, supervision of hydraulic works and heating and power supply pipeline connection services. Since 2018, this sub-segment was reclassified and included under the Group's hydraulic engineering construction segment.

CREDIT FACILITIES

As at 30 June 2020, the Group had total credit facilities of approximately RMB79.9 billion, of which approximately RMB34.3 billion had not been utilized. Some of such credit facilities are detailed in the following table.

Bank	Credit Facilities	Drawn Amount	Undrawn Amount
	(RMB in billions)	(RMB in billions)	(RMB in billions)
China Development Bank	7.9	5.5	2.4
Agricultural Development Bank of China	5.8	4.1	1.7
The Export-Import Bank of China	1.9	1.9	0
Industrial and Commercial Bank of China	9.0	7.0	2.0
China Construction Bank	7.0	3.1	3.9
Agricultural Bank of China	3.8	2.2	1.6
Postal Savings Bank of China	2.0	1.1	0.9
Bank of China	1.5	0.4	1.1
China Citic Bank	9.2	3.2	6.0
Industrial Bank Co., Ltd	4.0	1.8	2.2
China Everbright Bank	3.0	0.8	2.2
Hua Xia Bank	2.8	1.3	1.5
China Zheshang Bank	2.1	1.7	0.4

As at the date of this Offering Circular, the Group's regulatory approved quota for debt securities include: RMB5.5 billion for domestic medium-term notes, RMB2.5 billion for domestic corporate bonds, RMB5.0 billion for domestic super short-term notes, and US$0.9 billion for offshore bonds (excluding those with tenor of less than one year).

INTERNAL CONTROL

As an integral part of overall risk management, the Group places great importance on internal control. The Group has established a comprehensive system in accordance with applicable PRC laws and regulations to oversee and manage its financial matters, personnel, projects, financing and investments, production, information disclosure obligations, related party transactions, third-party guarantees and emergency incidents. In particular, the Group has adopted a vertical and centralised management system of its financial matters, under which the Guarantor directly supervises and manages the financial personnel of all of its subsidiaries. The Group has implemented a series of standardised management measures covering, among other things, fund management, investment and financing, budget management, internal audit, information disclosure and crisis management.

The Group has also established a risk management system to ensure its compliance with regulatory requirements and to implement control measures to lower operational and investment risks. Each level and department throughout the Group is kept fully informed and updated of such internal control and risk management policies. Such a systematic approach adopted by the Group has allowed its management of business operations to be conducted in a disciplined manner, thereby yielding effective results.

QUALITY CONTROL

Quality control is paramount in the Group's conduct of its businesses, particularly with respect to its construction projects, production activities or provision of services. In this regard, the Safety Management Department is responsible for implementing and monitoring quality-control measures and procedures to ensure quality, progress and budget control. Quality control measures are in place throughout the entire construction or production process to ensure that its services or products meet not only contractual obligations but customer standards and expectations.

The following are examples of key quality control measures currently in place:

- *Inspection of raw materials.* The Group inspects raw materials in accordance with requisite quality standards. A thorough examination of relevant raw materials delivered is always conducted prior to acceptance and payment.

- *On-site inspection and spot inspection.* The Group conducts periodic and spot inspections of its construction projects and requires personnel to implement remediation measures promptly if any quality control issues are identified.

- *Completion inspection.* Before completed projects are delivered, such projects must pass relevant internal inspection by various departments and if required, inspections by applicable government authorities.

RESEARCH AND DEVELOPMENT

The Group is committed to technology innovation through its continuous efforts in research and development investment and activities. Its research and development efforts focus on technologies which enhance product innovation, in addition to improving production efficiency and the effectiveness of its environmental protection and safety control systems, as well as the overall optimisation of its business operations. Such dedication has resulted in various achievements for the Group, such as the development of a nationally-recognised integrated information system for rural tap water and a self-developed hydraulic-focused Cloud-Computing Internet of Things (IoT) certified to be of an international advanced level, as well as the construction of the Shandong Provincial Hydraulic Data Centre which is endorsed by the Ministry of Water Resources Information Centre. Collaboration with research institutions, such as the long-term cooperative efforts undertaken by Shandong Voight Tube with the research unit of Shandong Agricultural University is another example of the Group's research and development efforts. As at 30 June 2020, the Group has six research platforms, 11 nationally recognised high-tech enterprises and four research institutes known as "academician workstations".

The table below sets forth certain information of these six research platforms:

Research and Development Platform	Operating Unit	Research Areas or Qualifications
Traditional hydraulic technology	Shuifa Design Co., Ltd. (水發設計有限公司)	Establishing technical service platform for flood prevention and mitigation, water resources allocation, water ecological construction and modern water management
Water treatment technology and equipment	Shandong Shuifa Environmental Technology Co., Ltd. (山東水發環境科技有限公司)	In possession of a national postdoctoral station, a provincial enterprise centre, an academician workstation and a water treatment (membrane) research centre
Automation in information technology	Shuifa Smart Industry Development Co., Ltd. (水發智慧產業發展有限公司)	Tackling critical and common technical issues in information automation while supporting the Group's other core business operations; developing a systematic, supportive and engineered research approach to generate a comprehensive set of technologies, standards and equipment for large-scale production

Research and Development Platform	Operating Unit	Research Areas or Qualifications
Cogeneration	Shandong Yongneng Energy Saving Environmental Protection Service Co., Ltd. (山東永能節能環保服務股份有限公司)	Developing new cogeneration technologies through joint cooperation with other research institutes, such as Shandong University and the Energy Conservation Association of Shandong University of Science and Technology
Concentrated brine treatment	Jinan Water Care Environmental Technology Co., Ltd. (濟南沃特佳環境技術股份有限公司)	Research and development in relation to difficult-to-treat effluent and concentrated brine treatment which is primarily performed by Shuifa Public Utilities Group Co., Ltd. (水發公用事業集團有限公司), Beijing Hezhong Qingyuan Environmental Technology Co., Ltd. (北京合眾清源環境科技有限公司), Shuifa Zhongxing, Jinan Water Care Environmental Technology Co., Ltd. (濟南沃特佳環境技術股份有限公司), Shuifa Ecological Industry Group Co., Ltd. (水發生態產業集團有限公司) and Shuifa Hairuo Environmental Technology Co., Ltd (水發海若環境技術有限公司)
Management of engineering operation	Shandong Water Transfer Engineering Technology Research Centre (山東省調水工程技術研究中心)	Focusing on the innovative research of major technological and management issues in engineering operation

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, the Group's research and development expenses amounted to approximately RMB26.5 million, RMB35.7 million, RMB75.2 million, RMB14.6 million and RMB44.0 million, respectively.

INTELLECTUAL PROPERTY

The Group recognises that know-how is important to its success, and it is crucial for the Group to protect its intellectual property from being infringed. In order to protect its intellectual property rights, the Group relies on a combination of patent, trademark, trade secret laws, as well as other methods. As at 30 June 2020, the Group had 630 registered patents (including 144 design patents and 481 invention patents) in the PRC.

As at the date of this Offering Circular, the Issuer is not aware of any material infringements (i) by the Group of any intellectual property rights owned by third parties; or (ii) by any third parties of any intellectual property rights owned by the Group and the Issuer is also not aware of any pending or threatened claims against the Group in relation to the material infringement of any intellectual property rights of third parties.

ENVIRONMENTAL PROTECTION

The Group's operations, particularly with respect to its construction, water supply, wastewater treatment and real estate development and other production activities, are currently subject to environmental laws and regulations relating to pollution and noise control, air and water emissions, water and ground protection, hazardous substances and waste management issued by various governmental authorities in the PRC. The Group has taken measures to ensure the compliance of its operations with applicable local laws and regulations concerning health, safety and the environment.

As at the date of this Offering Circular, the Group's business operations are in compliance with applicable environmental laws and regulations in all material respects.

OCCUPATIONAL HEALTH AND SAFETY

The Group has taken measures to ensure its compliance with applicable national and local laws and regulations concerning workspace safety. The Group has established the Safety Management Department which is primarily in charge of the formulation and implementation of workplace safety protocols, guidelines and measures, all of which are designed to ensure that the health and safety conditions of its workplaces comply with applicable national and industry standards. This department also sets up a Safety Management Committee composed of full-time safety management personnel who are responsible for supervising workplace safety and occupational health, hygiene and safety, as well as performing internal safety checks and onsite inspections during the production or construction processes to minimise accidents, injuries and occupational diseases. Regular training for employees is also conducted to promote safety awareness and strict compliance with internal policies and protocols.

As at the date of this Offering Circular, the Group has not experienced any major workplace or industrial accidents that could have a material adverse effect on its business, results of operations or financial condition.

INSURANCE

The Group purchases pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing provident fund for its employees according to the relevant PRC laws and regulations. The Group maintains insurance coverage in amounts that it believes are commensurate with its risk of loss and industry practice. Consistent with what the Group believes to be customary practice in the PRC, it does not carry any business interruption insurance, key-man insurance, insurance covering potential environmental damage claims and contractors all-risk and third-party liability insurance. There is a risk that the Group does not have sufficient insurance coverage for losses, damages and liabilities should any of such arise from its business operation. See "*Risk Factors — Risks relating to the Group's General Operations — The insurance coverage of the Group may not adequately protect it against all operational risks*" in this Offering Circular.

EMPLOYEES

As at the date of this Offering Circular, the Group has approximately 20,359 employees, of which approximately 99.0% had a bachelor's diploma or above.

The Group's remuneration package for its employees includes salaries, bonuses and allowances. Employees are entitled to a variety of benefits, including medical care, housing subsidies, retirement and other benefits. In accordance with applicable laws and regulations, the Group has made contributions to social insurance schemes for its employees, which include pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing provident fund.

The Group has taken various measures to enhance the skill and expertise of its employees, such as regular training designed for different levels and functions. The Group also 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, training programs, health and safety, confidentiality obligations and grounds for termination.

LEGAL PROCEEDINGS

The Group is from time to time involved in disputes and legal proceedings arising in the ordinary course of its business.

To the best of the Issuer's knowledge, there are no existing or pending litigation, arbitration or administrative proceedings against the Group or any of its directors as at the date of this Offering Circular that could have a material adverse effect on its business, results of operations or financial condition.

DIRECTORS

The board of directors of the Guarantor (the "**Board**") consists of six members, including the chairman, two executive directors, two non-executive directors and one employee director. The Guarantor's directors (including the chairman) are generally appointed by its shareholders, Shandong SASAC and the Shandong Provincial Council for Social Security Fund, while its employee director is elected through employee representative conferences or other democratic means by its employees as a whole. The Board is responsible and has general powers for the management and operations of the Group's business. Its functions and duties include but are not limited to: determining business plans and investment plans, formulating financial budgets, determining matters relating to third-party guarantees and exercising other powers and duties as conferred by the Guarantor's articles of association.

The table below sets forth information regarding the Board as at the date of this Offering Circular:

Name	Age	Title
Mr. Wang Zhenqin (王振欽)	57	Chairman
Mr. Liu Xiaojun (劉肖軍)	50	Executive Director and General Manager
Mr. Zhang Chunsheng (張春生)	50	Executive Director
Mr. Kong Xiangquan (孔祥泉)......	54	Non-executive Director and Chief Financial Officer
Mr. Zhang Huanping (張煥平)	61	Non-executive Director
Mr. Yan Fangjie (閆芳階)	49	Employee Director

Chairman

Mr. Wang Zhenqin (王振欽) has been the Chairman of the Board since December 2017 and is a member of the CPC. Mr. Wang joined the Guarantor in 2009 and was previously the general manager of the Guarantor. Prior to joining the Guarantor, Mr. Wang previously served as a section-level secretary of Heze District Administrative Office (菏澤地區行署辦公室), the deputy county magistrate of Dingtao County, the deputy county magistrate and a deputy secretary of the county committee of Chengwu County, the county magistrate and a secretary of the county committee of Cao County, the director-general and a secretary of the party committee of Heze Water Resources Bureau (菏澤市水利局) and a secretary of the party committee of Water Conservancy of Shandong Technical College (山東水利技師學院). Mr. Wang obtained his bachelor's degree from Shandong University of Technology.

Executive Directors

Mr. Liu Xiaojun (劉肖軍) has been the General Manager and an Executive Director of the Guarantor since September 2016 and is a member of the CPC and an assistant engineer. Mr. Liu also currently serves as a deputy secretary of the party committee of the Guarantor. Mr. Liu joined the Guarantor in 2016. Prior to joining the Guarantor, Mr. Liu previously held various positions at the Shandong Provincial Department of Water Resources, including as a cadre of the farmland water conservancy department, a cadre, a deputy chief clerk, a chief clerk and a deputy director of the office and a researcher and the head of the water resources department. Mr. Liu obtained his postgraduate degree from Shandong University.

Mr. Zhang Chunsheng (張春生) has been an Executive Director of the Guarantor since September 2016 and is a member of the CPC. Mr. Zhang also currently serves as the chairman of the Labour Union and a deputy secretary of the party committee of the Guarantor. Mr. Zhang joined the Guarantor in 2009 and was previously the employee supervisor of the Guarantor. Prior to joining the Guarantor, Mr. Zhang previously served as a deputy director of the party office, a secretary of the youth league committee, a deputy secretary of the commission for disciplinary inspection and a director of the supervising room of the Water Resources Research Institute of Shandong Province (山東省水利科學研究院) and an office director, the head of the political work division, a deputy secretary of the commission for disciplinary inspection and an assistant to general manager of Shandong Water Engineering Corporation (山東水利工程總公司). Mr. Zhang obtained his postgraduate degree from the Party School of the Central Committee of CPC and is a national first-class registered construction engineer, a senior engineer, and a professor-grade senior engineer.

Non-Executive Directors

Mr. Kong Xiangquan (孔祥泉) has been a Non-Executive Director of the Guarantor since July 2020 and is a member of the CPC and a senior certified public accountant. Mr. Kong also currently serves as an external director and the Chief Financial Officer of the Guarantor. Mr. Kong joined the Guarantor in 2020. Prior to joining the Guarantor, Mr. Kong previously served as a manager of the financial department and a member of the party committee of China National Heavy Duty Truck Group Corp., Ltd. (中國重型汽車集團有限公司), the chairman of Sinotruk Finance Co., Ltd. (中國重汽財務有限公司) and the chief financial officer of Shandong Transportation Industrial Group Holdings Limited (山東省交通工業集團控股有限公司).

Mr. Zhang Huanping (張煥平) has been a Non-Executive Director of the Guarantor since September 2018 and is a certified public accountant. Mr. Zhang also currently serves as the deputy secretary-general of the Association of Certified Public Accountants of Shandong Province (山東省註冊會計師協會), an independent director of Shandong Nanshan Aluminium Co., Ltd. (山東南山鋁業股份有限公司), Befar Group Co., Ltd. (濱化集團股份有限公司), Shandong Longji Machinery Co., Ltd. (山東隆基機械股份有限公司) and Sinoer Men's Wear Co., Ltd. (希努爾男裝股份有限公司). Mr. Zhang joined the Guarantor in 2017. Prior to joining the Guarantor, Mr. Zhang previously served as a secretary of the party committee and principal of Yantai Finance School of Shandong Province (山東省煙臺財政學校). Mr. Zhang obtained his bachelor's degree from Jiangxi University of Finance and Economics (江西財經學院).

Employee Director

Mr. Yan Fangjie (閆芳階) has been an Employee Director of the Guarantor since April 2017 and is a member of the CPC. Mr. Yan joined the Guarantor in 2015. Prior to joining the Guarantor, Mr. Yan previously served as a director, the deputy head and the head of the Planning and Research Room of Huaihe Bureau (淮河局規劃研究室). Mr. Yan obtained his bachelor's degree from He Hai University.

SUPERVISORS

As at the date of this Offering Circular, three members of the Guarantor's board of supervisors, namely Mr. Zhao Ronghao, Mr. Tian Yi and Mr. Fu Tao, have stepped down from their positions with immediate effect pursuant to and in compliance with the Implementing Opinion of the People's Government of Shandong Province on the Reform of Provincial Institutions in Shandong Province《山東省人民政府關於山東省省級機構改革的實施意見》 (the "**Implementing Opinion**") issued by the Shandong Provincial Government on 6 November 2018. According to the Implementing Opinion, the duties and responsibilities of the board of supervisors of provincial-level state-owned enterprises under the direct supervision of Shandong SASAC will be assumed by the Shandong Provincial Audit Office and such enterprises will cease to have individual board of supervisors thereafter. Consequently, Shandong SASAC will no longer nominate and appoint supervisors of the Guarantor.

Please see "*Recent Developments — Change in the Supervisors of the Guarantor*" and "*Risk Factors — The Guarantor does not have the minimum number of supervisors as required under its articles of association and applicable PRC laws, and the lack of a valid board of supervisors may also expose the Guarantor to corporate governance risks*".

The table below sets forth information regarding the Guarantor's supervisors as at the date of this Offering Circular:

Name	Age	Title
Ms. Zhang Jin (張錦)	54	Employee Supervisor
Mr. Wang Zhonghua (王忠華)	48	Employee Supervisor

Note:

(1) Ms. Zhang Jin and Mr. Wang Zhonghua, are currently suspended from their duties, given that the requisite minimum number of members to form a functionable board of supervisors is not met.

Ms. Zhang Jin (張錦) has been an Employee Supervisor of the Guarantor since June 2017 and is a member of the CPC. Ms. Zhang also currently serves as the general manager of the Safety Management Department of the Guarantor. Ms. Zhang joined the Guarantor in 2012 and previously worked at the investment and construction department of the Guarantor. Prior to joining the Guarantor, Ms. Zhang previously served as the deputy general manager of Shandong Survey and Design Institute of Water Conservancy (山東水利勘測設計院) and Shandong Water Bidding Co., Ltd. (山東水務招標有限公司). Ms. Zhang obtained her bachelor's degree from Shandong Institute of Architecture and Engineering, the predecessor of Shandong Jianzhu University.

Mr. Wang Zhonghua (王忠華) has been an Employee Supervisor of the Guarantor since September 2016. Mr. Wang also currently serves as the general manager of the Water Affairs Department of the Guarantor. Mr. Wang joined the Guarantor in 2016. Prior to joining the Guarantor, Mr. Wang previously held various positions at the Planning and Design Institute of Shandong Province Huaihe River Basin Water Administration Bureau (山東省淮河流域水利管理局規劃設計院), including such as an assistant, an engineer, a deputy section head, a section head and a party branch secretary. Mr. Wang obtained his bachelor's degree from Shandong University of Technology.

SENIOR MANAGEMENT

The table below sets forth information regarding the Guarantor's senior management team as at the date of this Offering Circular:

Name	Age	Title
Mr. Liu Xiaojun (劉肖軍)	50	General Manager
Mr. Xue Zhenqing (薛振清)	59	Deputy General Manager
Mr. Li Qiguang (李其光)	55	Deputy General Manager
Mr. Kong Xiangquan (孔祥泉)......	54	Chief Financial Officer

Mr. Liu Xiaojun (劉肖軍) has been the General Manager of the Guarantor since September 2016. For Mr. Liu's biography, see "— *Directors — Executive Directors*" above.

Mr. Xue Zhenqing (薛振清) has been a Deputy General Manager of the Guarantor since July 2018 and is a member of the CPC. Mr. Xue joined the Guarantor in 2011. Prior to joining the Guarantor, Mr. Xue previously held various positions at Shandong Province Water Conservancy Bureau (山東省水利工程局), including as a section head of the engineering section, an engineer of the engineering office, the deputy head of the corporate management office, a deputy manager of Shandong Province Water Conservancy Bureau Second Engineering Company (山東省水利工程局第二工程公司), a manager of Shandong Province Water Conservancy Bureau First Engineering Company (山東省水利工程局第一工程公司), a member of the party committee and the deputy director-general. Mr. Xue also previously served as an assistant to general manager of Shandong Water Investment Co., Ltd. (山東水務投資有限公司), a manager of Shandong Water Bidding Co., Ltd. (山東水務招標有限公司) and the general manager of Shuifa Zhongxing. Mr. Xue obtained his bachelor's degree from Laiyang Agricultural College, the predecessor of Qingdao Agricultural University.

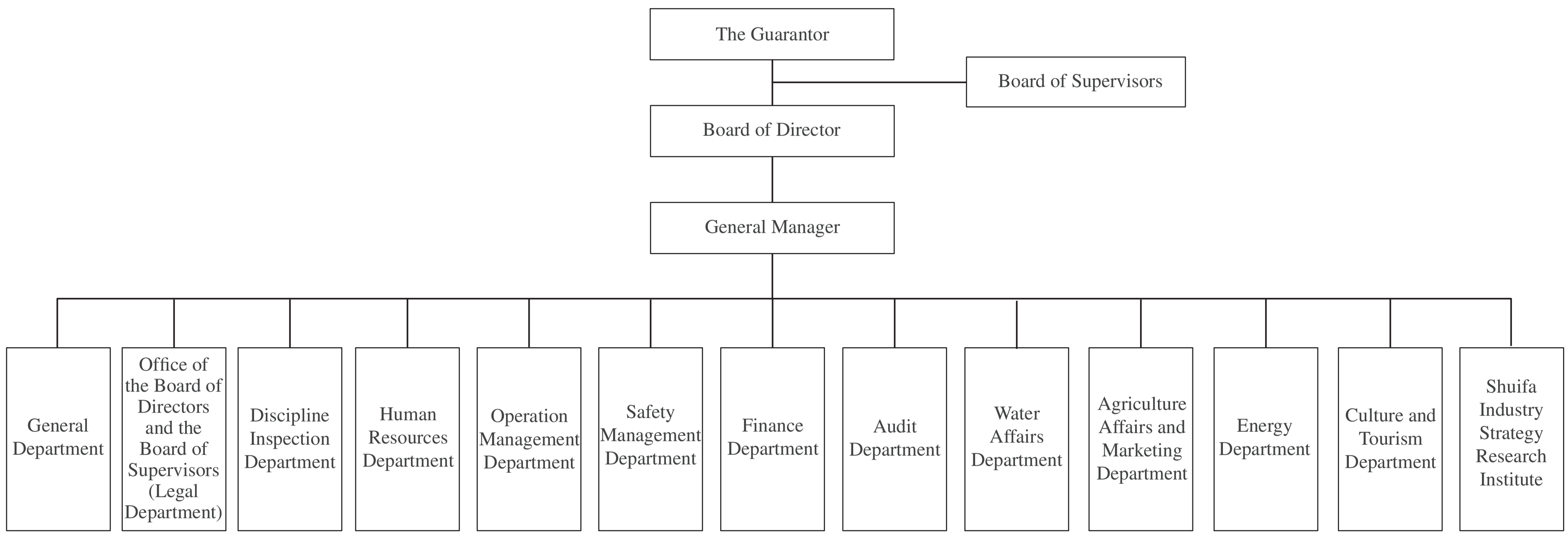
Mr. Li Qiguang (李其光) has been a Deputy General Manager of the Guarantor since September 2016. Mr. Li is a member of the CPC and an application researcher in engineering technology. Mr. Li joined the Guarantor in 2013. Prior to joining the Guarantor, Mr. Li previously held various positions at Water Resources Research Institute of Shandong Province (山東省水利科學研究院), including as a deputy director of the infrastructure office, the deputy head of the resources and environment office, a director of the water-savings irrigation equipment development pilot base, the head of the rural water research institute, a director of the Shandong Science and Energy Water-savings Technological Development Centre (山東省科源節水技術開發中心) and a director of the Shandong Water Science Institute Changqing Keyuan Spring Water Development Centre (山東省水科院長清科源天然泉水開發中心). Mr. Li obtained his bachelor's degree from North China University of Water Resources and Electric Power.

Mr. Kong Xiangquan (孔祥泉) has been the Chief Financial Officer of the Guarantor since July 2020. For Mr. Kong's biography, see "— *Directors — Non-Executive Directors*" above.

CORPORATE GOVERNANCE

The Guarantor has established and implemented an effective corporate governance structure. The Guarantor has established a three-tier management structure comprising the Board, the General Manager and 13 departments.

The chart below sets forth the corporate governance structure of the Guarantor as at the date of this Offering Circular:



Note:

(1) As at the date of this Offering Circular, the Guarantor does not have the requisite number of members to form a functionable board of supervisors. See "— *Supervisors*" and "*Risk Factors — The Guarantor does not have the minimum number of supervisors as required under its articles of association and applicable PRC laws, and the lack of a valid board of supervisors may also expose the Guarantor to corporate governance risks*" for more details.

The primary duties of the 13 departments are set forth as follows:

- The General Department (綜合部) is primarily responsible for carrying out daily administrative tasks, coordinating different departments, drafting major reports, documents and leaders' speeches, developing positive corporate culture, promoting internal and external public relations work, supervising works of the Guarantor and its subsidiaries, safekeeping of the company stamp, organising large-scale activities and company conferences, liaising with and reporting to the party committee of the Guarantor and other secretarial works.

- Office of the Board of Directors and the Board of Supervisors (Legal Department) (董監會辦公室(法務部)) is primarily responsible for liaising and assisting with the work of the Board and the Board of Supervisors, providing legal advice and support, participating in the negotiation of major economic activities, reviewing and assisting the implementation of economic contracts and agreements, promoting a sound and comprehensive internal control system through continuous improvements in the internal rules and regulations of the Guarantor and its subsidiaries as well as conducting internal legal education and training.

- The Discipline Inspection Department (紀檢監察部) is primarily responsible for organising and coordinating anti-corruption works, assisting the party committee and the discipline committee of the Guarantor in the implementation of a responsibility system for improving party's work style and building clean government, ensuring smooth reporting channels for complaints and mass reports, conducting regular inspections and strengthening the supervision of the Group's tier-two subsidiaries, formulating and supervising the implementation of internal rules and regulations for anti-corruption, conducting anti-corruption propaganda and education, and other anti-corruption works to ensure efficient compliance with applicable national laws and regulations as well as internal policies and by-laws.

- The Human Resources Department (組織人事部) is primarily responsible for conducting daily management, supervision and guidance of personnel related works, which include, among others, establishing and overseeing the implementation of human resources system and policies, administering the appointment and assessment of mid-level staff members of the Group and key leaders of the Group's tier-one subsidiaries, formulating and reviewing compensation budgets, conducting appraisals over subsidiary companies as well as the Guarantor's senior management and conducting internal training.

- The Operation Management Department (運營管理部) is primarily responsible for formulating medium and long-term strategic plans, annual operating budgets and targets, internal management rules and regulations as well as other rules, regulations or measures over procurement, investment and asset consolidation, enhancing and overseeing the implementation of internal management policies, coordinating and supervising the daily operations of subsidiary companies, completing the appraisals works of Shandong SASAC over the Group, coordinating business cooperation between subsidiary companies, collecting operational data, facilitating the construction of an information system, renewing and maintaining effective qualification certificates for business operations, and reviewing and evaluating the annual investment plans and strategic plans of the Water Affairs Department and each subsidiary company.

- The Safety Management Department (安全管理部) is primarily responsible for conducting daily management in production safety to ensure compliance with applicable national laws, regulations and policies and industrial guidelines, which includes, among others, formulating internal production safety rules, regulations and operating procedures, accident emergency rescue plans, setting out production safety objectives and corresponding work plans, conducting production safety education and training, handling and participating in investigation of major accidents and monitoring the quality, safety and budget of a project.

- The Finance Department (財務部) is primarily responsible for formulating and monitoring the application of internal accounting and finance policies, preparing consolidation financial statements of the Group, keeping track with latest tax laws to reduce tax expenditures, formulating financing and use of funds plans, reviewing and approving intragroup loan applications as well as guarantees to third-parties, coordinating the use of funds and resources and conducting regular trainings to finance officers.

- The Audit Department (審計部) is primarily responsible for formulating and overseeing implementation of internal audit policies to ensure compliance with national audit standards and regulations, which includes, among others, setting out annual audit plans, carrying out audits over financial statements, financial affairs, assets, investment and expenditure budgets, economic results of a project, material economic contracts and mid-level and senior employees, providing regular suggestions to management for enhancing internal audit controls and conducting regular training to and review on audit staff.

- The Water Affairs Department (水務事業部) is primarily responsible for formulating and monitoring the implementation of strategic plans and annual work plans of, setting out internal rules and regulations and operating procedures for, carrying out due diligence and risk analysis over potential projects of, promoting market development, brand building, risk controls and operation management of, the Group's water business.

- The Agricultural Affairs and Marketing Department (農業事業部(市場部)) is primarily responsible for carrying out marketing and other works related to the Group's modern agriculture business, which include, among others, formulating and implementing strategic plans and annual work plans, formulating internal policies and procedures, conducting due diligence and risk analysis for potential projects as well as industry analysis and information collecting for market development, promoting brand building and risk control and carrying out regular staff training and operation management.

- The Energy Department (能源事業部) is primarily responsible for formulating strategic and operational plans as well as carrying out works related to the Group's energy business, which include, among others, formulating annual work plans and internal policies and procedures, conducting due diligence and risk analysis for potential projects, promoting market development, brand building and risk control as well as carrying out operation management.

- The Culture and Tourism Department (文旅事業部) is primarily responsible for carrying out strategic planning and formulating annual work plans and internal policies and procedures for the Group's cultural tourism, real estate development and medical and health care businesses. Other duties of this department include conducting due diligence and risk analysis for potential projects, promoting market development, brand building and risk control as well as carrying out operation management in relation to these businesses.

- The Shuifa Industry Strategy Research Institute (水發產業戰略研究院) comprises a professional team and is primarily responsible for analysing certain obstacles to the Group's development, providing advice and resolutions accordingly and cooperating with and promoting resources sharing with other research and development institutions.

PRC REGULATIONS

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

SAFE REGISTRATION IN RELATION TO CROSS-BORDER SECURITY

Pursuant to the current applicable foreign exchange regulations, provision of cross-border security (including the provision of security interests by way of mortgage or pledge and the provision of guarantee) as defined in the relevant PRC regulations by PRC non-financial institutions, is subject to registration, reports and other regulatory requirements of SAFE.

On 12 May 2014, SAFE promulgated the Provisions on Foreign Exchange Administration of Cross-border Security (跨境擔保外匯管理規定) and the Implementation Guidelines for the Foreign Exchange Administration of Cross-border Security (跨境擔保外匯管理操作指引) (collectively, the "**SAFE Circular 29**"), which became effective from 1 June 2014. According to the SAFE Circular 29: (i) cross-border security refers to the security provided by a security provider to a creditor under a written and legally binding agreement or instrument under which the security provider undertakes to fulfil relevant payment obligations in accordance with the security agreement, which may result in cross-border receipt and payment of funds or cross-border transfer of asset ownership and other transactions of international receipt and payment. Based on the places of registration of the parties to the cross-border security transactions, cross-border security shall be divided into three types, namely "Neibaowaidai" (內保外貸), "Waibaoneidai" (外保內貸) and "Other forms of cross-border security" (其他形式的跨境擔保). In particular, Neibaowaidai refers to the cross-border security transaction under which the security provider is registered in the PRC, while both the debtor and the creditor are registered outside the PRC; (ii) provision of guarantees by PRC non-financial institution for offshore bond issuance by offshore entities constitutes transaction of "Neibaowaidai", and the PRC non-financial institution as the guarantor shall, register such cross-border security with SAFE within 15 working days after the execution of the guarantee; (iii) the proceeds of loans or bonds under the "Neibaowaidai" structure shall be used for the relevant expenses in the normal course of business of the foreign debtor, and shall not be used to support the foreign debtor to engage in transactions other than the normal course of business, to arbitrage any trade with fictitious transaction background, to carry out other forms of speculative transactions, or without approval of the SAFE, to directly or indirectly remit proceeds back to PRC by way of borrowing, equity investment or security investment; (iv) the proceeds of loans or bonds under the "Neibaowaidai" structure shall not be repatriated onshore and used in the PRC; (v) where "Neibaowaidai" is provided to secure the repayment obligations of an offshore entity under its offshore bond issuance, the offshore issuer shall be directly or indirectly owned by the PRC domestic institutions and the proceeds from the offshore bond issuance shall be applied to the overseas investment projects which are associated with the PRC domestic institutions in terms of equity interest and the relevant overseas institutions or projects shall have obtained or completed approvals, registrations, records or confirmations from or with the relevant PRC domestic authorities in charge of administration of overseas investment; and (vi) in case of performance of the "Neibaowaidai" which has been duly registered with SAFE, the PRC non-financial institution as the guarantor, may make the payment in relation to the performance of the "Neibaowaidai" under the registered "Neibaowaidai" at its own discretion, and shall de-register the "Neibaowaidai" and perform registration formalities in relation to its creditor rights against the offshore debtor arising out of the performance of the "Neibaowaidai".

On 18 January 2017, SAFE issued the Circular on Further Promoting the Reform of Foreign Exchange Administration and Improving the Genuineness and Compliance Review and Verification Process (關於進一步推進外匯管理改革完善真實合規性審核的通知) (“**SAFE Circular 3**”), which eases certain restrictions on the use of proceeds raised under a “Neibaowaidai” structure and generally allows the proceeds raised under a “Neibaowaidai” structure to be repatriated onshore and used in the PRC by way of loans and equity investments. The second series of the Policy Q&As in relation to the SAFE Circular 3 (國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知(匯發[2017]3號)政策問答(第二期), “**Policy Q&As in relation to the Circular 3**”) published by SAFE on its official website on 27 April 2017 further clarified that, for offshore bond issuance by offshore entities which is secured by PRC onshore guarantees, the restrictions on the use of proceeds as mentioned in sub-paragraph (iii) and sub-paragraph (v) above still apply despite of SAFE Circular 3. However, in practice, application or exemption of such restrictions on the use of proceeds as mentioned in sub-paragraph (v) above to a large extent remains subject to SAFE’ discretion on a case by case basis.

The SAFE Circular 3 and Policy Q&As in relation to the SAFE Circular 3 are relatively new and will be subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying the SAFE Circular 3 and Policy Q&As in relation to the SAFE Circular 3.

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 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 and Circular 2881 were respectively promulgated in June 2010 and November 2010. According to Circular 19, local governments at different levels are required to classify the debts incurred by their financing vehicles into three categories based on the standards and principles set by the State Council and to control and decrease the amount of their outstanding debts. The first category of debts are those incurred relating to the development of projects for public welfare that will be repaid with government funds. The second category of debts are those incurred relating to the development of projects for public welfare that will be repaid with cash flow generated by the projects themselves. The third category of debts are those incurred relating to the development of projects not for public welfare. According to Circular 19, local governments in the PRC may not finance public welfare projects through financing vehicles, but instead must provide funds through their fiscal budgets or obtain financing from the private sector unless otherwise provided by the State Council. Circular 19 prohibits financing vehicles that perform the sole function of financing local government public welfare projects, and local governments are required to confirm the extent of their indebtedness. The financing vehicles that carry out both financing and construction and/or operational function for the local governments’ public welfare projects should discharge their financing function as soon as the relevant local governments confirm the extent of such government’s indebtedness. Pursuant to Circular 2881, a LGFV whose asset composition complies with the requirements of Circular 19 shall rely on its internal operating cash flow to finance the payment of more than 70.0%. of the cash required to repay its corporate bonds issued in the PRC. If revenue from the construction of public interest projects represents more than 30.0%. of such LGFV’s total revenue, the LGFV should provide the regulatory authorities that review the application of corporate bonds issuance with information relating to the balance of the local government’s debts and other detailed information that demonstrate its ability to repay its indebtedness. In addition, Circular 2881 reinforces the requirements under Circular 19 which prohibit local governments from mortgaging state-owned assets or otherwise creating a security interest over public funds to secure the debts of its financing vehicles, directly or indirectly.

In accordance with the currently effective Budget Law which took effect in 1995 (the "**Old Budget Law**"), local governments shall not issue bonds directly. On 31 August 2014, National People's Congress adopted the newly amended Budget Law of the PRC (the "**New Budget Law**"), which became effective from 1 January 2015. The New Budget Law grants local governments the right to issue government bonds. On 21 September 2014, the State Council released Circular 43. Circular 43 aims at regulating the financing system of local governments and three channels are presented. In accordance with Circular 43, financing platforms shall no longer function as financing vehicles of the local governments nor incur new government debts. Public interest projects may be funded by the government through issuing government bonds and public interest projects with income generated may be operated independently by private investors or jointly by the government and private investors through the establishment of special purpose companies. Private 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. Private 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 private 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 the State Council for approval, and then included in the budget plan of local governments.

In addition to Circular 43, MOF, the NDRC, the Ministry of Justice, PBOC, CBRC and the CBRC jointly Circular 50 on 26 April 2017, which reaffirmed that local government debts shall only be incurred through the issuance of local government bonds within the quota approved by the State Council, and the local governments and their departments are not permitted to use any other means for debt financing. The local governments and their departments are prohibited from requesting or ordering enterprises to issue debts for or on behalf of the local governments. According to Circular 50, (i) local governments should not inject public assets and land reserves into their financing vehicles, and should not undertake to use the expected income from transfer of land reserves as sources of debt servicing for their financing vehicles; (ii) when providing financing to enterprises such as financing vehicles, the financial institutions shall not request or accept any form of guarantee of such financing from the local governments and their departments by way of letter of guarantee, letter of undertaking, letter of comfort or otherwise; (iii) a financing vehicle shall make a written representation to the relevant creditor that it does not perform any financing function on behalf of local governments, and any debts incurred by it after 1 January 2015 shall not be regarded as local government debts pursuant to applicable laws.

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 the local governments to clear up the existing debts of their respective financing platforms of the local governments and classify such existing fiscal debts of the local governments into government debts and non-government debts. Pursuant to the Circular of the General Office of the State Council on Forwarding the Opinions of MOF, PBOC and CBRC on Properly Solving the Problem of Follow-up Financing for Projects under Construction of Local Government Financing Platform Companies (國務院辦公廳轉發財政部、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的通知) ("**Circular 40**") which was promulgated by General Office of the State Council and became effective from 11 May 2015, 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 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 follows: (i) supporting stock financing needs for projects under construction; (ii) regulating increment financing for projects under construction; (iii) administering in an effective and proper manner follow-up financing for projects under construction; and (iv) improving supporting measures.

Further, Circular 87 requires local governments and their departments not to take advantage of or make up a contract for the government procurement of services in such a manner that conceals an underlying objective of raising funds for any construction project, or finance from financial institutions or non-financial institutions through government procurement of services, and shall not make up a contract for accounts payable (receivable) by any means or enter into such a contract beyond their respective authority in an attempt to help financing platforms and other types of enterprises raise funds.

On 28 March 2018, MOF issued Circular 23. According to Circular 23, (i) state-owned financial enterprises are prohibited from increasing loans of local government financing platform companies in violation of regulations including the New Budget Law, Circular 43 and other requirements, except for purchase of local government debts; (ii) while providing financing for state-owned enterprises, financing platforms of local government or public-private partnership projects of local construction, state-owned financial enterprises shall, under the "penetration principle", ensure that the source of financing entities' capital funds is in compliance with applicable laws and regulations, and that the financing projects satisfy the requirements for the proportion of capital funds; (iii) state-owned financial enterprises are obliged to evaluate the financial capabilities of entities raising funds and sources of repayments when they provide agency services to local state-owned enterprises, such as financing platforms of local governments for domestic and overseas bonds issuance. Where the source of repayments made by the entities raising funds involve fiscal funds, state-owned financial enterprises shall conduct due diligence, and carefully verify whether the arrangement to offer fiscal funds is in compliance with applicable laws and regulations; and (iv) such documents including the offering circulars shall not disclose information that can implicitly or explicitly indicate the government's endorsement, such as local financial revenues and expenditures and government debt information, or conduct misleading publicity that implies an association with the government's credit.

On 13 September 2018, the General Office of the CPC and the General Office of the State Council jointly issued the Joint Opinion, which establishes targets for the reduction of the average debt-to-asset ratio of state-owned enterprises by 2020 and (consistent with Circular 43 and Circular 50) bans local governments from engaging in "disguised" borrowing by using state-owned enterprises to issue corporate debt on behalf of local governments.

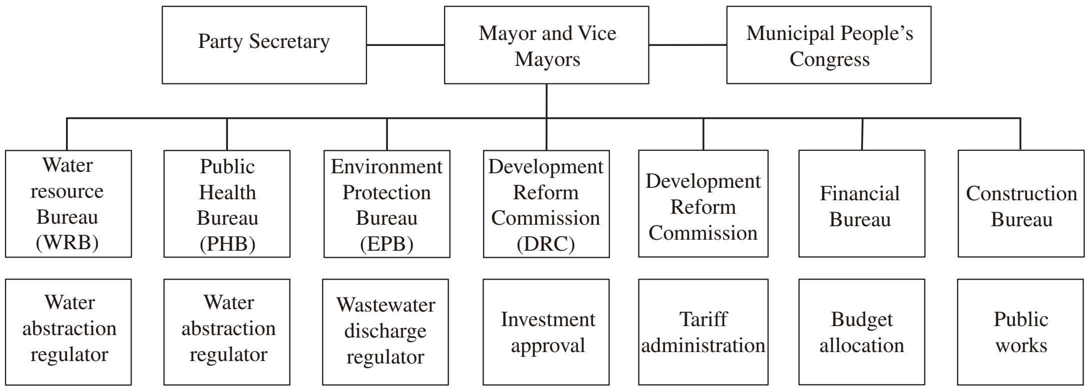
REGULATIONS RELATING TO THE WATER INDUSTRY

Regulators

Oversight of the urban water sector is coordinated by the central government of the PRC, which sets policies, standards, and guidelines for drinking water quality; wastewater discharge; and planning and constructing water, wastewater, and drainage infrastructure.[2] Provincial agencies set implementing regulations, approve selected actions of municipal agencies such as tariff revisions and increases and large investment projects, and oversee compliance with water supply and wastewater standards.

2 Several ministries carry out these functions. The Ministry of Water Resources oversees water resource allocation as well as usage in rural areas (irrigation and residential); MOHURD (formerly the Ministry of Construction) regulates engineering and urban water use; while the Ministry of Ecology and Environment regulates pollution and wastewater treatment. Separately, the National Health Commission of the PRC (NHC, formerly the Ministry of Health) issued standards for the quality of residential tap water.

At the municipal level, each government is responsible for providing water and wastewater services, typically through a municipally-owned company, for implementing national and provincial regulations, and for setting tariffs. The chart below indicates a typical municipal structure for water regulation.



Policy Framework

Policies to commercialize the municipal water supply sector began in 1998 with a national policy mandating that urban water utilities earn a return on equity and introducing clear tariff-setting procedures. Subsequent directives sought to commercialize the sector further: (i) the 10th Five-Year Plan (2001-2005) recommended setting water tariffs according to supply and demand, and the 11th Five-Year Plan (2006-2010) emphasized improvements in water intensity (i.e., reducing the amount of water used per unit of economic output); (ii) the Water Law of the PRC was amended in 2002 to allow customers to be charged for the volume of water consumed; (iii) five ministry-level bodies, including the NDRC, in 2002 jointly issued a nationwide framework for urban water tariff determination, including formalizing the requirement that operation, maintenance, and debt service costs be recovered through tariffs and other user fees; and (iv) various agencies have instituted a series of complementary policies, such as the "one meter per household" policy to reduce nonrevenue water and improve water quality.

In 2009, the NDRC and MOHURD announced priorities for urban water distribution tariffs: (i) raising tariffs gradually to encourage conservation and efficiency, (ii) increasing transparency, (iii) setting block tariffs (progressive by volume) to encourage conservation, (iv) establishing simple sector categories for tariffs, (v) incorporating pro-poor affordability measures, and (vi) raising public awareness of water issues.

The 13th Five Year Plan (2016-2020) was announced in May 2016, which emphasizes several aspects of water development: (i) conservation, (ii) water safety, (iii) water pricing, (iv) pipeline network development, and (v) expediting waste water treatment. The plan also targets controlling the total volume of water consumed not more than 67 billion cubic meters.

Concession in Municipal Public Utilities Projects

The Opinion on Accelerating the Marketization of Municipal Public Utilities Industry (關於加快市政公用行業市場化進程的意見) promulgated by MOHURD on 27 December 2002 which became effective from the same date, the Measures for the Administration on the Concession of Municipal Public Utilities (市政公用事業特許經營管理辦法) promulgated by MOHURD on 19 March 2004 which became effective from 1 May 2004 and as amended on 4 May 2015, and the Opinion on Strengthening the Supervision of Municipal Public Utilities (關於加強市政公用事業監管的意見) promulgated by MOHURD on 10 September 2005 which became effective from the same date (collectively referred to as the "**Tender Measures**") govern the regulations of the grant of concession rights for municipal public utilities projects, including wastewater treatment and water supply projects. Under these regulations, government authorities should select investors for or operators of municipal public utilities projects through a public bidding process and enter into concession agreements with them to grant concession rights. The Tender Measures further require concession agreements to be entered into for all municipal public utilities projects prior to the commencement of a concession period. However, in the event that a concession project fails to comply with such requirement before commencement, the parties may rectify the non-compliance under the Tender Measures by entering into written concession agreements in a timely manner.

According to the Measures for the Administration on the Concession of Infrastructure and Public Utilities (基礎設施和公用事業特許經營管理辦法), which was jointly promulgated by MOF, MOHURD, the Ministry of Transport, the Ministry of Water Resources, the NDRC and PBOC on 25 April 2015 which became effective from 1 June 2015, the concession agreement shall be executed for the concession. Implementing institutions shall, according to the approved implementation plans of concession projects, select concessionaires through competitive modes including bidding and competitive negotiation. Where concession projects have specific construction and operation standards and supervision requirements, and the market competition in the relevant sector is adequate, concessionaires shall be chosen through bidding.

Terms of Concession Rights

According to the Measures for the Administration on the Concession of Municipal Public Utilities (市政公用事業特許經營管理辦法), concession rights for municipal public utilities projects should have a term not exceeding 30 years. However, according to the Measures for the Administration on the Concession of Infrastructure and Public Utilities (基礎設施和公用事業特許經營管理辦法), the concession term for infrastructure and public utilities concession projects with significant investment scale and long investment return cycle, government or its authorized department may discretionarily grant a concession term of more than 30 years, depending on the actual situation of projects. After the term expires, governments may re-select the concessionaire based on the relevant procedures.

Pricing

According to the Regulations on Urban Drainage and Sewage Treatment (城鎮排水與污水處理條例), promulgated by the State Council on 2 October 2013 which became effective from 1 January 2014, where a concession contract or contract for entrusted operation involves the elimination of pollutants and service fees for sewage treatment operation, the competent departments of urban drainage shall consult with the competent environmental protection and pricing departments. The government encourages the implementation of a concession system for urban sewage treatment.

The Measures for the Administration on the Price of Municipal Water Supply (城市供水價格管理辦法) promulgated by the NDRC and MOHURD on 23 September 1998 and as amended on 29 November 2004 regulate the pricing of municipal water. In general, the competent pricing department of governments at or above county level regulates the pricing of municipal water in its respective jurisdiction. The regulations require a hearing to be held before a pricing policy is adopted and require public announcement before it takes effect. The price of municipal water consists of the cost of water supply, expenses, taxes and profit. Sewage treatment fees are also included in the water price and are collected based on the locality of the supply and actual water usage. Sewage treatment fees are determined based on the operation, maintenance and construction cost and expenses of the municipal drainage pipeline networks and sewage treatment plants.

A municipal water supplier may propose price adjustments by filing an written application with the competent pricing department and water administration department of the local municipal government. The departments will conduct a preliminary review of the price adjustment proposal and report to a higher level of authority within their respective departments for record and further review. The higher authorities will hold hearings in which the delegates of the People's Congress of the PRC, the members of the political consultative conference and the relevant government departments and consumer representatives from all sectors will participate.

With regard to municipal water supply projects which are monopolistic in nature, such as construction and maintenance of the water supply facilities, building, expansion and maintenance of pipeline networks, and the installation of measuring instruments, the pricing policy is governed by the competent pricing department and water administration department of governments at or above municipal level. Different water suppliers in a city may set different on-grid water prices provided that there are independent water plants or pipeline networks operators in that city. However, suppliers must charge a same price to consumers of the same type.

According to the Circular on the Relevant Issues concerning the Formulation and Adjustment of the Charging Standard for Sewage Treatment (關於制定和調整污水處理收費標準等有關問題的通知) jointly promulgated by the NDRC, MOF and MOHURD on 21 January 2015 which became effective from the same date, the charging policy for sewage treatment fees should be based on the principles of "polluter pays", "Equitable Burden Sharing", "Cost-reimbursement", "Reasonable Profit Sharing" and take into account of factors including the conditions of the water pollution prevention and control and the economic capacities of the region. The fee structure shall aim to compensate for the operating cost of sewage treatment and disposal facilities and allow a reasonable return of profit. By the end of 2016, the charging standard for sewage treatment in municipal cities shall be set at a rate of no less than RMB0.95 per tonne for residents and no less than RMB1.4 per tonne for non-residents; the charging standard for sewage treatment in counties and major designated towns shall be set at a rate of no less than RMB0.85 per tonne for residents and no less than RMB1.2 per tonne for non-residents. When the charging standard for sewage treatment reaches minimum but is unable to compensate for the cost and generate a reasonable profit, it shall be adjusted in consideration of the foregoing factors.

With respect to the places in which the sewage treatment fees are not yet collected, sewage treatment fees shall start to be collected by the end of 2015, and the sewage treatment plants shall be built and put into operation within three years. In formulating and adjusting the charging standard for sewage treatment, local governments shall follow the pricing procedures including cost supervision for sewage treatment enterprises and expert demonstration and peer review, ensure a rational, fair and transparent process, and balance and protect the legitimate rights and interests of consumers and operators.

Water Quality

The water quality of the domestic drinking water provided by centralised and non-centralised water supply enterprises in urban and rural areas should meet the standards set out in the Standards for Drinking Water Quality (生活飲用水衛生標準) (GB5749-2006), promulgated on 29 December 2006 which became effective from 1 July 2007. The Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (城鎮污水處理廠污染物排放標準) (GB 18918-2002), promulgated on 24 December 2002 and as amended on 8 May 2006, sets out the water quality standard for effluent that flows from municipal wastewater treatment plants. According to the Law of the PRC on the Prevention and Control of Water Pollution (中華人民共和國水污染防治法), promulgated on 11 May 1984 and as amended on 15 May 1996 and 28 February 2008, companies in the operation of centralised treatment facilities for municipal wastewater are held accountable for the quality of the effluent from the wastewater treatment plants.

Government Supervision

According to the Measures for the Administration on the Concession of Municipal Public Utilities (市政公用事業特許經營管理辦法) and the Opinion of Ministry of Construction on Strengthening the Supervision of Municipal Public Utilities (建設部關於加強市政公用事業監管的意見), provincial construction bureaus are the primary regulators supervising the operation of local public utility concession projects (including municipal wastewater treatment, water supply and waste incineration and power generation projects). The government employs the following measures to supervise concession projects and operators with concession right:

(a) Routine supervision

The supervising authority will carry out periodic spot checks on the quality of the products and services provided by the municipal public utilities operators and will monitor the cost of such products and services.

(b) Mid-term assessment

During the course of project operation, the competent authority will engage experts to carry out mid-term assessment on the performance of the operators who have concession rights at least every two years or, under special circumstances, once a year.

(c) Supervision of material matters

Unless with prior government permission, a municipal public utilities operator cannot transfer or lease its concession rights, dispose of or mortgage project assets, shut down or wind up during the concession period. Unless and until an enterprise with concession right obtains permission from the supervising authority, it cannot unilaterally terminate the agreement and must continue to carry out its ordinary business and service.

(d) Consequences of violations

If the enterprise with concession right is engaged in any of the following conduct, the competent authority will terminate the concession agreement and may take over the enterprise temporarily:

(i) transferring or leasing the concession rights without authorization;

(ii) disposing of or mortgaging business assets without authorization;

(iii) having poor management which leads to material quality or production safety accidents;

(iv) shutting down or winding up without permission which seriously affects public interest and safety; or

(v) any other conducts prohibited by laws or regulations.

Business Qualifications and Licenses

Health Permit

Pursuant to the Measures for the Administration on the Health Supervision of Domestic Drinking Water (生活飲用水衛生監督管理辦法), promulgated by MOHURD and National Health and Family Planning Commission of the PRC on 9 July 1996 which became effective from 1 January 1997 and as amended on 12 February 2010 and 17 April 2016, a health permit system was implemented to regulate water supply units and drinking water products. Drinking water products supplied by water supply units must meet national sanitary standards for drinking water. In addition, centralized water supply units must obtain a health permit issued by the health administrative departments of a local people's government at or above the county level. The health permit certificate is valid for a term of four years, and the water supply units may apply for recertification within six months prior to its expiration.

Water Intake Permit

According to the Water Law of PRC (中華人民共和國水法), promulgated by SCNPC on 21 January 1988 and as amedned on 29 August 2002, 27 August 2009 and 2 July 2016, the Regulations on Administration of Water Intake Permit and Collection of Water Resources Charges (取水許可和水資源費徵收管理條例), promulgated by the State Council on 21 February 2006 which became effective from 15 April 2006 and as amended on 1 March 2017 and the Measures on Administration of Water Intake Permit (取水許可管理辦法), promulgated by the Ministry of Water Resources on 9 April 2008 which became effective from the same date and as amended on 16 December 2015 and 22 December 2017, other than those who are exempted from the water intake permit requirement, where an entity or individual will extract water resources from rivers, lakes or underground water, and such operation will continue for more than 30 days, it shall apply for a water intake permit at the competent water administration department of a local people's government at or above county level or at a river conservancy commission in accordance with the requirements of the state water intake permit system and the institution of compensated use of water resources, and obtain the water rights after paying water resources fee. Entities or individuals shall extract water in accordance with an approved annual water intake plan. A water resources fee will be assessed at a progressive rate for the quantity of water extracted to the extent exceeding the limit specified in the plan. A water intake permit generally has a term of five years and in any case not exceeding ten years. Application for extension of the permit may be submitted within 45 days before expiration date.

Wastewater Discharge Permit

According to the Law of the PRC on the Prevention and Control of Water Pollution (中華人民共和國水污染防治法), promulgated by SCNPC on 11 May 1984 and as amended on 15 May 1996, 28 February 2008 and 27 June 2017 and its implementation rules, enterprises in the operation of centralized treatment facilities of urban wastewater shall obtain a wastewater discharge permit. Enterprises and institutions must obtain the permit to discharge wastewater and sewage and must carry out the discharge in accordance with the permit.

REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

Pursuant to the Environmental Protection Law of the PRC (中華人民共和國環境保護法), promulgated by SCNPC on 26 December 1989 which became effective from the same date and as amended on 24 April 2014 which became effective from 1 January 2015, China adopts policies and measures relating to finance, taxation, pricing and government procurement to encourage and support environmental protection industries the development of environmental protection technologies and equipment, the integrated use of resources, and environmental services in environmental protection industries. In particular, the relevant government entities will provide a wide range of preferential treatments, such as fiscal assistance, favorable taxation, pricing and government procurement policies to enterprises, public institutions, and other producers and business operators for reducing pollution levels below the statutory discharge limit.

Pursuant to the Environmental Impact Assessment Law of the PRC (中華人民共和國環境影響評價法), promulgated by SCNPC on 28 October 2002 which became effective from 1 September 2003 and as amended on 2 July 2016 and 29 December 2018, the PRC government established a system to assess the environmental impact of construction projects and classify levels of the assessment based on the degree of environmental impact caused by construction projects. According to the Rules on the Administration concerning Environmental Protection of Construction Projects (建設項目環境保護管理條例), promulgated by the State Council on 29 November 1998 which became effective from the same date and as amended on 16 July 2017, and the Regulations on Administration concerning the Environmental Protection Acceptance Check on Construction Projects (建設項目竣工環境保護驗收管理辦法), promulgated by the Ministry of Ecology and Environment (formerly known as the State Environmental Protection Administration) on 27 December 2001 which became effective from 1 February 2002 and as amended on 22 December 2010, a construction entity, before commencing the trial production for a construction project, shall submit an application for the trial production to the competent administrative department of environmental protection with approval authorities. Further, before the actual production of a construction project and before the constructed site is put into use, the entity shall file an application with the competent administrative department of environmental protection with approval authorities for acceptance checks on environmental protection.

The Action Plan to Tackle Water Pollution (水污染防治行動計劃), or the Water Action Plan, promulgated by the State Council on 2 April 2015 which became effective from the same date, sets forth the following goals:

(a) Before the end of 2020, China's water environment quality will periodically improve; the proportion of severely polluted water bodies will be greatly reduced and the quality of drinking water will be continuously improved; groundwater overdraft will be controlled strictly; the aggravated pollution of groundwater will be preliminarily controlled; the environmental quality of offshore areas, and the aquatic ecosystem in areas such as the Beijing-Tianjin-Hebei Region, will be improved; and

(b) The government will work to improve the quality of the ecological environment before the end of 2030 and to realise the virtuous circle of ecosystem by the mid-21st century.

In order to achieve these goals, the Water Action Plan contemplates that the following ten measures will be adopted:

(a) To further control the discharge of pollutants and to implement emission reduction measures to combat the pollution caused by industries, urban living, agriculture and the rural sector, ships and ports;

(b) To further stimulate the economic restructuring and upgrading; and to utilize industrial water, reclaimed water and seawater to promote cyclic development;

(c) To implement measures to continue saving and protecting water resources, specifically a strict management system of water resources to control the overall use of water, improve water-use efficiency and protect the ecological flows of key rivers;

(d) To further improve the scientific and technological support; to promote advanced technologies and strengthen fundamental research; to further regulate the environmental protection industry and promote the development of the environmental protection service industry;

(e) Relevant government authorities to promote water price reform, improve taxation policies, facilitate diversified investment and establish an incentive mechanism that promotes water environment treatment;

(f) To make relevant law enforcement and supervision stricter so as to implement harsher punishment for environmental violations and illegal construction projects;

(g) To further strengthen management of water environment; specifically, the relevant government authorities will strictly control the amount of pollutants and the environmental risks;

(h) Relevant government authorities to ensure the safety of aquatic ecosystem, including ensuring the safety of drinking water sources, controlling underground water pollution and pollution in major river basins, and strengthening the protection of water bodies and the ocean environment, so that by the end of 2017, foul water in urban built-up areas shall be substantially eliminated;

(i) To further clarify the duties of various government authorities and enterprises; to hold local governments more accountable for the protection of the water environment; specifically, the central government will check the implementation of the Water Action Plan in different basins, regions and sea areas every year; to ensure that the enterprises discharging water pollutant strictly comply with the relevant laws and regulations; and

(j) To encourage and improve public participation and community supervision; governments to regularly publish information in relation to water environment according to relevant laws and regulations.

REGULATIONS RELATING TO THE CONSTRUCTION INDUSTRY

Qualification of Construction Enterprises

In accordance with the Construction Law of the People's Republic of China (中華人民共和國建築法) promulgated by SCNPC on 1 November 1997 and as amended on 22 April 2011 and 23 April 2019, Regulations on Qualification Management of Construction Enterprises (建築企業資質管理規定) promulgated by MOC on 6 October 1995 which became effective from 15 October 1995 and as amended on 18 April 2001, 26 June 2007, and as amended by MOHURD on 22 January 2015 which became effective from 1 March 2015 and as amended on 13 September 2016 and 22 December 2018, Detailed Rules of Regulations on Qualification Management and Implementing Opinions of Qualification Standard of Construction Enterprises (建築業企業資質管理規定和資質標準實施意見) issued by MOHURD on 31 January 2015 which became effective from 1 March 2015 and as amended on 16 January 2020, Criterion for Qualification of Construction Enterprises (建築業企業資質標準) promulgated by MOHURD on 6 November 2014 which became effective from 1 January 2015 and as amended on 14 October 2016, Criterion for Premium Qualification of Construction General Contracting Enterprises (施工總承包企業特級資質標準) issued by MOC on 13 March 2007 which became effective from the same date, Provisions on the Management of Survey and Design Qualification of Construction Projects (建設工程勘察設計資質管理規定) promulgated by MOC on 26 June 2007 which became effective from 1 September 2007 and as amended by MOHURD on 4 May 2015, 13 September 2016 and 22 December 2018, Detailed Rules of Provisions on the Management of Survey and Design Qualification of Construction Projects (建設工程勘察設計資質管理規定實施意見) issued by MOC on 21 August 2007 which became effective from the same date, Provisions on Qualification Management of Project Supervision Enterprises (工程監理企業資質管理規定) promulgated by MOC on 26 June 2007 which became effective from 1 August 2007 and as amended by MOHURD on 13 September 2016 and 22 December 2018, Detailed Rules of Provisions on Qualification Management of Project Supervision Enterprises (工程監理企業資質管理規定實施意見) issued by MOC on 31 July 2007 which became effective from the same date and as amended on 16 June 2016, as well as other relevant laws and regulations, enterprises engaging in the business of construction, survey, design and supervision of construction projects may only carry out construction activities within the scope of their qualification grade certificates.

According to the Regulations on Qualification Management of Construction Enterprises by MOHURD, a Class 2 qualification of general contractors shall be issued by the competent departments of construction of the government of the province, autonomous region and municipality directly under the central government where the enterprise registered its business license, and a Class 3 qualification (other than the Class 3 qualification for constructing railway and communication projects under the general contract) of general contractors shall be issued by the competent departments of construction of the government of the city where the enterprise registered its business license. Both qualifications are valid for five years.

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

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

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 as amended on 27 December 2017, Regulation on the Implementation of the Bidding and Tendering Law of the People's Republic of China (中華人民共和國招標投標法實施條例) promulgated by State Council on 20 December 2011 which became effective from 1 February 2012 and as 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 the NDRC, MOC, MOR, MOT, the Ministry of Information Industry of the PRC, the Ministry of Water Resources of the PRC and Civil Aviation Administration of China on 8 March 2003 which became effective from 1 May 2003 and as amended on 11 March 2013, Administrative Measures for the Bidding and Tendering of Design of Construction Projects (建設工程設計招標投標管理辦法) issued by MOC on 18 October 2000 which became effective from the same date and was abolished by Administrative Measures for the Bidding and Tendering of Design of Construction Projects (建設工程設計招標投標管理辦法), promulgated by MOHURD on 24 January 2017 which became effective from 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 and as amended on 28 September 2018.

In accordance with the Bidding and Tendering Law of the PRC, 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; projects using loans or aid funds of international organisations or foreign government.

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

In accordance with the Bidding and Tendering Law of the PRC 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%. up to 1.0%. 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) issued by the Supreme People's Court on 25 October 2004 which became effective from 1 January 2005, if any project that is required to undergo a bidding process fails to go through the bidding process or the bid award is invalid, the construction contract for building projects shall become invalid.

Quality Management

Laws and regulations on project quality mainly include Construction Law of the People's Republic of China (建築法) which became effective from 1 March 1998 and as amended on 22 April 2011 and 23 April 2019, 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 became effective from the same date and as amended on 7 October 2017 and 23 April 2019, Administrative Measures for Quality Management of Construction Project Survey (建設工程勘察質量管理辦法) amended by MOC on 22 November 2007, Administrative Measures for Completion Acceptance Record of Building Construction and City 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 which became effective from 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 which became effective from the same date, Measures for Completion (Delivery) Acceptance of Highway Works (公路工程竣(交)工驗收辦法) promulgated by MOT on 15 March 2004 which became effective from 1 October 2004 and its implementation rules (公路工程竣(交)工驗收辦法實施細則) issued by MOT on 27 January 2010 which became effective from 1 May 2010 and Measures for the Management of Construction Project Quality Deposits (建設工程質量保證金管理辦法) issued by MOHURD and the Ministry of Finance on 20 June 2017 which became effective from 1 July 2017.

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

Work Safety Management

Major laws and regulations on work safety during the project contracting process include Work Safety Law of the People's Republic of China (中華人民共和國安全生產法) promulgated by SCNPC on 29 June 2002 which became effective from 1 November 2002 and as amended on 31 August 2014 which amendment became effective from 1 December 2014, Regulation on Work Safety Management of Construction Projects (建設工程安全生產管理條例) promulgated by State Council on 24 November 2003 which became effective from 1 February 2004, Regulation on Work Safety Licenses (安全生產許可證條例) promulgated by the State Council on 13 January 2004 which became effective from the same date and as amended on 29 July 2014 which amendment became effective from the same date, Interim Regulation of Penalty and Fine on Regulation on Work Safety Accident Report and Investigation (《生產安全事故報告和調查處理條例》罰款處罰暫行規定) promulgated by the State Council on 12 July 2007 which became effective from the same date and as amended on 2 April 2015 which amendment became effective from 1 May 2015 and Administrative Provisions on Work Safety Licenses of Construction Enterprises (建築施工企業安全生產許可證管理規定) issued by MOC on 5 July 2004 which became effective from the same date and as amended on 22 January 2015.

In accordance with the Work Safety Law of the PRC, Regulation on Work Safety Licenses and other related regulations, the state implements the work safety license system to construction enterprises. Any enterprise failing to obtain the work safety license shall not carry out production activities.

In accordance with the Regulation on Work Safety Management of Construction Projects, all the building, surveying, designing, construction and supervision units shall be responsible for the work safety of construction projects. For general contracting projects, the general contractor shall assume full responsibility for the work safety of the construction site, and the subcontractor shall be jointly liable for the work safety of the subcontracted portions of work.

TAXATION

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

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

Under the Inland Revenue Ordinance (Chapter. 112 of the Laws of Hong Kong) (the "**Inland Revenue Ordinance**") as it is currently applied by the Inland Revenue Department, interest on the Bonds may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

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

(ii) 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;

(iii) 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 the trade, profession or business; or

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

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

Sums derived from the sale, disposal or redemption of 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 the sums will generally be determined by having regard to the manner in which the Bonds are acquired and disposed of.

Stamp Duty

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

PRC

The following summary accurately describes certain PRC tax consequences of the ownership and disposition of the Bonds by beneficial owners that are not residents of mainland 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.

Enterprise Income Tax

Pursuant to the EIT Law and its implementation regulations, enterprises that are established under the laws of foreign countries and regions but whose "de facto management bodies" are within the PRC are treated as PRC tax resident enterprises for the purposes of the EIT Law. If the relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "de facto management body" of the Issuer is within the PRC, the Issuer may be held to be a PRC tax resident enterprise for purposes of the EIT Law and income or gains paid with respect to the Bonds may be considered to be derived from sources within the PRC.

Under the EIT Law and its implementation rules, any income or gains realised by non-resident enterprises may be subject to PRC enterprise income tax if such income or gains are regarded as 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. Non-resident enterprises that have set up offices or establishments in the PRC shall pay enterprise income tax in relation to the income originated from the PRC and obtained by their offices or establishments, and income originated from outside the PRC that has an actual relationship with the PRC offices or establishments set up by such enterprises. Non-resident enterprises that have not set up offices or establishments in the PRC, or where offices or establishments are set up but there is no actual relationship with the income obtained by the offices or establishments set up by such enterprises, must pay enterprise income tax only in relation to the income originated from the PRC.

In the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future or the Guarantor is required to discharge its obligations under the Guarantee, interest and redemption premium (if any) paid on the Bonds may, and such amounts payable under the Guarantee will, be considered to be PRC source, in which case the Issuer or Guarantor, as the case may be, would be required to withhold income tax at a rate of 10% from payments of interest in respect of the Bonds to any non-resident enterprise Bondholders. Any capital gain realised by a non-resident enterprise from the transfer of the Bonds may be regarded as being derived from sources within the PRC and accordingly may be subject to a PRC tax of up to 10% if the Issuer is treated as a PRC tax resident. Pursuant to the Individual Income Tax Law of the PRC and its implementation regulations, if the Issuer is considered to be a PRC tax resident enterprise or in the event that the Guarantor is required to perform its obligations under the Guarantee, the Issuer may be, and the Guarantor will be, obliged to withhold such individual income tax on payments of interests to non-resident individual holders of the Bonds. Any capital gain realised by a non-resident individual holder from transfer of the Bonds may also be regarded as being derived from sources within the PRC and be subject to PRC tax of up to 20% if the Issuer is a PRC tax resident enterprise. The PRC tax liability may be reduced under applicable tax treaties, such as 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》). However, it is unclear whether in practice non-resident Bondholders would be able to obtain the benefit of income tax treaties entered into between PRC and their countries.

Value-added Tax

On 23 March 2016, MOF and SAT issued the Circular of Full Implementation of Business Tax to VAT Reform (財政部、國家稅務總局關於全面推開營業稅改征增值稅試點的通知 (Caishui [2016] No. 36)) ("**Circular 36**") pursuant to which business tax was completely replaced by VAT from 1 May 2016. Since then, the income derived from the provision of financial services which previously attracted business tax is subject to VAT.

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

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

Circular 36 may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the competent tax authority. There is uncertainty as to the application of Circular 36.

In the event that the Issuer or Guarantor is required to make a deduction or withholding (whether by way of EIT, VAT or otherwise), the Issuer and Guarantor have agreed to pay, subject to certain exceptions, such additional amounts as will result in receipt by the Bondholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required. For more information, see "*Terms and Conditions of the Bonds — Taxation*".

BRITISH VIRGIN ISLANDS

The Issuer is exempt from all provisions of the Income Tax Ordinance of the British Virgin Islands. Payments of principal, premium or interest in respect of the Bonds to persons who are not resident in the British Virgin Islands are not subject to British Virgin Island tax or withholding tax.

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

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

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

There are currently no government or other exchange controls in the British Virgin Islands.

DESCRIPTION OF CERTAIN DIFFERENCES BETWEEN PRC GAAP AND IFRS

The consolidated financial statements of the Group 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 that still exist between PRC GAAP and IFRS, which might be relevant to the financial information of the Group included herein.

The following is a general summary of certain differences between PRC GAAP and IFRS as applicable to the Group. The differences identified below are limited to those significant differences that are appropriate to the Group's financial statements. The Group is responsible for preparing the summary below. Since the summary is not meant to be exhaustive, there can be no assurance regarding the completeness of the summary. The Group has not prepared a complete reconciliation of the consolidated financial information and related footnote disclosure between PRC GAAP and IFRS and has not quantified such differences. Had any such quantification or reconciliation been undertaken by the Group, other potentially significant accounting and disclosure differences may be 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 standard. Regulatory bodies that promulgate PRC GAAP and IFRS have significant projects ongoing that could affect future comparisons such as this one. Finally, no attempt has been made to identify future differences between PRC GAAP and IFRS that may affect the financial information as a result of transactions or events that may occur in the future. Accordingly, no assurance is provided that the following summary of differences between PRC GAAP and IFRS is complete.

In making an investment decision, investors must rely upon their own examination of the Group, the terms of the offering and other disclosure contained herein. Investors should consult their own professional advisers for an understanding of the differences between PRC GAAP and IFRS and/or between PRC GAAP and other generally accepted accounting principles, and how those differences might affect the financial information contained herein.

SHARE REFORM SCHEME COST

In 2004, PRC listed companies under state control started to implement share reform schemes by encouraging holders of publicly tradable shares to allow non-publicly tradable shares to convert into tradable shares. One of the common ways to achieve this purpose is to pay cash directly to the holders of publicly tradable shares. Under PRC GAAP, such a payment is capitalised as the cost of long-term equity investments, financial assets held for trading or available-for-sale financial assets, as appropriate.

Under IFRS, such a payment is not allowed to be capitalised and, accordingly, a GAAP difference may be noted.

PROVISION FOR FUTURE DEVELOPMENT FUND AND WORK SAFETY COST

Under PRC GAAP, in accordance with relevant regulations of the Chinese authorities, the Group has to accrue special reserves such as future development funds and work safety cost, which are presented as cost of expenses of the period and the amount that has been accrued, are presented in special reserve of owner's equity. Work safety cost, which belongs to cost of expenses, directly offset the special reserves. The accrued work safety reserve, which is used by enterprises and used to form fixed assets, shall be charged as "construction in progress", and recognised as a fixed asset upon the project being completed and reaching the expected operational standard. Meanwhile, the special reserves are offset in accordance with the cost of fixed asset formation, while the equivalent amount of accumulated depreciation is recorded. The fixed asset so formed shall cease to accrue depreciation in the following periods.

Pursuant to the IFRS, these expenditures should be recognised when incurred. Relevant capital expenditures are recognised as part of cost of non-current assets when they are incurred and depreciated according to the respective depreciation policy. The differences between the above mentioned standards give rise to differences in deferred tax.

GOVERNMENT GRANT

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

Under PRC GAAP, the relocation compensation for public interests is required to be recognised as special payables. The income from compensation attributable to losses of fixed assets and intangible assets, related expenses, losses from production suspension incurred during the relocation and reconstruction period and purchases of assets after the relocation shall be transferred from special payables to deferred income and accounted for in accordance with the government grants standard. The surplus reached after deducting the amount transferred to deferred income shall be recognised in additional paid-in capital.

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

REVERSAL OF NET LOSS OF EXCHANGE

Under PRC GAAP, once a net loss of exchange 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, a net loss of exchange 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 net loss of exchange was recognised.

RELATED PARTY DISCLOSURES

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

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.

SUBSCRIPTION AND SALE

The Issuer and Guarantor have entered into a subscription agreement with the Joint Lead Managers dated 17 March 2021 (the "**Subscription Agreement**"), pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to sell to each Joint Lead Manager, and each Joint Lead Manager has agreed, severally but not jointly, to subscribe and pay for, or to procure subscribers to subscribe and pay for, the aggregate principal amount of the Bonds indicated in the following table:

Joint Lead Managers	**Principal Amount of the Bonds to be subscribed**
	(U.S.$)
China International Capital Corporation Hong Kong Securities Limited	40,000,000
Guotai Junan Securities (Hong Kong) Limited	40,000,000
Huatai Financial Holdings (Hong Kong) Limited	30,000,000
Bank of China Limited	10,000,000
Haitong Bank, S.A.	10,000,000
CMB Wing Lung Bank Limited	10,000,000
CNCB (Hong Kong) Capital Limited	10,000,000
Haitong International Securities Company Limited	10,000,000
SPDB International Capital Limited	10,000,000
CEB International Capital Corporation Limited	10,000,000
GF Securities (Hong Kong) Brokerage Limited	10,000,000
China Industrial Securities International Brokerage Limited	10,000,000
Total	**200,000,000**

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

The Issuer and the Guarantor have agreed that, for a period of 90 days from the date on which the Bonds are issued, none of the Issuer, the Guarantor or any other member of the Group or any person acting on its or their behalf will issue, sell, offer or agree to sell, grant any option for the sale of, or otherwise dispose of, directly or indirectly, or make any announcement relating thereto of, any other debt securities of the Issuer or the Guarantor or any other member of the Group or securities of the Issuer or the Guarantor or any other member of Group that are convertible into, or exchangeable for, the Bonds or such other debt securities, in any such case without the prior written consent of the Joint Lead Managers.

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

In connection with the offering of the Bonds, the Joint Lead Managers and/or their respective affiliates, or affiliates of the Issuer or the Guarantor, may place orders, receive allocations and purchase Bonds for their own account (without a view to distributing such Bonds). Such entities may hold or sell such Bonds or purchase further Bonds for their own account in the secondary market or deal in any other securities of the Issuer or the Guarantor, and therefore, they may offer or sell the Bonds or other securities otherwise than in connection with the offering. Accordingly, references herein to the Bonds being "offered" should be read as including any offering of the Bonds to the Joint Lead Managers and/or their respective affiliates, or affiliates of the Issuer or the Guarantor, for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any legal or regulatory obligation to do so. Furthermore, it is possible that only a limited number of investors may subscribe for a significant proportion of the Bonds and an active trading market for the Bonds may not develop. See "*Risk Factors — Risks Relating to the Bonds and the Guarantee — A trading market for the Bonds may not develop, and there are restrictions on resales of the Bonds*". The Issuer, the Guarantor and the Joint Lead Managers are under no obligation to disclose the extent of the distribution of the Bonds amongst individual investors.

In the ordinary course of their various business activities, the Joint Lead Managers and their respective affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer and/or the Guarantor, including the Bonds. The Joint Lead Managers or certain of their respective affiliates that have a lending relationship with the Issuer and/or the Guarantor routinely hedge their credit exposure to the Issuer and/or the Guarantor consistent with their customary risk management policies. Typically, such Joint Lead Managers and their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's and/or the Guarantor's securities, including potentially the Bonds offered hereby. Any such short positions could adversely affect future trading prices of the Bonds offered hereby.

In connection with the issue of the Bonds, any Joint Lead Manager appointed and acting in its capacity as a stabilising manager (the "**Stabilising Manager**") (or any person acting on behalf of the Stabilising Manager) may, to the extent permitted by applicable laws and directives, over-allot and effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail, but in doing so the Stabilising Manager shall act as principal and not as agent of the Issuer and/or the Guarantor. However, there is no assurance that the Stabilising Manager or any person acting on behalf of the Stabilising Manager will undertake stabilisation action. Any loss or profit sustained as a consequence of any such over-allotment or stabilisation shall be for the account of the Joint Lead Managers in the manner agreed by them. Each of the Issuer and the Guarantor authorises the Stabilising Manager to make adequate public disclosure of information, and to act as the central point responsible for handling any request from a competent authority, in each case as required by Article 6(5) of Commission Delegated Regulation (EU) 2016/1052 of 8 March 2016 with regard to regulatory technical standards for the conditions applicable to buy-back programmes and stabilisation measures.

GENERAL

None of the Issuer, the Guarantor or the Joint Lead Managers makes any representation that any action has been or will be taken in any jurisdiction by the Joint Lead Managers or the Issuer or the Guarantor that would permit a public offering of the Bonds, or possession or distribution of the Offering Circulars (in proof or final form) or any other offering or publicity material relating to the Bonds (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required. The Joint Lead Managers will comply to the best of their knowledge and belief in all material respects with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Bonds or has in its possession or distributes the Offering Circulars (in proof or final form) or any such other material, in all cases at its own expense. The Issuer, the Guarantor and the Joint Lead Managers will have no responsibility for, and the Joint Lead Managers will obtain any consent, approval or permission required by it for, the acquisition, offer, sale or delivery by it of Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in or from which it makes any acquisition, offer, sale or delivery. Each of the Joint Lead Managers is not authorised to make any representation or use any information in connection with the issue, subscription and sale of the Bonds other than as contained in, or which is consistent with, the Offering Circulars (in final form) or any amendment or supplement to it.

UNITED STATES

The Bonds and the Guarantee have not been and will not be registered under the U.S. Securities Act of 1933 (the "**Securities Act**") and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each of the Joint Lead Managers represents that it has not offered or sold, and agrees that it will not offer or sell, any of the Bond or the Guarantee constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, their respective affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Bond or the Guarantee. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

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

UNITED KINGDOM

Each of the Joint Lead Managers represents, warrants and agrees that:

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

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

Prohibition of Sales to UK Retail Investors

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

For the purposes of this provision:

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

  (a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or

  (b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; and

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

FRANCE

Each of the Joint Lead Managers represents, warrants and agrees that:

(i) Offer to the public in France:

it has only made and will only make an offer of Bonds to the public in France in the period beginning on the notification of the approval of this Offering Circular to the *Autorité des marchés financiers* ("**AMF**") by the competent authority of a member state of the European Economic Area, other than the AMF, which has implemented the Regulation (EU) 2017/1129, and ending at the latest on the date which is 12 months after the date of the approval of this Offering Circular, all in accordance with Articles L.412-1 and L.621-8 of the French Code *monétaire et financier* and the *Règlement général* of the AMF; or

(ii) Private placement in France:

it has not offered or sold and will not offer or sell, directly or indirectly, any Bonds to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Offering Circular or any other offering material relating to the Bonds and such offers, sales and distributions have been and will be made in France only to qualified investors (*investisseurs qualifiés*) as defined in article 2 point (e) of the Regulation (EU) 2017/1129 and all in accordance with Articles L.411-1 and L.411-2 of the French *Code monétaire et financier* (as amended from time to time).

REPUBLIC OF ITALY

The offering of the Bonds has not been registered with the Commissione Nazionale per le Società e la Borsa ("**CONSOB**") pursuant to Italian securities legislation and, accordingly, no Bonds may be offered, sold or delivered, nor may copies of this Offering Circular or of any other document relating to any Bonds be distributed in Italy, except, in accordance with any Italian securities, tax and other applicable laws and regulations.

Each of the Joint Lead Manager represents, warrants and agrees that it has not offered, sold or delivered, and will not offer, sell or deliver any Bonds or distribute any copy of this Offering Circular or any other document relating to the Bonds in Italy except:

(a) to qualified investors (investitori qualificati), as defined pursuant to Article 100 of Legislative Decree no. 58 of 24 February 1998 (the "**Financial Services Act**") and Article 34-ter, paragraph 1, letter (b) of CONSOB regulation No. 11971 of 14 May 1999 (the "**Issuers Regulation**"), all as amended from time to time; or

(b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Issuers Regulation.

In any event, any offer, sale or delivery of the Bonds or distribution of copies of this Offering Circular or any other document relating to the Bonds in Italy under paragraphs (a) or (b) above must be:

(i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, Legislative Decree No. 385 of 1 September 1993 (the "**Banking Act**") and CONSOB Regulation No. 20307 of 15 February 2018, all as amended from time to time;

(ii) in compliance with Article 129 of the Banking Act, as amended from time to time, and the implementing guidelines of the Bank of Italy, as amended from time to time; and

(iii) in compliance with any other applicable laws and regulations, including any limitation or requirement which may be imposed from time to time by CONSOB or the Bank of Italy or other competent authority.

EUROPEAN ECONOMIC AREA

Prohibition of Sales to EEA Retail Investors

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

For the purposes of this provision:

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

  (a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

  (b) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

  (c) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"); and

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

PORTUGAL

Each Joint Lead Manager represents and agrees that:

(a) it has not advertised, offered, distributed, submitted to an investment intentions gathering procedure or sold and will not, directly or indirectly, advertise, offer, distribute, submit to an investment intentions gathering procedure or sell the Bonds in circumstances which could qualify as a public offer of securities pursuant to the Portuguese Securities Code ("**Código dos Valores Mobiliários**") or in circumstances which would qualify as public placement of securities in the Portuguese market;

(b) the Bonds may not be and will not be offered to the public in Portugal under circumstances which are deemed to be a public offer under the Portuguese Securities Code unless the requirements and provisions applicable to the public offerings in Portugal are met and registration, filing, approval or recognition procedure with the Portuguese Securities Market Commission ("**Comissão do Mercado de Valores Mobiliários**", "**CMVM**") is made;

(c) it has not distributed or caused to be distributed to the public in the Republic of Portugal any other offering material relating to the Bonds; and

(d) all applicable provisions of the Portuguese Securities Code and any applicable regulations issued by Portuguese Securities Market Commission applicable to the issue of the Bonds have been complied with regarding the Bonds, in any matters involving the Republic of Portugal.

HONG KONG

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

SINGAPORE

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

Where the Bonds are subscribed or purchased in reliance on an exemption under Sections 274 or 275 of the SFA, the Bonds shall not be sold within the period of six months from the date of the initial acquisition of the Bonds, except to any of the following persons:

(a) an institutional investor (as defined in Section 4A of the SFA);

(b) a relevant person (as defined in Section 275(2) of the SFA); or

(c) any person pursuant to an offer referred to in Section 275(1A) of the SFA

unless expressly specified otherwise in Section 276(7) of the SFA or Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore (the "**SFR**").

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

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA, except:

(1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(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 32 of the Securities and Futures (Offer of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

JAPAN

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

PRC

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

BRITISH VIRGIN ISLANDS

Each Joint Lead Manager has represented, warranted and agreed that no invitation has been made or will be made, directly or indirectly, to any person in the British Virgin Islands or to the public in the British Virgin Islands to purchase the Bonds and the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the British Virgin Islands, except as otherwise permitted by the British Virgin Islands laws.

This Offering Circular does not constitute, and there will not be, an offering of the Bonds to any person in the British Virgin Islands.

GENERAL INFORMATION

1. **Clearing Systems**: The Bonds have been accepted for clearance through Euroclear and Clearstream under ISIN XS2314615233 and Common Code 231461523, respectively. The Legal Entity Identifier of the Issuer is 300300OMA1WZPQADIR61.

2. **Authorisations**: The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue, execution, delivery and performance of its obligations under the Bonds, the Deed of Guarantee, the Trust Deed and the Agency Agreement. The issue of the Bonds was authorised by a resolution of the sole director of the Issuer dated 30 September 2020. The Guarantor has obtained all necessary consents, approvals and authorisations in connection with the giving and performance of its obligations under the Deed of Guarantee, the Trust Deed and the Agency Agreement. The giving of the Guarantee was authorised by a resolution of the board of directors of the Guarantor dated 28 September 2020.

3. **No Material and Adverse Change**: There has been no material adverse change, or any development or event likely to involve a prospective change, in the condition (financial or other), prospects, properties, results of operations, business or general affairs of the Issuer, the Guarantor or the Group since 30 June 2020.

4. **Litigation**: None of the Issuer, the Guarantor or any other member of the Group is involved in any litigation or arbitration proceedings that the Issuer or the Guarantor believes are material in the context of the Bonds and the giving of the Guarantee, and so far as the Issuer and the Guarantor are aware, no such proceedings are pending or threatened.

5. **Available Documents**: Copies of the Deed of Guarantee, the Trust Deed, the Agency Agreement, the Audited Financial Statements and the Reviewed Financial Statements will be available for inspection from the Issue Date, following prior written request and satisfactory proof of holding, at the specified office of the Principal Paying Agent (being at the date of this Offering Circular at One Canada Square, London E14 5AL, United Kingdom) at all reasonable times during normal business hours (being 9:00 a.m. and 3:00 p.m.), so long as any Bond is outstanding.

6. **Financial Statements**: This Offering Circular contains the Audited Financial Statements and the Reviewed Financial Statements which were prepared in accordance with PRC GAAP. The 2018 Audited Financial Statements, which are included elsewhere in this Offering Circular, have been audited by Asia Pacific, the Group's independent auditor for the year ended 31 December 2018. The 2019 Audited Financial Statements and the Reviewed Financial Statements have been audited or reviewed by Da Hua, the Group's current independent auditor. The Audited Financial Statements and the Reviewed Financial Statements have been prepared in Chinese only and the Financial Statements Translation has been prepared and included elsewhere in this Offering Circular for reference only. Should there be any inconsistency between the Chinese Financial Statements and the Financial Statements Translation, the Chinese Financial Statements shall prevail. The Financial Statements Translation does not itself constitute audited financial statements and/or unaudited but reviewed financial statements, and is qualified in its entirety by, and is subject to the financial information set out or referred to in, the Chinese Financial Statements. None of the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates or any person who controls any of them has independently verified or checked the accuracy of the Financial Statements Translation and gives no assurance that the information contained in the Financial Statements Translation is accurate, truthful or complete. Potential investors must exercise caution when they use such financial information to evaluate the Group's financial condition and results of operations.

7. **Listing of Bonds**: Application has been made to the SEHK for the listing of and permission to deal in the Bonds by way of debt issues to Professional Investors only and such permission is expected to become effective on or about 25 March 2021.

INDEX TO FINANCIAL STATEMENTS

Shuifa Group Co., Ltd.

Review Report

DHHZ No. [2020]008354

Da Hua Certified Public Accountants (Special General Partnership)

Shuifa Group Co., Ltd.
Review Report and Financial Statements

(1st January, 2020 to 30th June, 2020)

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Review Report

DHHZ No. [2020] 008354

To the Shareholders of Shuifa Group Co., Ltd.:

Opinion

We have reviewed the financial statements of Shuifa Group Co., Ltd. ("the Company"), which comprise the consolidated and parent company (the Company as the parent exclusive of subsidiaries) balance sheets as at 30th June 2020, the consolidated and parent company statements of income, cash flows and changes in shareholders' equity for 1st January to 30th June 2020, as well as the notes to the financial statements. The preparation of these financial statements is the responsibility of the management of the Company. Our responsibility is to issue the review report on these financial statements on the basis of the implementation of the review work.

We have carried out the review business in accordance with the provisions of the auditing standards for Chinese Certified Public Accountants No. 2101 - Review of Financial Statements. The standard requires us to plan and implement the review to obtain limited assurance on whether the financial statements are free from material misstatement. The review is mainly limited to the inquiry of the company's relevant personnel and the implementation of analysis procedures for financial data, and the degree of assurance provided is lower than that of audit. We did not conduct the audit and therefore did not issue an audit opinion.

According to our review, we have not noticed anything that convinced us that the financial statements were not prepared in accordance with the accounting standards for enterprises and the enterprise accounting system, and did not fairly reflect the financial position, operating results and cash flow of the Company in all material aspects.

Da Hua Certified Public Accountants
(Special General Partnership)
Beijing, China

CICPA: Yin Xianfeng

CICPA: Han Dandan

29th Oct 2020

Consolidated Balance Sheet

Prepared by: Shuifa Group Co., Ltd. June 30, 2020 (The currency of the statements are RMB, unless otherwise indicated)

Item	Note VIII	Closing balance	Opening balance	Item	Note VIII	Closing balance	Opening balance
Current assets:		—	—	**Current liabilities:**		—	—
Cash and cash equivalents	1	13,576,897,202.37	10,735,368,899.28	Short-term loans	24	9,350,202,947.20	8,876,203,006.79
ΔSettlement reserve				ΔBorrowing from the Central Bank			
ΔLendings to Banks and Other Financial Institutions				ΔLoans from other banks			
☆ Trading financial assets				☆Trading financial liabilities			
Financial assets at fair value through profit and loss	2	100,000.00	315,000,000.00	Financial liabilities at fair value through profit and loss			
Derivative assets				Derivative liabilities			
Notes receivable	3	401,931,060.68	307,955,370.23	Notes payable	25	4,206,515,460.31	3,089,736,608.43
Accounts receivable	4	8,550,796,526.48	8,457,564,281.32	Accounts payable	26	3,541,854,947.80	5,322,868,872.76
☆ Receivables financing	5	4,100,000.00	7,928,571.43	Advances from customers	27	3,888,330,582.63	3,667,792,306.16
Prepayments	6	3,089,443,796.98	2,635,279,963.33	☆Contractual liabilities			
ΔPremium receivable				ΔFinancial Assets Sold for Repurchase			
ΔReinsurance accounts receivable				ΔAbsorption of deposits and interbank deposits			
ΔReserves for reinsurance receivables				ΔSecurities payment by agency			
Other receivables	7	3,756,435,026.01	1,224,426,129.52	ΔActing underwriting securities			
Including: Dividends receivable		21,791,322.59	32,791,365.80	Employee benefits payable	28	188,065,951.39	219,811,805.06
ΔBuying back the sale of financial assets				Include: Payroll		155,103,489.43	191,633,346.03
Inventories	8	18,810,383,680.21	17,223,103,846.62	Employee welfare		1,576,483.24	1,555,705.43
Include: Raw material		747,494,889.40	890,766,887.67	#Include: staff reward and welfare fund			
Finished goods		1,726,375,340.61	2,492,142,069.12	Taxes payable	29	464,188,177.64	774,098,436.39
☆Contractual assets				Include: Taxes payable		438,562,366.67	639,303,815.28
Held-for-sale assets	9	12,285,221.38	13,429,034.63	Other payables	30	4,186,195,219.43	4,564,193,598.57
Current portion of non-current assets				Including: Dividends payable		229,473,131.71	245,262,376.02
Other current assets	10	2,151,928,406.74	2,093,692,254.07	ΔHandling charges and commissions payable			
Total current assets		50,354,300,920.85	43,013,748,350.43	ΔAccounts payable reinsurance			
Non-current assets:		—	—	Held-for-sale liabilities	31	2,766,325.21	3,307,538.10
ΔIssue loans and advances				Current portion of non-current liabilities	32	8,014,483,933.54	5,346,250,011.54
☆Debt investment				Other current liabilities	33	120,656,900.59	141,240,872.32
Available-for-sale financial assets	11	465,895,581.94	553,094,223.44	**Total current liabilities**		33,963,260,445.74	32,005,503,056.12
☆Other debt investment				**Non-current liabilities:**		—	—
Held-to-maturity investments				ΔInsurance contract reserve			
Long-term receivables	12	1,896,984,629.92	2,528,549,835.51	Long-term loans	34	24,545,422,358.18	22,902,299,007.84
Long-term equity investments	13	976,528,636.80	682,286,821.43	Bonds payable	35	17,305,355,967.64	15,504,788,808.86
☆Other equity instrument investment				Include: Preferred stock		1,300,000,000.00	1,300,000,000.00
☆Other non-current financial assets				Perpetual debt			
Investment properties	14	1,864,991,916.19	1,829,578,897.19	☆Lease liabilities			
Fixed assets	15	24,358,770,306.06	21,132,389,279.61	Long-term payable	36	11,564,178,317.88	8,884,850,717.49
Including: Book value		30,689,684,928.97	26,417,757,918.92	Long-term employee benefits payable			
Accumulative depreciation		6,335,624,155.76	5,291,345,267.05	Provisions	37	9,050,475.00	9,050,475.00
Impairment provision		3,555,053.21	3,555,053.21	Deferred income	38	821,006,284.67	742,484,267.35
Construction in progress	16	21,385,492,452.83	20,864,795,761.79	Deferred tax liabilities	22	778,498,601.32	779,747,935.92
Biological assets	17	22,754,205.11	4,252,647.33	Other non-current liabilities			
Oil and gas assets				Include: Special reserve fund			
☆Right-of-Use Assets				**Total non-current liabilities**		55,023,512,004.69	48,823,221,212.46
Intangible assets	18	12,496,657,918.15	11,337,112,522.13	**Total liabilities**		88,986,772,450.43	80,828,724,268.58
Capitalized development expenditures	19	21,853,829.31	13,459,370.12	**Equity:**		—	—
Intangible assets	20	3,019,207,010.64	2,718,857,057.82	Paid-in capital	39	5,205,776,000.00	5,205,776,000.00
Capitalized development expenditures	21	690,691,753.90	518,461,224.85	State capital		4,164,620,800.00	4,164,620,800.00
Deferred tax assets	22	496,202,225.07	459,810,564.11	Capital of state-owned legal person		1,041,155,200.00	1,041,155,200.00
Other non-current assets	23	1,425,554,857.55	1,478,858,728.09	Collective capital			
Include: Special reserve materials				Private capital			
Total non-current assets		69,121,585,323.47	64,121,506,933.42	Foreign capital			
				#Less: Returned Investments			
				Net paid-in capital		5,205,776,000.00	5,205,776,000.00
				Other equity instruments	40	2,793,748,424.93	2,271,997,089.70
				Include: Preferred stock			
				Perpetual debt		2,793,748,424.93	2,271,997,089.70
				Additional Paid-in Capital	41	5,717,983,857.11	5,671,738,015.77
				Less: treasury shares			
				Other comprehensive income	42	-10,714,016.53	-3,419,929.99
				Include: Currency translation reserve		-7,965,310.11	-671,223.57
				Special reserve	43	27,259,396.44	20,152,137.69
				Surplus reserve	44	987,170.48	987,170.48
				Include: Statutory surplus reserve		987,170.48	987,170.48
				Arbitrary provident fund			
				#Reserve fund			
				#Enterprise development fund			
				#Profit return investments			
				ΔGeneral risk reserve			
				Retained earnings	45	805,579,385.72	747,650,148.01
				Equity attributable to parent company		14,540,620,218.15	13,914,880,631.66
				*Minority interests		15,948,493,575.74	12,391,650,383.61
				Total equity		30,489,113,793.89	26,306,531,015.27
Total assets		119,475,886,244.32	107,135,255,283.85	**Total liabilities and equity**		119,475,886,244.32	107,135,255,283.85

Note: items with * in the table are for consolidated accounting statements only; items with Δ in regular script are for financial enterprises only; items with # are for foreign-invested enterprises only, and ☆ is applicable to enterprises implementi

Legal Representative: Finance Officer (CFO): Manager of Financial Department:

王振钦印 孔祥泉印 冯建志印

Consolidated Income Statement

Prepared by: Shuifa Group Co., Ltd. | Jan-June 2020 | (The currency of the statements are RMB, unless otherwise indicated)

Item	Note VIII	Jan-June 2020	Jan-June 2019	Item	Note VIII	Jan-June 2020	Jan-June 2019
1. Total operating revenue		12,125,343,398.47	7,094,578,464.63	Less: Non-operating expenses	55	23,584,855.62	8,421,085.34
Include: Operating income	46	12,125,343,398.47	7,094,578,464.63	**4. Total profit ("-" for total loss)**		372,943,801.49	300,750,636.98
ΔInterest income				Less: Income tax expenses	56	119,303,876.88	91,380,310.91
ΔPremiums earned				**5. Net profit ("-" for net loss)**		253,639,924.61	209,370,326.07
ΔIncome from handling charges and commissions				**I. Profit classified as ownership**			
2. Total operating cost		12,218,716,570.48	6,942,686,784.73	Net profit attributable to parent company		64,049,237.71	57,384,586.44
Including: Operating cost	46	9,815,217,848.29	5,558,292,206.17	*Profit/loss attributable to minority share-holders		189,590,686.90	151,985,739.63
ΔInterest expense				**II. Profit classified as continuity**			
ΔHandling charges and commission expenses				Continuous operating profit and loss		253,639,924.61	209,370,326.07
ΔSurrender money				Termination of the business profit and loss			
ΔNet compensation expenses				**6.Other comprehensive income after tax**		-7,294,086.54	-1,033,675.28
ΔNet amount of insurance reserve				Other comprehensive income after tax attributable to parent company		-7,294,086.54	-1,033,675.28
ΔPolicy premium payment				I. Comprehensive income not to be reclassified as profit or loss		-	-
ΔReinsurance expenses				Changes in remeasured defined benefit obligations or net assets			
Taxes and surcharges		130,434,310.40	91,386,903.61	Portion of comprehensive income not to be reclassified as profit or loss under equity method			
Selling and distribution expenses	47	203,472,494.26	98,196,419.22	☆Changes in fair value of other equity instrument investments			
General and administrative expenses	48	969,554,195.42	640,264,430.32	☆Changes in fair value of enterprise's own credit risk			
Research and development expenses		44,020,045.39	14,559,853.90	Other			
Finance expenses	49	1,056,017,676.72	539,986,971.51	II.Comprehensive income to be reclassified as profit or loss		-7,294,086.54	-1,033,675.28
Include: Interest expense		1,092,514,008.98	589,597,451.05	Portion of comprehensive income to be reclassified as profit or loss under equity method			
Interest income		85,908,239.76	78,253,497.64	☆Changes in fair value of other debt investment			
Net loss of exchange ("-" for net income)		26,541,656.90	346,087.92	Gain or loss from fair value changes of available-for-sale financial assets			
Other				☆Amount of financial assets reclassified into other comprehensive income			
Add: Other income	50	139,792,449.35	37,843,513.72	Gain or loss from reclassification of held-to-maturity investments as available-for-sale financial assets			
Investment income ("- "for loss)	51	240,475,266.77	11,543,840.01	☆Changes in fair value of other debt investment			
Including: Investment income from associates and joint ventures				Gain or loss on effective cash flow hedging			
☆ Income from derecognition of financial assets measured at amortized cost				Currency translation reserve		-7,294,086.54	-1,033,675.28
ΔExchange income ("- "for loss)				Other			
☆Profit from net exposure hedging ("- "for loss)				*Other comprehensive income attributable to minority shareholders after tax			
Fair value change income ("- "for loss)		15,914.29		**7.Total comprehensive income**		246,345,838.07	208,336,650.79
☆Credit impairment loss ("- "for loss)				Total comprehensive income attributable to parent company		56,755,151.17	56,350,911.16
Asset impairment loss ("- "for loss)	52	26,541,656.90	-25,575,882.46	*Total comprehensive income attributable to minority shareholders		189,590,686.90	151,985,739.63
Asset disposal income ("- "for loss)	53	16,756,887.07	-121,742.70	**8.Earnings per share:**			
3. Operating profit ("-" for loss)		330,209,002.37	175,581,408.47	I. Basic earnings per share			
Add: Non-operating income	54	66,319,654.74	133,590,313.85	II.Diluted earnings per share			
Include: Government subsidies							

Note: items with * in the table are for consolidated accounting statements only; items with Δ in regular script are for financial enterprises only, and ☆ is applicable to enterprises implementing new income / new lease / new financial instrument standards.

Legal Representative: 王振钦印 Finance Officer（CFO）: 孔祥泉印 Manager of Financial Department: 冯建忠印

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Consolidated Cash Flow Statement

Prepared by: Shuifa Group Co., Ltd. Jan-June 2020 (The currency of the statements are RMB, unless otherwise indicated)

Item	Note VIII	Jan-June 2020	Jan-June 2019	Item	Note VIII	Jan-June 2020	Jan-June 2019
1.Cash flows from operating activities		——	——	Cash received from investment income		12,832,322.06	27,581,116.85
Cash received from sales and services		12,249,586,105.47	7,974,174,258.10	Net cash received from disposal of fixed assets,intangible assets and other long-term assets		95,047,983.52	828,555.98
ΔNet increase in customer deposits and interbank deposits				Net cash received from disposal of subsidiaries and other business units		48,019,902.81	90.60
ΔNet increase in loans from the central bank				Other cash receipts related to investing activities		349,609,597.60	247,119,294.27
ΔNet increase in borrowing funds from other financial institutions				**Total cash inflows from investing activities**		1,648,599,202.71	293,133,713.35
ΔCash received from premium of original insurance contract				Cash paid for fixed assets,intangible assets and other long-term assets		2,872,921,844.76	1,951,965,071.04
ΔNet cash received from reinsurance business				Cash payments for investments		130,587,888.76	153,889,753.35
ΔNet increase in deposit and investment fund				ΔNet increase in pledged loans		-	
ΔNet increase in disposal of financial assets measured at fair value with changes included in current profit and loss				Net cash paid for acquiring subsidiaries and other business units		1,699,143,682.88	2,143,957,584.08
ΔCash received from interest, handling charge and commission				Other cash payments related to investing activities		863,758,215.89	213,209,749.51
ΔNet increase in borrowing funds				**Total cash outflows from investing activities**		5,566,411,632.29	4,463,022,157.98
ΔNet increase in repurchase business funds				**Net cash flows from investing activities**		-3,917,812,429.58	-4,169,888,444.63
ΔNet cash received from securities trading agency				**3.Cash flows from financing activities**		——	——
Taxes and surcharges refunds		104,799,950.08	17,508,843.69	Cash received from investments by others		2,009,223,774.24	1,769,855,900.00
Other cash receipts related to operating activities		3,373,211,245.26	4,285,624,247.81	Including: cash received by subsidiaries from minority shareholders' investments		1,470,381,873.01	269,855,900.00
Total cash inflows from operating activities		15,727,597,300.81	12,277,307,349.60	Cash received from borrowings		11,833,143,861.20	9,023,591,057.02
Cash paid for goods and services		10,807,390,298.43	6,332,329,508.71	ΔCash received from issuing bonds		9,057,150,652.10	1,393,500,000.00
ΔNet increase in customer loans and advances				Other cash receipts related to other financing activities		2,749,942,752.86	611,795,095.06
ΔNet increase in deposits with the central bank and other banks				**Total cash inflows from financing activities**		25,649,461,040.40	12,798,742,052.08
ΔCash paid for compensation of original insurance contract				Cash repayments for debts		14,139,576,780.97	4,585,514,840.79
ΔNet increase in lending funds				Cash payments for distribution of dividends, profit and interest expenses		1,513,507,947.72	1,116,199,052.52
ΔCash paid for interest, handling charge and commission				Including: dividends or profit paid by subsidiaries to minority shareholders		-	
ΔCash paid for policy dividend				Other cash payments related to financing activities		4,955,810,540.75	1,852,889,504.54
Cash paid to and for employees		920,344,454.23	679,259,657.27	**Total cash outflows from financing activities**		20,608,895,269.44	7,554,603,397.85
Taxes and surcharges cash payments		768,521,019.05	547,286,333.68	**Net cash flows from financing activities**		5,040,565,770.96	5,244,138,654.23
Other cash payments related to operating activities		3,026,555,061.90	5,676,213,313.70	**4.Effect of foreign exchange rate changes on cash and cash equivalents**		1,462,611.17	206,404.62
Total cash outflows from operating activities		15,522,810,833.61	13,235,088,813.36	**5.Net increase in cash and cash equivalents**		1,329,002,419.75	116,675,150.46
Net cash flows from operating activities		204,786,467.20	-957,781,463.76	Add: beginning balance of cash and cash equivalents		8,715,672,823.44	5,810,100,215.89
2.Cash flows from investing activities		——	——	**6.Ending balance of cash and cash equivalents**		10,044,675,243.19	5,926,775,366.35
Cash received from withdraw of investments		1,143,089,396.72	17,604,655.65				

Note: items with Δ in regular script are for financial enterprises only.

Legal Representative: 王振钦印

Finance Officer（CFO）: 孔祥泉印

Manager of Financial Department:

Consolidated Change of Equity Statement

Prepared by: Shuifa Group Co., Ltd. Jan-June 2020 (The currency of the statements are RMB, unless otherwise indicated)

Item	Jan-June 2020											
	Equity attributable to parent company										Minority interests	Total owner's equity
	Paid-in capital	Other equity instrument	Additional Paid-in Capital	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	ΔGeneral risk reserve	Retained earnings	Subtotal		
Column	1	2	3	4	5	6	7	8	9	10	11	12
1. Ending balance of last year	5,205,776,000.00	2,271,997,089.70	5,671,738,015.77	-	-3,419,929.99	20,152,137.69	987,170.48	-	747,650,148.01	13,914,880,631.66	12,391,650,383.61	26,306,531,015.27
Add: increase/decrease due to changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—
Increase/decrease due to corrections of errors in Prior Period	—	—	—	—	—	—	—	—	—	—	—	—
Others										-		-
2. Beginning balance of current year	5,205,776,000.00	2,271,997,089.70	5,671,738,015.77	-	-3,419,929.99	20,152,137.69	987,170.48	-	747,650,148.01	13,914,880,631.66	12,391,650,383.61	26,306,531,015.27
3. Increase/decrease for current year	-	521,751,335.23	46,245,841.34	-	-7,294,086.54	7,107,258.75	-	-	57,929,237.71	625,739,586.49	3,556,843,192.13	4,182,582,778.62
I. Total comprehens iveincome					-7,294,086.54				64,049,237.71	56,755,151.17	189,590,686.90	246,345,838.07
II. Owner's contributions and withdrawals of captial	-	521,751,335.23	46,245,841.34	-	-	-	-	-	-	567,997,176.57	3,496,066,945.42	4,064,064,121.99
i. Common stock contributed by owners			46,245,841.34							46,245,841.34	3,496,066,945.42	3,542,312,786.76
ii. Capital contributed by other equity instruments holders		521,751,335.23								521,751,335.23	-	521,751,335.23
iii. Share-based payment recorded in owner's equity										-	-	-
iv. Others										-		-
III. Special reserve					-	7,107,258.75				7,107,258.75		7,107,258.75
i. Current year accrual						11,740,520.69				11,740,520.69		11,740,520.69
ii. Current year utilization						-4,633,261.94				-4,633,261.94		-4,633,261.94
IV. Profits distribution	-	-	-	-	-	-	-	-	-6,120,000.00	-6,120,000.00	-128,814,440.19	-134,934,440.19
i. Appropriation of surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-
Include: Statutory surplus reserve										-		-
Arbitrary provident fund										-		-
#Reserve fund										-		-
#Enterprise development fund										-		-
#Profit return investments										-		-
ii.Withdrawal of general risk reserve										-		-
iii. Distribution to owner/shareholder									-6,120,000.00	-6,120,000.00	-128,814,440.19	-134,934,440.19
iv. Others										-		-
V. Transfer within owner's equity	-	-	-	-	-	-	-	-	-	-	-	-
i. Capital reserve transferred to paid-in capital										-		-
ii. Surplus reserve transferred to paid-in capital										-		-
iii. Recover of loss by surplus reserve										-		-
iv. Changes in remeasurement of defined benefit net obligations/assets										-		-
☆v. Other comprehensive income carried forward to retained earnings										-		-
vi. Others										-		-
4. Ending balance of current year	5,205,776,000.00	2,793,748,424.93	5,717,983,857.11	-	-10,714,016.53	27,259,396.44	987,170.48	-	805,579,385.72	14,540,620,218.15	15,948,493,575.74	30,489,113,793.89

Note: items with Δ in regular script are for financial enterprises only; items with # are for foreign-invested enterprises only, and ☆ is applicable to enterprises implementing new income / new lease / new financial instrument standards.

Legal Representative: Finance Officer（CFO）: Manager of Financial Department:

水发集团有限公司 (2) 3701027227389

王振钦印 孔祥泉印 冯连志印

Consolidated Change of Equity Statement

Prepared by: Shuifa Group Co., Ltd. | Jan-June 2020 | (The currency of the statements are RMB, unless otherwise indicated)

Item	Jan-June 2019											
	Equity attributable to parent company										Minority interests	Total owner's equity
	Paid-in capital	Other equity instrument	Additional Paid-in Capital	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	ΔGeneral risk reserve	Retained earnings	Subtotal		
Column	1	2	3	4	5	6	7	8	9	11	12	13
1. Ending balance of last year	5,205,776,000.00		5,623,261,959.10		894,683.52	46,761,927.25	987,170.48		368,945,786.61	11,246,627,526.96	8,057,585,218.39	19,304,212,745.35
Add: increase/decrease due to changes in accounting policies										-		-
Increase/decrease due to corrections of errors in Prior Period										-		-
Others										-		-
2. Beginning balance of current year	5,205,776,000.00	-	5,623,261,959.10	-	894,683.52	46,761,927.25	987,170.48	-	368,945,786.61	11,246,627,526.96	8,057,585,218.39	19,304,212,745.35
3. Increase/decrease for current year	-	1,500,000,000.00	-	-	-1,033,675.28	-62,841.28	-	-	57,384,586.44	1,556,288,069.88	1,088,838,435.77	2,645,126,505.65
I. Total comprehens iveincome					-1,033,675.28				57,384,586.44	56,350,911.16	151,985,739.63	208,336,650.79
II. Owner's contributions and withdrawals of captial	-	1,500,000,000.00	-	-	-	-	-	-	-	1,500,000,000.00	-	1,500,000,000.00
i. Common stock contributed by owners										-		-
ii. Capital contributed by other equity instruments holders		1,500,000,000.00								1,500,000,000.00		1,500,000,000.00
iii. Share-based payment recorded in owner's equity										-		-
iv. Others										-		-
III. Special reserve					-	-62,841.28				-62,841.28		-62,841.28
i. Current year accrual						6,259,006.16				6,259,006.16		6,259,006.16
ii. Current year utilization						-6,321,847.44				-6,321,847.44		-6,321,847.44
IV. Profits distribution	-	-	-	-	-	-	-	-	-	-	-	-
i. Appropriation of surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-
Include: Statutory surplus reserve										-		-
Arbitrary provident fund										-		-
#Reserve fund										-		-
#Enterprise development fund										-		-
#Profit return investments										-		-
ii.Withdrawal of general risk reserve										-		-
iii. Distribution to owner/shareholder										-		-
iv. Others										-		-
V. Transfer within owner's equity	-	-	-	-	-	-	-	-	-	-	936,852,696.14	936,852,696.14
i. Capital reserve transferred to paid-in capital										-		-
ii. Surplus reserve transferred to paid-in capital										-		-
iii. Recover of loss by surplus reserve										-		-
iv. Changes in remeasurement of defined benefit net obligations/assets										-		-
☆v. Other comprehensive income carried forward to retained earnings										-		-
vi. Others										-	936,852,696.14	936,852,696.14
4. Ending balance of current year	5,205,776,000.00	1,500,000,000.00	5,623,261,959.10	-	-138,991.76	46,699,085.97	987,170.48	-	426,330,373.05	12,802,915,596.84	9,146,423,654.16	21,949,339,251.00

Note: items with △ in regular script are for financial enterprises only; items with # are for foreign-invested enterprises only, and ☆ is applicable to enterprises implementing new income / new lease / new financial instrument standards.

Legal Representative: | Finance Officer（CFO）: | Manager of Financial Department:

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Company Balance Sheet

Prepared by: Shuifa Group Co., Ltd. June 30, 2020 (The currency of the statements are RMB, unless otherwise indicated)

Item	Closing balance	Opening balance	Item	Closing balance	Opening balance
Current assets:	——	——	**Current liabilities:**	——	——
Cash and cash equivalents	514,429,843.71	1,584,989,875.99	Short-term loans	1,317,000,000.00	1,540,000,000.00
△Settlement reserve			△Borrowing from the Central Bank		
△Lendings to Banks and Other Financial Institutions			△Loans from other banks		
☆ Trading financial assets			☆Trading financial liabilities		
Financial assets at fair value through profit and loss			Financial liabilities at fair value through profit and loss		
Derivative assets			Derivative liabilities		
Notes receivable			Notes payable		
Accounts receivable	346,828,076.58	328,885,641.91	Accounts payable	4,397,000.00	450,950.00
☆ Receivables financing			Advances from customers	653,760.00	2,236,033.33
Prepayments	106,303,492.38	300,000.00	☆Contractual liabilities		
△Premium receivable			△Financial Assets Sold for Repurchase		
△Reinsurance accounts receivable			△Absorption of deposits and interbank deposits		
△Reserves for reinsurance receivables			△Securities payment by agency		
Other receivables	22,822,404,595.26	20,567,843,612.26	△Acting underwriting securities		
Including: Dividends receivable	70,000,000.00		Employee benefits payable	3,237,195.34	3,648,076.50
△Buying back the sale of financial assets			Include: Payroll		3,648,076.50
Inventories	940.20		Employee welfare		
Include: Raw material			#Include: staff reward and welfare fund		
Finished goods			Taxes payable	654,237.88	268,863.94
☆Contractual assets			Include: Taxes payable		268,863.94
Held-for-sale assets			Other payables	9,131,178,701.49	11,550,238,204.09
Current portion of non-current assets			Including: Dividends payable	91,541,917.81	11,550,238,204.09
Other current assets	465,036.70		△Handling charges and commissions payable		
Total current assets	23,790,431,984.83	22,482,019,130.16	△Accounts payable reinsurance		
Non-current assets:	——	——	Held-for-sale liabilities		
△Issue loans and advances			Current portion of non-current liabilities		1,759,250,000.00
☆Debt investment			Other current liabilities		
Available-for-sale financial assets			**Total current liabilities**	10,457,120,894.71	14,856,092,127.86
☆Other debt investment			**Non-current liabilities:**	——	——
Held-to-maturity investments			△Insurance contract reserve		
Long-term receivables	1,067,570,000.00	1,067,570,000.00	Long-term loans	3,623,000,000.00	2,619,200,000.00
Long-term equity investments	8,232,480,231.71	8,090,480,231.71	Bonds payable	11,555,632,943.08	7,453,920,940.57
☆Other equity instrument investment			Include: Preferred stock		
☆Other non-current financial assets			Perpetual debt		
Investment properties			☆Lease liabilities		
Fixed assets	3,061,683.30	3,639,279.35	Long-term payable	118,027.59	91,467.38
Including: Book value	5,336,816.65		Long-term employee benefits payable		
Accumulative depreciation	2,275,133.35		Provisions		
Impairment provision			Deferred income		
Construction in progress	13,367,032.07	5,737,132.30	Deferred tax liabilities		
Biological assets			Other non-current liabilities		
Oil and gas assets			Include: Special reserve fund		
☆Right-of-Use Assets			**Total non-current liabilities**	15,178,750,970.67	10,073,212,407.95
Intangible assets	3,271,720.97	1,740,527.47	**Total liabilities**	25,635,871,865.38	24,929,304,535.81
Capitalized development expenditures	5,554,600.00		**Equity:**	——	——
Intangible assets			Paid-in capital	5,205,776,000.00	5,205,776,000.00
Capitalized development expenditures	5,039,934.33	17,454,651.49	State capital	4,164,620,800.00	4,164,620,800.00
Deferred tax assets	31,875.00	31,875.00	Capital of state-owned legal person	1,041,155,200.00	1,041,155,200.00
Other non-current assets			Collective capital		
Include: Special reserve materials			Private capital		
Total non-current assets	9,330,377,077.38	9,186,653,697.32	Foreign capital		
			#Less: Returned Investments		
			Net paid-in capital	5,205,776,000.00	5,205,776,000.00
			Other equity instruments	2,441,509,434.00	1,991,509,434.00
			Include: Preferred stock		
			Perpetual debt	2,441,509,434.00	1,991,509,434.00
			Additional Paid-in Capital	265,864,954.00	82,775,291.64
			Less: treasury shares		
			Other comprehensive income		
			Include: Currency translation reserve		
			Special reserve		
			Surplus reserve	987,170.48	987,170.48
			Include: Statutory surplus reserve	987,170.48	987,170.48
			Arbitrary provident fund		
			#Reserve fund		
			#Enterprise development fund		
			#Profit return investments		
			△General risk reserve		
			Retained earnings	-429,200,361.65	-541,679,604.45
			Equity attributable to parent company	7,484,937,196.83	6,739,368,291.67
			*Minority interests		
			Total equity	7,484,937,196.83	6,739,368,291.67
Total assets	33,120,809,062.21	31,668,672,827.48	**Total liabilities and equity**	33,120,809,062.21	31,668,672,827.48

Note: items with * in the table are for consolidated accounting statements only; items with △ in regular script are for financial enterprises only; items with # are for foreign-invested enterprises only, and ☆ is

Legal Representative: Finance Officer（CFO）: Manager of Financial Department:

Company Income Statement

Prepared by: Shuifa Group Co., Ltd. Jan-June 2020 (The currency of the statements are RMB, unless otherwise indicated)

Item	Jan-June 2020	Jan-June 2019	Item	Jan-June 2020	Jan-June 2019
1. Total operating revenue	32,942,877.33	646,415.09	Less: Non-operating expenses	11,046,675.00	34,907.57
Include: Operating income	32,942,877.33	646,415.09	**4. Total profit ("-" for total loss)**	118,755,450.33	2,325,266.65
ΔInterest income			Less: Income tax expenses		
ΔPremiums earned			**5. Net profit ("-" for net loss)**	118,755,450.33	2,325,266.65
ΔIncome from handling charges and commissions			**I. Profit classified as ownership**		
2. Total operating cost	123,854,210.61	86,639,780.03	Net profit attributable to parent company	118,755,450.33	2,325,266.65
Including: Operating cost			*Profit/loss attributable to minority share-holders		
ΔInterest expense			**II. Profit classified as continuity**		
ΔHandling charges and commission expenses			Continuous operating profit and loss	118,755,450.33	2,325,266.65
ΔSurrender money			Termination of the business profit and loss		
ΔNet compensation expenses			**6.Other comprehensive income after tax**	-	-
ΔNet amount of insurance reserve			Other comprehensive income after tax attributable to parent company	-	-
ΔPolicy premium payment			I. Comprehensive income not to be reclassified as profit or loss	-	-
ΔReinsurance expenses			Changes in remeasured defined benefit obligations or net assets		
Taxes and surcharges	45,154.30	534,366.50	Portion of comprehensive income not to be reclassified as profit or loss under equity method		
Selling and distribution expenses	40,566.04	-	☆Changes in fair value of other equity instrument investments		
General and administrative expenses	39,421,087.97	27,357,225.28	☆Changes in fair value of enterprise's own credit risk		
Research and development expenses	-	-	Other		
Finance expenses	84,347,402.30	58,748,188.25	II.Comprehensive income to be reclassified as profit or loss	-	-
Include: Interest expense	484,433,179.99		Portion of comprehensive income to be reclassified as profit or loss under equity method		
Interest income	408,680,460.29		☆Changes in fair value of other debt investment		
Net loss of exchange ("-" for net income)	-		Gain or loss from fair value changes of available-for-sale financial assets		
Other			☆Amount of financial assets reclassified into other comprehensive income		
Add: Other income	24,518.37		Gain or loss from reclassification of held-to-maturity investments as available-for-sale financial assets		
Investment income ("- "for loss)	220,188,937.64	87,907,029.72	☆Changes in fair value of other debt investment		
Including: Investment income from associates and joint ventures			Gain or loss on effective cash flow hedging		
☆ Income from derecognition of financial assets measured at amortized cost			Currency translation reserve		
ΔExchange income ("- "for loss)			Other		
☆Profit from net exposure hedging ("- "for loss)			*Other comprehensive income attributable to minority shareholders after tax		
Fair value change income ("- "for loss)			**7.Total comprehensive income**	118,755,450.33	2,325,266.65
☆Credit impairment loss ("- "for loss)			Total comprehensive income attributable to parent company	118,755,450.33	2,325,266.65
Asset impairment loss ("- "for loss)			*Total comprehensive income attributable to minority shareholders	-	-
Asset disposal income ("- "for loss)			**8.Earnings per share:**		
3. Operating profit ("-" for loss)	129,302,122.73	1,913,664.78	I. Basic earnings per share		
Add: Non-operating income	500,002.60	446,509.44	II.Diluted earnings per share		
Include: Government subsidies					

Note: items with * in the table are for consolidated accounting statements only; items with Δ in regular script are for financial enterprises only, and ☆ is applicable to enterprises implementing new income / new lease / new financial instrument standards.

Legal Representative: Finance Officer（CFO）: Manager of Financial Department:

王振钦印 孔祥泉印 冯建忠印

Company Cash Flow Statement

Prepared by: Shuifa Group Co., Ltd. Jan-June 2020 (The currency of the statements are RMB, unless otherwise indicated)

Item	Jan-June 2020	Jan-June 2019	Item	Jan-June 2020	Jan-June 2019
1.Cash flows from operating activities	——	——	Cash received from withdraw of investments		
Cash received from sales and services	15,229,162.00		Cash received from investment income	109,665,300.00	18,500,000.00
△Net increase in customer deposits and interbank deposits			Net cash received from disposal of fixed assets,intangible assets and other long-term assets		
△Net increase in loans from the central bank			Net cash received from disposal of subsidiaries and other business units		
△Net increase in borrowing funds from other financial institutions			Other cash receipts related to investing activities	6,181,403,937.11	
△Cash received from premium of original insurance contract			**Total cash inflows from investing activities**	6,291,069,237.11	18,500,000.00
△Net cash received from reinsurance business			Cash paid for fixed assets,intangible assets and other long-term assets	14,916,374.11	326,900.00
△Net increase in deposit and investment fund			Cash payments for investments	178,000,000.00	718,664,000.00
△Net increase in disposal of financial assets measured at fair value with changes included in current profit and loss			△Net increase in pledged loans		
△Cash received from interest, handling charge and commission			Net cash paid for acquiring subsidiaries and other business units		
△Net increase in borrowing funds			Other cash payments related to investing activities	8,029,378,216.68	
△Net increase in repurchase business funds			**Total cash outflows from investing activities**	8,222,294,590.79	718,990,900.00
△Net cash received from securities trading agency			**Net cash flows from investing activities**	-1,931,225,353.68	-700,490,900.00
Taxes and surcharges refunds	25,989.47		**3.Cash flows from financing activities**	——	——
Other cash receipts related to operating activities	17,066,182.37	8,008,991,251.75	Cash received from investments by others	450,000,000.00	1,500,000,000.00
Total cash inflows from operating activities	32,321,333.84	8,008,991,251.75	Cash received from borrowings	897,000,000.00	691,000,000.00
Cash paid for goods and services	1,853,999.90		△Cash received from issuing bonds	5,590,946,713.17	1,393,500,000.00
△Net increase in customer loans and advances			Other cash receipts related to other financing activities	290,244,293.43	
△Net increase in deposits with the central bank and other banks			**Total cash inflows from financing activities**	7,228,191,006.60	3,584,500,000.00
△Cash paid for compensation of original insurance contract			Cash repayments for debts	3,620,962,085.42	236,989,097.66
△Net increase in lending funds			Cash payments for distribution of dividends, profit and interest expenses	500,924,147.38	197,866,988.42
△Cash paid for interest, handling charge and commission			Other cash payments related to financing activities	2,232,468,198.35	
△Cash paid for policy dividend			**Total cash outflows from financing activities**	6,354,354,431.15	434,856,086.08
Cash paid to and for employees	15,938,507.13	8,628,623.66	**Net cash flows from financing activities**	873,836,575.45	3,149,643,913.92
Taxes and surcharges cash payments	863,718.35	2,803,712.59	**4.Effect of foreign exchange rate changes on cash and cash equivalents**		
Other cash payments related to operating activities	27,336,362.51	10,598,304,091.72	**5.Net increase in cash and cash equivalents**	-1,071,060,032.28	-151,592,162.30
Total cash outflows from operating activities	45,992,587.89	10,609,736,427.97	Add: beginning balance of cash and cash equivalents	1,585,489,875.99	643,382,362.04
Net cash flows from operating activities	-13,671,254.05	-2,600,745,176.22	**6.Ending balance of cash and cash equivalents**	514,429,843.71	491,790,199.74
2.Cash flows from investing activities	——	——			

Note: items with △ in regular script are for financial enterprises only.

Legal Representative: 王振钦印　　Finance Officer（CFO）: 孔祥泉印　　Manager of Financial Department: 冯建民印

Company Change of Equity Statement

Prepared by: Shuifa Group Co., Ltd. Jan-June 2020 (The currency of the statements are RMB, unless otherwise indicated)

Item	Jan-June 2020									
	Paid-in capital	Other equity instrument	Additional Paid-in Capital	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	△General risk reserve	Retained earnings	Total owner's equity
Column	1	2	3	4	5	6	7	8	9	10
1. Ending balance of last year	5,205,776,000.00	1,991,509,434.00	82,775,291.64	-	-	-	987,170.48	-	-541,679,604.45	6,739,368,291.67
Add: increase/decrease due to changes in accounting policies	—	—	—	—	—	—	—	—	—	—
Increase/decrease due to corrections of errors in Prior Period	—	—	—	—	—	—	—	—	—	—
Others										-
2. Beginning balance of current year	5,205,776,000.00	1,991,509,434.00	82,775,291.64	-	-	-	987,170.48	-	-541,679,604.45	6,739,368,291.67
3. Increase/decrease for current year	-	458,490,566.00	183,089,662.36	-	-	-	-	-	112,479,242.80	754,059,471.16
I. Total comprehens iveincome									118,755,450.33	118,755,450.33
II. Owner's contributions and withdrawals of captial	-	458,490,566.00	183,089,662.36	-	-	-	-	-	-6,276,207.53	635,304,020.83
i. Common stock contributed by owners										-
ii. Capital contributed by other equity instruments holders		458,490,566.00								458,490,566.00
iii. Share-based payment recorded in owner's equity										-
iv. Others			183,089,662.36						-6,276,207.53	176,813,454.83
III. Special reserve					-	-				-
i. Current year accrual										-
ii. Current year utilization										-
IV. Profits distribution	-	-	-	-	-	-	-	-	-	-
i. Appropriation of surplus reserve	-	-	-	-	-	-	-	-	-	-
Include: Statutory surplus reserve										-
Arbitrary provident fund										-
#Reserve fund										-
#Enterprise development fund										-
#Profit return investments										-
ii. Withdrawal of general risk reserve										-
iii. Distribution to owner/shareholder										-
iv. Others										-
V. Transfer within owner's equity	-	-	-	-	-	-	-	-	-	-
i. Capital reserve transferred to paid-in capital										-
ii. Surplus reserve transferred to paid-in capital										-
iii. Recover of loss by surplus reserve										-
iv. Changes in remeasurement of defined benefit net obligations/assets										-
☆v. Other comprehensive income carried forward to retained earnings										-
vi. Others										-
4. Ending balance of current year	5,205,776,000.00	2,450,000,000.00	265,864,954.00	-	-	-	987,170.48	-	-429,200,361.65	7,493,427,762.83

Note: items with △ in regular script are for financial enterprises only; items with # are for foreign-invested enterprises only, and ☆ is applicable to enterprises implementing new income / new lease / new financial instrument standards.

Legal Representative: 王振钦印 Finance Officer（CFO）: 孔祥泉印 Manager of Financial Department: 冯建忠印

Company Change of Equity Statement

Prepared by: Shuifa Group Co., Ltd. Jan-June 2020 (The currency of the statements are RMB, unless otherwise indicated)

Item	Jan-June 2019									
	Paid-in capital	Other equity instrument	Additional Paid-in Capital	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	△General risk reserve	Retained earnings	Total owner's equity
Column	1	2	3	4	5	6	7	8	9	10
1. Ending balance of last year	5,205,776,000.00	-	88,074,723.02	-	-	-	987,170.48	-	-450,924,458.35	4,843,913,435.15
Add: increase/decrease due to changes in accounting policies										-
Increase/decrease due to corrections of errors in Prior Period										-
Others										-
2. Beginning balance of current year	5,205,776,000.00	-	88,074,723.02	-	-	-	987,170.48	-	-450,924,458.35	4,843,913,435.15
3. Increase/decrease for current year	-	1,500,000,000.00	640,995.83	-	-	-	-	-	2,325,266.65	1,502,966,262.48
I. Total comprehens iveincome									2,325,266.65	2,325,266.65
II. Owner's contributions and withdrawals of captial	-	1,500,000,000.00	640,995.83	-	-	-	-	-	-	1,500,640,995.83
i. Common stock contributed by owners			640,995.83							640,995.83
ii. Capital contributed by other equity instruments holders		1,500,000,000.00								1,500,000,000.00
iii. Share-based payment recorded in owner's equity										-
iv. Others										-
III. Special reserve					-	-				-
i. Current year accrual										-
ii. Current year utilization										-
IV. Profits distribution	-	-	-	-	-	-	-	-	-	-
i. Appropriation of surplus reserve	-	-	-	-	-	-	-	-	-	-
Include: Statutory surplus reserve										-
Arbitrary provident fund										-
#Reserve fund										-
#Enterprise development fund										-
#Profit return investments										-
ii.Withdrawal of general risk reserve										-
iii. Distribution to owner/shareholder										-
iv. Others										-
V. Transfer within owner's equity	-	-	-	-	-	-	-	-	-	-
i. Capital reserve transferred to paid-in capital										-
ii. Surplus reserve transferred to paid-in capital										-
iii. Recover of loss by surplus reserve										-
iv. Changes in remeasurement of defined benefit net obligations/assets										-
☆v. Other comprehensive income carried forward to retained earnings										-
vi. Others										-
4. Ending balance of current year	5,205,776,000.00	1,500,000,000.00	88,715,718.85	-	-	-	987,170.48	-	-448,599,191.70	6,346,879,697.63

Note: items with △ in regular script are for financial enterprises only; items with # are for foreign-invested enterprises only, and ☆ is applicable to enterprises implementing new income / new lease / new financial instrument standards.

Legal Representative: 王振钦印 Finance Officer（CFO）: 孔祥泉印 Manager of Financial Department: 冯连忠印

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Shuifa Group Co., Ltd.
Financial period from Jan - June 2020
Notes to the Financial Statements

I.Basic information

1.Historical evolution, place of registration, form of organization and headquarters address

Shuifa Group Co., Ltd. (hereinafter referred to as the company) was founded in 2009 and registered with Shandong Market Supervision and Administration Bureau. Its headquarters is in Jinan City, Shandong Province, with a registered capital of 5,205.776 million yuan.

On April 9, 2009, the provincial government (LZZ [2009] No. 62 document) officially approved the establishment of Shandong Water Development Co., Ltd.; on November 8, 2009, Shandong Water Development Co., Ltd. was officially established with a registered capital of 1,500 million yuan, all of which were issued by Shandong Provincial Department of Water Resources. In 2018, in accordance with the requirements of the notice on printing and distributing the implementation plan for the unified supervision of state-owned assets under the Provincial Administration issued by the general office of Shandong Provincial government and the notice on printing and distributing the establishment plan of Shandong Water Development Group Co., Ltd. issued by the State-owned Assets Supervision and Administration Commission of Shandong Provincial People's Government (hereinafter referred to as " SASAC of Shandong Province ") for unified supervision, SASAC of Shandong Province shall perform the responsibilities of investor, and the shareholders of the company shall be changed from Shandong Water Conservancy Department to SASAC of Shandong Province, Shandong Social Security Fund Council and Shandong Guohui Investment Co., Ltd. As of December 31, 2019, the registered capital and paid in capital are both 5,205.776 million yuan.

The company is engaged in water resources development and other water management business limited liability company.

2.The nature and main business activities of the company

The company belongs to water conservancy management industry, and its main products and services are investment, construction and engineering construction of water resources development and utilization, water supply and drainage, irrigation area supporting and water-saving transformation, reservoir danger elimination and reinforcement, river treatment, urban flood control, garbage (solid waste sludge) treatment and disposal, biomass comprehensive utilization, sewage treatment project and water conservancy related water and soil resources comprehensive development and utilization Industry, business management, design consultation, bidding agency; real estate development and sales, property management; investment and operation of medical maintenance projects, water conservancy and power generation projects with own funds; tourism development; agricultural planting technology development and technology transfer; new energy development and utilization; processing, production and sales of aquatic products and equipment. (For projects subject to approval according to law, business activities can be carried out only after approval of relevant departments).

3.Name of parent company and group headquarters

The actual controller of the company is the State-owned Assets Supervision and Administration Commission of Shandong Provincial People's Government.

4.Authorization of financial statements for issue

These financial statements were authorized for issue by the Company's Board of Directors on 29th Oct 2020.

II.Basis for the preparation of financial statements

On the basis of going concern, according to the actual transactions and events, except for An He (Lei Bo) Hydro Power Co., Ltd., Juli Natural Gas Co., Ltd., Dalian Energas Gas-System Co., Ltd., China Shuifa Singyes Energy Holdings Limited, the affiliated enterprises are recognized and measured in accordance with the accounting standards for Business Enterprises - Basic Standards issued by the Ministry of Finance, specific accounting standards for Business Enterprises, application guide for accounting standards for Business Enterprises, interpretation of accounting standards for Business Enterprises and other relevant provisions (hereinafter referred to as "current accounting standards for Business Enterprises").

In 2017, the Ministry of Finance revised the accounting standards for Business Enterprises No. 22 - recognition and measurement of financial instruments, accounting standards for Business Enterprises No. 23 - presentation of financial instruments, accounting standards for Business Enterprises No. 24 - transfer of financial assets, accounting standards for Business Enterprises No. 24 - transfer of financial assets, and accounting standards for Business Enterprises No. 14 - revenue, which required the enterprises listed both at home and abroad as well as those listed overseas and prepared financial reports using international financial reporting standards or accounting standards for Business Enterprises to implement the above standards from January 1, 2018; for other domestic listed enterprises, the new financial instrument standards will be implemented from January 1, 2019, and the new income standards will be implemented from January 1, 2020. In 2018, the Ministry of Finance revised the accounting standards for Business Enterprises No. 21 - leasing, which requires enterprises listed at home and abroad at the same time as well as enterprises listed abroad and adopting international financial reporting standards or accounting standards for Business Enterprises to prepare financial statements from January 1, 2019.

The company's subsidiaries An He (Lei Bo) Hydro Power Co., Ltd., Juli Natural Gas Co., Ltd., Dalian Energas Gas-System Co., Ltd. has implemented the new financial instrument standards since January 1, 2019; its subsidiary China Shuifa Singyes Energy Holdings Limited is a listed company in Hong Kong, which implements the Hong Kong financial reporting standards, which has no significant difference with the current accounting standards for related business.

As the company has not implemented the new accounting standards, when preparing the consolidated financial statements, the company directly consolidated the financial statements prepared by the above subsidiaries. For the impact on the consolidated financial statements, please refer to the consolidated balance sheet / Note V. 1. Changes in significant accounting policies.

III.Statement of compliance with corporate accounting standards

The financial statements prepared by the company conform to the requirements of the preparation basis of financial statements stated in Note II, and truly and completely reflect the company's financial status, operating results, cash flow and other relevant information during the reporting period.

IV.Summary of significant accounting policies and accounting estimates

1.Accounting period

The Company's accounting year starts on 1 January and ends on 31 December.

2.Recording currency

The Company's recording currency is Renminbi (RMB).

Foreign subsidiaries shall use the currency in the main economic environment in which they operate as the bookkeeping base currency and convert them into RMB when preparing financial statements.

3.Accounting basis and valuation principle

The company's accounting is based on accrual basis. The company generally adopts the historical cost when measuring the accounting elements; the company will give special explanation for the situation that the replacement cost, net realizable value, present value or fair value and other attributes are used for measurement according to the provisions of the standards.

4.Accounting treatments for business combinations involving enterprises under and not under common control

(1) When the terms, conditions, and economic influence of transactions in the process of a step-by-step combination conform to one or more of the following, accounting for multiple transactions is treated as a package transaction:

(a) These transactions are made simultaneously or with consideration of influence on each other;

(b) These transactions can only achieve a complete business outcome when treated as a whole;

(c) The occurrence of a transaction depends on the occurrence of at least one of the other transactions;

(d) A transaction is uneconomical when treated alone, but is economical when considered together with other transactions.

(2) Business combinations involving enterprises under common control

The assets and liabilities acquired by the Company in business combinations are measured in accordance with the book value of assets and liabilities of the combined party on the date of combination (including the goodwill of the ultimate controlling party resulting from the acquisition of the combined party). The difference between the book value of net assets acquired in the combination and the book value of the consideration paid for the combination (or the total par value of shares issued) is used to adjust the capital stock premium in the capital reserve, and when the capital stock premium in the capital reserve is insufficient for offset, it is used to adjust the retained earnings.

If there is a contingent consideration and it is necessary to confirm the provisions or assets, the difference between the estimated amount of liabilities or assets and the settlement amount of subsequent contingent consideration is used to adjust the capital reserve (capital stock premium), and when the capital reserve is insufficient, it is used to adjust the retained earnings.

For a business that is ultimately realized through multiple transactions, if it is a package transaction, each transaction is treated as a transaction that acquires control; if it is not a package transaction, on the date of acquisition of control, the difference between the initial cost of long-term equity investment and the book value of long-term equity investment before the combination plus the book value of the new paid consideration on the date of combination is used to adjust the capital reserve; and when the capital reserve is insufficient for offset, it is used to adjust the retained earnings. For equity investments held prior to the date of combination, no accounting treatment is carried out for other comprehensive gains recognized by equity accounting or financial instrument confirmation and measurement standards, and up to the disposal of the investment, the accounting treatment shall be based on the same basis as the direct disposal of the assets or liabilities of the invested entity; other changes in owner's equity other than net profit or loss, other comprehensive income or profit distribution of net assets of the invested company recognized by equity method are not subject to accounting, and will be transferred to the current profit and loss until the disposal of the investment.

(3) Business combinations involving enterprises not under common control

Purchase date refers to the date when the company obtains the control right over the acquiree, that is, the date when the control right over the net assets or production and operation decision of the acquiree is transferred to the company. When the following conditions are met at the same time, the company generally considers that the transfer of control right has been realized:

(a) The business combination contract or agreement has been approved by the internal authority of the company.

(b) The business combination matters that need to be examined and approved by the relevant competent departments of the state have been approved.

(c) Necessary procedures for transfer of property rights have been completed.

(d) The company has paid most of the merger price, and has the ability and plan to pay the remaining amount.

(e) In fact, the company has controlled the financial and operational policies of the acquiree, enjoyed corresponding benefits and assumed corresponding risks.

The assets paid and liabilities incurred or assumed of the Company as a consideration for the business combination are measured at fair value on the date of purchase, and the difference between the fair value and the book value is recognized in profit or loss.

The difference between the higher combination cost and lower fair value of identifiable net assets of the acquired party gained in the combination is recognized as goodwill by the Company. In case that the cost of combination is less than the fair value of the identifiable net assets of the acquired party gained in the combination, and the difference is still less than the fair value of identifiable net assets of the acquired party gain in the combination after review, the difference is included in the current profit and loss by the Company.

For the case where a business combination involving enterprises not under common control is finally realized through multiple transactions step by step, if it is a package transaction, each transaction is treated as a transaction for acquiring control; if it is not a package transaction; if it is not a package transaction, the individual financial statements and consolidated financial statements are distinguished for related accounting treatment.

In the individual financial statements, if the equity investment held before the date of combination is accounted for by equity method, the sum of the book value of equity investment of the acquired party held before the date of acquisition plus the new investment cost on the date of acquisition is recognized as the initial cost of the investment; the other comprehensive income confirmed by equity method before the date of acquisition is accounted for, when the investment is disposed, on the same basis as those the invested party adopted directly to dispose the relevant assets or liabilities.

If the equity investment held before the date of combination is accounted for by financial instrument recognition and measurement criteria, the sum of the fair value of equity investment on the date of combination plus the new investment cost is taken as the initial investment cost on the date of combination. The difference between the fair value and the book value of the original equity interest, and the accumulated fair value changes originally included in other comprehensive income should be transferred to investment income in the current period of combination date.

In the consolidated financial statements, the equity of the acquired party held before the date of acquisition is re-measured according to the fair value of the equity on the date ofacquisition. The difference between the fair value and the book value is included in the current investment income; if the equity of the acquired party involves other comprehensive income under the equity method, etc., other comprehensive income related to it is converted into investment income in the current period of acquisition date.

(4) Related expenses incurred for consolidation

The agency fees paid for audits, legal services, assessments, and other related expenses incurred in the business combination are recognized in profit or loss in the period in which they are incurred. The transaction costs for the issuance of equity securities for the business combination that may be directly attributed to equity transactions can be deducted from equity.

5.Method for compiling consolidated financial statements

(1) Scope of consolidation

The scope of consolidation of the Company's consolidated financial statements is determined based on control, and all subsidiaries (including separate entities controlled by the Company) are included in the consolidated financial statements.

(2) Consolidation procedure

The Company prepares consolidated financial statements based on itself and each subsidiary's financial statements, and according to other relevant materials. For preparing consolidated financial statements, the Company deems the whole enterprise group as an accounting subject, and reflects the enterprise group's overall financial standing, operating results, and cash flow according to the confirmation, measuring and presentation requirements of relevant enterprise accounting standards, and according to uniform accounting policies.

The accounting policies and accounting period of all the subsidiaries incorporated into the consolidation scope of consolidated financial statements are consistent with those adopted by the Company. If the accounting policies and accounting period adopted by the subsidiaries are inconsistent with those adopted by the Company, then when consolidated financial statements are prepared, necessary adjustments will be made according to the Company's accounting policies and accounting period. For the subsidiaries obtained through business combination not under the same control, their financial statements will be adjusted based on the fair value of distinguishable net assets on the date of purchasing. For subsidiaries obtained through business combination under the same control, their financial statements will be adjusted based on the book value of their assets and liabilities (including the goodwill formed from the final controller's acquisition of the subsidiaries) in the final controller's financial statements.

The shares belonging to minor shareholders of subsidiaries' owners' equity, net gain or loss of current period, and composite benefits of current period will be listed independently under the owners' equity in consolidated balance sheet, the net profit and total composite benefit in consolidated profit statement respectively. The balance formed from that “the loss of current period shared by subsidiaries’ minor shareholders” exceeds “the shares shared by the minor shareholders in the subsidiaries’ owners’ equity at the beginning of period” will be used to write down minor shareholders’ equity.

a)Increase of subsidiaries or businesses

In the reporting period, if subsidiaries or businesses are increased for business combination under the same control, the opening amount in the consolidated balance sheet will be adjusted; the income, expense, and profit of the subsidiaries or businesses from the beginning of the very period of combination to the end of the reporting period will be incorporated into the consolidated profit statement; the cash flow of the subsidiaries or businesses from the beginning of the very period of combination to the end of the reporting period will be incorporated into the consolidated cash flow statement, and meanwhile, relevant items in comparative statements will be adjusted, and the report subjects after combination will be deemed as having always existed from the time point when the final controller starts the control.

If it’s available to impose control on invested parties under the same control for reason of additional investment, etc., each party participating in the combination will be deemed to exist and adjust according to present state when the final controller starts the control. The equity investments held before obtaining the right to control the combined parties, relevant gain or loss already confirmed from “the date when original equity is obtained and the date when the combining party and the combined party are under the same control, whichever is later” to the date of combination, other composite benefits, and the changes of other net assets will be used to write down the opening retained benefit of the period of comparative statement or the gain or loss of the current period respectively.

In the reporting period, if subsidiaries or businesses are increased for business combination not under the same control, the opening amount of consolidated balance sheet will not be adjusted; the income, expense and profit of the subsidiaries or businesses from the date of purchasing to the end of reporting period will be incorporated into the profit statement respectively; and the cash flow of the subsidiaries or businesses from the date of purchasing to the end of reporting period will be incorporated into the cash flow statement.

If it is available to impose control on the invested parties not under the same control for reason of additional investment, etc., then the purchased parties’ stock equity held before the date of purchasing will be re-measured by the Company as per the fair value of the stock equity on the date of purchasing, and the balance between the fair value and its book value will be recorded in the investment yield of the current period. If the purchased parties’ equity held before the date of purchasing involves other composite benefits under accounting with equity method, as well as changes of other owners’ equity except for net gain or loss, other composite benefit and profit distribution, then relevant other composite benefit and changes of other owner’s equity will be converted into the investment yield in the very period to which the date of purchasing belongs, excluding the other composite benefits arising from the changes of the net liabilities or net assets of benefit plan measured and set up over again by the invested parties.

b)Disposal of Subsidiaries or Businesses

1)General treatment

In the reporting period, if the Company disposes some subsidiaries or businesses, then the income, expense and profit of such subsidiaries or businesses from the beginning of the period to the date of disposal will be incorporated into the consolidated profit statement; the cash flow of the subsidiaries or businesses from the beginning of period to the date of disposal will be incorporated into cash flow statement.

If the Company loses the right to control invested parties for disposal of partial equity investments or other reasons, the remained equity investments after disposal will be re-measured by the Company as per their fair value on the date when the control right is lost. The balance of “the sum of the consideration obtained from disposal of equity and the fair value of the remained stock equity” minus “the sum of the net asset shares enjoyed in original subsidiaries and calculated continuously from the date of purchasing or date of combination according to original shareholding proportion and the goodwill” will be recorded in the investment yield of the very period when control right is lost. Other composite benefits related to original subsidiaries’ equity investments, or the changes of other owners’ equity except for other composite benefits and profit distribution, will be converted into the investment yield of the very period when the control right is lost, excluding the other composite benefits arising from the changes of the net liabilities or net assets of benefit plan measured and set up over again by the invested parties.

In case of any declination on the shareholding proportion of the Company and herein losing the control rights over its subsidiary arising from the capital increase contributed by other investors, it shall conduct accounting treatment in the light of the aforesaid principles.

2)Disposal by steps

If the Company disposes the equity investments in subsidiaries by steps through multiple transactions until losing the right to control the subsidiaries, and if the clauses, terms and economic influences of various transactions for disposing the equity investments in the subsidiaries meet one or several of the following circumstances, such multiple transactions will generally be subject to accounting treatment as package transaction:

a. These transactions are concluded simultaneously or in condition of considering mutual influences;

b. Only the entirety of these transactions could achieve a complete business result;

c. The occurrence of a transaction depends on the occurrence of at least one of the other transactions;

d. A transaction is not economical independently, but economical if considered together with other transactions.

If various transactions of disposing the equity investments in subsidiaries until losing the control right belong to package transaction, the Company will execute accounting treatment of various transactions as a transaction of disposing subsidiaries until losing control right; but the balance between the price of every disposal before losing control right and the subsidiaries' net asset shares enjoyed and corresponding to the investments disposed will be confirmed as other composite benefits in the consolidated financial statements, and transferred into the gain or loss of the very period when the control right is lost.

If various transactions of disposing the equity investments in subsidiaries until losing the control right do not belong to package transaction, then before losing control right, the Company will execute accounting treatment according to relevant policies about partial disposal of equity investments in subsidiaries in condition of not losing control right; if control right is lost, the accounting treatment will be carried out according to general method for treatment of subsidiaries.

c)Purchase of minority interests in subsidiaries

For the balance between "the long-term equity investments newly obtained from purchasing of minor stock equity" and "the net asset shares to be enjoyed in the subsidiaries according to newly increased shareholding proportion and calculated continuously from the date of purchasing (or the date of combination)", the capital stock premium in the capital reserve in the consolidated balance sheet will be adjusted; if the capital stock premium in the capital reserve is not sufficient to write down, the retained benefit will be adjusted.

d)Partial disposal of equity investment in subsidiaries without loss of control

For the balance between "the disposal price obtained from disposal of partial long-term equity investments in subsidiaries in condition of not losing control right" and "the net asset shares to be enjoyed in the subsidiaries, corresponding to the disposal of long-term equity investments, and calculated continuously from the date of purchasing or the date of combination", the capital stock premium in the capital reserve in the consolidated balance sheet will be adjusted; if the capital stock premium in the capital reserve is not sufficient to write down, the retained benefit will be adjusted.

6.Classification of Joint Venture Arrangements and Accounting Method of Joint Operations

（1）Classification of joint arrangements

The Company divides the joint venture arrangement into joint operation and joint venture according to the structure of the joint arrangement, the legal form and the terms agreed in the joint arrangement, other relevant facts, and circumstances.

Joint venture arrangements not achieved through separate entities are classified as joint operations; joint venture arrangements through separate entities are usually classified as joint ventures; however, there are conclusive evidence that joint venture arrangements that meet any of the following conditions and comply with relevant laws and regulations are classified as common Management:

a) The legal form of the joint venture arrangement indicates that the joint venture party has rights and obligations for the relevant assets and liabilities in the arrangement.

b) The contractual terms of the joint venture arrangement stipulate that the joint venture party shall have rights and obligations for the relevant assets and liabilities in the arrangement.

c) Other relevant facts and circumstances show that the joint venture party has rights and obligations to the relevant assets and liabilities in the arrangement respectively, for example, the joint venture party has almost all the output related to the joint venture arrangement, and the settlement of the liabilities in the arrangement continues to depend on the support of the joint venture party.

（2）Accounting treatment for joint operation

The Company confirms the following items related to the Company in the share of interest in the joint operation, and performs accounting treatment in accordance with the relevant accounting standards:

a)Confirm the assets held separately and the assets jointly held according to their shares;

b)Recognize the liabilities undertaken separately and the liabilities jointly undertaken according to their shares;

c)Recognize the income generated from the sale of its share of the output of joint operation;

d)Recognize the income from the sale of the output of the joint operation according to its share;

e)Confirm the expenses incurred separately and the expenses incurred in joint operation according to their shares.

The Company invests or sells assets to the joint operation (other than the business of the assets), and only confirms that the profit or loss arising from the transaction belongs to other participants in the joint operation before the assets are sold to the third party by joint operation. section. If the assets invested or sold are subject to asset impairment losses in accordance with the “Accounting Standards for Business Enterprises No. 8 – Impairment of Assets”, the Company shall fully recognize the losses.

The Company purchases assets from joint operations (other than the business of the assets), and only recognizes the portion of the profit or loss arising from the transaction attributable to other participants in the joint operation before selling the assets to a third party. If the purchased assets meet the asset impairment losses stipulated in the “Accounting Standards for Business

Enterprises No. 8 – Impairment of Assets", the Company shall recognize the losses according to the share of the commitments.

The Company does not have joint control over joint operations. If the Company enjoys the joint operation related assets and assumes the liabilities related to the joint operation, it will still be accounted for according to the above principles. Otherwise, it shall be accounted for in accordance with the relevant accounting standards

7.Recognition of cash and cash equivalents

In the preparation of the cash flow statement, the Company recognizes cash holdings and deposits that can be used for payment at any time as cash. Cash and cash equivalents of the Company include cash on hand, ready usable deposits and investments having short holding term (normally will be due within three months from the day of purchase), with strong liquidity and easy to be exchanged into certain amount of cash that can be measured reliably and have low risks of change.

8.Foreign currency business and translation of foreign currency statement

(1)Foreign currency transactions

Foreign currency transactions between the Company and its subsidiaries are translated into Renminbi at the spot exchange rate on the transaction date.

Foreign currency monetary items are translated at the spot exchange rate on the balance sheet date, and the exchange differences resulted therefrom, except that the exchange differences arising from special foreign currency loans related to the acquisition and construction of assets eligible for capitalization should be treated in accordance with the principle of capitalization of borrowing costs, are all included in the current profit and loss. Foreign currency non-monetary items measured at historical cost are still translated at the spot exchange rate on the transaction date, and the amount of base currency for bookkeeping is not changed.

Foreign currency non-monetary items measured at fair value are translated at the spot exchange rates on the date when the fair value is determined, and the exchange differences resulted therefrom are included in profit or loss in the current period as a change in fair value. In the case of foreign currency non-monetary items that are Available-for-sale, the exchange differences incurred are included in other comprehensive income.

(2)Translation of foreign currency financial statement

When the Company translates the financial statements of overseas operations, the assets and liabilities in the balance sheet are translated at the spot exchange rate on the balance sheet date. The owner's equity items, except for the "undistributed profit" items, are translated at the spot exchange rate at the time of occurrence of items. All the incurred items in the income statement are translated at the current average exchange rate of the period in which transactions occur. The translation differences of foreign currency financial statement arising from the above translation are included in other comprehensive income.

When disposing the overseas operation, the foreign currency financial statement translation difference listed in other comprehensive income items in the balance sheet and related to the overseas operation shall be transferred from other comprehensive income items to the current profit and loss of disposal; when the proportion of overseas business interests decreased due to the disposal of part of equity investment or other reasons, but the control right of overseas operation was not lost, the translation difference of foreign currency statements related to the disposal part of overseas operation would be attributed to minority shareholders' equity and would not be transferred into current profit and loss. When disposing part of the equity of an overseas operation as a joint venture or joint venture, the foreign currency statement translation difference related to the overseas operation shall be transferred to the current profit and loss of the disposal according to the proportion of the disposal of the overseas operation.

9.Financial instruments

Financial instruments include financial assets, financial liabilities, and equity instruments.

（1）Under the current accounting standards for Business Enterprises:

a) Classification of financial instrument

The Company classifies financial assets and liabilities at initial recognition based on the contractual terms of the financial instruments issued and the economic substance they reflect but not only the legal form, in combination with the purpose of the acquisition of financial assets and liabilities, to the following categories: financial assets (or financial liabilities) that are measured at fair value and whose changes are included in current profit and loss; held-to-maturity investments; receivables; available-for-sale financial assets; and other financial liabilities, etc.

b) Recognition basis and measurement method of financial instruments

i.Financial assets (financial liabilities) measured with fair value and having the change of fair value recorded in the gain or loss of current period

Financial assets (financial liabilities) measured with fair value and having the change of fair value recorded in the gain or loss include trading financial assets or financial liabilities and financial assets or financial liabilities directly designated to be measured at fair value with changes included in current profits and losses.

Trading financial assets or financial liabilities refer to the financial assets or financial liabilities meeting one of the following conditions:

1) the purpose of obtaining the financial assets or financial liabilities is to sell, repurchase or redeem in the short term;

2) It is a part of the recognizable financial instrument portfolio under centralized management, and there is objective evidence to show that the company manages the portfolio soon by means of short-term profit-making;

3) a derivative financial instrument, but a derivative instrument designated as an effective hedging instrument, a derivative instrument belonging to a financial guarantee contract, and a

derivative instrument that is linked to the equity investment instruments that are not available in the active market and whose fair value cannot be measured reliably and must be settled through the delivery of the equity instrument.

Only when one of the following conditions is met can a financial asset or financial liability be designated as a financial asset or financial liability measured at fair value through profit or loss at the initial measurement:

1) the designation can eliminate or significantly reduce the relative gains or losses caused by differences in the measurement basis of financial assets or financial liabilities in terms of recognition or measurement.

2) a formal written document on risk management or investment strategy has already indicated that the financial asset portfolio, the financial liability portfolio, or the portfolio of financial assets and financial liabilities are managed, evaluated, and reported to key management personnel based on fair value.

3) For a hybrid instrument containing one or more embedded derivatives, unless the embedded derivative does not significantly change the cash flow of the hybrid instrument, or the embedded derivative instrument obviously should not be separated from the relevant hybrid instrument;

4) A hybrid instrument that includes embedded derivatives that need to be split but cannot be measured separately on acquisition or subsequent balance sheet date.

For the financial assets or financial liabilities measured at fair value and the changes of which are included in the current profits and losses, the fair value (deducting the cash dividends declared but not issued or the bond interest that has reached the interest payment period but has not been collected) is taken as the initial recognition amount, and the relevant transaction costs are included in the current profit and loss. The interest or cash dividend obtained during the holding period is recognized as investment income, and the change of fair value is included in the current profit and loss at the end of the period. At the time of disposal, the difference between the fair value and the initial recorded amount is recognized as investment income, and the profit and loss of changes in fair value is adjusted.

ii.Accounts receivable

For the creditor's rights receivable formed from the Company's sale of goods or rendering of labor services, and the other enterprises' creditor's rights held by the Company and excluding the debt instruments having an offer in active market, including accounts receivable and other accounts receivable, etc., the contract or agreement price receivable from purchasers will be taken as the initially confirmed amount; if the receivables have financing nature, they will be initially confirmed as per their present value.

In case of recovery or disposal, the balance between the acquisition price and the book value of accounts receivable will be recorded in the gain or loss of the current period.

iii.Entrusted loan

The method of valuation and income recognition of entrusted loans: according to the actual amount entrusted to the loans of financial institutions as the actual cost accounting, and accrued interest accrued according to the accrual basis principle, if interest is not recoverable at the expiration of the interest, the interest shall be withdrawn and the interest rate originally calculated will be charged back.

Entrusted loans are measured at the end of the period according to the lower of book value and recoverable amount:

1) The recognition standard of impairment provision of entrusted loan: the principal of entrusted loan is higher than the recoverable amount.

2) Provision method for impairment of entrusted loan: at the end of half a year or at the end of each year, it shall be withdrawn according to the difference between the recoverable amount of single entrusted loan and its book value.

iv.Held-to-maturity investments

Held-to-maturity investment refers to the non-derivative financial assets with fixed maturity date, fixed or determinable recovery amount, and the company has clear intention and ability to hold to maturity.

For the held-to-maturity investment, the sum of the fair value (deducting the bond interest that has reached the interest payment period but has not been collected) and relevant transaction costs is taken as the initial recognition amount. During the holding period, the interest income is calculated and recognized according to the amortization cost and the actual interest rate, and is included in the investment income. The effective interest rate is determined at the time of acquisition and remains unchanged during the expected duration or shorter applicable period. When disposing the held-to-maturity investment, the difference between the price obtained and the book value of the investment shall be included in the investment income.

If the amount of held-to-maturity investment disposed or reclassified into other types of financial assets is larger than the total amount of all held to maturity investment of the company before sale or reclassification, the remaining held-to-maturity investment shall be reclassified as available for sale financial assets immediately after disposal or reclassification; on the date of reclassification, the difference between the book value of the investment and its fair value is included in other comprehensive income, and transferred out when the available for sale financial asset is impaired or derecognized, and included in the current profit and loss. However, the following circumstances may be excluded:

1) The selling date or reclassification date is close to the maturity date or redemption date of the investment (such as within three months before maturity), and the change of market interest rate has no significant impact on the fair value of the investment.

2) According to the payment method agreed in the contract, the company has recovered

almost all the initial principal.

3) The sale or reclassification is caused by independent events beyond the control of the company, which are not expected to occur repeatedly and are difficult to reasonably predict.

v.Available-for-sale financial assets

Available-for-sale financial assets refer to the non-derivative financial assets designated as available for sale at the time of initial recognition, as well as financial assets other than other types of financial assets.

When the company obtains available-for-sale financial assets, the sum of the fair value (deducting the cash dividends declared but not issued or the bond interest that has reached the interest payment period but has not been collected) and the relevant transaction costs is taken as the initial recognition amount. The interest or cash dividend obtained during the holding period is recognized as investment income. Gains or losses arising from changes in fair value of available-for-sale financial assets are directly included in other comprehensive income, except for impairment loss and exchange difference formed by foreign currency monetary financial assets. When disposing the available-for-sale financial assets, the difference between the price obtained and the book value of the financial assets shall be included in the investment profits and losses; at the same time, the amount corresponding to the disposal part corresponding to the accumulated amount of fair value change originally included in other comprehensive income shall be transferred out and included in the investment profit and loss.

c) Confirmation Basis and Measurement Method of Financial Assets Transferred

If the Company transfers financial assets, and transfers nearly all risks and rewards on the ownership of such financial assets to the transfer-in party, the Company will terminate the confirmation of the financial assets; if the Company reserves nearly all risks and rewards on the ownership of the financial assets, the Company will not terminate the confirmation of such financial assets.

When judging whether the transfer of financial assets meets the above-mentioned conditions for terminating the confirmation of financial assets, the Company will follow the “Substance Over Form” principle. The Company distinguishes the transfer of financial assets into overall transfer and partial transfer of financial assets. If the overall transfer of financial assets meets the conditions for termination of confirmation, the balance of the following two amounts will be recorded in the gain or loss of the current period:

① The book value of the financial assets transferred;

② The sum of the consideration received for the transfer and the accumulative amount of change in the fair value originally recorded in the owner's equity directly (involving the circumstance that the financial assets transferred are available-for-sale financial assets);

If partial transfer of financial assets meets the conditions for termination of confirmation, the overall book value of the financial assets transferred will be amortized between the confirmation-terminated part and non-confirmation-terminated part as per respective relative fair value, and the balance of the following two amounts will be recorded in the gain or loss of the current period:

① The book value of the confirmation-terminated part;

② The consideration for the confirmation-terminated part and the amount of corresponding confirmation-terminated part in the accumulative amount of change in the fair value originally recorded in the owner's equity directly (involving the circumstance that the financial assets transferred are available-for-sale financial assets);

If the transfer of financial assets does not meet the conditions for termination of confirmation, the financial assets will be confirmed continuously, and the consideration received will be confirmed as a financial liability.

d) Conditions for Terminating the Confirmation of Financial Liabilities

If the current obligation of financial liabilities is rescinded completely or partially, the confirmation of such financial liabilities or part of them will be terminated; if the Company signs an agreement with creditors to replace the existing financial liabilities by means of undertaking new financial liabilities, and the contract clauses for new financial liabilities are substantially different from the contract clauses for existing financial liabilities, the confirmation of the existing financial liabilities will be terminated, and new financial liabilities will be confirmed at the same time.

If all or partial contract clauses for existing financial liabilities are amended substantially, the confirmation of the existing financial liabilities or part of them will be terminated, and meanwhile, the financial liabilities after amendment of clauses will be confirmed as a new financial liability.

If the confirmation of financial liabilities is terminated completely or partially, the balance between the book value of the financial liabilities of which the confirmation is terminated and the consideration paid (including non-cash assets transferred out or the new financial liabilities undertaken) will be recorded in the gain or loss of the current period.

If the Company buys back partial financial liabilities, then on the date of buyback, the Company will distribute the overall book value of the financial assets according to the relative fair value of the part confirmed continuously and the confirmation-terminated part. The balance between the book value distributed to the confirmation and the consideration paid (including non-cash assets transferred out or the new financial liabilities undertaken) will be recorded in the gain or loss of the current period.

e) Method for Determining the Fair Value of Financial Assets and Financial Liabilities

For financial instruments having an active market, their fair value will be determined as per the offer in the active market. For financial instruments not having an active market, their value will be determined by estimation technique. In case of estimation, the Company will adopt estimation techniques which are applicable under present circumstances and supported by sufficient available data and other information, select input values consistent with the asset or liability characteristics considered by market participants in the transactions of relevant assets or liabilities, and preferentially use relevant observable input values. Non-observable input values will be used only under the circumstance that relevant observable input values cannot be obtained or such values obtained are not practicable.

f) Method for Testing and Accounting Treatment of Depreciation of Financial Assets (Excluding Accounts Receivable)

On the balance sheet date, the book value of financial assets other than those measured at fair value and whose changes are included in the current profits and losses shall be checked. If there is objective evidence indicating that the financial assets are impaired, the provision for impairment shall be made.

Objective evidence proving impairment to the financial assets includes the following observable situations:

①Severe financial difficulties in the issuer or debtor;

② The debtor violates the contract or defaults or delays the payment of the interest or principal;

③ The Company makes compromise to the debtor with financial difficulties due to economic or legal consideration;

④ The debtor may go bankruptcy or conduct other financial reorganization;

⑤ The financial assets can no longer be traded in an active market due to material financial difficulties in the issuer;

⑥ It cannot be recognized whether the cash flow of an asset in a group of financial assets has decreased. However, according to open data, it can be evaluated that the estimated future cash flow of the Company of financial assets has decreased and the decrease can be measured, including: the payment capacity of the debtor of the financial assets continues weakening; situations that may lead to the payment failure of the financial assets happen in the country or region where the debtor is located;

⑦ Significant adverse changes occurs to the technical, market, economic or legal environment of the debtor, leading to that the equity instrument investor may not be able to recover the investment;

⑧Other objective evidence that can prove the impairment of the financial assets.

g) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the balance sheet without offsetting each other. However, if the following conditions are met at the same time, they shall be presented in the balance sheet with the net amount after offsetting each other:

(1) The company has the legal right to offset the confirmed amount, and the legal right is currently enforceable;

(2) The company plans to settle with net amount, or realize the financial assets and settle the financial liabilities at the same time.

h) Differentiation and treatment of financial liabilities and equity instruments

In accordance with the provisions of financial instrument standards, the company classifies the financial instrument or its components into financial liabilities or equity instruments at the initial recognition according to the contract terms of the preferred shares, perpetual bonds and other financial instruments as well as the economic essence reflected, rather than in legal form, and in combination with the definitions of financial liabilities and equity instruments:

（1）Financial instruments issued shall be classified as financial liabilities if they meet one of the following conditions:

1) Contractual obligations to deliver cash or other financial assets to other parties;

2) Contractual obligations to exchange financial assets or financial liabilities with other parties under potential adverse conditions;

3) A non-derivative instrument contract that must or can be settled with its own equity instruments in the future, and the company will deliver a variable amount of its own equity instruments according to the contract;

4) Derivative instrument contracts that need to be settled or can be settled by the company's own equity instruments in the future, except for derivative instrument contracts that exchange fixed amount of cash or other financial assets with a fixed amount of their own equity instruments.

（2）Financial instruments issued shall be classified as equity instruments if the following conditions are met simultaneously:

1) The financial instrument does not include the contractual obligation to deliver cash or other financial assets to other parties, or to exchange financial assets or financial liabilities with other parties under potential adverse conditions;

2) If the financial instrument is a non-derivative instrument, it does not include the contractual obligation to deliver a variable number of its own equity instruments for settlement; if it is a derivative instrument, the company can only settle the financial instrument by exchanging a fixed amount of cash or other financial assets with a fixed amount of its own equity instruments.

（3）Differentiation between financial liabilities and equity instruments

If the performance of a contractual obligation through the delivery of cash or other financial assets cannot be avoided unconditionally, the contractual obligation meets the definition of financial liability. If a financial instrument must be settled or can be settled with the company's own equity instrument, if it is used as a substitute for cash or other financial assets, the instrument is a financial liability; if it is to enable the holder of the instrument to enjoy the residual equity in the assets of the issuer after deducting all liabilities, the instrument is an equity instrument.

（4）Accouting treatment

For the financial instruments classified as equity instruments, the interest expenses or dividend distribution should be regarded as the profit distribution of the issuing enterprise. The repurchase and cancellation of the financial instruments should be treated as changes in equity. Transaction costs such as handling fees and commissions should be deducted from the equity;

For the financial instruments classified as financial liabilities, the interest expenses or dividend distribution shall be treated in accordance with the borrowing costs in principle. The profits or losses arising from the repurchase or redemption shall be included in the current profits and losses, and the transaction costs such as handling charges and commissions shall be included in the initial measurement amount of the issued instruments.

（2）Under the new accounting standards for Business Enterprises:

When the Company becomes a party to a financial instrument, it recognizes a financial asset or liability.

The effective interest method refers to the method of calculating the amortized cost of financial assets or liabilities and allocating interest income or interest expense into each accounting period.

The effective interest rate refers to the interest rate used to discount the estimated future cash flow of a financial asset or financial liability during its expected duration to the book balance of the financial asset or the amortized cost of the financial liability. When determining the effective interest rate, the expected cash flow is estimated based on considering all contract terms of financial assets or liabilities (such as prepayment, extension, call options or other similar options), but the expected credit loss is not considered.

The amortized cost of a financial asset or financial liability is the accumulated amortization amount formed by deducting the repaid principal from the initial recognition amount of the financial asset or financial liability, adding or subtracting the difference between the initial recognition amount and the maturity amount by using the effective interest method, and then deducting the accumulated accrued loss reserve (only applicable to financial assets).

1．Classification and measurement of financial assets

According to the business model of the financial assets under management and the contractual cash flow characteristics of the financial assets, the Company divides the financial assets into the following three categories:

(a) Financial assets measured at amortized cost.

(b) Financial assets measured at fair value and whose changes are included in other comprehensive income.

(c) Financial assets measured at fair value and whose changes are included in the current profit and loss.

Financial assets are measured at fair value when initially recognized, but if the accounts or notes receivable arising from the sale of goods or the provision of services do not contain significant financing components or do not consider financing components for no more than one year, the initial measurement shall be made at the transaction price.

For financial assets measured at fair value and whose changes are included in the current profit and loss, transaction expenses are directly recognized in the current profit and loss. For other financial assets, transaction expenses are included in the initial recognition amount.

Subsequent measurement of financial assets depends on their classification. All related financial assets affected will be reclassified when and only when the Company changes its business model of managing financial assets.

i. Financial assets classified as measured at amortized cost

The contract terms of a financial asset stipulate that the cash flow generated on a specific date is only the payment of the principal and the interest on the amount of outstanding principal, and the business model for managing the financial asset is to collect the contractual cash flow, then the Company classifies the financial asset as measured at amortized cost. Financial assets of the Company that are classified as measured at amortized cost include monetary funds, notes receivable, accounts receivable, other receivables, long-term receivables, creditors' investments, etc.

The Company recognizes interest income from such financial assets with the effective interest method, and carries out subsequent measurement at amortized cost. Gains or losses arising from impairment or derecognition or modification are included in the current profit and loss. The Company calculates and determines the interest income based on the book balance of financial assets multiplied by the effective interest rate except for the following circumstances:

① For purchased or originated credit-impaired financial assets, the Company calculates and determines their interest income at the amortized cost of the financial asset and the credit-adjusted effective interest rate since the initial recognition.

② For financial assets not credit-impaired at the time of being purchased or originated but in the subsequent period, the Company calculates and determines their interest income at the amortized cost and the effective interest rate of the financial assets in the subsequent period. If the financial instrument is no longer credit-impaired due to the improvement of its credit risk in the subsequent period, the Company calculates and determines the interest income by multiplying the effective interest rate by the book balance of the financial asset.

ii. Financial assets classified as measured at fair value and whose changes are included in other comprehensive income

The contract terms of a financial asset stipulate that the cash flow generated on a specific date is only the payment of the principal and the interest on the amount of outstanding principal, and the business model for managing the financial asset is both to collect contractual cash flows and for its sale, then the Company classifies the financial asset as measured at fair value and whose changes are included in other comprehensive income.

The Company recognizes interest income from such financial assets with the effective interest method. Except that the interest income, impairment loss and exchange difference are recognized as the current profit and loss, other changes in fair value are included in other comprehensive income. When the financial asset is derecognized, the accumulated gains or losses previously included in other comprehensive income are transferred out and included in the current profit and loss.

Notes and accounts receivable measured at fair value with changes included in other comprehensive income are reported as receivables financing, and such other financial assets are reported as other creditors' investments. Among them, other creditors' investments maturing within one year from the balance sheet date are reported as non-current assets maturing within one year, and other creditors' investments maturing within one year are reported as other current assets.

iii. Financial assets designated as measured at fair value and whose changes are included in other comprehensive income

At the time of initial recognition, the Company may irrevocably designate non-trading equity instrument investments as financial assets measured at fair value and whose changes are included in other comprehensive income based on individual financial assets.

Changes in the fair value of such financial assets are included in other comprehensive income without provision for impairment. When the financial asset is derecognized, the accumulated gains or losses previously included in other comprehensive income are transferred out and included in the retained earnings. During the investment period when the Company holds the equity instrument, the dividend income is recognized and included in the current profit and loss when the Company's right to receive dividends has been established, the economic benefits related to dividends are likely to flow into the Company, and the amount of dividends can be measured reliably. The Company reported such financial assets under other equity instrument investment items.

iv. Financial assets classified as measured at fair value and whose changes are included in the current profit and loss

An investment in equity instruments is a financial asset measured at fair value and whose changes are included in the current profit and loss when it is obtained mainly for recent sale, or is part of the identifiable portfolio of financial assets centrally managed, and objective evidence exists for a short-term profit model in the near future when initially recognized, or is a derivative (except derivatives defined as financial guarantee contracts and designated as effective hedging instruments).

If failing to be classified as measured at amortized cost or at fair value and whose changes are included in other comprehensive income, or not designated as measured at fair value and whose changes are included in other comprehensive income, financial assets are all classified as measured at fair value and whose changes are included in the current profit and loss.

The Company carries out subsequent measurement of such financial assets at fair value, and includes gains or losses arising from changes in fair value as well as dividends and interest income associated with such financial assets into current profits and losses.

The Company reports such financial assets as trading financial assets and other non-current financial assets according to their liquidity.

v.Financial assets designated as measured at fair value and whose changes are included in the current profit and loss

At the time of initial recognition, the Company may irrevocably designate financial assets as measured at fair value and whose changes are included in the current profit and loss based on individual financial assets in order to eliminate or significantly reduce accounting mismatches.

If the mixed contract contains one or more embedded derivative instruments and its main contract is not any financial asset as above, the Company may designate the whole of the mixed contract as a financial instrument measured at fair value and whose changes are included in the current profits and losses. Except under the following circumstances:

① Embedded derivatives do not significantly change the cash flow of mixed contracts.

② When determining for the first time whether similar mixed contracts need to be split, it is almost clear that embedded derivatives contained in them should not be split without analysis. If the prepayment right embedded in a loan allows the holder to prepay the loan at an amount close to the amortized cost, the prepayment right does not need to be split.

The Company carries out subsequent measurement of such financial assets at fair value, and includes gains or losses arising from changes in fair value as well as dividends and interest income associated with such financial assets into current profits and losses.

The Company reports such financial assets as trading financial assets and other non-current financial assets according to their liquidity.

2. Classification and measurement of financial liabilities

The Company classifies a financial instrument or its components into financial liabilities or equity instruments upon initial recognition according to the contract terms of and the economic essence reflected by the financial instrument issued, rather than only in legal form, in combination with the definitions of financial liabilities and equity instruments. Financial liabilities are classified at initial recognition as measured at fair value and whose changes are included in current profits and losses, or other financial liabilities, or derivatives designated as effective hedging instruments.

Financial liabilities are measured at fair value upon initial recognition. For financial liabilities measured at fair value and whose changes are included in current profits and losses, relevant transaction expenses are directly included in current profits and losses; For other categories of financial liabilities, relevant transaction expenses are included in the initial recognition amount.

Subsequent measurement of financial liabilities depends on their classification:

（1）Financial liabilities measured at fair value and whose changes are included in the current profit and loss

Such financial liabilities include trading financial liabilities (including derivatives falling under financial liabilities) and financial liabilities designated as measured at fair value upon initial recognition and whose changes are included in current profits and losses.

The financial liability is a trading financial liability if it is mainly undertaken for recent sale or repurchase, or is part of the identifiable portfolio of financial instruments centrally managed, and there is objective evidence that the company has recently employed a short-term profit model, or is a derivative instrument, except derivatives designated as effective hedging instruments and derivatives conforming to financial guarantee contracts. Trading financial liabilities (including derivatives falling under financial liabilities) are subsequently measured at fair value. All changes in fair values except for hedging accounting are included in current profits and losses.

The Company irrevocably designates financial liabilities as measured at fair value and whose changes are included in current profits and losses at the time of initial recognition in order to provide more relevant accounting information if:

① Such financial liabilities can eliminate or significantly reduce accounting mismatches.

② The financial liability portfolio or the portfolio of financial assets and liabilities is managed and evaluated for performance on the basis of fair value according to the company risk management or investment strategy stated in the official written documents, and is reported to key management personnel within the company on this basis.

The Company subsequently measures such financial liabilities at fair value. Except changes in fair value that are brought about by changes in the Company's own credit risk are included in other comprehensive income, other changes in fair value are included in current profits and losses. Unless including such changes in other comprehensive income will cause or expand accounting mismatch in profit or loss, the Company will include all changes in fair value (including the amount affected by changes in its own credit risk) in current profits and losses.

（2）Other financial liabilities

The Company classifies financial liabilities except for the following items as measured at amortized cost. Such financial liabilities are recognized by the effective interest method and subsequently measured at amortized cost. Gains or losses arising from derecognition or amortization are included in the current profits and losses:

① Financial liabilities measured at fair value and whose changes are included in the current profit and loss.

② Financial liabilities resulting from the transfer of financial assets that do not meet the conditions for derecognition or continue to be involved in the transferred financial assets.

③ Financial guarantee contracts that do not fall under the first two categories of this article, and loan commitments that do not fall under category (1) of this article and lend at a below-market interest rate.

Financial guarantee contracts refer to contracts that require the issuer to pay a specific amount to the contract holder who has suffered losses when a specific debtor fails to pay the debt in accordance with the original or modified terms of the debt instrument. Financial guarantee contracts that are not financial liabilities designated as measured at fair value and whose changes are included in current profits and losses are measured after initial recognition according to the loss reserve amount and of the initial recognition amount, less the accumulated amortization amount during the guarantee period, whichever is higher.

3. Derecognition of financial assets and liabilities

i. Financial assets are derecognized, i.e. written off from its account and balance sheet if:

① The contractual right to receive cash flow from the financial asset is terminated; or

② The financial asset has been transferred, which meets the requirements for derecognition of financial assets.

ii. Conditions for derecognition of financial liabilities

If the current obligation of a financial liability (or part thereof) has been discharged, such financial liability (or part thereof) is derecognized.

The existing financial liability is derecognized with a new one recognized, and the difference between the carrying amount and the consideration paid (including transferred non-cash assets or assumed liabilities) is included in the current profits and losses, if an agreement is signed between the Company and the lender to replace the existing financial liability by assuming a new one, and the contract terms of these two financial liabilities are substantially different, or the contract terms of the existing financial liability (or part thereof) are substantially modified.

If the Company repurchases part of a financial liability, the carrying amount of the financial liability shall be distributed according to the proportion of the fair value of the continuing recognition portion and the derecognition portion to the overall fair value on the repurchase date. The difference between the carrying amount allocated to the derecognized portion and the consideration paid (including transferred non-cash assets or liabilities assumed) shall be included in the current profits and losses.

4. Recognition basis and measurement method of financial asset transfer

When a financial asset is transferred, the Company evaluates the risks and rewards retained of the financial asset ownership:

i.If almost all the risks and rewards of the financial asset ownership are transferred, such financial asset shall be derecognized, and the rights and obligations generated or retained in the transfer shall be separately recognized as assets or liabilities.

ii.If almost all the risks and rewards of the financial asset ownership are retained, such financial asset shall continue to be recognized.

iii.In circumstances when the Company neither transfers nor retains almost all the risks and rewards of the financial asset ownership (i.e. circumstances other than ① and ② of this article), according to whether it retains control over such financial asset,

① the financial asset shall be derecognized, and the rights and obligations generated or retained in the transfer shall be separately recognized as assets or liabilities if such control is not retained; or

② the relevant financial asset shall continue to be recognized to the extent that it continues to be involved in the transferred financial asset, and the relevant liabilities shall be recognized accordingly if such control is retained. The extent that it continues to be involved in the transferred financial asset refers to the extent the Company bears the risks or rewards on changes in the value of the transferred financial asset.

When judging whether the transfer of financial assets meets the above conditions for derecognition of financial assets, the principle of substance over form shall be adopted. The Company divides the transfer of financial assets into overall transfer and partial transfer.

i.If the overall transfer of financial assets meets the conditions for derecognition, the difference between the following two amounts shall be included in the current profits and losses:

① The carrying amount of the transferred financial asset on the date of derecognition.

② The sum of the consideration received for the transfer of financial assets and the amount of the corresponding derecognized portion of the accumulated changes in fair value originally included in other comprehensive income directly (the financial assets involved in the transfer are financial assets measured at fair value and whose changes are included in other comprehensive income).

ii.If the financial asset is partially transferred and the transferred part meets the conditions for derecognition, the carrying amount of the financial asset before transfer shall be allocated between the derecognition portion and the continuing recognition portion (in this case, the retained service asset shall be regarded as the continuing recognition part of the financial asset) according to the respective relative fair values on the transfer date, and the difference between the following two amounts shall be included in the current profits and losses:

① The carrying amount of the derecognized portion on the derecognition date.

② The sum of the consideration received for the derecognized portion and the amount of the corresponding derecognized portion of the accumulated changes in fair value originally included in other comprehensive income (the financial assets involved in the transfer are financial assets measured at fair value and whose changes are included in other comprehensive income).

If the transfer of a financial asset does not meet the conditions for derecognition, the financial asset shall continue to be recognized and the consideration received shall be recognized as a financial liability.

5. Determination of fair value of financial assets and liabilities

The fair value of a financial asset or liability with an active market shall be determined by the quoted price in the active market, unless the financial asset has a sell-off period for the asset itself. For the financial assets restricted for the assets themselves, the compensation amount demanded by market participants due to the risk of not being able to sell the financial assets on the open market within the specified period shall be deducted from the quoted price in the active market. Quoted prices in the active market includes those for related assets or liabilities that can be easily and regularly obtained from exchanges, dealers, brokers, industry groups, pricing, or regulatory agencies, and can represent actual and recurring market transactions based on fair trade.

Financial assets initially acquired or derived or financial liabilities assumed shall be determined based on market transaction price.

The fair value of financial assets or liabilities without an active market shall be determined by valuation techniques. At the time of valuation, the Company adopts valuation techniques that are applicable under the current circumstances and are supported by sufficient available data and other information, selects input values consistent with the characteristics of relevant assets or liabilities considered by market participants in the transactions thereof, and gives priority to the use of relevant observable input values whenever possible. If the relevant observable input value cannot be obtained or be feasibly obtained, the unobservable input value shall be used.

6. Impairment of financial instruments

Based on the expected credit loss, the Company conducts impairment accounting of financial assets classified as measured at amortized cost, financial assets classified as measured at fair value and whose changes are included in other comprehensive income and financial guarantee contracts and recognizes loss reserves.

Expected credit loss refers to the weighted average of the credit losses of financial instruments weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows discounted at the original effective interest rate and receivable according to the contract and all cash flows expected to be collected of the Company, i.e. the present value of all cash shortfalls. Among them, credit-impaired purchased or originated financial assets of the

Company shall be discounted at the credit-adjusted effective interest rate of such financial assets.

For receivables arising from transactions regulated by the income criteria, the Company uses the simplified measurement method to measure the loss reserve according to the amount equivalent to the expected credit loss during the entire duration.

For credit-impaired purchased or originated financial assets, only the accumulated changes in the expected credit losses during the entire duration since the initial recognition are recognized as loss reserves on the balance sheet date. On each balance sheet date, the amount of change in the expected credit loss during the entire duration is included in the current gains and losses as impairment losses or gains. Even if the expected credit loss during the entire duration on the balance sheet date is less than that reflected in the estimated cash flow upon initial recognition, the favorable change in the expected credit loss is recognized as impairment gains.

In addition to other financial assets adopting the above simplified measurement method and other than the credit-impaired purchased or originated ones, the Company evaluates whether the credit risk of relevant financial instruments has increased significantly since the initial recognition, measures its loss reserves and recognizes the expected credit loss and its changes respectively according to the following circumstances on each balance sheet date:

(a) If the credit risk of the financial instrument has not increased significantly since its initial recognition and is in the first stage, its loss reserve shall be measured according to an amount equivalent to its expected credit loss in the next 12 months, and the interest income shall be calculated at the book balance and the effective interest rate.

(b) If the credit risk of the financial instrument has increased significantly since the initial recognition but no credit impairment has occurred, it is in the second stage, then its loss reserve shall be measured according to an amount equivalent to its expected credit loss throughout its life, and the interest income shall be calculated at the book balance and the effective interest rate.

(c) If the financial instrument is credit-impaired since its initial recognition, it is in the third stage, and the Company shall measure its loss reserve according to an amount equivalent to its expected credit loss throughout its life, and calculate the interest income at the amortized cost and the effective interest rate.

The increase or reversed amount of the credit loss reserve for financial instruments shall be included in the current profits and losses as impairment losses or gains. Except for financial assets classified as measured at fair value and whose changes are included in other comprehensive income, the credit loss reserve will offset the carrying amount of the financial assets. For financial assets classified as measured at fair value and whose changes are included in other comprehensive income, the Company recognizes its credit loss reserve in other comprehensive income without reducing it carrying amount presented in the balance sheet.

In the previous accounting period, the Company has measured the loss reserve, the amount of which is equivalent to the expected credit loss of the financial instrument throughout its life.

However, on the balance sheet date of the current period, the financial instrument no longer conforms to the situation of significant increase in credit risk since initial confirmation; on the balance sheet date of the current period, the Company has measured the loss reserve of the financial instrument, the amount of which is equivalent to the expected credit loss in the next 12 months, and the reversed amount of the loss reserve thus formed is included in the current profit and loss as impairment profit.

(a) Significant increase of credit risk

In order to determine whether the credit risk of financial instruments has increased significantly since the initial recognition, the Company uses the available reasonable and based forward-looking information and compares the risk of default of financial instruments on the balance sheet date with the risk of default on the initial confirmation date. When the Company applies provisions on depreciation of financial instruments to financial guarantee contracts, the initial recognition date shall be regarded as the date when the Company becomes a party to make irrevocable commitments.

For the assessment of whether the credit risk has increased significantly, the Company will consider the following factors

① According to the actual or as expected, whether the debtor's operating results have changed significantly;

② Whether the regulatory, economic or technological environment of the debtor has undergone significant adverse changes;

③ Whether the following items have changed significantly: the value of collateral as debt mortgage, or the guarantee provided by a third party, or the quality of credit enhancement; these changes will reduce the debtor's economic motivation to repay the loan within the time limit stipulated in the contract or impact the probability of default;

④ Whether the debtor's expected performance and repayment behavior have changed significantly;

⑤ Whether the Company's credit management methods for financial instruments have changed, etc.

If, on the balance sheet date, the credit risk of the financial instrument is judged to be low by the company, the company assumes that the credit risk of the financial instrument has not increased significantly since the initial recognition. The financial instrument will be deemed to have lower credit risk under the following circumstances: the default risk of the financial instrument is lower; the borrower has a strong ability to fulfill its contractual cash flow obligations in a short time; furthermore, even if there are adverse changes in the economic situation and operating environment for a long period of time, it may not necessarily reduce the borrower's ability to fulfill its contractual cash flow obligations.

(b) Financial assets with depreciation of credit

If one or more events have adverse effects on the expected future cash flow of a financial asset, the financial asset will become a financial asset that has suffered credit impairment. The following observable information can be regarded as evidence of credit impairment of financial assets:

① The issuer or debtor is in serious financial difficulties;

② The debtor breaches the contract, such as default or overdue payment of interest or principal, etc.;

③ The creditor gives concessions to the debtor due to economic or contractual considerations related to the debtor's financial difficulties; the concessions will not be made under any other circumstances;

④ There is a great possibility of bankruptcy or other financial restructuring of the debtor;

Credit impairment of financial assets may not be caused by separately identifiable events, but may be caused by the combined effect of multiple events.

(c) Determination of expected credit loss

The Company's assessment of the expected credit losses of financial instruments is based on single items and combinations. During the evaluation, the company will consider reasonable and reliable information about past events, current situation and future economic situation forecast.

The Company divides financial instruments into different combinations based on common credit risk characteristics. Common credit risk characteristics adopted by the Company include: financial instrument type, credit risk rating, aging combination, overdue aging combination, contract settlement cycle, debtor's industry, etc. To understand the individual evaluation criteria and combined credit risk characteristics of relevant financial instruments, please refer to the accounting policies of relevant financial instruments for details.

The Company adopts the following methods to determine the expected credit losses of relevant financial instruments:

① In terms of financial assets, credit loss is equivalent to the present value of the difference between the contract cash flow that the company shall receive and the expected cash flow.

② In terms of the financial guarantee contract, credit loss is equal to the expected amount of payment made by the Company to the holder of the contract for credit loss incurred, less the present value of the difference between the amount expected to be collected from the holder of the contract, the debtor or any other party.

③ If, on the balance sheet date, a financial asset has suffered credit impairment, but one does not purchase or originate a financial asset that has suffered credit impairment, the credit loss is equivalent to the difference between the book balance of the financial asset and the present value of the estimated future cash flow discounted at the original actual interest rate.

Factors reflected in the Company's method of predicting credit losses by quantitative finance tools include: unbiased probability weighted average amount determined by evaluating a series of possible results; time value of money; reasonable and reliable information about past events, current situation and future economic situation forecast that can be obtained on the balance sheet date without unnecessary extra costs or efforts.

(d) Write-off of financial assets

If the Company cannot reasonably expect the contract cash flow of the financial asset to be fully or partially recovered, the book balance of the financial asset will be written off directly. This write-off constitutes the derecognition of relevant financial assets.

7. Offset of financial assets and financial liabilities

In the balance sheet, financial assets and financial liabilities are shown separately without offsetting each other. However, if the following conditions are met at the same time, the net amount after offset will be listed in the balance sheet:

(a) The Company has the legal right, which is currently enforceable, to offset the confirmed amount;

(b) The Company plans to settle on a net basis, or realize the financial assets and settle the financial liabilities at the same time.

10.Hedge accounting

The Company categorizes the hedging instruments into fair value hedges, cash flow hedges and net investment hedges in a foreign operation, in accordance with hedging relationships.

(1)Under the current accounting standards for Business Enterprises:

1) The hedging instruments meeting the following conditions shall be treated by using the hedging accounting method

a) At the beginning of hedging, the company has formally designated the hedging relationship (i.e. the relationship between the hedging instrument and the hedged item), and has prepared formal written documents on the hedging relationship, risk management objectives and hedging strategy;

b) The hedging expectation is highly effective and in line with the risk management strategy initially determined by the company for the hedging relationship;

c) For the cash flow hedging of the expected transaction, the expected transaction is likely to occur, and the company must be faced with the risk of changes in cash flow that will ultimately affect the profit and loss;

d) The effectiveness of hedging can be measured reliably;

e) Continuously evaluate the effectiveness of the hedging and ensure that the hedging is highly effective in the accounting period in which the hedging relationship is designated.

When the hedging meets the following conditions at the same time, the company determines that the hedging is highly effective: (1) at the beginning of the hedging and in the subsequent periods, the hedging is expected to highly effectively offset the changes in fair value or cash flow caused by the hedged risk during the specified period of hedging; (2) the actual offset result of the hedging is within the range of 80% to 125%.

2) Accounting treatment of fair value hedging

a) Basic requirements

① If the hedging instrument is a derivative instrument, the gain or loss arising from the change of fair value shall be included in the current profit and loss; if the hedging instrument is a non-derivative instrument, the profit or loss caused by the change of book value due to the change of exchange rate shall be included in the current profit and loss.

②The profit or loss of the hedged item due to the hedged risk shall be included in the current profit and loss, and the book value of the hedged item shall be adjusted at the same time.

If the hedged item is an inventory which is subsequently measured according to the lower of the cost and net realizable value, the financial asset that is subsequently measured at the amortization cost, or the financial asset available for sale, shall also be treated in accordance with this provision.

b) Treatment of gains or losses of hedged items

①For fair value hedging of interest rate risk of a part of financial assets or financial liabilities portfolio, the company's gains or losses from hedged items can be handled according to the following methods:

- If the hedged item is an asset during the re pricing period, it shall be reflected as a separate item under the asset item in the balance sheet and written off when it is derecognized;

- If the hedged item is a liability during the re pricing period, it shall be reflected as a separate item under the liability item in the balance sheet and written off when it is derecognized.

② If the hedged item is a financial instrument measured at the amortised cost, the adjustment to the book value of the hedged item shall be amortised within the period from the adjustment date to the maturity date according to the effective interest rate recalculated on the adjustment date and included in the current profit and loss.

For the fair value hedging of interest rate risk portfolio, the relevant items separately listed in the balance sheet are also amortised during the period from the adjustment date to the end of the relevant re pricing period according to the effective interest rate recalculated on the adjustment date. If it is not feasible to use the effective interest rate method for amortization, the straight-line method can be used. The adjustment amount shall be amortised before the maturity date of the financial instrument; for the fair value hedging of interest rate risk portfolio, the amortization shall be completed before the end of the relevant repricing period.

③ If the hedged item is an unrecognized firm commitment, the accumulated amount of changes in fair value caused by the hedged risk shall be recognized as an asset or liability, and the relevant gains or losses shall be included in the current profits and losses.

④ In the fair value hedging of a firm commitment to purchase an asset or assume a liability, the accumulated amount of changes in fair value of the firm commitment due to the hedged risk (which has been recognized as an asset or liability) shall be adjusted to adjust the initial recognized amount of the asset or liability acquired from the performance of the firm commitment.

c) Conditions for termination of fair value hedge accounting

When the hedging meets one of the following conditions, the fair value hedging accounting shall be terminated:

① The hedging instrument has matured, sold, terminated, or exercised.

② When the hedging instrument is extended or replaced by another hedging instrument, if the extension or replacement is an integral part of the hedging strategy specified in the formal written documents of the company, it shall not be treated as expired or the contract terminated.

③ The hedging no longer meets the conditions for applying the hedging accounting method.

④ The company revoked the designation of hedging relationship.

3) Accounting for cash flow hedging

a) Basic requirements

① The profit or loss of the hedging instrument that belongs to effective hedging shall be directly recognized as the owner's equity and reflected in a separate item. The amount of the effective hedging part shall be determined according to the lower absolute amount of the following two items:

- The accumulated gain or loss of the hedging instrument since the beginning of hedging;

- The accumulated change in the present value of the expected future cash flow of the hedged item since the beginning of the hedging.

② The profit or loss of hedging instrument that belongs to invalid hedging (i.e. other gains or losses after deducting the direct recognition as owner's equity) shall be included in the current profit and loss.

③ In the formal written document of risk management strategy, if it is stated that a certain part of the profit or loss of the hedging instrument or the influence of the related cash flow will be excluded when evaluating the effectiveness of the hedging, the treatment of the excluded part of the profit or loss shall be subject to the accounting standards for Business Enterprises No. 22 - recognition and measurement of financial instruments.

b) Treatment of gains or losses of hedged items

① If the hedged item is an expected transaction and the expected transaction causes the company to recognize a financial asset or a financial liability subsequently, the relevant gains or losses originally directly recognized as the owner's equity shall be transferred out during the same period when the financial asset or financial liability affects the company's profit and loss and shall be included in the current profit and loss. However, if the company expects that all or part of the net loss originally recognized in the owner's equity cannot be made up in the future accounting period, the irreparable part will be transferred out and included in the current profit and loss.

② If the hedged item is an expected transaction and the expected transaction causes the company to recognize a non-financial asset or a non-financial liability, the relevant gains or losses originally recognized in the owner's equity shall be transferred out during the same period when the non-financial asset or non-financial liability affects the company's profit and loss, and shall be included in the current profit and loss. However, if the company expects that all or part of the net loss originally recognized in the owner's equity cannot be made up in the future accounting period, the irreparable part will be transferred out and included in the current profit and loss.

③ If it does not belong to the circumstances mentioned in 1) or 2) above, the profits or losses of hedging instruments originally directly included in the owner's equity shall be transferred out and included in the current profits and losses in the same period when the hedged expected transaction affects the profits and losses.

c) Conditions for termination of fair value hedge accounting

① When the hedging instrument has expired, is sold, the contract is terminated or has been exercised, the profits or losses of the hedging instrument directly included in the owner's equity during the effective period of the hedging shall not be transferred out until the expected transaction actually occurs.

② When the hedging no longer meets the conditions for applying the hedging accounting method stipulated in the hedging standards, the profits or losses of the hedging instrument directly included in the owner's equity during the effective period of the hedging shall not be transferred out, and shall be treated according to the relevant provisions until the expected transaction actually occurs.

③ When the expected transaction is not expected to occur, the profits or losses of the hedging instrument directly included in the owner's equity during the effective period of the hedging are transferred out and included in the current profit and loss.

④ When the company revokes the designation of the hedging relationship, the profits or losses of the hedging instrument directly included in the owner's equity during the effective period of the hedging shall not be transferred out until the expected transaction actually occurs or is not expected to occur. The actual occurrence of the expected transaction shall be dealt with according to the relevant provisions. If the expected transaction is not expected to happen, the gains or losses of the hedging instruments that were originally directly included in the owners' equity shall be transferred into the current profits and losses.

4) Hedges of a net investment in a foreign operation

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, shall be accounted for similarly to cash flow hedges:

① The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge shall be recognized in other comprehensive income.

The cumulative gain or loss on the hedging instrument relating to the effective portion of the hedge that has been accumulated in the foreign currency translation reserve shall be reclassified from equity to profit or loss as a reclassification adjustment on the disposal or partial disposal of the foreign operation; and

②The ineffective portion shall be recognized in profit or loss.

(2)Under the new accounting standards for Business Enterprises:

1) For hedging instruments satisfy all following conditions, hedge accounting is applied for accounting treatment:

①The hedging relationship is comprised of only qualifying hedging instruments and hedged items.

② Prior to hedging, the Company has formally designated the hedging instruments and the hedged items, and prepared the documentation regarding hedging relationships and risk management strategy and objectives for undertaking the hedging.

③The hedging relationship meets the hedge effectiveness requirements.

The hedging relationship that meets all the following conditions, are regarded in accordance with hedge effectiveness requirements.

1. There is an economic relationship between the hedged item and the hedging instrument, which makes the values of the hedging instruments and the hedged items generally move in the opposite direction because of the same hedged risk.

2. The effect of credit risk does not dominate the value changes that result from that economic relationship between the hedged item and the hedging instruments.

3. The hedge ratio of hedging relationship is the same as that resulting from the quantity of the hedged item that the Company hedges and the quantity of the hedging instrument that the Company uses to hedge that the quantity of hedged item. However, that designation shall not reflect an imbalance between the weightings of the hedged item and the hedging instrument that would create the hedge ineffectiveness that could result in an economic outcome that would be inconsistent with the purpose of hedge accounting.

2) Accounting treatment for fair value hedges

①Gains or losses arising from hedging instruments shall be included in current profits and losses. If the hedging instrument hedges the non tradable equity instrument investment (or its components) that is selected to be measured at fair value and its change is included in other comprehensive income, the gains or losses generated by the hedging instrument are included in other comprehensive income.

②Gains or losses of the hedged item arising from the hedged risk exposure are included in the current profit and loss, and the book value of the hedged item that is not measured at fair value is adjusted. If the hedged item is a financial asset (or its component) measured at fair value and its change is included in other comprehensive income, the profit or loss generated from the hedged risk exposure is included in the current profit and loss, and its book value has been measured at fair value without adjustment; the hedged item is measured at fair value and its change is included in other comprehensive income for the company. For the non-tradable equity instrument investment (or its components) of income, the gains or losses arising from the hedged risk exposure are included in other comprehensive income, and its book value has been measured at fair value without adjustment.

If the hedged item is an unrecognized firm commitment (or its component), the accumulated change in fair value caused by the hedged risk after the designation of the hedging relationship shall be recognized as an asset or liability, and the relevant gains or losses shall be included in the profits and losses of each relevant period. When the assets are determined or commitments are made, the initial recognised amount of the asset or liability is adjusted to include the fair value cumulative change of the recognized hedged item.

③If the hedged item is a financial instrument (or its component) measured at amortized cost, the adjustment of book value of the hedged item shall be amortized according to the actual interest rate recalculated on the amortization date and included in the current profit and loss. The amortization can start from the adjustment date, but not later than the time point when the hedging gains and losses are adjusted for the termination of the hedged item. If the hedged item is a financial asset (or its component) measured at fair value and its change is included in other comprehensive income, the accumulated recognized hedging gains or losses shall be amortized in the same way and included in the current profit and loss, but the book value of the financial asset (or its component) shall not be adjusted.

3) Accounting for cash flow hedges

① The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge shall be recognized in other comprehensive income:

(i) the cumulative gain or loss on the hedging instrument from inception of the hedge; and

(ii) the present value of the cumulative change in the hedged expected future cash flows of the hedged item from inception of the hedge. The amount of the cash flow hedge reserve recognized in the other comprehensive income during each accounting period is the change in the cash flow hedge reserve for the accounting period.

② Any remaining gain or loss on the hedging instrument (or any gain or loss required to balance the change in the cash flow hedge reserve calculated) is hedge ineffectiveness that shall be recognized in profit or loss.

③The amount that has been accumulated in the cash flow hedge reserve shall be accounted for as follows:

a) If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or a hedged forecast transaction for a non-financial asset or a non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the Company shall remove that amount from the cash flow hedge reserve and include it directly in the initial cost or other carrying amount of the asset or the liability.

b) For cash flow hedges other than those covered by a), that amount shall be reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss.

c) However, if that amount is a loss and the Company expects that all or a portion of that loss will not be recovered in one or more future periods, it shall immediately reclassify the amount that is not expected to be recovered into profit or loss as a reclassification adjustment.

4) Hedges of a net investment in a foreign operation

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, shall be accounted for similarly to cash flow hedges:

① The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge shall be recognized in other comprehensive income.

The cumulative gain or loss on the hedging instrument relating to the effective portion of the hedge that has been accumulated in the foreign currency translation reserve shall be reclassified from equity to profit or loss as a reclassification adjustment on the disposal or partial disposal of the foreign operation; and

②The ineffective portion shall be recognized in profit or loss.

5) Termination of hedge accounting

In case of any of the following circumstances, the application of hedge accounting shall be terminated:

①the hedging relationship no longer meets the risk management objective on the basis of which it qualified for hedge accounting;

②the hedging instrument or instruments have been expired, sold or terminated or executed;

③there is no longer an economic relationship between the hedged item and the hedging instrument or the effect of credit risk starts to dominate the value changes that result from that economic relationship.

④The hedging relationship does not satisfy other conditions of undertaking hedge accounting. If rebalancing of the hedging relationship applies, the Company shall consider the rebalancing the hedging relationship first and subsequently assess whether the hedging relationship satisfies the conditions of undertaking hedge accounting.

On rebalancing of the hedging relationship, the hedge ratio might be adjusted in such a way that some of the volume of the hedged item is no longer part of the hedging relationship; hence, hedge accounting is terminated only for the volume of the hedged item that is no longer part of the hedging relationship.

6) Option to designate a credit exposure as measured at fair value

When the credit risk exposure of a financial instrument (or its components) is managed by using a credit derivative instrument measured at fair value through current profit and loss, the financial instrument (or its components) can be at the time of initial recognition, subsequent measurement or unconfirmed, it shall be designated as a financial instrument measured at fair value with its changes included in the current profit and loss, and written records shall be made at the same time, but the following conditions shall be met simultaneously:

① the name of the credit exposure (for example, the borrower, or the holder of a loan commitment) matches the reference entity of the credit derivative (‘name matching’); and

② the seniority of the financial instrument matches that of the instruments that can be delivered in accordance with the credit derivative.

11.Accounts receivable

（1）Under the current accounting standards for Business Enterprises:

a)Accounts Receivable with Significant Single Amount and Having Bad Debt Reserve Withdrawn Independently:

Judgment basis or amount standard of significant single amount: 10 million yuan

Method for withdrawal of bad debt reserve with significant single amount and withdrawn independently: The impairment test shall be carried out separately, and the provision for bad debts shall be withdrawn according to the difference between the present value of estimated future cash flow and its book value, and shall be included in the current profit and loss. Accounts receivable that have not been impaired through separate test shall be classified into corresponding portfolios for provision for bad debts.

b)Accounts Receivable with Bad Debt Reserve Withdrawn as per the Portfolios Classified Based on Credit Risk Characteristics:

①Basis for determining portfolio:

The accounts receivable with significant single amount not impairing as proved in single test, will, together with the accounts receivable with insignificant single amount, be divided into many portfolios according to similar credit risk characteristics. Then according to certain proportion of the balance on the date of balance sheet of the portfolios of these accounts receivable, the Company will calculate and determine impairment loss and withdraw bad debt reserve.

Portfolio name	Method for withdrawal of bad debt reserve	Basis for determining portfolio
Related parties' portfolio	No provision for bad debts	Related party customers without insolvent and serious

		losses
No risk portfolio	No provision for bad debts	According to the nature of business, no credit risk is identified. It mainly includes receivables from government departments, employees' reserve fund and deposit.
Account aging portfolio	Account aging analysis method	Including accounts receivable other than those mentioned above, the company makes the best estimate according to the historical experience and the proportion of accounts receivable, and classifying credit risk portfolios according to the age of accounts receivable.

②Based on the portfolio of credit risk characteristics, the withdrawal method is determined as follows:

Account aging analysis method:

Aging	Withdrawing proportion of accounts receivable (%)	Withdrawing proportion of other receivables (%)
Within 1 year	0	0
1-2 years	5	5
2-3 years	5	5
3-4 years	20	20
4-5 years	20	20
Over 5 years	100	100

Other analysis metheod:

Portfolio name	Method
Related parties' portfolio	No provision for bad debts
No risk portfolio	No provision for bad debts

c)Accounts Receivable with Insignificant Single Amount but Having Bad Debt Reserve Withdrawn Separately:

Reasons for independent withdrawal of bad debt reserve: There is objective evidence that the company will not be able to recover the amount according to the original terms of accounts receivable.

Method for withdrawal of bad debt reserve: The provision shall be made according to the difference between the present value of the expected future cash flow of the receivables and its book value.

（2）Under the new accounting standards for Business Enterprises:

a)Notes receivable

For the determination method and accounting treatment method of the company's expected credit loss of notes receivable, please refer to note IV / 9. f. Impairment of financial instruments.

When there is no sufficient evidence to evaluate the expected credit loss at the level of single instrument at reasonable cost, the company refers to the historical credit loss experience, combines the current situation and the judgment of future economic situation, and divides the notes receivable into several combinations according to the credit risk characteristics, and calculates the expected credit loss on the basis of the combination.

b)Accounts receivable

For the determination method and accounting treatment method of the company's expected credit loss of accounts receivable, please refer to note IV / 9. f. Impairment of financial instruments.

When there is no sufficient evidence to evaluate the expected credit loss at a reasonable cost at the level of single instrument, the company refers to the historical credit loss experience, combines the current situation and the judgment of future economic situation, divides the accounts receivable into several combinations according to the credit risk characteristics, and calculates the expected credit loss on the basis of the combination. The basis for determining the combination is as follows:

Portfolio name	Basis for determining portfolio	Method for withdrawal of bad debt reserve
Combination of related parties within the scope of consolidation	According to the nature of the business, unless there is objective evidence indicating the occurrence of bad debt loss, bad debt provision will not be withdrawn. The combination accounting content includes: merging the transactions of related parties, etc.	No risk portfolio
Account aging portfolio	Credit risk portfolio classification is based on the aging of accounts receivable.	Based on the age table and the expected credit loss rate comparison table for the coming year or the whole period.

c)Receivables financing

For the determination method and accounting treatment method of the expected credit loss of receivables financing of the company, please refer to note IV / 9. f. Impairment of financial instruments.

d)Other receivables

For the determination method and accounting treatment method of the company's expected credit loss of other receivables, please refer to note IV / 9. f. Impairment of financial instruments.

When there is no sufficient evidence to evaluate the expected credit loss at a reasonable cost at the level of single instrument, the company refers to the historical credit loss experience, combines the current situation and the judgment of future economic situation, and divides other receivables into several combinations according to the credit risk characteristics, and calculates the expected credit loss on the basis of combination. The basis for determining the combination is as follows:

Portfolio name	Method for withdrawal of bad debt reserve	Basis for determining portfolio
No risk portfolio	Portfolio name	According to the nature of business, no credit risk is identified. It mainly includes receivables from government departments, employees' reserve fund, guanrant and deposit.
Related parties’ portfolio	Portfolio name	Related parties within the scope of company consolidation

Account aging portfolio	Credit risk portfolio classification is based on the aging of accounts receivable	Based on the age table and the expected credit loss rate comparison table for the coming year or the whole period.

e)Long-term receivables

For the determination method and accounting treatment method of the company's expected credit loss of long-term receivables, please refer to note IV / 9. f. Impairment of financial instruments.

When there is no sufficient evidence to evaluate the expected credit loss at a reasonable cost at the level of single instrument, the company refers to the historical credit loss experience, combines the current situation and the judgment of future economic situation, and divides the long-term receivables into several combinations according to the credit risk characteristics, and calculates the expected credit loss on the basis of the combination.

12.Inventories

（1）Classification of inventories

Inventory refers to the finished products or commodities held by the company for sale in daily activities, products in process of production, and materials and materials consumed in the process of production or providing labor services. It mainly includes raw materials, turnover materials, commissioned processing materials, products in process, self-made semi-finished products, finished products (inventory goods), issued goods, contract performance costs, etc.

If the subsidiary is a real estate company, the inventory refers to the finished products or commodities held for sale by the company in daily activities, the products in process of production, and the materials and materials consumed in the process of production or the provision of labor services. It mainly includes: development cost, land to be developed, development products, rental development products, revolving houses, goods in stock, revolving materials, and others.

Development cost refers to the property which has not been completed and is for sale; the land to be developed refers to the land purchased and decided to develop into the completed development products; the development product refers to the property that has been completed and is to be sold. During the overall development of the project, all the land to be developed will be transferred to the development cost; when the project is developed by stages, the part of the land to be developed will be transferred to the development cost, and the undeveloped land will be retained in the land to be developed.

（2）Valuation method of inventory

When the inventory is acquired, it is initially measured at cost, including purchase cost, processing cost and other costs. When the inventory is delivered, it shall be valued by the weighted average method at the end of the month.

For the specific valuation method of Productive biological assets, please refer to note IV 18. Biological assets.

（3）Inventory system

Perpetual inventory method is adopted.

（4）Amortization method of low-value consumables and packages

(a) Low value consumables are amortized by one-off write off method;

(b) The package is amortized by one-off sales method;

(c) Other turnover materials are amortized by one-off write off method.

（5）Basis for determining the net realizable value of inventories and accrual method for inventory valuation allowance

Ending inventories are measured at cost or net realizable value, whichever is lower. In cases that difference exists due to the net realizable value is less than the cost of inventories, inventory valuation allowance is made based on individual inventory item or inventory category, and the difference is recognized in the current profit and loss. For inventories of goods directly used for sale, such as finished goods, merchandise inventories and materials for sale, in the normal production and operation process, the net realizable value is determined by the amount of the estimated selling price of the inventory less the estimated sales cost and relevant taxes and fees; for material inventories that need to be processed, in the normal production and operation process, the net realizable value is determined by the amount of the estimated selling price of finished products produced less the estimated cost to be occurred at the time of completion, the estimated selling expenses and related taxes; for inventories held for the execution of sales contracts or labor contracts, the net realizable value is calculated on the basis of the contract price, and if the quantity of inventories held is more than the quantity specified in sales contracts, the net realizable value of excess inventories is calculated based on the general sales price.

At the end of the period, inventory valuation allowance is accrued according to individual inventory items; but for a large number of inventories with lower unit prices, inventory valuation allowance is accrued according to inventory category; for inventories related to the product series produced and sold in the same region with the same or similar end use or purpose, and that is difficult to be measured separately from other items, inventory valuation allowance is accrued combined with other items.

If the influencing factors of the write-down of inventory value have disappeared, the amount written-down is recovered and reversed to the amount of inventory valuation allowance already accrued, and the amount reversed is included in the current profit and loss.

（6）Accounting method of development land

For pure land development project, its cost constitutes the land development cost separately;

In addition to the project of overall development of real estate, if the expenses can be clearly divided into the bearing objects, they are generally allocated according to the actual area and included in the cost of commercial housing.

（7）Accounting method of public supporting facilities expenses

Public supporting facilities that can not be transferred with compensation: according to the benefit proportion, the allocation standard is included in the cost of commercial housing;

Public supporting facilities that can be transferred with compensation: take each supporting facilities project as the cost accounting object, and collect the costs incurred.

（8）Accounting method of maintenance fund

According to the relevant regulations of the place where the development project is located, the maintenance fund shall be collected from the buyer or withdrawn by the company as the development cost of the development product when the product is sold (pre-sale), and shall be turned over to the management department of the maintenance fund.

（9）Accounting method of quality deposit

The quality security deposit shall be reserved from the project funds of the construction unit according to the provisions of the construction contract. The maintenance fee incurred during the warranty period of the development product shall be offset against the quality deposit; the balance of the quality deposit shall be returned to the construction unit at the expiration of the warranty period agreed upon by the development product.

13.Long-term equity investments

(1)Recognition of initial investment cost

a) Long term equity investments formed by business combination. See 4. Accounting treatments for business combinations involving enterprises under and not under common control for specific accounting policies.

b) Long-term equity investment acquired by other means

For long-term equity investment acquired by cash payment, the actual acquisition price is recognized as initial investment cost. The initial investment cost includes expenses, taxes and other necessary expenses directly related to the acquisition of the long-term equity investment; the transaction costs incurred when issuing or acquiring the own equity instruments of acquirer attributed directly to equity transactions can be deducted from the equity.

For long-term equity investment acquired by issuing equity securities, the fair value of equity securities issued is recognized as initial investment cost.

Provided that the non-monetary asset exchange contains commercial substance and the fair value of the assets received or assets surrendered can be reliably measured, the initial investment cost of the long-term equity investment received with non-monetary assets is determined based on the fair value of the assets surrendered, except that there is conclusive evidence indicates that the fair value of assets received is more reliable. For non-monetary assets that do not satisfy the above condition, the book value of assets surrendered and related taxes and fees payable are recognized as the initial investment cost of the long-term equity investment.

The initial investment cost of a long-term equity investment acquired by debt restructuring is determined based on fair value.

(2)Subsequent measurement and recognition of related profit and loss

a) Long-term Equity Investments Subject to Accounting with Cost Method

The Company adopts cost method for accounting of long-term equity investments in subsidiaries. Except for the cash dividends or profits included in the price or consideration actually paid when investments are obtained, and already announced but not paid, the Company confirms the investment yield of the very period according to the cash dividends or profits enjoyed by the Company and declared to grant by invested units.

b) Long-term Equity Investments Subject to Accounting with Equity Method

The Company adopts equity method for accounting of long-term equity investments in associates and joint ventures. For the balance that the initial investment cost is bigger than the fair value shares of invested units' distinguished net assets which shall be enjoyed by the Company, the Company will not adjust the initial investment cost of long-term equity investments; for the balance that the initial investment cost is smaller than the fair value shares of invested units' distinguished net assets which shall be enjoyed by the Company, the Company will adjust the book value of long-term equity investments and record it in owner's equity.

When confirming the shares of invested units' net gain or loss to be enjoyed, the Company will adjust and confirm the invested units' net profit based on the fair value of the invested units' distinguishable net assets when investments are obtained, and according to the Company's accountingpolicies and fiscal period. If the invested units prepare consolidated financial statements during the holding of investments, the accounting will be conducted based on the amount attributing to the invested units in the net profit in the consolidated financial statements, other composite benefits, and changes of other owner's equity.

For the gain or loss on the non-realized internal transactions between the Company and associate's enterprises/ joint ventures, the part attributing to the Company will be calculated as per the proportion to be enjoyed, will be written down, and on this basis, the investment yield will be confirmed. The gain or loss on non-realized internal transactions done with invested units will be fully confirmed if belonging to asset impairment loss. During the period of holding investment, as for the invested entity preparing consolidated financial statements, carry out accounting based on the invested entity's attributable amount of the net profit, other comprehensive income, and other changes in equity in the consolidated financial statements.

The company recognizes that the loss suffered by the invested unit should be dealt with in the following order: first, reduce the Book value of Long-term equity investments. Secondly, if the book value of long-term equity investments is not sufficient to offset, the book value of other long-term equity books that substantially constitute the net investment in the invested entity shall be used to continue to recognize the investment loss and offset the book value of long-term receivables. Finally, after the above treatment, according to the investment contract or agreement, the company still assumes the additional obligations, and it will confirm the Provisions according to the expected obligations and shall be included in the current investment losses.

If the investee makes profits in the future, the company shall, after deducting the unrecognized loss share, deal with it in the reverse order, write down the book balance of the confirmed provisions, recover other long-term interests that substantially constitute the net investment to the investee and the book value of long-term equity investments, and resume the recognition of investment income.

(3)Judgment criteria for determining the control, joint control and significant impact

If the company has the power over the investee, enjoys variable returns by participating in the relevant activities of the investee, and could use the power to affect the amount of return, it is deemed that the company controls the investee.

If the company controls an arrangement collectively with other participants in accordance with relevant agreements, and the activity decision-making that has a significant impact on the return of the arrangement needs to exist after the consensus of the participants sharing the control right, it is deemed that the company and other participants jointly control an arrangement, which is a joint venture arrangement.

When the joint venture arrangement is reached by a single body, the individual entity shall be judged as a joint venture and the equity method shall be used for accounting when the company has the right to enjoy the net assets of the individual entity according to the relevant agreement. If it is judged that the company does not have the right to the net assets of the individual subject according to the relevant agreement, the individual subject shall be regarded as the joint operation, the company shall recognize the items related to the share of interests of the joint operation, and carry out accounting treatment in accordance with the provisions of the relevant accounting standards for Business Enterprises.

Significant influence means that the investor has the right to participate in the decision-making of the financial and operational policies of the investee, but cannot control or jointly control the formulation of these policies with other parties. The company judges to have a significant impact on the investee through one or more of the following circumstances and comprehensive consideration of all facts and circumstances: ① having a representative on the board of directors or similar authority of the investee; ② participate in the financial and operational policy-making process of the investee; ③ significant transactions with the investee; ④ dispatch management personnel to the invested entity; ⑤ provide key technical data to the investee.

(4)Transformation of accounting method of long term equity investments

a) Transfer of fair value measurement to equity method

The equity investment originally held by the company that does not have control, joint control or significant influence on the investee and is subject to accounting treatment according to the recognition and measurement standards of financial instruments can exert significant influence on the investee or implement joint control but does not constitute control due to additional investment and other reasons, the sum of the fair value of the originally held equity investment plus the newly increased investment cost determined in accordance with the accounting standards for Business Enterprises No. 22 - recognition and measurement of financial instruments shall be regarded as the initial investment cost calculated according to the equity method.

If the originally held equity investment is classified as Available-for-sale financial assets, the difference between its fair value and book value, as well as the accumulated changes in fair value originally included in other comprehensive income, are transferred to the current profit and loss accounted by equity method.

The initial investment cost calculated by the equity method is less than the difference between the fair value of the identifiable net assets of the investee calculated and determined according to the new shareholding ratio after the additional investment, the book value of long term equity investments is adjusted and included in the non-operating income of the current period.

b) Transfer of fair value measurement or equity method to cost method

The equity investment originally held by the company that does not have control, joint control or significant impact on the investee and is subject to accounting treatment in accordance with the recognition and measurement standards of financial instruments, or the long term equity originally held by the company for joint ventures and joint ventures: If the investee under different control can be controlled due to additional investment and other reasons, when preparing individual financial statements, the sum of book value of equity investment originally held plus new investment cost shall be taken as the initial investment cost calculated by cost method instead.

The other comprehensive income, which is recognized as equity investment held before the purchase date, is accounted for by the equity method. When disposing the investment, it adopts the same basis as the direct assets or liabilities directly disposed of by the invested entity for accounting treatment.

If the equity investment held before the acquisition date is accounted for in accordance with the relevant provisions of the accounting standards for Business Enterprises No. 22 - recognition and measurement of financial instruments, the changes in the accumulated fair value originally included in other comprehensive income are transferred to the current profit and loss when the cost method is used for accounting.

c) Transfer of equity method accounting to fair value measurement

If the company loses joint control or significant impact on the invested entity due to disposal of part of equity investment, the remaining equity after disposal shall be accounted according to accounting standards for Business Enterprises No. 22 - recognition and measurement of financial instruments, and the difference between the fair value and book value on the date of loss of joint control or significant impact shall be included in the current profit and loss.

The other comprehensive income of the original equity investment recognized due to the use of equity method shall be accounted on the same basis as the invested unit's direct disposal of relevant assets or liabilities when the equity method is terminated.

d) Transfer of cost method to equity method

If the company loses the control over the investee due to the disposal of part of the equity investment and other reasons, when preparing individual financial statements, if the residual equity after disposal can exercise joint control or exert significant influence on the investee, the equity method shall be used for accounting instead, and the residual equity shall be deemed to be adjusted by the equity method when it is obtained.

e) Transfer of cost method to fair value measurement

If the company loses control over the investee due to the disposal of part of equity investment and other reasons, when preparing individual financial statements, if the residual equity after disposal cannot exercise joint control or exert significant influence on the investee, the accounting treatment shall be carried out in accordance with the relevant provisions of the accounting standards for Business Enterprises No. 22 - recognition and measurement of financial instruments, and the accounting treatment shall be carried out on the date of loss of control. The difference between the fair value and the book value is included in the current profit and loss.

(5)Disposal of Long-Term Equity Investments

For the disposal of long-term equity investments, the difference between the book value and the obtained price shall be included in the current profit and loss. Long term equity investments accounted by the equity method shall be disposed on the same basis as the investee's direct disposal of relevant assets or liabilities, and the part originally included in other comprehensive income shall be accounted according to the corresponding proportion.

If the terms, conditions, and economic impact of the disposal of various transactions of equity investment in subsidiaries meet one or more of the following conditions, multiple transactions shall be accounted as a package deal:

a) These transactions are concluded at the same time or in consideration of each other's influence;

b) These transactions can achieve a complete business result as a whole;

c) The occurrence of a transaction depends on the occurrence of at least one other transaction;

d) It is uneconomic to look at a transaction alone, but it is economic when considered together with other transactions.

If the control over the original subsidiary company is lost due to the disposal of part of equity investment or other reasons, and it does not belong to a package deal, the relevant accounting treatment shall be made by distinguishing individual financial statements and consolidated financial statements:

a) In individual financial statements, for the equity disposed, the difference between the book value and the obtained price is included in the current profit and loss. If the residual equity after disposal can exercise joint control or exert significant influence on the investee, it shall be accounted by equity method, and the residual equity shall be deemed as adjusted by equity method when it is acquired; If the residual equity after disposal cannot exercise joint control or exert significant influence on the investee, it shall be accounted in accordance with the relevant provisions of the accounting standards for Business Enterprises No. 22 - recognition and measurement of financial instruments, and the difference between the fair value and book value on the date of loss of control shall be included in the current profit and loss.

b) In the consolidated financial statements, for the difference between the disposal price and the corresponding share of net assets of the subsidiary calculated continuously from the purchase date or the merger date for each transaction before the loss of control over the subsidiary, adjust the capital reserve (share capital premium) If the capital reserve is insufficient to offset, the retained earnings shall be adjusted; if the control right over the subsidiary is lost, the remaining equity shall be remeasured according to its fair value on the date of losing the control right. The difference between the sum of the consideration obtained from the disposal of equity and the fair value of the remaining equity minus the share of the net assets of the original subsidiary calculated continuously from the purchase date calculated according to the original shareholding ratio shall be included in the investment income of the current period when the control right is lost, and goodwill shall be offset at the same time. Other comprehensive income related to the equity investment of the original subsidiary will be converted into the current investment income when the control right is lost.

If all transactions from disposal of equity investment in subsidiaries to loss of control belong to a package deal, each transaction shall be treated as a transaction for disposal of equity investment in subsidiaries and loss of control, and relevant accounting treatment shall be conducted according to individual financial statements and consolidated financial statements:

a) In individual financial statements, the difference between each disposal price and the long-term equity investment book value corresponding to the disposed equity before the loss of control right is recognized as other comprehensive income, which is transferred to the loss and profit of the current period when the control right is lost.

b) In the consolidated financial statements, the difference between each disposal price and the share of the subsidiary's net assets corresponding to the disposal investment before the loss of the control right is recognized as other comprehensive income, which is transferred into the current profit and loss when the control right is lost.

14.Investment properties

The Company's investment property means the property held for the purpose of earning rent or capital appreciation, or both, including the land use rights that have been leased, the land use rights that are held for transfer upon appreciation, and the leased buildings. In addition, for the vacant buildings held by the Company for the purpose of leases, if the Board of Directors makes a written resolution that expressly indicates that the buildings will be used for leases and the intention of holding will not change in a short-term, the building will also be reported as investment property.

The company's investment properties are recorded at their cost. The cost of outsourcing investment properties includes the purchase price, relevant taxes and other expenses that can be directly attributable to the asset. The cost of self-construction investment properties is composed of the necessary expenses incurred before the construction of the asset reaches the expected usable state.

The company adopts the fair value model to carry out subsequent measurement on the investment properties, does not accrue depreciation or amortization for the investment properties, adjusts its book value based on the fair value of the investment properties on the balance sheet date, and the difference between the fair value and the original book value is included in the current profit and loss.

The basis for subsequent measurement of investment properties by fair value model is: ① there is an active real estate trading market in the location of investment properties. ② the company can obtain similar or similar real estate market prices and other related information from the real estate transaction market, so as to make a reasonable estimation of the fair value of the investment properties.

When determining the fair value of the investment properties, the company shall refer to the current market price of the same or similar real estate in the active market; if the current market price of the same or similar real estate cannot be obtained, the fair value of the same or similar real estate shall be reasonably estimated by referring to the latest transaction price of the same or similar real estate in the active market and taking into account the asset status, location, transaction situation, transaction date and other factors, or determine its fair value based on the present value of the expected future rental income and relevant cash flow.

The company has conclusive evidence that the purpose of the real estate has changed. When the investment properties is converted into the self use real estate, the fair value on the date of conversion shall be taken as the book value of the self use real estate, and the difference between the fair value and the original book value shall be included in the current profit and loss. When the self use real estate or inventory is converted to the investment properties measured by the fair value mode, the investment properties shall be valued according to the fair value on the date of conversion. If the fair value on the date of conversion is less than the original book value, the difference shall be included in the current profit and loss; if the fair value on the date of conversion is greater than the original book value, the difference shall be included in other comprehensive income.

When the investment properties are disposed, or it is permanently withdrawn from use and it is estimated that it cannot obtain economic benefits from its disposal, the recognition of the investment properties shall be terminated. The amount of the disposal income from the sale, transfer, scrap, or damage of the investment properties after deducting its book value and relevant taxes shall be included in the current profit and loss.

15.Fixed assets

（1）Recognition criteria for fixed assets

Fixed assets mean tangible assets held for the purpose of producing goods, rendering of services, leases or operation management, whose service life is more than one fiscal year. Fixed assets satisfying the following conditions are recognized:

a) The economic benefits associated with the fixed assets are likely to flow into the company;

b) The cost of the fixed asset can be measured in a reliable way.

（2）Initial measurement of fixed assets

The company's fixed assets are initially measured at cost.

a)The cost of the purchased fixed assets includes the purchase price, import duties and other relevant taxes, as well as other expenditures that can be directly attributable to the fixed assets before, they reach the expected serviceable condition.

b)The cost of self-construction fixed assets consists of the necessary expenses incurred before the construction of the assets reaches the expected serviceable condition.

c)Fixed assets invested by investors shall be recorded at the value agreed in the investment contract or agreement, but those with unfair value agreed in the contract or agreement shall be recorded at the fair value.

d)If the purchase price of a fixed asset is delayed beyond the normal credit conditions and has the nature of financing, the cost of the fixed asset shall be determined based on the present value of the purchase price. The difference between the actually paid price and the present value of the purchase price shall be included in the current profit and loss in the credit period, except for those that shall be capitalized.

（3）Subsequent measurement and disposal of fixed assets

a) Depreciation of fixed assets

Depreciation of fixed assets shall be accrued within the expected service life after deducting the expected net residual value from its entry value. For the fixed assets with provision for impairment, the amount of depreciation shall be determined according to the book value after deducting the provision for impairment and the remaining useful life in the future period; the fixed assets with enough depreciation but still in use shall not be depreciated.

For the fixed assets formed by using the expenditure of special reserves, the special reserves shall be offset according to the cost of forming fixed assets, and the accumulated depreciation of the same amount shall be recognized. The depreciation of the fixed assets will not be accrued in the future.

According to the nature and use of fixed assets, the company determines the service life and estimated net residual value of fixed assets. At the end of the year, the service life, estimated net residual value and depreciation method of the fixed assets shall be reviewed. If there is any difference from the original estimate, the corresponding adjustment shall be made.

The depreciation method, depreciation life and annual depreciation rate of fixed assets are as follows:

Type	Depreciation life (Year)	Residual value (%)	Annual depreciation rate (%)
Property and plant	10-25	3	9.70-3.88
Machinery equipment	3	3	19.40-9.70
Transportation equipment	5	3	19.40
Office equipment	5-8	3	19.40-12.13
Electronic equipment	5-8	3	19.40-12.13
Reservoir and pipeline equipment	45	3	2.16

b) Subsequent expenditure of fixed assets

Subsequent expenditures related to fixed assets, if they meet the conditions for recognition of fixed assets, shall be included in the cost of fixed assets; if they do not meet the conditions for recognition of fixed assets, they shall be included in the current profit and loss when they occur.

c) Disposal of fixed assets

When the fixed assets are disposed, or it is expected that no economic benefits can be generated through use or disposal, the recognition of the fixed assets shall be terminated. The amount of the disposal income from the sale, transfer, scrap, or damage of fixed assets after deducting the book value and relevant taxes shall be included in the current profit and loss.

（4）Impairment test method and provision method for impairment of fixed assets

At the end of each period, the company judges whether there is any sign of possible impairment of fixed assets.

If there is any sign of impairment of fixed assets, the recoverable amount shall be estimated. The recoverable amount is determined according to the higher one between the net amount of the fair value of the fixed assets minus the disposal expenses and the present value of the expected future cash flow of the fixed assets.

When the recoverable amount of a fixed asset is lower than its book value, the book value of the fixed asset is written down to the recoverable amount. The amount of the write down is recognized as the impairment loss of the fixed asset and included in the current profit and loss. At the same time, the corresponding provision for impairment of fixed assets is made.

After the impairment loss of fixed assets is recognized, the depreciation of the impaired fixed assets shall be adjusted accordingly in the future, so that the book value of the fixed assets after adjustment (deducting the estimated net residual value) is systematically apportioned within the remaining service life of the fixed assets.

Once the impairment loss of fixed assets is recognized, it will not be reversed in future accounting periods.

If there is any indication that a fixed asset may be impaired, the company shall estimate its recoverable amount based on a single fixed asset. If it is difficult for an enterprise to estimate the recoverable amount of a single fixed asset, the recoverable amount of the asset group shall be determined based on the asset group to which the fixed asset belongs.

（5）Recognition basis and valuation method for fixed assets under financing lease

Where the leasing agreement signed between company and the lessor specifies either of the conditions as follows, the lease will be recognized as a finance lease:

a) The ownership of the leasing asset belongs to this company at the expiration of the lease;

b) Company has the option to buy the asset at a price to be far lower than the fair value of the asset at the date when the option becomes exercisable;

c) The lease term covers the major part of the use life of the leased asset;

d) The present value of the minimum lease payments on the lease beginning date does not have too large differences with the fair value of the asset.

e) The nature of the leased assets is special. Only the company can use the leased assets without major transformation.

On the date of the lease starts, the Company recognizes the fair value of the leased asset or the present value of the minimum lease payment as the book value of the leased asset, whichever is lower, and recognizes the minimum lease payment amount as the book value of the long-term payable, the difference is recognized as unconfirmed financing costs. Unrecognized financing expenses are apportioned over the lease term by the effective interest method.

The company adopts the depreciation policy consistent with its own fixed assets to accrue the depreciation of fixed assets under financing lease. If the ownership of the leased asset can be reasonably determined at the end of the lease term, depreciation shall be accrued within the service life of the leased asset. If the ownership of the leased asset can not be reasonably determined at the end of the lease term, depreciation shall be accrued within the shorter of the lease term and the service life of the leased asset.

16.Construction in progress

(1)Initial measurement of construction in progress

Construction in progress refers to the necessary expenses incurred by the Company for the purchase and construction of fixed assets or investment property before being ready for the expected usable status, including engineering materials costs, labor costs, related taxes and fees, borrowing costs that should be capitalized and indirect costs that should be apportioned.

(2)Standards and time points for carrying forward construction in progress to fixed assets

For the construction in progress project, all expenses incurred before the construction of the asset reaches the expected serviceable state shall be taken as the entry value of fixed assets. If the construction in progress has reached the expected serviceable condition, but the final accounts of completion have not yet been handled, from the date of reaching the expected serviceable condition, it shall be transferred to fixed assets according to the estimated value according to the project budget, cost or actual cost of the project, and fixed assets shall be accrued according to the company's fixed assets depreciation policy For the depreciation of assets, the original estimated value shall be adjusted according to the actual cost after the completion of final accounts, but the amount of depreciation that has been accrued shall not be adjusted.

(3)Impairment test method and provision method for impairment of construction in progress

At the end of each period, the company judges whether there is any sign of possible impairment of construction in progress.

If there is any indication that a project under construction may be impaired, the company shall estimate its recoverable amount based on single construction in progress. If it is difficult for an enterprise to estimate the recoverable amount of a single construction in progress, the recoverable amount of the asset group shall be determined based on the asset group to which the project under construction belongs. The recoverable amount is determined according to the higher one between the net amount of the fair value of the construction in progress minus the disposal expenses and the present value of the expected future cash flow of the construction in progress.

When the recoverable amount of the construction in progress is lower than its book value, the book value of the construction in progress is written down to the recoverable amount, and the reduced amount is recognized as the impairment loss of the construction in progress, which is included in the current profit and loss, and the corresponding provision for impairment of the construction in progress is made. Once the impairment loss of construction in progress is recognized, it will not be reversed in the future accounting periods.

17.Borrowing costs

(1)Recognition principles of capitalization of borrowing costs

The borrowing costs include the interest on borrowings, amortization of depreciation or premium, auxiliary expenses, currency translation differences occurred due to foreign currency loans, etc.

Borrowing costs, that are directly attributable to the acquisition, construction, or production of qualifying assets from part of the costs of those assets, shall be capitalized. Other borrowing costs are recognized as expenses are charged to profits or losses in the current period.

Capitalization shall commence when:

a) 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;

b) Borrowing costs are being incurred, and;

c) Purchase, construction, or manufacturing activities that are necessary to prepare the assets for their intended use or sale are in progress.

(2)Capitalization period for borrowing costs

Capitalization period refers to the period from commencement of capitalization of borrowing costs to its cessation; period of suspension for capitalization is excluded.

Capitalization shall cease when substantially all the purchase, construction, or manufacturing activities necessary to prepare the assets for their intended use or sale are complete.

Where construction for assets purchased, constructed or manufactured eligible for capitalization is completed in stages, which can be used while construction of the other parts continues, capitalization of borrowing costs for assets shall cease when substantially all of the activities necessary to prepare that part for its intended use or sale are complete.

Where construction for each part of assets purchased, constructed, or manufactured has been completed separately but can be used or sold only after the entire assets have been completed, capitalization of borrowing costs for assets shall cease at the completion of the entire assets.

(3)Period of suspension for capitalization

Capitalization shall be suspended during periods in which purchase, construction or manufacturing of assets eligible for capitalization is interrupted abnormally; if the interruption is the necessary procedure to prepare the assets purchased, constructed or manufactured eligible for capitalization for their intended use or sale, the borrowing costs shall continue to be capitalized. Borrowing costs incurred during the interruption shall be charged to current profits or losses, and shall continue to be capitalized when purchase, construction or manufacturing of the relevant assets resumes.

(4)Measurement of capitalized amounts of borrowing costs

Where funds are borrowed specifically for purchase, construction, or manufacturing of assets eligible for capitalization, costs eligible for capitalization are the actual costs incurred less any income earned on the temporary investment of such borrowings.

Where funds allocated for purchase, construction, or manufacturing of assets eligible for capitalization are part of a general pool, the eligible amounts are determined by applying a capitalization rate to the weighted average excess of accumulated capital expenditures over those on specific borrowings. The capitalization rate will be the weighted average of the borrowing costs applicable to the general pool

Where there are discounts or premiums on borrowings, the amounts of interest for each accounting period shall be adjusted taking account of amortizable discount or premium amounts for the period by effective interest method.

18.Biological assets

(1)Classification of biological assets

The company's biological assets include consumptive biological assets and productive biological assets.

Biological assets shall be recognized if they meet the following conditions at the same time:

a) The enterprise owns or controls the biological assets due to past transactions or events;

b) The economic benefits or service potential related to the biological assets are likely to flow into the enterprise;

c) The cost of the biological asset can be measured reliably.

(2)Initial measurement of biological assets

The biological assets acquired by the company shall be initially measured according to the cost at the time of acquisition. The cost of purchased biological assets includes the purchase price, relevant taxes, transportation expenses, insurance premiums and other expenses directly attributable to the purchase of the assets. For the biological assets invested by investors, the value agreed in the investment contract or agreement plus the relevant taxes and fees payable shall be taken as the entry value of the biological assets. However, if the value stipulated in the contract or agreement is not fair, the actual cost shall be determined according to the fair value.

(3)Subsequent measurement of biological assets

a) Subsequent expenditure

The cost of self breeding or breeding consumptive biological assets shall be determined according to the necessary expenses such as feed cost, labor cost and apportioned indirect cost incurred before the sale; the cost of self breeding productive biological assets shall be determined according to the necessary expenses such as feed cost, labor cost and apportioned indirect cost before the expected production and operation purpose is achieved. After the biological assets reach the expected production and operation purposes, the follow-up expenses such as management and maintenance expenses and feeding expenses are included in the current profits and losses.

For self cultivated and constructed consumptive biological assets, the actual expenses incurred before canopy closure constitute the cost of consumptive biological assets, and the subsequent expenses such as management and maintenance after canopy closure are included in the current profit and loss.

The actual expenses incurred by the self cultivated and constructed productive biological assets before reaching the expected production and operation purposes constitute the cost of the productive biological assets. The subsequent expenses such as management and maintenance after reaching the predetermined production purpose shall be included in the current profits and losses.

b) Depreciation of productive biological assets

The company adopts the life average method to accrue depreciation on schedule for the productive biological assets that achieve the intended production and operation purposes. The company determines the service life and expected net residual value of the productive biological asset according to its nature, usage and the expected realization mode of relevant economic benefits; at the end of the year, it reviews the service life, estimated net residual value and depreciation method of the productive biological asset, and makes corresponding adjustment if there is any difference with the original estimate.

The estimated service life, estimated net residual value rate and annual depreciation rate of the company's productive biological assets are as follows:

Type	Depreciation life (Year)	Residual value (%)	Annual depreciation rate (%)
Horses	5	5	19.00

c) Disposal of biological assets

When harvesting or selling consumptive biological assets, the weighted average method is used to carry forward the cost; the cost of biological assets after being used for other purposes shall be determined according to the book value at the time of conversion; when the biological assets are sold, damaged or inventory loss, the balance of the disposal income after deducting the book value and relevant taxes and fees shall be included in the current profit and loss.

(4)Impairment of biological assets

The company shall inspect the consumptive biological assets and productive biological assets at least at the end of each year, and there is conclusive evidence showing that the net realizable value of the consumptive biological assets or the recoverable amount of the productive biological assets is lower than the book value due to the natural disasters, diseases and insect pests, animal diseases, or changes in market demand, the provision for depreciation or allowance for the depreciation of biological assets is made and included in the current profits and losses in accordance with the net realizable value or the difference between the recoverable amount and the book value.

If the influencing factors of the impairment of consumptive biological assets have disappeared, the write down amount shall be restored and reversed within the original provision for falling price, and the reversed amount shall be included in the current profit and loss. Once the provision for impairment of productive biological assets is withdrawn, it shall not be reversed.

(5)Subsequent measurement of biological assets

The company adopts the fair value model for subsequent measurement of biological assets, and no longer accrues depreciation and provision for depreciation or impairment of biological assets, it is measured according to the net amount after the fair value of biological assets minus the selling expenses, and the changes in each period are included in the current profit and loss.

The basis for the follow-up measurement of biological assets using the fair value model is: ① there is an active trading market for biological assets; ② the market price and other relevant information of the same or similar biological assets can be obtained from the trading market, so as to reasonably estimate the fair value of biological assets.

When determining the fair value of biological assets, the company shall refer to the market price of the same or similar biological assets in the active market; if the market price of the same or similar biological assets cannot be obtained, the fair value of the biological assets can be reasonably estimated by referring to the latest transaction price of the same or similar biological assets in the active market, and taking into account the variety, quality grade, growth time, climate and geographical environment, industry benchmark and other factors; or use the present value of the expected net cash flow of the biological asset discounted at the current market determined rate to determine its fair value.

19.Intangible assets

Intangible assets are non-monetary assets with no physical form that can be identified and owned or controlled by the Company.

(1)Initial recognition of intangible assets

Costs of purchased intangible assets include purchase prices, relevant taxes and surcharges, and other expenditures that are directly attributable to the intangible assets before they reach working conditions for their intended use. If payments for the purchase of intangible assets are extended beyond the normal credit terms with financing nature, the costs of intangible assets are determined based on present values of the purchase prices.

For intangible assets obtained from debtors in settlement of his liabilities in case of debt restructuring, they shall be initially stated at their fair values. Differences between the book values and the fair values of the intangible assets are charged to current profits or losses.

If the exchange of non-monetary assets has commercial substance, and the fair values of these assets can be measured reliably, the book values of intangible assets traded in are based on the fair values of the intangible assets traded out unless there is any conclusive evidence that the fair values of the assets traded in are more reliable. If the exchange of non-monetary assets does not meet the above criteria, the costs of the intangible assets traded in shall be the book values of the assets traded out and relevant taxes and surcharges paid, and no profits or losses shall be recognized.

Intangible assets obtained through acquisition of enterprises under common control shall be initially stated at their carrying amounts recognized in the accounting records of the acquired party. Intangible assets obtained through acquisition of enterprises not under common control shall be initially stated at fair value.

The costs of internally developed intangible assets include: the materials consumed during the development, labor costs, registration fees, amortization of other patents and licenses applied during the development, interest expense eligible for capitalization, as well as other direct costs incurred for the intangible assets to reach working condition for their intended use.

(2)Subsequent measurement of intangible assets

The intangible assets are amortized on a straight-line basis over the period during which they can bring economic benefits to the Company. 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.

a) Intangible assets with limited useful lives

For the intangible assets with limited service life, they are amortized by the straight-line method within the period of bringing economic benefits to the company. The estimated life and basis of intangible assets with limited service life are as follows:

Items	Expected useful life	Basis for estimates
Land using right	30-50	Certificate of land using right
Software	5-10	Expected useful life
Franchise	10-20	Expected useful life
Charging right	10-20	Expected useful life
Patent right	5-10	Expected useful life
Trademark	10-20	Expected useful life

The useful life of the intangible assets with limited useful life and its amortization method shall be reviewed at the end of each period.

After review, the useful life and amortization method of the intangible assets at the end of the period this year are different from that estimated previously.

b) Intangible assets with uncertain useful lives

Intangibles assets of which the time period that brings economic benefits to the Company cannot be foreseen, are regarded as intangibles assets with uncertain useful lives.

Intangibles assets with uncertain useful lives are not amortized during the holding period, but are reviewed for remaining useful lives at each year end. If the post-review useful lives are still uncertain, the impairment tests will be conducted during each accounting period.

(3)Provision for impairment of intangible assets

For intangible assets with fixed service life, if there are obvious signs of impairment, impairment test shall be conducted at the end of the period.

For intangible assets with uncertain service life, impairment test is conducted at the end of each period.

Conduct impairment test on intangible assets and estimate their recoverable amount. The recoverable amount is determined according to the higher one between the net amount of the fair value of the intangible assets minus the disposal expenses and the present value of the expected future cash flow of the intangible assets.

When the recoverable amount of the intangible assets is lower than its book value, the book value of the intangible assets is written down to the recoverable amount. The reduced amount is recognized as the impairment loss of the intangible assets and included in the current profit and loss. At the same time, the corresponding provision for impairment of intangible assets is made.

After the impairment loss of intangible assets is recognized, the depreciation or amortization expenses of the impaired intangible assets shall be adjusted accordingly in the future period, so that the book value of the adjusted intangible assets (deducting the estimated net residual value) can be systematically apportioned within the remaining service life of the intangible assets.

Once the impairment loss of intangible assets is recognized, it will not be reversed in future accounting periods.

If there is any indication that an intangible asset may be impaired, the company estimates its recoverable amount based on single intangible asset. If it is difficult for the company to estimate the recoverable amount of a single asset, the recoverable amount of the intangible asset group shall be determined based on the asset group to which the intangible asset belongs.

(4)Specific standards for dividing the research stage and development stage of internal R & D projects of the company

Research stage: The stage of unique and planned investigation and research activities conducted for obtaining and understanding new scientific or technological knowledge.

Development stage: The stage of applying research findings or other knowledge to some plan or design, in order to produce new or substantially improved materials, devices and products, etc. before commercial production or use.

The research expenditures of internal research and development projects shall be included in the current profit and loss when they occur.

(5)Concrete Conditions for Capitalization of Expenditure at Development Stage

The expenditure at development stage of internal research and development projects will be confirmed as intangible assets when simultaneously meeting the following conditions:

a) It is technically feasible to complete the intangible assets and make them available for use or sale;

b) The Company has the intent to complete, use or sell the intangible assets;

c) The way by which intangible assets produce economic benefit could prove the usability of such intangible assets, including proving that the products produced with such intangible assets have markets, or such intangible assets have markets, and intangible assets would be used internally;

d) The Company has sufficient technical, financial resources and other resources to support the completion of the development of such intangible assets, and the Company could use or sell such intangible assets.

e) The expenditure attributing to the development stage of such intangible assets could be measured reliably.

Expenditures in the development stage that do not meet the above conditions shall be included in the current profits and losses when incurred. The development expenditure that has been included in the profit and loss in the previous period shall not be re recognized as an asset in the later period. The capitalized expenditure in the development stage shall be listed as development expenditure on the balance sheet, and shall be converted into intangible assets from the date when the project reaches the intended purpose.

20.Long-term prepaid expenses

Long term prepaid expenses refer to the expenses that the company has incurred, but should be borne by the current period and subsequent periods, with a period of 1 years or more. Long term prepaid expenses are amortized in line with the straight-line method in the beneficial period.

21.Employee benefits

Employee benefits refers to various forms of remuneration or compensation given by the company to obtain services provided by employees or to terminate labor relations. Employee benefits includes Short-term employee benefits, post-employment benefits, dismiss compensation and other long-term employee welfare.

（1）Short-term employee benefits

Short-term employee benefits include employee wages or salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, union running costs and employee education costs, and short-term paid absences. The employee benefit liabilities are recognized in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets. Non-monetary benefits are measured at their fair value.

（2）Post-employment benefits

Post-employment benefits refer to the various forms of remuneration and welfare provided by the company after the employees retire or terminate the labor relationship with the company in order to obtain the services provided by the employees, except for short-term salary and dismissal welfare.

The company's post-employment benefit plans are classified into defined contribution plans and defined benefit plans.

The defined contribution plan of post-employment benefits mainly includes participating in the social basic endowment insurance, unemployment insurance and enterprise annuity organized and implemented by local labor and social security institutions. During the accounting period when employees provide services to the company, the amount to be deposited calculated according to the defined contribution plan shall be recognized as liabilities and included in the current profit and loss or relevant asset costs.

The company has no other payment obligations after paying the above amount regularly according to the national standards and annuity plan.

The defined benefit plan of post-employment benefits mainly includes the clear standard of off-balance benefits paid by retirees and the living expenses paid for the survivors of deceased employees.

（3）Dismiss compensation

If the Company terminates the labor relationship with an employee before the labor contract expires, or offers compensation for encouraging the employee to accept the redundancies voluntarily, the liabilities arising from the termination of labor relations with the employee is determined, and also included in the current profit and loss, at the time when the group cannot unilaterally withdraw the termination of the labor relationship plan or redundancies proposal, or the time when the cost associated with restructuring involving payment of dismiss compensation is confirmed, whichever is earlier.

The company provides early retirement benefits to employees who accept internal retirement arrangements. Early retirement welfare refers to the wages paid to the employees who fail to reach the retirement age stipulated by the state and voluntarily quit their jobs with the approval of the company's management and the social insurance premiums paid for them. The company shall pay the internal retirement benefits to the early retired employees from the date of the internal retirement arrangement to the date when the employees reach the normal retirement age. For the early retirement welfare, the company shall carry out accounting treatment according to the dismiss compensation. When the relevant recognition conditions of the dismiss compensation are met, the wages and social insurance premiums to be paid to the early retired employees from the date when the employees stop providing services to the normal retirement date shall be recognized as liabilities and included in the current profits and losses once. The difference caused by the change of actuarial assumption and the adjustment of welfare standard of early retirement welfare shall be included in the current profit and loss when it occurs.

（4）Other long-term employee benefits

Other long-term employee benefits refer to all employee benefits except short-term salary, post-employment welfare and dismissal welfare.

22.Share-based payments

(1)Categories of share-based payments

The share-based payment of the company is divided into equity settled share based payment and cash settled share based payment.

(2)Determination method of fair value of equity instruments

For the granted equity instruments such as options with active market, their fair value shall be determined according to the quoted price in the active market. For the granted equity instruments without active market, the option pricing model is used to determine their fair value. The following factors are considered in the option pricing model: (a) the exercise price of the option; (b) the validity period of the option; (c) the current price of the target share; (d) the expected volatility of the share price; (f) the expected dividend of the share; (e) the Risk free interest rate.

When determining the fair value of the equity instrument on the grant date, the impact of market conditions and non exercise conditions in the vesting conditions specified in the share-based payment agreement shall be considered. If there are non vesting conditions for share based payment, if the employees or other parties meet all non market conditions (such as service term, etc.) in the vesting conditions, the corresponding cost of the services received shall be recognized.

(3)Basis for determining the best estimate of exercisable equity instruments

At each balance sheet date in the vesting period, the Company would make best estimate in accordance with the newly acquired information such as changes in the number of employees entitled to equity instruments, and amend the number of exercisable equity instruments. On the exercisable date, the ultimate estimated number of exercisable equity instruments coincides with the actual number.

(4)Relevant accounting treatment of implementation, modification, and termination of share-based payment plan

The equity settled share-based payment shall be measured at the fair value of the equity instruments granted to employees. If the right is exercisable immediately after the grant, it shall be included in the relevant costs or expenses according to the fair value of the equity instrument on the grant date, and the capital reserve shall be increased accordingly. If the right can only be exercised after completing the service within the waiting period or meeting the specified performance conditions, on each balance sheet date within the waiting period, based on the best estimation of the number of exercisable equity instruments, the services obtained in the current period shall be included in the relevant costs or expenses and capital reserve according to the fair value of the equity instruments on the grant date. After the vesting date, the relevant costs or expenses recognized and the total amount of owner's equity shall not be adjusted.

The cash settled share-based payment shall be measured according to the fair value of the liabilities calculated and determined based on shares or other equity instruments undertaken by the company. If the right can be exercised immediately after the grant, the fair value of the liabilities undertaken by the company shall be included in the relevant costs or expenses on the grant date, and the liabilities shall be increased accordingly. For the cash settled share based payment that can be exercised only after the completion of the service within the waiting period or after the specified performance conditions are met, the services obtained in the current period shall be included in the cost or expense and corresponding liabilities according to the fair value of the liabilities undertaken by the company on each balance sheet date within the waiting period based on the best estimation of the vesting right. On each balance sheet date and settlement date before the settlement of relevant liabilities, the fair value of liabilities shall be re measured, and the changes shall be included in the current profits and losses.

(5)For the modification of terms and conditions, modification of the current period and related accounting treatments

If the granted equity instrument is cancelled in the waiting period, the company will treat the cancellation of the granted equity instrument as accelerated exercise, and the amount to be recognized in the remaining waiting period will be included in the current profit and loss immediately, and capital reserve will be recognized at the same time. If the employee or other parties can choose to meet the non-vesting conditions but fail to meet them within the waiting period, the company will treat them as the cancellation of the granted equity instrument.

23.Bonds payable

（1）Corporate bonds

For bonds payable which are measured at fair value and whose changes are included in the current profit and loss, the fair value is taken as the initial recognition amount, and the relevant transaction costs are directly included in the current profit and loss, and are subsequently measured according to the fair value. For other types of bonds payable, the sum of their fair value and relevant transaction costs shall be taken as the initial recognition amount, and the subsequent measurement shall be carried out with the amortization cost.

Premium or discount refers to the adjustment of interest expense during the duration of bonds payable, and the effective interest method is adopted for amortization during the duration of bonds.

（2）Convertible bonds

When the convertible bonds issued by the company are initially recognized, the liability component and equity component are separated, the liability component is recognized as the bonds payable, and the equity component is recognized as capital reserve. When splitting, the future cash flow of the liability component is discounted to determine the initial recognition amount of the liability component, and then the initial recognition amount of the equity component is determined according to the amount of the total issue price deducting the initial recognition amount of the liability component. The transaction costs incurred in issuing convertible bonds shall be apportioned between the liability component and the equity component according to their respective relative fair values.

24.Provisions

(1)Recognition criteria of provisions

When an obligation related to the contingent events satisfies all the following conditions, it is recognized by the Company as provisions:

a) The obligation is the current obligation of the Company;

b) The fulfillment of the obligation is likely to cause economic benefits to flow out of the Company;

c) The amount of the obligation can be measured in a reliable way.

(2)Measurement of provisions

The provisions of the Company are initially measured based on the best estimate of the expenditure required to perform the relevant current obligations.

When determining the best estimate, the Company considers factors such as risks, uncertainties and time value of money related to contingent events. Where the time value of money has a significant impact, the best estimate is determined by discounting the relevant future cash outflows.

The best estimates are handled as follows:

In case that there is a continuous range (or interval) of required expenditures, within which the possibility of occurrence of various results is the same, the best estimate is determined by the average of the middle value of the range, that is, the average of the upper and lower limits.

In case that there is no continuous range (or interval) of required expenditures, or there is a continuous range but the possibility of various results in the range is different, if the contingency involves a single item, the best estimate is determined based on the most probable amount; if a contingency involves multiple items, the best estimate is determined based on various possible outcomes and associated probabilities.

If all or part of the expenses required by the Company to settle the provisions are expected to be compensated by a third party, the compensation amount is separately recognized as an asset when it is basically confirmed to be received, and the recognized compensation amount should not exceed the book value of provisions.

25.Preferred shares, perpetual bonds, and other financial instruments

For specific accounting policies, please refer to note IV / 9. h. Differentiation and treatment of financial liabilities and equity instruments.

26.Revenue

(1)Criteria for judgement of timing of revenue recognition for selling products

The company has transferred the main risks and rewards of ownership of the goods to the buyer; the company does not retain the right of continuous management related to the ownership, nor effectively control the sold goods; the amount of revenue can be reliably measured; the relevant economic benefits are likely to flow into the company; when the relevant costs incurred or to be incurred can be reliably measured, the revenue from commodity sales is recognized.

If the collections of contractual or agreement price are in deferred manner, substantially with financing properties, the sales revenue is recognized at the fair value of contract or agreement price receivable.

(2)Evidence of recognition for revenue from abalienating of right to use assets

When the economical profit related to exchange is possible to flow into the Company and the amount received can be measured reliably, the abalienating of right to use assets shall be confirmed as follows:

a) The amount of interest income shall be calculated and confirmed according to the actual time of using the monetary capital of the Company and the actual rate thereof.

b) The amount of royalty income shall be calculated and confirmed according to the charging time and method appointed in relevant contracts or agreements.

(3)Recognition basis and method of providing labour service income

If the result of the transaction of providing labor service on the balance sheet date can be estimated reliably, the income from providing labor service shall be recognized by the percentage of completion method. The percentage of completion of the labor service transaction shall be determined according to the proportion of the cost incurred in the estimated total cost.

The result of providing labour service transactions can be reliably estimated, which means that the following conditions are met at the same time:

a) The amount of income can be measured reliably;

b) The relevant economic benefits are likely to flow into the company;

c) The completion progress of the transaction can be reliably determined;

d) The costs incurred and to be incurred in the transaction can be measured reliably.

The total income from the provision of labour services shall be determined in accordance with the contract or agreement price received or receivable, unless the contract or agreement price received or receivable is not fair. On the balance sheet date, the total amount of labour service income multiplied by the completion progress deducted the amount of labour service income accumulated in the previous accounting period to confirm the current labour service income; at the same time, according to the estimated total cost of labour provision multiplied by the completion of the previous accounting period accumulated The amount after the labour cost has been confirmed is carried forward to the current labour cost.

If the results of the labour service transaction provided on the balance sheet date cannot be reliably estimated, the following cases shall be dealt with:

a) If the labour service costs incurred are expected to be compensated, the labour service income is recognized according to the amount of labour service costs incurred, and the labour service costs are carried forward at the same amount.

b) If the labour cost incurred is not expected to be compensated, the labour cost already incurred is included in the current profit and loss, and the income from providing labour services is not recognized.

When the contract or agreement signed between the company and other enterprises includes the sale of goods and the provision of services, if the sale of goods and the provision of services can be distinguished and measured separately, the sale of goods shall be treated as the sale of goods, and the provision of services shall be treated as providing labour service. If the part of selling goods and the part of providing labor service cannot be distinguished, or if they can be distinguished but cannot be measured separately, the part of selling goods and the part of provision of services shall all be treated as selling goods.

(4)Asset transfer with repurchase conditions

When the company sells products or transfers other assets, it signs a sales agreement or a repurchase agreement with the purchaser, and determines whether the sales commodities meet the income recognition conditions according to the terms of the agreement. If the after-sale repurchase is a financing transaction, the company will not recognize the sales revenue when delivering the products or assets. If the repurchase price is greater than the sales price, the interest shall be accrued on schedule during the repurchase period and included in the financial expenses.

27.Construction contract revenue

(1) When the result of the construction contract can be estimated reliably, the contract revenue and contract cost related to it shall be recognized by the percentage of completion method on the balance sheet date. Percentage of completion method refers to the method of confirming contract revenue and contract cost according to contract completion progress. The contract completion progress shall be determined according to the proportion of the accumulated actual contract expenses incurred in the estimated total cost of the contract.

The result of a fixed cost contract can be estimated reliably, which means that the following conditions are met simultaneously:

a) The total contract revenue can be reliably measured;

b) The economic benefits related to the contract are likely to flow into the company;

c) The actual contract cost can be clearly distinguished and reliably measured;

d) The contract completion schedule and the costs needed to complete the contract can be determined reliably.

The result of a cost-plus contract can be estimated reliably, which means that the following conditions are met simultaneously:

a) The economic benefits related to the contract are likely to flow into the company;

b) The actual contract cost can be clearly distinguished and reliably measured.

On the balance sheet date, the contract revenue of the current period shall be recognized by multiplying the total contract revenue by the completion progress and deducting the accumulated recognized revenue in the previous accounting period; At the same time, the amount of the estimated total contract cost multiplied by the completion progress minus the accumulated recognized expenses in the previous accounting period shall be recognized as the current contract expenses. The change, claim and bonus of the contract project shall be included in the total contract revenue to the extent that they may bring income and can be calculated reliably.

(2) If the result of a construction contract cannot be estimated reliably, it shall be dealt with in the following circumstances:

a) If the contract cost can be recovered, the contract revenue shall be recognized according to the actual contract cost that can be recovered, and the contract cost shall be recognized as the contract expense in the current period when it occurs.

b) If it is impossible to recover the contract cost, it shall be recognized as the contract expense immediately when it occurs, and the contract revenue shall not be recognized.

(3) If the total contract cost is likely to exceed the total contract revenue, the expected loss is recognized as an expense immediately.

28.Government subsidies

(1)Category

Government subsidies are transfers of monetary or non-monetary assets from the government to the Group at nil consideration. According to the subsidy targets stipulated in the relevant government documents, government subsidies are classified into government subsidies related to assets and government subsidies related to income.

For the government subsidies that are not clearly defined in the government documents, the company divides them into asset related government subsidies or income related government subsidies according to the actual subsidy objects. For the relevant judgment basis, please refer to the notes to other current liabilities / other non-current liabilities / non-operating income items in note V of the financial statements.

The government subsidies related to assets refer to the government subsidies obtained by the company for purchasing and constructing or forming long-term assets in other ways. Government subsidies related to income refer to government subsidies other than those related to assets.

(2)Recognition of government subsidies

If there is evidence at the end of the period that the company can meet the relevant conditions specified in the financial support policy and it is expected to receive the financial support funds, the government subsidy shall be recognized according to the receivable amount. Otherwise, government subsidies are recognized when they are received.

If a government subsidy is a monetary asset, it is measured at the amount received or receivable. If a government subsidy is a non-monetary asset, it is measured at fair value. If the fair value cannot be obtained in a reliable way, it is measured at the nominal amount (RMB1).

Government subsidies measured at nominal amounts are recognized directly in the current profit and loss.

(3)Accounting treatment

According to the essence of economic business, the company determines whether the total amount method or the net amount method should be used for accounting treatment of a certain type of government subsidy business. Generally, the company only selects one method for the same or similar government subsidy business, and consistently uses the method for the business.

The government subsidies related to assets shall offset the book value of relevant assets or be recognized as deferred income. The government subsidy related to assets is recognized as deferred income, and shall be included in the profit and loss in a reasonable and systematic way according to the useful life of the assets to be built or purchased.

If the government subsidies related to income are used to compensate related costs or losses in the subsequent period, it is recognized as deferred income and included in the current profit and loss or offset costs in the period in which the related costs or losses are recognized; government subsidies used to compensate costs or losses incurred by the company are directly included in the current profit or loss or offset related costs.

The government subsidies related to income, which are used to compensate the relevant expenses or losses of the company in the future, are recognized as deferred income, and are included in the current profit and loss or offset the relevant costs during the period when the relevant expenses or losses are recognized; if it is used to compensate the relevant expenses or losses incurred by the company, it shall be directly included in the current profits and losses or offset the relevant costs.

For preferential loans for policy discount, if the government finance department appropriates the discounted funds to the lending bank, the borrowing cost is accounted for according to the principal of the loan and the policy preferential interest rate, with the amount received as the entry value of the loan.

In case that a confirmed government subsidy is required to be returned, the book value of the asset is adjusted if the book value of relevant assets is offset at the initial recognition; if there is related deferred income, the book balance of deferred income is offset, and the excess is included in the current profit and loss; in case of other circumstances, it is directly included in the current profit and loss.

29.Deferred tax assets/Deferred tax liabilities

(1)Basis for recognition of deferred income tax assets

The company recognizes the deferred tax assets generated by the deductible temporary differences to the extent that it is likely to obtain the taxable income that can be used to offset the deductible temporary differences, carry forward the deductible losses and tax credits in the following years.

(2)Basis for recognition of deferred income tax liabilities

The company recognizes the taxable temporary differences that should be paid but not paid in the current period and the previous period as deferred tax liabilities. But excluding:

1) The temporary difference formed by the initial confirmation of goodwill;

2) The transaction or event not formed by business combination, and the occurrence of the transaction or event does not affect the accounting profit or the temporary difference formed by the taxable income (or deductible loss).

30.Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(1)Accounting treatment of operating leases

a) Operating leasing assets

The rental fees paid by the Company for the lease of assets are apportioned on a straight-line basis over the entire lease term without deduction of the rent-free period and included in the current expenses. The initial direct costs associated with the lease transactions paid by the Company are included in the current expenses.

When the lessor of an asset bears the expenses related to the lease that should be borne by the Company, the Company deducts the part of the expenses from the total rent. The deducted rental expenses are apportioned during the lease term and included in the current expenses.

b) Operating leased assets

The rental fees charged by the Company for renting out assets are apportioned on a straight-line basis over the entire lease term without deduction of the rent-free period and is recognized as rental income. The initial direct expenses related to lease transactions paid by the Company are included in the current expenses; if the amount is a significant one, it is capitalized and included in the current income in the same period as the lease income is recognized throughout the lease period.

When the Company bears the lease-related expenses that should be borne by the lessee, the Company deducts the part of the expenses from the total rental income, and distributes the deducted rental expenses within the lease term.

(2)Accounting treatment of financing leases

a) Financial leased assets: On the date when lease starts, the Company recognizes the fair value of the leased asset or the present value of the minimum lease payment as the book value of the leased asset, whichever is lower, and recognizes the minimum lease payment amount as the book value of the long-term payable, and the difference between the two is recognized as unconfirmed financing expenses. The Company adopts the effective interest rate method to amortize the unrecognized financing expenses during the asset lease period and includes them in financial expenses.

b) Financial leasing assets: On the date when lease starts, the Company recognizes the receivable of the financial lease, the difference between the sum of unsecured residual value and its present value as unrealized financing income, and recognizes the lease income in the future period of the lease. The initial direct costs incurred by the Company in connection with lease transactions are included in the initial measurement of financial lease receivable, and the amount of income recognized during the lease term is reduced.

31.Held for sale

（1）Confirmation criteria for holding for sale

The company recognizes the non current assets or disposal groups meeting the following conditions as the components held for sale:

a) According to the practice of selling such assets or disposal groups in similar transactions, they can be sold immediately under the current situation;

b) The sale is very likely to occur, that is, the company has made a decision on a sale plan, has obtained the approval of the regulatory authorities, and obtained the confirmed purchase commitment, and it is expected that the sale will be completed within one year.

The confirmed purchase commitment refers to the legally binding purchase agreement signed by the company and other parties. The agreement contains important terms such as transaction price, time, and severe enough penalty for breach of contract, which makes the possibility of significant adjustment or cancellation of the agreement extremely small.

（2）Accounting method of holding for sale

The company does not make depreciation or amortization for the non-current assets or disposal groups held for sale. If the book value is higher than the net amount after the fair value minus the selling expenses, the book value shall be written down to the net amount after the fair value minus the selling expenses. The amount written down shall be recognized as the asset impairment loss and included in the current profit and loss, and the provision for impairment of the assets held for sale shall be made at the same time.

For the non-current assets or disposal groups classified as held for sale on the acquisition date, the initial measurement amount and the net amount of fair value after deducting the selling expenses under the assumption that they are not classified as held for sale category shall be measured at the lower of the two.

The above principles are applicable to all non-current assets, but excluding investment properties which is subsequently measured by fair value model, biological assets measured by net amount of fair value minus selling expenses, assets formed by employee compensation, deferred income tax assets, financial assets regulated by relevant accounting standards for financial instruments, and rights arising from insurance contracts regulated by relevant accounting standards of insurance contracts.

32.Fair value measurement

（1）Financial instruments not measured at fair value

Financial assets and liabilities not measured at fair value mainly include: receivables, short-term loans, accounts payable, non-current liabilities and long-term loans due within one year, and equity instrument investment without quotation in active market and whose fair value cannot be reliably measured.

The difference between the book value and the fair value of the above-mentioned financial assets and liabilities that are not measured at fair value is very small, or according to the provisions of the "recognition and measurement of financial instruments", the equity instrument investment which has no quotation in the active market and whose fair value cannot be reliably measured is measured at cost.

（2）Financial instruments measured at fair value

The company's financial assets and liabilities measured at fair value mainly include: financial assets or financial liabilities measured at fair value with changes included in current profit and loss, and financial assets available for sale.

When the fair value is categorized into three levels, it is based on the lowest level of the three levels of the important input values used in the fair value measurement. The three levels are defined as follows:

Level 1: is the unadjusted quotation of the same assets or liabilities that can be obtained on the measurement date in the active market;

Level 2: is the input value directly or indirectly observable of relevant assets or liabilities except the input value of the first level; The second level of input values include: 1) quotations of similar assets or liabilities in active markets; 2) quotations of the same or similar assets or liabilities in inactive markets; 3) other observable input values other than quotations, including observable interest rate and yield curve, implied volatility and credit spread during the normal quotation interval; 4) input values verified by the market.

Level 3: is the inobservable input value of related assets or liabilities.

V.Changes in significant accounting policies ad accounting estimates, and the error correction in the prior periods

1.Changes in significant accounting policies

There is no change in the significant accounting policies during the reporting period.

2.Changes in significant accounting estimates

There is no change in the significant accounting estimates during the reporting period.

3.The error correction in the prior periods

There is no error correction in the prior periods during the reporting period.

VI.Taxes

1.The main categories and rates of taxes

Category	Tax base	Tax rate	Note
Value added tax ("VAT")	Value added in the process of selling goods or providing taxable services	3%、5%、6%、9%、10%、13%、16%	Note 1
Land value added tax	The value-added amount generated from the paid transfer of the right to use state-owned land and the property rights of the above ground buildings and other attached objects; the advance payment for the pre-sale houses shall be made according to the prepayment rate stipulated by the place where the real estate is located.	Four levels of progressive tax rate (30% - 60%) will be implemented.	
Property tax	The tax shall be calculated based on the residual value of 30% of the original value of the property	1.2%	
	The tax shall be calculated based on rental income	12%	
City maintenance and construction tax	Turnover tax	7%、5%	
Education surtax	Turnover tax	3%	
Local education surtax	Turnover tax	2%	
Local water conservancy construction fund	Turnover tax	0.5%	
Corporate income tax	Taxable income	25%、20%、15%	

Note 1: According to the announcement of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on policies related to deepening the reform of value added tax (Announcement No. 39, 2019 of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs), the taxable sales or imports of value-added tax occurred in the company since April 1, 2019. If the original 16% and 10% tax rates were applicable, the tax rates were adjusted to 13% and 9% respectively.

2.Major tax incentives

(1) Tax incentives of value added tax

a) The subsidiary companies of Shuifa group providing sewage treatment services enjoy the preferential treatment of 70% VAT according to the notice of the State Administration of Taxation on printing and distributing the preferential catalogue of value added tax on products and services for comprehensive utilization of resources (Cai Shui [2015] No. 78);

b) The subsidiary companies of Shuifa group with iron and steel or foundry industry enjoy the preferential treatment of 30% VAT according to the notice of the State Administration of Taxation on printing and distributing the preferential catalogue of value-added tax on products and services for comprehensive utilization of resources (Cai Shui [2015] No. 78), the name of comprehensive utilization resources is as follows: scrap iron and steel (steelmaking furnace charge) generated or disassembled from scrap automobiles, scrapped motorcycles, scrapped ships, waste electrical and electronic products, waste agricultural machinery, scrap machinery equipment, waste daily necessities, industrial leftover materials, building demolition materials, etc. and meet certain conditions.

c) The subsidiaries of energy-saving service companies of Shuifa group are exempt from VAT according to the notice of the Ministry of Finance and the State Administration of Taxation on the implementation of inclusive tax reduction and exemption policies for small and micro enterprises (Cai Shui [2019] No. 13);

d) According to the notice of Ministry of Finance and State Administration of Taxation on bringing railway transportation and postal industry into the pilot project of replacing business tax with value-added tax (Cai Shui [2013] No. 106), the energy-saving service companies engaged in the subsidiary of Shuifa group shall implement the energy management contract project in accordance with Annex 3 of the notice of the Ministry of Finance and the State Administration of Taxation on the pilot project of replacing business tax with value-added tax, the taxable services provided are exempt from VAT;

e) Among the subsidiaries of Shuifa group, the tap water sales revenue obtained by four pairs of drinking water project operation and management units providing domestic water to rural residents shall be exempted from value-added tax according to the announcement of the Ministry of Finance and the State Administration of Taxation on continuing to implement preferential tax policies for rural drinking water safety projects (Cai Shui [2019] No. 67);

f) Among the subsidiaries of Shuifa group, according to the notice of the Ministry of Finance and the State Administration of Taxation on relevant tax policies of farmers' professional cooperatives (Cai Shui [2018] No. 81), the qualified farmers' professional cooperatives are exempted from VAT;

g) Among the subsidiaries of Shuifa group, the contracted land is transferred to agricultural producers for agricultural production by means of subcontracting, leasing, exchange, transfer, and equity participation. According to the notice of the State Administration of Taxation of the Ministry of Finance on the pilot policy of replacing business tax with value-added tax for construction services (Cai Shui [2017] No. 58), VAT will be exempted;

h) The subsidiary companies of Shuifa group with wind power industry enjoy a 50% discount of VAT on wind power generation in accordance with the notice on VAT Policies for wind power generation (Cai Shui [2015] No. 74);

i) In accordance with Annex 4 of the notice of the Ministry of Finance and the State Administration of Taxation on comprehensively promoting the pilot project of replacing business tax with value-added tax (Cai Shui [2016] No. 36), the subsidiary of Shuifa group enjoys the preferential treatment of VAT exemption by providing taxable services for overseas construction and installation projects;

j) According to the notice on extending the preferential policies of value-added tax, property tax and urban land use tax for heating enterprises (Cai Shui 2019) No.38, from January 1, 2019 to the end of the heating period in 2020, the subsidiary companies of Shuifa group are exempt from value-added tax on the heating fees received by heating enterprises from individual residents;

k) The pension institutions in the subsidiaries of Shuifa group are exempted from VAT according to the notice on comprehensively promoting the pilot project of replacing business tax with VAT (Cai Shui [2016] No. 36).

(2) Tax incentives of corporate income tax

a) According to the notice of the Ministry of Finance and the State Administration of Taxation on promoting the development of energy-saving service industry on value-added tax, business tax and corporate income tax policies (CS [2010] No. 110), the energy-saving service subsidiaries of Shuifa group, have "three exemptions and three half reductions" in income tax since the tax year in which the first production and operation income of the project is obtained;

b) If the subsidiary of Shuifa group meets the requirements of small and low profit enterprises, according to Article 28 of the corporate income tax law of the people's Republic of China, the part of annual taxable income not exceeding 1 million yuan shall be included in the taxable income at a reduced rate of 25%, and the corporate income tax shall be paid at the rate of 20%; for the part with annual taxable income exceeding 1 million yuan but not exceeding 3 million yuan, 50% shall be included in the payable amount, the corporate income tax shall be paid at the tax rate of 20%;

c) In accordance with the notice of the Ministry of Finance and the State Administration of Taxation on continuing to implement preferential tax policies for the construction and operation of rural drinking water safety projects (CS [2016] No. 19), the income tax of the companies engaged in the operation and management of drinking water projects among the subsidiaries of Shuifa group has been "three exempted and three reduced by half" since the tax year of the first production and operation income of the project;

d) According to the second paragraph of Article 27 of No. 63 order of the president of the people's Republic of China of the corporate income tax law of the People's Republic of China, the business income tax of the subsidiary companies of Shuifa group engaged in the public infrastructure project investment supported by the state is regularly reduced or remitted, and the income tax is "three exempt and three reduced" from the tax year of the first production and operation income of the project According to the third paragraph of the 27th paragraph, the income from qualified environmental protection, energy conservation and water saving projects may be exempted from or reduced from corporate income tax;

e) According to the corporate income tax law of the People's Republic of China, the high-tech enterprises in the subsidiaries of Shuifa group shall be subject to corporate income tax at a reduced rate of 15%;

f) In accordance with Article 99 of the regulations on the implementation of the Corporate Income Tax Law of the People's Republic of China, 90% of the income obtained by the subsidiaries of Shuifa group from the production of products that are not restricted or prohibited by the state and meet the relevant national and industrial standards, shall reduce 90% of the income into the total income;;

g) According to the first item of Article 27 of the Corporate Income Tax Law of the People's Republic of China (hereinafter referred to as the corporate income tax law), the income of the subsidiary of Shuifa group can be exempted or reduced from the corporate income tax;

i) In accordance with the notice on tax policy issues related to the in-depth implementation of the western development strategy in the subsidiary company of Shuifa group in the western region, from January 1, 2011 to December 31, 2020, the corporate income tax will be reduced by 15%.

VII.Business combination and consolidated financial statements

1.Subsidiaries

No.	Subsidiary name	Tier	Type of subsidiary	Place of registration	Major business location	Nature of business
1	Shandong Shuifa Industrial Co., Ltd	2	Domestic non-financial subsidiaries	Jinan, Shandong	Jinan, Shandong	Business services
2	Shandong Agricultural Development Group Co., Ltd	2	Domestic non-financial subsidiaries	Jinan, Shandong	Jinan, Shandong	Business services
3	Shandong Water Resources Development Group Co., Ltd	2	Domestic non-financial subsidiaries	Jinan, Shandong	Jinan, Shandong	Water conservancy management

No.	Subsidiary name	Tier	Type of subsidiary	Place of registration	Major business location	Nature of business
4	Shandong Shuifa Medical Co., Ltd	2	Domestic non-financial subsidiaries	Jinan, Shandong	Jinan, Shandong	Medical and health industry
5	Shandong Shuifa Holding Group Co., Ltd	2	Domestic non-financial subsidiaries	Jinan, Shandong	Jinan, Shandong	Business services
6	Shuifa Design Group Co., Ltd	2	Domestic non-financial subsidiaries	Beijing	Beijing	Professional technology service industry
7	Shuifa Agricultural Investment Co., Ltd	2	Domestic non-financial subsidiaries	Jinan, Shandong	Jinan, Shandong	Business services
8	Shuifa Tourism Group Co., Ltd	2	Domestic non-financial subsidiaries	Jinan, Shandong	Jinan, Shandong	Business services
9	Shuifa Ecological Technology Co., Ltd	2	Domestic non-financial subsidiaries	Jinan, Shandong	Jinan, Shandong	Ecological protection and environmental management
10	Shandong Medical Holdings Limited	2	Domestic non-financial subsidiaries	Jinan, Shandong	Jinan, Shandong	Technology extension and application services
11	Shuifa International Logistics Co., Ltd	2	Domestic non-financial subsidiaries	Jinan, Shandong	Jinan, Shandong	Road transport industry
12	Shuifa Lunan Water Co., Ltd	2	Domestic non-financial subsidiaries	Linyi, Shandong	Linyi, Shandong	Water conservancy management
13	Jinan Shuifa Equity Investment Fund Partnership (Limited Partnership)	2	Domestic non-financial subsidiaries	Jinan, Shandong	Jinan, Shandong	Business services
14	Shandong Water Conservancy Construction Group Co., Ltd	2	Domestic non-financial subsidiaries	Jining, Shandong	Jining, Shandong	Civil engineering construction industry
15	Shandong Shuifa Project Management Co., Ltd	2	Domestic non-financial subsidiaries	Jinan, Shandong	Jinan, Shandong	Professional technology service industry
16	Shuifa Culture Industry Co., Ltd	2	Domestic non-financial subsidiaries	Beijing	Beijing	Radio, television, film, and video recording production industry
17	Wengyuan Lukong Water Development Co., Ltd	2	Domestic non-financial subsidiaries	Shaoguan, Guangdong	Shaoguan, Guangdong	Water production and supply
18	Shuifa International Holding Co., Ltd	2	Overseas subsidiaries	Hongkong, China	Hongkong, China	Investment and financing
19	Qingdao Hydraulic Construction Technology Service Co., Ltd	2	Domestic non-financial subsidiaries	Qingdao, Shandong	Qingdao, Shandong	Water conservancy management
20	Shuifa Energy Group Co., Ltd	2	Domestic non-financial subsidiaries	Jinan, Shandong	Jinan, Shandong	Electricity, heat production and supply
21	Shandong Shuifa Investment Co., Ltd	2	Domestic non-financial subsidiaries	Jinan, Shandong	Jinan, Shandong	Business services

Continued:

No.	Subsidiary name	Paid in capital (10K)	Holding proportion (%)	Voting proportion (%)	Investment amount (10K)	Method of acquisition
1	Shandong Shuifa Industrial Co., Ltd	600.00	100.00	100.00	600.00	By new establishment
2	Shandong Agricultural Development Group Co., Ltd	10,000.00	100.00	100.00	10,000.00	By new establishment
3	Shandong Water Resources Development Group Co., Ltd	182,629.00	100.00	100.00	182,629.00	By new establishment
4	Shandong Shuifa Medical Co., Ltd	5,000.00	100.00	100.00	5,000.00	By new establishment
5	Shandong Shuifa Holding Group Co., Ltd	384,010.00	100.00	100.00	386,209.32	By new establishment
6	Shuifa Design Group Co., Ltd	20,100.00	100.00	100.00	23,623.19	By new establishment
7	Shuifa Agricultural Investment Co., Ltd	50,000.00	100.00	100.00	50,000.00	By new establishment
8	Shuifa Tourism Group Co., Ltd	11,600.00	100.00	100.00	11,600.00	By new establishment
9	Shuifa Ecological Technology Co., Ltd	9,960.00	100.00	100.00	9,960.00	By new establishment
10	Shandong Medical Holdings Limited	5,000.00	100.00	100.00	5,000.00	By new establishment
11	Shuifa International Logistics Co., Ltd	800.00	100.00	100.00	800.00	By new establishment
12	Shuifa Lunan Water Co., Ltd	15,500.00	100.00	100.00	15,500.00	By new establishment
13	Jinan Shuifa Equity Investment Fund Partnership (Limited Partnership)	25,020. 00	100.00	100.00	25,020. 00	By new establishment
14	Shandong Water Conservancy Construction Group Co., Ltd	50,000.00	100.00	100.00	44,157.32	By new establishment
15	Shandong Shuifa Project Management Co., Ltd	900.00	100.00	100.00	900.00	By new establishment
16	Shuifa Culture Industry Co., Ltd	7,800.00	100.00	100.00	7,800.00	By new establishment
17	Wengyuan Lukong Water Development Co., Ltd	10,576.00	90.00	90.00	9,518.40	By new establishment
18	Shuifa International Holding Co., Ltd	0.00	100.00	100.00	0.00	By new establishment
19	Qingdao Hydraulic Construction Technology Service Co., Ltd	200.00	100.00	100.00	200.00	Free transfer
20	Shuifa Energy Group Co., Ltd	25,200.00	100.00	100.00	25,200.00	By new establishment
21	Shandong Shuifa Investment Co., Ltd	501.00	100.00	100.00	500.00	By new establishment

2.Major non-wholly-owned subsidiaries

（1）Minority shareholder

No.	Subsidiary name	Shareholding ratio of minority shareholders (%)	Profit and loss attributable to minority shareholders in the current period	Dividends paid to minority shareholders in the current period	Accumulated minority shareholders' equity at the end of the period
1	China Shuifa Singyes Energy Holdings Limited	33.08	72,405,749.24	0.00	1,479,353,468.98
2	Dalian Energas Gas-System Co., Ltd.	69.92	4,570,856.66	0.00	1,027,597,955.79

No.	Subsidiary name	Shareholding ratio of minority shareholders (%)	Profit and loss attributable to minority shareholders in the current period	Dividends paid to minority shareholders in the current period	Accumulated minority shareholders' equity at the end of the period
3	An He (Lei Bo) Hydro Power Co., Ltd.	50.70	-3,132,063.76	0.00	29,876,865.85
4	Juli Natural Gas Co., Ltd.	48.83	1,256,053.76	0.00	63,367,870.03

（2）Major financial information of minority shareholders

Item	Closing amount / current amount			
	China Shuifa Singyes Energy Holdings Limited	Dalian Energas Gas-System Co., Ltd.	An He (Lei Bo) Hydro Power Co., Ltd.	Yantai Juli Natural Gas Co., Ltd.
Current assets	7,207,990,719.82	768,413,882.64	56,799,738.86	82,076,628.83
Non-current assets	4,629,873,555.18	974,114,288.21	1,275,253,594.83	43,480,038.43
Total assets	11,837,864,275.00	1,742,528,170.85	1,332,053,333.69	125,556,667.26
Current liabilities	4,059,467,859.06	414,443,499.10	257,559,987.85	7,150,907.17
Non-current liabilities	3,555,766,068.24	86,450,953.06	634,107,658.07	605,393.92
Total liabilities	7,615,233,927.30	500,894,452.16	891,667,645.92	7,756,301.09
Operating revenue	2,145,947,468.36	307,191,309.74	25,811,531.88	19,535,672.44
Net profit	218,880,741.36	7,125,350.61	-5,820,410.33	2,572,299.33
Comprehensive income	218,880,741.36	7,163,377.70	-5,820,410.33	2,572,299.33
Cash flows from operating activities	-21,944,332.36	-43,064,500.33	2,633,383.28	1,996,644.90

Continued:

Item	Opening amount / previous amount			
	China Shuifa Singyes Energy Holdings Limited	Dalian Energas Gas-System Co., Ltd.	An He (Lei Bo) Hydro Power Co., Ltd.	Yantai Juli Natural Gas Co., Ltd.
Current assets	7,274,664,784.55	687,499,251.17	20,465,835.14	94,414,476.56
Non-current assets	4,680,405,404.49	962,143,123.13	1,280,313,779.74	43,480,458.68
Total assets	11,955,070,189.04	1,649,642,374.30	1,300,779,614.88	137,894,935.24
Current liabilities	3,197,564,602.55	420,976,843.97	262,848,037.31	10,071,388.56
Non-current liabilities	4,722,960,851.98	324,085,698.80	591,725,479.47	623,431.44
Total liabilities	7,920,525,454.53	745,062,542.77	854,573,516.78	10,694,820.00
Operating revenue	1,148,380,264.29	147,522,602.44	31,968,356.23	26,795,397.42
Net profit	460,926,441.39	-44,116,235.93	-1,067,487.53	2,143,104.25

Item	Opening amount / previous amount			
	China Shuifa Singyes Energy Holdings Limited	Dalian Energas Gas-System Co., Ltd.	An He (Lei Bo) Hydro Power Co., Ltd.	Yantai Juli Natural Gas Co., Ltd.
Comprehensive income	460,926,441.39	-44,090,093.11	-1,067,487.53	2,143,104.25
Cash flows from operating activities	-120,285,000.00	89,604,873.04	79,575,916.27	-6,980,206.91

3.Companies newly incorporated into the scope of consolidation in the current period

Company name	Owner's equity at the end of the period	Net profit of the year	Reasons for incorporation
Sishui Shuifa Industrial Ecological Technology Co., Ltd	2,338,004.56	7,395.96	Establishment of companies under tier 2 and below
Sishui Shuifa Huifeng Ecological Technology Co., Ltd	100,000,000.00		Acquisition of companies under tier 2 and below
Shuifa Cultural Tourism Industry Co., Ltd	56,167,460.00	-2,639,362.53	New tier 2 subsidiary
Shandong Shuifa Zongxin Industrial Co., Ltd	4,000,000.00		Establishment of companies under tier 2 and below
Shandong Muze Traditional Chinese Medicine Decoction Pieces Co., Ltd	86,025,878.59	3,512,078.86	Acquisition of companies under tier 2 and below
Shandong Ludiyuan Natural Medicine Co., Ltd	70,787,314.99	-625,138.68	Acquisition of companies under tier 2 and below
Shandong Shuifa Life Science Research Co., Ltd	8,000,005.00	5.00	Establishment of companies under tier 2 and below
Shuifa Technology Group Co., Ltd. (Shandong Qirun Planning Institute Co., Ltd.)	308,273,482.37	814.90	New tier 2 subsidiary
Shuifa Design Group (Hangzhou) Co., Ltd	1,950,257.79	15,019.69	Establishment of companies under tier 2 and below
Shandong Agricultural Industry Research Institute Co., Ltd	-229,631.52	-229,631.52	Establishment of companies under tier 2 and below
Shandong Nongfa Lantai Ecological Technology Co., Ltd	14,676,712.15	-323,287.85	Establishment of companies under tier 2 and below
Shandong Nongfa (Weihai) Fruit Industry Development Co., Ltd	-21,152.78	-21,152.78	Establishment of companies under tier 2 and below
Shandong Nongfa (Rongcheng) Investment Development Co., Ltd	-566,881.33	-566,881.33	Establishment of companies under tier 2 and below
Shandong Rural Property Rights Trading Center Co., Ltd	71,174,262.36	-329,278.12	Acquisition of companies under tier 2 and below
Shandong Nongfa Fungus Industry Group Co., Ltd	233,262,841.66		Acquisition of companies under tier 2 and below

Company name	Owner's equity at the end of the period	Net profit of the year	Reasons for incorporation
Lufeng Shenzhou Gas Co., Ltd	3,693,419.86	-2,647,613.41	Acquisition of companies under tier 2 and below
Qingdao Neng'An Hengxin Technology Co., Ltd	-10,888,580.14	-1,716,445.72	Acquisition of companies under tier 2 and below
Zibo Qilu Chemical Industrial Park Heating Co., Ltd	147,861,284.90	22,076,347.77	Acquisition of companies under tier 2 and below
Kuche Water Control Agricultural Development Co., Ltd	17,407,700.00	3,377,800.00	Acquisition of companies under tier 2 and below
Dengkou Water Control Agricultural Development Co., Ltd	3,000,000.00		Establishment of companies under tier 2 and below
Shandong Shuinong Yibao Rural Revitalization Industry Development Co., Ltd	41,120,808.88	10,808.88	Establishment of companies under tier 2 and below
Shuifa (Ningxia) Food Co., Ltd	28,501,946.48	1,946.48	Establishment of companies under tier 2 and below
Shuifa Haohai (Xinjiang) Supply Chain Management Co., Ltd	700,000.00		Establishment of companies under tier 2 and below
Shuifa Haohai (Shaanxi) Supply Chain Management Co., Ltd	10,638,205.22	38,205.22	Establishment of companies under tier 2 and below
Hantai (Ningxia) Garden Co., Ltd	10,000.00		Establishment of companies under tier 2 and below
Shuifa Haohai (Shandong) Supply Chain Management Co., Ltd			Establishment of companies under tier 2 and below
Heilongjiang Lishu Wind Power Generation Co., Ltd	411,982,128.63	6,481,314.36	Acquisition of companies under tier 2 and below
Jixi Xinyuan Wind Power Generation Co., Ltd	333,776,661.73	5,905,501.55	Acquisition of companies under tier 2 and below
Inner Mongolia Jieyuan Wind Power Generation Co., Ltd	224,350,194.88	18,931,121.83	Acquisition of companies under tier 2 and below
Shandong Shuifa Municipal Construction Co., Ltd	11,517,021.84	1,820.19	Acquisition of companies under tier 2 and below
Zouping Shuifa Water Investment Development Co., Ltd	14,820,276.08	-379,723.92	Establishment of companies under tier 2 and below
Shuifa Zhuoheng Engineering Management Co., Ltd	351.80	52.77	Acquisition of companies under tier 2 and below
Dongping Shuifa Mining Co., Ltd	7,756.46	1,971.08	Establishment of companies under tier 2 and below
Mulan County Longneng Resources Recycling Co., Ltd	3,383.34		Acquisition of companies under tier 2 and below

Company name	Owner's equity at the end of the period	Net profit of the year	Reasons for incorporation
Dingxiang Zhongwei Thermal Power Co., Ltd	5,171.73	-462.05	Acquisition of companies under tier 2 and below
Shanxi Zhipeng Construction Engineering Co., Ltd	-1,060.55	-19.50	Acquisition of companies under tier 2 and below
Shanghai Guangrui Environmental Protection Technology Co., Ltd	-36,608.96		Acquisition of companies under tier 2 and below
Leting Haichang Environmental Protection Technology Co., Ltd	31,347,720.71	3,303,056.18	Acquisition of companies under tier 2 and below
Langxi Huayuan Solid Waste Disposal Co., Ltd	26,499,162.36	-2,982,951.96	Acquisition of companies under tier 2 and below

4.Business combination not under the common control in the current period

Unit: 10 thousand yuan

Acquiree	Timing of acquisition	Carrying amount	Fair value	Acquisition cost	Goodwill	Revenue of the acquiree from the acquisition date to the end of the year	Profit of the acquiree from the acquisition date to the end of the year
Shandong Muze Traditional Chinese Medicine Decoction Pieces Co., Ltd	2020.4.20	5,401.59	5,774.68	3,849.78		4,073.61	351.21
Shandong Ludiyuan Natural Medicine Co., Ltd	2020.4.20	5,245.21	5,844.05	3,896.03		337.69	-62.51
Shandong Rural Property Rights Trading Center Co., Ltd	2020.4.30	7,097.55	7,199.83	3,675.44		0.03	-32.93
Shandong Nongfa Fungus Industry Group Co., Ltd	2020.6.30	16,971.12	23,467.89	10,573.23			
Lufeng Shenzhou Gas Co., Ltd	2020.1.31	2,259.85	14,550.96	13,742.13	11,690.59	3,213.46	-264.76
Qingdao Neng'An Hengxin Technology Co., Ltd	2020.1.31	540.96	314.64	215.20		16.92	-171.64

<table>
<tr><th>Acquiree</th><th>Timing of acquisition</th><th>Carrying amount</th><th>Fair value</th><th>Acquisition cost</th><th>Goodwill</th><th>Revenue of the acquiree from the acquisition date to the end of the year</th><th>Profit of the acquiree from the acquisition date to the end of the year</th></tr>
<tr><td>Zibo Qilu Chemical Industrial Park Heating Co., Ltd</td><td>2020.1.1</td><td>11,587.62</td><td>28,690.71</td><td>9,313.73</td><td>2,598.45</td><td>9,473.29</td><td>2,207.63</td></tr>
<tr><td>Kuche Water Control Agricultural Development Co., Ltd</td><td>2020.4.1</td><td>1,740.77</td><td>1740.77</td><td>887.80</td><td></td><td></td><td></td></tr>
<tr><td>Inner Mongolia Jieyuan Wind Power Generation Co., Ltd</td><td>2020.1.1</td><td>15,502.90</td><td>9,121.74</td><td>12,500.00</td><td>3,198.06</td><td>4,399.79</td><td>1,893.11</td></tr>
<tr><td>Jixi Xinyuan Wind Power Generation Co., Ltd</td><td>2020.1.1</td><td>32,326.21</td><td>22,235.13</td><td>25,968.26</td><td>3,721.32</td><td>1,425.42</td><td>590.55</td></tr>
<tr><td>Heilongjiang Lishu Wind Power Generation Co., Ltd</td><td>2020.1.1</td><td>42,870.15</td><td>28,871.72</td><td>29,601.25</td><td>680.44</td><td>1,505.36</td><td>648.13</td></tr>
<tr><td>Shuifa Zhuoheng Engineering Management Co., Ltd</td><td>2020.6.1</td><td>299.03</td><td>929.06</td><td>459.00</td><td></td><td>75.24</td><td>52.77</td></tr>
<tr><td>Mulan County Longneng Resources Recycling Co., Ltd</td><td>2020.4.23</td><td>558.68</td><td>979.51</td><td>734.63</td><td></td><td></td><td></td></tr>
<tr><td>Dingxiang Zhongwei Thermal Power Co., Ltd</td><td>2020.3.9</td><td>5,151.96</td><td rowspan="2">4,604.31</td><td rowspan="2">4,604.31</td><td></td><td>201.53</td><td>-462.05</td></tr>
<tr><td>Shanxi Zhipeng Construction Engineering Co., Ltd</td><td>2020.3.9</td><td>-100.35</td><td></td><td></td><td>-19.50</td></tr>
<tr><td>Shanghai Guangrui Environmental Protection Technology Co., Ltd</td><td>2020.04.26</td><td>8.10</td><td></td><td></td><td></td><td>8.01</td><td>-0.5</td></tr>
<tr><td>Leting Haichang Environmental Protection Technology Co., Ltd</td><td>2020.05.25</td><td>11,575.81</td><td>1881.65</td><td>5,450.10</td><td>3,222.96</td><td>324.57</td><td>158.88</td></tr>
</table>

Acquiree	Timing of acquisition	Carrying amount	Fair value	Acquisition cost	Goodwill	Revenue of the acquiree from the acquisition date to the end of the year	Profit of the acquiree from the acquisition date to the end of the year
Langxi Huayuan Solid Waste Disposal Co., Ltd	2020.06.08	7,202.95	16945.44	6,643.45	4,923.18	219.25	9.85

Note: the difference between the transaction consideration value and the fair value of the identifiable net assets of the merged enterprise is recognized as goodwill.

VIII.Notes to Items in Consolidated Financial Statements

(Unless otherwise specified, the following monetary unit is RMB, opening balance is Jan 1st 2020)

1. Cash and cash equivalents

Item	Closing balance	Opening balance
Cash	7,743,743.87	4,560,877.79
Cash at bank	10,302,169,778.63	9,030,036,067.05
Other currency fund	3,266,983,679.87	1,700,771,954.44
Total	13,576,897,202.37	10,735,368,899.28

The details of restricted monetary funds are as follows:

Item	Closing balance	Opening balance
Bank acceptance guarantee deposit	881,303,516.88	541,110,118.46
L / C deposit	463,481,908.60	49,000,000.00
Guarantee bond	801,843,524.29	808,328,932.48
Time deposit or call deposit for guarantee	1,721,539.50	573,700,000.00
Margin deposit deposited by applying to the bank for issuing an unconditional and irreversible guarantee letter	11,164,445.89	7,500,000.00
Labor security deposit	135,380,367.00	1,856,621.91
Special funds	1,237,326,657.02	22,187,008.77
Total	3,532,221,959.18	2,003,682,681.62

2. Financial assets at fair value through profit and loss

Item	Fair value at the end of the period	Fair value at the beginning of the period
Trading financial assets		315,000,000.00

Item	Fair value at the end of the period	Fair value at the beginning of the period
Including: Debt instrument investment		
Equity instrument investment		
Other		315,000,000.00
Designated as financial assets measured at fair value with changes included in current profit and loss	100,000.00	
Including: Debt instrument investment		
Equity instrument investment		
Other	100,000.00	
Total	100,000.00	315,000,000.00

3. Notes receivable

(1)Classification of notes receivable

Item	Closing balance			Opening balance		
	Book balance	Bad debt provision	Book value	Book balance	Bad debt provision	Book value
Bank acceptance	370,225,907.68		370,225,907.68	176,697,965.74		176,697,965.74
Commercial acceptance	31,705,153.00		31,705,153.00	131,257,404.49		131,257,404.49
Total	401,931,060.68		401,931,060.68	307,955,370.23		307,955,370.23

(2)Notes receivable pledged at the end of the period

Item	Pledged amount at the end of the period
Bank acceptance	8,323,528.80
Commercial acceptance	
Total	8,323,528.80

(3)Notes receivable has been endorsed or discounted at the end of the date and has not yet expired at the end of the period

Item	De-recognized amount	Not de-recognized amount
Bank acceptance	23,201,380.86	4,000,000.00
Commercial acceptance	500,000.00	
Total	23,701,380.86	4,000,000.00

4. Accounts receivable

Type	Closing balance				Opening balance			
	Book balance		Bad debt provision		Book balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable with								

Type	Closing balance				Opening balance			
	Book balance		Bad debt provision		Book balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
significant single amount and having bad debt reserve withdrawn independently								
Accounts receivable with bad debt reserve withdrawn as per the portfolio of credit risk characteristics	9,256,744,802.86	99.99	705,948,276.38	7.63	9,230,196,711.96	99.98	772,632,430.64	8.38
Accounts receivable with insignificant single amount and having bad debt reserve withdrawn independently	1,132,829.95	0.01	1,132,829.95	100.00	1,959,005.95	0.02	1,959,005.95	100.00
Total	9,257,877,632.81	—	707,081,106.33	—	9,232,155,717.91	—	774,591,436.59	—

(1)Accounts receivable with bad debt reserve withdrawn as per the portfolio of credit risk characteristics

a)Account aging portfolio:

Aging	Closing balance			Opening balance		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	Proportion (%)		Amount	Proportion (%)	
Less than 1 year	4,201,572,315.27	49.47		2,667,438,303.09	38.23	
1-2 years	1,060,814,514.00	12.49	53,040,725.70	1,271,584,770.74	18.22	63,579,238.54
2-3 years	1,892,778,081.00	22.29	94,638,904.05	1,776,243,165.92	25.46	88,812,158.35
Over 3 years	1,337,972,959.48	15.75	558,268,646.63	1,262,209,441.18	18.09	620,241,033.75
Total	8,493,137,869.75	100.00	705,948,276.38	6,977,475,680.93	100.00	772,632,430.64

Note: the reason for the discrepancy between the beginning and the end of the period of the account aging is due to the business combination not under the common control of the company in this year.

b)Other portfolio:

Item	Closing balance			Opening balance		
	Book balance	Proportion (%)	Bad debt provision	Book balance	Proportion (%)	Bad debt provision
Related-party portfolio and no risk portfolio	763,606,933.11			2,252,721,031.03		
Total	763,606,933.11			2,252,721,031.03		

(2)Accounts receivable with significant single amount and having bad debt reserve withdrawn independently

Company name	Book balance	Bad debt provision	Aging	Proportion (%)	Reason
Heze Mudan District State Administration of Taxation	1,010,000.00	1,010,000.00	Over 3 years	100.00	Not expected to be recovered
Zhao Tang	10,372.70	10,372.70	Over 3 years	100.00	Not expected to be recovered
Jiazhuang Node Project Management Office	25,259.00	25,259.00	Over 3 years	100.00	Not expected to be recovered
Zouping Water Conservancy Bureau	55,000.00	55,000.00	Over 3 years	100.00	Not expected to be recovered
Huaihe River Basin Engineering Bureau of Shandong Province	21,955.00	21,955.00	Over 3 years	100.00	Not expected to be recovered
Hanshan Water Conservancy Bureau	9,309.00	9,309.00	Over 3 years	100.00	Not expected to be recovered
Yangzhou Construction Department of South to North Water Diversion Project	934.25	934.25	Over 3 years	100.00	Not expected to be recovered
Total	1,132,829.95	1,132,829.95	—	—	—

(3)Balance of top 5 accounts receivable at the end of each period

Company name	Book balance	Proportion in ending balance of accounts receivable (%)	Bad debt provision
Linfen Power Supply Company of State Grid Shanxi Electric Power Company	181,124,400.00	1.96	
State Grid Heilongjiang Electric Power Co., Ltd	357,396,232.67	3.86	
Huizhou Yongjing New Energy Technology Co., Ltd	316,395,720.40	3.42	66,423,669.08
Tongchuan Meiguang Solar Power Co., Ltd	205,683,319.71	2.22	34,690,088.60
Yangjiang Huajing Green Energy Technology Co., Ltd	192,824,361.91	2.08	39,435,051.48
Total	1,253,424,034.69	13.54	140,548,809.16

5. Receivables financing

Item	Closing balance	Opening balance
Notes receivable	4,100,000.00	7,928,571.43
Accounts receivable		
Total	4,100,000.00	7,928,571.43

6. Prepayments

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Less than 1 year	1,944,142,742.76	62.93	933,483,244.78	35.45
1-2 years	757,424,979.53	24.52	1,380,471,768.84	52.34
2-3 years	192,804,793.16	6.24	202,011,498.78	7.66
Over 3 years	195,071,281.53	6.31	119,313,450.93	4.55
Total	3,089,443,796.98	100.00	2,635,279,963.33	100.00

(1)Balance of top 5 prepayments at the end of the period

Company name	Book balance	Proportion in ending balance of prepayments (%)
Linyi Nanrui Electric Power Engineering Co., Ltd	187,550,000.00	6.07
Taian Hengzheng Construction and Installation Engineering Co., Ltd	133,894,721.18	4.33
Xinjiang Yier Biotechnology Development Co., Ltd	103,513,906.70	3.35
MCC Southern Urban Environmental Protection Engineering Technology Co., Ltd	82,042,283.20	2.66
Suzhou Huanyu Xinbo Environmental Protection Technology Co., Ltd	70,333,377.61	2.28
Total	577,334,288.69	18.69

7. Other receivables

Item	Closing balance	Opening balance
Interest receivable	7,477,430.56	8,504,763.86
Dividends receivable	15,573,222.59	32,791,365.80
Other receivables	3,733,384,372.86	1,183,129,999.86
Total	3,756,435,026.01	1,224,426,129.52

(1)Interest receivable

a)Classification of interest receivable

Item	Closing balance	Opening balance
Fixed deposit	4,646,423.61	3,161,255.84
Other	2,831,006.95	5,343,508.02

Item	Closing balance	Opening balance
Total	7,477,430.56	8,504,763.86

(2)Dividends receivable

Item	Closing balance	Opening balance
Shandong Shuifa Municipal Construction Co., Ltd		17,218,143.21
Kashgar Water Control Planting Farmers' Professional Cooperatives	11,900,000.00	11,900,000.00
Akesu Area Hong Shun Water Control Agricultural Farmer Cooperatives	3,673,222.59	3,673,222.59
Total	15,573,222.59	32,791,365.80

(3)Other receivables

Type	Closing balance				Opening balance			
	Book balance		Bad debt provision		Book balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables with significant single amount and having bad debt reserve withdrawn independently								
Other receivables with bad debt reserve withdrawn as per the portfolio of credit risk characteristics	4,032,407,374.13	99.91	299,023,001.27	8.03	1,427,226,165.52	98.79	244,096,165.66	17.10
Other receivables with insignificant single amount and having bad debt reserve withdrawn independently	3,540,703.32	0.09	3,540,703.32	100.00	17,498,865.57	1.21	17,498,865.57	100.00
Total	4,035,948,077.45	—	302,563,704.59	—	1,444,725,031.09	—	261,595,031.23	—

a)Other receivables with bad debt reserve withdrawn as per the portfolio of credit risk characteristics

i.Account aging portfolio:

Aging	Closing balance			Opening balance		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	Proportion (%)		Amount	Proportion (%)	
Less than 1 year	1,207,210,105.29	44.80		328,829,946.76	25.61	
1-2 years	276,333,616.00	10.26	13,816,680.80	328,818,260.40	25.61	16,440,913.02
2-3 years	515,142,826.20	19.12	25,757,141.31	347,375,603.24	27.05	17,368,780.16
Over 3 years	695,747,223.30	25.82	259,449,179.16	279,058,349.14	21.73	210,286,472.48
Total	2,694,433,770.79	100.00	299,023,001.27	1,284,082,159.54	100.00	244,096,165.66

ii.Other portfolio

Item	Closing balance			Opening balance		
	Book balance	Proportion (%)	Bad debt provision	Book balance	Proportion (%)	Bad debt provision
Related-party portfolio and no risk portfolio	1,337,973,603.34			143,144,005.98		
Total	1,337,973,603.34			143,144,005.98		

b)Other receivables with insignificant single amount and having bad debt reserve withdrawn independently

Company name	Book balance	Bad debt provision	Aging	Proportion (%)	Reason
Hainan New Concept Office	760,000.00	760,000.00	Over 3 years	100.00	Not expected to be recovered
Wu Duowu	525,000.00	525,000.00	Over 3 years	100.00	Not expected to be recovered
Hainan Yingchuan Law Firm	500,000.00	500,000.00	Over 3 years	100.00	Not expected to be recovered
Wen Xu	400,000.00	400,000.00	Over 3 years	100.00	Not expected to be recovered
Lanling State Owned Assets Operation Co., Ltd	324,455.51	324,455.51	Over 3 years	100.00	Not expected to be recovered
Wei Guo	300,000.00	300,000.00	Over 3 years	100.00	Not expected to be recovered
Hainan Kunhe Law Firm	200,000.00	200,000.00	Over 3 years	100.00	Not expected to be recovered
Hainan Falixin Law Firm	100,000.00	100,000.00	Over 3 years	100.00	Not expected to be recovered
Rizhao Hehai Hydrological Technology Consulting Co., Ltd	80,000.00	80,000.00	Over 3 years	100.00	Not expected to be recovered
Wang Cuihua	75,615.65	75,615.65	Over 3 years	100.00	Not expected to be recovered
Financial Funds of Hainan Finance Department	70,600.00	70,600.00	Over 3 years	100.00	Not expected to be recovered
Yang Xianghong	50,000.00	50,000.00	Over 3 years	100.00	Not expected to be recovered
Jacques Design Limited	35,000.00	35,000.00	Over 3 years	100.00	Not expected to be recovered

Company name	Book balance	Bad debt provision	Aging	Proportion (%)	Reason
Lu Yao	32,024.41	32,024.41	Over 3 years	100.00	Not expected to be recovered
Kunshan Longteng Decoration and Installation Engineering Company	30,000.00	30,000.00	Over 3 years	100.00	Not expected to be recovered
Jining Central District People's Court - Zhuben	29,377.75	29,377.75	Over 3 years	100.00	Not expected to be recovered
Haikou Meilan Yangting Firm	24,230.00	24,230.00	Over 3 years	100.00	Not expected to be recovered
Qiu Guobao	3,000.00	3,000.00	Over 3 years	100.00	Not expected to be recovered
Industrial Bank POS	1,400.00	1,400.00	Over 3 years	100.00	Not expected to be recovered
Total	3,540,703.32	3,540,703.32	—	—	—

c)Balance of top 5 other receivables at the end of the period

Company name	Nature	Book balance	Aging	Proportion (%)	Bad debt provision
Juye County People'S Government	Special bond fund	150,006,003.20	Less than 1 year	3.78	
Heze Bureau of Natural Resources and Social Planning	Advance for demolition	96,461,641.00	Less than 1 year	2.43	
Wucheng County People'S Government	Income of Jiande Reservoir in Wucheng	51,840,000.00	Less than 1 year	1.31	
Jiaxiang County Dazhanglou Finance Office	Deposit	40,310,045.00	Less than 1 year	1.02	
Financial Treasury Centralized Payment Center of Shandong Weifang Binhai Economic Development Zone	Deposit	32,171,016.00	Less than 1 year	0.81	
Total	—	370,788,705.20	—	9.34	

8. Inventories

(1)Classification of Inventories

Item	Closing balance			Opening balance		
	Book balance	Provision	Book value	Book balance	Provision	Book value
Raw material	751,730,841.60	4,235,952.20	747,494,889.40	895,002,839.87	4,235,952.20	890,766,887.67
Semi-finish goods	3,809,798,946.55		3,809,798,946.55	3,512,529,970.19		3,512,529,970.19
Finished goods	1,730,205,252.61	3,829,912.00	1,726,375,340.61	2,495,971,981.12	3,829,912.00	2,492,142,069.12
Development costs	11,476,903,112.78		11,476,903,112.78	9,982,463,880.47		9,982,463,880.47
Turnover materials	15,229,914.13		15,229,914.13	24,108,528.80		24,108,528.80
Consumptive biological assets	719,503,906.21		719,503,906.21	212,963,973.18		212,963,973.18
Other	315,087,826.96	10,256.43	315,077,570.53	108,138,793.62	10,256.43	108,128,537.19
Total	18,818,459,800.84	8,076,120.63	18,810,383,680.21	17,231,179,967.25	8,076,120.63	17,223,103,846.62

9. Held-for-sale assets

Item	Book value	Fair value	Estimated disposal costs	Schedual
Shijiazhuang Paicheng New Energy Technology Co., Ltd.	12,285,221.38	15,079,659.31	None	Note 1
Total	12,285,221.38	15,079,659.31	—	—

Note 1: In order to optimize the asset structure of the company, on December 16, 2019, Dalian Energas Gas System Co, Ltd. signed the equity transfer agreement with Dalian Paisi Investment Co., Ltd. according to the resolution of the board of directors of the company, and sold 100% equity of Shijiazhuang Paicheng New Energy Technology Co., Ltd. As of June 30, 2020, the equity transfer funds have not been received and the assets have not been transferred, so they are presented as Held-for-sale assets.

10. Other current assets

Item	Closing balance	Opening balance
Input VAT retained	1,859,195,151.00	1,267,153,552.48
Financial products		5,000,000.00
Prepaid tax	116,878,240.87	364,190,565.67
Other	175,855,014.87	457,348,135.92
Total	2,151,928,406.74	2,093,692,254.07

11. Available-for-sale financial assets

Item	Closing balance			Opening balance		
	Book balance	Provision	Book value	Book balance	Provision	Book value
Available-for-sale debt instruments						
Available-for-sale equity instruments	465,895,581.94		465,895,581.94	553,094,223.44		553,094,223.44
Among them: Measured at fair value	10,377,603.02		10,377,603.02	7,102,416.72		7,102,416.72
Measured at cost	455,517,978.92		455,517,978.92	545,991,806.72		545,991,806.72
Other						
Total	465,895,581.94		465,895,581.94	553,094,223.44		553,094,223.44

12. Long-term receivables

Item	Closing balance			Opening balance			Discount rate range (%)
	Book balance	Bad debt provision	Book value	Book balance	Bad debt provision	Book value	
Installment payment to provide services	829,414,629.92		829,414,629.92	1,460,979,835.51		1,460,979,835.51	
Project of transferring Huaihe River from East to South	424,610,000.00		424,610,000.00	424,610,000.00		424,610,000.00	

Item	Closing balance			Opening balance			Discount rate range (%)
	Book balance	Bad debt provision	Book value	Book balance	Bad debt provision	Book value	
Key middle and small river regulation projects	212,540,000.00		212,540,000.00	212,540,000.00		212,540,000.00	
Key river regulation projects	378,420,000.00		378,420,000.00	378,420,000.00		378,420,000.00	
River maintenance cost project	52,000,000.00		52,000,000.00	52,000,000.00		52,000,000.00	
Total	1,896,984,629.92		1,896,984,629.92	2,528,549,835.51		2,528,549,835.51	

13. Long-term equity investments

(1)Classification of Long-term equity investments

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
Investment in subsidiaries				
Investment in joint ventures	221,705,035.16	37,500,000.00	10,000,000.00	208,375,625.92
Investment in associates	501,411,195.51	342,139,156.50	34,567,931.89	808,982,420.12
Subtotal	723,116,230.67	379,639,156.50	44,567,931.89	1,017,358,046.04
Less: Provision for impairment	40,829,409.24			40,829,409.24
Total	682,286,821.43	338,809,747.26	44,567,931.89	976,528,636.80

(2)Details of Long-term equity investments

Invested company	Investment cost	Opening balance	Changes of current period								Closing balance	Closing balance of provision for impairment
			Additional investment	Negative investment	Gains and losses on investments recognized with equity method	Other comprehensive income adjustments	Other changes in equity	Declare the payment of cash dividends or profits	Provision for impairment	Others		
Total	938,164,874.97	682,286,821.43	333,389,864.71	-38,577,891.89	183,003.23	236,879.32				-990,040.00	976,528,636.80	40,829,409.24
a) Joint ventures	181,550,000.00	180,875,625.92	37,500,000.00	-10,000,000.00							208,375,625.92	
Xinjiang Huihong Xingnong Planting Farmer Professional Cooperative	70,000,000.00	70,000,000.00									70,000,000.00	
Jinan Fangda Equity Investment Fund Management Partnership (Limited Partnership)	59,900,000.00	59,900,625.92	37,500,000.00								97,400,625.92	
Dengkou Water Control Agricultural Cooperative	30,000,000.00	30,000,000.00									30,000,000.00	
Shandong Shuifa Experimental School	10,000,000.00	10,000,000.00		-10,000,000.00								
Other	11,650,000.00	10,975,000.00									10,975,000.00	
b) Associates	756,614,874.97	501,411,195.51	295,889,864.71	-28,577,891.89	183,003.23	236,879.32				-990,040.00	768,153,010.88	40,829,409.24
Shandong Water Investment Co., Ltd	102,500,000.00	137,925,881.48									137,925,881.48	
Shandong Shuifa Runxin Water Co., Ltd	75,150,000.00	75,150,000.00									75,150,000.00	

Invested company	Investment cost	Opening balance	Changes of current period								Closing balance	Closing balance of provision for impairment
			Additional investment	Negative investment	Gains and losses on investments recognized with equity method	Other comprehensive income adjustments	Other changes in equity	Declare the payment of cash dividends or profits	Provision for impairment	Others		
Shandong Huifengyuan Financing Guarantee Co., Ltd	42,000,000.00	42,061,327.10									42,061,327.10	
Shandong Huatong Environmental Technology Co., Ltd	39,979,800.00	38,850,418.65									38,850,418.65	
Shandong Shuifa Ziguang Big Data Co., Ltd	23,430,000.00	21,823,367.12									21,823,367.12	
Tudi Power Co., Ltd	19,864,700.00	19,864,700.00									19,864,700.00	
Shandong Yuanshui Environmental Protection Technology Co., Ltd	15,680,000.00	15,567,125.20								-890,040.00	14,677,085.20	
Heze Yiyuan Industrial Co., Ltd	14,000,000.00	14,000,000.00									14,000,000.00	
Weining Xinye New Energy Technology Co., Ltd		13,047,865.70		-13,047,865.70								
Shandong Financial Lingrui New Material Industry Master Fund Partnership (Limited Partnership)	12,000,000.00	12,000,000.00									12,000,000.00	

Invested company	Investment cost	Opening balance	Changes of current period								Closing balance	Closing balance of provision for impairment
			Additional investment	Negative investment	Gains and losses on investments recognized with equity method	Other comprehensive income adjustments	Other changes in equity	Declare the payment of cash dividends or profits	Provision for impairment	Others		
Shandong Phoenix Valley Tourism Project Development Co., Ltd.	10,000,000.00	10,000,000.00									10,000,000.00	
Akesu Area Hong Shun Water Control Agricultural Farmer Cooperatives	9,000,000.00	9,000,000.00									9,000,000.00	
Kashgar Water Control Planting Farmers' Professional Cooperatives	475,000.00	475,000.00									475,000.00	
Other	392,535,374.97	91,645,510.26	295,889,864.71	-15,530,026.19	183,003.23	236,879.32				-100,000.00	372,325,231.33	40,829,409.24

14. Investment properties

(1)Measured at cost

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
1.Book balance	1,925,538,496.36	64,174,847.56		1,989,713,343.92
(1)Property and plant	1,912,379,885.31	12,600,000.00		1,924,979,885.31
(2)Land use right	13,158,611.05	51,574,847.56		64,733,458.61
2.Depreciation/Amortization	95,959,599.17	28,761,828.56		124,721,427.73
(1)Property and plant	94,417,647.50	10,091,173.80		104,508,821.30
(2)Land use right	1,541,951.67	18,670,654.76		20,212,606.43
3.Net book balance	1,829,578,897.19			1,864,991,916.19
(1)Property and plant	1,817,962,237.81			1,820,471,064.01
(2)Land use right	11,616,659.38			44,520,852.18
4.Impairment provision				-
(1)Property and plant				-
(2)Land use right				-
5.Book value	1,829,578,897.19			1,864,991,916.19
(1)Property and plant	1,817,962,237.81			1,820,471,064.01
(2)Land use right	11,616,659.38			44,520,852.18

15. Fixed assets

Item	Closing balance	Opening balance
Fixed assets	24,350,505,720.00	21,122,857,598.66
Disposal of fixed assets	8,264,586.06	9,531,680.95
Total	24,358,770,306.06	21,132,389,279.61

(1)Details of fixed assets

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
1.Book balance	26,417,757,918.92	4,402,065,253.26	130,138,243.21	30,689,684,928.97
Land				
Property and plant	13,457,551,132.91	1,736,217,207.78	61,967,203.20	15,131,801,137.49
Machinery equipment	12,061,895,214.83	2,172,025,234.48	47,591,641.93	14,186,328,807.38
Transportation equipment	506,352,882.36	31,039,195.21	11,272,047.64	526,120,029.93
Electronic equipment and other	168,941,876.10	453,773,519.26	8,183,903.16	614,531,492.20
Office equipment	223,016,812.72	9,010,096.53	1,123,447.28	230,903,461.97
2. Accumulative depreciation	5,291,345,267.05	1,122,667,225.08	78,388,336.37	6,335,624,155.76
Land	—			
Property and plant	2,258,688,241.00	297,012,940.48	39,433,484.34	2,516,267,697.14

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
Machinery equipment	2,497,340,899.12	538,125,061.16	26,084,653.93	3,009,381,306.35
Transportation equipment	286,187,755.01	7,769,830.68	7,358,155.04	286,599,430.65
Electronic equipment and other	102,718,462.20	268,892,563.79	5,247,474.94	366,363,551.05
Office equipment	146,409,909.72	10,866,828.97	264,568.12	157,012,170.57
3.Net book balance	21,126,412,651.87			24,354,060,773.21
Land				
Property and plant	11,198,862,891.91			12,615,533,440.35
Machinery equipment	9,564,554,315.71			11,176,947,501.03
Transportation equipment	220,165,127.35			239,520,599.28
Electronic equipment and other	66,223,413.90			248,167,941.15
Office equipment	76,606,903.00			73,891,291.40
4.Impairment provision	3,555,053.21			3,555,053.21
Land	—			—
Property and plant				
Machinery equipment	3,431,846.94			3,431,846.94
Transportation equipment				
Electronic equipment and other	123,206.27			123,206.27
Office equipment				
5.Book value	21,122,857,598.66			24,350,505,720.00
Land				
Property and plant	11,198,862,891.91			12,615,533,440.35
Machinery equipment	9,561,122,468.77			11,173,515,654.09
Transportation equipment	220,165,127.35			239,520,599.28
Electronic equipment and other	66,100,207.63			248,044,734.88
Office equipment	76,606,903.00			73,891,291.40

(2)During the reporting period, temporarily idle fixed assets:

Item	Book Balance	Accumulative depreciation	Impairment provision	Book value	Note
Property and plant	81,416,863.58	4,895,303.71		76,521,559.87	

(3)Disposal of fixed assets

Item	Closing book value	Opening book value
Property and plant	8,259,046.06	7,564,716.47
Machinery equipment	5,540.00	1,940,364.44
Electronic equipment		26,600.04
Total	8,264,586.06	9,531,680.95

16. Construction in progress

Item	Closing balance			Opening balance		
	Book balance	Provision	Book value	Book balance	Provision	Book value
Emergency project of Yellow River to East regulation	5,013,939,765.43		5,013,939,765.43	4,678,808,036.28		4,678,808,036.28
Quruduo Hydropower Station	1,981,961,664.84		1,981,961,664.84	1,885,722,516.21		1,885,722,516.21
PPP project of Leling People's Hospital in Shandong Province	738,598,028.15		738,598,028.15	601,141,898.36		601,141,898.36
Wandong Power Station Project	735,152,800.00		735,152,800.00	699,533,553.52		699,533,553.52
Catfish into solid drinking water project	628,875,391.27		628,875,391.27	520,536,122.44		520,536,122.44
Cuowa Hydropower Station	529,331,574.43		529,331,574.43	526,140,446.01		526,140,446.01
Nanmenguan Hydropower Station	486,946,565.72		486,946,565.72	471,733,197.84		471,733,197.84
Urban and Rural Water Supply Project of Huibaoling Reservoir in Lanling County	450,090,351.19		450,090,351.19	216,576,330.10		216,576,330.10
Chamaridong Hydropower Station	388,872,740.46		388,872,740.46	387,736,886.79		387,736,886.79
Plain Reservoir Project	370,382,627.24		370,382,627.24	208,230,032.29		208,230,032.29
Comprehensive Utilization Project of Biomass Energy in Feixian County	320,016,734.80		320,016,734.80	248,357,562.14		248,357,562.14
Craft Beer Workshop Sichuan Jun'An Fine Brewing	316,148,283.70		316,148,283.70	177,539,801.12		177,539,801.12
Shuluyaza Hydropower Station	312,483,551.27		312,483,551.27	311,839,829.57		311,839,829.57
Wengyuan County promotes sewage treatment facilities construction project in PPP mode	283,015,767.26		283,015,767.26	282,952,633.18		282,952,633.18
Renhe Jinghai Regional Pipeline	262,809,310.18		262,809,310.18	242,555,100.00		242,555,100.00

Item	Closing balance			Opening balance		
	Book balance	Provision	Book value	Book balance	Provision	Book value
Integrated Urban and Rural Water Supply Network in Yuncheng County	254,989,535.63		254,989,535.63	248,096,205.24		248,096,205.24
Xining power station, Liuzhongtang power station, Moziyan power station and Luoshanxi power station	246,063,917.88		246,063,917.88	237,001,797.56		237,001,797.56
PPP Project of Raw Water Ecological Purification and Water Supply	245,328,853.18		245,328,853.18	234,878,135.20		234,878,135.20
Jinxiang Urban Rural Water Supply Integration Project	241,576,198.90		241,576,198.90	218,885,441.70		218,885,441.70
Heilongjiang Fuhua Jinhe Environmental Energy Technology Cogeneration Project	231,018,013.87		231,018,013.87	188,380,125.83		188,380,125.83
50MW Agricultural Photovoltaic Power Station in Chikan Village, Dagou Town, Yangdong, Yangjiang City	230,887,908.60		230,887,908.60	190,289,498.50		190,289,498.50
Binzhou High Tech Jiangnan Water Supply Plant	229,937,217.35		229,937,217.35	219,340,324.57		219,340,324.57
Fuyu Shuntai Cogeneration Project	220,739,016.13		220,739,016.13	197,243,073.32		197,243,073.32
Zhongdu Reservoir Project in Wenshang County	214,234,813.12		214,234,813.12	211,680,673.50		211,680,673.50
Puyang Biomass Thermal Power Project	200,228,329.48		200,228,329.48	176,019,597.40		176,019,597.40
Other projects	6,338,136,782.05	86,273,289.30	6,251,863,492.75	7,369,850,232.42	86,273,289.30	7,283,576,943.12
Total	21,471,765,742.13	86,273,289.30	21,385,492,452.83	20,951,069,051.09	86,273,289.30	20,864,795,761.79

17. Biological assets

(1)Measured at cost

Item	Opening book value	Increase in current period	Decrease in current period	Closing book value
1. Animal husbandry	4,252,647.33		57,464.50	4,195,182.83
(1) Horses	4,252,647.33		57,464.50	4,195,182.83
2. Planting industry		18,599,022.28	40,000.00	18,559,022.28
(1) Pear tree, etc		18,599,022.28	40,000.00	18,559,022.28
Total	4,252,647.33	18,599,022.28	97,464.50	22,754,205.11

18. Intangible assets

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
1. Book balance	12,354,632,336.28	1,482,498,159.06	196,842,431.60	13,640,288,063.74
Software	47,683,382.55	53,768,697.67	8,696,654.02	92,755,426.20
Land use right	7,635,145,157.46	710,877,136.66	171,446,111.54	8,174,576,182.58
Patent right	25,551,917.01	2,386,824.13	4,058.28	27,934,682.86
Non-patented technologies	421,982.41			421,982.41
Trademark	86,145,580.66	12,378,446.97	1,275,000.00	97,249,027.63
Copyright	12,800.00	639,931.29		652,731.29
Franchise	4,559,671,516.19	702,447,122.34	15,420,607.76	5,246,698,030.77
2. Accumulative amortization	1,017,519,814.15	132,400,797.42	6,290,465.98	1,143,630,145.59
Software	22,614,702.40	1,022,846.57	6,212,914.87	17,424,634.10
Land use right	361,794,081.40	47,111,730.69	35,352.87	408,870,459.22
Patent right	5,015,195.04	798,921.91		5,814,116.95
Non-patented technologies	206,590.14		42,198.24	164,391.90
Trademark	8,271,265.06	1,963,592.54		10,234,857.60
Copyright	1,733.47	51,580.31		53,313.78
Franchise	619,616,246.64	81,452,125.40		701,068,372.04
3.Impairment provision				
Software				
Land use right				
Patent right				
Non-patented technologies				
Trademark				
Copyright				
Franchise				
4.Book value	11,337,112,522.13			12,496,657,918.15

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
Software	25,068,680.15			75,330,792.10
Land use right	7,273,351,076.06			7,765,705,723.36
Patent right	20,536,721.97			22,120,565.91
Non-patented technologies	215,392.27			257,590.51
Trademark	77,874,315.60			87,014,170.03
Copyright	11,066.53			599,417.51
Franchise	3,940,055,269.55			4,545,629,658.73

19. Capitalized development expenditures

Item	Opening balance	Increase in current period		Decrease in current period			Closing balance
		Internal capitalized development expenditures	Other	Transfer to current profit and loss	Transfer to Intangible assets	Other	
IOTC Smart Water Plant Platform	2,292,981.46	3,612,880.00			2,292,981.46		3,612,880.00
Digital Platform Development Project	5,412,889.98	2,042,931.30					7,455,821.28
Ultrafiltration Membrane R & D Line	2,270,798.82						2,270,798.82
Cloud Brain's Operation Management and Supervision and Assessment System	1,555,641.67						1,555,641.67
DT Membrane R & D Line	839,242.18						839,242.18
A New Type of Water Purification Device with Monitoring Filter Element	163,160.63				163,160.63		
IOTC Intelligent Secondary Water Supply System	147,320.58				147,320.58		
A New Type of Domestic Water Purifier	142,051.17				142,051.17		
Other	635,283.63	5,896,633.18	197,169.81		274,241.05	335,400.21	6,119,445.36
Total	13,459,370.12	11,552,444.48	197,169.81		3,019,754.89	335,400.21	21,853,829.31

20. Goodwill

(1)Book value of goodwill

Name of Invested company or the matters forming goodwill	Opening balance	Increase in current period	Decrease in current period	Closing balance
Shandong Mingke New Energy Co., Ltd	14,329,300.02			14,329,300.02
Yunnan Huaning New Jiulong Investment Co., Ltd	10,256,700.88			10,256,700.88
Shuifa Anhe Group Co., Ltd	42,403,203.52			42,403,203.52
Lijin Xinhe Natural Gas Technology Service Co., Ltd	50,234,259.84			50,234,259.84
Yinan Lino Solar Power Engineering Co., Ltd	10,525,377.10			10,525,377.10
Hunan Highway Design Co., Ltd	34,864,782.87			34,864,782.87
Weifang Huize Water Service Co., Ltd	123,753,745.92			123,753,745.92
Rongcheng Haoyang Thermal Power Co., Ltd	96,559,086.59			96,559,086.59
Baoting Tianshan Yuquan Resort Hotel Co., Ltd	41,675,585.71			41,675,585.71
Shandong Junda Real Estate Co., Ltd	34,204,457.93			34,204,457.93
Jinan Wotejia Environmental Technology Co., Ltd	24,020,709.72			24,020,709.72
Shandong Pingyuan Hanyuan Green Energy Co., Ltd	63,281,329.73			63,281,329.73
Lindian Dongmingyuan Wind Power Generation Co., Ltd	171,328,104.65			171,328,104.65
Qianguo Zhonghe Biomass Thermal Power Co., Ltd	12,000,767.24			12,000,767.24
Shandong Risheng Real Estate Development Co., Ltd	49,697,615.02			49,697,615.02
Xinjiang Shuanghe Water Control Agricultural Development (Group) Co., Ltd	22,420,784.34			22,420,784.34
Dalian Energas Gas-System Co., Ltd.	1,153,825,417.39			1,153,825,417.39
Ya'An Huaran Natural Gas Co., Ltd	42,493,995.63			42,493,995.63
Yichuan Huaran Natural Gas Co., Ltd	30,500,638.81			30,500,638.81
Anda Tiger Hill Wind Farm Co., Ltd.	47,351,889.92			47,351,889.92
Shenzhen Xinjinzhu Investment Development Co., Ltd	397,908,969.46			397,908,969.46
Lufeng Shenzhou Gas Co., Ltd.		116,905,983.66		116,905,983.66
Goodwill Formed by Merger and Acquisition of Other Invested Units	300,309,218.93	183,443,969.16		483,753,188.09
Total	2,773,945,941.22	300,349,952.82		3,074,295,894.04

(2)Impairment of goodwill

Name of Invested company or the matters forming goodwill	Opening balance	Increase in current period	Decrease in current period	Closing balance
Ya'an Huaran Natural Gas Co., Ltd	17,140,199.99			17,140,199.99
Yichuan Huaran Natural Gas Co., Ltd	1,778,115.84			1,778,115.84

Name of Invested company or the matters forming goodwill	Opening balance	Increase in current period	Decrease in current period	Closing balance
Fangcheng Huaran Natural Gas Co., Ltd	800,523.62			800,523.62
Beijing Ruixin Jiasheng hydropower Co., Ltd	9,581,889.50			9,581,889.50
Beijing Taiye Jiasheng Investment Co., Ltd	25,788,154.45			25,788,154.45
Total	55,088,883.40			55,088,883.40

21. Long-term prepaid expenses

Item	Opening balance	Increase in current period	Amortized amount in this period	Other decrease	Closing balance
Rental expense	161,653,775.62	34,246,584.96	52,248,739.89	2,203,200.10	141,448,420.59
Decoration and greening	90,252,487.66	31,780,539.22	7,825,210.28	40,607.70	114,167,208.90
Overhaul expenses	51,362,319.62	7,917,550.76	6,961,800.06		52,318,070.32
Preliminary infrastructure cost	33,843,378.76	26,672,426.34	4,331,875.19	37,815.13	56,146,114.78
Long-term financing costs	16,583,287.68	118,948,549.37	44,705,103.95		90,826,733.10
Other	164,765,975.51	89,093,486.60	18,066,761.90	7,494.00	235,785,206.21
Total	518,461,224.85	308,659,137.25	134,139,491.27	2,289,116.93	690,691,753.90

22. Deferred tax assets/Deferred tax liabilities

(1)Non-offset deferred income tax assets and deferred tax liabilities

Item	Closing balance		Opening balance	
	Deferred tax assets/ liabilities	Deductible/taxable temporary difference	Deferred tax assets/ liabilities	Deductible/taxable temporary difference
1. Deferred tax assets	496,202,225.07	1,984,808,900.28	459,810,564.11	1,839,242,256.44
Asset impairment provision	57,324,431.76	229,297,727.04	41,928,511.07	167,714,044.28
Deductible losses	339,271,102.30	1,357,084,409.20	373,977,986.18	1,495,911,944.72
Assessment of impairment	99,606,691.01	398,426,764.04	43,904,066.86	175,616,267.44
2.Deferred tax liabilities	778,498,601.32	3,113,994,405.28	779,747,935.92	3,118,991,743.68
Value added of assets evaluation in the merger of enterprises not under the common control	530,444,482.76	2,121,777,931.04	737,017,814.08	2,948,071,256.32
Franchise income	248,054,118.56	992,216,474.24	42,730,121.84	170,920,487.36

23. Other non-current assets

Item	Closing balance	Opening balance
Project prepayment	5,809,050.82	313,736,769.63
Prepayment of intangible assets	204,521,877.36	50,280,124.14

Prepayment of fixed assets	959,538,756.05	233,185,176.73
Prepayment of other long-term assets	255,685,173.32	881,656,657.59
Total	1,425,554,857.55	1,478,858,728.09

24. Short-term loans

Item	Closing balance	Opening balance
Pledged loan	1,483,865,051.40	1,327,144,551.35
Mortgaged loan	174,000,000.00	1,204,628,449.07
Guaranteed loan	6,535,268,900.00	5,408,440,006.37
Credit loan	1,157,068,995.80	935,990,000.00
Total	9,350,202,947.20	8,876,203,006.79

25. Notes payables

Item	Closing balance	Opening balance
Bank acceptance	3,318,155,380.31	1,837,167,882.13
Commercial acceptance	888,360,080.00	1,252,568,726.30
Total	4,206,515,460.31	3,089,736,608.43

26. Accounts payable

Aging	Closing balance	Opening balance
Less than 1 year	1,557,431,787.93	2,738,236,819.46
1-2 years	1,272,747,563.22	1,586,670,121.07
2-3 years	484,976,560.08	664,653,759.35
Over 3 years	226,699,036.57	333,308,172.88
Total	3,541,854,947.80	5,322,868,872.76

Significant payables aging more than 1 year:

Company name	Closing balance	Reason
DiEr Group Co., Ltd.	45,231,977.58	Not settled yet
Shandong Kaidi Water Construction Co., Ltd.	69,209,011.47	Not settled yet
Xi'An Shaangu Power Co., Ltd.	96,916,940.00	Not settled yet
Xinbang Construction Engineering Co., Ltd.	48,996,500.00	Not settled yet
Hongyi Construction Group Co., Ltd.	65,662,410.72	Not settled yet
Total	326,016,839.77	—

27. Advances from customers

Aging	Closing balance	Opening balance
Less than 1 year	2,847,262,819.80	2,351,198,788.39

Aging	Closing balance	Opening balance
Over 1 year	1,041,067,762.83	1,316,593,517.77
Total	3,888,330,582.63	3,667,792,306.16

Significant advance from customers with account age of more than 1 year:

Company name	Closing balance	Reason
Aenergy Holdings Company Limited	15,818,797.00	Not settled yet
Shuanghe Agricultural Planting Co-Operative	22,133,000.00	Not settled yet
China Electric Construction Group Nuclear Power Engineering Co., Ltd.	21,756,512.24	Not settled yet
Housing and Urban-Rural Construction Bureau of Shancheng District, Hebi City	30,246,300.00	Not settled yet
Total	89,954,609.24	—

28. Employee benefits payable

(1)Detail of employee benefits payable

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
1. Short-term employee benefits	217,054,268.28	871,051,251.92	904,364,868.77	183,740,651.43
2. Post-employment benefits - defined contribution plan	2,757,536.78	16,842,732.65	15,274,969.47	4,325,299.96
3. Dismiss compensation				
4. Other benefits due within one year				
5. Other				
Total	219,811,805.06	887,893,984.57	919,639,838.24	188,065,951.39

(2)Short-term employee benefits

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
1. Wage, bonus, allowance, and subsidies	191,633,346.03	756,154,842.48	792,684,699.08	155,103,489.43
2. Employee welfare	1,555,705.43	23,580,781.59	23,560,003.78	1,576,483.24
3. Social insurance	708,667.10	32,664,764.61	31,162,698.47	2,210,733.24
Including: Medical insurance	552,229.00	25,933,728.83	25,175,249.78	1,310,708.05
Labor injury insurance	78,846.36	804,075.91	788,093.95	94,828.32
Breeding insurance	0.00	1,116,867.99	1,063,596.47	53,271.52
Other	77,591.74	4,810,091.88	4,135,758.27	751,925.35
4. Housing fund	640,932.75	34,783,331.33	34,625,415.58	798,848.50
5. Labor union budget and staff education fund	7,549,785.35	4,547,156.15	4,149,470.43	7,947,471.07
6. Short-term paid absence				
7. Short-term profit-sharing plan	3,047,630.70			3,047,630.70

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
8. Other short-term employee benefits	11,918,200.92	19,320,375.76	18,182,581.43	13,055,995.25
Total	217,054,268.28	871,051,251.92	904,364,868.77	183,740,651.43

(3)Post-employment benefits - defined contribution plan

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
1. Basic pension	1,821,301.50	13,441,874.33	12,190,115.19	3,073,060.64
2. Unemployment insurance	69,843.04	720,369.24	668,236.18	121,976.10
3. Enterprise annuity	859,859.74	2,191,349.92	2,177,694.75	873,514.91
4. Post employment benefits	6,532.50	489,139.16	238,923.35	256,748.31
Total	2,757,536.78	16,842,732.65	15,274,969.47	4,325,299.96

29. Taxes payable

Item	Closing balance	Opening balance
VAT	34,060,679.39	227,845,198.58
Consumption tax	431,892.16	40,239.47
Resource tax	29,184,527.28	24,329,266.00
Corporate income tax	339,791,783.64	442,512,070.10
City maintenance and construction tax	314,483.42	8,377,631.76
Property tax	6,239,050.72	6,535,758.90
Land using tax	14,427,043.59	18,089,349.18
Personal income tax	14,112,906.47	11,222,050.57
Education surtax	7,117,418.78	4,681,152.70
Local education surtax	3,697,384.55	2,357,734.86
Local water conservancy construction fund	14,240,606.83	956,344.30
Other	570,400.81	27,151,639.97
Total	464,188,177.64	774,098,436.39

30. Other payables

Item	Closing balance	Opening balance
Interest payable	449,438,090.04	290,778,890.89
Dividends payable	229,473,131.71	245,262,376.02
Other payables	3,507,283,997.68	4,028,152,331.66
Total	4,186,195,219.43	4,564,193,598.57

(1)Interest payable

Item	Closing balance	Opening balance
Interest of long-term loan with interest paid in installments and principal repaid at maturity	17,726,452.78	57,345,809.34
Corporate bond interest	363,028,125.69	198,988,849.12
Interest payable on short term loans	1,206,240.78	5,619,776.11
Preferred stock / perpetual bond interest divided into financial liabilities		
Other	67,477,270.79	28,824,456.32
Total	449,438,090.04	290,778,890.89

(2)Dividends payable

Item	Closing balance	Opening balance
Common stock dividend	142,931,213.9	153,720,458.21
Preferred stock / perpetual bond dividend divided into financial liabilities	86,541,917.81	91,541,917.81
Total	229,473,131.71	245,262,376.02

(3)Other payables

a)Other payables by nature

Item	Closing balance	Opening balance
Payables	1,494,223,448.53	1,865,028,630.68
Deposits and guarantees	1,302,193,077.23	1,008,695,248.36
Personal advance payment	6,431,589.66	54,536,734.19
Equity transfer funds	466,903,646.56	590,559,164.54
Other	237,532,235.70	509,332,553.89
Total	3,507,283,997.68	4,028,152,331.66

31. Held-for-sale liabilities

Item	Book value	Fair value	Estimated disposal costs	Schedual
Shijiazhuang Paicheng New Energy Technology Co., Ltd.	2,766,325.21	2,766,325.21		
Total	2,766,325.21	2,766,325.21		—

32. Current portion of non-current liabilities

Item	Closing balance	Opening balance
Long-term loans due within 1 year	3,583,550,000.00	3,643,995,306.32
Bonds payable due within 1 year	3,691,499,785.27	999,750,000.00
Long-term payable due within 1 year	739,434,148.27	702,504,705.22
Other non-current liabilities due within 1 year		
Total	8,014,483,933.54	5,346,250,011.54

33. Other current liabilities

Item	Closing balance	Opening balance
Accrued expenses	75,170,859.16	1,676,461.00
Output tax to be transferred	45,308,704.18	28,028,236.69
Project settlement		81,536,174.63
Other	177,337.25	30,000,000.00
Total	120,656,900.59	141,240,872.32

34. Long-term loans

Item	Closing balance	Opening balance	Interest rate range (%)
Pledged loan	5,090,617,606.03	3,091,362,224.56	5.00-6.85
Mortgaged loan	4,107,595,933.90	5,597,224,092.09	5.40-6.985
Guaranteed loan	12,466,654,162.02	11,213,090,655.94	4.90-7.98
Credit loan	2,880,554,656.23	3,000,622,035.25	4.90-6.73
Total	24,545,422,358.18	22,902,299,007.84	—

35. Bonds payable

Item	Closing balance	Opening balance
Face value	18,119,854,048.01	16,679,234,626.00
Interest adjustment	-814,498,080.37	-1,174,445,817.14
Total	17,305,355,967.64	15,504,788,808.86

(1) Increase and decrease of bonds payable (excluding preferred shares, perpetual bonds and other financial instruments classified as financial liabilities):

Bond name	Face value	Issue date	Bond maturity	Issue amount	Opening balance	Current issue amount	Interest accrued at face value	Amortization of premium and discount	Current repayment amount	Closing balance
16 Lushui 01	1,000,000,000.00	2016-07-07	3+2 years	985,000,000.00	886,247,879.26	100,000,000.00	39,800,000.00	2,030,004.80		988,277,884.06
16 Lushui 02	1,000,000,000.00	2016-07-15	3+2 years	985,000,000.00	995,234,750.00		37,500,000.00	1,486,856.50		996,721,606.50
18 Shuifa 01	500,000,000.00	2018-11-01	3+2 years	497,169,811.32	497,783,018.87		31,000,000.00	280,692.69		498,063,711.56
Guangzhou Securities (18 Shuifa 02)	500,000,000.00	2018-12-26	1+2+2 years	498,500,000.00	498,800,000.00		27,500,000.00	148,685.65		498,948,685.65
Guangzhou Securities (19 Shuifa 01)	1,000,000,000.00	2019-04-26	3+2 years	995,754,716.98	996,320,754.71		59,500,000.00	420,578.12		996,741,332.83
ICBC green debt (19 Shuifa Group GN001)	400,000,000.00	2019-02-20	5 years	398,000,000.00	398,333,333.33		18,760,000.00	198,247.54		398,531,580.87
19 Shuifa Group MTN 001	1,000,000,000.00	2019-07-03	3+2 years	995,476,415.09	995,853,380.50		42,900,000.00	448,149.35		996,301,529.85
19 Shuifa Group MTN002	1,000,000,000.00	2019-08-07	3+2 years	995,229,811.32	995,547,823.90		41,000,000.00	472,580.27		996,020,404.17
20 Shuifa 01	1,500,000,000.00	2020-01-08	5 years	1,493,924,528.30		1,493,924,528.30	69,300,000.00	601,894.02		1,494,526,422.32

Bond name	Face value	Issue date	Bond maturity	Issue amount	Opening balance	Current issue amount	Interest accrued at face value	Amortization of premium and discount	Current repayment amount	Closing balance
400 million USD debt	2,831,800,000.00	2019.9.17	3 years	2,813,959,660.00	2,772,899,976.00			44,528,639.00		2,817,428,615.00
350 million USD debt	2,477,825,000.00	2020-05-08	3 years	2,471,603,939.00		2,471,603,938.93	58,759,850.00			2,471,603,938.93
100 million USD debt	707,950,000.00	2020-08-24	364 days	699,100,540.00	688,899,666.29		15,132,431.25	8,849,459.95	697,749,126.24	
Tianyuan 17 Debt	300,000,000.00	2017-06-14	5 years	295,869,000.00	297,933,600.00		12,014,600.00	1,664,600.00	230,000,000.00	69,598,200.00
20 Zhongxing 01	1,000,000,000.00	2020-03-27	5 years	1,000,000,000.00		995,500,000.00				995,500,000.00
Preferred note	2,815,134,626.00	2019-12-19	3 years	2,815,134,626.00	2,815,134,626.00				1,204,042,570.10	1,611,092,055.90
17 Lushui 01	1,189,800,000.00			1,189,800,000.00	1,189,800,000.00				1,189,800,000.00	
2019 Special Bonds of the Shandong Provincial Government for the East-to-Yellow Water Transfer Project	176,000,000.00			176,000,000.00	176,000,000.00					176,000,000.00
Total	/	/	/	**19,305,523,048.01**	**14,204,788,808.86**	**5,061,028,467.23**	**453,166,881.25**	**61,130,387.89**	**3,321,591,696.34**	**16,005,355,967.64**

(2) Description of other financial instruments classified as financial liabilities:

a) Changes in preferred shares, perpetual bonds and other financial instruments outstanding at the end of the period

Outstanding financial instruments	Opening book value	Increase in current period	Decrease in current period	Closing book value
Preferred Stock of Huabao Trust of Jinan Shuifa Equity Investment Fund Partnership (Limited Partnership)	1,000,000,000.00			1,000,000,000.00
Preferred Stock of Western Trust of Jinan Shuifa Water Transfer Equity Investment Fund Partnership (Limited Partnership)	300,000,000.00			300,000,000.00
Total	1,300,000,000.00			1,300,000,000.00

b) Explanation on the basis for other financial instruments to be classified into financial liabilities:

1) On October 9, 2016, Shandong Shuifa Construction Fund Management Co., Ltd., Nongyin Jinsui (Suzhou Industrial Park) Investment Management Co., Ltd., Huabao Trust Co., Ltd. and Shuifa Group Co., Ltd. jointly established Jinan Shuifa Equity Investment Fund Partnership (Limited Partnership). The total subscribed capital contribution of Jinan Shuifa Equity Investment Fund Partnership (Limited Partnership) is 1,250,200,000.00 yuan, of which the general partner Shandong Shuifa Construction Fund Management Co., Ltd. is the executive partner, and the subscribed capital contribution is 100,000.00 yuan; the general partner Nongyin Jinsui (Suzhou Industrial Park) Investment Management Co., Ltd. has subscribed the capital contribution of 100,000.00 yuan; priority limited partner Huabao Trust Co., Ltd. contributed 1,000,000,000.00 yuan, and secondary limited partner Shuifa Group Co., Ltd. contributed 250,000,000.00 yuan. Huabao Trust Co., Ltd. does not participate in partnership affairs. It collects fixed income from Jinan Shuifa Equity Investment Fund Partnership (Limited Partnership) every half a year. The calculation of fixed income is based on the paid in capital contribution, and the fixed interest rate is 15% higher than the benchmark loan interest rate of the same grade in the same period of the People's Bank of China.The above capital contribution is a debt instrument that Jinan Shuifa Equity Investment Fund Partnership (Limited Partnership) needs to repay interest on a regular basis.

2) On August 8, 2017, Shandong Shuifa Construction Fund Management Co., Ltd., Western Trust Co., Ltd. and Shuifa Group Co., Ltd. established Jinan Shuifa Water Transfer Equity Investment Fund Partnership (Limited Partnership). The total subscribed capital contribution of Jinan Shuifa Water Transfer Equity Investment Fund Partnership (Limited Partnership) is

750,100,000.00 yuan, the general partner Shandong Shuifa construction fund management Co., Ltd. is the executive partner, and the subscribed capital contribution is 100,000.00 yuan; the limited partner Western Trust Co., Ltd. has subscribed the capital contribution of 600,000,000.00 yuan; the limited partner Shuifa Group Co, The amount of capital contribution subscribed by Ltd. is 150,000,000.00 yuan; as of December 31, 2019, the partnership has actually received 300,000,000.00 yuan from Western Trust Co., Ltd. The above capital contribution is a debt instrument of Jinan Shuifa Water Transfer Equity Investment Fund Partnership (Limited Partnership) which needs to repay interest on a regular basis.

36. Long-term payable

Item	Closing balance	Opening balance
Long-term payable	11,407,371,546.03	8,730,574,870.31
Special payable	156,806,771.85	154,275,847.18
Total	11,564,178,317.88	8,884,850,717.49

Note: long-term payable in the above table refer to long-term payable after deducting special payable.

(1)Balance of top 5 long-term payable at the end of the period

Item	Closing balance	Opening balance
Jiancheng Financial Leasing Co., Ltd.	633,206,236.44	699,367,520.55
China Electric Investment and Finance Leasing Co., Ltd.	563,457,798.72	453,178,654.05
Zhaoyin Financial Leasing Co., Ltd.	509,199,676.61	278,053,714.04
Great Wall Guoxing Financial Leasing Co., Ltd.	481,618,291.94	93,359,230.30
Haitong Hengxin International Leasing Co., Ltd.	433,172,511.84	296,016,511.84
Total	2,620,654,515.55	1,819,975,630.78

(2)Balance of top 5 special payable at the end of the period

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
"Three for one industry" Project	30,204,705.26			30,204,705.26
Xiuwu Construction Investment and Development Co., Ltd	29,424,000.00			29,424,000.00
Demolition compensation	21,510,033.41			21,510,033.41
Earmarked payment - earmarked funds	13,200,000.00			13,200,000.00
Appropriation of financial special funds	6,212,080.80			6,212,080.80
Total	100,550,819.47			100,550,819.47

37. Provisions

Item	Closing balance	Opening balance
Product quality assurance	9,050,475.00	9,050,475.00
Restructuring obligations		
Total	9,050,475.00	9,050,475.00

38. Deferred income

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
Government subsidies	741,155,015.52	158,798,018.70	80,221,082.09	819,731,952.13
Opening fee of central heating in Shancheng resettlement area of coal mining subsidence area	1,329,251.83		54,919.29	1,274,332.54
Total	742,484,267.35	158,798,018.70	80,276,001.38	821,006,284.67

Description of significant government subsidies:

Item	Opening balance	Subsidy increased over current period	Amount recorded in non-operating income over current period	Other changes	Closing balance	Related to assets/Related to income
Hunan Park Roof Power Station	108,547,923.23		3,451,229.39		105,096,693.84	Related to assets
Phase II PPP Project of Biological Boiler in Lianghe Area of Jinan High Tech Zone	41,885,232.01		1,208,227.86		40,677,004.15	Related to assets
Chenbei Water Plant Project	35,312,777.21		663,333.36		34,649,443.85	Related to assets
Government Subsidy for Gas Pipeline	28,727,550.22		1,489,205.92		27,238,344.30	Related to assets
Construction Subsidy Fund for Fenyi Real Estate Project	25,580,468.48				25,580,468.48	Related to assets
Enterprise Support Fund	25,016,667.00		418,873.88		24,597,793.12	Related to assets
Provincial Finance Water Resources Allocation Project Funds	24,030,000.00				24,030,000.00	Related to assets
Interest of Phase II Construction Period	22,003,773.90		381,568.32		21,622,205.58	Related to assets

Item	Opening balance	Subsidy increased over current period	Amount recorded in non-operating income over current period	Other changes	Closing balance	Related to assets/Related to income
Financial Subsidy Fund for Jiuhua 30MW Centralized Continuous Power Generation Demonstration Project (Golden Sun)	20,498,266.92		653,213.34		19,845,053.58	Related to assets
Shandong Provincial Agricultural Central Budget Memory Fund	20,000,000.00				20,000,000.00	Related to assets
Financial Subsidy Funds for Supporting Project Construction of South to North Water Transfer Project of Weifang Finance Bureau	17,260,000.00				17,260,000.00	Related to assets
Supporting Cost of Infrastructure Construction Is Invested in Pipe Network Construction	14,527,923.91	250,000.00	409,016.31		14,368,907.6	Related to assets
Subsidy for Zhongdu Reservoir Construction	14,495,442.95	11,871,043.27			26,366,486.22	Related to assets
Subsidy for Construction of Chengbei Waterworks	13,720,000.00				13,720,000.00	Related to assets
Cogeneration Project of Liangshan Qianneng Bioelectricity Co., Ltd	12,240,000.00	1,452,800.00	11,501.34		13,681,298.66	Related to assets
Special Subsidy Fund for Ecological Civilization Construction	10,000,000.00	5,760,000.00			15,760,000.00	Related to assets
Langxi Huayuan Solid Waste Disposal Co., Ltd		23,544,159.64			23,544,159.64	Related to assets
Total	433,846,025.83	42,878,002.91	8,686,169.72		468,037,859.02	—

39. Paid-in capital

Name of investor	Opening balance		Increase in current period	Decrease in current period	Closing balance	
	Investment amount	Proportion (%)			Investment amount	Proportion (%)
State-owned Assets Supervision and Administration Commission of Shandong Provincial People's Government	3,644,043,200.00	70.00			3,644,043,200.00	70.00
Shandong Guohui Investment Co., Ltd	1,041,155,200.00	20.00			1,041,155,200.00	20.00
Shandong Provincial Council of Social Security Fund	520,577,600.00	10.00			520,577,600.00	10.00
Total	5,205,776,000.00	100.00			5,205,776,000.00	100.00

40. Other equity instruments

Outstanding financial instruments	Opening balance		Increase in current period		Decrease in current period		Closing balance	
	Amount	Book value	Amount	Book value	Amount	Book value	Amount	Book value
Non-public issuance of renewable corporate bonds in 2019 (first issue)		1,491,509,434.00						1,491,509,434.00
Bocom international Rongcheng No.135 collective fund trust		500,000,000.00						500,000,000.00
CCB trust perpetual loan		280,487,655.70		71,751,335.23				352,238,990.93
Perpetual bonds of Bank of Qingdao				450,000,000.00				450,000,000.00
Total		2,271,997,089.70		521,751,335.23				2,793,748,424.93

41. Additional Paid-in Capital

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
Capital premium (capital stock premium)	309,667,896.87			309,667,896.87
Other capital reserve	5,362,070,118.90	46,245,841.34		5,408,315,960.24
Total	5,671,738,015.77	46,245,841.34		5,717,983,857.11
Including: state-owned exclusive capital reserve				

42. Other comprehensive income

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
Other comprehensive income	-3,419,929.99	-7,294,086.54		-10,714,016.53
Total	-3,419,929.99	-7,294,086.54		-10,714,016.53

43. Special reserve

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance	Note
Safety production cost	20,152,137.69	11,740,520.69	4,633,261.94	27,259,396.44	
Total	20,152,137.69	11,740,520.69	4,633,261.94	27,259,396.44	—

44. Surplus reserve

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
Statutory surplus reserve	987,170.48			987,170.48
Total	987,170.48			987,170.48

45. Retained earnings

Item	Jan-June 2020	Jan-June 2019
Retained earnings at the end of prior year	747,650,148.01	368,945,786.61
Increase in current period	64,049,237.71	482,436,620.06
Including: Net profit in the current period	64,049,237.71	482,436,620.06
Other adjustment factors		
Decrease in current period	6,120,000.00	103,732,258.66
Including: Statutory surplus reserve		
General risk reserves		
Cash dividend payable	6,120,000.00	9,514,100.00
Transfer to paid-in capital		
Other decrease		94,218,158.66
Retained earnings at the end of the year	805,579,385.72	747,650,148.01

46. Operating income and cost

Item	Jan-June 2020		Jan-June 2019	
	Income	Cost	Income	Cost
Main business	12,125,343,398.47	9,815,217,848.29	7,094,578,464.63	5,558,292,206.17
Total	12,125,343,398.47	9,815,217,848.29	7,094,578,464.63	5,558,292,206.17

47. Selling and distribution expenses

Item	Jan-June 2020	Jan-June 2019
Staff remuneration	47,423,716.58	33,100,430.42
Transportation expenses	20,670,961.38	11,503,189.02
Repair cost	1,973,807.23	2,442,205.26
Advertising expenses	22,008,310.22	11,563,733.06
Depreciation and amortisation	21,608,930.76	13,243,147.03
Insurance fee	441,025.28	388,969.92
Operating expenses	29,443,198.73	1,116,620.68
Other	59,902,544.08	24,838,123.83
Total	203,472,494.26	98,196,419.22

48. General and administrative expenses

Item	Jan-June 2020	Jan-June 2019
Staff remuneration	492,007,763.42	339,244,124.70
Depreciation and amortization	100,279,561.06	61,337,720.20
Agency fee	53,521,480.67	37,302,071.59
Office expenses	26,007,338.41	26,046,986.64
Travel expenses	14,818,253.36	12,273,535.90
Entertainment expenses	18,556,050.90	12,936,443.27
Repair cost	3,437,547.55	3,783,459.72
Insurance fee	8,160,222.76	1,863,032.50
Consulting fee	73,338,844.80	56,473,052.89
Conference expenses	737,376.04	7,816,680.93
Other	178,689,756.45	81,187,321.98
Total	969,554,195.42	640,264,430.32

49. Finance expenses

Item	Jan-June 2020	Jan-June 2019
Interest expense	1,092,514,008.98	589,597,451.05
Less: Interest income	85,908,239.76	78,253,497.64
Exchange gain/loss	-11,727,750.17	346,087.92
Bank charges and other	61,139,657.67	28,296,930.18
Total	1,056,017,676.72	539,986,971.51

50. Other income

Item	Jan-June 2020	Jan-June 2019
Tax deduction and refund	10,849,649.69	2,447,394.85

Item	Jan-June 2020	Jan-June 2019
VAT Additional Deduction	2,660,175.43	160,799.62
Return of individual tax charges	572,622.80	3,270.73
Heating subsidy	34,443,648.41	
Shanxi Zhongwei Thermal Power Co., Ltd. Government subsidy investment income	18,820,448.34	18,438,880.02
Shanxi Zhongwei Huaneng Group Co., Ltd. Changzi County Branch Government Compensation	31,664,535.58	7,025,831.38
Others	40,781,369.10	9,767,337.12
Total	139,792,449.35	37,843,513.72

51. Investment income

Item	Jan-June 2020	Jan-June 2019
Gain on long-term equity investments subject to accounting with equity method	183,003.23	836,785.40
Investment income from disposal of long-term equity investment	-5,354,977.38	9,273,593.33
Investment income of financial assets measured at fair value with changes included in current profits and losses during the holding period	714,999.99	
Investment income from disposal of available-for-sale financial assets		182,180.95
Other	244,932,240.93	1,251,280.33
Total	240,475,266.77	11,543,840.01

52. Asset impairment loss

Item	Jan-June 2020	Jan-June 2019
Loss on uncollectible accounts of receivable	26,541,656.90	-25,575,882.46
Total	26,541,656.90	-25,575,882.46

53. Asset disposal income

Item	Jan-June 2020	Jan-June 2019
Subtotal of disposal gains or losses arising from disposal of fixed assets not classified as held for sale, construction in progress, productive biological assets and intangible assets	16,756,887.07	-121,742.70
Including: Disposal of fixed assets	16,710,655.80	-121,742.70
Disposal of intangible assets	46,231.27	
Total	16,756,887.07	-121,742.70

54. Non-operating income

Item	Jan-June 2020	Jan-June 2019	Amount recorded in the non-recurring gain or loss of current period
Profit from inventory	56,684.18	895.00	56,684.18

Item	Jan-June 2020	Jan-June 2019	Amount recorded in the non-recurring gain or loss of current period
Income from fine and penalty	1,674,379.58	1,209,095.39	1,674,379.58
Payable that cannot be paid	10,869.85	1,248,795.47	10,869.85
Compensation	838,146.96	9,958,461.94	838,146.96
Gains from scrapping of non-current assets	154,922.34	832,077.45	154,922.34
Transferable equity payment	14,526,405.24		14,526,405.24
Other	49,058,246.59	120,340,988.60	49,058,246.59
Total	66,319,654.74	133,590,313.85	66,319,654.74

55. Non-operating expenses

Item	Jan-June 2020	Jan-June 2019	Amount recorded in the non-recurring gain or loss of current period
Donation	2,015,501.06	3,341,502.61	2,015,501.06
Extraordinary loss	11,241.76	595,404.65	11,241.76
Loss from retirement of damaged non-current assets	2,397,402.86	45,103.33	2,397,402.86
Penalty expenses	1,420,145.84	3,403,741.92	1,420,145.84
Compensation, liquidated damages	297,094.90	164,638.00	297,094.90
Tax overdue fine	815,611.58	10,260.58	815,611.58
Poverty alleviation expenditure	12,919,464.29		12,919,464.29
Other	3,708,393.33	860,434.25	3,708,393.33
Total	23,584,855.62	8,421,085.34	23,584,855.62

56. Income tax expenses

Item	Jan-June 2020	Jan-June 2019
Current income tax	161,127,983.31	97,674,710.33
Deferred income tax	-41,824,106.43	-6,294,399.42
Total	119,303,876.88	91,380,310.91

57. Notes to the Consolidated Cash Flow Statement

(1)Adjust net profit to cash flow of operating activities

Item	Jan-June 2020	Jan-June 2019
1. Net profit adjusted to cash flow of operating activities:		
Net profit	253,639,924.61	209,370,326.07
Plus: Asset impairment loss	-26,541,656.90	25,575,882.46
Credit impairment loss		

Item	Jan-June 2020	Jan-June 2019
Fixed asset depreciation, gas and petrol depreciation, production goods depreciation	1,122,764,689.58	523,940,747.16
Amortization of right-use assets		
Amortization of intangible assets	161,162,625.98	104,474,358.08
Amortization of long-term prepaid expenses	134,139,491.27	93,501,590.87
Loss from disposal of fixed assets, intangible assets, and other long-term assets ("- "for gains)	-16,756,887.07	
Loss from fixed asset discard ("- "for gains)	2,242,480.52	-121,742.70
Loss from changes in fair value ("- "for gains)	-15,914.29	
Financial expenses ("- "for gains)	1,092,514,008.98	589,597,451.05
Investment losses ("- "for gains)	-240,475,266.77	-11,543,840.01
Decrease of deferred income tax assets ("- "for increase)	-36,391,660.96	-33,529,221.19
Increase of deferred income tax liabilities ("- "for decrease)	-1,249,334.60	26,115,517.32
Decrease of contractual assets ("- "for increase)		
Decrease of inventory ("- "for increase)	-1,587,279,833.59	-2,854,945,165.46
Decrease of operational receivable items ("- "for increase)	515,148,313.73	79,001,554.96
Increase of operational payable items ("- "for decrease)	-1,168,114,513.29	290,781,077.63
Others		
Net cash flows from operating activities	204,786,467.20	-957,781,463.76
2. Major investment and financing operation not involving with cash		
Debt to capital		
Convertible bonds due within one year		
Fixed assets under financing lease		
3. Net change of cash and cash equivalents		
Cash and cash equivalents at end of period	10,044,675,243.19	5,926,775,366.35
Less: Cash and cash equivalents at beginning of period	8,715,672,823.44	5,810,100,215.89
Plus: closing balance of cash equivalents		
Less: opening balance of cash equivalents		
Net increase in cash and cash equivalents	1,329,002,419.75	116,675,150.46

(2)Cash and cash equivalents

Item	Jan-June 2020	Jan-June 2019
I. Cash	10,044,675,243.19	8,731,686,217.66
Including: Cash on hand	7,743,743.87	4,560,877.79
Cash at bank that can be readily drawn on demand	10,036,931,499.32	8,727,125,339.87
Other cash balances that can be readily drawn on demand		
Deposits with the central bank available for payment		
Interbank payment		

Item	Jan-June 2020	Jan-June 2019
Interbank placements		
II. Cash equivalents		
Including: Bond investment due within three months		
III. Cash and cash equivalents at the end of the reporting period	10,044,675,243.19	8,731,686,217.66

58. Foreign Currency Monetary Items

Item	Carrying amount at foreign currency	Exchange rate	Carrying amount at RMB
Cash and cash equivalents			210,149,409.48
Including: USD	3,750,859.35	7.0795	26,554,208.80
HKD	10,101.23	0.9134	9,226.87
LAK	1,854,176,988.92	0.0008	1,444,485.47
THB	500.00	0.2233	111.65
IDR	1,630,563,361.84	0.0005	811,024.41
NPR	3,104,780,639.03	0.0584	181,330,352.29

59. Assets with restricted ownership or use right

Item	Closing book value	Reason
Cash and cash equivalents	3,532,221,959.18	Bill deposit and large deposit certificate
Accounts receivable	1,050,703,201.62	Pledged
Notes receivable	8,323,528.80	Pledged
Inventories	652,453,551.15	Mortgage
Fixed assets	2,117,123,290.75	Mortgage
Intangible assets	1,159,468,722.37	Mortgage
Construction in progress	987,186,314.55	Mortgage
Investment properties	708,814,685.42	Mortgage
Long-term equity investments	350,894,122.30	Pledged

IX.Contingencies

As at 30 June 2020, there were no important contingencies that are required to be disclosed.

X.Matters after the balance sheet date

There were no significant post-balance-sheet-date events that are required to be disclosed as at the date of the authorization of the financial statements for issue.

XI.Related Parties and Related Transactions

1.Related party relationship

(1)Parent company

Parent company	Place of registration	Major business location	Paid in capital (10K)	Holding proportion (%)	Voting proportion (%)
State-owned Assets Supervision and Administration Commission of Shandong Provincial People's Government	Jinan, Shandong	Government agencies		70.00	70.00

(2)Please refer to note VII, business combination and consolidated financial statements for details of subsidiary company.

(3)For information about joint ventures and associated enterprises, please refer to note VIII. 13 Long-term equity investments.

(4)Information about Other Related Parties

Name of other related party	Relationship with the Company
Heze Tianze Environmental Protection Industry Co., Ltd	Minority shareholders of subsidiaries
Juancheng Rural Water Service Center	Minority shareholders of subsidiaries
Shandong Dongming Water Conservancy Engineering Company	Minority shareholders of subsidiaries
Dongming Rundong Water Industry Co., Ltd	Minority shareholders of subsidiaries
Beijing Jiayuhuaxin Investment Co., Ltd	Minority shareholders of subsidiaries
Shandong Ping'An Electrical Equipment Co., Ltd	Minority shareholders of subsidiaries
Sichuan Huafei Energy Investment Co., Ltd	Minority shareholders of subsidiaries
Sichuan Huate Energy Development Co., Ltd	Minority shareholders of subsidiaries
Shandong Zhongji Huajing Garden Engineering Co., Ltd	Minority shareholders of subsidiaries
Heze City Development Investment Co., Ltd	Minority shareholders of subsidiaries
Heze Urban Development and Investment (Group) Co. Ltd	Minority shareholders of subsidiaries
Qingdao City Investment High-Tech Holdings Ltd	Minority shareholders of subsidiaries
Shanghai Heyuan Chuangsheng Investment Co., Ltd	Minority shareholders of subsidiaries
Shandong Jianda Education Real Estate Co., Ltd	Minority shareholders of subsidiaries
Shandong Jiqing Construction and Development Co., Ltd	Minority shareholders of subsidiaries
Heze HUDIC Real Estate Co., Ltd	Minority shareholders of subsidiaries
Qingdao Runtong Real Estate Co., Ltd	Minority shareholders of subsidiaries
Jiangsu Ketong Engineering Consulting Co., Ltd	Minority shareholders of subsidiaries
Laiyang Bathing Reservoir Administration Bureau	Minority shareholders of subsidiaries
Agriculture, Forestry and Water Conservancy Bureau of Weifang Binhai Economic and Technological Development Zone	Minority shareholders of subsidiaries
Yangzi Sub District Office, Binhai Economic Development Zone, Weifang, Shandong Province	Minority shareholders of subsidiaries
Jinxiang Antai Water Service Co., Ltd	Minority shareholders of subsidiaries
Jinxiang Shazhou Investment Development Co., Ltd	Minority shareholders of subsidiaries
Shandong Bangzhong Internet of Things Technology Co., Ltd	Minority shareholders of subsidiaries

Name of other related party	Relationship with the Company
Dongying Penghui Engineering Consulting Co., Ltd	Minority shareholders of subsidiaries
Villagers' Investment in Dazaiwa Town	Minority shareholders of subsidiaries
Jinan Shuifa Water Transfer Equity Investment Fund Partnership	Minority shareholders of subsidiaries
Jiangxi Water Conservancy and Hydropower Construction Co., Ltd	Minority shareholders of subsidiaries
Jinan Libaoying Environmental Protection Partnership (Limited Partnership)	Minority shareholders of subsidiaries
Jinan Fangda Equity Investment Fund Management Partnership (Limited Partnership)	Minority shareholders of subsidiaries
Qingdao Dexin Holding Group Co., Ltd	Minority shareholders of subsidiaries
Qingdao Penghao Water Service Co., Ltd	Minority shareholders of subsidiaries
Dongying Penghui Engineering Consulting Co., Ltd	Minority shareholders of subsidiaries
Yantai Green Water Membrane Material Co., Ltd	Minority shareholders of subsidiaries
Laiyang Water Conservancy Comprehensive Service Corporation	Minority shareholders of subsidiaries
Weifang Lu Kangsheng Investment Co., Ltd	Minority shareholders of subsidiaries
Shouguang Water Holding Group Co., Ltd	Minority shareholders of subsidiaries
Weifang Baoshi Beach Eco Tourism Development Co., Ltd	Minority shareholders of subsidiaries
Gaomi Huixintong Warehousing Logistics Co., Ltd	Minority shareholders of subsidiaries
Sishui Tongye Renewable Resources Utilization Co., Ltd	Minority shareholders of subsidiaries
Gushi County Construction Investment Company	Minority shareholders of subsidiaries
Shanghai Tongqi New Energy Technology Co., Ltd	Minority shareholders of subsidiaries
Leling City Assets Management and Construction Investment Co., Ltd	Minority shareholders of subsidiaries
Ningjin Water Supply Corporation	Minority shareholders of subsidiaries
Hangzhou Meian Wulian Technology Co., Ltd	Minority shareholders of subsidiaries
Jinan Meijin Electronic Technology Co., Ltd	Minority shareholders of subsidiaries
Shandong Jianda Education Real Estate Co., Ltd	Minority shareholders of subsidiaries

2.Related Transaction

(1)Purchase of goods from related parties

Unit: 10k yuan

Related Party	Relationship	Pricing policy	Jan-June 2020		Jan-June 2019		Note
			Amount	Proportion of similar transactions (%)	Amount	Proportion of similar transactions (%)	
Heze Tianze Environmental Protection Industry Co., Ltd	Original shareholder	Market price			32,192.34	100.00	

(2)Sales of goods to related parties

Unit: 10k yuan

Related party	Relationshio	Pricing policy	Jan-June 2020		Jan-June 2019		Note
			Amount	Proportion of similar transactions (%)	Amount	Proportion of similar transactions (%)	
Ningjin Water Supply Corporation	Minority shareholders	Market price	16,453,975.94	0.14	11,842,969.52	1.00	

Related party	Relationshio	Pricing policy	Jan-June 2020		Jan-June 2019		Note
			Amount	Proportion of similar transactions (%)	Amount	Proportion of similar transactions (%)	
Jinan Meijin Electronic Technology Co., Ltd	Minority shareholders	Market price			3,176,795.97	0.07	
Hangzhou Meian Wulian Technology Co., Ltd	Minority shareholders	Market price	3,576,565.78	0.03	7,486,554.30	0.09	

3.Receivables and payables of related party

(1)Receivables from related parties

Item	Related party	Closing balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivable					
	Shandong Ping'An Electrical Equipment Co., Ltd	128,800.00		390,000.00	
	Luding Minghe Electric Power Co., Ltd	95,300.00		95,300.00	
	Shandong Heng'an Dongchang Construction Engineering Co., Ltd	4,533,501.07		4,533,501.07	
	Urban Asset Management and Construction Investment Co., Ltd	6,233,245.38		112,200.00	
	Ningjin Water Supply Corporation	3,569,000.20		3,300,507.40	
	Hangzhou Meian Wulian Technology Co., Ltd	282,090.88		1,410,241.00	
	Jinan Meijin Electronic Technology Co., Ltd			3,550,662.51	
Other receivables					
	Juancheng Rural Water Service Center			2,000,000.00	
	Sichuan Huate Energy Development Co., Ltd			44,151,249.05	
	Luding Minghe Electric Power Co., Ltd	12,354,333.86		12,354,333.86	
	Heze City Development Investment Co., Ltd	31,602,677.56		43,059,521.74	
	Heze Hudic Real Estate Co., Ltd	10,495,833.33		10,000,000.00	
	Heze City Development Investment Co., Ltd	31,602,677.56		3,558,716.42	

Item	Related party	Closing balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
	Heze Urban Development and Investment (Group) Co. Ltd			82,500.00	
	Heze Hudic Real Estate Co., Ltd	10,495,833.33		495,833.33	
	Qingdao Runtong Real Estate Co., Ltd			17,185,280.00	
	Hangzhou Meian Wulian Technology Co., Ltd	3,330,000.00		4,472,655.00	

(2)Payables from related parties

Item	Related party	Closing balance	Opening balance
Accounts payable			
	Heze Tianze Environmental Protection Industry Co., Ltd		1,886,471.80
	Shandong Ping'An Electrical Equipment Co., Ltd		736,503.00
Other payables			
	Beijing Jiayuhuaxin Investment Co., Ltd	1,886,471.80	8,334,472.70
	Huili Chenghe Hydropower Development Co., Ltd	196,786.05	24,816,653.52
	Sichuan Dongfang Haoyuan Mine Engineering Co., Ltd		94,018,125.00
	Yanyuan State-owned Assets Management Co., Ltd		700,000.00
	Meiyi Investment Real Estate Co., Ltd	73,740,572.92	238,415,555.54
	Heze City Development Investment Co., Ltd	700,000.00	14,815,560.60
	Heze Urban Development and Investment (Group) Co. Ltd	14,885,621.70	200,000.00
	Qingdao City Investment High-Tech Holdings Ltd		107,500,000.00
	Shanghai Heyuan Chuangsheng Investment Co., Ltd		4,061,650.29
	Shandong Jianda Education Real Estate Co., Ltd	107,500,000.00	131,637,943.48
	Shanghai Heyuan Chuangsheng Investment Co., Ltd	9,307,267.00	9,307,267.00
	Shandong Jiqing Construction and Development Co., Ltd	54,106,395.79	12,000,000.00
	Guorong Wealth Capital Management Co., Ltd	9,307,267.00	48,960,000.00

XII.Supplementary information

None.

Legal Representative: 王振钦印

CFO: 孔祥泉印

Manager of Financial Department: 冯建忠印

Shuifa Group Co., Ltd.

29th Oct 2020

统一社会信用代码

91110108590676050Q

营业执照

（副　本）(7-1)

扫描二维码登录“国家企业信用信息公示系统”了解更多登记、备案、许可、监管信息

名　　称	大华会计师事务所（特殊普通合伙）
类　　型	特殊普通合伙企业
执行事务合伙人	杨雄，梁春
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，出具有关报告；基本建设年度财务决算审计；代理记帐；会计咨询、税务咨询、管理咨询、会计培训；法律、法规规定的其他业务；无（企业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；不得从事本市产业政策禁止和限制类项目的经营活动。）

成立日期	2012年02月09日
合伙期限	2012年02月09日至 长期
主要经营场所	北京市海淀区西四环中路16号院7号楼1101

此件仅用于业务报告专用，复印无效。

登记机关

2020 年 01 月 16 日

国家企业信用信息公示系统网址：http://www.gsxt.gov.cn

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。

国家市场监督管理总局监制

会计师事务所
执业证书

名　　称：大华会计师事务所（特殊普通合伙）

首席合伙人：梁春

主任会计师：

经营场所：北京市海淀区西四环中路16号院7号楼12层

组织形式：特殊普通合伙

执业证书编号：11010148

批准执业文号：京财会许可[2011]0101号

批准执业日期：2011年11月03日

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证书序号：0000093

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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。

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发证机关：北京市财政局

二〇一七年 十 月 七 日

中华人民共和国财政部制

THE CHINESE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS 中国注册会计师协会

姓名 Full name	臆宪锋
性别 Sex	男
出生日期 Date of birth	1974-01-09
工作单位 Working unit	大华会计师事务所（特殊普通合伙）山东分所
身份证号码 Identity card No.	370112197401091510

大华会计师事务所(特殊普通合伙) 1100000063553

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年度检验登记

Annual Renewal Registration

本证书经检验合格，继续有效一年。

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山东省注册会计师协会 2019年 注册会计师 年检合格专用章

山东省注册会计师协会 2018年 注册会计师 年检合格专用章

山东省注册会计师协会 2020年 注册会计师 年检合格专用章

年 /y 月 /m 日 /d

证书编号：
No. of Certificate 370100110012

批准注册协会：
Authorized Institute of CPAs 山东省注册会计师协会

发证日期：
Date of Issuance 2002 年/y 07 月/m 31 日/d

4

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THE CHINESE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
中国注册会计师协会

姓 名 Full name 韩丹丹
性 别 Sex 女
出生日期 Date of birth 989-09-24
工作单位 Working unit 华会计师 （特殊普 合伙）山 所
身份证号码 Identity card No. 9221989092462

大华会计师事务所（特殊普通合伙）

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年度检验登记
Annual Renewal Registration

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This certificate is valid for another year after this renewal.

山东省注册会计师协会
2019年
注册会计师
年检合格专用章

年 月 日

证书编号：
No. of Certificate 110101480459

批准注册协会：
Authorized Institute of CPAs 山东省注册会计师协会

发证日期：
Date of Issuance 2018 年 08 月 13 日

Shuifa Group Co., Ltd.

Independent Audit Report

DHSZ No. [2020] 002230

Da Hua Certified Public Accountants (Special General Partnership)

Shuifa Group Co., Ltd.
Audit Report and Financial Statements

(1st January, 2019 to 31st December, 2019)

Content **Page**

Independent Audit Report

DHSZ No. [2020] 002230

To the Shareholders of Shuifa Group Co., Ltd.:

Opinion

We have audited the financial statements of Shuifa Group Co., Ltd. ("the Company"), which comprise the consolidated and parent company (the Company as the parent exclusive of subsidiaries) balance sheets as at 31 December 2019 and 31 December 2018, the consolidated and parent company statements of income, cash flows and changes in shareholders' equity for the year 2019 and 2018, as well as the notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated and parent company financial position of the Company at 31 December 2019 and 31 December 2018, and the consolidated and parent company operating results and cash flows for the year 2019 and 2018, in conformity with the Chinese Accounting Standards (CAS).

Basis for Opinion

We conducted our audits in accordance with the Audit Standards for Chinese Registered Accountants. Our responsibilities under those standards are further described in the Auditors' Responsibilities for Audit of Financial Statements section of our report. We are independent of the Company in accordance with the China Code of Ethics for Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the said Code of Ethics. 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 Financial Statements

The Company's management is responsible for the preparation of the financial statements that give a fair view in accordance with CAS, and for designing, implementing and maintaining such internal control as the 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, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

Auditors' Responsibilities for Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an audit 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 CAS 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 based on these financial statements.

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

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

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

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

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company 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 noteworthy deficiencies in internal control that we identify during our audit.

Da Hua Certified Public Accountants
(Special General Partnership)

Beijing, China

CICPA: 中国注册会计师 370100310012 殷宪锋

Xianfeng Yin

CICPA: 中国注册会计师 110101480204 何惠敏

Huimin He

29th April 2020

Consolidated Balance Sheet

Prepared by: Shuifa Group Co., Ltd. Dec 31, 2019 (The currency of the statements are RMB, unless otherwise indicated)

Item	Note VIII	Closing balance	Opening balance	Item	Note VIII	Closing balance	Opening balance
Current assets:		——	——	**Current liabilities:**		——	——
Cash and cash equivalents	1	10,735,368,899.28	6,727,026,167.11	Short-term loans	24	8,876,203,006.79	5,108,460,582.91
ΔSettlement reserve				ΔBorrowing from the Central Bank			
ΔLendings to Banks and Other Financial Institutions				ΔLoans from other banks			
☆ Trading financial assets				☆Trading financial liabilities			
Financial assets at fair value through profit and loss	2	315,000,000.00	10,000,000.00	Financial liabilities at fair value through profit and loss			
Derivative assets				Derivative liabilities			
Notes receivable	3	307,955,370.23	225,286,170.30	Notes payable	25	3,089,736,608.43	1,017,121,914.57
Accounts receivable	4	8,457,564,281.32	4,083,552,208.18	Accounts payable	26	5,322,868,872.76	4,333,650,471.73
☆ Receivables financing	5	7,928,571.43		Advances from customers	27	3,667,792,306.16	3,213,214,115.68
Prepayments	6	2,635,279,963.33	4,543,628,853.63	☆Contractual liabilities			
ΔPremium receivable				ΔFinancial Assets Sold for Repurchase			
ΔReinsurance accounts receivable				ΔAbsorption of deposits and interbank deposits			
ΔReserves for reinsurance receivables				ΔSecurities payment by agency			
Other receivables	7	1,224,426,129.52	3,794,499,997.56	ΔActing underwriting securities			
ΔBuying back the sale of financial assets				Employee benefits payable	28	219,811,805.06	139,311,863.93
Inventories	8	17,223,103,846.62	8,459,547,385.22	Include: Payroll		191,633,346.03	131,960,430.90
Include: Raw material		890,766,887.67	446,131,218.55	Employee welfare		1,555,705.43	1,999,362.36
Finished goods		2,492,142,069.12	1,535,082,013.69	#Include: staff reward and welfare fund			
☆Contractual assets				Taxes payable	29	774,098,436.39	575,430,493.52
Held-for-sale assets	9	13,429,034.63		Include: Taxes payable		639,303,815.28	567,467,529.26
Current portion of non-current assets				Other payables	30	4,564,193,598.57	5,404,548,829.53
Other current assets	10	2,093,692,254.07	984,142,220.52	ΔHandling charges and commissions payable			
Total current assets		43,013,748,350.43	28,827,683,002.52	ΔAccounts payable reinsurance			
Non-current assets:		——	——	Held-for-sale liabilities	31	3,307,538.10	
ΔIssue loans and advances				Current portion of non-current liabilities	32	5,346,250,011.54	4,483,552,229.96
☆Debt investment				Other current liabilities	33	141,240,872.32	13,831,406.83
Available-for-sale financial assets	11	553,094,223.44	295,964,308.73	**Total current liabilities**		32,005,503,056.12	24,289,121,908.66
☆Other debt investment				**Non-current liabilities:**		——	——
Held-to-maturity investments				ΔInsurance contract reserve			
Long-term receivables	12	2,528,549,835.51	2,537,484,331.09	Long-term loans	34	22,902,299,007.84	18,202,327,001.06
Long-term equity investments	13	682,286,821.43	547,960,942.31	Bonds payable	35	15,504,788,808.86	6,762,322,418.57
☆Other equity instrument investment				Include: Preferred stock		1,300,000,000.00	1,300,000,000.00
☆Other non-current financial assets				Perpetual debt	36		
Investment properties	14	1,829,578,897.19	1,855,864,384.98	☆Lease liabilities			
Fixed assets	15	21,132,389,279.61	12,785,353,165.31	Long-term payable	37	8,884,850,717.49	6,334,821,308.66
Construction in progress	16	20,864,795,761.79	16,801,563,485.75	Long-term employee benefits payable			
Biological assets	17	4,252,647.33	5,692,846.73	Provisions	38	9,050,475.00	46,159,600.00
Oil and gas assets				Deferred income	39	742,484,267.35	356,393,225.87
☆Right-of-Use Assets				Deferred tax liabilities	22	779,747,935.92	620,100,538.38
Intangible assets	18	11,337,112,522.13	9,910,339,480.64	Other non-current liabilities	40		73,979,689.16
Capitalized development expenditures	19	13,459,370.12	4,705,686.46	Include: Special reserve fund			
Intangible assets	20	2,718,857,057.82	930,065,413.20	**Total non-current liabilities**		48,823,221,212.46	32,396,103,781.70
Capitalized development expenditures	21	518,461,224.85	272,764,804.73	**Total liabilities**		80,828,724,268.58	56,685,225,690.36
Deferred tax assets	22	459,810,564.11	416,303,462.65	**Equity:**		——	——
Other non-current assets	23	1,478,858,728.09	797,693,120.61	Paid-in capital		5,205,776,000.00	5,205,776,000.00
Include: Special reserve materials				State capital	41	4,164,620,800.00	4,164,620,800.00
Total non-current assets		64,121,506,933.42	47,161,755,433.19	Capital of state-owned legal person		1,041,155,200.00	1,041,155,200.00
				Collective capital			
				Private capital			
				Foreign capital			
				#Less: Returned Investments			
				Net paid-in capital		5,205,776,000.00	5,205,776,000.00
				Other equity instruments	42	2,271,997,089.70	
				Include: Preferred stock			
				Perpetual debt		2,271,997,089.70	
				Additional Paid-in Capital	43	5,671,738,015.77	5,623,261,959.10
				Less: treasury shares			
				Other comprehensive income		-3,419,929.99	894,683.52
				Include: Currency translation reserve		-671,223.57	894,683.52
				Special reserve	44	20,152,137.69	46,761,927.25
				Surplus reserve	45	987,170.48	987,170.48
				Include: Statutory surplus reserve		987,170.48	987,170.48
				Arbitrary provident fund			
				#Reserve fund			
				#Enterprise development fund			
				#Profit return investments			
				ΔGeneral risk reserve			
				Retained earnings	46	747,650,148.01	368,945,786.61
				Equity attributable to parent company		13,914,880,631.66	11,246,627,526.96
				*Minority interests		12,391,650,383.61	8,057,585,218.39
				Total equity		26,306,531,015.27	19,304,212,745.35
Total assets		107,135,255,283.85	75,989,438,435.71	**Total liabilities and equity**		107,135,255,283.85	75,989,438,435.71

Note: items with * in the table are for consolidated accounting statements only; items with Δ in regular script are for financial enterprises only; items with # are for foreign-invested enterprises only, and ☆ is applicable to enterprises implementing n

Legal Representative: Finance Officer（CFO）: Manager of Financial Department:

Consolidated Income Statement

Prepared by: Shuifa Group Co., Ltd. — Year 2019 — (The currency of the statements are RMB, unless otherwise indicated)

Item	Note VIII	FY 2019	FY 2018	Item	Note VIII	FY 2019	FY 2018
1. Total operating revenue		21,337,825,793.69	11,067,712,294.49	Less: Non-operating expenses	56	65,989,845.34	27,334,229.06
Include: Operating income	47	21,337,825,793.69	11,067,712,294.49	**4. Total profit ("-" for total loss)**		863,171,705.78	551,602,074.86
△Interest income				Less: Income tax expenses	57	255,190,363.04	200,392,529.99
△Premiums earned				**5. Net profit ("-" for net loss)**		607,981,342.74	351,209,544.87
△Income from handling charges and commissions				**I. Profit classified as ownership**			
2. Total operating cost		21,302,278,831.64	10,700,812,385.17	Net profit attributable to parent company		482,436,620.06	105,712,196.27
Including: Operating cost	47	17,620,327,618.30	8,132,202,783.62	*Profit/loss attributable to minority share-holders		125,544,722.68	245,497,348.60
△Interest expense				**II. Profit classified as continuity**			
△Handling charges and commission expenses				Continuous operating profit and loss		607,981,342.74	351,209,544.87
△Surrender money				Termination of the business profit and loss			
△Net compensation expenses				**6.Other comprehensive income after tax**		-4,477,441.44	894,683.52
△Net amount of insurance reserve				Other comprehensive income after tax attributable to parent company		-4,314,613.51	894,683.52
△Policy premium payment				I. Comprehensive income not to be reclassified as profit or loss		-	-
△Reinsurance expenses				Changes in remeasured defined benefit obligations or net assets			
Taxes and surcharges		243,851,348.79	210,681,862.44	Portion of comprehensive income not to be reclassified as profit or loss under equity method			
Selling and distribution expenses	48	285,243,097.74	150,972,127.83	☆Changes in fair value of other equity instrument investments			
General and administrative expenses	49	1,566,658,135.82	1,193,964,447.74	☆Changes in fair value of enterprise's own credit risk			
Research and development expenses		75,206,636.72		Other			
Finance expenses	50	1,510,991,994.27	1,012,991,163.54	II.Comprehensive income to be reclassified as profit or loss		-4,314,613.51	894,683.52
Include: Interest expense		1,682,329,283.56	1,275,481,425.36	Portion of comprehensive income to be reclassified as profit or loss under equity method			
Interest income		231,489,452.22	334,143,938.53	☆Changes in fair value of other debt investment			
Net loss of exchange ("-" for net income)				Gain or loss from fair value changes of available-for-sale financial assets		-3,643,389.94	
Other				☆Amount of financial assets reclassified into other comprehensive income			
Add: Other income	51	352,846,825.96	79,223,008.73	Gain or loss from reclassification of held-to-maturity investments as available-for-sale financial assets			
Investment income ("- "for loss)	52	56,710,686.08	58,014,586.90	☆Changes in fair value of other debt investment			
Including: Investment income from associates and joint ventures				Gain or loss on effective cash flow hedging			
☆ Income from derecognition of financial assets measured at amortized cost				Currency translation reserve		-671,223.57	894,683.52
△Exchange income ("- "for loss)				Other			
☆Profit from net exposure hedging ("- "for loss)				*Other comprehensive income attributable to minority shareholders after tax		-162,827.93	
Fair value change income ("- "for loss)				**7.Total comprehensive income**		603,503,901.30	352,104,228.39
☆Credit impairment loss ("- "for loss)				Total comprehensive income attributable to parent company		478,122,006.55	106,606,879.79
Asset impairment loss ("- "for loss)	53	-151,540,556.89	-65,913,463.16	*Total comprehensive income attributable to minority shareholders		125,381,894.75	245,497,348.60
Asset disposal income ("- "for loss)	54	4,615,972.30	2,203,488.79	**8.Earnings per share:**			
3. Operating profit ("-" for loss)		298,179,889.50	440,427,530.58	I. Basic earnings per share			
Add: Non-operating income	55	630,981,661.62	138,508,773.34	II.Diluted earnings per share			
Include: Government subsidies							

Note: items with * in the table are for consolidated accounting statements only; items with △ in regular script are for financial enterprises only, and ☆ is applicable to enterprises implementing new income / new lease / new financial instrument standards.

Legal Representative: Finance Officer（CFO）: Manager of Financial Department:

Consolidated Cash Flow Statement

Prepared by: Shuifa Group Co., Ltd. Year 2019 (The currency of the statements are RMB, unless otherwise indicated)

Item	Note VIII	FY 2019	FY 2018	Item	Note VIII	FY 2019	FY 2018
1.Cash flows from operating activities		——	——	Cash received from investment income		34,661,559.41	63,896,891.20
Cash received from sales and services		21,478,724,086.37	12,688,218,987.46	Net cash received from disposal of fixed assets,intangible assets and other long-term assets		4,133,603.76	2,203,488.79
△Net increase in customer deposits and interbank deposits				Net cash received from disposal of subsidiaries and other business units		510,336.74	-
△Net increase in loans from the central bank				Other cash receipts related to investing activities		1,251,109,138.42	1,421,715,812.03
△Net increase in borrowing funds from other financial institutions				**Total cash inflows from investing activities**		1,623,807,730.83	1,487,816,192.02
△Cash received from premium of original insurance contract				Cash paid for fixed assets,intangible assets and other long-term assets		6,613,606,804.88	6,047,337,048.03
△Net cash received from reinsurance business				Cash payments for investments		1,577,949,265.44	887,680,148.06
△Net increase in deposit and investment fund				△Net increase in pledged loans		-	
△Net increase in disposal of financial assets measured at fair value with changes included in current profit and loss				Net cash paid for acquiring subsidiaries and other business units		4,032,142,757.48	344,461,992.54
△Cash received from interest, handling charge and commission				Other cash payments related to investing activities		1,176,651,275.83	544,705,593.32
△Net increase in borrowing funds				**Total cash outflows from investing activities**		13,400,350,103.63	7,824,184,781.95
△Net increase in repurchase business funds				**Net cash flows from investing activities**		-11,776,542,372.80	-6,336,368,589.93
△Net cash received from securities trading agency				**3.Cash flows from financing activities**		——	——
Taxes and surcharges refunds		198,514,631.21	17,955,482.39	Cash received from investments by others		4,593,055,231.75	1,589,306,372.66
Other cash receipts related to operating activities		9,463,167,512.44	12,639,195,656.22	Including: cash received by subsidiaries from minority shareholders' investments		2,184,924,399.58	597,871,649.64
Total cash inflows from operating activities		31,140,406,230.02	25,345,370,126.07	Cash received from borrowings		25,463,780,450.79	15,073,208,985.07
Cash paid for goods and services		20,203,123,466.86	12,285,148,561.21	△Cash received from issuing bonds		8,380,725,665.35	998,200,000.00
△Net increase in customer loans and advances				Other cash receipts related to other financing activities		4,000,987,990.13	4,034,050,748.17
△Net increase in deposits with the central bank and other banks				**Total cash inflows from financing activities**		42,438,549,338.02	21,694,766,105.90
△Cash paid for compensation of original insurance contract				Cash repayments for debts		21,222,280,178.78	4,065,777,173.48
△Net increase in lending funds				Cash payments for distribution of dividends, profit and interest expenses		2,435,192,077.94	1,124,632,516.09
△Cash paid for interest, handling charge and commission				Including: dividends or profit paid by subsidiaries to minority shareholders			
△Cash paid for policy dividend				Other cash payments related to financing activities		4,191,242,106.71	5,847,643,166.40
Cash paid to and for employees		1,620,734,990.32	1,082,937,419.52	**Total cash outflows from financing activities**		27,848,714,363.43	11,038,052,855.97
Taxes and surcharges cash payments		1,330,930,733.81	481,559,652.77	**Net cash flows from financing activities**		14,589,834,974.59	10,656,713,249.93
Other cash payments related to operating activities		7,881,755,149.69	14,494,179,645.18	**4.Effect of foreign exchange rate changes on cash and cash equivalents**		4,431,510.64	2,951,705.33
Total cash outflows from operating activities		31,036,544,340.68	28,343,825,278.68	**5.Net increase in cash and cash equivalents**		2,921,586,001.77	1,324,841,212.72
Net cash flows from operating activities		103,861,889.34	-2,998,455,152.61	Add: beginning balance of cash and cash equivalents		5,810,100,215.89	4,485,259,003.17
2.Cash flows from investing activities		——	——	**6.Ending balance of cash and cash equivalents**		8,731,686,217.66	5,810,100,215.89
Cash received from withdraw of investments		333,393,092.50					

Note: items with △ in regular script are for financial enterprises only.

Legal Representative: 王钦振印 Finance Officer（CFO）: 甄兰爱印 Manager of Financial Department: 冯忠建印

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Consolidated Change of Equity Statement

Prepared by: Shuifa Group Co., Ltd. | Year 2019 | (The currency of the statements are RMB, unless otherwise indicated)

Item	FY 2019											
	Equity attributable to parent company										Minority interests	Total owner's equity
	Paid-in capital	Other equity instrument	Additional Paid-in Capital	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	ΔGeneral risk reserve	Retained earnings	Subtotal		
Column	1	2	3	4	5	6	7	8	9	10	11	12
1. Ending balance of last year	5,205,776,000.00	-	5,623,261,959.10	-	894,683.52	46,761,927.25	987,170.48	-	368,945,786.61	11,246,627,526.96	8,057,585,218.39	19,304,212,745.35
Add: increase/decrease due to changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—
Increase/decrease due to corrections of errors in Prior Period	—	—	—	—	—	—	—	—	—	—	—	—
Others										-		-
2. Beginning balance of current year	5,205,776,000.00	-	5,623,261,959.10	-	894,683.52	46,761,927.25	987,170.48	-	368,945,786.61	11,246,627,526.96	8,057,585,218.39	19,304,212,745.35
3. Increase/decrease for current year	-	2,271,997,089.70	48,476,056.67	-	-4,314,613.51	-26,609,789.56	-	-	378,704,361.40	2,668,253,104.70	4,334,065,165.22	7,002,318,269.92
I. Total comprehens iveincome					-4,314,613.51				482,436,620.06	478,122,006.55	125,381,894.75	603,503,901.30
II. Owner's contributions and withdrawals of captial	-	2,271,997,089.70	48,476,056.67	-	-	631,800.00	-	-	-	2,321,104,946.37	4,337,497,710.66	6,658,602,657.03
i. Common stock contributed by owners			48,476,056.67							48,476,056.67	720,908,937.71	769,384,994.38
ii. Capital contributed by other equity instruments holders		2,271,997,089.70								2,271,997,089.70		2,271,997,089.70
iii. Share-based payment recorded in owner's equity										-		-
iv. Others						631,800.00				631,800.00	3,616,588,772.95	3,617,220,572.95
III. Special reserve					-	-27,241,589.56				-27,241,589.56		-27,241,589.56
i. Current year accrual						-30,143,811.84				-30,143,811.84		-30,143,811.84
ii. Current year utilization						2,902,222.28				2,902,222.28		2,902,222.28
IV. Profits distribution	-	-	-	-	-	-	-	-	-103,732,258.66	-103,732,258.66	-128,814,440.19	-232,546,698.85
i. Appropriation of surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-
Include: Statutory surplus reserve										-		-
Arbitrary provident fund										-		-
#Reserve fund										-		-
#Enterprise development fund										-		-
#Profit return investments										-		-
ii.Withdrawal of general risk reserve										-		-
iii. Distribution to owner/shareholder									-9,514,100.00	-9,514,100.00	-128,814,440.19	-138,328,540.19
iv. Others									-94,218,158.66	-94,218,158.66		-94,218,158.66
V. Transfer within owner's equity	-	-	-	-	-	-	-	-	-	-	-	-
i. Capital reserve transferred to paid-in capital										-		-
ii. Surplus reserve transferred to paid-in capital										-		-
iii. Recover of loss by surplus reserve										-		-
iv. Changes in remeasurement of defined benefit net obligations/assets										-		-
☆v. Other comprehensive income carried forward to retained earnings										-		-
vi. Others										-		-
4. Ending balance of current year	5,205,776,000.00	2,271,997,089.70	5,671,738,015.77	-	-3,419,929.99	20,152,137.69	987,170.48	-	747,650,148.01	13,914,880,631.66	12,391,650,383.61	26,306,531,015.27

Note: items with Δ in regular script are for financial enterprises only; items with # are for foreign-invested enterprises only, and ☆ is applicable to enterprises implementing new income / new lease / new financial instrument standards.

Legal Representative: | Finance Officer (CFO): | Manager of Financial Department:

Consolidated Change of Equity Statement

Prepared by: Shuifa Group Co., Ltd. | Year 2019 | (The currency of the statements are RMB, unless otherwise indicated)

Item	FY 2018											
	Equity attributable to parent company										Minority interests	Total owner's equity
	Paid-in capital	Other equity instrument	Additional Paid-in Capital	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	ΔGeneral risk reserve	Retained earnings	Subtotal		
Column	1	2	3	4	5	6	7	8	9	11	12	13
1. Ending balance of last year	4,302,416,000.00		210,164,847.91			45,409,482.20	987,170.48		271,949,090.34	4,830,926,590.93	4,748,088,796.03	9,579,015,386.96
Add: increase/decrease due to changes in accounting policies										-		-
Increase/decrease due to corrections of errors in Prior Period										-		-
Others										-		-
2. Beginning balance of current year	4,302,416,000.00	-	210,164,847.91	-	-	45,409,482.20	987,170.48	-	271,949,090.34	4,830,926,590.93	4,748,088,796.03	9,579,015,386.96
3. Increase/decrease for current year	903,360,000.00	-	5,413,097,111.19	-	894,683.52	1,352,445.05	-	-	96,996,696.27	6,415,700,936.03	3,309,496,422.36	9,725,197,358.39
I. Total comprehens iveincome					894,683.52				105,712,196.27	106,606,879.79	245,497,348.60	352,104,228.39
II. Owner's contributions and withdrawals of captial	903,360,000.00	-	88,074,723.02	-	-	-	-	-	-	991,434,723.02	597,871,649.64	1,589,306,372.66
i. Common stock contributed by owners	903,360,000.00		88,074,723.02							991,434,723.02	597,871,649.64	1,589,306,372.66
ii. Capital contributed by other equity instruments holders										-		-
iii. Share-based payment recorded in owner's equity										-		-
iv. Others										-		-
III. Special reserve					-	1,352,445.05				1,352,445.05		1,352,445.05
i. Current year accrual						11,043,923.96				11,043,923.96		11,043,923.96
ii. Current year utilization						-9,691,478.91				-9,691,478.91		-9,691,478.91
IV. Profits distribution	-	-	-	-	-	-	-	-	-8,715,500.00	-8,715,500.00	-	-8,715,500.00
i. Appropriation of surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-
Include: Statutory surplus reserve										-		-
Arbitrary provident fund										-		-
#Reserve fund										-		-
#Enterprise development fund										-		-
#Profit return investments										-		-
ii.Withdrawal of general risk reserve										-		-
iii. Distribution to owner/shareholder									-8,715,500.00	-8,715,500.00		-8,715,500.00
iv. Others										-		-
V. Transfer within owner's equity	-	-	5,325,022,388.17	-	-	-	-	-	-	5,325,022,388.17	2,466,127,424.12	7,791,149,812.29
i. Capital reserve transferred to paid-in capital										-		-
ii. Surplus reserve transferred to paid-in capital										-		-
iii. Recover of loss by surplus reserve										-		-
iv. Changes in remeasurement of defined benefit net obligations/assets										-		-
☆v. Other comprehensive income carried forward to retained earnings										-		-
vi. Others			5,325,022,388.17							5,325,022,388.17	2,466,127,424.12	7,791,149,812.29
4. Ending balance of current year	5,205,776,000.00	-	5,623,261,959.10	-	894,683.52	46,761,927.25	987,170.48	-	368,945,786.61	11,246,627,526.96	8,057,585,218.39	19,304,212,745.35

Note: items with Δ in regular script are for financial enterprises only; items with # are for foreign-invested enterprises only, and ☆ is applicable to enterprises implementing new income / new lease / new financial instrument standards.

Legal Representative: 王振钦印 | Finance Officer（CFO）: 甄兰爱印 | Manager of Financial Department: 冯建忠印

Company Balance Sheet

Prepared by: Shuifa Group Co., Ltd. Dec 31, 2019 (The currency of the statements are RMB, unless otherwise indicated)

Item	Note XII	Closing balance	Opening balance	Item	Note XII	Closing balance	Opening balance
Current assets:		——	——	**Current liabilities:**		——	——
Cash and cash equivalents		1,584,989,875.99	1,196,814,162.73	Short-term loans		1,540,000,000.00	895,000,000.00
ΔSettlement reserve				ΔBorrowing from the Central Bank			
ΔLendings to Banks and Other Financial Institutions				ΔLoans from other banks			
☆ Trading financial assets				☆Trading financial liabilities			
Financial assets at fair value through profit and loss				Financial liabilities at fair value through profit and loss			
Derivative assets				Derivative liabilities			
Notes receivable				Notes payable			
Accounts receivable	1	328,885,641.91	202,483,481.21	Accounts payable		450,950.00	
☆ Receivables financing				Advances from customers		2,236,033.33	
Prepayments		300,000.00		☆Contractual liabilities			
ΔPremium receivable				ΔFinancial Assets Sold for Repurchase			
ΔReinsurance accounts receivable				ΔAbsorption of deposits and interbank deposits			
ΔReserves for reinsurance receivables				ΔSecurities payment by agency			
Other receivables	2	20,567,843,612.26	9,763,712,768.30	ΔActing underwriting securities			
ΔBuying back the sale of financial assets				Employee benefits payable		3,648,076.50	3,648,076.50
Inventories				Include: Payroll		3,648,076.50	3,648,076.50
Include: Raw material				Employee welfare			
Finished goods				#Include: staff reward and welfare fund			
☆Contractual assets				Taxes payable		268,863.94	2,860,451.98
Held-for-sale assets				Include: Taxes payable		268,863.94	2,723,381.59
Current portion of non-current assets				Other payables		11,550,238,204.09	5,203,109,885.45
Other current assets				ΔHandling charges and commissions payable			
Total current assets		22,482,019,130.16	11,163,010,412.24	ΔAccounts payable reinsurance			
Non-current assets:		——	——	Held-for-sale liabilities			
ΔIssue loans and advances				Current portion of non-current liabilities		1,759,250,000.00	1,651,566,253.31
☆Debt investment				Other current liabilities			
Available-for-sale financial assets				**Total current liabilities**		14,856,092,127.86	7,756,184,667.24
☆Other debt investment				**Non-current liabilities:**		——	——
Held-to-maturity investments				ΔInsurance contract reserve			
Long-term receivables		1,067,570,000.00	1,067,570,000.00	Long-term loans		2,619,200,000.00	1,805,700,000.00
Long-term equity investments	3	8,090,480,231.71	7,336,674,734.43	Bonds payable		7,453,920,940.57	5,165,215,378.57
☆Other equity instrument investment				Include: Preferred stock			
☆Other non-current financial assets				Perpetual debt			
Investment properties				☆Lease liabilities			
Fixed assets		3,639,279.35	912,027.27	Long-term payable		91,467.38	
Construction in progress		5,737,132.30	1,041,589.13	Long-term employee benefits payable			
Biological assets				Provisions			
Oil and gas assets				Deferred income			
☆Right-of-Use Assets				Deferred tax liabilities			
Intangible assets		1,740,527.47	1,739,952.42	Other non-current liabilities			
Capitalized development expenditures				Include: Special reserve fund			
Intangible assets				**Total non-current liabilities**		10,073,212,407.95	6,970,915,378.57
Capitalized development expenditures		17,454,651.49	32,890.47	**Total liabilities**		24,929,304,535.81	14,727,100,045.81
Deferred tax assets		31,875.00	31,875.00	**Equity:**		——	——
Other non-current assets				Paid-in capital		5,205,776,000.00	5,205,776,000.00
Include: Special reserve materials				State capital		4,164,620,800.00	4,164,620,800.00
Total non-current assets		9,186,653,697.32	8,408,003,068.72	Capital of state-owned legal person		1,041,155,200.00	1,041,155,200.00
				Collective capital			
				Private capital			
				Foreign capital			
				#Less: Returned Investments			
				Net paid-in capital		5,205,776,000.00	5,205,776,000.00
				Other equity instruments		1,991,509,434.00	
				Include: Preferred stock			
				Perpetual debt		1,991,509,434.00	
				Additional Paid-in Capital		82,775,291.64	88,074,723.02
				Less: treasury shares			
				Other comprehensive income			
				Include: Currency translation reserve			
				Special reserve			
				Surplus reserve		987,170.48	987,170.48
				Include: Statutory surplus reserve		987,170.48	987,170.48
				Arbitrary provident fund			
				#Reserve fund			
				#Enterprise development fund			
				#Profit return investments			
				ΔGeneral risk reserve			
				Retained earnings		-541,679,604.45	-450,924,458.35
				Equity attributable to parent company		6,739,368,291.67	4,843,913,435.15
				*Minority interests			
				Total equity		6,739,368,291.67	4,843,913,435.15
Total assets		31,668,672,827.48	19,571,013,480.96	**Total liabilities and equity**		31,668,672,827.48	19,571,013,480.96

Note: items with * in the table are for consolidated accounting statements only; items with Δ in regular script are for financial enterprises only, items with # are for foreign-invested enterprises only, and ☆ is applicable to enterprises impleme

Legal Representative: Finance Officer（CFO）: Manager of Financial Department:

Company Income Statement

Prepared by: Shuifa Group Co., Ltd. Year 2019 (The currency of the statements are RMB, unless otherwise indicated)

Item	Note XII	FY 2019	FY 2018	Item	Note XII	FY 2019	FY 2018
1. Total operating revenue		95,146,110.49	110,589,707.90	Less: Non-operating expenses		929,049.67	749.03
Include: Operating income	4	95,146,110.49	110,589,707.90	**4. Total profit ("-" for total loss)**		10,300,871.71	-67,776,102.43
ΔInterest income				Less: Income tax expenses			
ΔPremiums earned				**5. Net profit ("-" for net loss)**		10,300,871.71	-67,776,102.43
ΔIncome from handling charges and commissions				**I. Profit classified as ownership**			
2. Total operating cost		157,071,357.55	186,241,309.78	Net profit attributable to parent company		10,300,871.71	-67,776,102.43
Including: Operating cost				*Profit/loss attributable to minority share-holders			
ΔInterest expense				**II. Profit classified as continuity**			
ΔHandling charges and commission expenses				Continuous operating profit and loss		10,300,871.71	-67,776,102.43
ΔSurrender money				Termination of the business profit and loss			
ΔNet compensation expenses				**6.Other comprehensive income after tax**		-	-
ΔNet amount of insurance reserve				Other comprehensive income after tax attributable to parent company		-	-
ΔPolicy premium payment				I. Comprehensive income not to be reclassified as profit or loss		-	-
ΔReinsurance expenses				Changes in remeasured defined benefit obligations or net assets			
Taxes and surcharges		862,370.71	700,418.23	Portion of comprehensive income not to be reclassified as profit or loss under equity method			
Selling and distribution expenses				☆Changes in fair value of other equity instrument investments			
General and administrative expenses		61,339,443.18	34,585,652.31	☆Changes in fair value of enterprise's own credit risk			
Research and development expenses				Other			
Finance expenses		94,869,543.66	150,955,239.24	II.Comprehensive income to be reclassified as profit or loss		-	-
Include: Interest expense		468,106,971.24	149,498,152.57	Portion of comprehensive income to be reclassified as profit or loss under equity method			
Interest income		375,289,332.57	618,535.75	☆Changes in fair value of other debt investment			
Net loss of exchange ("-" for net income)				Gain or loss from fair value changes of available-for-sale financial assets			
Other				☆Amount of financial assets reclassified into other comprehensive income			
Add: Other income			1,064,015.25	Gain or loss from reclassification of held-to-maturity investments as available-for-sale financial assets			
Investment income ("- "for loss)	5	91,930,928.66	12,304,138.72	☆Changes in fair value of other debt investment			
Including: Investment income from associates and joint ventures				Gain or loss on effective cash flow hedging			
☆ Income from derecognition of financial assets measured at amortized cost				Currency translation reserve			
ΔExchange income ("- "for loss)				Other			
☆Profit from net exposure hedging ("- "for loss)				*Other comprehensive income attributable to minority shareholders after tax			
Fair value change income ("- "for loss)				**7.Total comprehensive income**		10,300,871.71	-67,776,102.43
☆Credit impairment loss ("- "for loss)				Total comprehensive income attributable to parent company		10,300,871.71	-67,776,102.43
Asset impairment loss ("- "for loss)		-19,247,458.33	-6,040,000.00	*Total comprehensive income attributable to minority shareholders		-	-
Asset disposal income ("- "for loss)			32,339.81	**8.Earnings per share:**			
3. Operating profit ("-" for loss)		10,758,223.27	-68,291,108.10	I. Basic earnings per share			
Add: Non-operating income		471,698.11	515,754.70	II.Diluted earnings per share			
Include: Government subsidies							

Note: items with * in the table are for consolidated accounting statements only; items with Δ in regular script are for financial enterprises only, and ☆ is applicable to enterprises implementing new income / new lease / new financial instrument standards.

Legal Representative: Finance Officer（CFO）: Manager of Financial Department:

Company Cash Flow Statement

Prepared by: Shuifa Group Co., Ltd.　　Year 2019　　(The currency of the statements are RMB, unless otherwise indicated)

Item	Note XII	FY 2019	FY 2018	Item	Note XII	FY 2019	FY 2018
1.Cash flows from operating activities		——	——	Cash received from withdraw of investments			
Cash received from sales and services		539,090.00	12,147,095.87	Cash received from investment income		23,170,000.00	
ΔNet increase in customer deposits and interbank deposits				Net cash received from disposal of fixed assets,intangible assets and other long-term assets		-	38,403.92
ΔNet increase in loans from the central bank				Net cash received from disposal of subsidiaries and other business units		-	
ΔNet increase in borrowing funds from other financial institutions				Other cash receipts related to investing activities		10,092,104,999.60	
ΔCash received from premium of original insurance contract				**Total cash inflows from investing activities**		10,115,274,999.60	38,403.92
ΔNet cash received from reinsurance business				Cash paid for fixed assets,intangible assets and other long-term assets		8,557,720.00	3,890,267.50
ΔNet increase in deposit and investment fund				Cash payments for investments		976,664,000.00	1,591,804,425.43
ΔNet increase in disposal of financial assets measured at fair value with changes included in current profit and loss				ΔNet increase in pledged loans			
ΔCash received from interest, handling charge and commission				Net cash paid for acquiring subsidiaries and other business units			
ΔNet increase in borrowing funds				Other cash payments related to investing activities		16,284,628,911.61	12,681,629,502.97
ΔNet increase in repurchase business funds				**Total cash outflows from investing activities**		17,269,850,631.61	14,277,324,195.90
ΔNet cash received from securities trading agency				**Net cash flows from investing activities**		-7,154,575,632.01	-14,277,285,791.98
Taxes and surcharges refunds				**3.Cash flows from financing activities**		——	——
Other cash receipts related to operating activities		1,674,835,504.01	6,207,116.09	Cash received from investments by others		1,991,000,000.00	991,434,723.02
Total cash inflows from operating activities		1,675,374,594.01	18,354,211.96	Cash received from borrowings		2,547,000,000.00	1,975,000,000.00
Cash paid for goods and services		1,499,737.79		ΔCash received from issuing bonds		4,962,892,000.00	
ΔNet increase in customer loans and advances				Other cash receipts related to other financing activities		6,638,056,895.62	998,200,000.00
ΔNet increase in deposits with the central bank and other banks				**Total cash inflows from financing activities**		16,138,948,895.62	3,964,634,723.02
ΔCash paid for compensation of original insurance contract				Cash repayments for debts		3,675,783,067.10	648,850,000.00
ΔNet increase in lending funds				Cash payments for distribution of dividends, profit and interest expenses		520,143,091.82	62,718,704.18
ΔCash paid for interest, handling charge and commission				Other cash payments related to financing activities		5,074,353,557.45	61,400,000.00
ΔCash paid for policy dividend				**Total cash outflows from financing activities**		9,270,279,716.37	772,968,704.18
Cash paid to and for employees		27,513,860.72	24,049,193.09	**Net cash flows from financing activities**		6,868,669,179.25	3,191,666,018.84
Taxes and surcharges cash payments		6,558,482.79	12,288,284.58	**4.Effect of foreign exchange rate changes on cash and cash equivalents**			
Other cash payments related to operating activities		904,320,346.69	812,068,990.68	**5.Net increase in cash and cash equivalents**		449,575,713.26	-11,915,672,029.53
Total cash outflows from operating activities		939,892,427.99	848,406,468.35	Add: beginning balance of cash and cash equivalents		1,135,414,162.73	13,051,086,192.26
Net cash flows from operating activities		735,482,166.02	-830,052,256.39	**6.Ending balance of cash and cash equivalents**		1,584,989,875.99	1,135,414,162.73
2.Cash flows from investing activities		——	——				

Note: items with Δ in regular script are for financial enterprises only.

Legal Representative:　　Finance Officer（CFO）:　　Manager of Financial Department:

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Company Change of Equity Statement

Year 2019

Prepared by: Shuifa Group Co., Ltd.

(The currency of the statements are RMB, unless otherwise indicated)

Item	FY 2019									
	Paid-in capital	Other equity instrument	Additional Paid-in Capital	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	ΔGeneral risk reserve	Retained earnings	Total owner's equity
Column	1	2	3	4	5	6	7	8	9	10
1. Ending balance of last year	5,205,776,000.00	-	88,074,723.02	-	-	-	987,170.48	-	-450,924,458.35	4,843,913,435.15
Add: increase/decrease due to changes in accounting policies	—	—	—	—	—	—	—	—	—	—
Increase/decrease due to corrections of errors in Prior Period	—	—	—	—	—	—	—	—	—	—
Others										-
2. Beginning balance of current year	5,205,776,000.00	-	88,074,723.02	-	-	-	987,170.48	-	-450,924,458.35	4,843,913,435.15
3. Increase/decrease for current year	-	1,991,509,434.00	-5,299,431.38	-	-	-	-	-	-90,755,146.10	1,895,454,856.52
I. Total comprehens iveincome									10,300,871.71	10,300,871.71
II. Owner's contributions and withdrawals of captial	-	1,991,509,434.00	-5,299,431.38	-	-	-	-	-	-	1,986,210,002.62
i. Common stock contributed by owners			640,995.83							640,995.83
ii. Capital contributed by other equity instruments holders		1,991,509,434.00								1,991,509,434.00
iii. Share-based payment recorded in owner's equity										-
iv. Others			-5,940,427.21							-5,940,427.21
III. Special reserve					-	-				-
i. Current year accrual										-
ii. Current year utilization										-
IV. Profits distribution	-	-	-	-	-	-	-	-	-101,056,017.81	-101,056,017.81
i. Appropriation of surplus reserve	-	-	-	-	-	-	-	-	-	-
Include: Statutory surplus reserve										-
Arbitrary provident fund										-
#Reserve fund										-
#Enterprise development fund										-
#Profit return investments										-
ii.Withdrawal of general risk reserve										-
iii. Distribution to owner/shareholder									-9,514,100.00	-9,514,100.00
iv. Others									-91,541,917.81	-91,541,917.81
V. Transfer within owner's equity	-	-	-	-	-	-	-	-	-	-
i. Capital reserve transferred to paid-in capital										-
ii. Surplus reserve transferred to paid-in capital										-
iii. Recover of loss by surplus reserve										-
iv. Changes in remeasurement of defined benefit net obligations/assets										-
☆v. Other comprehensive income carried forward to retained earnings										-
vi. Others										-
4. Ending balance of current year	5,205,776,000.00	1,991,509,434.00	82,775,291.64	-	-	-	987,170.48	-	-541,679,604.45	6,739,368,291.67

Note: items with Δ in regular script are for financial enterprises only; items with # are for foreign-invested enterprises only, and ☆ is applicable to enterprises implementing new income / new lease / new financial instrument standards.

Legal Representative: Finance Officer (CFO): Manager of Financial Department:

Company Change of Equity Statement

Prepared by: Shuifa Group Co., Ltd. Year 2019 (The currency of the statements are RMB, unless otherwise indicated)

Item	FY 2018									
	Paid-in capital	Other equity instrument	Additional Paid-in Capital	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	△General risk reserve	Retained earnings	Total owner's equity
Column	1	2	3	4	5	6	7	8	9	10
1. Ending balance of last year	4,302,416,000.00						987,170.48		-374,432,855.92	3,928,970,314.56
Add: increase/decrease due to changes in accounting policies										-
Increase/decrease due to corrections of errors in Prior Period										-
Others										-
2. Beginning balance of current year	4,302,416,000.00	-	-	-	-	-	987,170.48	-	-374,432,855.92	3,928,970,314.56
3. Increase/decrease for current year	903,360,000.00	-	88,074,723.02	-	-	-	-	-	-76,491,602.43	914,943,120.59
I. Total comprehens iveincome									-67,776,102.43	-67,776,102.43
II. Owner's contributions and withdrawals of captial	903,360,000.00	-	88,074,723.02	-	-	-	-	-	-	991,434,723.02
i. Common stock contributed by owners	903,360,000.00		88,074,723.02							991,434,723.02
ii. Capital contributed by other equity instruments holders										-
iii. Share-based payment recorded in owner's equity										-
iv. Others										-
III. Special reserve					-	-				-
i. Current year accrual										-
ii. Current year utilization										-
IV. Profits distribution	-	-	-	-	-	-	-	-	-8,715,500.00	-8,715,500.00
i. Appropriation of surplus reserve	-	-	-	-	-	-	-	-	-	-
Include: Statutory surplus reserve										-
Arbitrary provident fund										-
#Reserve fund										-
#Enterprise development fund										-
#Profit return investments										-
ii. Withdrawal of general risk reserve										-
iii. Distribution to owner/shareholder									-8,715,500.00	-8,715,500.00
iv. Others										-
V. Transfer within owner's equity	-	-	-	-	-	-	-	-	-	-
i. Capital reserve transferred to paid-in capital										-
ii. Surplus reserve transferred to paid-in capital										-
iii. Recover of loss by surplus reserve										-
iv. Changes in remeasurement of defined benefit net obligations/assets										-
☆v. Other comprehensive income carried forward to retained earnings										-
vi. Others										-
4. Ending balance of current year	5,205,776,000.00	-	88,074,723.02	-	-	-	987,170.48	-	-450,924,458.35	4,843,913,435.15

Note: items with △ in regular script are for financial enterprises only; items with # are for foreign-invested enterprises only, and ☆ is applicable to enterprises implementing new income / new lease / new financial instrument standards.

Legal Representative: 王振钦印

Finance Officer (CFO): 甄爱兰印

Manager of Financial Department: 冯建忠印

水发集团有限公司

Financial period from 1st Jan 2019 until 31st Dec 2019

Notes to the Financial Statements

I.Basic information

1.Historical evolution, place of registration, form of organization and headquarters address

Shuifa Group Co., Ltd. (hereinafter referred to as the company) was founded in 2009 and registered with Shandong Market Supervision and Administration Bureau. Its headquarters is in Jinan City, Shandong Province, with a registered capital of 5,205.776 million yuan.

On April 9, 2009, the provincial government (LZZ [2009] No. 62 document) officially approved the establishment of Shandong Water Development Co., Ltd.; on November 8, 2009, Shandong Water Development Co., Ltd. was officially established with a registered capital of 1,500 million yuan, all of which were issued by Shandong Provincial Department of Water Resources. In 2018, in accordance with the requirements of the notice on printing and distributing the implementation plan for the unified supervision of state-owned assets under the Provincial Administration issued by the general office of Shandong Provincial government and the notice on printing and distributing the establishment plan of Shandong Water Development Group Co., Ltd. issued by the State-owned Assets Supervision and Administration Commission of Shandong Provincial People's Government (hereinafter referred to as " SASAC of Shandong Province ") for unified supervision, SASAC of Shandong Province shall perform the responsibilities of investor, and the shareholders of the company shall be changed from Shandong Water Conservancy Department to SASAC of Shandong Province, Shandong Social Security Fund Council and Shandong Guohui Investment Co., Ltd. As of December 31, 2019, the registered capital and paid in capital are both 5,205.776 million yuan.

The company is engaged in water resources development and other water management business limited liability company.

2.The nature and main business activities of the company

The company belongs to water conservancy management industry, and its main products and services are investment, construction and engineering construction of water resources development and utilization, water supply and drainage, irrigation area supporting and water-saving transformation, reservoir danger elimination and reinforcement, river treatment, urban flood control, garbage (solid waste sludge) treatment and disposal, biomass comprehensive utilization, sewage treatment project and water conservancy related water and soil resources comprehensive development and utilization Industry, business management, design consultation, bidding agency; real estate development and sales, property management; investment and operation of medical maintenance projects, water conservancy and power generation projects with own funds; tourism development; agricultural planting technology development and technology transfer; new energy development and utilization; processing, production and sales of aquatic products and equipment. (For projects subject to approval according to law, business activities can be carried out only after approval of relevant departments).

3.Name of parent company and group headquarters

The actual controller of the company is the State-owned Assets Supervision and Administration Commission of Shandong Provincial People's Government.

4.Authorization of financial statements for issue

These financial statements were authorized for issue by the Company’s Board of Directors on 29th April 2020.

II.Basis for the preparation of financial statements

On the basis of going concern, according to the actual transactions and events, except for An He (Lei Bo) Hydro Power Co., Ltd., Juli Natural Gas Co., Ltd., Dalian Energas Gas-System Co., Ltd., China Shuifa Singyes Energy Holdings Limited, the affiliated enterprises are recognized and measured in accordance with the accounting standards for Business Enterprises - Basic Standards issued by the Ministry of Finance, specific accounting standards for Business Enterprises, application guide for accounting standards for Business Enterprises, interpretation of accounting standards for Business Enterprises and other relevant provisions (hereinafter referred to as "current accounting standards for Business Enterprises").

In 2017, the Ministry of Finance revised the accounting standards for Business Enterprises No. 22 - recognition and measurement of financial instruments, accounting standards for Business Enterprises No. 23 - presentation of financial instruments, accounting standards for Business Enterprises No. 24 - transfer of financial assets, accounting standards for Business Enterprises No. 24 - transfer of financial assets, and accounting standards for Business Enterprises No. 14 - revenue, which required the enterprises listed both at home and abroad as well as those listed overseas and prepared financial reports using international financial reporting standards or accounting standards for Business Enterprises to implement the above standards from January 1, 2018; for other domestic listed enterprises, the new financial instrument standards will be implemented from January 1, 2019, and the new income standards will be implemented from January 1, 2020. In 2018, the Ministry of Finance revised the accounting standards for Business Enterprises No. 21 - leasing, which requires enterprises listed at home and abroad at the same time as well as enterprises listed abroad and adopting international financial reporting standards or accounting standards for Business Enterprises to prepare financial statements from January 1, 2019.

The company's subsidiaries An He (Lei Bo) Hydro Power Co., Ltd., Juli Natural Gas Co., Ltd., Dalian Energas Gas-System Co., Ltd. has implemented the new financial instrument standards since January 1, 2019; its subsidiary China Shuifa Singyes Energy Holdings Limited is a listed company in Hong Kong, which implements the Hong Kong financial reporting standards, which has no significant difference with the current accounting standards for related business.

As the company has not implemented the new accounting standards, when preparing the consolidated financial statements, the company directly consolidated the financial statements prepared by the above subsidiaries. For the impact on the consolidated financial statements, please refer to the consolidated balance sheet / Note V. 1. Changes in significant accounting policies.

III.Statement of compliance with corporate accounting standards

The financial statements prepared by the company conform to the requirements of the preparation basis of financial statements stated in Note II, and truly and completely reflect the company's financial status, operating results, cash flow and other relevant information during the reporting period.

IV.Summary of significant accounting policies and accounting estimates

For the accounting policies related to income, leasing and financial instruments, the subsidiary companies of the company, An He (Lei Bo) Hydro Power Co., Ltd., China Shuifa Singyes Energy Holdings Limited, Dalian Energas Gas-System Co., Ltd. shall implement the accounting policies under the new accounting standards for Business Enterprises in the notes, and the company and its affiliated companies shall implement the accounting policies under the current accounting standards in the notes.

1.Accounting period

The Company's accounting year starts on 1 January and ends on 31 December.

2.Recording currency

The Company's recording currency is Renminbi (RMB).

Foreign subsidiaries shall use the currency in the main economic environment in which they operate as the bookkeeping base currency and convert them into RMB when preparing financial statements.

3.Accounting basis and valuation principle

The company's accounting is based on accrual basis. The company generally adopts the historical cost when measuring the accounting elements; the company will give special explanation for the situation that the replacement cost, net realizable value, present value or fair value and other attributes are used for measurement according to the provisions of the standards.

4.Accounting treatments for business combinations involving enterprises under and not under common control

(1) When the terms, conditions, and economic influence of transactions in the process of a step-by-step combination conform to one or more of the following, accounting for multiple transactions is treated as a package transaction:

(a) These transactions are made simultaneously or with consideration of influence on each other;

(b) These transactions can only achieve a complete business outcome when treated as a whole;

(c) The occurrence of a transaction depends on the occurrence of at least one of the other transactions;

(d) A transaction is uneconomical when treated alone, but is economical when considered together with other transactions.

(2) Business combinations involving enterprises under common control

The assets and liabilities acquired by the Company in business combinations are measured in accordance with the book value of assets and liabilities of the combined party on the date of combination (including the goodwill of the ultimate controlling party resulting from the acquisition of the combined party). The difference between the book value of net assets acquired in the combination and the book value of the consideration paid for the combination (or the total par value of shares issued) is used to adjust the capital stock premium in the capital reserve, and when the capital stock premium in the capital reserve is insufficient for offset, it is used to adjust the retained earnings.

If there is a contingent consideration and it is necessary to confirm the provisions or assets, the difference between the estimated amount of liabilities or assets and the settlement amount of subsequent contingent consideration is used to adjust the capital reserve (capital stock premium), and when the capital reserve is insufficient, it is used to adjust the retained earnings.

For a business that is ultimately realized through multiple transactions, if it is a package transaction, each transaction is treated as a transaction that acquires control; if it is not a package transaction, on the date of acquisition of control, the difference between the initial cost of long-term equity investment and the book value of long-term equity investment before the combination plus the book value of the new paid consideration on the date of combination is used to adjust the capital reserve; and when the capital reserve is insufficient for offset, it is used to adjust the retained earnings. For equity investments held prior to the date of combination, no accounting treatment is carried out for other comprehensive gains recognized by equity accounting or financial instrument confirmation and measurement standards, and up to the disposal of the investment, the accounting treatment shall be based on the same basis as the direct disposal of the assets or liabilities of the invested entity; other changes in owner's equity other than net profit or loss, other comprehensive income or profit distribution of net assets of the invested company recognized by equity method are not subject to accounting, and will be transferred to the current profit and loss until the disposal of the investment.

(3) Business combinations involving enterprises not under common control

Purchase date refers to the date when the company obtains the control right over the acquiree, that is, the date when the control right over the net assets or production and operation decision of the acquiree is transferred to the company. When the following conditions are met at the same time, the company generally considers that the transfer of control right has been realized:

(a) The business combination contract or agreement has been approved by the internal authority of the company.

(b) The business combination matters that need to be examined and approved by the relevant competent departments of the state have been approved.

(c) Necessary procedures for transfer of property rights have been completed.

(d) The company has paid most of the merger price, and has the ability and plan to pay the remaining amount.

(e) In fact, the company has controlled the financial and operational policies of the acquiree, enjoyed corresponding benefits and assumed corresponding risks.

The assets paid and liabilities incurred or assumed of the Company as a consideration for the business combination are measured at fair value on the date of purchase, and the difference between the fair value and the book value is recognized in profit or loss.

The difference between the higher combination cost and lower fair value of identifiable net assets of the acquired party gained in the combination is recognized as goodwill by the Company. In case that the cost of combination is less than the fair value of the identifiable net assets of the acquired party gained in the combination, and the difference is still less than the fair value of identifiable net assets of the acquired party gain in the combination after review, the difference is included in the current profit and loss by the Company.

For the case where a business combination involving enterprises not under common control is finally realized through multiple transactions step by step, if it is a package transaction, each transaction is treated as a transaction for acquiring control; if it is not a package transaction; if it is not a package transaction, the individual financial statements and consolidated financial statements are distinguished for related accounting treatment.

In the individual financial statements, if the equity investment held before the date of combination is accounted for by equity method, the sum of the book value of equity investment of the acquired party held before the date of acquisition plus the new investment cost on the date of acquisition is recognized as the initial cost of the investment; the other comprehensive income confirmed by equity method before the date of acquisition is accounted for, when the investment is disposed, on the same basis as those the invested party adopted directly to dispose the relevant assets or liabilities.

If the equity investment held before the date of combination is accounted for by financial instrument recognition and measurement criteria, the sum of the fair value of equity investment on the date of combination plus the new investment cost is taken as the initial investment cost on the date of combination. The difference between the fair value and the book value of the original equity interest, and the accumulated fair value changes originally included in other comprehensive income should be transferred to investment income in the current period of combination date.

In the consolidated financial statements, the equity of the acquired party held before the date of acquisition is re-measured according to the fair value of the equity on the date ofacquisition. The difference between the fair value and the book value is included in the current investment income; if the equity of the acquired party involves other comprehensive income under the equity method, etc., other comprehensive income related to it is converted into investment income in the current period of acquisition date.

(4) Related expenses incurred for consolidation

The agency fees paid for audits, legal services, assessments, and other related expenses incurred in the business combination are recognized in profit or loss in the period in which they are incurred. The transaction costs for the issuance of equity securities for the business combination that may be directly attributed to equity transactions can be deducted from equity.

5.Method for compiling consolidated financial statements

(1) Scope of consolidation

The scope of consolidation of the Company's consolidated financial statements is determined based on control, and all subsidiaries (including separate entities controlled by the Company) are included in the consolidated financial statements.

(2) Consolidation procedure

The Company prepares consolidated financial statements based on itself and each subsidiary's financial statements, and according to other relevant materials. For preparing consolidated financial statements, the Company deems the whole enterprise group as an accounting subject, and reflects the enterprise group's overall financial standing, operating results, and cash flow according to the confirmation, measuring and presentation requirements of relevant enterprise accounting standards, and according to uniform accounting policies.

The accounting policies and accounting period of all the subsidiaries incorporated into the consolidation scope of consolidated financial statements are consistent with those adopted by the Company. If the accounting policies and accounting period adopted by the subsidiaries are inconsistent with those adopted by the Company, then when consolidated financial statements are prepared, necessary adjustments will be made according to the Company's accounting policies and accounting period. For the subsidiaries obtained through business combination not under the same control, their financial statements will be adjusted based on the fair value of distinguishable net assets on the date of purchasing. For subsidiaries obtained through business combination under the same control, their financial statements will be adjusted based on the book value of their assets and liabilities (including the goodwill formed from the final controller's acquisition of the subsidiaries) in the final controller's financial statements.

The shares belonging to minor shareholders of subsidiaries' owners' equity, net gain or loss of current period, and composite benefits of current period will be listed independently under the owners' equity in consolidated balance sheet, the net profit and total composite benefit in consolidated profit statement respectively. The balance formed from that "the loss of current period shared by subsidiaries' minor shareholders" exceeds "the shares shared by the minor shareholders in the subsidiaries' owners' equity at the beginning of period" will be used to write down minor shareholders' equity.

a)Increase of subsidiaries or businesses

In the reporting period, if subsidiaries or businesses are increased for business combination under the same control, the opening amount in the consolidated balance sheet will be adjusted; the income, expense, and profit of the subsidiaries or businesses from the beginning of the very period of combination to the end of the reporting period will be incorporated into the consolidated profit statement; the cash flow of the subsidiaries or businesses from the beginning of the very period of combination to the end of the reporting period will be incorporated into the consolidated cash flow statement, and meanwhile, relevant items in comparative statements will be adjusted, and the report subjects after combination will be deemed as having always existed from the time point when the final controller starts the control.

If it's available to impose control on invested parties under the same control for reason of additional investment, etc., each party participating in the combination will be deemed to exist and adjust according to present state when the final controller starts the control. The equity investments held before obtaining the right to control the combined parties, relevant gain or loss already confirmed from "the date when original equity is obtained and the date when the combining party and the combined party are under the same control, whichever is later" to the date of combination, other composite benefits, and the changes of other net assets will be used to write down the opening retained benefit of the period of comparative statement or the gain or loss of the current period respectively.

In the reporting period, if subsidiaries or businesses are increased for business combination not under the same control, the opening amount of consolidated balance sheet will not be adjusted; the income, expense and profit of the subsidiaries or businesses from the date of purchasing to the end of reporting period will be incorporated into the profit statement respectively; and the cash flow of the subsidiaries or businesses from the date of purchasing to the end of reporting period will be incorporated into the cash flow statement.

If it is available to impose control on the invested parties not under the same control for reason of additional investment, etc., then the purchased parties' stock equity held before the date of purchasing will be re-measured by the Company as per the fair value of the stock equity on the date of purchasing, and the balance between the fair value and its book value will be recorded in the investment yield of the current period. If the purchased parties' equity held before the date of purchasing involves other composite benefits under accounting with equity method, as well as changes of other owners' equity except for net gain or loss, other composite benefit and profit distribution, then relevant other composite benefit and changes of other owner's equity will be converted into the investment yield in the very period to which the date of purchasing belongs, excluding the other composite benefits arising from the changes of the net liabilities or net assets of benefit plan measured and set up over again by the invested parties.

b)Disposal of Subsidiaries or Businesses

1)General treatment

In the reporting period, if the Company disposes some subsidiaries or businesses, then the income, expense and profit of such subsidiaries or businesses from the beginning of the period to the date of disposal will be incorporated into the consolidated profit statement; the cash flow of the subsidiaries or businesses from the beginning of period to the date of disposal will be incorporated into cash flow statement.

If the Company loses the right to control invested parties for disposal of partial equity investments or other reasons, the remained equity investments after disposal will be re-measured by the Company as per their fair value on the date when the control right is lost. The balance of "the sum of the consideration obtained from disposal of equity and the fair value of the remained stock equity" minus "the sum of the net asset shares enjoyed in original subsidiaries and calculated continuously from the date of purchasing or date of combination according to original shareholding proportion and the goodwill" will be recorded in the investment yield of the very period when control right is lost. Other composite benefits related to original subsidiaries' equity investments, or the changes of other owners' equity except for other composite benefits and profit distribution, will be converted into the investment yield of the very period when the control right is lost, excluding the other composite benefits arising from the changes of the net liabilities or net assets of benefit plan measured and set up over again by the invested parties.

In case of any declination on the shareholding proportion of the Company and herein losing the control rights over its subsidiary arising from the capital increase contributed by other investors, it shall conduct accounting treatment in the light of the aforesaid principles.

2)Disposal by steps

If the Company disposes the equity investments in subsidiaries by steps through multiple transactions until losing the right to control the subsidiaries, and if the clauses, terms and economic influences of various transactions for disposing the equity investments in the subsidiaries meet one or several of the following circumstances, such multiple transactions will generally be subject to accounting treatment as package transaction:

a. These transactions are concluded simultaneously or in condition of considering mutual influences;

b. Only the entirety of these transactions could achieve a complete business result;

c. The occurrence of a transaction depends on the occurrence of at least one of the other transactions;

d. A transaction is not economical independently, but economical if considered together with other transactions.

If various transactions of disposing the equity investments in subsidiaries until losing the control right belong to package transaction, the Company will execute accounting treatment of various transactions as a transaction of disposing subsidiaries until losing control right; but the balance between the price of every disposal before losing control right and the subsidiaries' net asset shares enjoyed and corresponding to the investments disposed will be confirmed as other composite benefits in the consolidated financial statements, and transferred into the gain or loss of the very period when the control right is lost.

If various transactions of disposing the equity investments in subsidiaries until losing the control right do not belong to package transaction, then before losing control right, the Company will execute accounting treatment according to relevant policies about partial disposal of equity investments in subsidiaries in condition of not losing control right; if control right is lost, the accounting treatment will be carried out according to general method for treatment of subsidiaries.

c)Purchase of minority interests in subsidiaries

For the balance between "the long-term equity investments newly obtained from purchasing of minor stock equity" and "the net asset shares to be enjoyed in the subsidiaries according to newly increased shareholding proportion and calculated continuously from the date of purchasing (or the date of combination)", the capital stock premium in the capital reserve in the consolidated balance sheet will be adjusted; if the capital stock premium in the capital reserve is not sufficient to write down, the retained benefit will be adjusted.

d)Partial disposal of equity investment in subsidiaries without loss of control

For the balance between "the disposal price obtained from disposal of partial long-term equity investments in subsidiaries in condition of not losing control right" and "the net asset shares to be enjoyed in the subsidiaries, corresponding to the disposal of long-term equity investments, and calculated continuously from the date of purchasing or the date of combination", the capital stock premium in the capital reserve in the consolidated balance sheet will be adjusted; if the capital stock premium in the capital reserve is not sufficient to write down, the retained benefit will be adjusted.

6.Classification of Joint Venture Arrangements and Accounting Method of Joint Operations

(1)Classification of joint arrangements

The Company divides the joint venture arrangement into joint operation and joint venture according to the structure of the joint arrangement, the legal form and the terms agreed in the joint arrangement, other relevant facts, and circumstances.

Joint venture arrangements not achieved through separate entities are classified as joint operations; joint venture arrangements through separate entities are usually classified as joint ventures; however, there are conclusive evidence that joint venture arrangements that meet any of the following conditions and comply with relevant laws and regulations are classified as common Management:

(1) The legal form of the joint venture arrangement indicates that the joint venture party has rights and obligations for the relevant assets and liabilities in the arrangement.

(2) The contractual terms of the joint venture arrangement stipulate that the joint venture party shall have rights and obligations for the relevant assets and liabilities in the arrangement.

(3) Other relevant facts and circumstances show that the joint venture party has rights and obligations to the relevant assets and liabilities in the arrangement respectively, for example, the joint venture party has almost all the output related to the joint venture arrangement, and the settlement of the liabilities in the arrangement continues to depend on the support of the joint venture party.

(2)Accounting treatment for joint operation

The Company confirms the following items related to the Company in the share of interest in the joint operation, and performs accounting treatment in accordance with the relevant accounting standards:

a)Confirm the assets held separately and the assets jointly held according to their shares;

b)Recognize the liabilities undertaken separately and the liabilities jointly undertaken according to their shares;

c)Recognize the income generated from the sale of its share of the output of joint operation;

d)Recognize the income from the sale of the output of the joint operation according to its share;

e)Confirm the expenses incurred separately and the expenses incurred in joint operation according to their shares.

The Company invests or sells assets to the joint operation (other than the business of the assets), and only confirms that the profit or loss arising from the transaction belongs to other participants in the joint operation before the assets are sold to the third party by joint operation. section. If the assets invested or sold are subject to asset impairment losses in accordance with the "Accounting Standards for Business Enterprises No. 8 – Impairment of Assets", the Company shall fully recognize the losses.

The Company purchases assets from joint operations (other than the business of the assets), and only recognizes the portion of the profit or loss arising from the transaction attributable to other participants in the joint operation before selling the assets to a third party. If the purchased assets meet the asset impairment losses stipulated in the "Accounting Standards for Business Enterprises No. 8 – Impairment of Assets", the Company shall recognize the losses according to the share of the commitments.

The Company does not have joint control over joint operations. If the Company enjoys the joint operation related assets and assumes the liabilities related to the joint operation, it will still be accounted for according to the above principles. Otherwise, it shall be accounted for in accordance with the relevant accounting standards

7.Recognition of cash and cash equivalents

In the preparation of the cash flow statement, the Company recognizes cash holdings and deposits that can be used for payment at any time as cash. Cash and cash equivalents of the Company include cash on hand, ready usable deposits and investments having short holding term (normally will be due within three months from the day of purchase), with strong liquidity and easy to be exchanged into certain amount of cash that can be measured reliably and have low risks of change.

8.Foreign currency business and translation of foreign currency statement

(1)Foreign currency transactions

Foreign currency transactions between the Company and its subsidiaries are translated into Renminbi at the spot exchange rate on the transaction date.

Foreign currency monetary items are translated at the spot exchange rate on the balance sheet date, and the exchange differences resulted therefrom, except that the exchange differences arising from special foreign currency loans related to the acquisition and construction of assets eligible for capitalization should be treated in accordance with the principle of capitalization of borrowing costs, are all included in the current profit and loss. Foreign currency non-monetary items measured at historical cost are still translated at the spot exchange rate on the transaction date, and the amount of base currency for bookkeeping is not changed.

Foreign currency non-monetary items measured at fair value are translated at the spot exchange rates on the date when the fair value is determined, and the exchange differences resulted therefrom are included in profit or loss in the current period as a change in fair value. In the case of foreign currency non-monetary items that are Available-for-sale, the exchange differences incurred are included in other comprehensive income.

(2)Translation of foreign currency financial statement

When the Company translates the financial statements of overseas operations, the assets and liabilities in the balance sheet are translated at the spot exchange rate on the balance sheet date. The owner's equity items, except for the "undistributed profit" items, are translated at the spot exchange rate at the time of occurrence of items. All the incurred items in the income statement are translated at the current average exchange rate of the period in which transactions occur. The translation differences of foreign currency financial statement arising from the above translation are included in other comprehensive income.

When disposing the overseas operation, the foreign currency financial statement translation difference listed in other comprehensive income items in the balance sheet and related to the overseas operation shall be transferred from other comprehensive income items to the current profit and loss of disposal; when the proportion of overseas business interests decreased due to the disposal of part of equity investment or other reasons, but the control right of overseas operation was not lost, the translation difference of foreign currency statements related to the disposal part of overseas operation would be attributed to minority shareholders' equity and would not be transferred into current profit and loss. When disposing part of the equity of an overseas operation as a joint venture or joint venture, the foreign currency statement translation difference related to the overseas operation shall be transferred to the current profit and loss of the disposal according to the proportion of the disposal of the overseas operation.

9.Financial instruments

Financial instruments include financial assets, financial liabilities, and equity instruments.

(1)Under the current accounting standards for Business Enterprises:

a) Classification of financial instrument

The Company classifies financial assets and liabilities at initial recognition based on the contractual terms of the financial instruments issued and the economic substance they reflect but not only the legal form, in combination with the purpose of the acquisition of financial assets and liabilities, to the following categories: financial assets (or financial liabilities) that are measured at fair value and whose changes are included in current profit and loss; held-to-maturity investments; receivables; available-for-sale financial assets; and other financial liabilities, etc.

b) Recognition basis and measurement method of financial instruments

i.Financial assets (financial liabilities) measured with fair value and having the change of fair value recorded in the gain or loss of current period

Financial assets (financial liabilities) measured with fair value and having the change of fair value recorded in the gain or loss include trading financial assets or financial liabilities and financial assets or financial liabilities directly designated to be measured at fair value with changes included in current profits and losses.

Trading financial assets or financial liabilities refer to the financial assets or financial liabilities meeting one of the following conditions:

1) the purpose of obtaining the financial assets or financial liabilities is to sell, repurchase or redeem in the short term;

2) It is a part of the recognizable financial instrument portfolio under centralized management, and there is objective evidence to show that the company manages the portfolio soon by means of short-term profit-making;

3) a derivative financial instrument, but a derivative instrument designated as an effective hedging instrument, a derivative instrument belonging to a financial guarantee contract, and a derivative instrument that is linked to the equity investment instruments that are not available in the active market and whose fair value cannot be measured reliably and must be settled through the delivery of the equity instrument.

Only when one of the following conditions is met can a financial asset or financial liability be designated as a financial asset or financial liability measured at fair value through profit or loss at the initial measurement:

1) the designation can eliminate or significantly reduce the relative gains or losses caused by differences in the measurement basis of financial assets or financial liabilities in terms of recognition or measurement.

2) a formal written document on risk management or investment strategy has already indicated that the financial asset portfolio, the financial liability portfolio, or the portfolio of financial assets and financial liabilities are managed, evaluated, and reported to key management personnel based on fair value.

3) For a hybrid instrument containing one or more embedded derivatives, unless the embedded derivative does not significantly change the cash flow of the hybrid instrument, or the embedded derivative instrument obviously should not be separated from the relevant hybrid instrument;

4) A hybrid instrument that includes embedded derivatives that need to be split but cannot be measured separately on acquisition or subsequent balance sheet date.

For the financial assets or financial liabilities measured at fair value and the changes of which are included in the current profits and losses, the fair value (deducting the cash dividends declared but not issued or the bond interest that has reached the interest payment period but has not been collected) is taken as the initial recognition amount, and the relevant transaction costs are included in the current profit and loss. The interest or cash dividend obtained during the holding period is recognized as investment income, and the change of fair value is included in the current profit and loss at the end of the period. At the time of disposal, the difference between the fair value and the initial recorded amount is recognized as investment income, and the profit and loss of changes in fair value is adjusted.

ii.Accounts receivable

For the creditor's rights receivable formed from the Company's sale of goods or rendering of labor services, and the other enterprises' creditor's rights held by the Company and excluding the debt instruments having an offer in active market, including accounts receivable and other accounts receivable, etc., the contract or agreement price receivable from purchasers will be taken as the initially confirmed amount; if the receivables have financing nature, they will be initially confirmed as per their present value.

In case of recovery or disposal, the balance between the acquisition price and the book value of accounts receivable will be recorded in the gain or loss of the current period.

iii.Entrusted loan

The method of valuation and income recognition of entrusted loans: according to the actual amount entrusted to the loans of financial institutions as the actual cost accounting, and accrued interest accrued according to the accrual basis principle, if interest is not recoverable at the expiration of the interest, the interest shall be withdrawn and the interest rate originally calculated will be charged back.

Entrusted loans are measured at the end of the period according to the lower of book value and recoverable amount:

1) The recognition standard of impairment provision of entrusted loan: the principal of

entrusted loan is higher than the recoverable amount.

2) Provision method for impairment of entrusted loan: at the end of half a year or at the end of each year, it shall be withdrawn according to the difference between the recoverable amount of single entrusted loan and its book value.

iv.Held-to-maturity investments

Held-to-maturity investment refers to the non-derivative financial assets with fixed maturity date, fixed or determinable recovery amount, and the company has clear intention and ability to hold to maturity.

For the held-to-maturity investment, the sum of the fair value (deducting the bond interest that has reached the interest payment period but has not been collected) and relevant transaction costs is taken as the initial recognition amount. During the holding period, the interest income is calculated and recognized according to the amortization cost and the actual interest rate, and is included in the investment income. The effective interest rate is determined at the time of acquisition and remains unchanged during the expected duration or shorter applicable period. When disposing the held-to-maturity investment, the difference between the price obtained and the book value of the investment shall be included in the investment income.

If the amount of held-to-maturity investment disposed or reclassified into other types of financial assets is larger than the total amount of all held to maturity investment of the company before sale or reclassification, the remaining held-to-maturity investment shall be reclassified as available for sale financial assets immediately after disposal or reclassification; on the date of reclassification, the difference between the book value of the investment and its fair value is included in other comprehensive income, and transferred out when the available for sale financial asset is impaired or derecognized, and included in the current profit and loss. However, the following circumstances may be excluded:

1) The selling date or reclassification date is close to the maturity date or redemption date of the investment (such as within three months before maturity), and the change of market interest rate has no significant impact on the fair value of the investment.

2) According to the payment method agreed in the contract, the company has recovered almost all the initial principal.

3) The sale or reclassification is caused by independent events beyond the control of the company, which are not expected to occur repeatedly and are difficult to reasonably predict.

v.Available-for-sale financial assets

Available-for-sale financial assets refer to the non-derivative financial assets designated as available for sale at the time of initial recognition, as well as financial assets other than other types of financial assets.

When the company obtains available-for-sale financial assets, the sum of the fair value (deducting the cash dividends declared but not issued or the bond interest that has reached the interest payment period but has not been collected) and the relevant transaction costs is taken as the initial recognition amount. The interest or cash dividend obtained during the holding period is recognized as investment income. Gains or losses arising from changes in fair value of available-for-sale financial assets are directly included in other comprehensive income, except for impairment loss and exchange difference formed by foreign currency monetary financial assets. When disposing the available-for-sale financial assets, the difference between the price obtained and the book value of the financial assets shall be included in the investment profits and losses; at the same time, the amount corresponding to the disposal part corresponding to the accumulated amount of fair value change originally included in other comprehensive income shall be transferred out and included in the investment profit and loss.

c) Confirmation Basis and Measurement Method of Financial Assets Transferred

If the Company transfers financial assets, and transfers nearly all risks and rewards on the ownership of such financial assets to the transfer-in party, the Company will terminate the confirmation of the financial assets; if the Company reserves nearly all risks and rewards on the ownership of the financial assets, the Company will not terminate the confirmation of such financial assets.

When judging whether the transfer of financial assets meets the above-mentioned conditions for terminating the confirmation of financial assets, the Company will follow the “Substance Over Form” principle. The Company distinguishes the transfer of financial assets into overall transfer and partial transfer of financial assets. If the overall transfer of financial assets meets the conditions for termination of confirmation, the balance of the following two amounts will be recorded in the gain or loss of the current period:

① The book value of the financial assets transferred;

② The sum of the consideration received for the transfer and the accumulative amount of change in the fair value originally recorded in the owner's equity directly (involving the circumstance that the financial assets transferred are available-for-sale financial assets);

If partial transfer of financial assets meets the conditions for termination of confirmation, the overall book value of the financial assets transferred will be amortized between the confirmation-terminated part and non-confirmation-terminated part as per respective relative fair value, and the balance of the following two amounts will be recorded in the gain or loss of the current period:

① The book value of the confirmation-terminated part;

② The consideration for the confirmation-terminated part and the amount of corresponding confirmation-terminated part in the accumulative amount of change in the fair value originally recorded in the owner's equity directly (involving the circumstance that the financial assets transferred are available-for-sale financial assets);

If the transfer of financial assets does not meet the conditions for termination of confirmation, the financial assets will be confirmed continuously, and the consideration received will be confirmed as a financial liability.

d) Conditions for Terminating the Confirmation of Financial Liabilities

If the current obligation of financial liabilities is rescinded completely or partially, the confirmation of such financial liabilities or part of them will be terminated; if the Company signs an agreement with creditors to replace the existing financial liabilities by means of undertaking new financial liabilities, and the contract clauses for new financial liabilities are substantially different from the contract clauses for existing financial liabilities, the confirmation of the existing financial liabilities will be terminated, and new financial liabilities will be confirmed at the same time.

If all or partial contract clauses for existing financial liabilities are amended substantially, the confirmation of the existing financial liabilities or part of them will be terminated, and meanwhile, the financial liabilities after amendment of clauses will be confirmed as a new financial liability.

If the confirmation of financial liabilities is terminated completely or partially, the balance between the book value of the financial liabilities of which the confirmation is terminated and the consideration paid (including non-cash assets transferred out or the new financial liabilities undertaken) will be recorded in the gain or loss of the current period.

If the Company buys back partial financial liabilities, then on the date of buyback, the Company will distribute the overall book value of the financial assets according to the relative fair value of the part confirmed continuously and the confirmation-terminated part. The balance between the book value distributed to the confirmation and the consideration paid (including non-cash assets transferred out or the new financial liabilities undertaken) will be recorded in the gain or loss of the current period.

e) Method for Determining the Fair Value of Financial Assets and Financial Liabilities

For financial instruments having an active market, their fair value will be determined as per the offer in the active market. For financial instruments not having an active market, their value will be determined by estimation technique. In case of estimation, the Company will adopt estimation techniques which are applicable under present circumstances and supported by sufficient available data and other information, select input values consistent with the asset or liability characteristics considered by market participants in the transactions of relevant assets or liabilities, and preferentially use relevant observable input values. Non-observable input values will be used only under the circumstance that relevant observable input values cannot be obtained or such values obtained are not practicable.

f) Method for Testing and Accounting Treatment of Depreciation of Financial Assets (Excluding Accounts Receivable)

On the balance sheet date, the book value of financial assets other than those measured at fair value and whose changes are included in the current profits and losses shall be checked. If there is objective evidence indicating that the financial assets are impaired, the provision for impairment shall be made.

Objective evidence proving impairment to the financial assets includes the following observable situations:

①Severe financial difficulties in the issuer or debtor;

② The debtor violates the contract or defaults or delays the payment of the interest or principal;

③ The Company makes compromise to the debtor with financial difficulties due to economic or legal consideration;

④ The debtor may go bankruptcy or conduct other financial reorganization;

⑤ The financial assets can no longer be traded in an active market due to material financial difficulties in the issuer;

⑥ It cannot be recognized whether the cash flow of an asset in a group of financial assets has decreased. However, according to open data, it can be evaluated that the estimated future cash flow of the Company of financial assets has decreased and the decrease can be measured, including: the payment capacity of the debtor of the financial assets continues weakening;

situations that may lead to the payment failure of the financial assets happen in the country or region where the debtor is located;

⑦ Significant adverse changes occurs to the technical, market, economic or legal environment of the debtor, leading to that the equity instrument investor may not be able to recover the investment;

⑧Other objective evidence that can prove the impairment of the financial assets.

g) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the balance sheet without offsetting each other. However, if the following conditions are met at the same time, they shall be presented in the balance sheet with the net amount after offsetting each other:

(1) The company has the legal right to offset the confirmed amount, and the legal right is currently enforceable;

(2) The company plans to settle with net amount, or realize the financial assets and settle the financial liabilities at the same time.

h) Differentiation and treatment of financial liabilities and equity instruments

In accordance with the provisions of financial instrument standards, the company classifies the financial instrument or its components into financial liabilities or equity instruments at the initial recognition according to the contract terms of the preferred shares, perpetual bonds and other financial instruments as well as the economic essence reflected, rather than in legal form, and in combination with the definitions of financial liabilities and equity instruments:

i.Financial instruments issued shall be classified as financial liabilities if they meet one of the following conditions:

1) Contractual obligations to deliver cash or other financial assets to other parties;

2) Contractual obligations to exchange financial assets or financial liabilities with other parties under potential adverse conditions;

3) A non-derivative instrument contract that must or can be settled with its own equity instruments in the future, and the company will deliver a variable amount of its own equity instruments according to the contract;

4) Derivative instrument contracts that need to be settled or can be settled by the company's own equity instruments in the future, except for derivative instrument contracts that exchange fixed amount of cash or other financial assets with a fixed amount of their own equity instruments.

ii.Financial instruments issued shall be classified as equity instruments if the following conditions are met simultaneously:

1) The financial instrument does not include the contractual obligation to deliver cash or other financial assets to other parties, or to exchange financial assets or financial liabilities with other parties under potential adverse conditions;

2) If the financial instrument is a non-derivative instrument, it does not include the contractual obligation to deliver a variable number of its own equity instruments for settlement; if it is a derivative instrument, the company can only settle the financial instrument by exchanging a fixed amount of cash or other financial assets with a fixed amount of its own equity instruments.

iii.Differentiation between financial liabilities and equity instruments

If the performance of a contractual obligation through the delivery of cash or other financial assets cannot be avoided unconditionally, the contractual obligation meets the definition of financial liability. If a financial instrument must be settled or can be settled with the company's own equity instrument, if it is used as a substitute for cash or other financial assets, the instrument is a financial liability; if it is to enable the holder of the instrument to enjoy the residual equity in the assets of the issuer after deducting all liabilities, the instrument is an equity instrument.

iv.Accouting treatment

For the financial instruments classified as equity instruments, the interest expenses or dividend distribution should be regarded as the profit distribution of the issuing enterprise. The repurchase and cancellation of the financial instruments should be treated as changes in equity. Transaction costs such as handling fees and commissions should be deducted from the equity;

For the financial instruments classified as financial liabilities, the interest expenses or dividend distribution shall be treated in accordance with the borrowing costs in principle. The profits or losses arising from the repurchase or redemption shall be included in the current profits and losses, and the transaction costs such as handling charges and commissions shall be included in the initial measurement amount of the issued instruments.

(2)Under the new accounting standards for Business Enterprises:

When the Company becomes a party to a financial instrument, it recognizes a financial asset or liability.

The effective interest method refers to the method of calculating the amortized cost of financial assets or liabilities and allocating interest income or interest expense into each accounting period.

The effective interest rate refers to the interest rate used to discount the estimated future cash flow of a financial asset or financial liability during its expected duration to the book balance of the financial asset or the amortized cost of the financial liability. When determining the effective interest rate, the expected cash flow is estimated based on considering all contract terms of financial assets or liabilities (such as prepayment, extension, call options or other similar options), but the expected credit loss is not considered.

The amortized cost of a financial asset or financial liability is the accumulated amortization amount formed by deducting the repaid principal from the initial recognition amount of the financial asset or financial liability, adding or subtracting the difference between the initial recognition amount and the maturity amount by using the effective interest method, and then deducting the accumulated accrued loss reserve (only applicable to financial assets).

a)Classification and measurement of financial assets

According to the business model of the financial assets under management and the contractual cash flow characteristics of the financial assets, the Company divides the financial assets into the following three categories:

(a) Financial assets measured at amortized cost.

(b) Financial assets measured at fair value and whose changes are included in other comprehensive income.

(c) Financial assets measured at fair value and whose changes are included in the current profit and loss.

Financial assets are measured at fair value when initially recognized, but if the accounts or notes receivable arising from the sale of goods or the provision of services do not contain significant financing components or do not consider financing components for no more than one year, the initial measurement shall be made at the transaction price.

For financial assets measured at fair value and whose changes are included in the current profit and loss, transaction expenses are directly recognized in the current profit and loss. For other financial assets, transaction expenses are included in the initial recognition amount.

Subsequent measurement of financial assets depends on their classification. All related financial assets affected will be reclassified when and only when the Company changes its business model of managing financial assets.

i. Financial assets classified as measured at amortized cost

The contract terms of a financial asset stipulate that the cash flow generated on a specific date is only the payment of the principal and the interest on the amount of outstanding principal, and the business model for managing the financial asset is to collect the contractual cash flow, then the Company classifies the financial asset as measured at amortized cost. Financial assets of the Company that are classified as measured at amortized cost include monetary funds, notes receivable, accounts receivable, other receivables, long-term receivables, creditors' investments, etc.

The Company recognizes interest income from such financial assets with the effective interest method, and carries out subsequent measurement at amortized cost. Gains or losses arising from impairment or derecognition or modification are included in the current profit and loss. The Company calculates and determines the interest income based on the book balance of financial assets multiplied by the effective interest rate except for the following circumstances:

① For purchased or originated credit-impaired financial assets, the Company calculates and determines their interest income at the amortized cost of the financial asset and the credit-adjusted effective interest rate since the initial recognition.

② For financial assets not credit-impaired at the time of being purchased or originated but in the subsequent period, the Company calculates and determines their interest income at the amortized cost and the effective interest rate of the financial assets in the subsequent period. If the financial instrument is no longer credit-impaired due to the improvement of its credit risk in the subsequent period, the Company calculates and determines the interest income by multiplying the effective interest rate by the book balance of the financial asset.

ii. Financial assets classified as measured at fair value and whose changes are included in other comprehensive income

The contract terms of a financial asset stipulate that the cash flow generated on a specific date is only the payment of the principal and the interest on the amount of outstanding principal, and the business model for managing the financial asset is both to collect contractual cash flows and for its sale, then the Company classifies the financial asset as measured at fair value and whose changes are included in other comprehensive income.

The Company recognizes interest income from such financial assets with the effective interest method. Except that the interest income, impairment loss and exchange difference are recognized as the current profit and loss, other changes in fair value are included in other comprehensive income. When the financial asset is derecognized, the accumulated gains or losses previously included in other comprehensive income are transferred out and included in the current profit and loss.

Notes and accounts receivable measured at fair value with changes included in other comprehensive income are reported as receivables financing, and such other financial assets are reported as other creditors' investments. Among them, other creditors' investments maturing within one year from the balance sheet date are reported as non-current assets maturing within one year, and other creditors' investments maturing within one year are reported as other current assets.

iii. Financial assets designated as measured at fair value and whose changes are included in other comprehensive income

At the time of initial recognition, the Company may irrevocably designate non-trading equity instrument investments as financial assets measured at fair value and whose changes are included in other comprehensive income based on individual financial assets.

Changes in the fair value of such financial assets are included in other comprehensive income without provision for impairment. When the financial asset is derecognized, the accumulated gains or losses previously included in other comprehensive income are transferred out and included in the retained earnings. During the investment period when the Company holds the equity instrument, the dividend income is recognized and included in the current profit and loss when the Company's right to receive dividends has been established, the economic benefits related to dividends are likely to flow into the Company, and the amount of dividends can be measured reliably. The Company reported such financial assets under other equity instrument investment items.

iv. Financial assets classified as measured at fair value and whose changes are included in the current profit and loss

An investment in equity instruments is a financial asset measured at fair value and whose changes are included in the current profit and loss when it is obtained mainly for recent sale, or is part of the identifiable portfolio of financial assets centrally managed, and objective evidence exists for a short-term profit model in the near future when initially recognized, or is a derivative (except derivatives defined as financial guarantee contracts and designated as effective hedging instruments).

If failing to be classified as measured at amortized cost or at fair value and whose changes are included in other comprehensive income, or not designated as measured at fair value and whose changes are included in other comprehensive income, financial assets are all classified as measured at fair value and whose changes are included in the current profit and loss.

The Company carries out subsequent measurement of such financial assets at fair value, and includes gains or losses arising from changes in fair value as well as dividends and interest income associated with such financial assets into current profits and losses.

The Company reports such financial assets as trading financial assets and other non-current financial assets according to their liquidity.

v. Financial assets designated as measured at fair value and whose changes are included in the current profit and loss

At the time of initial recognition, the Company may irrevocably designate financial assets as measured at fair value and whose changes are included in the current profit and loss based on individual financial assets in order to eliminate or significantly reduce accounting mismatches.

If the mixed contract contains one or more embedded derivative instruments and its main contract is not any financial asset as above, the Company may designate the whole of the mixed contract as a financial instrument measured at fair value and whose changes are included in the current profits and losses. Except under the following circumstances:

① Embedded derivatives do not significantly change the cash flow of mixed contracts.

② When determining for the first time whether similar mixed contracts need to be split, it is almost clear that embedded derivatives contained in them should not be split without analysis. If the prepayment right embedded in a loan allows the holder to prepay the loan at an amount close to the amortized cost, the prepayment right does not need to be split.

The Company carries out subsequent measurement of such financial assets at fair value, and includes gains or losses arising from changes in fair value as well as dividends and interest income associated with such financial assets into current profits and losses.

The Company reports such financial assets as trading financial assets and other non-current financial assets according to their liquidity.

b)Classification and measurement of financial liabilities

The Company classifies a financial instrument or its components into financial liabilities or equity instruments upon initial recognition according to the contract terms of and the economic essence reflected by the financial instrument issued, rather than only in legal form, in combination with the definitions of financial liabilities and equity instruments. Financial liabilities are classified at initial recognition as measured at fair value and whose changes are included in current profits and losses, or other financial liabilities, or derivatives designated as effective hedging instruments.

Financial liabilities are measured at fair value upon initial recognition. For financial liabilities measured at fair value and whose changes are included in current profits and losses, relevant transaction expenses are directly included in current profits and losses; For other categories of financial liabilities, relevant transaction expenses are included in the initial recognition amount.

Subsequent measurement of financial liabilities depends on their classification:

i.Financial liabilities measured at fair value and whose changes are included in the current profit and loss

Such financial liabilities include trading financial liabilities (including derivatives falling under financial liabilities) and financial liabilities designated as measured at fair value upon initial recognition and whose changes are included in current profits and losses.

The financial liability is a trading financial liability if it is mainly undertaken for recent sale or repurchase, or is part of the identifiable portfolio of financial instruments centrally managed, and there is objective evidence that the company has recently employed a short-term profit model, or is a derivative instrument, except derivatives designated as effective hedging instruments and derivatives conforming to financial guarantee contracts. Trading financial liabilities (including derivatives falling under financial liabilities) are subsequently measured at fair value. All changes in fair values except for hedging accounting are included in current profits and losses.

The Company irrevocably designates financial liabilities as measured at fair value and whose changes are included in current profits and losses at the time of initial recognition in order to provide more relevant accounting information if:

① Such financial liabilities can eliminate or significantly reduce accounting mismatches.

② The financial liability portfolio or the portfolio of financial assets and liabilities is managed and evaluated for performance on the basis of fair value according to the company risk management or investment strategy stated in the official written documents, and is reported to key management personnel within the company on this basis.

The Company subsequently measures such financial liabilities at fair value. Except changes in fair value that are brought about by changes in the Company's own credit risk are included in other comprehensive income, other changes in fair value are included in current profits and losses. Unless including such changes in other comprehensive income will cause or expand accounting mismatch in profit or loss, the Company will include all changes in fair value (including the amount affected by changes in its own credit risk) in current profits and losses.

ii.Other financial liabilities

The Company classifies financial liabilities except for the following items as measured at amortized cost. Such financial liabilities are recognized by the effective interest method and subsequently measured at amortized cost. Gains or losses arising from derecognition or amortization are included in the current profits and losses:

① Financial liabilities measured at fair value and whose changes are included in the current profit and loss.

② Financial liabilities resulting from the transfer of financial assets that do not meet the conditions for derecognition or continue to be involved in the transferred financial assets.

③ Financial guarantee contracts that do not fall under the first two categories of this article, and loan commitments that do not fall under category (1) of this article and lend at a below-market interest rate.

Financial guarantee contracts refer to contracts that require the issuer to pay a specific amount to the contract holder who has suffered losses when a specific debtor fails to pay the debt in accordance with the original or modified terms of the debt instrument. Financial guarantee contracts that are not financial liabilities designated as measured at fair value and whose changes are included in current profits and losses are measured after initial recognition according to the loss reserve amount and of the initial recognition amount, less the accumulated amortization amount during the guarantee period, whichever is higher.

c)Derecognition of financial assets and liabilities

i.Financial assets are derecognized, i.e. written off from its account and balance sheet if:

① The contractual right to receive cash flow from the financial asset is terminated; or

② The financial asset has been transferred, which meets the requirements for derecognition of financial assets.

ii.Conditions for derecognition of financial liabilities

If the current obligation of a financial liability (or part thereof) has been discharged, such financial liability (or part thereof) is derecognized.

The existing financial liability is derecognized with a new one recognized, and the difference between the carrying amount and the consideration paid (including transferred non-cash assets or assumed liabilities) is included in the current profits and losses, if an agreement is signed between the Company and the lender to replace the existing financial liability by assuming a new one, and the contract terms of these two financial liabilities are substantially different, or the contract terms of the existing financial liability (or part thereof) are substantially modified.

If the Company repurchases part of a financial liability, the carrying amount of the financial liability shall be distributed according to the proportion of the fair value of the continuing recognition portion and the derecognition portion to the overall fair value on the repurchase date. The difference between the carrying amount allocated to the derecognized portion and the consideration paid (including transferred non-cash assets or liabilities assumed) shall be included in the current profits and losses.

d)Recognition basis and measurement method of financial asset transfer

When a financial asset is transferred, the Company evaluates the risks and rewards retained of the financial asset ownership:

i. If almost all the risks and rewards of the financial asset ownership are transferred, such financial asset shall be derecognized, and the rights and obligations generated or retained in the transfer shall be separately recognized as assets or liabilities.

ii. If almost all the risks and rewards of the financial asset ownership are retained, such financial asset shall continue to be recognized.

iii. In circumstances when the Company neither transfers nor retains almost all the risks and rewards of the financial asset ownership (i.e. circumstances other than ① and ② of this article), according to whether it retains control over such financial asset,

① the financial asset shall be derecognized, and the rights and obligations generated or retained in the transfer shall be separately recognized as assets or liabilities if such control is not retained; or

② the relevant financial asset shall continue to be recognized to the extent that it continues to be involved in the transferred financial asset, and the relevant liabilities shall be recognized accordingly if such control is retained. The extent that it continues to be involved in the transferred financial asset refers to the extent the Company bears the risks or rewards on changes in the value of the transferred financial asset.

When judging whether the transfer of financial assets meets the above conditions for derecognition of financial assets, the principle of substance over form shall be adopted. The Company divides the transfer of financial assets into overall transfer and partial transfer.

i. If the overall transfer of financial assets meets the conditions for derecognition, the difference between the following two amounts shall be included in the current profits and losses:

① The carrying amount of the transferred financial asset on the date of derecognition.

② The sum of the consideration received for the transfer of financial assets and the amount of the corresponding derecognized portion of the accumulated changes in fair value originally included in other comprehensive income directly (the financial assets involved in the transfer are financial assets measured at fair value and whose changes are included in other comprehensive income).

ii.If the financial asset is partially transferred and the transferred part meets the conditions for derecognition, the carrying amount of the financial asset before transfer shall be allocated between the derecognition portion and the continuing recognition portion (in this case, the retained service asset shall be regarded as the continuing recognition part of the financial asset) according to the respective relative fair values on the transfer date, and the difference between the following two amounts shall be included in the current profits and losses:

① The carrying amount of the derecognized portion on the derecognition date.

② The sum of the consideration received for the derecognized portion and the amount of the corresponding derecognized portion of the accumulated changes in fair value originally included in other comprehensive income (the financial assets involved in the transfer are financial assets measured at fair value and whose changes are included in other comprehensive income).

If the transfer of a financial asset does not meet the conditions for derecognition, the financial asset shall continue to be recognized and the consideration received shall be recognized as a financial liability.

e)Determination of fair value of financial assets and liabilities

The fair value of a financial asset or liability with an active market shall be determined by the quoted price in the active market, unless the financial asset has a sell-off period for the asset itself. For the financial assets restricted for the assets themselves, the compensation amount demanded by market participants due to the risk of not being able to sell the financial assets on the open market within the specified period shall be deducted from the quoted price in the active market. Quoted prices in the active market includes those for related assets or liabilities that can be easily and regularly obtained from exchanges, dealers, brokers, industry groups, pricing, or regulatory agencies, and can represent actual and recurring market transactions based on fair trade.

Financial assets initially acquired or derived or financial liabilities assumed shall be determined based on market transaction price.

The fair value of financial assets or liabilities without an active market shall be determined by valuation techniques. At the time of valuation, the Company adopts valuation techniques that are applicable under the current circumstances and are supported by sufficient available data and other information, selects input values consistent with the characteristics of relevant assets or liabilities considered by market participants in the transactions thereof, and gives priority to the use of relevant observable input values whenever possible. If the relevant observable input value cannot be obtained or be feasibly obtained, the unobservable input value shall be used.

f)Impairment of financial instruments

Based on the expected credit loss, the Company conducts impairment accounting of financial assets classified as measured at amortized cost, financial assets classified as measured at fair value and whose changes are included in other comprehensive income and financial guarantee contracts and recognizes loss reserves.

Expected credit loss refers to the weighted average of the credit losses of financial instruments weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows discounted at the original effective interest rate and receivable according to the contract and all cash flows expected to be collected of the Company, i.e. the present value of all cash shortfalls. Among them, credit-impaired purchased or originated financial assets of the Company shall be discounted at the credit-adjusted effective interest rate of such financial assets.

For receivables arising from transactions regulated by the income criteria, the Company uses the simplified measurement method to measure the loss reserve according to the amount equivalent to the expected credit loss during the entire duration.

For credit-impaired purchased or originated financial assets, only the accumulated changes in the expected credit losses during the entire duration since the initial recognition are recognized as loss reserves on the balance sheet date. On each balance sheet date, the amount of change in the expected credit loss during the entire duration is included in the current gains and losses as impairment losses or gains. Even if the expected credit loss during the entire duration on the balance sheet date is less than that reflected in the estimated cash flow upon initial recognition, the favorable change in the expected credit loss is recognized as impairment gains.

In addition to other financial assets adopting the above simplified measurement method and other than the credit-impaired purchased or originated ones, the Company evaluates whether the credit risk of relevant financial instruments has increased significantly since the initial recognition, measures its loss reserves and recognizes the expected credit loss and its changes respectively according to the following circumstances on each balance sheet date:

(a) If the credit risk of the financial instrument has not increased significantly since its initial recognition and is in the first stage, its loss reserve shall be measured according to an amount equivalent to its expected credit loss in the next 12 months, and the interest income shall be calculated at the book balance and the effective interest rate.

(b) If the credit risk of the financial instrument has increased significantly since the initial recognition but no credit impairment has occurred, it is in the second stage, then its loss reserve shall be measured according to an amount equivalent to its expected credit loss throughout its life, and the interest income shall be calculated at the book balance and the effective interest rate.

(c) If the financial instrument is credit-impaired since its initial recognition, it is in the third stage, and the Company shall measure its loss reserve according to an amount equivalent to its expected credit loss throughout its life, and calculate the interest income at the amortized cost and the effective interest rate.

The increase or reversed amount of the credit loss reserve for financial instruments shall be included in the current profits and losses as impairment losses or gains. Except for financial assets classified as measured at fair value and whose changes are included in other comprehensive income, the credit loss reserve will offset the carrying amount of the financial assets. For financial assets classified as measured at fair value and whose changes are included in other comprehensive income, the Company recognizes its credit loss reserve in other comprehensive income without reducing it carrying amount presented in the balance sheet.

In the previous accounting period, the Company has measured the loss reserve, the amount of which is equivalent to the expected credit loss of the financial instrument throughout its life. However, on the balance sheet date of the current period, the financial instrument no longer conforms to the situation of significant increase in credit risk since initial confirmation; on the balance sheet date of the current period, the Company has measured the loss reserve of the financial instrument, the amount of which is equivalent to the expected credit loss in the next 12 months, and the reversed amount of the loss reserve thus formed is included in the current profit and loss as impairment profit.

(a) Significant increase of credit risk

In order to determine whether the credit risk of financial instruments has increased significantly since the initial recognition, the Company uses the available reasonable and based forward-looking information and compares the risk of default of financial instruments on the balance sheet date with the risk of default on the initial confirmation date. When the Company applies provisions on depreciation of financial instruments to financial guarantee contracts, the initial recognition date shall be regarded as the date when the Company becomes a party to make irrevocable commitments.

For the assessment of whether the credit risk has increased significantly, the Company will consider the following factors

① According to the actual or as expected, whether the debtor's operating results have changed significantly;

② Whether the regulatory, economic or technological environment of the debtor has undergone significant adverse changes;

③ Whether the following items have changed significantly: the value of collateral as debt mortgage, or the guarantee provided by a third party, or the quality of credit enhancement; these changes will reduce the debtor's economic motivation to repay the loan within the time limit stipulated in the contract or impact the probability of default;

④ Whether the debtor's expected performance and repayment behavior have changed significantly;

⑤ Whether the Company's credit management methods for financial instruments have changed, etc.

If, on the balance sheet date, the credit risk of the financial instrument is judged to be low by the company, the company assumes that the credit risk of the financial instrument has not increased significantly since the initial recognition. The financial instrument will be deemed to have lower credit risk under the following circumstances: the default risk of the financial instrument is lower; the borrower has a strong ability to fulfill its contractual cash flow obligations in a short time; furthermore, even if there are adverse changes in the economic situation and operating environment for a long period of time, it may not necessarily reduce the borrower's ability to fulfill its contractual cash flow obligations.

(b) Financial assets with depreciation of credit

If one or more events have adverse effects on the expected future cash flow of a financial asset, the financial asset will become a financial asset that has suffered credit impairment. The following observable information can be regarded as evidence of credit impairment of financial assets:

① The issuer or debtor is in serious financial difficulties;

② The debtor breaches the contract, such as default or overdue payment of interest or principal, etc.;

③ The creditor gives concessions to the debtor due to economic or contractual considerations related to the debtor's financial difficulties; the concessions will not be made under any other circumstances;

④ There is a great possibility of bankruptcy or other financial restructuring of the debtor;

Credit impairment of financial assets may not be caused by separately identifiable events, but may be caused by the combined effect of multiple events.

(c) Determination of expected credit loss

The Company's assessment of the expected credit losses of financial instruments is based on single items and combinations. During the evaluation, the company will consider reasonable and reliable information about past events, current situation and future economic situation forecast.

The Company divides financial instruments into different combinations based on common credit risk characteristics. Common credit risk characteristics adopted by the Company include: financial instrument type, credit risk rating, aging combination, overdue aging combination, contract settlement cycle, debtor's industry, etc. To understand the individual evaluation criteria and combined credit risk characteristics of relevant financial instruments, please refer to the accounting policies of relevant financial instruments for details.

The Company adopts the following methods to determine the expected credit losses of relevant financial instruments:

① In terms of financial assets, credit loss is equivalent to the present value of the difference between the contract cash flow that the company shall receive and the expected cash flow.

② In terms of the financial guarantee contract, credit loss is equal to the expected amount of payment made by the Company to the holder of the contract for credit loss incurred, less the present value of the difference between the amount expected to be collected from the holder of the contract, the debtor or any other party.

③ If, on the balance sheet date, a financial asset has suffered credit impairment, but one does not purchase or originate a financial asset that has suffered credit impairment, the credit loss is equivalent to the difference between the book balance of the financial asset and the present value of the estimated future cash flow discounted at the original actual interest rate.

Factors reflected in the Company's method of predicting credit losses by quantitative finance tools include: unbiased probability weighted average amount determined by evaluating a series of possible results; time value of money; reasonable and reliable information about past events, current situation and future economic situation forecast that can be obtained on the balance sheet date without unnecessary extra costs or efforts.

(d) Write-off of financial assets

If the Company cannot reasonably expect the contract cash flow of the financial asset to be fully or partially recovered, the book balance of the financial asset will be written off directly. This write-off constitutes the derecognition of relevant financial assets.

g)Offset of financial assets and financial liabilities

In the balance sheet, financial assets and financial liabilities are shown separately without offsetting each other. However, if the following conditions are met at the same time, the net amount after offset will be listed in the balance sheet:

(a) The Company has the legal right, which is currently enforceable, to offset the confirmed amount;

(b) The Company plans to settle on a net basis, or realize the financial assets and settle the financial liabilities at the same time.

10.Hedge accounting

The Company categorizes the hedging instruments into fair value hedges, cash flow hedges and net investment hedges in a foreign operation, in accordance with hedging relationships.

(1)Under the current accounting standards for Business Enterprises:

1) The hedging instruments meeting the following conditions shall be treated by using the hedging accounting method

a) At the beginning of hedging, the company has formally designated the hedging relationship (i.e. the relationship between the hedging instrument and the hedged item), and has prepared formal written documents on the hedging relationship, risk management objectives and hedging strategy;

b) The hedging expectation is highly effective and in line with the risk management strategy initially determined by the company for the hedging relationship;

c) For the cash flow hedging of the expected transaction, the expected transaction is likely to occur, and the company must be faced with the risk of changes in cash flow that will ultimately affect the profit and loss;

d) The effectiveness of hedging can be measured reliably;

e) Continuously evaluate the effectiveness of the hedging and ensure that the hedging is highly effective in the accounting period in which the hedging relationship is designated.

When the hedging meets the following conditions at the same time, the company determines that the hedging is highly effective: (1) at the beginning of the hedging and in the subsequent periods, the hedging is expected to highly effectively offset the changes in fair value or cash flow caused by the hedged risk during the specified period of hedging; (2) the actual offset result of the hedging is within the range of 80% to 125%.

2) Accounting treatment of fair value hedging

a) Basic requirements

① If the hedging instrument is a derivative instrument, the gain or loss arising from the change of fair value shall be included in the current profit and loss; if the hedging instrument is a non-derivative instrument, the profit or loss caused by the change of book value due to the change of exchange rate shall be included in the current profit and loss.

②The profit or loss of the hedged item due to the hedged risk shall be included in the current profit and loss, and the book value of the hedged item shall be adjusted at the same time.

If the hedged item is an inventory which is subsequently measured according to the lower of the cost and net realizable value, the financial asset that is subsequently measured at the amortization cost, or the financial asset available for sale, shall also be treated in accordance with this provision.

b) Treatment of gains or losses of hedged items

①For fair value hedging of interest rate risk of a part of financial assets or financial liabilities portfolio, the company's gains or losses from hedged items can be handled according to the following methods:

- If the hedged item is an asset during the re pricing period, it shall be reflected as a separate item under the asset item in the balance sheet and written off when it is derecognized;

- If the hedged item is a liability during the re pricing period, it shall be reflected as a separate item under the liability item in the balance sheet and written off when it is derecognized.

② If the hedged item is a financial instrument measured at the amortised cost, the adjustment to the book value of the hedged item shall be amortised within the period from the adjustment date to the maturity date according to the effective interest rate recalculated on the adjustment date and included in the current profit and loss.

For the fair value hedging of interest rate risk portfolio, the relevant items separately listed in the balance sheet are also amortised during the period from the adjustment date to the end of the relevant re pricing period according to the effective interest rate recalculated on the adjustment date. If it is not feasible to use the effective interest rate method for amortization, the straight-line method can be used. The adjustment amount shall be amortised before the maturity date of the financial instrument; for the fair value hedging of interest rate risk portfolio, the amortization shall be completed before the end of the relevant repricing period.

③ If the hedged item is an unrecognized firm commitment, the accumulated amount of changes in fair value caused by the hedged risk shall be recognized as an asset or liability, and the relevant gains or losses shall be included in the current profits and losses.

④ In the fair value hedging of a firm commitment to purchase an asset or assume a liability, the accumulated amount of changes in fair value of the firm commitment due to the hedged risk (which has been recognized as an asset or liability) shall be adjusted to adjust the initial recognized amount of the asset or liability acquired from the performance of the firm commitment.

c) Conditions for termination of fair value hedge accounting

When the hedging meets one of the following conditions, the fair value hedging accounting shall be terminated:

① The hedging instrument has matured, sold, terminated, or exercised.

② When the hedging instrument is extended or replaced by another hedging instrument, if the extension or replacement is an integral part of the hedging strategy specified in the formal written documents of the company, it shall not be treated as expired or the contract terminated.

③ The hedging no longer meets the conditions for applying the hedging accounting method.

④ The company revoked the designation of hedging relationship.

3) Accounting for cash flow hedging

a) Basic requirements

① The profit or loss of the hedging instrument that belongs to effective hedging shall be directly recognized as the owner's equity and reflected in a separate item. The amount of the effective hedging part shall be determined according to the lower absolute amount of the following two items:

- The accumulated gain or loss of the hedging instrument since the beginning of hedging;

- The accumulated change in the present value of the expected future cash flow of the hedged item since the beginning of the hedging.

② The profit or loss of hedging instrument that belongs to invalid hedging (i.e. other gains or losses after deducting the direct recognition as owner's equity) shall be included in the current profit and loss.

③ In the formal written document of risk management strategy, if it is stated that a certain part of the profit or loss of the hedging instrument or the influence of the related cash flow will be excluded when evaluating the effectiveness of the hedging, the treatment of the excluded part of the profit or loss shall be subject to the accounting standards for Business Enterprises No. 22 - recognition and measurement of financial instruments.

b) Treatment of gains or losses of hedged items

① If the hedged item is an expected transaction and the expected transaction causes the company to recognize a financial asset or a financial liability subsequently, the relevant gains or losses originally directly recognized as the owner's equity shall be transferred out during the same period when the financial asset or financial liability affects the company's profit and loss and shall be included in the current profit and loss. However, if the company expects that all or part of the net loss originally recognized in the owner's equity cannot be made up in the future accounting period, the irreparable part will be transferred out and included in the current profit and loss.

② If the hedged item is an expected transaction and the expected transaction causes the company to recognize a non-financial asset or a non-financial liability, the relevant gains or losses originally recognized in the owner's equity shall be transferred out during the same period when the non-financial asset or non-financial liability affects the company's profit and loss, and shall be included in the current profit and loss. However, if the company expects that all or part of the net loss originally recognized in the owner's equity cannot be made up in the future accounting period, the irreparable part will be transferred out and included in the current profit and loss.

③ If it does not belong to the circumstances mentioned in 1) or 2) above, the profits or losses of hedging instruments originally directly included in the owner's equity shall be transferred out and included in the current profits and losses in the same period when the hedged expected transaction affects the profits and losses.

c) Conditions for termination of fair value hedge accounting

① When the hedging instrument has expired, is sold, the contract is terminated or has been exercised, the profits or losses of the hedging instrument directly included in the owner's equity during the effective period of the hedging shall not be transferred out until the expected transaction actually occurs.

② When the hedging no longer meets the conditions for applying the hedging accounting method stipulated in the hedging standards, the profits or losses of the hedging instrument directly included in the owner's equity during the effective period of the hedging shall not be transferred out, and shall be treated according to the relevant provisions until the expected transaction actually occurs.

③ When the expected transaction is not expected to occur, the profits or losses of the hedging instrument directly included in the owner's equity during the effective period of the hedging are transferred out and included in the current profit and loss.

④ When the company revokes the designation of the hedging relationship, the profits or losses of the hedging instrument directly included in the owner's equity during the effective period of the hedging shall not be transferred out until the expected transaction actually occurs or is not expected to occur. The actual occurrence of the expected transaction shall be dealt with according to the relevant provisions. If the expected transaction is not expected to happen, the gains or losses of the hedging instruments that were originally directly included in the owners' equity shall be transferred into the current profits and losses.

4) Hedges of a net investment in a foreign operation

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, shall be accounted for similarly to cash flow hedges:

①The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge shall be recognized in other comprehensive income.

The cumulative gain or loss on the hedging instrument relating to the effective portion of the hedge that has been accumulated in the foreign currency translation reserve shall be reclassified from equity to profit or loss as a reclassification adjustment on the disposal or partial disposal of the foreign operation; and

②The ineffective portion shall be recognized in profit or loss.

(2)Under the new accounting standards for Business Enterprises:

1) For hedging instruments satisfy all following conditions, hedge accounting is applied for accounting treatment:

①The hedging relationship is comprised of only qualifying hedging instruments and hedged items.

②Prior to hedging, the Company has formally designated the hedging instruments and the hedged items, and prepared the documentation regarding hedging relationships and risk management strategy and objectives for undertaking the hedging.

③The hedging relationship meets the hedge effectiveness requirements.

The hedging relationship that meets all the following conditions, are regarded in accordance with hedge effectiveness requirements.

1. There is an economic relationship between the hedged item and the hedging instrument, which makes the values of the hedging instruments and the hedged items generally move in the opposite direction because of the same hedged risk.

2. The effect of credit risk does not dominate the value changes that result from that economic relationship between the hedged item and the hedging instruments.

3. The hedge ratio of hedging relationship is the same as that resulting from the quantity of the hedged item that the Company hedges and the quantity of the hedging instrument that the Company uses to hedge that the quantity of hedged item. However, that designation shall not reflect an imbalance between the weightings of the hedged item and the hedging instrument that would create the hedge ineffectiveness that could result in an economic outcome that would be inconsistent with the purpose of hedge accounting.

2) Accounting treatment for fair value hedges

①Gains or losses arising from hedging instruments shall be included in current profits and losses. If the hedging instrument hedges the non tradable equity instrument investment (or its components) that is selected to be measured at fair value and its change is included in other comprehensive income, the gains or losses generated by the hedging instrument are included in other comprehensive income.

②Gains or losses of the hedged item arising from the hedged risk exposure are included in the current profit and loss, and the book value of the hedged item that is not measured at fair value is adjusted. If the hedged item is a financial asset (or its component) measured at fair value and its change is included in other comprehensive income, the profit or loss generated from the hedged risk exposure is included in the current profit and loss, and its book value has been measured at fair value without adjustment; the hedged item is measured at fair value and its change is included in other comprehensive income for the company. For the non-tradable equity instrument investment (or its components) of income, the gains or losses arising from the hedged risk exposure are included in other comprehensive income, and its book value has been measured at fair value without adjustment.

If the hedged item is an unrecognized firm commitment (or its component), the accumulated change in fair value caused by the hedged risk after the designation of the hedging relationship shall be recognized as an asset or liability, and the relevant gains or losses shall be included in the profits and losses of each relevant period. When the assets are determined or commitments are made, the initial recognised amount of the asset or liability is adjusted to include the fair value cumulative change of the recognized hedged item.

③If the hedged item is a financial instrument (or its component) measured at amortized cost, the adjustment of book value of the hedged item shall be amortized according to the actual interest rate recalculated on the amortization date and included in the current profit and loss. The amortization can start from the adjustment date, but not later than the time point when the hedging gains and losses are adjusted for the termination of the hedged item. If the hedged item is a financial asset (or its component) measured at fair value and its change is included in other comprehensive income, the accumulated recognized hedging gains or losses shall be amortized in the same way and included in the current profit and loss, but the book value of the financial asset (or its component) shall not be adjusted.

3) Accounting for cash flow hedges

①The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge shall be recognized in other comprehensive income:

(i) the cumulative gain or loss on the hedging instrument from inception of the hedge; and

(ii) the present value of the cumulative change in the hedged expected future cash flows of the hedged item from inception of the hedge. The amount of the cash flow hedge reserve recognized in the other comprehensive income during each accounting period is the change in the cash flow hedge reserve for the accounting period.

②Any remaining gain or loss on the hedging instrument (or any gain or loss required to balance the change in the cash flow hedge reserve calculated) is hedge ineffectiveness that shall be recognized in profit or loss.

③The amount that has been accumulated in the cash flow hedge reserve shall be accounted for as follows:

a) If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or a hedged forecast transaction for a non-financial asset or a non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the Company shall remove that amount from the cash flow hedge reserve and include it directly in the initial cost or other carrying amount of the asset or the liability.

b) For cash flow hedges other than those covered by a), that amount shall be reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss.

c) However, if that amount is a loss and the Company expects that all or a portion of that loss will not be recovered in one or more future periods, it shall immediately reclassify the amount that is not expected to be recovered into profit or loss as a reclassification adjustment.

4) Hedges of a net investment in a foreign operation

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, shall be accounted for similarly to cash flow hedges:

①The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge shall be recognized in other comprehensive income.

The cumulative gain or loss on the hedging instrument relating to the effective portion of the hedge that has been accumulated in the foreign currency translation reserve shall be reclassified from equity to profit or loss as a reclassification adjustment on the disposal or partial disposal of the foreign operation; and

②The ineffective portion shall be recognized in profit or loss.

5) Termination of hedge accounting

In case of any of the following circumstances, the application of hedge accounting shall be terminated:

①the hedging relationship no longer meets the risk management objective on the basis of which it qualified for hedge accounting;

②the hedging instrument or instruments have been expired, sold or terminated or executed;

③there is no longer an economic relationship between the hedged item and the hedging instrument or the effect of credit risk starts to dominate the value changes that result from that economic relationship.

④The hedging relationship does not satisfy other conditions of undertaking hedge accounting. If rebalancing of the hedging relationship applies, the Company shall consider the rebalancing the hedging relationship first and subsequently assess whether the hedging relationship satisfies the conditions of undertaking hedge accounting.

On rebalancing of the hedging relationship, the hedge ratio might be adjusted in such a way that some of the volume of the hedged item is no longer part of the hedging relationship; hence, hedge accounting is terminated only for the volume of the hedged item that is no longer part of the hedging relationship.

6) Option to designate a credit exposure as measured at fair value

When the credit risk exposure of a financial instrument (or its components) is managed by using a credit derivative instrument measured at fair value through current profit and loss, the financial instrument (or its components) can be at the time of initial recognition, subsequent measurement or unconfirmed, it shall be designated as a financial instrument measured at fair value with its changes included in the current profit and loss, and written records shall be made at the same time, but the following conditions shall be met simultaneously:

①the name of the credit exposure (for example, the borrower, or the holder of a loan commitment) matches the reference entity of the credit derivative (‘name matching’); and

②the seniority of the financial instrument matches that of the instruments that can be delivered in accordance with the credit derivative.

11.Accounts receivable

(1)Under the current accounting standards for Business Enterprises:

a)Accounts Receivable with Significant Single Amount and Having Bad Debt Reserve Withdrawn Independently:

Judgment basis or amount standard of significant single amount: 10 million yuan

Method for withdrawal of bad debt reserve with significant single amount and withdrawn independently: The impairment test shall be carried out separately, and the provision for bad debts shall be withdrawn according to the difference between the present value of estimated future cash flow and its book value, and shall be included in the current profit and loss. Accounts receivable that have not been impaired through separate test shall be classified into corresponding portfolios for provision for bad debts.

b)Accounts Receivable with Bad Debt Reserve Withdrawn as per the Portfolios Classified Based on Credit Risk Characteristics:

①Basis for determining portfolio:

The accounts receivable with significant single amount not impairing as proved in single test, will, together with the accounts receivable with insignificant single amount, be divided into many portfolios according to similar credit risk characteristics. Then according to certain proportion of the balance on the date of balance sheet of the portfolios of these accounts receivable, the Company will calculate and determine impairment loss and withdraw bad debt reserve.

Portfolio name	Method for withdrawal of bad debt reserve	Basis for determining portfolio
Related parties' portfolio	No provision for bad debts	Related party customers without insolvent and serious losses
No risk portfolio	No provision for bad debts	According to the nature of business, no credit risk is identified. It mainly includes receivables from government departments, employees' reserve fund and deposit.
Account aging portfolio	Account aging analysis method	Including accounts receivable other than those mentioned above, the company makes the best estimate according to the historical experience and the proportion of accounts receivable, and classifying credit risk portfolios according to the age of accounts receivable.

②Based on the portfolio of credit risk characteristics, the withdrawal method is determined as follows:

Account aging analysis method:

Aging	Withdrawing proportion of accounts receivable (%)	Withdrawing proportion of other receivables (%)
Within 1 year	0	0
1-2 years	5	5
2-3 years	5	5
3-4 years	20	20
4-5 years	20	20
Over 5 years	100	100

Other analysis metheod:

Portfolio name	Method
Related parties' portfolio	No provision for bad debts
No risk portfolio	No provision for bad debts

c)Accounts Receivable with Insignificant Single Amount but Having Bad Debt Reserve Withdrawn Separately:

Reasons for independent withdrawal of bad debt reserve: There is objective evidence that the company will not be able to recover the amount according to the original terms of accounts receivable.

Method for withdrawal of bad debt reserve: The provision shall be made according to the difference between the present value of the expected future cash flow of the receivables and its book value.

(2)Under the new accounting standards for Business Enterprises:

a)Notes receivable

For the determination method and accounting treatment method of the company's expected credit loss of notes receivable, please refer to note IV / 9. f. Impairment of financial instruments.

When there is no sufficient evidence to evaluate the expected credit loss at the level of single instrument at reasonable cost, the company refers to the historical credit loss experience, combines the current situation and the judgment of future economic situation, and divides the notes receivable into several combinations according to the credit risk characteristics, and calculates the expected credit loss on the basis of the combination.

b)Accounts receivable

For the determination method and accounting treatment method of the company's expected credit loss of accounts receivable, please refer to note IV / 9. f. Impairment of financial instruments.

When there is no sufficient evidence to evaluate the expected credit loss at a reasonable cost at the level of single instrument, the company refers to the historical credit loss experience, combines the current situation and the judgment of future economic situation, divides the accounts receivable into several combinations according to the credit risk characteristics, and calculates the expected credit loss on the basis of the combination. The basis for determining the combination is as follows:

Portfolio name	Basis for determining portfolio	Method for withdrawal of bad debt reserve
Combination of related parties within the scope of consolidation	According to the nature of the business, unless there is objective evidence indicating the occurrence of bad debt loss, bad debt provision will not be withdrawn. The combination accounting content includes: merging the transactions of related parties, etc.	No risk portfolio
Account aging portfolio	Credit risk portfolio classification is based on the aging of accounts receivable.	Based on the age table and the expected credit loss rate comparison table for the coming year or the whole period.

c)Receivables financing

For the determination method and accounting treatment method of the expected credit loss of receivables financing of the company, please refer to note IV / 9. f. Impairment of financial instruments.

d)Other receivables

For the determination method and accounting treatment method of the company's expected credit loss of other receivables, please refer to note IV / 9. f. Impairment of financial instruments.

When there is no sufficient evidence to evaluate the expected credit loss at a reasonable cost at the level of single instrument, the company refers to the historical credit loss experience, combines the current situation and the judgment of future economic situation, and divides other receivables into several combinations according to the credit risk characteristics, and calculates the expected credit loss on the basis of combination. The basis for determining the combination is as follows:

Portfolio name	Method for withdrawal of bad debt reserve	Basis for determining portfolio
No risk portfolio	Portfolio name	According to the nature of business, no credit risk is identified. It mainly includes receivables from government departments, employees' reserve fund, guanrant and deposit.
Related parties' portfolio	Portfolio name	Related parties within the scope of company consolidation
Account aging portfolio	Credit risk portfolio classification is based on the aging of accounts receivable	Based on the age table and the expected credit loss rate comparison table for the coming year or the whole period.

e)Long-term receivables

For the determination method and accounting treatment method of the company's expected credit loss of long-term receivables, please refer to note IV / 9. f. Impairment of financial instruments.

When there is no sufficient evidence to evaluate the expected credit loss at a reasonable cost at the level of single instrument, the company refers to the historical credit loss experience, combines the current situation and the judgment of future economic situation, and divides the long-term receivables into several combinations according to the credit risk characteristics, and calculates the expected credit loss on the basis of the combination.

12.Inventories

(1)Classification of inventories

Inventory refers to the finished products or commodities held by the company for sale in daily activities, products in process of production, and materials and materials consumed in the process of production or providing labor services. It mainly includes raw materials, turnover materials, commissioned processing materials, products in process, self-made semi-finished products, finished products (inventory goods), issued goods, contract performance costs, etc.

If the subsidiary is a real estate company, the inventory refers to the finished products or commodities held for sale by the company in daily activities, the products in process of production, and the materials and materials consumed in the process of production or the provision of labor services. It mainly includes: development cost, land to be developed, development products, rental development products, revolving houses, goods in stock, revolving materials, and others.

Development cost refers to the property which has not been completed and is for sale; the land to be developed refers to the land purchased and decided to develop into the completed development products; the development product refers to the property that has been completed and is to be sold. During the overall development of the project, all the land to be developed will be transferred to the development cost; when the project is developed by stages, the part of the land to be developed will be transferred to the development cost, and the undeveloped land will be retained in the land to be developed.

(2)Valuation method of inventory

When the inventory is acquired, it is initially measured at cost, including purchase cost, processing cost and other costs. When the inventory is delivered, it shall be valued by the weighted average method at the end of the month.

For the specific valuation method of Productive biological assets, please refer to note IV 18. Biological assets.

(3)Inventory system

Perpetual inventory method is adopted.

(4)Amortization method of low-value consumables and packages

(a) Low value consumables are amortized by one-off write off method;

(b) The package is amortized by one-off sales method;

(c) Other turnover materials are amortized by one-off write off method.

(5)Basis for determining the net realizable value of inventories and accrual method for inventory valuation allowance

Ending inventories are measured at cost or net realizable value, whichever is lower. In cases that difference exists due to the net realizable value is less than the cost of inventories, inventory valuation allowance is made based on individual inventory item or inventory category, and the difference is recognized in the current profit and loss. For inventories of goods directly used for sale, such as finished goods, merchandise inventories and materials for sale, in the normal production and operation process, the net realizable value is determined by the amount of the estimated selling price of the inventory less the estimated sales cost and relevant taxes and fees; for material inventories that need to be processed, in the normal production and operation process, the net realizable value is determined by the amount of the estimated selling price of finished products produced less the estimated cost to be occurred at the time of completion, the estimated selling expenses and related taxes; for inventories held for the execution of sales contracts or labor contracts, the net realizable value is calculated on the basis of the contract price, and if the quantity of inventories held is more than the quantity specified in sales contracts, the net realizable value of excess inventories is calculated based on the general sales price.

At the end of the period, inventory valuation allowance is accrued according to individual inventory items; but for a large number of inventories with lower unit prices, inventory valuation allowance is accrued according to inventory category; for inventories related to the product series produced and sold in the same region with the same or similar end use or purpose, and that is difficult to be measured separately from other items, inventory valuation allowance is accrued combined with other items.

If the influencing factors of the write-down of inventory value have disappeared, the amount written-down is recovered and reversed to the amount of inventory valuation allowance already accrued, and the amount reversed is included in the current profit and loss.

(6)Accounting method of development land

For pure land development project, its cost constitutes the land development cost separately;

In addition to the project of overall development of real estate, if the expenses can be clearly divided into the bearing objects, they are generally allocated according to the actual area and included in the cost of commercial housing.

(7)Accounting method of public supporting facilities expenses

Public supporting facilities that can not be transferred with compensation: according to the benefit proportion, the allocation standard is included in the cost of commercial housing;

Public supporting facilities that can be transferred with compensation: take each supporting facilities project as the cost accounting object, and collect the costs incurred.

(8)Accounting method of maintenance fund

According to the relevant regulations of the place where the development project is located, the maintenance fund shall be collected from the buyer or withdrawn by the company as the development cost of the development product when the product is sold (pre-sale), and shall be turned over to the management department of the maintenance fund.

(9)Accounting method of quality deposit

The quality security deposit shall be reserved from the project funds of the construction unit according to the provisions of the construction contract. The maintenance fee incurred during the warranty period of the development product shall be offset against the quality deposit; the balance of the quality deposit shall be returned to the construction unit at the expiration of the warranty period agreed upon by the development product.

13.Long-term equity investments

(1)Recognition of initial investment cost

a) Long term equity investments formed by business combination. See 4. Accounting treatments for business combinations involving enterprises under and not under common control for specific accounting policies.

b) Long-term equity investment acquired by other means

For long-term equity investment acquired by cash payment, the actual acquisition price is recognized as initial investment cost. The initial investment cost includes expenses, taxes and other necessary expenses directly related to the acquisition of the long-term equity investment; the transaction costs incurred when issuing or acquiring the own equity instruments of acquirer attributed directly to equity transactions can be deducted from the equity.

For long-term equity investment acquired by issuing equity securities, the fair value of equity securities issued is recognized as initial investment cost.

Provided that the non-monetary asset exchange contains commercial substance and the fair value of the assets received or assets surrendered can be reliably measured, the initial investment cost of the long-term equity investment received with non-monetary assets is determined based on the fair value of the assets surrendered, except that there is conclusive evidence indicates that the fair value of assets received is more reliable. For non-monetary assets that do not satisfy the above condition, the book value of assets surrendered and related taxes and fees payable are recognized as the initial investment cost of the long-term equity investment.

The initial investment cost of a long-term equity investment acquired by debt restructuring is determined based on fair value.

(2)Subsequent measurement and recognition of related profit and loss

a) Long-term Equity Investments Subject to Accounting with Cost Method

The Company adopts cost method for accounting of long-term equity investments in subsidiaries. Except for the cash dividends or profits included in the price or consideration actually paid when investments are obtained, and already announced but not paid, the Company confirms the investment yield of the very period according to the cash dividends or profits enjoyed by the Company and declared to grant by invested units.

b) Long-term Equity Investments Subject to Accounting with Equity Method

The Company adopts equity method for accounting of long-term equity investments in associates and joint ventures. For the balance that the initial investment cost is bigger than the fair value shares of invested units' distinguished net assets which shall be enjoyed by the Company, the Company will not adjust the initial investment cost of long-term equity investments; for the balance that the initial investment cost is smaller than the fair value shares of invested units' distinguished net assets which shall be enjoyed by the Company, the Company will adjust the book value of long-term equity investments and record it in owner's equity.

When confirming the shares of invested units' net gain or loss to be enjoyed, the Company will adjust and confirm the invested units' net profit based on the fair value of the invested units' distinguishable net assets when investments are obtained, and according to the Company's accountingpolicies and fiscal period. If the invested units prepare consolidated financial statements during the holding of investments, the accounting will be conducted based on the amount attributing to the invested units in the net profit in the consolidated financial statements, other composite benefits, and changes of other owner's equity.

For the gain or loss on the non-realized internal transactions between the Company and associate's enterprises/ joint ventures, the part attributing to the Company will be calculated as per the proportion to be enjoyed, will be written down, and on this basis, the investment yield will be confirmed. The gain or loss on non-realized internal transactions done with invested units will be fully confirmed if belonging to asset impairment loss. During the period of holding investment, as for the invested entity preparing consolidated financial statements, carry out accounting based on the invested entity's attributable amount of the net profit, other comprehensive income, and other changes in equity in the consolidated financial statements.

The company recognizes that the loss suffered by the invested unit should be dealt with in the following order: first, reduce the Book value of Long-term equity investments. Secondly, if the book value of long-term equity investments is not sufficient to offset, the book value of other long-term equity books that substantially constitute the net investment in the invested entity shall be used to continue to recognize the investment loss and offset the book value of long-term receivables. Finally, after the above treatment, according to the investment contract or agreement, the company still assumes the additional obligations, and it will confirm the Provisions according to the expected obligations and shall be included in the current investment losses.

If the investee makes profits in the future, the company shall, after deducting the unrecognized loss share, deal with it in the reverse order, write down the book balance of the confirmed provisions, recover other long-term interests that substantially constitute the net investment to the investee and the book value of long-term equity investments, and resume the recognition of investment income.

(3)Judgment criteria for determining the control, joint control and significant impact

If the company has the power over the investee, enjoys variable returns by participating in the relevant activities of the investee, and could use the power to affect the amount of return, it is deemed that the company controls the investee.

If the company controls an arrangement collectively with other participants in accordance with relevant agreements, and the activity decision-making that has a significant impact on the return of the arrangement needs to exist after the consensus of the participants sharing the control right, it is deemed that the company and other participants jointly control an arrangement, which is a joint venture arrangement.

When the joint venture arrangement is reached by a single body, the individual entity shall be judged as a joint venture and the equity method shall be used for accounting when the company has the right to enjoy the net assets of the individual entity according to the relevant agreement. If it is judged that the company does not have the right to the net assets of the individual subject according to the relevant agreement, the individual subject shall be regarded as the joint operation, the company shall recognize the items related to the share of interests of the joint operation, and carry out accounting treatment in accordance with the provisions of the relevant accounting standards for Business Enterprises.

Significant influence means that the investor has the right to participate in the decision-making of the financial and operational policies of the investee, but cannot control or jointly control the formulation of these policies with other parties. The company judges to have a significant impact on the investee through one or more of the following circumstances and comprehensive consideration of all facts and circumstances: ① having a representative on the board of directors or similar authority of the investee; ② participate in the financial and operational policy-making process of the investee; ③ significant transactions with the investee;

④ dispatch management personnel to the invested entity; ⑤ provide key technical data to the investee.

(4)Transformation of accounting method of long term equity investments

a) Transfer of fair value measurement to equity method

The equity investment originally held by the company that does not have control, joint control or significant influence on the investee and is subject to accounting treatment according to the recognition and measurement standards of financial instruments can exert significant influence on the investee or implement joint control but does not constitute control due to additional investment and other reasons, the sum of the fair value of the originally held equity investment plus the newly increased investment cost determined in accordance with the accounting standards for Business Enterprises No. 22 - recognition and measurement of financial instruments shall be regarded as the initial investment cost calculated according to the equity method.

If the originally held equity investment is classified as Available-for-sale financial assets, the difference between its fair value and book value, as well as the accumulated changes in fair value originally included in other comprehensive income, are transferred to the current profit and loss accounted by equity method.

The initial investment cost calculated by the equity method is less than the difference between the fair value of the identifiable net assets of the investee calculated and determined according to the new shareholding ratio after the additional investment, the book value of long term equity investments is adjusted and included in the non-operating income of the current period.

b) Transfer of fair value measurement or equity method to cost method

The equity investment originally held by the company that does not have control, joint control or significant impact on the investee and is subject to accounting treatment in accordance with the recognition and measurement standards of financial instruments, or the long term equity originally held by the company for joint ventures and joint ventures: If the investee under different control can be controlled due to additional investment and other reasons, when preparing individual financial statements, the sum of book value of equity investment originally held plus new investment cost shall be taken as the initial investment cost calculated by cost method instead.

The other comprehensive income, which is recognized as equity investment held before the purchase date, is accounted for by the equity method. When disposing the investment, it adopts the same basis as the direct assets or liabilities directly disposed of by the invested entity for accounting treatment.

If the equity investment held before the acquisition date is accounted for in accordance with the relevant provisions of the accounting standards for Business Enterprises No. 22 - recognition and measurement of financial instruments, the changes in the accumulated fair value originally included in other comprehensive income are transferred to the current profit and loss when the cost method is used for accounting.

c) Transfer of equity method accounting to fair value measurement

If the company loses joint control or significant impact on the invested entity due to disposal of part of equity investment, the remaining equity after disposal shall be accounted according to accounting standards for Business Enterprises No. 22 - recognition and measurement of financial instruments, and the difference between the fair value and book value on the date of loss of joint control or significant impact shall be included in the current profit and loss.

The other comprehensive income of the original equity investment recognized due to the use of equity method shall be accounted on the same basis as the invested unit's direct disposal of relevant assets or liabilities when the equity method is terminated.

d) Transfer of cost method to equity method

If the company loses the control over the investee due to the disposal of part of the equity investment and other reasons, when preparing individual financial statements, if the residual equity after disposal can exercise joint control or exert significant influence on the investee, the equity method shall be used for accounting instead, and the residual equity shall be deemed to be adjusted by the equity method when it is obtained.

e) Transfer of cost method to fair value measurement

If the company loses control over the investee due to the disposal of part of equity investment and other reasons, when preparing individual financial statements, if the residual equity after disposal cannot exercise joint control or exert significant influence on the investee, the accounting treatment shall be carried out in accordance with the relevant provisions of the accounting standards for Business Enterprises No. 22 - recognition and measurement of financial instruments, and the accounting treatment shall be carried out on the date of loss of control. The difference between the fair value and the book value is included in the current profit and loss.

(5)Disposal of Long-Term Equity Investments

For the disposal of long-term equity investments, the difference between the book value and the obtained price shall be included in the current profit and loss. Long term equity investments accounted by the equity method shall be disposed on the same basis as the investee's direct disposal of relevant assets or liabilities, and the part originally included in other comprehensive income shall be accounted according to the corresponding proportion.

If the terms, conditions, and economic impact of the disposal of various transactions of equity investment in subsidiaries meet one or more of the following conditions, multiple transactions shall be accounted as a package deal:

a) These transactions are concluded at the same time or in consideration of each other's influence;

b) These transactions can achieve a complete business result as a whole;

c) The occurrence of a transaction depends on the occurrence of at least one other transaction;

d) It is uneconomic to look at a transaction alone, but it is economic when considered together with other transactions.

If the control over the original subsidiary company is lost due to the disposal of part of equity investment or other reasons, and it does not belong to a package deal, the relevant accounting treatment shall be made by distinguishing individual financial statements and consolidated financial statements:

a) In individual financial statements, for the equity disposed, the difference between the book value and the obtained price is included in the current profit and loss. If the residual equity after disposal can exercise joint control or exert significant influence on the investee, it shall be accounted by equity method, and the residual equity shall be deemed as adjusted by equity method when it is acquired; If the residual equity after disposal cannot exercise joint control or exert significant influence on the investee, it shall be accounted in accordance with the relevant provisions of the accounting standards for Business Enterprises No. 22 - recognition and measurement of financial instruments, and the difference between the fair value and book value on the date of loss of control shall be included in the current profit and loss.

b) In the consolidated financial statements, for the difference between the disposal price and the corresponding share of net assets of the subsidiary calculated continuously from the purchase date or the merger date for each transaction before the loss of control over the subsidiary, adjust the capital reserve (share capital premium) If the capital reserve is insufficient to offset, the retained earnings shall be adjusted; if the control right over the subsidiary is lost, the remaining equity shall be remeasured according to its fair value on the date of losing the control right. The difference between the sum of the consideration obtained from the disposal of equity and the fair value of the remaining equity minus the share of the net assets of the original subsidiary calculated continuously from the purchase date calculated according to the original shareholding ratio shall be included in the investment income of the current period when the control right is lost, and goodwill shall be offset at the same time. Other comprehensive income related to the equity investment of the original subsidiary will be converted into the current investment income when the control right is lost.

If all transactions from disposal of equity investment in subsidiaries to loss of control belong to a package deal, each transaction shall be treated as a transaction for disposal of equity investment in subsidiaries and loss of control, and relevant accounting treatment shall be conducted according to individual financial statements and consolidated financial statements:

a) In individual financial statements, the difference between each disposal price and the long-term equity investment book value corresponding to the disposed equity before the loss of control right is recognized as other comprehensive income, which is transferred to the loss and profit of the current period when the control right is lost.

b) In the consolidated financial statements, the difference between each disposal price and the share of the subsidiary's net assets corresponding to the disposal investment before the loss of the control right is recognized as other comprehensive income, which is transferred into the current profit and loss when the control right is lost.

14.Investment properties

The Company's investment property means the property held for the purpose of earning rent or capital appreciation, or both, including the land use rights that have been leased, the land use rights that are held for transfer upon appreciation, and the leased buildings. In addition, for the vacant buildings held by the Company for the purpose of leases, if the Board of Directors makes a written resolution that expressly indicates that the buildings will be used for leases and the intention of holding will not change in a short-term, the building will also be reported as investment property.

The company's investment properties are recorded at their cost. The cost of outsourcing investment properties includes the purchase price, relevant taxes and other expenses that can be directly attributable to the asset. The cost of self-construction investment properties is composed of the necessary expenses incurred before the construction of the asset reaches the expected usable state.

The company adopts the fair value model to carry out subsequent measurement on the investment properties, does not accrue depreciation or amortization for the investment properties, adjusts its book value based on the fair value of the investment properties on the balance sheet date, and the difference between the fair value and the original book value is included in the current profit and loss.

The basis for subsequent measurement of investment properties by fair value model is: ① there is an active real estate trading market in the location of investment properties. ② the company can obtain similar or similar real estate market prices and other related information from the real estate transaction market, so as to make a reasonable estimation of the fair value of the investment properties.

When determining the fair value of the investment properties, the company shall refer to the current market price of the same or similar real estate in the active market; if the current market price of the same or similar real estate cannot be obtained, the fair value of the same or similar real estate shall be reasonably estimated by referring to the latest transaction price of the same or similar real estate in the active market and taking into account the asset status, location, transaction situation, transaction date and other factors, or determine its fair value based on the present value of the expected future rental income and relevant cash flow.

The company has conclusive evidence that the purpose of the real estate has changed. When the investment properties is converted into the self use real estate, the fair value on the date of conversion shall be taken as the book value of the self use real estate, and the difference between the fair value and the original book value shall be included in the current profit and loss. When the self use real estate or inventory is converted to the investment properties measured by the fair value mode, the investment properties shall be valued according to the fair value on the date of conversion. If the fair value on the date of conversion is less than the original book value, the difference shall be included in the current profit and loss; if the fair value on the date of conversion is greater than the original book value, the difference shall be included in other comprehensive income.

When the investment properties are disposed, or it is permanently withdrawn from use and it is estimated that it cannot obtain economic benefits from its disposal, the recognition of the investment properties shall be terminated. The amount of the disposal income from the sale, transfer, scrap, or damage of the investment properties after deducting its book value and relevant taxes shall be included in the current profit and loss.

15.Fixed assets

(1)Recognition criteria for fixed assets

Fixed assets mean tangible assets held for the purpose of producing goods, rendering of services, leases or operation management, whose service life is more than one fiscal year. Fixed assets satisfying the following conditions are recognized:

a) The economic benefits associated with the fixed assets are likely to flow into the company;

b) The cost of the fixed asset can be measured in a reliable way.

(2)Initial measurement of fixed assets

The company's fixed assets are initially measured at cost.

a)The cost of the purchased fixed assets includes the purchase price, import duties and other relevant taxes, as well as other expenditures that can be directly attributable to the fixed assets before, they reach the expected serviceable condition.

b)The cost of self-construction fixed assets consists of the necessary expenses incurred before the construction of the assets reaches the expected serviceable condition.

c)Fixed assets invested by investors shall be recorded at the value agreed in the investment contract or agreement, but those with unfair value agreed in the contract or agreement shall be recorded at the fair value.

d)If the purchase price of a fixed asset is delayed beyond the normal credit conditions and has the nature of financing, the cost of the fixed asset shall be determined based on the present value of the purchase price. The difference between the actually paid price and the present value of the purchase price shall be included in the current profit and loss in the credit period, except for those that shall be capitalized.

(3)Subsequent measurement and disposal of fixed assets

a) Depreciation of fixed assets

Depreciation of fixed assets shall be accrued within the expected service life after deducting the expected net residual value from its entry value. For the fixed assets with provision for impairment, the amount of depreciation shall be determined according to the book value after deducting the provision for impairment and the remaining useful life in the future period; the fixed assets with enough depreciation but still in use shall not be depreciated.

For the fixed assets formed by using the expenditure of special reserves, the special reserves shall be offset according to the cost of forming fixed assets, and the accumulated depreciation of the same amount shall be recognized. The depreciation of the fixed assets will not be accrued in the future.

According to the nature and use of fixed assets, the company determines the service life and estimated net residual value of fixed assets. At the end of the year, the service life, estimated net residual value and depreciation method of the fixed assets shall be reviewed. If there is any difference from the original estimate, the corresponding adjustment shall be made.

The depreciation method, depreciation life and annual depreciation rate of fixed assets are as follows:

Type	Depreciation life (Year)	Residual value (%)	Annual depreciation rate (%)
Property and plant	10-25	3	9.70-3.88
Machinery equipment	3	3	19.40-9.70
Transportation equipment	5	3	19.40
Office equipment	5-8	3	19.40-12.13
Electronic equipment	5-8	3	19.40-12.13
Reservoir and pipeline equipment	45	3	2.16

b) Subsequent expenditure of fixed assets

Subsequent expenditures related to fixed assets, if they meet the conditions for recognition of fixed assets, shall be included in the cost of fixed assets; if they do not meet the conditions for recognition of fixed assets, they shall be included in the current profit and loss when they occur.

c) Disposal of fixed assets

When the fixed assets are disposed, or it is expected that no economic benefits can be generated through use or disposal, the recognition of the fixed assets shall be terminated. The amount of the disposal income from the sale, transfer, scrap, or damage of fixed assets after deducting the book value and relevant taxes shall be included in the current profit and loss.

(4)Impairment test method and provision method for impairment of fixed assets

At the end of each period, the company judges whether there is any sign of possible impairment of fixed assets.

If there is any sign of impairment of fixed assets, the recoverable amount shall be estimated. The recoverable amount is determined according to the higher one between the net amount of the fair value of the fixed assets minus the disposal expenses and the present value of the expected future cash flow of the fixed assets.

When the recoverable amount of a fixed asset is lower than its book value, the book value of the fixed asset is written down to the recoverable amount. The amount of the write down is recognized as the impairment loss of the fixed asset and included in the current profit and loss. At the same time, the corresponding provision for impairment of fixed assets is made.

After the impairment loss of fixed assets is recognized, the depreciation of the impaired fixed assets shall be adjusted accordingly in the future, so that the book value of the fixed assets after adjustment (deducting the estimated net residual value) is systematically apportioned within the remaining service life of the fixed assets.

Once the impairment loss of fixed assets is recognized, it will not be reversed in future accounting periods.

If there is any indication that a fixed asset may be impaired, the company shall estimate its recoverable amount based on a single fixed asset. If it is difficult for an enterprise to estimate the recoverable amount of a single fixed asset, the recoverable amount of the asset group shall be determined based on the asset group to which the fixed asset belongs.

(5)Recognition basis and valuation method for fixed assets under financing lease

Where the leasing agreement signed between company and the lessor specifies either of the conditions as follows, the lease will be recognized as a finance lease:

a) The ownership of the leasing asset belongs to this company at the expiration of the lease;

b) Company has the option to buy the asset at a price to be far lower than the fair value of the asset at the date when the option becomes exercisable;

c) The lease term covers the major part of the use life of the leased asset;

d) The present value of the minimum lease payments on the lease beginning date does not have too large differences with the fair value of the asset.

e) The nature of the leased assets is special. Only the company can use the leased assets without major transformation.

On the date of the lease starts, the Company recognizes the fair value of the leased asset or the present value of the minimum lease payment as the book value of the leased asset, whichever is lower, and recognizes the minimum lease payment amount as the book value of the long-term payable, the difference is recognized as unconfirmed financing costs. Unrecognized financing expenses are apportioned over the lease term by the effective interest method.

The company adopts the depreciation policy consistent with its own fixed assets to accrue the depreciation of fixed assets under financing lease. If the ownership of the leased asset can be reasonably determined at the end of the lease term, depreciation shall be accrued within the service life of the leased asset. If the ownership of the leased asset can not be reasonably determined at the end of the lease term, depreciation shall be accrued within the shorter of the lease term and the service life of the leased asset.

16.Construction in progress

(1)Initial measurement of construction in progress

Construction in progress refers to the necessary expenses incurred by the Company for the purchase and construction of fixed assets or investment property before being ready for the expected usable status, including engineering materials costs, labor costs, related taxes and fees, borrowing costs that should be capitalized and indirect costs that should be apportioned.

(2)Standards and time points for carrying forward construction in progress to fixed assets

For the construction in progress project, all expenses incurred before the construction of the asset reaches the expected serviceable state shall be taken as the entry value of fixed assets. If the construction in progress has reached the expected serviceable condition, but the final accounts of completion have not yet been handled, from the date of reaching the expected serviceable condition, it shall be transferred to fixed assets according to the estimated value according to the project budget, cost or actual cost of the project, and fixed assets shall be accrued according to the company's fixed assets depreciation policy For the depreciation of assets, the original estimated value shall be adjusted according to the actual cost after the completion of final accounts, but the amount of depreciation that has been accrued shall not be adjusted.

(3)Impairment test method and provision method for impairment of construction in progress

At the end of each period, the company judges whether there is any sign of possible impairment of construction in progress.

If there is any indication that a project under construction may be impaired, the company shall estimate its recoverable amount based on single construction in progress. If it is difficult for an enterprise to estimate the recoverable amount of a single construction in progress, the recoverable amount of the asset group shall be determined based on the asset group to which the project under construction belongs. The recoverable amount is determined according to the higher one between the net amount of the fair value of the construction in progress minus the disposal expenses and the present value of the expected future cash flow of the construction in progress.

When the recoverable amount of the construction in progress is lower than its book value, the book value of the construction in progress is written down to the recoverable amount, and the reduced amount is recognized as the impairment loss of the construction in progress, which is included in the current profit and loss, and the corresponding provision for impairment of the construction in progress is made. Once the impairment loss of construction in progress is recognized, it will not be reversed in the future accounting periods.

17.Borrowing costs

(1)Recognition principles of capitalization of borrowing costs

The borrowing costs include the interest on borrowings, amortization of depreciation or premium, auxiliary expenses, currency translation differences occurred due to foreign currency loans, etc.

Borrowing costs, that are directly attributable to the acquisition, construction, or production of qualifying assets from part of the costs of those assets, shall be capitalized. Other borrowing costs are recognized as expenses are charged to profits or losses in the current period.

Capitalization shall commence when:

a) 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;

b) Borrowing costs are being incurred, and;

c) Purchase, construction, or manufacturing activities that are necessary to prepare the assets for their intended use or sale are in progress.

(2)Capitalization period for borrowing costs

Capitalization period refers to the period from commencement of capitalization of borrowing costs to its cessation; period of suspension for capitalization is excluded.

Capitalization shall cease when substantially all the purchase, construction, or manufacturing activities necessary to prepare the assets for their intended use or sale are complete.

Where construction for assets purchased, constructed or manufactured eligible for capitalization is completed in stages, which can be used while construction of the other parts continues, capitalization of borrowing costs for assets shall cease when substantially all of the activities necessary to prepare that part for its intended use or sale are complete.

Where construction for each part of assets purchased, constructed, or manufactured has been completed separately but can be used or sold only after the entire assets have been completed, capitalization of borrowing costs for assets shall cease at the completion of the entire assets.

(3)Period of suspension for capitalization

Capitalization shall be suspended during periods in which purchase, construction or manufacturing of assets eligible for capitalization is interrupted abnormally; if the interruption is the necessary procedure to prepare the assets purchased, constructed or manufactured eligible for capitalization for their intended use or sale, the borrowing costs shall continue to be capitalized. Borrowing costs incurred during the interruption shall be charged to current profits or losses, and shall continue to be capitalized when purchase, construction or manufacturing of the relevant assets resumes.

(4)Measurement of capitalized amounts of borrowing costs

Where funds are borrowed specifically for purchase, construction, or manufacturing of assets eligible for capitalization, costs eligible for capitalization are the actual costs incurred less any income earned on the temporary investment of such borrowings.

Where funds allocated for purchase, construction, or manufacturing of assets eligible for capitalization are part of a general pool, the eligible amounts are determined by applying a capitalization rate to the weighted average excess of accumulated capital expenditures over those on specific borrowings. The capitalization rate will be the weighted average of the borrowing costs applicable to the general pool

Where there are discounts or premiums on borrowings, the amounts of interest for each accounting period shall be adjusted taking account of amortizable discount or premium amounts for the period by effective interest method.

18.Biological assets

(1)Classification of biological assets

The company's biological assets include consumptive biological assets and productive biological assets.

Biological assets shall be recognized if they meet the following conditions at the same time:

a) The enterprise owns or controls the biological assets due to past transactions or events;

b) The economic benefits or service potential related to the biological assets are likely to flow into the enterprise;

c) The cost of the biological asset can be measured reliably.

(2)Initial measurement of biological assets

The biological assets acquired by the company shall be initially measured according to the cost at the time of acquisition. The cost of purchased biological assets includes the purchase price, relevant taxes, transportation expenses, insurance premiums and other expenses directly attributable to the purchase of the assets. For the biological assets invested by investors, the value agreed in the investment contract or agreement plus the relevant taxes and fees payable shall be taken as the entry value of the biological assets. However, if the value stipulated in the contract or agreement is not fair, the actual cost shall be determined according to the fair value.

(3)Subsequent measurement of biological assets

a) Subsequent expenditure

The cost of self breeding or breeding consumptive biological assets shall be determined according to the necessary expenses such as feed cost, labor cost and apportioned indirect cost incurred before the sale; the cost of self breeding productive biological assets shall be determined according to the necessary expenses such as feed cost, labor cost and apportioned indirect cost before the expected production and operation purpose is achieved. After the biological assets reach the expected production and operation purposes, the follow-up expenses such as management and maintenance expenses and feeding expenses are included in the current profits and losses.

For self cultivated and constructed consumptive biological assets, the actual expenses incurred before canopy closure constitute the cost of consumptive biological assets, and the subsequent expenses such as management and maintenance after canopy closure are included in the current profit and loss.

The actual expenses incurred by the self cultivated and constructed productive biological assets before reaching the expected production and operation purposes constitute the cost of the productive biological assets. The subsequent expenses such as management and maintenance after reaching the predetermined production purpose shall be included in the current profits and losses.

b) Depreciation of productive biological assets

The company adopts the life average method to accrue depreciation on schedule for the productive biological assets that achieve the intended production and operation purposes. The company determines the service life and expected net residual value of the productive biological asset according to its nature, usage and the expected realization mode of relevant economic benefits; at the end of the year, it reviews the service life, estimated net residual value and depreciation method of the productive biological asset, and makes corresponding adjustment if there is any difference with the original estimate.

The estimated service life, estimated net residual value rate and annual depreciation rate of the company's productive biological assets are as follows:

Type	Depreciation life (Year)	Residual value (%)	Annual depreciation rate (%)
Horses	5	5	19.00

c) Disposal of biological assets

When harvesting or selling consumptive biological assets, the weighted average method is used to carry forward the cost; the cost of biological assets after being used for other purposes shall be determined according to the book value at the time of conversion; when the biological assets are sold, damaged or inventory loss, the balance of the disposal income after deducting the book value and relevant taxes and fees shall be included in the current profit and loss.

(4)Impairment of biological assets

The company shall inspect the consumptive biological assets and productive biological assets at least at the end of each year, and there is conclusive evidence showing that the net realizable value of the consumptive biological assets or the recoverable amount of the productive biological assets is lower than the book value due to the natural disasters, diseases and insect pests, animal diseases, or changes in market demand, the provision for depreciation or allowance for the depreciation of biological assets is made and included in the current profits and losses in accordance with the net realizable value or the difference between the recoverable amount and the book value.

If the influencing factors of the impairment of consumptive biological assets have disappeared, the write down amount shall be restored and reversed within the original provision for falling price, and the reversed amount shall be included in the current profit and loss. Once the provision for impairment of productive biological assets is withdrawn, it shall not be reversed.

(5)Subsequent measurement of biological assets

The company adopts the fair value model for subsequent measurement of biological assets, and no longer accrues depreciation and provision for depreciation or impairment of biological assets, it is measured according to the net amount after the fair value of biological assets minus the selling expenses, and the changes in each period are included in the current profit and loss.

The basis for the follow-up measurement of biological assets using the fair value model is: ① there is an active trading market for biological assets; ② the market price and other relevant information of the same or similar biological assets can be obtained from the trading market, so as to reasonably estimate the fair value of biological assets.

When determining the fair value of biological assets, the company shall refer to the market price of the same or similar biological assets in the active market; if the market price of the same or similar biological assets cannot be obtained, the fair value of the biological assets can be reasonably estimated by referring to the latest transaction price of the same or similar biological assets in the active market, and taking into account the variety, quality grade, growth time, climate and geographical environment, industry benchmark and other factors; or use the present value of the expected net cash flow of the biological asset discounted at the current market determined rate to determine its fair value.

19.Intangible assets

Intangible assets are non-monetary assets with no physical form that can be identified and owned or controlled by the Company.

(1)Initial recognition of intangible assets

Costs of purchased intangible assets include purchase prices, relevant taxes and surcharges, and other expenditures that are directly attributable to the intangible assets before they reach working conditions for their intended use. If payments for the purchase of intangible assets are extended beyond the normal credit terms with financing nature, the costs of intangible assets are determined based on present values of the purchase prices.

For intangible assets obtained from debtors in settlement of his liabilities in case of debt restructuring, they shall be initially stated at their fair values. Differences between the book values and the fair values of the intangible assets are charged to current profits or losses.

If the exchange of non-monetary assets has commercial substance, and the fair values of these assets can be measured reliably, the book values of intangible assets traded in are based on the fair values of the intangible assets traded out unless there is any conclusive evidence that the fair values of the assets traded in are more reliable. If the exchange of non-monetary assets does not meet the above criteria, the costs of the intangible assets traded in shall be the book values of the assets traded out and relevant taxes and surcharges paid, and no profits or losses shall be recognized.

Intangible assets obtained through acquisition of enterprises under common control shall be initially stated at their carrying amounts recognized in the accounting records of the acquired party. Intangible assets obtained through acquisition of enterprises not under common control shall be initially stated at fair value.

The costs of internally developed intangible assets include: the materials consumed during the development, labor costs, registration fees, amortization of other patents and licenses applied during the development, interest expense eligible for capitalization, as well as other direct costs incurred for the intangible assets to reach working condition for their intended use.

(2)Subsequent measurement of intangible assets

The intangible assets are amortized on a straight-line basis over the period during which they can bring economic benefits to the Company. 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.

a) Intangible assets with limited useful lives

For the intangible assets with limited service life, they are amortized by the straight-line method within the period of bringing economic benefits to the company. The estimated life and basis of intangible assets with limited service life are as follows:

Items	Expected useful life	Basis for estimates
Land using right	30-50	Certificate of land using right
Software	5-10	Expected useful life
Franchise	10-20	Expected useful life
Charging right	10-20	Expected useful life
Patent right	5-10	Expected useful life
Trademark	10-20	Expected useful life

The useful life of the intangible assets with limited useful life and its amortization method shall be reviewed at the end of each period.

After review, the useful life and amortization method of the intangible assets at the end of the period this year are different from that estimated previously.

b) Intangible assets with uncertain useful lives

Intangibles assets of which the time period that brings economic benefits to the Company cannot be foreseen, are regarded as intangibles assets with uncertain useful lives.

Intangibles assets with uncertain useful lives are not amortized during the holding period, but are reviewed for remaining useful lives at each year end. If the post-review useful lives are still uncertain, the impairment tests will be conducted during each accounting period.

(3)Provision for impairment of intangible assets

For intangible assets with fixed service life, if there are obvious signs of impairment, impairment test shall be conducted at the end of the period.

For intangible assets with uncertain service life, impairment test is conducted at the end of each period.

Conduct impairment test on intangible assets and estimate their recoverable amount. The recoverable amount is determined according to the higher one between the net amount of the fair value of the intangible assets minus the disposal expenses and the present value of the expected future cash flow of the intangible assets.

When the recoverable amount of the intangible assets is lower than its book value, the book value of the intangible assets is written down to the recoverable amount. The reduced amount is recognized as the impairment loss of the intangible assets and included in the current profit and loss. At the same time, the corresponding provision for impairment of intangible assets is made.

After the impairment loss of intangible assets is recognized, the depreciation or amortization expenses of the impaired intangible assets shall be adjusted accordingly in the future period, so that the book value of the adjusted intangible assets (deducting the estimated net residual value) can be systematically apportioned within the remaining service life of the intangible assets.

Once the impairment loss of intangible assets is recognized, it will not be reversed in future accounting periods.

If there is any indication that an intangible asset may be impaired, the company estimates its recoverable amount based on single intangible asset. If it is difficult for the company to estimate the recoverable amount of a single asset, the recoverable amount of the intangible asset group shall be determined based on the asset group to which the intangible asset belongs.

(4)Specific standards for dividing the research stage and development stage of internal R & D projects of the company

Research stage: The stage of unique and planned investigation and research activities conducted for obtaining and understanding new scientific or technological knowledge.

Development stage: The stage of applying research findings or other knowledge to some plan or design, in order to produce new or substantially improved materials, devices and products, etc. before commercial production or use.

The research expenditures of internal research and development projects shall be included in the current profit and loss when they occur.

(5)Concrete Conditions for Capitalization of Expenditure at Development Stage

The expenditure at development stage of internal research and development projects will be confirmed as intangible assets when simultaneously meeting the following conditions:

a) It is technically feasible to complete the intangible assets and make them available for use or sale;

b) The Company has the intent to complete, use or sell the intangible assets;

c) The way by which intangible assets produce economic benefit could prove the usability of such intangible assets, including proving that the products produced with such intangible assets have markets, or such intangible assets have markets, and intangible assets would be used internally;

d) The Company has sufficient technical, financial resources and other resources to support the completion of the development of such intangible assets, and the Company could use or sell such intangible assets.

e) The expenditure attributing to the development stage of such intangible assets could be measured reliably.

Expenditures in the development stage that do not meet the above conditions shall be included in the current profits and losses when incurred. The development expenditure that has been included in the profit and loss in the previous period shall not be re recognized as an asset in the later period. The capitalized expenditure in the development stage shall be listed as development expenditure on the balance sheet, and shall be converted into intangible assets from the date when the project reaches the intended purpose.

20.Long-term prepaid expenses

Long term prepaid expenses refer to the expenses that the company has incurred, but should be borne by the current period and subsequent periods, with a period of 1 years or more. Long term prepaid expenses are amortized in line with the straight-line method in the beneficial period.

21.Employee benefits

Employee benefits refers to various forms of remuneration or compensation given by the company to obtain services provided by employees or to terminate labor relations. Employee benefits includes Short-term employee benefits, post-employment benefits, dismiss compensation and other long-term employee welfare.

(1)Short-term employee benefits

Short-term employee benefits include employee wages or salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, union running costs and employee education costs, and short-term paid absences. The employee benefit liabilities are recognized in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets. Non-monetary benefits are measured at their fair value.

(2)Post-employment benefits

Post-employment benefits refer to the various forms of remuneration and welfare provided by the company after the employees retire or terminate the labor relationship with the company in order to obtain the services provided by the employees, except for short-term salary and dismissal welfare.

The company's post-employment benefit plans are classified into defined contribution plans and defined benefit plans.

The defined contribution plan of post-employment benefits mainly includes participating in the social basic endowment insurance, unemployment insurance and enterprise annuity organized and implemented by local labor and social security institutions. During the accounting period when employees provide services to the company, the amount to be deposited calculated according to the defined contribution plan shall be recognized as liabilities and included in the current profit and loss or relevant asset costs.

The company has no other payment obligations after paying the above amount regularly according to the national standards and annuity plan.

The defined benefit plan of post-employment benefits mainly includes the clear standard of off-balance benefits paid by retirees and the living expenses paid for the survivors of deceased employees.

(3)Dismiss compensation

If the Company terminates the labor relationship with an employee before the labor contract expires, or offers compensation for encouraging the employee to accept the redundancies voluntarily, the liabilities arising from the termination of labor relations with the employee is determined, and also included in the current profit and loss, at the time when the group cannot unilaterally withdraw the termination of the labor relationship plan or redundancies proposal, or the time when the cost associated with restructuring involving payment of dismiss compensation is confirmed, whichever is earlier.

The company provides early retirement benefits to employees who accept internal retirement arrangements. Early retirement welfare refers to the wages paid to the employees who fail to reach the retirement age stipulated by the state and voluntarily quit their jobs with the approval of the company's management and the social insurance premiums paid for them. The company shall pay the internal retirement benefits to the early retired employees from the date of the internal retirement arrangement to the date when the employees reach the normal retirement age. For the early retirement welfare, the company shall carry out accounting treatment according to the dismiss compensation. When the relevant recognition conditions of the dismiss compensation are met, the wages and social insurance premiums to be paid to the early retired employees from the date when the employees stop providing services to the normal retirement date shall be recognized as liabilities and included in the current profits and losses once. The difference caused by the change of actuarial assumption and the adjustment of welfare standard of early retirement welfare shall be included in the current profit and loss when it occurs.

(4)Other long-term employee benefits

Other long-term employee benefits refer to all employee benefits except short-term salary, post-employment welfare and dismissal welfare.

22.Share-based payments

(1)Categories of share-based payments

The share-based payment of the company is divided into equity settled share based payment and cash settled share based payment.

(2)Determination method of fair value of equity instruments

For the granted equity instruments such as options with active market, their fair value shall be determined according to the quoted price in the active market. For the granted equity instruments without active market, the option pricing model is used to determine their fair value. The following factors are considered in the option pricing model: (a) the exercise price of the option; (b) the validity period of the option; (c) the current price of the target share; (d) the expected volatility of the share price; (f) the expected dividend of the share; (e) the Risk free interest rate.

When determining the fair value of the equity instrument on the grant date, the impact of market conditions and non exercise conditions in the vesting conditions specified in the share-based payment agreement shall be considered. If there are non vesting conditions for share based payment, if the employees or other parties meet all non market conditions (such as service term, etc.) in the vesting conditions, the corresponding cost of the services received shall be recognized.

(3)Basis for determining the best estimate of exercisable equity instruments

At each balance sheet date in the vesting period, the Company would make best estimate in accordance with the newly acquired information such as changes in the number of employees entitled to equity instruments, and amend the number of exercisable equity instruments. On the exercisable date, the ultimate estimated number of exercisable equity instruments coincides with the actual number.

(4)Relevant accounting treatment of implementation, modification, and termination of share-based payment plan

The equity settled share-based payment shall be measured at the fair value of the equity instruments granted to employees. If the right is exercisable immediately after the grant, it shall be included in the relevant costs or expenses according to the fair value of the equity instrument on the grant date, and the capital reserve shall be increased accordingly. If the right can only be exercised after completing the service within the waiting period or meeting the specified performance conditions, on each balance sheet date within the waiting period, based on the best estimation of the number of exercisable equity instruments, the services obtained in the current period shall be included in the relevant costs or expenses and capital reserve according to the fair value of the equity instruments on the grant date. After the vesting date, the relevant costs or expenses recognized and the total amount of owner's equity shall not be adjusted.

The cash settled share-based payment shall be measured according to the fair value of the liabilities calculated and determined based on shares or other equity instruments undertaken by the company. If the right can be exercised immediately after the grant, the fair value of the liabilities undertaken by the company shall be included in the relevant costs or expenses on the grant date, and the liabilities shall be increased accordingly. For the cash settled share based payment that can be exercised only after the completion of the service within the waiting period or after the specified performance conditions are met, the services obtained in the current period shall be included in the cost or expense and corresponding liabilities according to the fair value of the liabilities undertaken by the company on each balance sheet date within the waiting period based on the best estimation of the vesting right. On each balance sheet date and settlement date before the settlement of relevant liabilities, the fair value of liabilities shall be re measured, and the changes shall be included in the current profits and losses.

(5)For the modification of terms and conditions, modification of the current period and related accounting treatments

If the granted equity instrument is cancelled in the waiting period, the company will treat the cancellation of the granted equity instrument as accelerated exercise, and the amount to be recognized in the remaining waiting period will be included in the current profit and loss immediately, and capital reserve will be recognized at the same time. If the employee or other parties can choose to meet the non-vesting conditions but fail to meet them within the waiting period, the company will treat them as the cancellation of the granted equity instrument.

23.Bonds payable

(1)Corporate bonds

For bonds payable which are measured at fair value and whose changes are included in the current profit and loss, the fair value is taken as the initial recognition amount, and the relevant transaction costs are directly included in the current profit and loss, and are subsequently measured according to the fair value. For other types of bonds payable, the sum of their fair value and relevant transaction costs shall be taken as the initial recognition amount, and the subsequent measurement shall be carried out with the amortization cost.

Premium or discount refers to the adjustment of interest expense during the duration of bonds payable, and the effective interest method is adopted for amortization during the duration of bonds.

(2)Convertible bonds

When the convertible bonds issued by the company are initially recognized, the liability component and equity component are separated, the liability component is recognized as the bonds payable, and the equity component is recognized as capital reserve. When splitting, the future cash flow of the liability component is discounted to determine the initial recognition amount of the liability component, and then the initial recognition amount of the equity component is determined according to the amount of the total issue price deducting the initial recognition amount of the liability component. The transaction costs incurred in issuing convertible bonds shall be apportioned between the liability component and the equity component according to their respective relative fair values.

24.Provisions

(1)Recognition criteria of provisions

When an obligation related to the contingent events satisfies all the following conditions, it is recognized by the Company as provisions:

a) The obligation is the current obligation of the Company;

b) The fulfillment of the obligation is likely to cause economic benefits to flow out of the Company;

c) The amount of the obligation can be measured in a reliable way.

(2)Measurement of provisions

The provisions of the Company are initially measured based on the best estimate of the expenditure required to perform the relevant current obligations.

When determining the best estimate, the Company considers factors such as risks, uncertainties and time value of money related to contingent events. Where the time value of money has a significant impact, the best estimate is determined by discounting the relevant future cash outflows.

The best estimates are handled as follows:

In case that there is a continuous range (or interval) of required expenditures, within which the possibility of occurrence of various results is the same, the best estimate is determined by the average of the middle value of the range, that is, the average of the upper and lower limits.

In case that there is no continuous range (or interval) of required expenditures, or there is a continuous range but the possibility of various results in the range is different, if the contingency involves a single item, the best estimate is determined based on the most probable amount; if a contingency involves multiple items, the best estimate is determined based on various possible outcomes and associated probabilities.

If all or part of the expenses required by the Company to settle the provisions are expected to be compensated by a third party, the compensation amount is separately recognized as an asset when it is basically confirmed to be received, and the recognized compensation amount should not exceed the book value of provisions.

25.Preferred shares, perpetual bonds, and other financial instruments

For specific accounting policies, please refer to note IV / 9. h. Differentiation and treatment of financial liabilities and equity instruments.

26.Revenue

(1)Criteria for judgement of timing of revenue recognition for selling products

The company has transferred the main risks and rewards of ownership of the goods to the buyer; the company does not retain the right of continuous management related to the ownership, nor effectively control the sold goods; the amount of revenue can be reliably measured; the relevant economic benefits are likely to flow into the company; when the relevant costs incurred or to be incurred can be reliably measured, the revenue from commodity sales is recognized.

If the collections of contractual or agreement price are in deferred manner, substantially with financing properties, the sales revenue is recognized at the fair value of contract or agreement price receivable.

(2)Evidence of recognition for revenue from abalienating of right to use assets

When the economical profit related to exchange is possible to flow into the Company and the amount received can be measured reliably, the abalienating of right to use assets shall be confirmed as follows:

a) The amount of interest income shall be calculated and confirmed according to the actual time of using the monetary capital of the Company and the actual rate thereof.

b) The amount of royalty income shall be calculated and confirmed according to the charging time and method appointed in relevant contracts or agreements.

(3)Recognition basis and method of providing labour service income

If the result of the transaction of providing labor service on the balance sheet date can be estimated reliably, the income from providing labor service shall be recognized by the percentage of completion method. The percentage of completion of the labor service transaction shall be determined according to the proportion of the cost incurred in the estimated total cost.

The result of providing labour service transactions can be reliably estimated, which means that the following conditions are met at the same time:

a) The amount of income can be measured reliably;

b) The relevant economic benefits are likely to flow into the company;

c) The completion progress of the transaction can be reliably determined;

d) The costs incurred and to be incurred in the transaction can be measured reliably.

The total income from the provision of labour services shall be determined in accordance with the contract or agreement price received or receivable, unless the contract or agreement price received or receivable is not fair. On the balance sheet date, the total amount of labour service income multiplied by the completion progress deducted the amount of labour service income accumulated in the previous accounting period to confirm the current labour service income; at the same time, according to the estimated total cost of labour provision multiplied by the completion of the previous accounting period accumulated The amount after the labour cost has been confirmed is carried forward to the current labour cost.

If the results of the labour service transaction provided on the balance sheet date cannot be reliably estimated, the following cases shall be dealt with:

a) If the labour service costs incurred are expected to be compensated, the labour service income is recognized according to the amount of labour service costs incurred, and the labour service costs are carried forward at the same amount.

b) If the labour cost incurred is not expected to be compensated, the labour cost already incurred is included in the current profit and loss, and the income from providing labour services is not recognized.

When the contract or agreement signed between the company and other enterprises includes the sale of goods and the provision of services, if the sale of goods and the provision of services can be distinguished and measured separately, the sale of goods shall be treated as the sale of goods, and the provision of services shall be treated as providing labour service. If the part of selling goods and the part of providing labor service cannot be distinguished, or if they can be distinguished but cannot be measured separately, the part of selling goods and the part of provision of services shall all be treated as selling goods.

(4)Asset transfer with repurchase conditions

When the company sells products or transfers other assets, it signs a sales agreement or a repurchase agreement with the purchaser, and determines whether the sales commodities meet the income recognition conditions according to the terms of the agreement. If the after-sale repurchase is a financing transaction, the company will not recognize the sales revenue when delivering the products or assets. If the repurchase price is greater than the sales price, the interest shall be accrued on schedule during the repurchase period and included in the financial expenses.

27.Construction contract revenue

(1) When the result of the construction contract can be estimated reliably, the contract revenue and contract cost related to it shall be recognized by the percentage of completion method on the balance sheet date. Percentage of completion method refers to the method of confirming contract revenue and contract cost according to contract completion progress. The contract completion progress shall be determined according to the proportion of the accumulated actual contract expenses incurred in the estimated total cost of the contract.

The result of a fixed cost contract can be estimated reliably, which means that the following conditions are met simultaneously:

a) The total contract revenue can be reliably measured;

b) The economic benefits related to the contract are likely to flow into the company;

c) The actual contract cost can be clearly distinguished and reliably measured;

d) The contract completion schedule and the costs needed to complete the contract can be determined reliably.

The result of a cost-plus contract can be estimated reliably, which means that the following conditions are met simultaneously:

a) The economic benefits related to the contract are likely to flow into the company;

b) The actual contract cost can be clearly distinguished and reliably measured.

On the balance sheet date, the contract revenue of the current period shall be recognized by multiplying the total contract revenue by the completion progress and deducting the accumulated recognized revenue in the previous accounting period; At the same time, the amount of the estimated total contract cost multiplied by the completion progress minus the accumulated recognized expenses in the previous accounting period shall be recognized as the current contract expenses. The change, claim and bonus of the contract project shall be included in the total contract revenue to the extent that they may bring income and can be calculated reliably.

(2) If the result of a construction contract cannot be estimated reliably, it shall be dealt with in the following circumstances:

a) If the contract cost can be recovered, the contract revenue shall be recognized according to the actual contract cost that can be recovered, and the contract cost shall be recognized as the contract expense in the current period when it occurs.

b) If it is impossible to recover the contract cost, it shall be recognized as the contract expense immediately when it occurs, and the contract revenue shall not be recognized.

(3) If the total contract cost is likely to exceed the total contract revenue, the expected loss is recognized as an expense immediately.

28.Government subsidies

(1)Category

Government subsidies are transfers of monetary or non-monetary assets from the government to the Group at nil consideration. According to the subsidy targets stipulated in the relevant government documents, government subsidies are classified into government subsidies related to assets and government subsidies related to income.

For the government subsidies that are not clearly defined in the government documents, the company divides them into asset related government subsidies or income related government subsidies according to the actual subsidy objects. For the relevant judgment basis, please refer to the notes to other current liabilities / other non-current liabilities / non-operating income items in note V of the financial statements.

The government subsidies related to assets refer to the government subsidies obtained by the company for purchasing and constructing or forming long-term assets in other ways. Government subsidies related to income refer to government subsidies other than those related to assets.

(2)Recognition of government subsidies

If there is evidence at the end of the period that the company can meet the relevant conditions specified in the financial support policy and it is expected to receive the financial support funds, the government subsidy shall be recognized according to the receivable amount. Otherwise, government subsidies are recognized when they are received.

If a government subsidy is a monetary asset, it is measured at the amount received or receivable. If a government subsidy is a non-monetary asset, it is measured at fair value. If the fair value cannot be obtained in a reliable way, it is measured at the nominal amount (RMB1). Government subsidies measured at nominal amounts are recognized directly in the current profit and loss.

(3)Accounting treatment

According to the essence of economic business, the company determines whether the total amount method or the net amount method should be used for accounting treatment of a certain type of government subsidy business. Generally, the company only selects one method for the same or similar government subsidy business, and consistently uses the method for the business.

The government subsidies related to assets shall offset the book value of relevant assets or be recognized as deferred income.The government subsidy related to assets is recognized as deferred income, and shall be included in the profit and loss in a reasonable and systematic way according to the useful life of the assets to be built or purchased.

If the government subsidies related to income are used to compensate related costs or losses in the subsequent period, it is recognized as deferred income and included in the current profit and loss or offset costs in the period in which the related costs or losses are recognized; government subsidies used to compensate costs or losses incurred by the company are directly included in the current profit or loss or offset related costs.

The government subsidies related to income, which are used to compensate the relevant expenses or losses of the company in the future, are recognized as deferred income, and are included in the current profit and loss or offset the relevant costs during the period when the relevant expenses or losses are recognized; if it is used to compensate the relevant expenses or losses incurred by the company, it shall be directly included in the current profits and losses or offset the relevant costs.

For preferential loans for policy discount, if the government finance department appropriates the discounted funds to the lending bank, the borrowing cost is accounted for according to the principal of the loan and the policy preferential interest rate, with the amount received as the entry value of the loan.

In case that a confirmed government subsidy is required to be returned, the book value of the asset is adjusted if the book value of relevant assets is offset at the initial recognition; if there is related deferred income, the book balance of deferred income is offset, and the excess is included in the current profit and loss; in case of other circumstances, it is directly included in the current profit and loss.

29.Deferred tax assets/Deferred tax liabilities

(1)Basis for recognition of deferred income tax assets

The company recognizes the deferred tax assets generated by the deductible temporary differences to the extent that it is likely to obtain the taxable income that can be used to offset the deductible temporary differences, carry forward the deductible losses and tax credits in the following years.

(2)Basis for recognition of deferred income tax liabilities

The company recognizes the taxable temporary differences that should be paid but not paid in the current period and the previous period as deferred tax liabilities. But excluding:

1) The temporary difference formed by the initial confirmation of goodwill;

2) The transaction or event not formed by business combination, and the occurrence of the transaction or event does not affect the accounting profit or the temporary difference formed by the taxable income (or deductible loss).

30.Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(1)Accounting treatment of operating leases

a) Operating leasing assets

The rental fees paid by the Company for the lease of assets are apportioned on a straight-line basis over the entire lease term without deduction of the rent-free period and included in the current expenses. The initial direct costs associated with the lease transactions paid by the Company are included in the current expenses.

When the lessor of an asset bears the expenses related to the lease that should be borne by the Company, the Company deducts the part of the expenses from the total rent. The deducted rental expenses are apportioned during the lease term and included in the current expenses.

b) Operating leased assets

The rental fees charged by the Company for renting out assets are apportioned on a straight-line basis over the entire lease term without deduction of the rent-free period and is recognized as rental income. The initial direct expenses related to lease transactions paid by the Company are included in the current expenses; if the amount is a significant one, it is capitalized and included in the current income in the same period as the lease income is recognized throughout the lease period.

When the Company bears the lease-related expenses that should be borne by the lessee, the Company deducts the part of the expenses from the total rental income, and distributes the deducted rental expenses within the lease term.

(2)Accounting treatment of financing leases

a) Financial leased assets: On the date when lease starts, the Company recognizes the fair value of the leased asset or the present value of the minimum lease payment as the book value of the leased asset, whichever is lower, and recognizes the minimum lease payment amount as the book value of the long-term payable, and the difference between the two is recognized as unconfirmed financing expenses. The Company adopts the effective interest rate method to amortize the unrecognized financing expenses during the asset lease period and includes them in financial expenses.

b) Financial leasing assets: On the date when lease starts, the Company recognizes the receivable of the financial lease, the difference between the sum of unsecured residual value and its present value as unrealized financing income, and recognizes the lease income in the future period of the lease. The initial direct costs incurred by the Company in connection with lease transactions are included in the initial measurement of financial lease receivable, and the amount of income recognized during the lease term is reduced.

31.Held for sale

（1）Confirmation criteria for holding for sale

The company recognizes the non current assets or disposal groups meeting the following conditions as the components held for sale:

a) According to the practice of selling such assets or disposal groups in similar transactions, they can be sold immediately under the current situation;

b) The sale is very likely to occur, that is, the company has made a decision on a sale plan, has obtained the approval of the regulatory authorities, and obtained the confirmed purchase commitment, and it is expected that the sale will be completed within one year.

The confirmed purchase commitment refers to the legally binding purchase agreement signed by the company and other parties. The agreement contains important terms such as transaction price, time, and severe enough penalty for breach of contract, which makes the possibility of significant adjustment or cancellation of the agreement extremely small.

（2）Accounting method of holding for sale

The company does not make depreciation or amortization for the non-current assets or disposal groups held for sale. If the book value is higher than the net amount after the fair value minus the selling expenses, the book value shall be written down to the net amount after the fair value minus the selling expenses. The amount written down shall be recognized as the asset impairment loss and included in the current profit and loss, and the provision for impairment of the assets held for sale shall be made at the same time.

For the non-current assets or disposal groups classified as held for sale on the acquisition date, the initial measurement amount and the net amount of fair value after deducting the selling expenses under the assumption that they are not classified as held for sale category shall be measured at the lower of the two.

The above principles are applicable to all non-current assets, but excluding investment properties which is subsequently measured by fair value model, biological assets measured by net amount of fair value minus selling expenses, assets formed by employee compensation, deferred income tax assets, financial assets regulated by relevant accounting standards for financial instruments, and rights arising from insurance contracts regulated by relevant accounting standards of insurance contracts.

32.Fair value measurement

（1）Financial instruments not measured at fair value

Financial assets and liabilities not measured at fair value mainly include: receivables, short-term loans, accounts payable, non-current liabilities and long-term loans due within one year, and equity instrument investment without quotation in active market and whose fair value cannot be reliably measured.

The difference between the book value and the fair value of the above-mentioned financial assets and liabilities that are not measured at fair value is very small, or according to the provisions of the "recognition and measurement of financial instruments", the equity instrument investment which has no quotation in the active market and whose fair value cannot be reliably measured is measured at cost.

（2）Financial instruments measured at fair value

The company's financial assets and liabilities measured at fair value mainly include: financial assets or financial liabilities measured at fair value with changes included in current profit and loss, and financial assets available for sale.

When the fair value is categorized into three levels, it is based on the lowest level of the three levels of the important input values used in the fair value measurement. The three levels are defined as follows:

Level 1: is the unadjusted quotation of the same assets or liabilities that can be obtained on the measurement date in the active market;

Level 2: is the input value directly or indirectly observable of relevant assets or liabilities except the input value of the first level; The second level of input values include: 1) quotations of similar assets or liabilities in active markets; 2) quotations of the same or similar assets or liabilities in inactive markets; 3) other observable input values other than quotations, including observable interest rate and yield curve, implied volatility and credit spread during the normal quotation interval; 4) input values verified by the market.

Level 3: is the inobservable input value of related assets or liabilities.

33.Description of changes in items presented in financial statements

In 2019, the Ministry of Finance issued the notice on revising and printing the format of financial statements of general enterprises in 2019 (Cai Kuai [2019] No. 6) and the notice on revising and printing the format of consolidated financial statements in 2019 (Cai Kuai [2019] No. 16), revised the format of financial statements of general enterprises, split some balance sheet items and adjusted income statement items. The company has prepared financial statements in accordance with the requirements of the new format of financial statements of enterprises. If the items of financial statements are changed as a result, the comparative data of comparable periods have been adjusted in accordance with the accounting standards for Business Enterprises No. 30 -

presentation of financial statements.

The impact on the items and amounts presented in the financial statements of the comparable period is as follows:

Item	31 December 2018	Effect	1 January 2019	Note
Notes receivable		225,286,170.30	225,286,170.30	
Accounts receivable		4,083,552,208.18	4,083,552,208.18	
Notes and Accounts receivable	4,308,838,378.48	-4,308,838,378.48		
Notes payable		1,017,121,914.57	1,017,121,914.57	
Accounts payable		4,333,650,471.73	4,333,650,471.73	
Notes and Accounts payable	5,350,772,386.30	5,350,772,386.30		

V.Changes in significant accounting policies and accounting estimates, and the error correction in the prior periods

1.Changes in significant accounting policies

(1)The subsidiary implements the new accounting standards for Business Enterprises and changes the accounting policies

As stated in the financial statements and preparation basis of note II, the company's subsidiaries An He (Lei Bo) Hydro Power Co., Ltd., Juli Natural Gas Co., Ltd., Dalian Energas Gas-System Co., Ltd. will adopt the accounting standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments, accounting standards for Business Enterprises No. 23 - Transfer of Financial Assets, accounting standards for Business Enterprises No. 24 - Hedging Accounting, and accounting standards for Business Enterprises No. 37 - Presentation of Financial Instruments (collectively referred to as "new financial instruments standards") revised by the Ministry of Finance in 2017, and the accounting policies after changes are detailed in the "new financial instruments standards" Note IV. 9.

a)Impact of the implementation of new financial instrument standards

As the recognition and measurement of financial instruments before January 1, 2019 are inconsistent with the requirements of the new financial instruments standards, the company's subsidiaries An He (Lei Bo) Hydro Power Co., Ltd., Juli Natural Gas Co., Ltd., Dalian Energas Gas-System Co., Ltd. shall make convergence adjustment according to the requirements of the new financial instruments standards. In case of inconsistency between the previous comparative financial statement data and the new financial instrument standards, the company's subsidiaries an he (Lei Bo) Hydro Power Co., Ltd., Juli Natural Gas Co., Ltd. and Dalian energas Gas System Co., Ltd. have not adjusted the information of comparable periods. The difference between the original book value of financial instruments and the new book value of new financial instruments on the implementation date of new financial instruments standards is included in retained earnings or other comprehensive income on January 1, 2019.

The implementation of the above guidelines has no significant impact on the financial statements during the reporting period.

2.Changes in significant accounting estimates

There is no change in the significant accounting estimates during the reporting period.

3.The error correction in the prior periods

There is no error correction in the prior periods during the reporting period.

VI.Taxes

1.The main categories and rates of taxes

Category	Tax base	Tax rate	Note
Value added tax (“VAT”)	Value added in the process of selling goods or providing taxable services	3%、5%、6%、9%、10%、13%、16%	Note 1
Land value added tax	The value-added amount generated from the paid transfer of the right to use state-owned land and the property rights of the above ground buildings and other attached objects; the advance payment for the pre-sale houses shall be made according to the prepayment rate stipulated by the place where the real estate is located.	Four levels of progressive tax rate (30% - 60%) will be implemented.	
Property tax	The tax shall be calculated based on the residual value of 30% of the original value of the property	1.2%	
	The tax shall be calculated based on rental income	12%	
City maintenance and construction tax	Turnover tax	7%、5%	

Category	Tax base	Tax rate	Note
Education surtax	Turnover tax	3%	
Local education surtax	Turnover tax	2%	
Local water conservancy construction fund	Turnover tax	0.5%	
Corporate income tax	Taxable income	25%、20%、15%	

Note 1: According to the announcement of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on policies related to deepening the reform of value added tax (Announcement No. 39, 2019 of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs), the taxable sales or imports of value-added tax occurred in the company since April 1, 2019. If the original 16% and 10% tax rates were applicable, the tax rates were adjusted to 13% and 9% respectively.

2.Major tax incentives

(1) Tax incentives of value added tax

a) The subsidiary companies of Shuifa group providing sewage treatment services enjoy the preferential treatment of 70% VAT according to the notice of the State Administration of Taxation on printing and distributing the preferential catalogue of value added tax on products and services for comprehensive utilization of resources (Cai Shui [2015] No. 78);

b) The subsidiary companies of Shuifa group with iron and steel or foundry industry enjoy the preferential treatment of 30% VAT according to the notice of the State Administration of Taxation on printing and distributing the preferential catalogue of value-added tax on products and services for comprehensive utilization of resources (Cai Shui [2015] No. 78), the name of comprehensive utilization resources is as follows: scrap iron and steel (steelmaking furnace charge) generated or disassembled from scrap automobiles, scrapped motorcycles, scrapped ships, waste electrical and electronic products, waste agricultural machinery, scrap machinery equipment, waste daily necessities, industrial leftover materials, building demolition materials, etc. and meet certain conditions.

c) The subsidiaries of energy-saving service companies of Shuifa group are exempt from VAT according to the notice of the Ministry of Finance and the State Administration of Taxation on the implementation of inclusive tax reduction and exemption policies for small and micro enterprises (Cai Shui [2019] No. 13);

d) According to the notice of Ministry of Finance and State Administration of Taxation on bringing railway transportation and postal industry into the pilot project of replacing business tax with value-added tax (Cai Shui [2013] No. 106), the energy-saving service companies engaged in the subsidiary of Shuifa group shall implement the energy management contract project in accordance with Annex 3 of the notice of the Ministry of Finance and the State Administration of Taxation on the pilot project of replacing business tax with value-added tax, the taxable services provided are exempt from VAT;

e) Among the subsidiaries of Shuifa group, the tap water sales revenue obtained by four pairs of drinking water project operation and management units providing domestic water to rural residents shall be exempted from value-added tax according to the announcement of the Ministry of Finance and the State Administration of Taxation on continuing to implement preferential tax policies for rural drinking water safety projects (Cai Shui [2019] No. 67);

f) Among the subsidiaries of Shuifa group, according to the notice of the Ministry of Finance and the State Administration of Taxation on relevant tax policies of farmers' professional cooperatives (Cai Shui [2018] No. 81), the qualified farmers' professional cooperatives are exempted from VAT;

g) Among the subsidiaries of Shuifa group, the contracted land is transferred to agricultural producers for agricultural production by means of subcontracting, leasing, exchange, transfer, and equity participation. According to the notice of the State Administration of Taxation of the Ministry of Finance on the pilot policy of replacing business tax with value-added tax for construction services (Cai Shui [2017] No. 58), VAT will be exempted;

h) The subsidiary companies of Shuifa group with wind power industry enjoy a 50% discount of VAT on wind power generation in accordance with the notice on VAT Policies for wind power generation (Cai Shui [2015] No. 74);

i) In accordance with Annex 4 of the notice of the Ministry of Finance and the State Administration of Taxation on comprehensively promoting the pilot project of replacing business tax with value-added tax (Cai Shui [2016] No. 36), the subsidiary of Shuifa group enjoys the preferential treatment of VAT exemption by providing taxable services for overseas construction and installation projects;

j) According to the notice on extending the preferential policies of value-added tax, property tax and urban land use tax for heating enterprises (Cai Shui 2019) No.38, from January 1, 2019 to the end of the heating period in 2020, the subsidiary companies of Shuifa group are exempt from value-added tax on the heating fees received by heating enterprises from individual residents;

k) The pension institutions in the subsidiaries of Shuifa group are exempted from VAT according to the notice on comprehensively promoting the pilot project of replacing business tax with VAT (Cai Shui [2016] No. 36).

(2) Tax incentives of corporate income tax

a) According to the notice of the Ministry of Finance and the State Administration of Taxation on promoting the development of energy-saving service industry on value-added tax, business tax and corporate income tax policies (CS [2010] No. 110), the energy-saving service subsidiaries of Shuifa group, have "three exemptions and three half reductions" in income tax since the tax year in which the first production and operation income of the project is obtained;

b) If the subsidiary of Shuifa group meets the requirements of small and low profit enterprises, according to Article 28 of the corporate income tax law of the people's Republic of China, the part of annual taxable income not exceeding 1 million yuan shall be included in the taxable income at a reduced rate of 25%, and the corporate income tax shall be paid at the rate of 20%; for the part with annual taxable income exceeding 1 million yuan but not exceeding 3 million yuan, 50% shall be included in the payable amount, the corporate income tax shall be paid at the tax rate of 20%;

c) In accordance with the notice of the Ministry of Finance and the State Administration of Taxation on continuing to implement preferential tax policies for the construction and operation of rural drinking water safety projects (CS [2016] No. 19), the income tax of the companies engaged in the operation and management of drinking water projects among the subsidiaries of Shuifa group has been "three exempted and three reduced by half" since the tax year of the first production and operation income of the project;

d) According to the second paragraph of Article 27 of No. 63 order of the president of the people's Republic of China of the corporate income tax law of the People's Republic of China, the business income tax of the subsidiary companies of Shuifa group engaged in the public infrastructure project investment supported by the state is regularly reduced or remitted, and the income tax is "three exempt and three reduced" from the tax year of the first production and operation income of the project According to the third paragraph of the 27th paragraph, the income from qualified environmental protection, energy conservation and water saving projects may be exempted from or reduced from corporate income tax;

e) According to the corporate income tax law of the People's Republic of China, the high-tech enterprises in the subsidiaries of Shuifa group shall be subject to corporate income tax at a reduced rate of 15%;

f) In accordance with Article 99 of the regulations on the implementation of the Corporate Income Tax Law of the People's Republic of China, 90% of the income obtained by the subsidiaries of Shuifa group from the production of products that are not restricted or prohibited by the state and meet the relevant national and industrial standards, shall reduce 90% of the income into the total income;;

g) According to the first item of Article 27 of the Corporate Income Tax Law of the People's Republic of China (hereinafter referred to as the corporate income tax law), the income of the subsidiary of Shuifa group can be exempted or reduced from the corporate income tax;

i) In accordance with the notice on tax policy issues related to the in-depth implementation of the western development strategy in the subsidiary company of Shuifa group in the western region, from January 1, 2011 to December 31, 2020, the corporate income tax will be reduced by 15%.

VII.Business combination and consolidated financial statements

1.Subsidiaries

No.	Subsidiary name	Tier	Type of subsidiary	Place of registration	Major business location	Nature of business
1	Shandong Shuifa Industrial Co., Ltd	2	Domestic non-financial subsidiaries	Jinan, Shandong	Jinan, Shandong	Business services
2	Shandong Agricultural Development Group Co., Ltd	2	Domestic non-financial subsidiaries	Jinan, Shandong	Jinan, Shandong	Business services
3	Shandong Water Resources Development Group Co., Ltd	2	Domestic non-financial subsidiaries	Jinan, Shandong	Jinan, Shandong	Water conservancy management
4	Shandong Shuifa Medical Co., Ltd	2	Domestic non-financial subsidiaries	Jinan, Shandong	Jinan, Shandong	Medical and health industry
5	Shandong Shuifa Holding Group Co., Ltd	2	Domestic non-financial subsidiaries	Jinan, Shandong	Jinan, Shandong	Business services
6	Shuifa Design Group Co., Ltd	2	Domestic non-financial subsidiaries	Beijing	Beijing	Professional technology service industry
7	Shuifa Agricultural Investment Co., Ltd	2	Domestic non-financial subsidiaries	Jinan, Shandong	Jinan, Shandong	Business services
8	Shuifa Tourism Group Co., Ltd	2	Domestic non-financial subsidiaries	Jinan, Shandong	Jinan, Shandong	Business services

No.	Subsidiary name	Tier	Type of subsidiary	Place of registration	Major business location	Nature of business
9	Shuifa Ecological Technology Co., Ltd	2	Domestic non-financial subsidiaries	Jinan, Shandong	Jinan, Shandong	Ecological protection and environmental management
10	Shandong Medical Holdings Limited	2	Domestic non-financial subsidiaries	Jinan, Shandong	Jinan, Shandong	Technology extension and application services
11	Shuifa International Logistics Co., Ltd	2	Domestic non-financial subsidiaries	Jinan, Shandong	Jinan, Shandong	Road transport industry
12	Shuifa Lunan Water Co., Ltd	2	Domestic non-financial subsidiaries	Linyi, Shandong	Linyi, Shandong	Water conservancy management
13	Jinan Shuifa Equity Investment Fund Partnership (Limited Partnership)	2	Domestic non-financial subsidiaries	Jinan, Shandong	Jinan, Shandong	Business services
14	Shandong Water Conservancy Construction Group Co., Ltd	2	Domestic non-financial subsidiaries	Jining, Shandong	Jining, Shandong	Civil engineering construction industry
15	Shandong Shuifa Project Management Co., Ltd	2	Domestic non-financial subsidiaries	Jinan, Shandong	Jinan, Shandong	Professional technology service industry
16	Shuifa Culture Industry Co., Ltd	2	Domestic non-financial subsidiaries	Beijing	Beijing	Radio, television, film, and video recording production industry
17	Wengyuan Lukong Water Development Co., Ltd	2	Domestic non-financial subsidiaries	Shaoguan, Guangdong	Shaoguan, Guangdong	Water production and supply
18	Shuifa International Holding Co., Ltd	2	Overseas subsidiaries	Hongkong, China	Hongkong, China	Investment and financing
19	Qingdao Hydraulic Construction Technology Service Co., Ltd	2	Domestic non-financial subsidiaries	Qingdao, Shandong	Qingdao, Shandong	Water conservancy management
20	Shuifa Energy Group Co., Ltd	2	Domestic non-financial subsidiaries	Jinan, Shandong	Jinan, Shandong	Electricity, heat production and supply
21	Shandong Shuifa Investment Co., Ltd	2	Domestic non-financial subsidiaries	Jinan, Shandong	Jinan, Shandong	Business services

Continued:

No.	Subsidiary name	Paid in capital (10K)	Holding proportion (%)	Voting proportion (%)	Investment amount (10K)	Method of acquisition
1	Shandong Shuifa Industrial Co., Ltd	600.00	100.00	100.00	600.00	By new establishment
2	Shandong Agricultural Development Group Co., Ltd	10,000.00	100.00	100.00	10,000.00	By new establishment
3	Shandong Water Resources Development Group Co., Ltd	182,629.00	100.00	100.00	182,629.00	By new establishment
4	Shandong Shuifa Medical Co., Ltd	5,000.00	100.00	100.00	5,000.00	By new establishment
5	Shandong Shuifa Holding Group Co., Ltd	384,010.00	100.00	100.00	386,209.32	By new establishment
6	Shuifa Design Group Co., Ltd	20,100.00	100.00	100.00	23,623.19	By new establishment
7	Shuifa Agricultural Investment Co., Ltd	50,000.00	100.00	100.00	50,000.00	By new establishment
8	Shuifa Tourism Group Co., Ltd	11,600.00	100.00	100.00	11,600.00	By new establishment
9	Shuifa Ecological Technology Co., Ltd	9,960.00	100.00	100.00	9,960.00	By new establishment
10	Shandong Medical Holdings Limited	5,000.00	100.00	100.00	5,000.00	By new establishment
11	Shuifa International Logistics Co., Ltd	800.00	100.00	100.00	800.00	By new establishment
12	Shuifa Lunan Water Co., Ltd	15,500.00	100.00	100.00	15,500.00	By new establishment
13	Jinan Shuifa Equity Investment Fund Partnership (Limited Partnership)	25,020. 00	100.00	100.00	25,020. 00	By new establishment
14	Shandong Water Conservancy Construction Group Co., Ltd	50,000.00	100.00	100.00	44,157.32	By new establishment
15	Shandong Shuifa Project Management Co., Ltd	900.00	100.00	100.00	900.00	By new establishment
16	Shuifa Culture Industry Co., Ltd	7,800.00	100.00	100.00	7,800.00	By new establishment
17	Wengyuan Lukong Water Development Co., Ltd	10,576.00	90.00	90.00	9,518.40	By new establishment
18	Shuifa International Holding Co., Ltd	0.00	100.00	100.00	0.00	By new establishment
19	Qingdao Hydraulic Construction Technology Service Co., Ltd	200.00	100.00	100.00	200.00	Free transfer
20	Shuifa Energy Group Co., Ltd	25,200.00	100.00	100.00	25,200.00	By new establishment

No.	Subsidiary name	Paid in capital (10K)	Holding proportion (%)	Voting proportion (%)	Investment amount (10K)	Method of acquisition
21	Shandong Shuifa Investment Co., Ltd	501.00	100.00	100.00	500.00	By new establishment

2.Major non-wholly-owned subsidiaries

（1）Minority shareholders

No.	Subsidiary name	Shareholding ratio of minority shareholders (%)	Profit and loss attributable to minority shareholders in the current period	Dividends paid to minority shareholders in the current period	Accumulated minority shareholders' equity at the end of the period
1	China Shuifa Singyes Energy Holdings Limited	33.08	-1,025,733,727.25	0.00	1,406,947,719.74
2	Dalian Energas Gas-System Co., Ltd.	69.92	-83,978,920.01	0.00	632,482,218.21
3	An He (Lei Bo) Hydro Power Co., Ltd.	50.70	-7,433,846.28	0.00	33,008,929.61
4	Juli Natural Gas Co., Ltd.	48.83	1,750,262.19	0.00	62,111,816.27

3.Major financial information of minority shareholders

Item	Closing amount / current amount			
	China Shuifa Singyes Energy Holdings Limited	Dalian Energas Gas-System Co., Ltd.	An He (Lei Bo) Hydro Power Co., Ltd.	Juli Natural Gas Co., Ltd.
Current assets	7,274,664,784.55	687,499,251.17	20,465,835.14	94,414,476.56
Non-current assets	4,680,405,404.49	962,143,123.13	1,280,313,779.74	43,480,458.68
Total assets	11,955,070,189.04	1,649,642,374.30	1,300,779,614.88	137,894,935.24
Current liabilities	3,197,564,602.55	420,976,843.97	262,848,037.31	10,071,388.56
Non-current liabilities	4,722,960,851.98	324,085,698.80	591,725,479.47	623,431.44
Total liabilities	7,920,525,454.53	745,062,542.77	854,573,516.78	10,694,820.00
Operating revenue	3,647,939,345.82	323,609,212.96	80,568,997.25	50,057,601.65

Net profit	-995,227,918.26	-120,107,151.05	-84,049,543.99	3,584,399.32
Comprehensive income	-995,227,918.26	-119,849,002.27	-84,049,543.99	3,584,399.32
Cash flows from operating activities	70,902,771.28	70,848,384.91	57,758,513.81	-1,614,512.99

Continued:

Item	Opening amount / previous amount			
	China Shuifa Singyes Energy Holdings Limited	Dalian Energas Gas-System Co., Ltd.	An He (Lei Bo) Hydro Power Co., Ltd.	Juli Natural Gas Co., Ltd.
Current assets	6,585,407,000.00	1,145,271,936.12	16,248,694.49	93,792,591.66
Non-current assets	4,811,720,000.00	976,132,409.59	1,349,052,869.68	44,839,003.50
Total assets	11,397,127,000.00	2,121,404,345.71	1,365,301,564.17	138,631,595.16
Current liabilities	4,514,254,000.00	944,795,507.17	214,050,397.89	14,295,013.82
Non-current liabilities	3,191,141,000.00	154,179,953.26	620,995,524.19	659,506.50
Total liabilities	7,705,395,000.00	1,098,975,460.43	835,045,922.08	14,954,520.32
Operating revenue	3,869,792,500.60	422,629,939.15	86,255,562.64	53,621,699.02
Net profit	-589,005,297.40	4,382,002.52	9,758,421.60	4,843,137.83
Comprehensive income	-589,005,297.40	5,000,517.86	9,758,421.60	4,843,137.83
Cash flows from operating activities	-213,397,281.42	-68,934,670.23	58,960,311.96	8,602,007.05

4.Companies newly incorporated into the scope of consolidation in the current period

Company name	Owner's equity at the end of the period	Net profit of the year	Reasons for incorporation

Company name	Owner's equity at the end of the period	Net profit of the year	Reasons for incorporation
Shandong Shuifa Industrial Co., Ltd	3,503,126.84	-3,074,991.82	New tier 2 subsidiary
Shandong Shuifa Ruiqing Environmental Technology Co., Ltd	18,839.82	-81,160.18	New tier 3 subsidiary
Jiangsu Shuifa Huaxia Environmental Technology Co., Ltd	1,715,050.13	50.13	New tier 3 subsidiary
Shuifa Agricultural Investment Co., Ltd	398,393,469.72	-15,852,648.95	New tier 2 subsidiary
Shuifa International Logistics Co., Ltd	8,000,000.00	0.00	New tier 2 subsidiary
Shuifa Ecological Technology Co., Ltd	78,043,227.88	-13,880,857.86	New tier 2 subsidiary
Shuifa International Holding Co., Ltd	4,814,162.74	4,851,267.50	New tier 2 subsidiary
Sichuan Huani Energy Investment Co., Ltd	238,859,871.08	-2,982,822.09	Acquisition of Tier 5 subsidiaries
Tonghe Longneng Resources Recycling Co., Ltd	47,178,511.17	7,369,959.02	Acquisition of companies under tier 2 and below
Shandong Nenghuan Thermal Power Co., Ltd	15,970,901.58	225,513.75	Acquisition of companies under tier 2 and below
Heilongjiang Fuhua Jinhe Huanneng Technology Co., Ltd	175,000,000.00	0.00	Acquisition of companies under tier 2 and below
Shandong Lurui Environmental Protection Technology Co., Ltd	84,214,359.14	-840,861.41	Acquisition of companies under tier 2 and below
Qingdao Lanhao Water Service Co., Ltd	127,342,399.99	-369,900.01	Establishment of companies under tier 2 and below
Qingdao Qianhui Renewable Resources Utilization Co., Ltd	11,072,090.31	1,072,090.31	Establishment of companies under tier 2 and below
Shandong Shuifa Dafeng Renewable Resources Utilization Co., Ltd	62,120,461.02	1,120,461.02	Establishment of companies under tier 2 and below
Shandong Dafeng Renewable Resources Co., Ltd	-34,934.97	-34,934.97	Establishment of companies under tier 2 and below
Qingdao New Kinetic Energy Renewable Resources Co., Ltd			Establishment of companies under tier 2 and below
Shandong Shuifa Renewable Resources Co., Ltd	128,939,100.45	-3,908,887.55	Establishment of companies under tier 2 and below
Qingdao Huihai Renewable Resources Co., Ltd	34,573,483.12	4,573,483.12	Establishment of companies under tier 2 and below

Company name	Owner's equity at the end of the period	Net profit of the year	Reasons for incorporation
Liaoning Huixin Environmental Protection Technology Co., Ltd			Establishment of companies under tier 2 and below
Xinjiang Shuanghe Water Control Agricultural Development (Group) Co., Ltd	524,407,780.99	50,357,549.50	Establishment of companies under tier 2 and below
Zibo Pioneer Driver Training Co., Ltd	325,677.13	11,610.00	Free transfer
Shandong Shuifa Mining Co., Ltd	6,195,264.99	6,273,230.74	Establishment of companies under tier 2 and below
Dongming Kehuan Environmental Protection Technology Co., Ltd	32,850,000.00	0.00	Establishment of companies under tier 2 and below
Shandong Shuirun Huapeng Project Management Co., Ltd	32.25	2,928.01	Acquisition of companies under tier 2 and below
Shandong Shuifa Xingchen Project Management Co., Ltd	601,739.98	1,720.22	Establishment of companies under tier 2 and below
Shandong Shuifa Smart Project Management Co., Ltd	672,955.00	172,955.00	Establishment of companies under tier 2 and below
Shandong Shuifa Engineering Quality Inspection Co., Ltd	2,000,000.00	0.00	Establishment of companies under tier 2 and below
Qingdao Shuirun Design Co., Ltd	3,074,602.76	2,118,288.18	Acquisition of companies under tier 2 and below
Shuifa Design Group (Jiangsu) Quality Inspection Co., Ltd	2,945,421.79	95,421.79	Establishment of companies under tier 2 and below
Beijing Shuifa Ecological Environment Co., Ltd	1,050,864.87	50,864.87	Establishment of companies under tier 2 and below
Shuifa Design Group (Shanxi) Co., Ltd	762,879.55	132,879.55	Establishment of companies under tier 2 and below
Changsha Shuifa Design Co., Ltd	1,370,060.35	370,060.35	Establishment of companies under tier 2 and below
Ningfa Water Development (Nanjing) Co., Ltd	2,673,509.60	173,509.60	Establishment of companies under tier 2 and below
Shuifa Design Group (Shandong) Power Engineering Co., Ltd	1,136,675.22	136675.22	Establishment of companies under tier 2 and below
Shuifa Design (Lhasa) Co., Ltd	3,614,263.56	114,263.56	Establishment of companies under tier 2 and below
Shuifa Engineering Design Co., Ltd	1,264,086.62	264,086.62	Establishment of companies under tier 2 and below
Shuifa Design (Xi'An) Co., Ltd	1,855,471.43	35,471.43	Establishment of companies under tier 2 and below

Company name	Owner's equity at the end of the period	Net profit of the year	Reasons for incorporation
Shuifa Design (Zaozhuang) Co., Ltd	2,167,387.79	167,387.79	Establishment of companies under tier 2 and below
Xinjiang Changshui Shentong Engineering Design Co., Ltd	660,586.63	110,136.63	Establishment of companies under tier 2 and below
Shuifa Design Group (Guiyang) Co., Ltd	2,850,468.94	436,468.94	Establishment of companies under tier 2 and below
Shuifa Design Group Hebei Co., Ltd	1,573,551.94	73,551.94	Establishment of companies under tier 2 and below
Zhengheng Design (Shenyang) Co., Ltd	1,026,433.97	206,433.97	Establishment of companies under tier 2 and below
Weihai Water Conservancy Survey and Design Co., Ltd	8,332,026.12	-1,855,729.16	Acquisition of companies under tier 2 and below
Shuifa Design (Chizhou) Co., Ltd	1,073,508.62	73,508.62	Establishment of companies under tier 2 and below
Shuifa Design Group Xuzhou Ally Engineering Consulting Co., Ltd	2,356,296.97	252,371.97	Establishment of companies under tier 2 and below
Shandong Shuifa Resources Recycling Technology Co., Ltd	4,205,759.01	-1,294,240.99	Establishment of companies under tier 2 and below
Zibo Hanhai Water Industry Co., Ltd	114,323,568.21	1,516,223.70	Establishment of companies under tier 2 and below
Zibo Haohan Weiye Engineering Installation Co., Ltd	12,440,422.74	259,320.60	Establishment of companies under tier 2 and below
Zibo Zhoucun Ganqing Sewage Treatment Co., Ltd	5,707,249.94	456,054.71	Establishment of companies under tier 2 and below
Shandong Lunong Land Consolidation Co., Ltd	51,988,845.43	11,988,845.43	Establishment of companies under tier 2 and below
Shandong Shuifa Lingtai Real Estate Co., Ltd	500,280.21	280.21	Establishment of companies under tier 2 and below
Shandong Shuifa Environmental Treatment Co., Ltd	43,841,945.10	7,407,064.95	Establishment of companies under tier 2 and below
Shandong Jiancheng Land Development Co., Ltd	5,064,034.14	-935,965.86	Establishment of companies under tier 2 and below
Heze Tianfuyuan Water Development Co., Ltd	177,240,000.00	4,600,000.00	Establishment of companies under tier 2 and below
Beijing Shuifa Yuntian Technology Co., Ltd	10,018,643.36	18,643.36	Establishment of companies under tier 2 and below
Heze Guangyuan Inland Port International Logistics Co., Ltd	27,500,000.00		Establishment of companies under tier 2 and below
Jilin Shuifa Lingyuan Purification Co., Ltd	24,640,000.00		Establishment of companies under tier 2 and below

Company name	Owner's equity at the end of the period	Net profit of the year	Reasons for incorporation
Shandong Nongfa (Zaozhuang) Investment Development Co., Ltd	-173,912.87	-173,912.87	Establishment of companies under tier 2 and below
Nongfa Bulk Commodity Trading Market Co., Ltd	97,965,791.56	-2,034,208.44	Establishment of companies under tier 2 and below
Jiangsu Ruitai Wood Based Panel Co., Ltd	80,000,000.00		Acquisition of companies under tier 2 and below
Shandong Nongfa (Shandong Laiwu) Investment Development Co., Ltd			Establishment of companies under tier 2 and below
Shandong Agricultural Industry Research Institute Co., Ltd			Establishment of companies under tier 2 and below
Shandong Nongfa Investment Development Co., Ltd			Establishment of companies under tier 2 and below
Shandong Boji Pharmaceutical Technology Co., Ltd	15,364,154.97		Acquisition of companies under tier 2 and below

5.Business combination not under the common control in the current period

Unit: 10 thousand yuan

Acquiree	Timing of acquisition	Carrying amount	Fair value	Acquisition cost	Goodwill	Revenue of the acquiree from the acquisition date to the end of the year	Profit of the acquiree from the acquisition date to the end of the year
Sichuan Huani Energy Investment Co., Ltd	2019/2/2	2,611.19	2,745.20	27,000.00			-298.28
Zibo Hanhai Water Industry Co., Ltd	2019/5/1	11,860.49	14,186.29	14,335.65	149.36	4,159.09	151.61
Zibo Haohan Weiye Engineering Installation Co., Ltd	2019/5/1	736.83				416.60	25.93
Zibo Zhoucun Ganqing Sewage Treatment Co., Ltd	2019/5/1	1,754.75				1,421.65	45.60

Acquiree	Timing of acquisition	Carrying amount	Fair value	Acquisition cost	Goodwill	Revenue of the acquiree from the acquisition date to the end of the year	Profit of the acquiree from the acquisition date to the end of the year
Tonghe Longneng Resources Recycling Co., Ltd	2019/1/1	4,717.85	1,620.37	1,875.38	405.01	2,941.28	737.00
Shandong Nenghuan Thermal Power Co., Ltd	2019/9/1	1,574.54	1,293.74	1,397.47	460.46	1,110.23	22.55
Shandong Lurui Environmental Protection Technology Co., Ltd	2019/9/26	4,677.92	9,799.93	5,100.00	102.04	7,809.56	-84.09
Xinjiang Shuanghe Water Control Agricultural Development (Group) Co., Ltd	2019/6/30	47,673.39	54,639.63	43,221.80	2,242.08	344,673.63	5,035.75
Shandong Shuirun Huapeng Project Management Co., Ltd	2019/1/1	0.0032	53.52	0.00		197.72	0.29
Qingdao Shuirun Design Co., Ltd	2019/5/31	35.63	35.63	0.00		332.08	211.83
Weihai Water Conservancy Survey and Design Co., Ltd	2019/7/31	285.13	1,277.86	40.67	406.58	81.54	-185.57
Shandong Shuifa Environmental Treatment Co., Ltd	2019/10/1	2,034.70	2,637.19	1,018.04	-123.62	4,636.64	740.63
Dalian Energas Gas-System Co., Ltd.	2019/6/30	94,798.41	110,187.81	148,527.03	115,382.54	17,608.66	-4,465.67
Anda Tiger Hill Wind Farm Co., Ltd.	2019/1/1	7,717.29	7,421.81	5,760.00	-177.45	0.00	30.49

Acquiree	Timing of acquisition	Carrying amount	Fair value	Acquisition cost	Goodwill	Revenue of the acquiree from the acquisition date to the end of the year	Profit of the acquiree from the acquisition date to the end of the year
Tongliao Changxing Wind Power Generation Co., Ltd	2019/9/30	17,830.90	17,352.63	11,263.30	-727.37	575.59	221.58
Linkou Shengli Wind Power Generation Co., Ltd	2019/11/30	9,871.05	9,280.69	9,991.80	4,047.52	372.29	109.45
Zhaoyuan Xinlong Shunde Wind Power Generation Co., Ltd	2019/11/30	7,717.29	7,421.81	5,760.00	-177.45	0.00	30.49
Pingyuan Xinxing Gas Co., Ltd	2019/7/31	3,699.29	3,622.13	7,650.00	5,802.71	3,961.18	581.69

Note: the difference between the transaction consideration value and the fair value of the identifiable net assets of the merged enterprise is recognized as goodwill.

VIII.Notes to Items in Consolidated Financial Statements

(Unless otherwise specified, the following monetary unit is RMB, opening balance is Jan 1st 2019)

1.Cash and cash equivalents

Item	Closing balance	Opening balance
Cash	4,560,877.79	23,487,726.97
Cash at bank	9,030,036,067.05	5,565,591,761.13
Other currency fund	1,700,771,954.44	1,137,946,679.01
Total	10,735,368,899.28	6,727,026,167.11

The details of restricted monetary funds are as follows:

Item	Closing balance	Opening balance
Bank acceptance guarantee deposit	541,110,118.46	394,843,919.26

Item	Closing balance	Opening balance
L / C deposit	49,000,000.00	
Guarantee bond	808,328,932.48	2,036,000.00
Time deposit or call deposit for guarantee	573,700,000.00	407,200,185.05
Margin deposit deposited by applying to the bank for issuing an unconditional and irreversible guarantee letter	7,500,000.00	78,425,126.37
Labor security deposit	1,856,621.91	34,420,720.54
Special funds	22,187,008.77	
Total	2,003,682,681.62	916,925,951.22

2.Financial assets at fair value through profit and loss

Item	Fair value at the end of the period	Fair value at the beginning of the period
Trading financial assets	315,000,000.00	10,000,000.00
Including: Debt instrument investment		
Equity instrument investment		
Other	315,000,000.00	10,000,000.00
Designated as financial assets measured at fair value with changes included in current profit and loss		
Including: Debt instrument investment		
Equity instrument investment		
Other		
Total	315,000,000.00	10,000,000.00

3.Notes receivable

(1)Classification of notes receivable

Item	Closing balance			Opening balance		
	Book balance	Bad debt provision	Book value	Book balance	Bad debt provision	Book value
Bank acceptance	176,697,965.74		176,697,965.74	195,886,170.30		195,886,170.30

Item	Closing balance			Opening balance		
Commercial acceptance	131,257,404.49		131,257,404.49	29,400,000.00		29,400,000.00
Total	307,955,370.23		307,955,370.23	225,286,170.30		225,286,170.30

(2)Notes receivable pledged at the end of the period

Item	Pledged amount at the end of the period
Bank acceptance	9,650,000.00
Commercial acceptance	
Total	9,650,000.00

(3)Notes receivable has been endorsed or discounted at the end of the date and has not yet expired at the end of the period

Item	De-recognized amount	Not de-recognized amount
Bank acceptance	119,097,770.07	
Commercial acceptance	33,031,926.16	
Total	152,129,696.23	

4.Accounts receivable

Type	Closing balance				Opening balance			
	Book balance		Bad debt provision		Book balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable with significant single amount and having bad debt reserve withdrawn independently								

Type	Closing balance				Opening balance			
	Book balance		Bad debt provision		Book balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable with bad debt reserve withdrawn as per the portfolio of credit risk characteristics	9,230,196,711.96	99.98	772,632,430.64	8.38	4,126,240,506.98	99.92	44,588,298.80	1.08
Accounts receivable with insignificant single amount and having bad debt reserve withdrawn independently	1,959,005.95	0.02	1,959,005.95	100.00	3,238,600.00	0.08	1,338,600.00	41.33
Total	9,232,155,717.91	100.00	774,591,436.59	8.39	4,129,479,106.98	100.00	45,926,898.80	1.11

(1)Accounts receivable with bad debt reserve withdrawn as per the portfolio of credit risk characteristics

a)Account aging portfolio:

Aging	Closing balance			Opening balance		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	Proportion (%)		Amount	Proportion (%)	
Less than 1 year	2,667,438,303.09	38.23		2,132,346,463.35	80.81	
1-2 years	1,271,584,770.74	18.22	63,579,238.54	347,549,286.35	13.17	17,377,464.32
2-3 years	1,776,243,165.92	25.46	88,812,158.35	115,043,479.33	4.36	5,752,173.97
Over 3 years	1,262,209,441.18	18.09	620,241,033.75	43,658,776.05	1.66	21,458,660.51
Total	6,977,475,680.93	100.00	772,632,430.64	2,638,598,005.08	100.00	44,588,298.80

Note: the reason for the discrepancy between the beginning and the end of the period of the account aging is due to the business combination not under the common control of the company in this year.

b) Other portfolio:

Item	Closing balance			Opening balance		
	Book balance	Proportion (%)	Bad debt provision	Book balance	Proportion (%)	Bad debt provision
Related-party portfolio	13,392,411.98			8,307,822.83		
No risk portfolio	2,239,328,619.05			1,479,334,679.07		
Total	2,252,721,031.03			1,487,642,501.90		

(2)Accounts receivable with significant single amount and having bad debt reserve withdrawn independently

Company name	Book balance	Bad debt provision	Aging	Proportion (%)	Reason
Weihai Guang'an Urban Construction Investment Co., Ltd	78,676.00	78,676.00	Over 3 years	100.00	Not expected to be recovered
Weihai Jikun Real Estate Co., Ltd	374,500.00	374,500.00	Over 3 years	100.00	Not expected to be recovered
Weihai Qinhe Industrial Co., Ltd	192,000.00	192,000.00	Over 3 years	100.00	Not expected to be recovered
Weihai Huafa Real Estate Development Co., Ltd	56,000.00	56,000.00	Over 3 years	100.00	Not expected to be recovered
Weihai Huanwen Renewable Energy Co., Ltd	55,000.00	55,000.00	Over 3 years	100.00	Not expected to be recovered
Triangle Tire Co., Ltd	38,000.00	38,000.00	Over 3 years	100.00	Not expected to be recovered
Hanshan Water Conservancy Bureau	9,309.00	9,309.00	Over 3 years	100.00	Not expected to be recovered
Huaihe River Basin Engineering Bureau of Shandong Province	21,955.00	21,955.00	Over 3 years	100.00	Not expected to be recovered
Yangzhou Construction Department of South to North Water Diversion Project	934.25	934.25	Over 3 years	100.00	Not expected to be recovered
Zouping Water Conservancy Bureau	55,000.00	55,000.00	Over 3 years	100.00	Not expected to be recovered
Sichuan Dongxu Electric Power Engineering Co., Ltd	2,000.00	2,000.00	Over 3 years	100.00	Not expected to be recovered

Company name	Book balance	Bad debt provision	Aging	Proportion (%)	Reason
Xishuangbanna Lanjing New Energy Co., Ltd	30,000.00	30,000.00	Over 3 years	100.00	Not expected to be recovered
Heze Mudan District State Administration of Taxation	1,010,000.00	1,010,000.00	Over 3 years	100.00	Not expected to be recovered
Zhao Tang	10,372.70	10,372.70	2-3 years	100.00	Not expected to be recovered
Jiazhuang Node Project Management Office	25,259.00	25,259.00	2-3 years	100.00	Not expected to be recovered
Total	1,959,005.95	1,959,005.95	—	—	—

(3)Balance of top 5 accounts receivable at the end of each period

Company name	Book balance	Proportion in ending balance of accounts receivable (%)	Bad debt provision
Huizhou Yongjing New Energy Technology Co., Ltd	296,539,995.40	3.21	29,653,999.54
State Grid Heilongjiang Electric Power Co., Ltd	265,196,976.14	2.87	
Tongchuan Meiguang Solar Power Co., Ltd	217,200,443.00	2.35	43,440,088.60
Linyi Power Supply Company of State Grid Shandong Electric Power Company	240,625,649.12	2.61	
Tibet Dongxu Electric Power Engineering Co., Ltd	192,683,859.34	2.09	96,341,929.67
Total	1,212,246,923.00	13.13	169,436,017.81

5.Receivables financing

Item	Closing balance	Opening balance
Notes receivable	7,928,571.43	
Accounts receivable		
Total	7,928,571.43	

6.Prepayments

Aging	Closing balance			Opening balance		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	Proportion (%)		Amount	Proportion (%)	

Aging	Closing balance			Opening balance		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	Proportion (%)		Amount	Proportion (%)	
Less than 1 year	934,833,825.34	35.45	1,350,580.56	3,314,891,348.52	72.96	
1-2 years	1,380,472,608.84	52.34	840.00	638,523,618.68	14.05	
2-3 years	202,013,323.08	7.66	1,824.30	168,604,922.51	3.71	
Over 3 years	119,937,250.93	4.55	623,800.00	421,608,963.92	9.28	
Total	2,637,257,008.19	100.00	1,977,044.86	4,543,628,853.63	100.00	

(1)The reasons of prepayments for more than 1 years and the amount of money is not settled in time:

Creditor company	Debt company	Closing balance	Aging	Reason
Heze Shangshan Water Development Co., Ltd	Headquarters of Liulou Reservoir in Dingtao County	114,150,000.00	1-2 years	Acceptance conditions have not been met
Shandong Medical Holdings (Leling) Co., Ltd.	Nanhou Reservoir Project Construction Management Office	99,295,144.02	2-3 years	Acceptance conditions have not been met
Shandong Risheng Real Estate Development Co., Ltd	Shandong Shenzhou Garden Co., Ltd	50,000,000.00	1-2 years	Acceptance conditions have not been met
Shandong Wantong Pharmaceutical Co., Ltd	The second Construction Limited Company of China Construction Eighth Engineering Division	40,000,000.00	1-2 years	Acceptance conditions have not been met
Qingdao Chengtou Fenghui Real Estate Co., Ltd	Shandong Dachengzhi Trading Co., Ltd	24,840,000.00	1-2 years	Acceptance conditions have not been met
Total		328,285,144.02	—	—

(2)Balance of top 5 prepayments at the end of the period

Company name	Book balance	Proportion in ending balance of prepayments (%)	Bad debt provision
Huashi Energy Technology Group Co., Ltd	185,529,960.00	7.03	
Dongping County Finance Bureau	172,000,000.00	6.52	
Caoxian Financial Development Co., Ltd	155,062,440.00	5.88	

Company name	Book balance	Proportion in ending balance of prepayments (%)	Bad debt provision
Taian Hengzheng Construction and Installation Engineering Co., Ltd	147,328,811.18	5.59	
Headquarters of Liulou Reservoir in Dingtao County	114,150,000.00	4.33	
Total	774,071,211.18	29.35	

7.Other receivables

Item	Closing balance	Opening balance
Interest receivable	8,504,763.86	3,108,185.44
Dividends receivable	32,791,365.80	6,000,000.00
Other receivables	1,183,129,999.86	3,785,391,812.12
Total	1,224,426,129.52	3,794,499,997.56

(1)Interest receivable

a)Classification of interest receivable

Item	Closing balance	Opening balance
Fixed deposit	3,161,255.84	
Other	5,343,508.02	3,108,185.44
Total	8,504,763.86	3,108,185.44

(2)Dividends receivable

Item	Closing balance	Opening balance	Reasons for non recovery	Impairment and judgment basis
Dividends receivable within one year				
Shandong Shuifa Municipal Construction Co., Ltd	17,218,143.21		Not yet paid	No
Kashgar Water Control Planting Farmers' Professional Cooperatives	11,900,000.00		Not yet paid	No
Akesu Area Hong Shun Water Control Agricultural Farmer Cooperatives	3,673,222.59		Not yet paid	No
Dividends receivable over one year				No
Shouguang Runsheng Water Service Co., Ltd		6,000,000.00		No

Item	Closing balance	Opening balance	Reasons for non recovery	Impairment and judgment basis
Total	32,791,365.80	6,000,000.00		

(3)Other receivables

Type	Closing balance				Opening balance			
	Book balance		Bad debt provision		Book balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables with significant single amount and having bad debt reserve withdrawn independently					10,697,773.00	0.27	10,697,773.00	100.00
Other receivables with bad debt reserve withdrawn as per the portfolio of credit risk characteristics	1,427,226,165.52	98.79	244,096,165.66	17.10	3,908,016,939.82	99.51	122,625,127.70	3.14
Other receivables with insignificant single amount and having bad debt reserve withdrawn independently	17,498,865.57	1.21	17,498,865.57	100.00	8,681,585.79	0.22	8,681,585.79	100.00
Total	1,444,725,031.09	—	261,595,031.23	—	3,927,396,298.61	—	142,004,486.49	—

a)Other receivables with bad debt reserve withdrawn as per the portfolio of credit risk characteristics

i.Account aging portfolio:

Aging	Closing balance			Opening balance		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	Proportion (%)		Amount	Proportion (%)	
Less than 1 year	328,829,946.76	25.61		1,105,652,878.81	55.53	
1-2 years	328,818,260.40	25.61	16,440,913.02	477,911,079.90	24.00	23,895,553.99
2-3 years	347,375,603.24	27.05	17,368,780.16	229,070,118.34	11.50	11,453,505.92
Over 3 years	279,058,349.14	21.73	210,286,472.48	178,626,338.04	8.97	87,276,067.79
Total	1,284,082,159.54	100.00	244,096,165.66	1,991,260,415.09	100.00	122,625,127.70

ii.Other portfolio

Item	Closing balance			Opening balance		
	Book balance	Proportion (%)	Bad debt provision	Book balance	Proportion (%)	Bad debt provision
Related-party portfolio	137,360,089.40			113,907,882.91		
No risk portfolio	5,783,916.58			1,802,848,641.82		
Total	143,144,005.98			1,916,756,524.73		

b)Other receivables with insignificant single amount and having bad debt reserve withdrawn independently

Company name	Book balance	Bad debt provision	Aging	Proportion (%)	Reason
Yutai Shengyuan Water Supply Co., Ltd	6,000,000.00	6,000,000.00	Over 3 years	100.00	Not expected to be recovered
Henan Yufeng Agricultural Products Co., Ltd	3,000,000.00	3,000,000.00	2-3 years	100.00	Not expected to be recovered
Zhuang Jun	2,000,000.00	2,000,000.00	Over 3 years	100.00	Not expected to be recovered
Shanghai Yongquan Chemical Additives Co., Ltd	1,800,000.00	1,800,000.00	Over 3 years	100.00	Not expected to be recovered
Li Wen	1,300,000.00	1,300,000.00	Over 3 years	100.00	Not expected to be recovered

Company name	Book balance	Bad debt provision	Aging	Proportion (%)	Reason
Hainan New Concept Office	760,000.00	760,000.00	Over 3 years	100.00	Not expected to be recovered
Wu Duowu	525,000.00	525,000.00	Over 3 years	100.00	Not expected to be recovered
Hainan Yingchuan Law Firm	500,000.00	500,000.00	Over 3 years	100.00	Not expected to be recovered
Wen Xu	400,000.00	400,000.00	Over 3 years	100.00	Not expected to be recovered
Lanling State Owned Assets Operation Co., Ltd	324,455.51	324,455.51	Over 3 years	100.00	Not expected to be recovered
Hainan Kunhe Law Firm	200,000.00	200,000.00	Over 3 years	100.00	Not expected to be recovered
Qu Lianguo	100,000.00	100,000.00	Over 3 years	100.00	Not expected to be recovered
Cui Hongwei	100,000.00	100,000.00	Over 3 years	100.00	Not expected to be recovered
Hainan Law Firm	100,000.00	100,000.00	Over 3 years	100.00	Not expected to be recovered
Rizhao Hehai Hydrological Technology Consulting Co., Ltd	80,000.00	80,000.00	Over 3 years	100.00	Not expected to be recovered
Wang Cuihua	75,615.65	75,615.65	Over 3 years	100.00	Not expected to be recovered
Financial Funds of Hainan Finance Department	70,600.00	70,600.00	Over 3 years	100.00	Not expected to be recovered
Yang Xianghong	50,000.00	50,000.00	Over 3 years	100.00	Not expected to be recovered
Jacques Design Limited	35,000.00	35,000.00	Over 3 years	100.00	Not expected to be recovered
Lu Yao	32,024.41	32,024.41	Over 3 years	100.00	Not expected to be recovered
Haikou Meilan Yangting Commercial Bank	24,230.00	24,230.00	Over 3 years	100.00	Not expected to be recovered
Jinan Moyan Planning Co., Ltd	17,500.00	17,500.00	Over 3 years	100.00	Not expected to be recovered
Qiu Guobao	3,000.00	3,000.00	Over 3 years	100.00	Not expected to be recovered
Yang Chengqiang	1,240.00	1,240.00	Over 3 years	100.00	Not expected to be recovered

Company name	Book balance	Bad debt provision	Aging	Proportion (%)	Reason
Zhang Rui	200.00	200.00	Over 3 years	100.00	Not expected to be recovered
Total	17,498,865.57	17,498,865.57	—	—	—

c)Balance of top 5 other receivables at the end of the period

Company name	Nature	Book balance	Aging	Proportion (%)	Bad debt provision
Zaozhuang Huifeng City Facilities Investment Co., Ltd	Advance payment for demolition	153,686,909.72	Less than 1 year	10.64	
Kashi Aodu Sugar Industry Co., Ltd	Receivables	147,333,333.33	1-2 years	10.20	
Anhui Zhongcheng Real Estate Development Group Co., Ltd	Receivables	100,000,000.00	Less than 1 year	6.92	
Tongchuan Meiguang Solar Power Co., Ltd	Receivables and cash deposit	98,482,876.71	Over 3 years	6.82	19,696,575.34
Jinan Huichang Real Estate Co., Ltd	Loans	72,794,741.28	Less than 1 year	5.04	
Total	—	572,297,861.04	—	39.62	19,696,575.34

8.Inventories

(1)Classification of Inventories

Item	Closing balance			Opening balance		
	Book balance	Provision	Book value	Book balance	Provision	Book value
Raw material	895,002,839.87	4,235,952.20	890,766,887.67	446,131,218.55		446,131,218.55
Semi-finish goods	3,512,529,970.19		3,512,529,970.19	146,532,887.73		146,532,887.73
Finished goods	2,495,971,981.12	3,829,912.00	2,492,142,069.12	1,535,082,013.69		1,535,082,013.69
Development costs	9,982,463,880.47		9,982,463,880.47	5,954,776,258.57		5,954,776,258.57
Turnover materials	24,108,528.80		24,108,528.80	62,563,421.15		62,563,421.15

Item	Closing balance			Opening balance		
	Book balance	Provision	Book value	Book balance	Provision	Book value
Consumptive biological assets	212,963,973.18		212,963,973.18	18,374,599.14		18,374,599.14
Other	108,138,793.62	10,256.43	108,128,537.19	296,086,986.39		296,086,986.39
Total	17,231,179,967.25	8,076,120.63	17,223,103,846.62	8,459,547,385.22		8,459,547,385.22

(2)The ending balance of inventory includes the capitalization of borrowing costs of 655,056,671.48 yuan.

(3)Completed but unsettled assets formed by construction contract at the end of the period

Item	Closing balance
Accumulated cost incurred	8,784,029,151.81
Accumulated gross profit	1,316,492,875.84
Less: Estimated loss	191,373,134.75
Amount settled	7,845,284,209.74
Completed but unsettled assets formed by construction contract	2,063,864,683.16

9.Held-for-sale assets

Item	Book value	Fair value	Estimated disposal costs	Schedual
Shijiazhuang Paicheng New Energy Technology Co., Ltd.	13,429,034.63	13,429,034.63	None	Note 1
Total	13,429,034.63	13,429,034.63	—	—

Note 1: in order to optimize the asset structure of the company, on December 16, 2019, Dalian Energas Gas System Co, Ltd. signed the equity transfer agreement with Dalian Paisi Investment Co., Ltd. according to the resolution of the board of directors of the company, and sold 100% equity of Shijiazhuang Paicheng New Energy Technology Co., Ltd. As of December 31, 2019, the equity transfer funds have not been received and the assets have not been transferred, so they are presented as Held-for-sale assets.

10.Other current assets

Item	Closing balance	Opening balance
Input VAT retained	1,267,153,552.48	942,522,675.92
Financial products	5,000,000.00	6,026,391.62
Prepaid tax	364,190,565.67	27,895,646.88
Prepaid expenses	413,855.14	5,133,098.00
Other	456,934,280.78	2,564,408.10
Total	2,093,692,254.07	984,142,220.52

11.Available-for-sale financial assets

Item	Closing balance			Opening balance		
	Book balance	Provision	Book value	Book balance	Provision	Book value
Available-for-sale debt instruments				4,000,000.00		4,000,000.00
Available-for-sale equity instruments	553,094,223.44		553,094,223.44	291,964,308.73		291,964,308.73
Among them: Measured at fair value	7,102,416.72		7,102,416.72			
Measured at cost	545,991,806.72		545,991,806.72	291,964,308.73		291,964,308.73
Other						
Total	553,094,223.44		553,094,223.44	295,964,308.73		295,964,308.73

(1)Available-for-sale financial assets measured at fair value at the end of the period

Item	Available-for-sale equity instruments	Available-for-sale debt instruments	Other	Total
Cost of equity instruments / amortised cost of debt instruments	3,094,851.04			3,094,851.04
Fair value	7,102,416.72			7,102,416.72
Changes in fair value accumulated into other comprehensive income	4,007,565.68			4,007,565.68
Provision				

12.Long-term receivables

Item	Closing balance	Opening balance	Discount

	Book balance	Bad debt provision	Book value	Book balance	Bad debt provision	Book value	rate range (%)
Installment payment to provide services	1,460,979,835.51		1,460,979,835.51	1,469,914,331.09		1,469,914,331.09	
Project of transferring Huaihe River from east to South	424,610,000.00		424,610,000.00	424,610,000.00		424,610,000.00	
Key middle and small river regulation projects	212,540,000.00		212,540,000.00	212,540,000.00		212,540,000.00	
Key river regulation projects	378,420,000.00		378,420,000.00	378,420,000.00		378,420,000.00	
River maintenance cost project	52,000,000.00		52,000,000.00	52,000,000.00		52,000,000.00	
Total	2,528,549,835.51		2,528,549,835.51	2,537,484,331.09		2,537,484,331.09	

13.Long-term equity investments

(1)Classification of Long-term equity investments

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
Investment in subsidiaries				
Investment in joint ventures	19,400,000.00	222,180,035.16	19,875,000.00	221,705,035.16
Investment in associates	528,560,942.31	134,895,712.96	162,045,459.76	501,411,195.51
Subtotal	547,960,942.31	357,075,748.12	181,920,459.76	723,116,230.67
Less: Provision for impairment		40,829,409.24		40,829,409.24
Total	547,960,942.31	316,246,338.88	181,920,459.76	682,286,821.43

(2)Details of Long-term equity investments

Invested company	Investment cost	Opening balance	Changes of current period								Closing balance	Closing balance of provision for impairment
			Additional investment	Negative investment	Gains and losses on investments recognized with equity method	Other comprehensive income adjustments	Other changes in equity	Declare the payment of cash dividends or profits	Provision for impairment	Others		
Total	812,196,460.26	547,960,942.31	315,373,534.79	181,920,459.76	49,415,409.61			48,542,605.52	40,829,409.24		682,286,821.43	40,829,409.24
a)Joint ventures	200,750,000.00	19,400,000.00	181,350,000.00	19,875,000.00	32,970,008.85			32,969,382.93			180,875,625.92	
Xinjiang Huihong Xingnong Planting Farmer Professional Cooperative	70,000,000.00		70,000,000.00		32,969,382.93			32,969,382.93			70,000,000.00	
Jinan Fangda Equity Investment Fund Management Partnership (Limited Partnership)	59,900,000.00		59,900,000.00		625.92						59,900,625.92	
Dengkou County Water Control Agricultural Cooperative	30,000,000.00		30,000,000.00								30,000,000.00	
Shandong Shuifa Experimental School	10,000,000.00		10,000,000.00								10,000,000.00	

Invested company	Investment cost	Opening balance	Changes of current period								Closing balance	Closing balance of provision for impairment
			Additional investment	Negative investment	Gains and losses on investments recognized with equity method	Other comprehensive income adjustments	Other changes in equity	Declare the payment of cash dividends or profits	Provision for impairment	Others		
Shanghai Minxin Energy Technology Co., Ltd	19,200,000.00	19,200,000.00		19,200,000.00								
Other	11,650,000.00	200,000.00	11,450,000.00	675,000.00							10,975,000.00	
b)Associates	611,446,460.26	528,560,942.31	134,023,534.79	162,045,459.76	16,445,400.76			15,573,222.59	40,829,409.24		501,411,195.51	40,829,409.24
Shandong Water Investment Co., Ltd	102,500,000.00	143,899,079.58			-5,973,198.10						137,925,881.48	
Shandong Shuifa Runxin Water Co., Ltd	75,150,000.00	75,150,000.00									75,150,000.00	
Shandong Huifengyuan Financing Guarantee Co., Ltd	42,000,000.00	42,000,000.00	77,035.52		-15,708.42						42,061,327.10	
Shandong Huatong Environmental Technology Co., Ltd	39,979,800.00	36,293,591.20			2,556,827.45						38,850,418.65	

Invested company	Investment cost	Opening balance	Changes of current period								Closing balance	Closing balance of provision for impairment
			Additional investment	Negative investment	Gains and losses on investments recognized with equity method	Other comprehensive income adjustments	Other changes in equity	Declare the payment of cash dividends or profits	Provision for impairment	Others		
Shandong Shuifa Ziguang Big Data Co., Ltd	23,430,000.00	20,000,000.00	3,430,000.00	1,608,820.28	2,187.40						21,823,367.12	
Tudi Power Co., Ltd	19,864,700.00		19,864,700.00								19,864,700.00	
Shandong Yuanshui Environmental Protection Technology Co., Ltd	15,680,000.00	55,034.57	15,680,000.00		-167,909.37						15,567,125.20	
Heze Yiyuan Industrial Co., Ltd	14,000,000.00	14,000,000.00									14,000,000.00	
Weining Xinye New Energy Technology Co., Ltd			13,047,865.70								13,047,865.70	

Invested company	Investment cost	Opening balance	Changes of current period								Closing balance	Closing balance of provision for impairment
			Additional investment	Negative investment	Gains and losses on investments recognized with equity method	Other comprehensive income adjustments	Other changes in equity	Declare the payment of cash dividends or profits	Provision for impairment	Others		
Shandong Financial Lingrui New Material Industry Master Fund Partnership (Limited Partnership)	12,000,000.00		12,000,000.00								12,000,000.00	
Shandong Phoenix Valley Tourism Project Development Co., Ltd.	10,000,000.00		10,000,000.00								10,000,000.00	
Akesu Area Hong Shun Water Control Agricultural Farmer Cooperatives	9,000,000.00		9,000,000.00		3,673,222.59			3,673,222.59			9,000,000.00	
Kashgar Water Control Planting Farmers' Professional Cooperatives	475,000.00		475,000.00		11,900,000.00			11,900,000.00			475,000.00	

Invested company	Investment cost	Opening balance	Changes of current period								Closing balance	Closing balance of provision for impairment
			Additional investment	Negative investment	Gains and losses on investments recognized with equity method	Other comprehensive income adjustments	Other changes in equity	Declare the payment of cash dividends or profits	Provision for impairment	Others		
Sichuan Huate Energy Development Co., Ltd	40,829,409.24	40,829,409.24							40,829,409.24			40,829,409.24
Other	206,537,551.02	156,333,827.72	50,448,933.57	160,436,639.48	4,469,979.21						91,645,510.26	

14.Investment properties

(1) Measured at cost

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
1.Book balance	1,911,752,191.95	13,786,304.41		1,925,538,496.36
(1)Property and plant	1,911,752,191.95	627,693.36		1,912,379,885.31
(2)Land use right		13,158,611.05		13,158,611.05
2.Depreciation/Amortization	55,887,806.97	40,071,792.20		95,959,599.17
(1)Property and plant	55,887,806.97	38,529,840.53		94,417,647.50
(2)Land use right		1,541,951.67		1,541,951.67
3.Net book balance	1,855,864,384.98			1,829,578,897.19
(1)Property and plant	1,855,864,384.98			1,817,962,237.81
(2)Land use right			-	11,616,659.38
4.Impairment provision				
(1)Property and plant				
(2)Land use right				
5.Book value	1,854,303,495.27			1,829,578,897.19
(1)Property and plant	1,854,303,495.27			1,817,962,237.81
(2)Land use right				11,616,659.38

15.Fixed assets

Item	Closing balance	Opening balance
Fixed assets	21,122,857,598.66	12,783,949,495.68
Disposal of fixed assets	9,531,680.95	1,403,669.63
Total	21,132,389,279.61	12,785,353,165.31

(1)Details of fixed assets

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
1.Book balance	15,731,914,934.64	10,868,844,366.77	183,001,382.49	26,417,757,918.92
Land				
Property and plant	6,012,421,651.61	7,512,366,182.31	67,236,701.01	13,457,551,132.91

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
Machinery equipment	9,054,426,318.68	3,122,763,928.79	115,295,032.64	12,061,895,214.83
Transportation equipment	292,229,164.30	214,481,546.25	357,828.19	506,352,882.36
Electronic equipment and other	164,156,728.79	4,896,967.96	111,820.65	168,941,876.10
Office equipment	208,681,071.26	14,335,741.46		223,016,812.72
2. Accumulative depreciation	2,947,965,438.96	2,419,294,214.18	75,914,386.09	5,291,345,267.05
Land	—	—	—	—
Property and plant	819,174,636.68	1,460,987,994.20	21,474,389.88	2,258,688,241.00
Machinery equipment	1,728,294,365.00	823,312,917.44	54,266,383.32	2,497,340,899.12
Transportation equipment	160,071,985.09	126,269,694.65	153,924.73	286,187,755.01
Electronic equipment and other	99,094,008.47	3,644,141.89	19,688.16	102,718,462.20
Office equipment	141,330,443.72	5,079,466.00		146,409,909.72
3.Net book balance	12,783,949,495.68	—	—	21,126,412,651.87
Land		—	—	
Property and plant	5,193,247,014.93	—	—	11,198,862,891.91
Machinery equipment	7,326,131,953.68	—	—	9,564,554,315.71
Transportation equipment	132,157,179.21	—	—	220,165,127.35
Electronic equipment and other	65,062,720.32	—	—	66,223,413.90
Office equipment	67,350,627.54	—	—	76,606,903.00
4.Impairment provision		3,555,053.21		3,555,053.21
Land	—	—	—	—
Property and plant				
Machinery equipment		3,431,846.94		3,431,846.94

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
Transportation equipment				
Electronic equipment and other		123,206.27		123,206.27
Office equipment				
5.Book value	12,783,949,495.68	—	—	21,122,857,598.66
Land		—	—	
Property and plant	5,193,247,014.93	—	—	11,198,862,891.91
Machinery equipment	7,326,131,953.68	—	—	9,561,122,468.77
Transportation equipment	132,157,179.21	—	—	220,165,127.35
Electronic equipment and other	65,062,720.32	—	—	66,100,207.63
Office equipment	67,350,627.54	—	—	76,606,903.00

(2)During the reporting period, there is no temporarily idle fixed assets

Item	Book Balance	Accumulative depreciation	Impairment provision	Book value	Note
Property and plant	52,139,583.54	2,150,757.82		49,988,825.72	

(3)Fixed assets with the certificate of title not transacted

Item	Book value	Reason
Property and plant	383,379,961.95	Being processed

(4)Disposal of fixed assets

Item	Closing book value	Opening book value	Reason
Property and plant	7,564,716.47		
Machinery equipment	1,940,364.44	1,377,069.59	Equipment deterioration
Electronic equipment	26,600.04	26,600.04	Equipment deterioration
Total	9,531,680.95	1,403,669.63	

16.Construction in progress

Item	Closing balance			Opening balance		
	Book balance	Provision	Book value	Book balance	Provision	Book value
Emergency project of Yellow River to East regulation	4,678,808,036.28		4,678,808,036.28	2,734,506,795.49		2,734,506,795.49
Quruduo Hydropower Station	1,885,722,516.21		1,885,722,516.21	1,772,527,514.62		1,772,527,514.62
Rongchengshidao cogeneration PPP project	783,739,234.94		783,739,234.94	1,004,160,044.50		1,004,160,044.50
Wandong power station project	699,533,553.52		699,533,553.52	635,811,171.23		635,811,171.23
Longtan Hydropower Station - Jiarong Dayu	670,097,003.28		670,097,003.28	638,788,356.43		638,788,356.43
PPP project of Leling People's Hospital in Shandong Province	601,141,898.36		601,141,898.36			
Cuowa Hydropower Station	526,140,446.01		526,140,446.01	536,772,286.62		536,772,286.62
Catfish into solid drinking water project	520,536,122.44		520,536,122.44	126,323,496.98		126,323,496.98
Nanmenguan Hydropower Station	471,733,197.84		471,733,197.84	432,557,910.35		432,557,910.35
Chamaridong Hydropower Station	387,736,886.79		387,736,886.79	375,923,051.81		375,923,051.81
Shuluyaza Hydropower Station	311,839,829.57		311,839,829.57	304,897,325.45		304,897,325.45
Shaomen reservoir and supporting construction project	304,456,589.63		304,456,589.63			
Wengyuan County promotes sewage treatment facilities construction	282,952,633.18		282,952,633.18			

Item	Closing balance			Opening balance		
	Book balance	Provision	Book value	Book balance	Provision	Book value
project in PPP mode						
Yongneng bio thermal power plant project	245,857,321.33		245,857,321.33	60,546,811.02		60,546,811.02
Xining power station, Liuzhongtang power station, Moziyan power station and Luoshanxi power station	237,001,797.56		237,001,797.56	217,153,552.84		217,153,552.84
Xianda water treatment plant and clean water pipeline project	234,878,135.20		234,878,135.20	182,565,721.84		182,565,721.84
Liangshan power plant project	231,236,204.32		231,236,204.32	71,513,709.88		71,513,709.88
Urban and rural water supply project of Huibaoling reservoir in Lanling County	216,576,330.10		216,576,330.10	172,808,732.72		172,808,732.72
Urban rural water supply integration project of jinsiquan water supply in Jinxiang	215,742,018.58		215,742,018.58			
Plain reservoir project	208,230,032.29		208,230,032.29	197,479,223.31		197,479,223.31
Morimiao wind farm	207,978,615.46		207,978,615.46			
Pipeline network phase II	202,869,405.19		202,869,405.19	186,935,138.20		186,935,138.20
Other projects	6,818,337,421.42	86,273,289.30	6,732,064,132.12	7,185,404,214.51	64,319,289.48	7,121,084,925.03
Engineering materials	7,923,821.59		7,923,821.59	29,207,717.43		29,207,717.43
Total	20,951,069,051.09	86,273,289.30	20,864,795,761.79	16,865,882,775.23	64,319,289.48	16,801,563,485.75

(1)Changes in major construction in process in the reporting period

Item	Budget (10k)	Opening balance	Increase in current period	Amount transfer-in to fixed assets in this period	Other decrease in this period	Closing balance
Emergency project of Yellow River to East regulation	650,304.00	2,734,506,795.49	1,944,301,240.79			4,678,808,036.28
Quruduo Hydropower Station	255,197.51	1,772,527,514.62	113,195,001.59			1,885,722,516.21
Rongchengshidao cogeneration PPP project	150,000.00	1,004,160,044.50	348,616,486.29	569,037,295.85		783,739,234.94
Wandong power station project	70,000.00	635,811,171.23	63,722,382.29	-		699,533,553.52
Longtan Hydropower Station - Jiarong Dayu	70,000.00	638,788,356.43	31,308,646.85			670,097,003.28
PPP project of Leling People's Hospital in Shandong Province	70,800.00	394,252,751.14	206,889,147.22			601,141,898.36
Cuowa Hydropower Station	70,000.00	536,772,286.62	18,331,400.13		28,963,240.74	526,140,446.01
Catfish into solid drinking water project	103,892.00	126,323,496.98	394,212,625.46			520,536,122.44
Nanmenguan Hydropower Station	70,000.00	432,557,910.35	39,175,287.49			471,733,197.84
Chamaridong Hydropower Station	240,000.00	372,643,585.33	15,093,301.46			387,736,886.79
Shuluyaza Hydropower Station	310,000.00	304,897,325.45	6,942,504.12			311,839,829.57
Shaomen reservoir and supporting construction project	44,503.70	286,166,476.21	42,462,524.01		24,172,410.59	304,456,589.63

Item	Budget (10k)	Opening balance	Increase in current period	Amount transfer-in to fixed assets in this period	Other decrease in this period	Closing balance
Wengyuan County promotes sewage treatment facilities construction project in PPP mode	52,875.89	3,756,596.04	279,196,037.14			282,952,633.18
Yongneng bio thermal power plant project	34,532.00	60,546,811.02	185,310,510.31			245,857,321.33
Xianda water treatment plant and clean water pipeline project	29,264.16	182,565,721.84	55,442,753.03		3,130,339.67	234,878,135.20
Liangshan power plant project	23,930.78	71,513,709.88	159,722,494.44			231,236,204.32
Urban and rural water supply project of Huibaoling reservoir in Lanling County	40,205.20	186,545,904.07	30,378,898.79		348,472.76	216,576,330.10
Urban rural water supply integration project of jinsiquan water supply in Jinxiang	110,927.87	111,076,061.80	104,665,956.78			215,742,018.58
Plain reservoir project	26,000.00	197,479,223.31	10,750,808.98			208,230,032.29
Morimiao wind farm	27,581.10		207,978,615.46			207,978,615.46
Pipeline network phase II	29,286.06	186,935,138.20	15,934,266.99			202,869,405.19
Total	2,479,300.27	10,239,826,880.51	4,273,630,889.62	569,037,295.85	56,614,463.76	13,887,806,010.52

Continued:

Item	Proportion of accumulative engineering investment in the budget (%)	Project progress (%)	Accumulative capitalized interest	Including: capitalized interest for the current period	Interest capitalization rate (%)	Capital source
Emergency project of Yellow River to East regulation	71.95	98.00	457,721,208.70	258,330,244.04	5.00	Loans from financial

Item	Proportion of accumulative engineering investment in the budget (%)	Project progress (%)	Accumulative capitalized interest	Including: capitalized interest for the current period	Interest capitalization rate (%)	Capital source
						institutions
Quruduo Hydropower Station	73.89	75.98	413,370,725.39	95,678,735.05	7.00	Loans from financial institutions
Rongchengshidao cogeneration PPP project	90.19	60.32	36,385,059.62		5.00	Raised funds and loans
Wandong power station project	99.93	96.00	194,752,629.76	18,887,739.70	4.59	Loans
Longtan Hydropower Station - Jiarong Dayu	95.73	93.78	181,167,133.75	26,143,085.31	4.90	Loans from financial institutions
PPP project of Leling People's Hospital in Shandong Province	84.91	96.14	42,410,321.38	19,965,748.39	7.30	Raised funds and bank loans
Cuowa Hydropower Station	79.30	78.32	114,146,771.17	151,776.49	7.00	Loans from financial institutions
Catfish into solid drinking water project	50.10	86.55	24,684,709.67	22,048,781.87	6.00	Raised funds and loans
Nanmenguan Hydropower Station	67.39	78.98	77,758,049.66	31,106,770.49	8.00	Raised funds
Chamaridong Hydropower Station	55.39	55.39	75,768,509.32	10,130,804.55	7.00	Loans from financial institutions
Shuluyaza Hydropower Station	44.55	50.32	63,655,958.47	7,349,497.03	7.00	Loans from financial institutions
Shaomen reservoir and supporting construction project	73.84	69.04	12,631,700.78	6,503,700.76	5.49	Raised funds
Wengyuan County promotes sewage treatment facilities construction project in PPP mode	53.51	54.32	691,372.22	691,372.22	6.32	Loans
Yongneng bio thermal power plant project	71.20	86.87	11,043,547.07	9,801,971.92	6.69	Raised funds and loans
Xianda water treatment plant and clean water pipeline project	81.33	90.32	11,590,385.25	3,464,733.62	6.00	Raised funds and bank loans
Liangshan power plant project	96.63	97.00	17,778,211.03	14,964,334.91	7.69	Raised funds and loans
Urban and rural water supply project of Huibaoling reservoir	53.95	65.00	33,869,593.82	18,220,635.52	7.80	Loans

Item	Proportion of accumulative engineering investment in the budget (%)	Project progress (%)	Accumulative capitalized interest	Including: capitalized interest for the current period	Interest capitalization rate (%)	Capital source
in Lanling County						
Urban rural water supply integration project of jinsiquan water supply in Jinxiang	19.45	20.35	48,472,063.90	25,632,984.43	6.00	Raised funds and bank loans
Plain reservoir project	80.09	64.98	33,149,409.63	7,338,898.35	7.50	Raised funds and loans
Morimiao wind farm	75.41	82.32	10,294,303.45	10,294,303.45	7.20	Raised funds
Pipeline network phase II	69.27	73.25	10,512,147.67	9,232,120.10	7.30	Raised funds
Total			1,871,853,811.71	595,938,238.20		

(2)Provision for impairment of construction in progress in current period

Item	Provision for current period	Reason
Kuxilong hydropower station, output line, public cost, Sewurung six power station	10,384,048.70	Construction is suspended
Jiasini power station and Muru power station	11,569,951.12	Construction is suspended
Total	21,953,999.82	—

17.Biological assets

(1)Measured at cost

Item	Opening book value	Increase in current period	Decrease in current period	Closing book value
1. Animal husbandry	5,688,846.73		1,436,199.40	4,252,647.33
(1) Horses	5,688,846.73		1,436,199.40	4,252,647.33
2. Aquaculture	4,000.00		4,000.00	
(1) Fry	4,000.00		4,000.00	
Total	5,692,846.73		1,440,199.40	4,252,647.33

18.Intangible assets

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
1. Book balance	10,351,212,625.01	2,093,968,150.04	90,548,438.77	12,354,632,336.28
Software	27,093,827.74	20,589,554.81		47,683,382.55
Land use right	6,790,412,618.91	884,293,562.78	39,561,024.23	7,635,145,157.46
Patent right	7,826,534.01	19,549,137.35	1,823,754.35	25,551,917.01
Non-patented technologies		421,982.41		421,982.41
Trademark	695,708.55	85,449,872.11		86,145,580.66
Copyright		12,800.00		12,800.00
Franchise	3,525,183,935.80	1,083,651,240.58	49,163,660.19	4,559,671,516.19
2. Accumulative amortization	440,873,144.37	586,048,101.35	9,401,431.57	1,017,519,814.15
Software	9,068,436.47	13,546,265.93		22,614,702.40
Land use right	131,148,995.88	234,859,201.65	4,214,116.13	361,794,081.40
Patent right	2,073,287.43	3,135,287.29	193,379.68	5,015,195.04
Non-patented technologies		206,590.14		206,590.14
Trademark	141,490.82	8,129,774.24		8,271,265.06
Copyright		1,733.47		1,733.47
Franchise	298,440,933.77	326,169,248.63	4,993,935.76	619,616,246.64
3.Impairment provision				
Software				
Land use right				
Patent right				
Non-patented technologies				
Trademark				

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
Copyright				
Franchise				
4.Book value	9,910,339,480.64	—	—	11,337,112,522.13
Software	18,025,391.27	—	—	25,068,680.15
Land use right	6,659,263,623.03	—	—	7,273,351,076.06
Patent right	5,753,246.58	—	—	20,536,721.97
Non-patented technologies		—	—	215,392.27
Trademark	554,217.73	—	—	77,874,315.60
Copyright				11,066.53
Franchise	3,226,743,002.03			3,940,055,269.55

19.Capitalized development expenditures

Item	Opening balance	Increase in current period		Decrease in current period			Closing balance
		Internal capitalized development expenditures	Other	Transfer to current profit and loss	Transfer to Intangible assets	Other	
IOTC Smart Water Plant Platform	1,921,271.51	371,709.95					2,292,981.46
Digital Platform Development Project		5,412,889.98					5,412,889.98
Ultrafiltration Membrane R & D Line	2,224,776.30	46,022.52					2,270,798.82
Cloud Brain's Operation Management and Supervision and Assessment System		1,113,876.63	441,765.04				1,555,641.67
DT Membrane R & D Line	479,960.71	359,281.47					839,242.18

Item	Opening balance	Increase in current period		Decrease in current period			Closing balance
		Internal capitalized development expenditures	Other	Transfer to current profit and loss	Transfer to Intangible assets	Other	
Intelligent Community Comprehensive Information Service Platform			359,292.05				359,292.05
A New Type of Water Purification Device with Monitoring Filter Element		163,160.63					163,160.63
IOTC Intelligent Secondary Water Supply System	29,731.29	117,589.29					147,320.58
A New Type of Domestic Water Purifier		142,051.17					142,051.17
Other	49,946.65	2,262,545.31	1,750.00	2,038,250.38			275,991.58
Total	4,705,686.46	9,989,126.95	802,807.09	2,038,250.38			13,459,370.12

20.Goodwill

(1)Book value of goodwill

Name of Invested company or the matters forming goodwill	Opening balance	Increase in current period	Decrease in current period	Closing balance
Shandong Mingke New Energy Co., Ltd	14,329,300.02			14,329,300.02
Yunnan Huaning New Jiulong Investment Co., Ltd	10,256,700.88			10,256,700.88
Shuifa Anhe Group Co., Ltd	42,403,203.52			42,403,203.52
Lijin Xinhe Natural Gas Technology Service Co., Ltd	50,234,259.84			50,234,259.84
Yinan Lino Solar Power Engineering Co., Ltd	10,525,377.10			10,525,377.10
Hunan Highway Design Co., Ltd	34,864,782.87			34,864,782.87
Weifang Huize Water Service Co., Ltd	123,753,745.92			123,753,745.92
Rongcheng Haoyang Thermal	96,559,086.59			96,559,086.59

Name of Invested company or the matters forming goodwill	Opening balance	Increase in current period	Decrease in current period	Closing balance
Power Co., Ltd				
Baoting Tianshan Yuquan Resort Hotel Co., Ltd	41,675,585.71			41,675,585.71
Shandong Junda Real Estate Co., Ltd	34,204,457.93			34,204,457.93
Jinan Wotejia Environmental Technology Co., Ltd	24,020,709.72			24,020,709.72
Shandong Pingyuan Hanyuan Green Energy Co., Ltd	63,281,329.73			63,281,329.73
Lindian Dongmingyuan Wind Power Generation Co., Ltd	171,328,104.65			171,328,104.65
Qianguo Zhonghe Biomass Thermal Power Co., Ltd	12,000,767.24			12,000,767.24
Shandong Risheng Real Estate Development Co., Ltd	49,697,615.02			49,697,615.02
Xinjiang Shuanghe Water Control Agricultural Development (Group) Co., Ltd		22,420,784.34		22,420,784.34
Dalian Energas Gas-System Co., Ltd.		1,153,825,417.39		1,153,825,417.39
Ya'An Huaran Natural Gas Co., Ltd		42,493,995.63		42,493,995.63
Yichuan Huaran Natural Gas Co., Ltd		30,500,638.81		30,500,638.81
Anda Tiger Hill Wind Farm Co., Ltd.		47,351,889.92		47,351,889.92
Shenzhen Xinjinzhu Investment Development Co., Ltd		397,908,969.46		397,908,969.46
Goodwill Formed by Merger and Acquisition of Other Invested Units	176,703,928.39	123,605,290.54		300,309,218.93
Total	955,838,955.13	1,818,106,986.09		2,773,945,941.22

(2)Impairment of goodwill

Name of Invested company or the matters forming goodwill	Opening balance	Increase in current period	Decrease in current period	Closing balance
Ya'an Huaran Natural Gas Co., Ltd		17,140,199.99		17,140,199.99
Yichuan Huaran Natural Gas Co., Ltd		1,778,115.84		1,778,115.84

Name of Invested company or the matters forming goodwill	Opening balance	Increase in current period	Decrease in current period	Closing balance
Fangcheng Huaran Natural Gas Co., Ltd		800,523.62		800,523.62
Beijing Ruixin Jiasheng hydropower Co., Ltd	9,581,889.50			9,581,889.50
Beijing Taiye Jiasheng Investment Co., Ltd	16,191,652.43	9,596,502.02		25,788,154.45
Total	25,773,541.93	29,315,341.47		55,088,883.40

21.Long-term prepaid expenses

Item	Opening balance	Increase in current period	Amortized amount in this period	Other decrease	Closing balance	Reason for other decrease
Rental expense	87,755,200.73	168,759,845.33	77,589,511.84	17,271,758.60	161,653,775.62	
Decoration and greening	52,509,883.27	75,312,743.57	23,883,482.54	13,686,656.64	90,252,487.66	
Overhaul expenses	11,165,390.69	49,869,084.00	9,672,155.07		51,362,319.62	
Preliminary infrastructure cost	15,011,432.80	25,899,703.74	7,067,757.78		33,843,378.76	
Long-term financing costs	22,199,539.95	19,908,639.18	15,886,995.34	9,637,896.11	16,583,287.68	
Other	84,123,357.29	223,982,864.28	54,365,582.31	88,974,663.75	164,765,975.51	
Total	272,764,804.73	563,732,880.10	188,465,484.88	129,570,975.10	518,461,224.85	

22.Deferred tax assets/Deferred tax liabilities

(1)Non-offset deferred income tax assets and deferred tax liabilities

Item	Closing balance		Opening balance	
	Deferred tax assets/ liabilities	Deductible/taxable temporary difference	Deferred tax assets/ liabilities	Deductible/taxable temporary difference
1. Deferred tax assets	459,810,564.11	1,839,242,256.44	416,303,462.95	1,665,213,850.58
Asset impairment provision	41,928,511.07	167,714,044.28	63,062,668.69	252,250,674.76
Deductible losses	373,977,986.18	1,495,911,944.72	291,057,005.36	1,164,228,021.42

Item	Closing balance		Opening balance	
	Deferred tax assets/ liabilities	Deductible/taxable temporary difference	Deferred tax assets/ liabilities	Deductible/taxable temporary difference
Assessment of impairment	43,904,066.86	175,616,267.44	62,183,788.60	248,735,154.40
2.Deferred tax liabilities	779,747,935.92	3,118,991,743.68	620,100,538.38	2,480,402,153.52
Value added of assets evaluation in the merger of enterprises not under the common control	737,017,814.08	2,948,071,256.32	620,100,538.38	2,480,402,153.52
Franchise income	42,730,121.84	170,920,487.36		

23.Other non-current assets

Item	Closing balance	Opening balance
Project prepayment	313,736,769.63	360,830,102.40
Prepayment of intangible assets	50,280,124.14	296,503,119.66
Prepayment of fixed assets	233,185,176.73	127,308,309.86
Prepayment of other long-term assets	881,656,657.59	13,051,588.69
Total	1,478,858,728.09	797,693,120.61

24.Short-term loans

Item	Closing balance	Opening balance
Pledged loan	1,327,144,551.35	966,903,517.01
Mortgaged loan	1,204,628,449.07	94,280,993.38
Guaranteed loan	5,408,440,006.37	3,258,470,000.00
Credit loan	935,990,000.00	788,806,072.52
Total	8,876,203,006.79	5,108,460,582.91

25.Notes payable

Item	Closing balance	Opening balance
Bank acceptance	1,837,167,882.13	703,255,737.71
Commercial acceptance	1,252,568,726.30	313,866,176.86
Total	3,089,736,608.43	1,017,121,914.57

26.Accounts payable

Aging	Closing balance	Opening balance
Less than 1 year	2,738,236,819.46	2,643,785,992.31
1-2 years	1,586,670,121.07	1,136,912,343.89
2-3 years	664,653,759.35	413,754,806.22
Over 3 years	333,308,172.88	139,197,329.31
Total	5,322,868,872.76	4,333,650,471.73

Significant payables aging more than 1 year

Company name	Closing balance	Reason
Shandong Zhimeng Real Estate Co., Ltd	212,000,000.00	No transfer procedures
The First Company of China Eighth Engineering Division Ltd	88,833,776.11	Not settled yet
DiEr Group Co., Ltd.	62,268,528.58	Not settled yet
Shanxi Lu'an Yuwu Thermal Power Co., Ltd	43,994,795.50	Not settled yet
The Second Company of China Eighth Engineering Division Ltd	41,463,655.49	Not settled yet
Total	448,560,755.68	—

27.Advances from customers

Aging	Closing balance	Opening balance
Less than 1 year	2,351,198,788.39	2,794,530,194.13
Over 1 year	1,316,593,517.77	418,683,921.55
Total	3,667,792,306.16	3,213,214,115.68

Significant advance from customers with account age of more than 1 year

Company name	Closing balance	Reason
Shandong Zouping Water Conservancy Engineering Office	41,359,178.22	Not settled yet
Hubei Honghu Flood Diversion Area Engineering Administration Bureau	25,601,492.09	Not settled yet
Shandong Aoshengyuan Industry and Trade Co., Ltd	15,861,397.50	Not settled yet

Company name	Closing balance	Reason
Jingning County Taohe Water Supply Phase II Supporting Project Construction Co., Ltd	11,374,202.35	Not settled yet
Yishui Water Company	10,100,000.16	Not settled yet
Total	104,296,270.32	—

28.Employee benefits payable

(1)Detail of employee benefits payable

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
1. Short-term employee benefits	138,693,904.23	1,777,526,341.99	1,699,165,977.94	217,054,268.28
2. Post-employment benefits - defined contribution plan	617,959.70	161,885,644.25	159,746,067.17	2,757,536.78
3. Dismiss compensation		572,519.19	572,519.19	
4. Other benefits due within one year				
5. Other				
Total	139,311,863.93	1,939,984,505.43	1,859,484,564.30	219,811,805.06

(2)Short-term employee benefits

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
1. Wage, bonus, allowance, and subsidies	131,960,430.90	1,516,690,309.23	1,457,017,394.10	191,633,346.03
2. Employee welfare	1,999,362.36	55,207,965.58	55,651,622.51	1,555,705.43
3. Social insurance	210,698.44	85,579,408.31	85,081,439.65	708,667.10
Including: Medical insurance	139,654.64	66,115,977.35	65,703,402.99	552,229.00
Labor injury insurance	69,313.60	3,293,136.24	3,283,603.48	78,846.36
Breeding insurance	1,730.20	6,148,366.91	6,150,097.11	0.00
Other		10,021,927.81	9,944,336.07	77,591.74
4. Housing fund	376,346.23	74,492,744.99	74,228,158.47	640,932.75
5. Labor union budget and staff education fund	4,147,066.30	14,481,384.59	11,078,665.54	7,549,785.35
6. Short-term paid absence				
7. Short-term profit-sharing plan		3,687,958.18	640,327.48	3,047,630.70

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
8. Other short-term employee benefits		27,386,571.11	15,468,370.19	11,918,200.92
Total	138,693,904.23	1,777,526,341.99	1,699,165,977.94	217,054,268.28

(3)Post-employment benefits - defined contribution plan

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
1. Basic pension	594,982.91	147,603,223.37	146,376,904.78	1,821,301.50
2. Unemployment insurance	8,353.63	5,333,138.59	5,271,649.18	69,843.04
3. Enterprise annuity	14,623.16	7,811,616.69	6,966,380.11	859,859.74
4. Post employment benefits		1,137,665.60	1,131,133.10	6,532.50
Total	617,959.70	161,885,644.25	159,746,067.17	2,757,536.78

29.Taxes payable

Item	Opening balance	Payable in current period	Paid in current period	Closing balance
VAT	159,373,504.61	1,236,689,914.16	1,168,218,220.19	227,845,198.58
Consumption tax	524,093.70	2,659,236.67	3,143,090.90	40,239.47
Resource tax	19,725,129.38	104,064,552.31	99,460,415.69	24,329,266.00
Corporate income tax	313,133,478.69	506,483,884.68	377,105,293.27	442,512,070.10
City maintenance and construction tax	9,418,004.33	37,143,898.03	38,184,270.60	8,377,631.76
Property tax	5,122,949.88	25,095,183.94	23,682,374.92	6,535,758.90
Land using tax	16,472,593.56	63,376,902.91	61,760,147.29	18,089,349.18
Personal income tax		51,321,229.21	40,099,178.64	11,222,050.57
Education surtax	4,491,924.77	20,650,154.32	20,460,926.39	4,681,152.70
Local education surtax	2,597,846.24	8,982,045.94	9,222,157.32	2,357,734.86
Local water conservancy construction fund	780,211.80	2,222,875.53	2,046,743.03	956,344.30
Other	43,790,756.56	116,246,457.87	132,885,574.46	27,151,639.97
Total	575,430,493.52	2,174,936,335.57	1,976,268,392.70	774,098,436.39

30.Other payables

Item	Closing balance	Opening balance
Interest payable	290,778,890.89	262,713,526.54
Dividends payable	245,262,376.02	101,963,158.08
Other payables	4,028,152,331.66	5,059,872,144.91
Total	4,564,193,598.57	5,404,548,829.53

(1)Interest payable

Item	Closing balance	Opening balance
Interest of long-term loan with interest paid in installments and principal repaid at maturity	57,345,809.34	74,662,947.64
Corporate bond interest	198,988,849.12	184,010,793.37
Interest payable on short term loans	5,619,776.11	3,832,588.58
Preferred stock / perpetual bond interest divided into financial liabilities		
Other	28,824,456.32	207,196.95
Total	290,778,890.89	262,713,526.54

(2)Dividends payable

Item	Closing balance	Opening balance
Common stock dividend	153,720,458.21	101,963,158.08
Preferred stock / perpetual bond dividend divided into financial liabilities	91,541,917.81	
Total	245,262,376.02	101,963,158.08

(3)Other payables

a)Other payables by nature

Item	Closing balance	Opening balance
Payables	1,865,028,630.68	2,092,320,185.42
Deposits and guarantees	1,008,695,248.36	1,033,070,911.88
Temporary accounts payable		237,194,177.50
Personal advance payment	54,536,734.19	52,602,396.01
Transition profit		4,103,995.52
Equity transfer funds	590,559,164.54	943,466,389.85

Item	Closing balance	Opening balance
Other	509,332,553.89	697,114,088.73
Total	4,028,152,331.66	5,059,872,144.91

b)Significant payables aging more than 1 year

Company name	Closing balance	Reason
Linuo Power Group Co., Ltd	61,279,111.88	Acceptance conditions have not been met
Yutai Xinda Economic Development and Investment Co., Ltd	11,152,000.00	Acceptance conditions have not been met
Junan County Water Conservancy Bureau	8,877,000.18	Acceptance conditions have not been met
China Construction Eighth Engineering Division.Corp Ltd	6,000,424.00	Acceptance conditions have not been met
Total	87,308,536.06	—

31.Held-for-sale liabilities

Item	Book value	Fair value	Estimated disposal costs	Schedual
Shijiazhuang Paicheng New Energy Technology Co., Ltd.	3,307,538.10	3,307,538.10		
Total	3,307,538.10	3,307,538.10		—

32.Current portion of non-current liabilities

Item	Closing balance	Opening balance
Long-term loans due within 1 year	3,643,995,306.32	3,123,896,942.24
Bonds payable due within 1 year	999,750,000.00	588,816,253.31
Long-term payable due within 1 year	702,504,705.22	770,839,034.41
Other non-current liabilities due within 1 year		
Total	5,346,250,011.54	4,483,552,229.96

33.Other current liabilities

Item	Closing balance	Opening balance
Short-term bonds payable		
Accrued expenses	1,676,461.00	5,933,055.00
Land compensation		7,898,351.83

Item	Closing balance	Opening balance
Output tax to be transferred	28,028,236.69	
Project settlement	81,536,174.63	
Other	30,000,000.00	
Total	141,240,872.32	13,831,406.83

34.Long-term loans

Item	Closing balance	Opening balance	Interest rate range (%)
Pledged loan	3,091,362,224.56	2,099,350,000.00	5.00-6.85
Mortgaged loan	5,597,224,092.09	3,010,322,704.18	5.40-6.985
Guaranteed loan	11,213,090,655.94	9,119,510,296.88	4.90-7.98
Credit loan	3,000,622,035.25	3,973,144,000.00	4.90-6.73
Total	22,902,299,007.84	18,202,327,001.06	

35.Bonds payable

Item	Closing balance	Opening balance
Face value	16,679,234,626.00	6,800,000,000.00
Interest adjustment	-1,174,445,817.14	-37,677,581.43
Total	15,504,788,808.86	6,762,322,418.57

(1) Increase and decrease of bonds payable (excluding preferred shares, perpetual bonds and other financial instruments classified as financial liabilities)

Bond name	Face value	Issue date	Bond maturity	Issue amount
15 Shandong Water PPN001	1,000,000,000.00	2015/1/16	5 years	985,000,000.00
16 Lushui 01	1,000,000,000.00	2016/7/7	3+2 years	985,000,000.00
16 Lushui 02	1,000,000,000.00	2016/7/15	3+2 years	985,000,000.00
17 Lushui 01	1,200,000,000.00	2017/12/7	3+2 years	1,183,000,000.00
18 Shuifa 01	500,000,000.00	2018/11/1	3+2 years	497,169,811.32
18 Shuifa 02	500,000,000.00	2018/12/26	1+2+2 years	498,500,000.00
19 Shuifa 01	1,000,000,000.00	2019/4/26	3+2 years	995,754,716.98
19 Shuifa Group GN001	400,000,000.00	2019/2/20	5 years	398,000,000.00
19 Shuifa Group MTN 001	1,000,000,000.00	2019/7/3	3+2 years	995,476,415.09

Bond name	Face value	Issue date	Bond maturity	Issue amount
19 Shuifa Group MTN002	1,000,000,000.00	2019/8/7	3+2 years	995,229,811.32
Special Bonds of Shandong Provincial Government for Yellow Water Diversion to The East (Phase I) - 2019 Years Shandong Provincial Government Special Bonds (Phase 22)	176,000,000.00	2019.6.25	10 years	176,000,000.00
Tianyuan 17 Debt	300,000,000.00	2017/6/14	5 years	295,869,000.00
Overseas US Dollar Preferred Notes	2,815,134,626.00	2019/12/18	2 years	2,815,134,626.00
Shuifa International B2022	2,790,480,000.00	2019/9/17	3 years	2,790,480,000.00
Shuifa International Overseas Debt	697,620,000.00	2019/11/20	364 days	697,620,000.00
Total	15,379,234,626.00			15,293,234,380.71

Continued:

Bond name	Opening balance	Current issue amount	Interest accrued at face value	Amortization of premium and discount	Current repayment amount	Closing balance
15 Shandong Water PPN001	996,449,130.04		65,000,000.00	3,300,869.96	999,750,000.00	
16 Lushui 01	992,082,785.74	360,997,879.26	39,800,000.00	3,167,214.26	470,000,000.00	886,247,879.26
16 Lushui 02	992,037,135.24	920,000,000.00	37,500,000.00	3,212,864.76	920,015,250.00	995,234,750.00
17 Lushui 01	1,189,206,135.25		71,400,000.00	593,864.75		1,189,800,000.00
18 Shuifa 01	497,240,192.30		31,000,000.00	542,826.57		497,783,018.87
18 Shuifa 02	498,200,000.00		27,500,000.00	600,000.00		498,800,000.00
19 Shuifa 01		995,754,716.98	40,753,424.66	566,037.73		996,320,754.71
19 Shuifa Group GN001		398,000,000.00	16,190,136.99	333,333.33		398,333,333.33
19 Shuifa Group MTN 001		995,476,415.09	21,391,232.88	376,965.41		995,853,380.50

Bond name	Opening balance	Current issue amount	Interest accrued at face value	Amortization of premium and discount	Current repayment amount	Closing balance
19 Shuifa Group MTN002		995,229,811.32	16,512,328.77	318,012.58		995,547,823.90
Special Bonds of Shandong Provincial Government for Yellow Water Diversion to The East (Phase I) - 2019 Years Shandong Provincial Government Special Bonds (Phase 22)		176,000,000.00				176,000,000.00
Tianyuan 17 Debt	297,107,040.00		21,526,560.00	826,560.00		297,933,600.00
Overseas US Dollar Preferred Notes		2,815,134,626.00				2,815,134,626.00
Shuifa International B2022		2,790,480,000.00		-17,580,024.00		2,772,899,976.00
Shuifa International Overseas Debt		697,620,000.00		-8,720,333.71		688,899,666.29
Total	5,462,322,418.57	11,144,693,448.65	388,573,683.30	-12,461,808.36	2,389,765,250.00	14,204,788,808.86

(2) Description of other financial instruments classified as financial liabilities:

a) Changes in preferred shares, perpetual bonds and other financial instruments outstanding at the end of the period

Outstanding financial instruments	Opening book value	Increase in current period	Decrease in current period	Closing book value

Preferred Stock of Huabao Trust of Jinan Shuifa Equity Investment Fund Partnership (Limited Partnership)	1,000,000,000.00			1,000,000,000.00
Preferred Stock of Western Trust of Jinan Shuifa Water Transfer Equity Investment Fund Partnership (Limited Partnership)	300,000,000.00			300,000,000.00
Total	1,300,000,000.00			1,300,000,000.00

b) Explanation on the basis for other financial instruments to be classified into financial liabilities:

1) On October 9, 2016, Shandong Shuifa Construction Fund Management Co., Ltd., Nongyin Jinsui (Suzhou Industrial Park) Investment Management Co., Ltd., Huabao Trust Co., Ltd. and Shuifa Group Co., Ltd. jointly established Jinan Shuifa Equity Investment Fund Partnership (Limited Partnership). The total subscribed capital contribution of Jinan Shuifa Equity Investment Fund Partnership (Limited Partnership) is 1,250,200,000.00 yuan, of which the general partner Shandong Shuifa Construction Fund Management Co., Ltd. is the executive partner, and the subscribed capital contribution is 100,000.00 yuan; the general partner Nongyin Jinsui (Suzhou Industrial Park) Investment Management Co., Ltd. has subscribed the capital contribution of 100,000.00 yuan; priority limited partner Huabao Trust Co., Ltd. contributed 1,000,000,000.00 yuan, and secondary limited partner Shuifa Group Co., Ltd. contributed 250,000,000.00 yuan. Huabao Trust Co., Ltd. does not participate in partnership affairs. It collects fixed income from Jinan Shuifa Equity Investment Fund Partnership (Limited Partnership) every half a year. The calculation of fixed income is based on the paid in capital contribution, and the fixed interest rate is 15% higher than the benchmark loan interest rate of the same grade in the same period of the People's Bank of China.The above capital contribution is a debt instrument that Jinan Shuifa Equity Investment Fund Partnership (Limited Partnership) needs to repay interest on a regular basis.

2) On August 8, 2017, Shandong Shuifa Construction Fund Management Co., Ltd., Western Trust Co., Ltd. and Shuifa Group Co., Ltd. established Jinan Shuifa Water Transfer Equity Investment Fund Partnership (Limited Partnership). The total subscribed capital contribution of Jinan Shuifa Water Transfer Equity Investment Fund Partnership (Limited Partnership) is 750,100,000.00 yuan, the general partner Shandong Shuifa construction fund management Co., Ltd. is the executive partner, and the subscribed capital contribution is 100,000.00 yuan; the limited partner Western Trust Co., Ltd. has subscribed the capital contribution of 600,000,000.00

yuan; the limited partner Shuifa Group Co, The amount of capital contribution subscribed by Ltd. is 150,000,000.00 yuan; as of December 31, 2019, the partnership has actually received 300,000,000.00 yuan from Western Trust Co., Ltd. The above capital contribution is a debt instrument of Jinan Shuifa Water Transfer Equity Investment Fund Partnership (Limited Partnership) which needs to repay interest on a regular basis.

36.Disclosure of preferred shares, perpetual bonds, and other financial instruments

(1)Statement of preferred shares, perpetual bonds and other financial instruments outstanding at the end of the period

Outstanding financial instruments	Issue date	Classification	Stock interest rate or interest rate (%)	Issue price	Number	Amount	Maturity date or renewal	Stock transfer conditions	Conversion situation
Non public offering of renewable corporate bonds in 2019 (phase I)	2019	Equity instruments	Note 1	100.00	15,000,000.00	1,500,000,000.00	At the end of every three interest bearing years, the renewal option will be issued at the end of every three interest bearing years	None	None
Bocom international Rongcheng No.135 collective fund trust	2019	Equity instruments	Note 2			500,000,000.00	One month before the expiration of the term, the company has the option of renewal	None	None
CCB trust perpetual loan	2019	Equity instruments	Note 3			280,487,655.70	Every two years as a cycle, the next interest reset period can exercise the option	None	None
Total					15,000,000.00	2,280,487,655.70			

Note 1: the coupon rate of the first cycle will be determined by the company and the lead underwriter within the interest rate inquiry interval according to the results of offline bookkeeping and filing, and will remain unchanged in the first cycle. From the second cycle, the coupon rate is reset once in each repricing cycle. The coupon rate of the first cycle is the initial benchmark

interest rate plus the initial interest margin, of which the initial benchmark interest rate is 5 working days before the bookkeeping date (www.chinabond.com.cn) (or other websites approved by China Central Government securities registration and Clearing Co., Ltd.) published the yield curve of China bond inter-bank fixed interest rate treasury bonds, and the arithmetic of the yield of treasury bonds with a maturity of 3 years average (rounded to 0.01%). The initial spread is the difference between the coupon rate and the initial benchmark interest rate. If the issuer exercises the renewal option, the coupon rate will be adjusted to the current benchmark interest rate plus the initial spread plus 300 basis points starting from the second cycle (i.e. the fourth interest bearing year), which will remain unchanged in the second repricing cycle. The current benchmark interest rate is 5 working days before the coupon rate reset date (www.chinabond.com.cn) (or other websites approved by China Central Government securities registration and Clearing Co., Ltd.) published the yield curve of China bond inter-bank fixed interest rate treasury bonds, and the arithmetic average of the yield of treasury bonds with a maturity of 3 years (rounded to 0.01%). Thereafter, the reset coupon rate of each cycle is determined by the current benchmark interest rate plus the initial interest rate plus 300 basis points (that is, the formula of the coupon rate is: current coupon rate = current benchmark interest rate + initial interest margin + 300BPS).

Note 2: the investment interest of the investment price of each period is calculated and paid by two parts of interest, namely "investment interest 1" and "investment interest 2". Investment interest 1 = the balance of investment price in the current period × 7.9% / 365 × the actual duration days of the current interest period; the investment interest in the initial investment period is 2 = the investment price amount of the current period × 1% / 365 × the actual duration days of the current interest bearing period, and the investment interest of the extended investment period is 2 = the investment price amount of the current period × 1% / 365 × the actual duration days of the current interest period.

Note 3: from the withdrawal date to the first interest date, the interest rate is 8.99%, and the first interest reset period is 11.99%. Thereafter, the interest rate of each interest reset period (whichever is lower) is: ① the interest rate of the previous interest reset period plus 3% and ② 60% or (lower) the higher interest rate permitted by law.

(2)Statement of changes in preferred shares, perpetual bonds and other financial instruments issued to the public

Outstanding financial instruments	Opening balance		Increase in current period		Decrease in current period		Closing balance	
	Number	Book value	Number	Book value	Number	Book value	Number	Book value

Outstanding financial instruments	Opening balance		Increase in current period		Decrease in current period		Closing balance	
	Number	Book value	Number	Book value	Number	Book value	Number	Book value
Non public offering of renewable corporate bonds in 2019 (phase I)			15,000,000.00	1,491,509,434.00			15,000,000.00	1,491,509,434.00
Bocom international Rongcheng No.135 collective fund trust				500,000,000.00				500,000,000.00
CCB trust perpetual loan				280,487,655.70				280,487,655.70
Total			15,000,000.00	2,271,997,089.70			15,000,000.00	2,271,997,089.70

37.Long-term payable

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
Long-term payable	6,085,100,330.04	5,429,565,924.26	2,784,091,383.99	8,730,574,870.31
Special payable	249,720,978.62	92,930,052.28	188,375,183.72	154,275,847.18
Total	6,334,821,308.66	5,522,495,976.54	2,972,466,567.71	8,884,850,717.49

Note: long-term payable in the above table refer to long-term payable after deducting special payable.

(1)Balance of top 5 long-term payable at the end of the period

Item	Closing balance	Opening balance
Integrated Service Center of Leling Water Bureau	502,438,240.07	502,438,240.07
Foshan Haisheng Financial Leasing Co., Ltd	340,558,927.82	
Haitong Hengxin International Leasing Co., Ltd	296,016,511.84	261,915,000.00
Zhaoyin Financial Leasing Co., Ltd	278,053,714.04	357,383,563.76
China Power Investment Financial Leasing Co., Ltd	270,000,000.00	
Total	1,687,067,393.77	1,121,736,803.83

(2)Balance of top 5 special payable at the end of the period

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
"Three for one industry" Project	58,405,676.31	30,204,705.26	58,405,676.31	30,204,705.26
Xiuwu Construction Investment and Development Co., Ltd	29,424,000.00			29,424,000.00
Demolition compensation		21,510,033.41		21,510,033.41
Earmarked payment - earmarked funds	13,200,000.00			13,200,000.00
Appropriation of financial special funds	8,538,959.70		2,326,878.90	6,212,080.80
Total	109,568,636.01	51,714,738.67	60,732,555.21	100,550,819.47

38.Provisions

Item	Closing balance	Opening balance
Product quality assurance	9,050,475.00	10,254,600.00
Restructuring obligations		28,000,000.00
Other		7,905,000.00
Total	9,050,475.00	46,159,600.00

39.Deferred income

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
Government subsidies	356,393,225.87	477,225,366.98	92,463,577.33	741,155,015.52
Opening fee of central heating in Shancheng resettlement area of coal mining subsidence area		1,329,251.83		1,329,251.83
Total	356,393,225.87	478,554,618.81	92,463,577.33	742,484,267.35

Description of government subsidies:

Item	Opening balance	Subsidy increased over current period	Amount recorded in non-operating income over current period	Other changes	Closing balance	Related to assets/Related to income
Hunan Park Roof Power Station		115,450,382.02	6,902,458.79		108,547,923.23	Related to assets

Land Compensation	37,564,105.73	32,877,706.11	1,453,306.00		68,988,505.84	Related to assets
Phase II Ppp Project of Biological Boiler in Lianghe Area of Jinan High Tech Zone	46,730,729.17		4,845,497.16		41,885,232.01	Related to assets
Chenbei Water Plant Project	33,150,000.04	3,400,000.00	1,237,222.83		35,312,777.21	Related to assets
Government Subsidy for Gas Pipeline		30,951,962.19	2,224,411.97		28,727,550.22	Related to assets
Construction Subsidy Fund for Fenyi Real Estate Project	25,580,468.48				25,580,468.48	Related to assets
Enterprise Support Fund	25,016,667.00				25,016,667.00	Related to assets
Provincial Finance Water Resources Allocation Project Funds	24,030,000.00				24,030,000.00	Related to assets
Interest of Phase II Construction Period		22,894,100.00	890,326.10		22,003,773.90	Related to assets
Financial Subsidy Fund for Jiuhua 30MW Centralized Continuous Power Generation Demonstration Project (Golden Sun)		21,804,693.60	1,306,426.68		20,498,266.92	Related to assets
Shandong Provincial Agricultural Central Budget Memory Fund	20,000,000.00				20,000,000.00	Related to assets
Fund Subsidy for Xinhe Reservoir Construction	19,000,000.00				19,000,000.00	Related to assets

Financial Subsidy Funds for Supporting Project Construction of South to North Water Transfer Project of Weifang Finance Bureau	17,260,000.00				17,260,000.00	Related to assets
Central Heating Pipe Network Project in Yongji City		16,005,948.80			16,005,948.80	Related to assets
Supporting Cost of Infrastructure Construction Is Invested in Pipe Network Construction		14,855,763.91	327,840.00		14,527,923.91	Related to assets
Subsidy for Zhongdu Reservoir Construction	13,494,057.02	1,001,385.93			14,495,442.95	Related to assets
Subsidy for Construction of Chengbei Waterworks	13,720,000.00				13,720,000.00	Related to assets
Emergency Peak Shaving Station		13,000,000.00			13,000,000.00	Related to assets
Cogeneration Project of Liangshan Qianneng Bioelectricity Co., Ltd	4,000,000.00	8,240,000.00			12,240,000.00	Related to assets
Special Subsidy Fund for Ecological Civilization Construction		10,000,000.00			10,000,000.00	Related to assets
Other	76,847,198.43	186,743,424.42	73,276,087.80		190,314,535.05	Related to assets
Total	356,393,225.87	477,225,366.98	92,463,577.33		741,155,015.52	—

40.Other non-current liabilities

Item	Closing balance	Opening balance
Deferred income of China Shipping Group Leasing Co., Ltd		73,979,689.16
Total		73,979,689.16

41.Paid-in capital

Name of investor	Opening balance		Increase in current period	Decrease in current period	Closing balance	
	Investment amount	Proportion (%)			Investment amount	Proportion (%)
State-owned Assets Supervision and Administration Commission of Shandong Provincial People's Government	3,644,043,200.00	70.00			3,644,043,200.00	70.00
Shandong Guohui Investment Co., Ltd	1,041,155,200.00	20.00			1,041,155,200.00	20.00
Shandong Provincial Council of Social Security Fund	520,577,600.00	10.00			520,577,600.00	10.00
Total	5,205,776,000.00	100.00			5,205,776,000.00	100.00

42.Other equity instruments

Outstanding financial instruments	Opening balance		Increase in current period		Decrease in current period		Closing balance	
	Amount	Book value	Amount	Book value	Amount	Book value	Amount	Book value
Non-public issuance of renewable corporate bonds in 2019 (first issue)			15,000,000.00	1,491,509,434.00			15,000,000.00	1,491,509,434.00
Bocom international Rongcheng No.135 collective fund trust				500,000,000.00				500,000,000.00

Outstanding financial instruments	Opening balance		Increase in current period		Decrease in current period		Closing balance	
	Amount	Book value	Amount	Book value	Amount	Book value	Amount	Book value
CCB trust perpetual loan				280,487,655.70				280,487,655.70
Total			15,000,000.00	2,271,997,089.70			15,000,000.00	2,271,997,089.70

43.Additional Paid-in Capital

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
Capital premium (capital stock premium)	261,191,840.20	48,476,056.67		309,667,896.87
Other capital reserve	5,362,070,118.90			5,362,070,118.90
Total	5,623,261,959.10	48,476,056.67		5,671,738,015.77
Including: state-owned exclusive capital reserve				

Description of increase and decrease of capital reserve:

1). The Shandong Provincial Committee of the Communist Youth League transferred the equity of Shandong China Youth Travel Agency and Shandong Shanqing World Youth Practice Center to the company, forming a capital reserve of 26,621,118.02 yuan; Shandong Provincial Water Resources Department transferred Zibo Pioneer Driver Training Co., Ltd. to the company for free, forming capital reserve of 640,995.83 yuan.

2) The minority shareholders of some subsidiaries of the company contributed capital, and the company calculated the capital premium that should be enjoyed according to the shareholding ratio, resulting in an increase of 21,213,942.82 yuan in the capital reserve.

44.Special reserve

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance	Note
Safety production cost	46,761,927.25	1,267,444.29	27,877,233.85	20,152,137.69	
Total	46,761,927.25	1,267,444.29	27,877,233.85	20,152,137.69	—

45.Surplus reserve

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
Statutory surplus reserve	987,170.48			987,170.48
Total	987,170.48			987,170.48

46.Retained earnings

Item	FY 2019	FY 2018
Retained earnings at the end of prior year	368,945,786.61	271,949,090.34
Increase in current period	482,436,620.06	105,712,196.27
Including: Net profit in the current period	482,436,620.06	105,712,196.27
Other adjustment factors		
Decrease in current period	103,732,258.66	8,715,500.00
Including: Statutory surplus reserve		
General risk reserves		
Cash dividend payable	9,514,100.00	8,715,500.00
Transfer to paid-in capital		
Other decrease	94,218,158.66	
Retained earnings at the end of the year	747,650,148.01	368,945,786.61

47.Operating income and cost

Item	FY 2019		FY 2018	
	Income	Cost	Income	Cost
Water conservancy construction	5,203,293,034.81	4,183,800,979.38	4,046,219,809.15	3,167,355,228.73
Water supply and diversion	1,396,350,370.50	732,419,941.98	1,121,839,339.12	587,044,260.31
Sewage disposal	543,675,626.45	370,785,350.09	353,898,933.59	227,218,193.79
Environmental protection	838,926,163.93	789,839,215.25		
Clean energy	4,327,918,249.52	3,508,004,313.39	1,694,402,344.09	1,166,165,041.43
Modern agriculture	5,449,379,136.11	5,233,951,548.99	604,961,227.55	542,290,035.97
Cultural tourism	888,250,383.04	673,868,586.85	320,256,438.50	235,667,846.77

Item	FY 2019		FY 2018	
	Income	Cost	Income	Cost
Medical rehabilitation	598,936,993.20	538,650,244.06	940,556,874.37	803,696,188.15
Real estate	1,791,584,119.93	1,372,269,689.34	1,733,499,948.56	1,264,540,559.98
Other	299,511,716.20	216,737,748.96	252,077,379.56	138,225,428.49
Total	21,337,825,793.69	17,620,327,618.30	11,067,712,294.49	8,132,202,783.62

48.Selling and distribution expenses

Item	FY 2019	FY 2018
Packing fee	418,044.55	26,242.14
Transportation expenses	38,501,564.51	12,229,350.32
Handling charges	4,544,854.44	1,358,527.79
Storage fee	8,876,649.73	
Insurance fee	4,262,652.79	556,760.23
Exhibition fee		957,547.19
Advertising expenses	30,573,721.10	24,280,167.10
Sales service fee	24,508,871.78	3,952,198.50
Staff remuneration	68,635,680.86	39,651,593.25
Operating expenses	13,075,107.14	2,901,609.11
Commission fee	7,378,836.37	8,718,375.76
Depreciation	15,317,954.35	2,006,365.87
Repair cost	16,755,519.22	9,622,015.54
Sample and product loss	3,429,741.29	23,042.24
Others	48,963,899.61	44,688,332.79
Total	285,243,097.74	150,972,127.83

49.General and administrative expenses

Item	FY 2019	FY 2018
Staff remuneration	853,741,080.33	529,859,007.18
Insurance fee	7,410,400.45	30,652,192.23
Depreciation	172,178,330.63	97,555,623.02
Repair cost	8,087,657.52	10,045,338.55
Amortization	23,224,957.03	13,159,177.14
Inventory shortage		66,653.92
Entertainment expenses	29,418,819.51	23,337,684.06
Travel expenses	31,768,769.00	28,034,827.37
Office expenses	68,263,395.47	57,031,321.33
Conference expenses	2,444,948.17	2,700,582.80
Litigation costs	2,390,439.53	472,814.84
Agency fee	125,590,968.21	53,517,646.27
Consulting fee	53,216,462.04	74,636,181.87
Technology transfer fee	14,780,339.66	2,377,989.26
Directors' fees	3,755,480.95	
Sewage charges	92,600.80	305,258.60
Others	170,293,486.52	270,212,149.30
Total	1,566,658,135.82	1,193,964,447.74

50.Finance expenses

Item	FY 2019	FY 2018
Interest expense	1,682,329,283.56	1,275,481,425.36
Less: Interest income	231,489,452.22	334,143,938.53
Exchange gain/loss	6,764,377.16	-2,951,705.33
Bank charges and other	53,387,785.77	74,605,382.04

Item	FY 2019	FY 2018
Total	1,510,991,994.27	1,012,991,163.54

51.Other income

Item	FY 2019	FY 2018
Tax deduction and refund	62,832,227.06	31,394,997.99
Heating subsidy	128,313,795.18	10,697,760.00
Electricity price subsidy	45,570,190.88	
Village and village subsidies	10,605,250.00	
Government subsidy for Mudan District water supply integration	29,299,516.00	
Provincial subsidy fund for pension service industry in 2019	9,274,200.00	
BT project interest during construction period		4,900,445.10
Enterprise special audit fee of Department of water resources		1,064,015.25
Others	66,951,646.84	31,165,790.39
Total	352,846,825.96	79,223,008.73

52.Investment income

Item	FY 2019	FY 2018
Gain on long-term equity investments subject to accounting with equity method	49,415,409.61	-16,145,817.26
Investment income from disposal of long-term equity investment	-12,962,342.51	71,723,862.60
Investment income of financial assets measured at fair value with changes included in current profits and losses during the holding period		507,397.40
Investment income from disposal of available-for-sale financial assets	459,402.26	
Profit from remeasurement of residual equity at fair value after loss of control		
Others	19,798,216.72	1,929,144.16
Total	56,710,686.08	58,014,586.90

53.Asset impairment loss

Item	FY 2019	FY 2018
Loss on uncollectible accounts of receivable	-51,415,225.48	-65,913,463.16
Inventory provision loss	-3,829,912.00	
Impairment loss of long-term equity investments	-45,026,078.12	
Impairment loss of construction in progress	-21,953,999.82	
Impairment loss of goodwill	-29,315,341.47	
Total	-151,540,556.89	-65,913,463.16

54.Asset disposal income

Item	FY 2019	FY 2018	Amount recorded in the non-recurring gain or loss of current period
Disposal of fixed assets	-306,027.70	2,203,488.79	-306,027.70
Disposal of intangible assets	4,922,000.00		4,922,000.00
Total	4,615,972.30	2,203,488.79	4,615,972.30

55.Non-operating income

Item	FY 2019	FY 2018	Amount recorded in the non-recurring gain or loss of current period
Gains from scrapping of non-current assets	6,081,898.37	1,164,430.52	6,081,898.37
Transferable equity payment	465,599,506.92	94,292,819.81	465,599,506.92
Profit from inventory	1,318,554.37	62,922.36	1,318,554.37
Income from fine and penalty	10,282,582.53	2,270,891.19	10,282,582.53
Payable that cannot be paid	38,641,133.85	24,689,278.93	38,641,133.85
Compensation	3,405,366.36	1,440,831.84	3,405,366.36
Operating loss received	31,678,699.53		31,678,699.53
Other	73,973,919.69	14,587,598.69	73,973,919.69
Total	630,981,661.62	138,508,773.34	630,981,661.62

56.Non-operating expenses

Item	FY 2019	FY 2018	Amount recorded in the non-recurring gain or loss of current period
Loss from retirement of damaged non-current assets	12,627,962.93	6,481,859.93	12,627,962.93
Donation	2,653,691.82	5,847,593.95	2,653,691.82
Extraordinary loss	38,900.00	613,688.04	38,900.00
Inventory loss	1,154,274.43	1,313,951.94	1,154,274.43
Penalty expenses	2,727,326.39	3,865,284.53	2,727,326.39
Compensation, liquidated damages	5,523,376.89	1,778,896.81	5,523,376.89
Tax overdue fine	3,744,950.42	3,540,099.89	3,744,950.42
Uncollectible amount		1,561,311.62	
Deduction of performance bond	6,000,000.00		6,000,000.00
Poverty alleviation expenditure	9,467,028.44		9,467,028.44
Other	22,052,334.02	2,331,542.35	22,052,334.02
Total	65,989,845.34	27,334,229.06	65,989,845.34

57.Income tax expenses

Item	FY 2019	FY 2018
Current income tax	317,423,569.40	242,439,419.13

Item	FY 2019	FY 2018
Deferred income tax	-62,233,206.36	-42,046,889.14
Total	255,190,363.04	200,392,529.99

58.Other comprehensive income attributable to the owners of the parent company

(1)Other comprehensive income items and their income tax impact and transfer to profit and loss

Item	FY 2019		
	Amount before tax	Income tax	Amount after tax
1.Other comprehensive income not to be reclassified as profit or loss			
2.Other comprehensive income to be reclassified as profit or loss	-4,314,613.51		-4,314,613.51
(1)Profit and loss from changes in fair value of available-for-sale financial assets	-7,191,793.30		-7,191,793.30
Less: included in other comprehensive income in previous period and transferred into profit and loss in current period			
Subtotal	-7,191,793.30		-7,191,793.30
(2)Currency translation reserve	2,877,179.79		2,877,179.79
Less: after tax net amount included in other comprehensive income in the previous period and transferred into profit and loss in the current period			
Subtotal	2,877,179.79		2,877,179.79
3.Other comprehensive income	-4,314,613.51		-4,314,613.51

Continued:

Item	FY 2018		
	Amount before tax	Income tax	Amount after tax
1.Other comprehensive income not to be reclassified as profit or loss			
2.Other comprehensive income to be reclassified as profit or loss			
(1)Profit and loss from changes in fair value of available-for-sale financial assets			
Less: included in other comprehensive income in previous period and transferred into profit and loss in			

Item	FY 2018		
	Amount before tax	Income tax	Amount after tax
current period			
Subtotal			
(2)Currency translation reserve	894,683.52		894,683.52
Less: after tax net amount included in other comprehensive income in the previous period and transferred into profit and loss in the current period			
Subtotal	894,683.52		894,683.52
3.Other comprehensive income	894,683.52		894,683.52

59.Notes to the Cash Flow Statement

(1)Adjust net profit to cash flow of operating activities

Item	FY 2019	FY 2018
1. Net profit adjusted to cash flow of operating activities:		
Net profit	607,981,342.74	351,209,544.87
Plus: Asset impairment loss	151,540,556.89	65,913,463.16
Credit impairment loss		
Fixed asset depreciation, gas and petrol depreciation, production goods depreciation	963,154,177.15	460,375,851.57
Amortization of right-use assets		
Amortization of intangible assets	421,380,998.63	171,179,100.61
Amortization of long-term prepaid expenses	188,465,484.88	11,642,465.31
Loss from disposal of fixed assets, intangible assets, and other long-term assets (“- “for gains)	-4,615,972.30	-2,203,488.79
Loss from fixed asset discard (“- “for gains)	-6,081,898.37	
Loss from changes in fair value (“- “for gains)		
Financial expenses (“- “for gains)	1,546,564,831.34	1,288,621,577.43
Investment losses (“- “for gains)	-56,710,686.08	-63,896,891.20
Decrease of deferred income tax assets (“- “for increase)	-59,459,763.54	-50,763,115.93
Increase of deferred income tax liabilities (“- “for decrease)	159,647,397.54	
Decrease of contractual assets (“- “for increase)		
Decrease of inventory (“- “for increase)	-6,199,185,540.49	-3,441,770,287.03

Item	FY 2019	FY 2018
Decrease of operational receivable items (“- “for increase)	-564,042,977.46	3,737,837,029.35
Increase of operational payable items (“- “for decrease)	2,955,223,938.41	-5,526,600,401.96
Others		
Net cash flows from operating activities	103,861,889.34	-2,998,455,152.61
2. Major investment and financing operation not involving with cash		
Debt to capital		
Convertible bonds due within one year		
Fixed assets under financing lease		
3. Net change of cash and cash equivalents		
Cash and cash equivalents at end of period	8,731,686,217.66	5,810,100,215.89
Less: Cash and cash equivalents at beginning of period	5,810,100,215.89	4,485,259,003.17
Plus: closing balance of cash equivalents		
Less: opening balance of cash equivalents		
Net increase in cash and cash equivalents	2,921,586,001.77	1,324,841,212.72

(2)Cash and cash equivalents

Item	Closing balance	Opening balance
I. Cash	8,731,686,217.66	5,810,100,215.89
Including: Cash on hand	4,560,877.79	23,487,726.97
Cash at bank that can be readily drawn on demand	7,026,353,385.43	5,565,591,761.13
Other cash balances that can be readily drawn on demand	1,700,771,954.44	221,020,727.79
Deposits with the central bank available for payment		
Interbank payment		
Interbank placements		
II. Cash equivalents		
Including: Bond investment due within three months		
III. Cash and cash equivalents at the end of the reporting period	8,731,686,217.66	5,810,100,215.89
Including: restricted cash and cash equivalent used by parent company or subsidiaries in the Group		

60.Foreign Currency Monetary Items

Item	Carrying amount at foreign currency	Exchange rate	Carrying amount at RMB
Cash and cash equivalents	3,443,814,514.73		260,757,942.38
Including: USD	7,154,227.88	6.98	49,909,324.54
Rupee	3,436,660,286.85	0.06	210,848,617.84

61.Assets with restricted ownership or use right

Item	Closing book value	Reason
Cash and cash equivalents	2,003,682,681.62	Bill deposit and large deposit certificate
Accounts receivable	1,059,892,008.79	Pledged
Inventories	117,000,000.00	Mortgage
Fixed assets	1,499,928,379.07	Mortgage
Intangible assets	37,832,596.00	Mortgage
Construction in progress	2,770,313,169.24	Mortgage
Investment properties	10,388,728.83	Mortgage
Long-term equity investments	25,145,600.00	Pledged

IX.Contingencies

As at 31 December 2019, there were no important contingencies that are required to be disclosed.

X.Matters after the balance sheet date

There were no significant post-balance-sheet-date events that are required to be disclosed as at the date of the authorization of the financial statements for issue.

XI.Related Parties and Related Transactions

1.Related party relationship

(1)Parent company

Parent company	Place of registration	Major business location	Paid in capital (10K)	Holding proportion (%)	Voting proportion (%)

Parent company	Place of registration	Major business location	Paid in capital (10K)	Holding proportion (%)	Voting proportion (%)
State-owned Assets Supervision and Administration Commission of Shandong Provincial People's Government	Jinan, Shandong	Government agencies		70.00	70.00

(2)Please refer to note VII, business combination and consolidated financial statements for details of subsidiary company.

(3)For information about joint ventures and associated enterprises, please refer to note VIII. 13 long-term equity investments.

(4)Information about Other Related Parties

Name of other related party	Relationship with the Company
Heze Tianze Environmental Protection Industry Co., Ltd	Minority shareholders of subsidiaries
Juancheng Rural Water Service Center	Minority shareholders of subsidiaries
Shandong Dongming Water Conservancy Engineering Company	Minority shareholders of subsidiaries
Dongming Rundong Water Industry Co., Ltd	Minority shareholders of subsidiaries
Beijing Jiayuhuaxin Investment Co., Ltd	Minority shareholders of subsidiaries
Shandong Ping'An Electrical Equipment Co., Ltd	Minority shareholders of subsidiaries
Sichuan Huafei Energy Investment Co., Ltd	Minority shareholders of subsidiaries
Sichuan Dongfanghaoyuan Electric Power Co., Ltd	Minority shareholders of subsidiaries
Sichuan Huate Energy Development Co., Ltd	Minority shareholders of subsidiaries
Luding Minghe Electric Power Co., Ltd	Minority shareholders of subsidiaries
Shandong Zhongji Huajing Garden Engineering Co., Ltd	Minority shareholders of subsidiaries
Heze City Development Investment Co., Ltd	Minority shareholders of subsidiaries
Heze Urban Development and Investment (Group) Co. Ltd	Minority shareholders of subsidiaries
Qingdao City Investment High-Tech Holdings Ltd	Minority shareholders of subsidiaries
Shanghai Heyuan Chuangsheng Investment Co., Ltd	Minority shareholders of subsidiaries
Shandong Jianda Education Real Estate Co., Ltd	Minority shareholders of subsidiaries
Shandong Jiqing Construction and Development Co., Ltd	Minority shareholders of subsidiaries
Heze HUDIC Real Estate Co., Ltd	Minority shareholders of subsidiaries
Qingdao Runtong Real Estate Co., Ltd	Minority shareholders of subsidiaries
Jiangsu Ketong Engineering Consulting Co., Ltd	Minority shareholders of subsidiaries
Laiyang Bathing Reservoir Administration Bureau	Minority shareholders of subsidiaries

Name of other related party	Relationship with the Company
Agriculture, Forestry and Water Conservancy Bureau of Weifang Binhai Economic and Technological Development Zone	Minority shareholders of subsidiaries
Yangzi Sub District Office, Binhai Economic Development Zone, Weifang, Shandong Province	Minority shareholders of subsidiaries
Jinxiang Antai Water Service Co., Ltd	Minority shareholders of subsidiaries
Jinxiang Shazhou Investment Development Co., Ltd	Minority shareholders of subsidiaries
Shandong Bangzhong Internet of Things Technology Co., Ltd	Minority shareholders of subsidiaries
Dongying Penghui Engineering Consulting Co., Ltd	Minority shareholders of subsidiaries
Villagers' Investment in Dazaiwa Town	Minority shareholders of subsidiaries
Jinan Shuifa Water Transfer Equity Investment Fund Partnership	Minority shareholders of subsidiaries
Jiangxi Water Conservancy and Hydropower Construction Co., Ltd	Minority shareholders of subsidiaries
Jinan Libaoying Environmental Protection Partnership (Limited Partnership)	Minority shareholders of subsidiaries
Jinan Fangda Equity Investment Fund Management Partnership (Limited Partnership)	Minority shareholders of subsidiaries
Qingdao Dexin Holding Group Co., Ltd	Minority shareholders of subsidiaries
Qingdao Penghao Water Service Co., Ltd	Minority shareholders of subsidiaries
Dongying Penghui Engineering Consulting Co., Ltd	Minority shareholders of subsidiaries
Yantai Green Water Membrane Material Co., Ltd	Minority shareholders of subsidiaries
Laiyang Water Conservancy Comprehensive Service Corporation	Minority shareholders of subsidiaries
Weifang Lu Kangsheng Investment Co., Ltd	Minority shareholders of subsidiaries
Shouguang Water Holding Group Co., Ltd	Minority shareholders of subsidiaries
Weifang Baoshi Beach Eco Tourism Development Co., Ltd	Minority shareholders of subsidiaries
Gaomi Huixintong Warehousing Logistics Co., Ltd	Minority shareholders of subsidiaries
Sishui Tongye Renewable Resources Utilization Co., Ltd	Minority shareholders of subsidiaries
Gushi County Construction Investment Company	Minority shareholders of subsidiaries
Shanghai Tongqi New Energy Technology Co., Ltd	Minority shareholders of subsidiaries
Leling City Assets Management and Construction Investment Co., Ltd	Minority shareholders of subsidiaries
Ningjin Water Supply Corporation	Minority shareholders of subsidiaries
Hangzhou Meian Wulian Technology Co., Ltd	Minority shareholders of subsidiaries
Jinan Meijin Electronic Technology Co., Ltd	Minority shareholders of subsidiaries
Shandong Jianda Education Real Estate Co., Ltd	Minority shareholders of subsidiaries

2.Related Transaction

(1)Purchase of goods from related parties Unit: 10k yuan

Related Party	Relationshio	Pricing policy	FY 2019		FY 2018		Note
			Amount	Proportion of similar transactions (%)	Amount	Proportion of similar transactions (%)	
Heze Tianze Environmental Protection Industry Co., Ltd	Original shareholder	Market price	32,192.34	100.00	858,317.7	100.00	

(2)Sales of goods to related parties Unit: 10k yuan

Related party	Relationshio	Pricing policy	FY 2019		FY 2018		Note
			Amount	Proportion of similar transactions (%)	Amount	Proportion of similar transactions (%)	
Ningjin Water Supply Corporation	Minority shareholders	Market price	11,842,969.52	1.00	11,067,871.89	1.00	
Jinan Meijin Electronic Technology Co., Ltd	Minority shareholders	Market price	3,176,795.97	0.07	4,364,474.24	0.02	
Hangzhou Meian Wulian Technology Co., Ltd	Minority shareholders	Market price	7,486,554.30	0.09	1,954,526.65	0.09	

3.Receivables and payables of related party

(1)Receivables from related parties

Item	Related party	Closing balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivable					
	Shandong Ping'An Electrical Equipment Co., Ltd	390,000.00		390,000.00	
	Luding Minghe Electric Power Co., Ltd	95,300.00		95,300.00	
	Shandong Heng'an Dongchang Construction Engineering Co., Ltd	4,533,501.07			
	Urban Asset Management and Construction Investment Co., Ltd	112,200.00		112,200.00	
	Ningjin Water Supply Corporation	3,300,507.40	-	3,320,565.40	
	Hangzhou Meian Wulian Technology Co., Ltd	1,410,241.00		2,465,120.44	
	Jinan Meijin Electronic Technology Co., Ltd	3,550,662.51		1,924,636.99	
Other receivables					
	Juancheng Rural Water Service Center	2,000,000.00		2,000,000.00	
	Sichuan Huate Energy Development Co., Ltd	44,151,249.05		44,151,249.05	

Item	Related party	Closing balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
	Luding Minghe Electric Power Co., Ltd	12,354,333.86		12,354,333.86	
	Heze City Development Investment Co., Ltd	43,059,521.74		43,022,300.00	
	Heze Hudic Real Estate Co., Ltd	10,000,000.00			
	Heze City Development Investment Co., Ltd	3,558,716.42			
	Heze Urban Development and Investment (Group) Co. Ltd	82,500.00			
	Heze Hudic Real Estate Co., Ltd	495,833.33			
	Qingdao Runtong Real Estate Co., Ltd	17,185,280.00		12,380,000.00	
	Hangzhou Meian Wulian Technology Co., Ltd	4,472,655.00			

(2)Payables from related parties

Item	Related party	Closing balance	Opening balance
Accounts payable			
	Heze Tianze Environmental Protection Industry Co., Ltd	1,886,471.80	1,854,279.46
	Shandong Ping'An Electrical Equipment Co., Ltd	736,503.00	734,734.00
Other			

Item	Related party	Closing balance	Opening balance
payables			
	Beijing Jiayuhuaxin Investment Co., Ltd	8,334,472.70	7,979,404.82
	Huili Chenghe Hydropower Development Co., Ltd	24,816,653.52	24,828,653.52
	Sichuan Dongfang Haoyuan Mine Engineering Co., Ltd	94,018,125.00	-
	Sichuan Dongfanghaoyuan Electric Power Co., Ltd	-	92,250,000.00
	Yanyuan State-owned Assets Management Co., Ltd	700,000.00	700,000.00
	Meiyi Investment Real Estate Co., Ltd	238,415,555.54	14,885,621.70
	Heze City Development Investment Co., Ltd	14,815,560.60	14,815,560.60
	Heze Urban Development and Investment (Group) Co. Ltd	200,000.00	200,000.00
	Qingdao City Investment High-Tech Holdings Ltd	107,500,000.00	46,702,554.45
	Shanghai Heyuan Chuangsheng Investment Co., Ltd	4,061,650.29	3,062,719.07
	Shandong Jianda Education Real Estate Co., Ltd	131,637,943.48	185,686,192.90
	Shanghai Heyuan Chuangsheng Investment Co., Ltd	9,307,267.00	10,282,267.00
	Shandong Jiqing Construction and Development Co., Ltd	12,000,000.00	
	Guorong Wealth Capital Management Co., Ltd	48,960,000.00	

XII.Notes to Financial Statements of the Parent Company

1. Accounts receivable

Type	Closing balance				Opening balance			
	Book balance		Bad debt provision		Book balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable with significant single amount and having bad debt reserve withdrawn independently								
Accounts receivable with bad debt reserve withdrawn as per the portfolio of credit risk characteristics	328,885,641.91	100.00			202,483,481.21	100.00		
Accounts receivable with insignificant single amount and having bad debt reserve withdrawn independently								
Total	328,885,641.91	—		—	202,483,481.21	—		—

(1)Accounts receivable with bad debt reserve withdrawn as per the portfolio of credit risk characteristics

a) Other portfolio:

Item	Closing balance			Opening balance		
	Book balance	Proportion (%)	Bad debt provision	Book balance	Proportion (%)	Bad debt provision
Related-party portfolio	328,885,641.91			202,483,481.21		
No risk portfolio						
Total	328,885,641.91			202,483,481.21		

(2)Balance of top 5 accounts receivable at the end of each period

Company name	Book balance	Proportion in ending balance of accounts receivable (%)	Bad debt provision
Shuifa Agricultural Development Co., Ltd	34,944,242.68	10.63	
Shuifa Minsheng Industrial Investment Group Co., Ltd	33,149,658.33	10.08	

Company name	Book balance	Proportion in ending balance of accounts receivable (%)	Bad debt provision
Shandong Shuifa Tianyuan Water Group Co., Ltd	31,750,167.29	9.65	
Shuifa Utilities Group Co., Ltd	29,096,463.66	8.85	
Shandong Chengwu No.1 Middle School	26,911,000.00	8.18	
Total	155,851,531.96	47.39	

2. Other receivables

Item	Closing balance	Opening balance
Interest receivable		
Dividends receivable	70,000,000.00	10,000,000.00
Other receivables	20,497,843,612.26	9,753,712,768.30
Total	20,567,843,612.26	9,763,712,768.30

(1)Dividends receivable

Item	Closing balance	Opening balance	Reasons for non recovery	Impairment and judgment basis
Dividends receivable within one year				
1．Shandong Shuifa Holding Group Co., Ltd	60,000,000.00		Group planning	No, wholly owned subsidiary has normal operating and financial standing.
2．Shandong Water Conservancy Construction Group Co., Ltd	10,000,000.00	10,000,000.00	Group planning	No, wholly owned subsidiary has normal operating and financial standing.
Total	70,000,000.00	10,000,000.00		

(2)Other receivables

Type	Closing balance				Opening balance			
	Book balance		Bad debt provision		Book balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)

Type	Closing balance				Opening balance			
	Book balance		Bad debt provision		Book balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables with significant single amount and having bad debt reserve withdrawn independently								
Other receivables with bad debt reserve withdrawn as per the portfolio of credit risk characteristics	20,517,241,070.59	99.97	19,397,458.33	0.10	9,759,862,768.30	100.00	6,150,000.00	0.01
Other receivables with insignificant single amount and having bad debt reserve withdrawn independently	6,017,500.00	0.03	6,017,500.00	100.00	17,500.00		17,500.00	100.00
Total	20,523,258,570.59	—	25,414,958.33	—	9,759,880,268.30	—	6,167,500.00	—

(1)Other receivables with bad debt reserve withdrawn as per the portfolio of credit risk characteristics

a)Account aging portfolio:

Aging	Closing balance			Opening balance		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	Proportion (%)		Amount	Proportion (%)	
Less than 1 year	7,117,500.00	5.08		15,949,166.67	11.48	

Aging	Closing balance			Opening balance		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	Proportion (%)		Amount	Proportion (%)	
1-2 years	15,949,166.67	11.39	797,458.33	32,000,000.00	23.03	1,600,000.00
2-3 years	32,000,000.00	22.85	1,600,000.00	91,000,000.00	65.49	4,550,000.00
Over 3 years	85,000,000.00	60.68	17,000,000.00			
Total	140,066,666.67	100.00	19,397,458.33	138,949,166.67	100.00	6,150,000.00

b) Other portfolio

Item	Closing balance			Opening balance		
	Book balance	Proportion (%)	Bad debt provision	Book balance	Proportion (%)	Bad debt provision
Related-party portfolio	20,358,016,132.33			9,619,841,449.94		
No risk portfolio	19,158,271.59			1,072,151.69		
Total	20,377,174,403.92			9,620,913,601.63		

(2)Other receivables with insignificant single amount and having bad debt reserve withdrawn independently

Company name	Book balance	Bad debt provision	Aging	Proportion (%)	Reason
Yutai Shengyuan Water Supply Co., Ltd	6,000,000.00	6,000,000.00	3-4 years	100.00	Company cancellation
Jinan Moyan Planning Co., Ltd	17,500.00	17,500.00	Over 3 years	100.00	Uncollectible
Total	6,017,500.00	6,017,500.00	—	—	—

(3)Balance of top 5 other receivables at the end of the period

Company name	Nature	Book balance	Aging	Proportion (%)	Bad debt provision
Shandong Shuifa Holding Group Co., Ltd	Loans	4,977,690,237.01	Less than 2 year	24.25	
Shuifa Zhongxing Group Co., Ltd	Loans	1,517,077,845.11	Less than 2 year	7.39	
Shandong Shuifa Tianyuan Water Group Co., Ltd	Loans	1,320,816,174.86	Less than 2 year	6.44	
Shuifa Energy Group Co., Ltd	Loans	1,268,556,487.95	Less than 2 year	6.18	
Shuifa Minsheng Industrial Investment Group Co., Ltd	Loans	989,276,731.14	Less than 2 year	4.82	
Total	—	10,073,417,476.07	—	49.08	

3. Long-term equity investments

(1)Classification of Long-term equity investments

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
Investment in subsidiaries	7,329,088,206.16	1,988,945,991.66	1,227,553,966.11	8,090,480,231.71
Investment in joint ventures				
Investment in associates	7,586,528.27		7,586,528.27	
Subtotal	7,336,674,734.43	1,988,945,991.66	1,235,140,494.38	8,090,480,231.71
Less: Provision for impairment				
Total	7,336,674,734.43	1,988,945,991.66	1,235,140,494.38	8,090,480,231.71

(2)Investment in subsidiaries

Invested company	Opening balance	Increase in current period	Decrease in current period	Closing balance	Provision for impairment	Closing balance of Provision for impairment
Shuifa Design Group Co., Ltd	50,000,000.00	151,000,000.00		201,000,000.00		
Shuifa Culture Industry Co., Ltd	50,000,000.00	28,000,000.00		78,000,000.00		
Shuifa Agricultural Development Group Co., Ltd		1,000,000,000.00	1,000,000,000.00			
Shuifa Agricultural Development Co., Ltd	99,412,970.28		99,412,970.28			
Shandong Shuifa Medical Co., Ltd	50,000,000.00			50,000,000.00		
Shandong Shuifa Holding Group Co., Ltd	3,861,452,244.61	640,995.83		3,862,093,240.44		
Shandong Water Resources Development Group Co., Ltd	1,826,290,000.00			1,826,290,000.00		
Shuifa Energy Group Co., Ltd	252,003,759.15			252,003,759.15		
Shandong Agricultural Development Group Co., Ltd	10,000,000.00	90,000,000.00		100,000,000.00		
Shuifa Agricultural Investment Co., Ltd		500,000,000.00		500,000,000.00		
Shuifa Tourism Development Co., Ltd	80,000,000.00	36,000,000.00		116,000,000.00		
Shuifa Ecological Technology Co., Ltd		50,000,000.00		50,000,000.00		
Shandong Shuifa Industrial Co., Ltd		6,000,000.00		6,000,000.00		

Invested company	Opening balance	Increase in current period	Decrease in current period	Closing balance	Provision for impairment	Closing balance of Provision for impairment
Shandong Medical Holdings Limited	50,000,000.00			50,000,000.00		
Shandong Shuifa Investment Co., Ltd		5,000,000.00		5,000,000.00		
Shandong Shuifa Project Management Co., Ltd	6,000,000.00	3,000,000.00		9,000,000.00		
Shuifa International Logistics Co., Ltd		8,000,000.00		8,000,000.00		
Zibo Pioneer Driver Training Co., Ltd		640,995.83	640,995.83			
Shandong Water Conservancy Construction Group Co., Ltd	441,573,200.00			441,573,200.00		
Shuifa Lunan Water Co., Ltd	100,000,000.00	55,000,000.00		155,000,000.00		
Wengyuan Lukong Water Development Co., Ltd	39,520,000.00	55,664,000.00		95,184,000.00		
Changle Sapphire Water Development Co., Ltd	127,500,000.00		127,500,000.00			
Jinan Shuifa Equity Investment Fund Partnership	250,104,138.72			250,104,138.72		
Shuifa Planning and Design Co., Ltd	35,231,893.40			35,231,893.40		
Total	7,329,088,206.16	1,988,945,991.66	1,227,553,966.11	8,090,480,231.71		

(3)Investment in joint ventures and associates

Invested company	Investment cost	Opening balance	Changes of current period			
			Additional investment	Negative investment	Gains and losses on investments recognized with equity method	Other comprehensive income adjustments
Total	7,586,528.27	7,586,528.27		7,586,528.27		
1.Joint ventures						
2.Associates	7,586,528.27	7,586,528.27		7,586,528.27		
Shandong Huaihai Engineering Construction Supervision Co., Ltd	5,940,427.21	5,940,427.21		5,940,427.21		
Rizhao Water Source Engineering Construction Supervision Co., Ltd	1,646,101.06	1,646,101.06		1,646,101.06		

Continued:

Invested company	Changes of current period				Closing balance	Closing balance of Provision for impairment
	Other changes in equity	Declare the payment of cash dividends or profits	Provision for impairment	Others		
Total						
一. Joint ventures						
二. Associates						
Shandong Huaihai Engineering Construction Supervision Co., Ltd						
Rizhao Water Source Engineering Construction Supervision Co., Ltd						

4. Operating income and cost

Item	FY 2019		FY 2018	
	Income	Cost	Income	Cost
1． Main businesses	95,146,110.49		110,589,707.90	
Management expense	95,146,110.49		110,589,707.90	
2． Other businesses				

Item	FY 2019		FY 2018	
	Income	Cost	Income	Cost
Total	95,146,110.49		110,589,707.90	

5. Investment income

Item	FY 2019	FY 2018
Gain on long-term equity investments subject to accounting with cost method	91,990,000.00	12,304,138.72
Investment income from disposal of long-term equity investment	-59,071.34	
Total	91,930,928.66	12,304,138.72

6. Notes to the Cash Flow Statement

(1)Adjust net profit to cash flow of operating activities

Item	FY 2019	FY 2018
1. Net profit adjusted to cash flow of operating activities:		
Net profit	10,300,871.71	-67,776,102.43
Plus: Asset impairment loss	19,247,458.33	6,040,000.00
Fixed asset depreciation, gas and petrol depreciation, production goods depreciation	691,190.94	146,353.26
Amortization of intangible assets	184,690.44	106,952.76
Amortization of long-term prepaid expenses	12,251,801.73	226,702.22
Loss from disposal of fixed assets, intangible assets, and other long-term assets (“- “for gains)		-32,339.81
Loss from fixed asset discard (“- “for gains)		749.03
Loss from changes in fair value (“- “for gains)		
Financial expenses (“- “for gains)	87,898,670.22	149,498,152.57
Investment losses (“- “for gains)	-91,930,928.66	-12,304,138.72
Decrease of deferred income tax assets (“- “for increase)		
Increase of deferred income tax liabilities (“- “for decrease)		
Decrease of inventory (“- “for increase)		
Decrease of operational receivable items (“- “for increase)	-7,302,332,918.66	-2,107,450,581.63

Item	FY 2019	FY 2018
Increase of operational payable items ("- "for decrease)	4,030,213,664.44	1,201,491,996.36
Others		
Net cash flows from operating activities	-3,233,475,499.51	-830,052,256.39
2. Major investment and financing operation not involving with cash		
Debt to capital		
Convertible bonds due within one year		
Fixed assets under financing lease		
3. Net change of cash and cash equivalents		
Cash and cash equivalents at end of period	1,584,989,875.99	1,135,414,162.73
Less: Cash and cash equivalents at beginning of period	1,135,414,162.73	13,051,086,192.26
Plus: closing balance of cash equivalents		
Less: opening balance of cash equivalents		
Net increase in cash and cash equivalents	449,575,713.26	-11,915,672,029.53

(2)Cash and cash equivalents

Item	Closing balance	Opening balance
I. Cash	1,584,989,875.99	1,135,414,162.73
Including: Cash on hand	100,000.00	
Cash at bank that can be readily drawn on demand	1,584,889,875.99	1,135,414,162.73
Other cash balances that can be readily drawn on demand		
Deposits with the central bank available for payment		
Interbank payment		
Interbank placements		
II. Cash equivalents		
Including: Bond investment due within three months		
III. Cash and cash equivalents at the end of the reporting period	1,584,989,875.99	1,135,414,162.73
Including: restricted cash and cash equivalent used by parent company or subsidiaries in the Group		

XIII.Supplementary information

None.

Legal Representative: CFO: Manager of Financial Department:

水发集团有限公司

29th April 2020

亚太（集团）会计师事务所

Asia Pacific (Group) CPAs

SHUIFA Group Co., Ltd.
Audit Report 2018

Asia Pacific (Group) Accounting Firm (Special General Partnership)

亚太（集团）会计师事务所（特殊普通合伙）

Contents

Audit Report

AP B trial (2019) 1715

To all shareholders of Shuifa Group Co., Ltd.:

1. Audit Opinion

We have audited the financial statements of Shuifa Group Co., Ltd. (hereinafter referred to as "Shuifa Group"), which comprises the Consolidated Statement of Balance Sheet as at December 31, 2018, the Consolidated Statement of Profit or loss, the Consolidated Statement of Cash Flows, the Consolidated Statement of changes in Equity and notes to the relevant financial statements in 2018.

In our opinion, the accompanying financial statements are prepared in accordance with the Accounting Standards for Business Enterprises in all material respects, which giving a true and fair view of the consolidated company's financial position as at December 31, 2018, of Shuifa group, and of its consolidated operation results and its consolidated cash flows for the year then ended.

2. Basis of the Audit Opinion

We conducted our audit in accordance with the provisions of the Chinese CPA Auditing Standards. Our responsibilities under those standards are further described in the "Responsibility of Certified Public Accountants for the Audit of Financial Statements" section of the audit report. In accordance with the Code of Ethics for Chinese Certified Public Accountants, we are independent of Shuifa Group and fulfill other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

3. Other information

The management of Shuifa Group (hereinafter referred to as the management) is responsible for other information. Other information comprises the information included in the 2018 annual report of Shuifa Group, but does not include the financial statements and our audit report thereon.

Our audit opinion on the financial statements does not cover other information, and we do not express any form of assurance conclusions on other information.

In conjunction with our audit of financial statements, our responsibility is to read other information and, in the process, consider whether other information is materially inconsistent with the financial statements or what we have learned during the audit process or otherwise appears to be a material misstatement.

Based on the work we have performed, if we determine that there is a material misstatement of other information, we should report that fact. In this regard, we have no event to report.

4. Management and Governance's Responsibilities for Financial Statements

The management of Shuifa Group (hereinafter referred to as the management) is responsible for preparing the financial statements in accordance with the Accounting Standards for Business Enterprises, which makes the financial statements give a true and fair reflection, design, implement and maintain necessary internal controls in order to free financial statements from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the ability of Shuifa Group to continue as a going concern, and disclosing matters relating to going concern (if applicable), and applying the going concern assumptions unless the management intend to liquidate Shuifa Group or to cease operations, or has no other realistic choices but to do so.

The governance layer is responsible for overseeing the financial reporting process of Shuifa Group.

5. Responsibility of Certified Public Accountants for Financial Statements Audit

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 audit report containing audit opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error, and misstatement is generally considered significant if it is reasonably expected that the misstatement alone or aggregated may affect the economic decisions made by the financial statement user in accordance with the financial statements.

In the course of conducting audit in accordance with Auditing Standards, we exercise professional judgment and maintained professional skepticism. At the same time, we also do the following work:

(1) Identify and assess the risks of material misstatement of financial statements, whether due to fraud or error, design and implement audit procedures to address these risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for issuing audit opinions. Since fraud may involve collusion, forgery, intentional omission, misrepresentation or overriding internal control, the risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error.

(2) Understand the internal controls related to auditing to design appropriate audit procedures, but not for the purpose of expressing an opinion on the effectiveness of internal controls.

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

(4) conclude on the appropriateness of management's use of the going concern assumption. At the same time, based on the audit evidence obtained, it is possible to draw conclusions as to whether there are material uncertainties exists related to events or circumstances that may cast significant doubts on Shuifa Group's ability to continue as a going concern. If we conclude that a material uncertainty exsits, the auditing standards requires us to draw attention in the audit report to the related disclosures in the financial report to the users; if the disclosure is not sufficient, we should publish non-unqualified opinions. Our conclusions are based on information available as of the date of the audit report. However, future events or conditions may cause Shuifa Group not being able to continue as a going concern.

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

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

We communicate with the governance layer about the planned audit scope, timing, and significant audit findings, including communicating noteworthy deficiencies in internal control that we identified in our audit.

(If there is any discrepancy with the Chinese formal report, the Chinese formal report shall prevail.)

Asia Pacific (Group) Accounting Firm

(Project Partner)

亚太（集团）会计师事务所

（特殊普通合伙）

China Certified Public Accountant:

(Special General Partnership)

中国注册会计师

China Certified Public Accountant:

中国注册会计师

中国 • 北京

China·Beijing

April 28, 2019

Consolidated Balance Sheet

As at December 31,2018

Prepared by: ShuiFa Group Co., Ltd | Unit: Yuan Currency: RMB

ITEM	Note six	AT END OF YEAR	AT BEG. OF YEAR
Current Assets:			
Cash and bank balances	(1)	6, 727, 026, 167. 11	4, 708, 354, 849. 13
Settlement provisions			
Lending funds			
Financial assets measured at fair value through profit or loss		10, 000, 000. 00	
Trading financial assets			
Notes receivable and accounts receivable	(2)	4, 308, 838, 378. 48	2, 632, 549, 833. 22
Including:Notes receivable		225, 286, 170. 30	187, 772, 879. 50
Accounts receivable		4, 083, 552, 208. 18	2, 444, 776, 953. 72
Prepayments	(3)	4, 543, 628, 853. 63	1, 470, 402, 653. 68
Receivable premium			
Reinsurance accounts receivable			
Receivable deposit for reinsurance contract			
Other receivables	(4)	3, 794, 499, 997. 56	3, 669, 483, 616. 51
Including:Interest receivable		3, 108, 185. 44	6, 938, 548. 82
Dividend receivable		6, 000, 000. 00	
Buying back resale financial assets			
Inventory	(5)	8, 459, 547, 385. 22	5, 011, 016, 136. 63
Assets held for sale			
Long-term non-current assets maturing within one year			
Other current assets	(6)	984, 142, 220. 52	574, 913, 637. 38
Total current assets		**28, 827, 683, 002. 52**	**18, 066, 720, 726. 55**
Non-current assets			
Disbursement of loans and advances			
Available-for-sale financial assets	(7)	295, 964, 308. 73	129, 923, 917. 00
Held-to-maturity investment			
Long-term receivable	(8)	2, 537, 484, 331. 09	2, 216, 402, 077. 78
Long-term equity investments	(9)	547, 960, 942. 31	585, 691, 934. 15
Investment properties	10)	1, 855, 864, 384. 98	1, 380, 752, 712. 42
Fixed assets	(11)	12, 785, 353, 165. 31	7, 429, 435, 649. 68
Construction in progress	(12)	16, 801, 563, 485. 75	12, 295, 182, 372. 06
Productive biological assets	(13)	5, 692, 846. 73	7, 700, 572. 12
Oil and gas assets			
Intangible assets	(14)	9, 910, 339, 480. 64	3, 454, 197, 637. 21
development expenditure	(15)	4, 705, 686. 46	
Goodwill	(16)	950, 065, 413. 20	290, 902, 302. 42
Long-term prepaid expenses	(17)	272, 764, 804. 73	196, 417, 229. 09
Deferred tax assets	(18)	416, 303, 462. 65	365, 540, 346. 72
Other non-current assets	(19)	797, 693, 120. 61	1, 035, 706, 661. 11
Total Non-current Assets		**47, 181, 755, 433. 19**	**29, 387, 853, 411. 76**
Total Assets		**76, 009, 438, 435. 71**	**47, 454, 574, 138. 31**

The notes to the attached financial statements are an integral part of the financial statements.

Legal representative: **Person in charge of accounting work:** **Person in charge of accounting department:**

Consolidated Balance Sheet(Continued)

As at December 31,2018

Prepared by: ShuiFa Group Co., Ltd — Unit: Yuan Currency: RMB

ITEM	Note six	AT END OF YEAR	AT BEG. OF YEAR
Current Liabilities:			
Short-term loan	(20)	5, 108, 460, 582. 91	1, 727, 720, 993. 38
Borrowings from the Central Bank			
Savings absorption&due to placements with banks and other financial institutions			
Borrowings from banks and other financial institutions			
Financial liabilities measured at fair value through profit or loss			
Trading financial liability			
Notes payables and Accounts payables	(21)	5, 350, 772, 386. 30	3, 164, 917, 898. 49
Received in advance	(22)	3, 213, 214, 115. 68	1, 059, 059, 732. 73
Inancial assets sold for repurchase			
Handling charges and commission payable			
Accrued payroll	(23)	139, 311, 863. 93	73, 734, 639. 84
Tax payable	(24)	575, 430, 493. 52	313, 760, 139. 30
Other payables	(25)	5, 316, 347, 829. 52	5, 980, 048, 106. 95
Including:Interest payable		262, 713, 526. 54	190, 789, 314. 12
Dividend payable		101, 963, 158. 08	30, 222, 580. 83
Reinsurance accounts payable			
Deposit for reinsurance contract			
Receivings from vicariously traded securities			
Receivings from vicariously sold securities			
Liabilities held for sale			
Non-current liabilities due within one year	(26)	4, 483, 552, 229. 96	3, 515, 326, 944. 33
Other current liabilities	(27)	13, 831, 406. 83	6, 156, 083. 01
Total current liabilities		**24, 200, 920, 908. 65**	**15, 840, 724, 538. 03**
Total long-term liabilities:			
Long-term loans	(28)	18, 202, 327, 001. 06	12, 571, 430, 457. 48
Bonds payable	(29)	6, 762, 322, 418. 57	5, 751, 185, 694. 13
Including:Preferred stock		1, 300, 000, 000. 00	1, 300, 000, 000. 00
Perpetual bond			
Long-term payables	(30)	6, 334, 821, 308. 66	3, 065, 775, 673. 34
Long-term payroll			
Estimated liabilities	(31)	154, 360, 600. 01	10, 254, 600. 00
Deferred income	(32)	356, 393, 225. 87	231, 999, 086. 91
Deferred income tax liabilities	(18)	620, 100, 538. 38	397, 436, 089. 46
Other non-current liabilities	(33)	73, 979, 689. 16	6, 752, 612. 00
Total long-term liabilities		**32, 504, 304, 781. 71**	**22, 034, 834, 213. 32**
Total liabilities		**56, 705, 225, 690. 36**	**37, 875, 558, 751. 35**
Owners' equity:			
Share capital	(34)	5, 205, 776, 000. 00	4, 302, 416, 000. 00
Other equity instruments			
Including:Preferred stock			
Perpetual bond			
Additional paid-in capital	(35)	5, 623, 261, 959. 10	210, 164, 847. 91
Less:Treasury stock			
Other comprehensive income		894, 683. 52	
Special reserves	(36)	46, 761, 927. 25	45, 409, 482. 20
Surplus reserve	(37)	987, 170. 48	987, 170. 48
General risk provisions			
Undistributed profits	(38)	368, 945, 786. 61	271, 949, 090. 34
Total owners' equity attributable to parent		**11, 246, 627, 526. 96**	**4, 830, 926, 590. 93**
Minority Stockholder's Interest		8, 057, 585, 218. 39	4, 748, 088, 796. 03
Total owner's equities		**19, 304, 212, 745. 35**	**9, 579, 015, 386. 96**
TOTAL LIABILITIES AND OWNER'S EQUITY		**76, 009, 438, 435. 71**	**47, 454, 574, 138. 31**

The notes to the attached financial statements are an integral part of the financial statements.

Legal representative: **Person in charge of accounting work:** **Person in charge of accounting department:**

Parent Company's Balance Sheet

As at December 31,2018

Prepared by: ShuiFa Group Co., Ltd Unit: Yuan Currency: RMB

ITEM	Note thirteen	AT END OF YEAR	AT BEG. OF YEAR
Current Assets:			
Cash and bank balances		1, 196, 814, 162. 73	325, 421, 616. 97
Financial assets measured at fair value through profit or loss			
Trading financial assets			
Notes receivable and accounts receivable	(1)	202, 483, 481. 21	91, 725, 551. 81
Including:Notes receivable			
Accounts receivable		202, 483, 481. 21	91, 725, 551. 81
Prepayments			
Other receivables	(2)	9, 763, 712, 768. 30	7, 767, 020, 116. 07
Including:Interest receivable			
Dividend receivable		10, 000, 000. 00	10, 000, 000. 00
Inventory			
Assets held for sale			
Long-term non-current assets maturing within one year			
Other current assets			4, 000, 000. 00
Total current assets		11, 163, 010, 412. 24	8, 188, 167, 284. 85
Non-current assets			
Available-for-sale financial assets			250, 000, 000. 00
Held-to-maturity investment			
Long-term receivable		1, 067, 570, 000. 00	1, 067, 570, 000. 00
Long-term equity investments	(3)	7, 209, 174, 734. 43	5, 482, 566, 170. 28
Investment properties			
Fixed assets		912, 027. 27	62, 671. 45
Construction in progress		1, 041, 589. 13	
Productive biological assets			
Oil and gas assets			
Intangible assets		1, 739, 952. 42	
development expenditure			
Goodwill			
Long-term prepaid expenses		32, 890. 47	259, 592. 69
Deferred tax assets		31, 875. 00	31, 875. 00
Other non-current assets			
Total Non-current Assets		8, 280, 503, 068. 72	6, 800, 490, 309. 42
Total Assets		19, 443, 513, 480. 96	14, 988, 657, 594. 27

The notes to the attached financial statements are an integral part of the financial statements.

Legal representative: **Person in charge of accounting work:** **Person in charge of accounting department:**

Parent Company's Balance Sheet(Continued)

As at December 31,2018

Prepared by: ShuiFa Group Co., Ltd — Unit: Yuan Currency: RMB

ITEM	Note	AT END OF YEAR	AT BEG. OF YEAR
Current Liabilities:			
Short-term loan		895, 000, 000. 00	400, 000, 000. 00
Financial liabilities measured at fair value through profit or loss			
Trading financial liability			
Notes payables and Accounts payables			
Received in advance			
Accrued payroll		3, 648, 076. 50	
Tax payable		2, 860, 451. 98	2, 913, 578. 16
Other payables		5, 075, 609, 885. 45	3, 877, 712, 839. 41
Including:Interest payable		200, 977, 492. 23	119, 553, 313. 58
Dividend payable			
Liabilities held for sale			
Non-current liabilities due within one year		1, 651, 566, 253. 31	829, 005, 648. 01
Other current liabilities			
Total current liabilities		**7, 628, 684, 667. 24**	**5, 109, 632, 065. 58**
Total long-term liabilities:			
Long-term loans		1, 805, 700, 000. 00	1, 795, 150, 000. 00
Bonds payable		5, 165, 215, 378. 57	4, 154, 905, 214. 13
Including:Preferred stock			
Perpetual bond			
Long-term payables			
Long-term payroll			
Estimated liabilities			
Deferred income			
Deferred income tax liabilities			
Other non-current liabilities			
Total long-term liabilities		6, 970, 915, 378. 57	**5, 950, 055, 214. 13**
Total liabilities		**14, 599, 600, 045. 81**	**11, 059, 687, 279. 71**
Owners' equity:			
Share capital		5, 205, 776, 000. 00	4, 302, 416, 000. 00
Other equity instruments			
Including:Preferred stock			
Perpetual bond			
Additional paid-in capital		88, 074, 723. 02	
Less:Treasury stock			
Other comprehensive income			
Special reserves			
Surplus reserve		987, 170. 48	987, 170. 48
Undistributed profits		-450, 924, 458. 35	-374, 432, 855. 92
Total owner's equities		**4, 843, 913, 435. 15**	**3, 928, 970, 314. 56**
TOTAL LIABILITIES AND OWNER'S EQUITY		19, 443, 513, 480. 96	14, 988, 657, 594. 27

The notes to the attached financial statements are an integral part of the financial statements.

Legal representative: **Person in charge of accounting work:** **Person in charge of accounting department:**

Consolidated Cash Flow Statements

For year 2018

Prepared by: ShuiFa Group Co., Ltd | Unit: Yuan Currency: RMB

ITEM	Note Six	Year 2018	Year 2017
1.Cash flows from operating activities:			
Cash received from sales of goods or rendering of services		12, 688, 218, 987. 46	5, 242, 482, 559. 66
Net increase in customer bank deposits and due to banks and other financial institutions			
Net increase in borrowings from central bank			
Net increase in placements from other financial institutions			
Premiums received from original insurance contracts			
Net cash received from reinsurance business			
Net increase in deposits from policyholders			
Net increase from disposal of tradable financial assets			
Interest, handling charges and commission received			
Net increase in placements from banks and other financial institutions			
Net increase in repurchase business capital			
Refund of taxes and levies		17, 955, 482. 39	12, 175, 997. 22
Cash received relating to other operating activities	(51)	12, 639, 195, 656. 22	8, 361, 597, 689. 27
Sub-total of cash inflows		25, 345, 370, 126. 07	13, 616, 256, 246. 15
Cash paid for goods and services		12, 285, 148, 561. 21	5, 710, 708, 404. 14
Net increase in loans and advances to customers			
Net increase in deposits with central bank and other financial institutions			
Original insurance contract claims paid			
Interest,Handling charges and commissions paid			
Policyholder Dividend Paid			
Cash paid to and on behalf of employees		1, 082, 937, 419. 52	885, 652, 074. 77
Payments of taxes and levies		481, 559, 652. 77	418, 445, 365. 84
Cash paid relating to other operating activities	(51)	14, 494, 179, 645. 18	9, 918, 542, 823. 79
Sub-total of cash outflows		28, 343, 825, 278. 68	16, 933, 348, 668. 54
Net cash flows from operating activities		-2, 998, 455, 152. 61	-3, 317, 092, 422. 39
2.Cash flows from investing activities:			
Cash received from disposal of investments			286, 175, 000. 00
Cash received from returns on investments		63, 896, 891. 20	23, 447, 916. 50
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		2, 203, 488. 79	37, 335, 836. 51
Net cash received from disposal of subsidiaries and other business units		-	9, 569, 297. 53
Cash received relating to other investing activities	(51)	1, 421, 715, 812. 03	596, 376, 585. 03
Sub-total of cash inflows		1, 487, 816, 192. 02	952, 904, 635. 57
Cash paid to acquire fixed assets, intangible assets and other long-term assets		6, 047, 337, 048. 03	5, 822, 747, 638. 98
Cash paid to acquire investments		887, 680, 148. 06	626, 653, 844. 91
Net increase in pledge loans			
Net cash paid for acquisition of subsidiaries and other business units		344, 461, 992. 54	1, 170, 409, 276. 12
Cash payments relating to other investing activities	(51)	544, 705, 593. 32	589, 091, 977. 32
Sub-total of cash outflows		7, 824, 184, 781. 95	8, 208, 902, 737. 33
Net cash flows from investing activities		-6, 336, 368, 589. 93	-7, 255, 998, 101. 76
3.Cash flows from financing activities			
Cash received from capital contributions		1, 589, 306, 372. 66	2, 382, 405, 713. 07
Including:Cash received from minority shareholder investment by subsidiary		597, 871, 649. 64	933, 008, 032. 58
Cash received from borrowings		15, 073, 208, 985. 07	12, 003, 510, 872. 30
Cash received from bond issue		998, 200, 000. 00	
Cash received relating to other financing activities	(51)	4, 034, 050, 748. 17	4, 812, 153, 545. 19
Sub-total of cash inflows		21, 694, 766, 105. 90	19, 198, 070, 130. 56
Cash repayments of amounts borrowed		4, 065, 777, 173. 48	6, 068, 213, 304. 56
Cash paid for dividend and profit distribution or interest payment		1, 124, 632, 516. 09	668, 295, 529. 53
Including:Dividend and profit paid to minority shareholders by subsidiary			28, 695, 479. 39
Cash payments relating to other financing activities	(51)	5, 847, 643, 166. 40	3, 204, 077, 627. 91
Sub-total of cash outflows		11, 038, 052, 855. 97	9, 940, 586, 462. 00
Net cash flows from financing activities		10, 656, 713, 249. 93	9, 257, 483, 668. 56
4.Effect of foreign exchange rate changes on cash and cash equivalents		2, 951, 705. 33	-156, 070. 86
5.Net increase / (decrease) in cash and cash equivalents		1, 324, 841, 212. 72	-1, 315, 762, 926. 45
Add:Balance of cash and cash equivalents at the beginning of year		4, 485, 259, 003. 17	5, 801, 021, 929. 62
6.Balance of cash and cash equivalents at the end of year		5, 810, 100, 215. 89	4, 485, 259, 003. 17

The notes to the attached financial statements are an integral part of the financial statements.

Legal representative: **Person in charge of accounting work:** **Person in charge of accounting department:**

Parent company's cash flow statement

For year 2018

Prepared by: ShuiFa Group Co., Ltd | Unit: Yuan Currency: RMB

ITEM	Note	Year 2018	Year 2017
1.Cash flows from operating activities:			
Cash received from sales of goods or rendering of services		12, 147, 095. 87	6, 191, 667. 99
Refund of taxes and levies			
Cash received relating to other operating activities		6, 207, 116. 09	74, 940, 409. 40
Sub-total of cash inflows		18, 354, 211. 96	81, 132, 077. 39
Cash paid for goods and services			34, 070. 00
Cash paid to and on behalf of employees		24, 049, 193. 09	19, 852, 357. 28
Payments of taxes and levies		12, 288, 284. 58	4, 171, 696. 12
Cash paid relating to other operating activities		7, 272, 323. 13	74, 104, 725. 71
Sub-total of cash outflows		43, 609, 800. 80	98, 162, 849. 11
Net cash flows from operating activities		-25, 255, 588. 84	-17, 030, 771. 72
2.Cash flows from investing activities:			
Cash received from disposal of investments			
Cash received from returns on investments			5, 200, 000. 00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		38, 403. 92	
Net cash received from disposal of subsidiaries and other business units			
Cash received relating to other investing activities			10, 914, 305, 823. 09
Sub-total of cash inflows		38, 403. 92	10, 919, 505, 823. 09
Cash paid to acquire fixed assets, intangible assets and other long-term assets		3, 890, 267. 50	298, 906. 00
Cash paid to acquire investments		1, 591, 804, 425. 43	1, 641, 560, 000. 00
Net cash paid for acquisition of subsidiaries and other business units			
Cash payments relating to other investing activities		760, 761, 595. 23	12, 721, 664, 575. 29
Sub-total of cash outflows		2, 356, 456, 288. 16	14, 363, 523, 481. 29
Net cash flows from investing activities		-2, 356, 417, 884. 24	-3, 444, 017, 658. 20
3.Cash flows from financing activities			
Cash received from capital contributions		991, 434, 723. 02	1, 311, 560, 000. 00
Cash received from borrowings		1, 975, 000, 000. 00	2, 637, 000, 000. 00
Cash received from bond issue		998, 200, 000. 00	
Cash received relating to other financing activities			
Sub-total of cash inflows		3, 964, 634, 723. 02	3, 948, 560, 000. 00
Cash repayments of amounts borrowed		648, 850, 000. 00	1, 078, 100, 000. 00
Cash paid for dividend and profit distribution or interest payment		62, 718, 704. 18	354, 296, 732. 71
Cash payments relating to other financing activities			
Sub-total of cash outflows		711, 568, 704. 18	1, 432, 396, 732. 71
Net cash flows from financing activities		3, 253, 066, 018. 84	2, 516, 163, 267. 29
4.Effect of foreign exchange rate changes on cash and cash equivalents			
5.Net increase / (decrease) in cash and cash equivalents		871, 392, 545. 76	-944, 885, 162. 63
Add:Balance of cash and cash equivalents at the beginning of year		325, 421, 616. 97	1, 270, 306, 779. 60
6.Balance of cash and cash equivalents at the end of year		1, 196, 814, 162. 73	325, 421, 616. 97

The notes to the attached financial statements are an integral part of the financial statements.

Legal representative: **Person in charge of accounting work:** **Person in charge of accounting department:**

Consolidated Income Statement

For year 2018

Prepared by: ShuiFa Group Co., Ltd | Unit: yuan Currency :RMB

ITEM	Note Six	Year 2018	Year 2017
1.Revenue		**11,067,712,294.49**	**5,782,117,061.37**
Including: Revenues from operations Interest income	(39)	11,067,712,294.49	5,782,117,061.37
Interest income			
Premium income			
Handling charges and commission income			
2.Cost		**10,766,725,848.33**	**5,883,171,102.02**
Including:Cost of operations Interest expense	(39)	8,132,202,783.62	4,425,038,740.96
Interest expense			
Handling charges and commission expenses			
Surrenders			
Net claims paid			
Net reserves in insurance contract			
Policyholder dividend expense			
Expenses for reinsurance accepted			
Tax and levies on main operations	(40)	210,681,862.44	68,760,042.48
Selling and distribution expenses	(41)	150,972,127.83	58,037,997.89
General and administrative expenses	(42)	1,193,964,447.74	739,853,758.83
Reserch and development expense			
Financial Expenses	(43)	1,012,991,163.54	586,031,925.52
Including： Interest expense		1,275,481,425.36	678,687,229.00
Interest income		334,143,938.53	115,054,714.89
Impairment losses of assets	(44)	65,913,463.16	5,448,636.34
Add: Other income	(45)	52,990,823.10	39,916,843.84
Investment income/(loss)	(46)	58,014,586.90	16,468,691.49
Including:Share of profits in associates and joint ventures			
Gains from changes in fair value (loss)			
Asset disposal income(loss)	(47)	2,203,488.79	59,188.17
Exchange loss&(gain)			
3. Operating Profit/(Loss)		**414,195,344.95**	**-44,609,317.15**
Add: Non-operating income	(48)	164,740,958.97	173,572,433.97
Less: Non-operating expenses	(49)	27,334,229.06	30,009,289.99
4.Total Profit/(Loss)		**551,602,074.86**	**98,953,826.83**
Less:CIT expense	(50)	200,392,529.99	-8,698,226.40
5.Net Profit/(Loss)		**351,209,544.87**	**107,652,053.23**
(1) Classification by business continuity			
1.Net profit for continuing operations(loss)		**351,209,544.87**	**107,652,053.23**
2.Termination of operating net profit(loss)			
(2) Classification by ownership			
1. Minority shareholders' profit and loss		245,497,348.60	93,099,360.95
2. Net profit attributable to the parent company owner		105,712,196.27	14,552,692.28
6. Net amount after tax of other comprehensive income		**894,683.52**	-
Owners' net profit attributable to parent company owner		**894,683.52**	-
(1) Other comprehensive income not reclassified into profit or loss		-	-
1. Re-measure the change in the defined benefit plan			
2. Other comprehensive income not transferred to profit or loss under the equity method			
(2) Other comprehensive income that will be reclassified into profit or loss		**894,683.52**	-
1.Other comprehensive income of convertible profits and losses under the equity method			
2.Gains and losses from changes in fair value of available-for-sale financial assets			
3.Held-to-maturity investments reclassified as gains and losses on available-for-sale financial assets			
4.The effective part of the cash flow hedge profit and loss			
5.Foreign currency financial statement translation difference		**894,683.52**	
6.Other			
Net other comprehensive income after-tax attributable to minority shareholders			
7、 Total comprehensive income		**352,104,228.39**	**107,652,053.23**
Total comprehensive income attributable to owners of the parent		106,606,879.79	14,552,692.28
Total comprehensive income attributable to minority shareholders		245,497,348.60	93,099,360.95
8.Earnings per share：			
Basic earnings per share			
Diluted earnings per share			

In the current period when a business combination under the same control occurs, the net profit realized by the merged party before the merger is: ____yuan. The net profit realized by the merged party in the previous period was: _____yuan.

The notes to the attached financial statements are an integral part of the financial statements.

Legal representative: **Person in charge of accounting work:** **Person in charge of accounting department:**

Parent Company's Income Statement

For year 2018

Prepared by: ShuiFa Group Co., Ltd — Unit: yuan Currency :RMB

ITEM	Note thirteen	Year 2018	Year 2017
1.Revenues from main operations	(4)	**110,589,707.90**	**65,799,999.12**
Less:Cost of operations			
Tax and levies on main operations		700,418.23	1,133,528.97
Selling and distribution expenses		-	
General and administrative expenses		34,585,652.31	27,570,559.49
Reserch and development expense			
Financial Expenses		150,955,239.24	146,913,621.05
Including: Interest expense		73,695,234.71	46,402,413.57
Interest income		793,586.28	1,224,965.26
Assets Impairment loss		6,040,000.00	10,000.00
Add: Other income		1,064,015.25	
Investment income/(loss)	（5）	12,304,138.72	19,200,000.00
Including:Share of profits in associates and joint ventures			
Gains from changes in fair value (loss)			
Impairment losses of assets		32,339.81	-2,972.46
2. Operating Profit/(Loss)		-68,291,108.10	-90,630,682.85
Add: Non-operating income		515,754.70	12,126.47
Less: Non-operating expenses		749.03	
3.Total Profit/(Loss)		-67,776,102.43	-90,618,556.38
Less:CIT expense			-2,500.00
4.Net Profit/(Loss)		-67,776,102.43	-90,616,056.38
1.Net profit for continuing operations(loss)		-67,776,102.43	-90,616,056.38
2.Termination of operating net profit(loss)			
5. Net amount after tax of other comprehensive income		-	-
(1) Other comprehensive income not reclassified into profit or loss		-	-
1. Re-measure the change in the defined benefit plan			
2. Other comprehensive income not transferred to profit or loss under the equity method			
(2) Other comprehensive income that will be reclassified into profit or loss		-	-
1.Other comprehensive income of convertible profits and losses under the equity method			
2.Gains and losses from changes in fair value of available-for-sale financial assets			
3.Held-to-maturity investments reclassified as gains and losses on available-for-sale financial assets			
4.The effective part of the cash flow hedge profit and loss			
5.Foreign currency financial statement translation difference			
6.Other			
6. Total comprehensive income		-67,776,102.43	-90,616,056.38

The notes to the attached financial statements are an integral part of the financial statements.

Legal representative: **Person in charge of accounting work:** **Person in charge of accounting department:**

Consolidated Statement of Changes in Equity

For year 2018

Prepared by: ShuiFa Group Co., Ltd

unit: yuan Monetary Unit:RMB

ITEM	Year 2018												
	Total owners' equity attributable to parent											Minority Stockholder's Interest	Total owner's equities
	Share capital	Other equity instruments			Additional paid-in capital	Less: Treasury stock	other Comprehensive income	Special reserves	Surplus reserve	general Risk Provisions	Undistributed profit		
		Preferred stock	Perpetual bond	Others									
1. Closing Balance of prior year	4,302,416,000.00	-	-	-	210,164,847.91	-	-	45,409,482.20	987,170.48	-	271,949,090.34	4,748,088,796.03	9,579,015,386.96
Add: Accounting policy change													-
Prior error correction													-
Business combination under the same control													-
Others													-
2. Opening balance of this year	4,302,416,000.00	-	-	-	210,164,847.91	-	-	45,409,482.20	987,170.48	-	271,949,090.34	4,748,088,796.03	9,579,015,386.96
3. Change in this year(loss)	903,360,000.00	-	-	-	5,413,097,111.19	-	894,683.52	1,352,445.05	-	-	96,996,696.27	3,309,496,422.36	9,725,197,358.39
(1) Total comprehensive income							894,683.52				105,712,196.27	245,497,348.60	352,104,228.39
(2)Capital paid in and reduced by owners	903,360,000.00	-	-	-	88,074,723.02	-	-	-	-	-	-	597,871,649.64	1,589,306,372.66
a. Common stock invested by the owner	903,360,000.00				88,074,723.02							597,871,649.64	1,589,306,372.66
b. Invest capital by other equity instrument holders													-
c. Amount paid into owner's equity by share payment													-
d.Others													-
(3) Profit appropriation	-	-	-	-	-	-	-	-	-	-	-8,715,500.00	-	-8,715,500.00
a.appropriations to surplus reserves													-
b. Extract general risk preparation													-
c.Appropriations to owners											-8,715,500.00		-8,715,500.00
d.Others													-
(4)Inner transfer in owner's equity	-	-	-	-	-	-	-	-	-	-	-	-	-
a.Capital surplus to paid in capital													-
b. Surplus reserves to paid in capital													-
c. Surplus reserves to offset losses													-
d. Carry forward retained earnings from benefit plan													-
e.Others													-
(5) Special reserve	-	-	-	-	-	-	-	1,352,445.05	-	-	-	-	1,352,445.05
a. Current extraction								11,043,923.96					11,043,923.96
b. Use in this period								9,691,478.91					9,691,478.91
(6) Others					5,325,022,388.17							2,466,127,424.12	7,791,149,812.29
4.Closing Balance of This year	5,205,776,000.00	-	-	-	5,623,261,959.10	-	894,683.52	46,761,927.25	987,170.48	-	368,945,786.61	8,057,585,218.39	19,304,212,745.35

The notes to the attached financial statements are an integral part of the financial statements.

Legal representative: **Person in charge of accounting work:** **Person in charge of accounting department:**

Consolidated Statement of Changes in Equity

For year 2018

Prepared by: ShuiFa Group Co., Ltd

unit: yuan Monetary Unit:RMB

ITEM	Year 2017												
	Total owners' equity attributable to parent											Minority Stockholder's Interest	Total owner's equities
	Share capital	Other equity instruments			Additional paid-in capital	Less: Treasury stock	other Comprehensive income	Special reserves	Surplus reserve	general Risk Provisions	Undistributed profit		
		Preferred stock	Perpetual bond	Others									
1. Closing Balance of prior year	**2,990,856,000.00**				**59,336,373.73**			**26,475,038.59**	**987,170.48**		**261,278,286.50**	**3,301,736,313.62**	**6,640,669,182.92**
Add: Accounting policy change													-
Prior error correction													-
Business combination under the same control													-
Others													-
2. Opening balance of this year	**2,990,856,000.00**	-	-	-	**59,336,373.73**	-	-	**26,475,038.59**	**987,170.48**	-	**261,278,286.50**	**3,301,736,313.62**	**6,640,669,182.92**
3. Change in this year(loss)	**1,311,560,000.00**	-	-	-	**150,828,474.18**	-	-	**18,934,443.61**	-	-	**10,670,803.84**	**1,446,352,482.41**	**2,938,346,204.04**
(1) Total comprehensive income											14,552,692.28	93,099,360.95	**107,652,053.23**
(2)Capital paid in and reduced by owners	1,311,560,000.00	-	-	-	150,828,474.18	-	-	-	-	-	-18,388.44	1,381,948,600.85	**2,844,318,686.59**
a. Common stock invested by the owner	1,311,560,000.00				137,856,069.09							1,365,561,257.04	**2,814,977,326.13**
b. Invest capital by other equity instrument holders													-
c. Amount paid into owner's equity by share payment													-
d.Others					12,972,405.09						-18,388.44	16,387,343.81	**29,341,360.46**
(3) Profit appropriation	-	-	-	-	-	-	-	-	-	-	-3,863,500.00	-28,695,479.39	**-32,558,979.39**
a.appropriations to surplus reserves													-
b. Extract general risk preparation													-
c.Appropriations to owners											-3,863,500.00	-28,695,479.39	**-32,558,979.39**
d.Others													-
(4)Inner transfer in owner's equity	-	-	-	-	-	-	-	-	-	-	-	-	-
a.Capital surplus to paid in capital													-
b. Surplus reserves to paid in capital													-
c. Surplus reserves to offset losses													-
d. Carry forward retained earnings from benefit plan													-
e.Others													-
(5) Special reserve	-	-	-	-	-	-	-	18,934,443.61	-	-	-	-	**18,934,443.61**
a. Current extraction								28,798,737.81					**28,798,737.81**
b. Use in this period								9,864,294.20					**9,864,294.20**
(6) Others													-
4.Closing Balance of This year	**4,302,416,000.00**	-	-	-	**210,164,847.91**	-	-	**45,409,482.20**	**987,170.48**	-	**271,949,090.34**	**4,748,088,796.03**	**9,579,015,386.96**

The notes to the attached financial statements are an integral part of the financial statements.

Legal representative: **Person in charge of accounting work:** **Person in charge of accounting department:**

Parent Companys' Statement of Changes in Equity

For year 2018

Prepared by: ShuiFa Group Co., Ltd

unit: yuan Monetary Unit:RMB

ITEM	Year 2018										
	Share capital	Other equity instruments			Additional paid-in capital	Less: Treasury stock	Other Comprehensive income	Special reserves	Surplus reserve	Undistributed profit	Total owner's equities
		Preferred stock	Perpetual bond	Others							
1. Closing Balance of prior year	**4,302,416,000.00**	-	-	-	-	-	-	-	**987,170.48**	**-374,432,855.92**	**3,928,970,314.56**
Add: Accounting policy change											-
Prior error correction											-
Others											-
2. Opening balance of this year	**4,302,416,000.00**	-	-	-	-	-	-	-	**987,170.48**	**-374,432,855.92**	**3,928,970,314.56**
3. Change in this year(loss)	**903,360,000.00**	-	-	-	**88,074,723.02**	-	-	-	-	**-76,491,602.43**	**914,943,120.59**
(1) Total comprehensive income										-67,776,102.43	**-67,776,102.43**
(2)Capital paid in and reduced by owners	903,360,000.00	-	-	-	88,074,723.02	-	-	-	-	-	**991,434,723.02**
a. Common stock invested by the owner	903,360,000.00				88,074,723.02						**991,434,723.02**
b. Invest capital by other equity instrument holders											-
c. Amount paid into owner's equity by share payment											-
d.Others											-
(3) Profit appropriation	-	-	-	-	-	-	-	-	-	-8,715,500.00	**-8,715,500.00**
a.appropriations to surplus reserves											-
b.Appropriations to owners										-8,715,500.00	**-8,715,500.00**
c.Others											-
(4)Inner transfer in owner's equity	-	-	-	-	-	-	-	-	-	-	-
a.Capital surplus to paid in capital											-
b. Surplus reserves to paid in capital											-
c. Surplus reserves to offset losses											-
d. Carry forward retained earnings from benefit plan											-
e.Others											-
(5) Special reserve	-	-	-	-	-	-	-	-	-	-	-
a. Current extraction											-
b. Use in this period											-
(6) Others											-
4.Closing Balance of This year	**5,205,776,000.00**	-	-	-	**88,074,723.02**	-	-	-	**987,170.48**	**-450,924,458.35**	**4,843,913,435.15**

The notes to the attached financial statements are an integral part of the financial statements.

Legal representative: **Person in charge of accounting work:** **Person in charge of accounting department:**

Parent Companys' Statement of Changes in Equity

For year 2018

Prepared by: ShuiFa Group Co., Ltd

unit: yuan Monetary Unit:RMB

ITEM	Year 2017										
	Share capital	Other equity instruments			Additional paid-in capital	Less: Treasury stock	Other Comprehensive income	Special reserves	Surplus reserve	Undistributed profit	Total owner's equities
		Preferred stock	Perpetual bond	Others							
1. Closing Balance of prior year	**2,990,856,000.00**								**987,170.48**	**-279,953,299.54**	**2,711,889,870.94**
Add: Accounting policy change											-
Prior error correction											-
Others											-
2. Opening balance of this year	**2,990,856,000.00**	-	-	-	-	-	-	-	**987,170.48**	**-279,953,299.54**	**2,711,889,870.94**
3. Change in this year(loss)	**1,311,560,000.00**	-	-	-	-	-	-	-	-	**-94,479,556.38**	**1,217,080,443.62**
(1) Total comprehensive income										-90,616,056.38	**-90,616,056.38**
(2)Capital paid in and reduced by owners	1,311,560,000.00	-	-	-	-	-	-	-	-	-	**1,311,560,000.00**
a. Common stock invested by the owner	1,311,560,000.00										**1,311,560,000.00**
b. Invest capital by other equity instrument holders											-
c. Amount paid into owner's equity by share payment											-
d.Others											-
(3) Profit appropriation	-	-	-	-	-	-	-	-	-	-3,863,500.00	**-3,863,500.00**
a.appropriations to surplus reserves											-
b.Appropriations to owners										-3,863,500.00	**-3,863,500.00**
c.Others											-
(4)Inner transfer in owner's equity	-	-	-	-	-	-	-	-	-	-	-
a.Capital surplus to paid in capital											-
b. Surplus reserves to paid in capital											-
c. Surplus reserves to offset losses											-
d. Carry forward retained earnings from benefit plan											-
e.Others											-
(5) Special reserve	-	-	-	-	-	-	-	-	-	-	-
a. Current extraction											-
b. Use in this period											-
(6) Others											-
4.Closing Balance of This year	**4,302,416,000.00**	-	-	-	-	-	-	-	**987,170.48**	**-374,432,855.92**	**3,928,970,314.56**

The notes to the attached financial statements are an integral part of the financial statements.

Legal representative: **Person in charge of accounting work:** **Person in charge of accounting department:**

SHUIFA Group Co., Ltd.

2018 Annual Financial Statements

(Unit : yuan Currency: RMB)

1. Basic situation of the company

Shuifa Group Co., Ltd. (hereinafter referred to as "Shuifa Company" or "Company") was established by the Shandong Provincial Water Resources Department. It was registered in the Shandong Provincial Market Supervision Administration on November 8, 2009, and the registration number is 370000000001500. ("Corporate Legal Person Business License"). Company registration: Jinan City, Shandong Province. Legal representative: Wang Zhenqin. As of December 31, 2018, the company's registered capital was RMB 5,205,776,000 and the company's paid-in capital was RMB 5,205,776,000. Company residence: No. 33399, Jingshi East Road, Licheng District, Jinan City, Shandong Province. Company type: limited liability company (state-owned sole proprietorship).

On April 9, 2009, the provincial government ([2009] No. 62 Document) officially approved the establishment of Shandong Water Development Co., Ltd. On November 8, 2009, Shandong Water Development Co., Ltd. was formally established with a registered capital of RMB 15,000,000,000, all of which were funded by the Shandong Provincial Water Resources Department. By the end of 2014, the registered capital increased by RMB 539,086,000.00 and the registered capital was increased to RMB 2,039,086,000, all of which were funded by the Shandong Provincial Water Resources Department. In 2015, the company changed its name and was changed from Shandong Water Development Co., Ltd. to Shandong Water Development Group Co., Ltd. As of the end of 2015, the registered capital increased by RMB 691,770,000 and the registered capital was increased to RMB 2,730,856,000, all of which were funded by the Shandong Provincial Water Resources Department. In 2016, the company changed its company name and was changed to Shuifa Group Co., Ltd. from Shandong Water Development Group Co., Ltd. By the end of 2016, the registered capital increased by RMB 260 million and the registered capital was increased by RMB 2,990,856,000. All of them were funded by the Shandong Provincial Water Resources Department. By the end of 2017, the registered capital of the company had increased by RMB 1,232 million and the registered capital of the company was RMB 4,222,856,000. The company's paid-in capital is RMB 4,302,416,000. By the end of 2018, the company's registered capital increased by RMB 903.36 million, the company's registered capital was RMB 5,205,776,000, and the company's paid-in capital was RMB 5,205,776,000. According to the "Notice on Printing and Distributing the Unified Supervision and Implementation Plan for Provincial Operational State-Owned Assets" issued by the General Office of the Shandong Provincial Government and the Notice of the Provincial State-owned Assets Supervision and Administration Commission on Printing and Distributing the Establishment Plan of Shandong Water Development Group Co., Ltd., the assets of Shuifa Group were transferred to The State-owned Assets Supervision and Administration Commission of the Shandong Provincial People's Government (hereinafter referred to as the "Shandong Provincial State-owned Assets Supervision and Administration Commission") unified supervision, and the Shandong Provincial State-owned Assets Supervision and Administration Commission fulfilled the responsibilities of the investor. The shareholders of the company were changed from the Shandong Provincial Water Resources Department to the Shandong Provincial State-owned Assets Supervision and Administration Commission and the Shandong Provincial Social Security Fund. Council, Shandong Guohui Investment Co., Ltd.

The basic organizational structure of the company in 2018: According to the company's articles of association, the company has a party committee office, a board office, a board of supervisors, an integrated department, an investment department, an asset department, an enterprise management department, a technical department, a construction management department, and a supervision and audit department. 15 major functional departments, including the Safety Supervision Department, the Accounting Management Center, the Fund Management Center, the Purchasing Management Center, and the Real Estate Division.

The company is a water conservancy industry. The business scope is: water resources development and utilization, water supply and drainage, irrigation district supporting and water saving renovation, reservoir reinforcement, river regulation, urban flood control, garbage (solid waste sludge) treatment and disposal, biomass comprehensive utilization, sewage treatment engineering and water conservancy Investment and construction, engineering construction, operation management, design consultation, bidding agency for related projects such as comprehensive development and utilization of water and soil resources; real estate development and sales, property management; investment and operation of medical projects and hydropower projects with own funds; Development; agricultural planting technology development and technology transfer; new energy development and utilization; wading products and equipment processing production and sales. (Projects subject to approval according to law may be subject to business activities after approval by relevant departments).

The company's controlling party is Shandong Provincial State-owned Assets Supervision and Administration Commission, with a shareholding ratio of 70.00%. The company's first-level subsidiaries mainly include: Shandong Shuifa Holding Group Co., Ltd., Shandong Water Conservancy Development Group Co., Ltd., Shandong Water Conservancy Construction Group Co., Ltd., Shuifa Lunan Water Co., Ltd., Shuifa Energy Group Co., Ltd., Shuifa Tourism Group Co., Ltd., Shandong Agricultural Development Group Co., Ltd., Shandong Shuifa Medical Co., Ltd., Lu Medical Holdings Co., Ltd., Shuifa Design Group Co., Ltd., Shuifa Agricultural Development Co., Ltd., etc. Among the subsidiaries of Shandong Shuifa Holding Group Co., Ltd., wholly-owned subsidiaries include Shuifa Utilities Group Co., Ltd., Shandong Shuitou Group Co., Ltd., Shuifamin Production Investment Group Co., Ltd., Shandong Shuifa Environmental Protection Group Co., Ltd., and water. Fazhongxing Group Co., Ltd., Shandong Hehui Shuili Equipment Co., Ltd., etc.; holding subsidiaries include Laiyang Water Development Co., Ltd., Shandong Fengshi Information Technology Co., Ltd., Shandong Shangshan Culture Development Co., Ltd., Qilu Water Group Co., Ltd., Shandong Water Control Development Co., Ltd., Shandong Shuifa Tianyuan Water Group Co., Ltd., etc. Among the subsidiaries of Shandong Water Resources Development Group Co., Ltd., the wholly-owned subsidiaries include Heze Shangshan Water Development Co., Ltd., Lukong Water Development Group Co., Ltd., Shandong Shuifa Huaxia Water Co., Ltd., etc.; the holding subsidiaries include Qingyuan Qingyuan Water Co., Ltd., etc. Among the subsidiaries of Shandong Water Conservancy Construction Group Co., Ltd., wholly-owned subsidiaries include Shandong Mingquan Horticulture Co., Ltd., Shandong Water Conservancy Construction Management Co., Ltd., Shandong Water Conservancy Pipeline Engineering Co., Ltd., etc. Among the subsidiaries of Shuifa Lunan Water Co., Ltd., the wholly-owned subsidiaries include Shandong Lunan Water Development Co., Ltd. and Rizhao Steel Water Supply Co., Ltd. Among the subsidiaries of Shuifa Energy Group Co., Ltd., the wholly-owned subsidiaries include Shandong Shuifa Clean Energy Technology Co., Ltd.; the holding subsidiaries include Shandong Hengke New Energy Co., Ltd., Shanxian Shuifa Energy Co., Ltd., and Lijinxinhe Natural Gas. Technical Service Co., Ltd., Cao County Shuifa Qihang Gas Co., Ltd., Shandong Shuifa Gas Co., Ltd., etc. Among the subsidiaries of Shandong Shuifa Medical Co., Ltd., the holding subsidiaries include Shandong Hehui Medical Co., Ltd. Among the subsidiaries of Lu Medical Holdings Co., Ltd., wholly-owned subsidiaries include Shandong Wantong Pharmaceutical Co., Ltd., etc. The holding subsidiaries include Luyi Holdings (Leling) Co., Ltd. and Luyi Holdings (Juye) Co., Ltd. Among the subsidiaries of Shuifa Agricultural Development Co., Ltd., wholly-owned subsidiaries include Shandong Bole Manor Grain and Oil Co., Ltd., Shandong Bole Manor Food Co., Ltd., Shandong Bole Manor E-Commerce Co., Ltd., Shandong Chengwu Bole Manor Biotechnology Co., Ltd., Cao County Reiter Agricultural Development Co., Ltd., Chengwu Green Shangpin Agricultural Development Co., Ltd., etc.; holding subsidiaries include Chengwu County Jishui Chengyuan Cooperative, Chengwu County Harmony Agricultural Machinery Service Cooperative, Chengwu County Shuimu Tsinghua Grain Planting Professional Cooperative, Chengwu County Guanghua Wheat Planting Professional Cooperative, Chengwu County Zerun Fruit and Vegetable Planting Professional Cooperative.

The company's controlling party is Shandong Provincial State-owned Assets Supervision and Administration Commission, with a shareholding ratio of 70.00%.

The financial statements and notes to the financial statements were approved by the board of directors of the company on April 28, 2019.

2. Consolidated financial statements for the current year

The Company has a total of 470 subsidiaries included in the scope of consolidation in 2018. See Note 8 "Equity in Other Entities" for details. Compared with the previous year, the company's consolidation scope has increased by 131 in the current year, and 28 entities have been reduced due to cancellation. For details, see Note 7 "Changes in the scope of consolidation".

3. Basis of preparation of financial statements

1) Basis of preparation

The financial statements of the Company are based on the assumption of going concern, based on actual transactions and events, in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance and its application guidelines, interpretations and other relevant provisions (collectively referred to as "Enterprise Accounting Standards").

The accounting of the company is based on the accrual basis. Except for certain financial instruments, financial statements are based on historical cost. If the asset is impaired, the corresponding impairment provision is made in accordance with relevant regulations.

2) Continuing operations

The management of the Company has comprehensively considered macroeconomic policy risks, market operating risks, current and long-term profitability, solvency, financial flexibility and management's intention to change management policies. The company believes that the company has been in the 12 months from the end of the reporting period. There are no matters affecting the ability to continue to operate.

4. Important accounting policies and accounting estimates

1) Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements prepared by the company are in compliance with the requirements of the Accounting Standards for Business Enterprises, and truly and completely reflect the company's financial status, operating results, cash flow and other relevant information during the reporting period.

2) Accounting period

It is a fiscal year from January 1 to December 31 of the Gregorian calendar.

3) Business cycle

The normal business cycle refers to the period from the purchase of assets for processing to the realization of cash or cash equivalents. The company takes 12 months as an operating cycle and uses it as a standard for the liquidity of assets and liabilities.

4) Bookkeeping currency

The Company's bookkeeping base currency is Renminbi, and the currency used in the preparation of financial statements is Renminbi. The basis for the bookkeeping currency selected by the Company and its subsidiaries is the pricing and settlement currency of the main business income and expenses.

5)Accounting treatment method for business combination under the same control and not under the same control

(I) Business combination under the same control

The enterprises participating in the merger are ultimately controlled by the same party or the same parties before and after the merger, and the control is not temporary, and is a business combination under the same control. The merger date is the date on which the combining party actually obtains control of the combined party.

The assets and liabilities acquired in the business combination are measured at the carrying amount of the combined party in the consolidated financial statements of the ultimate controlling party on the combining date. If the accounting policies adopted by the parties to the merger are inconsistent with the Company, the merging party shall adjust it according to the accounting policies of the Company on the combining date, and on this basis, confirm the adjusted book value.

The difference between the book value of the net assets acquired in the merger and the book value of the merger consideration paid (or the total par value of the shares issued), the capital premium in the capital reserve is adjusted, and the share premium in the capital reserve is insufficient to offset the retained earnings. .

The direct related expenses incurred for the business combination, including the audit expenses, evaluation fees and legal service fees paid for the merger, are recognised in profit or loss when incurred.

The handling fees, commissions, etc. incurred in the issuance of equity securities in a business combination shall be offset against the premium income of equity securities. If the premium income is insufficient to offset, the retained earnings shall be offset.

A business combination under the same control realized step by step through multiple transactions belongs to a "package transaction", and the company treats each transaction as a transaction for obtaining control. If it is not a "package deal", obtain the control date and follow the steps below to perform accounting treatment:

(1) Determine the initial investment cost of long-term equity investment formed by business combination under the same control. On the merger date, the initial investment cost of the long-term equity investment is determined based on the share of the book value of the net assets of the merged party in the consolidated financial statements of the ultimate controlling party.

(2) The treatment of the difference between the initial investment cost of the long-term equity investment and the book value of the merger consideration. Adjusting the capital reserve (capital premium or equity premium) by adjusting the initial investment cost of the long-term equity investment in the merger, and the difference between the book value of the long-term equity investment before the merger and the book value of the new payment consideration for the merger date. If the capital reserve (capital premium or equity premium) is insufficient to offset, the retained earnings will be offset.

(3) Equity investments held prior to the date of consolidation, other comprehensive

income recognized using equity method accounting or financial instrument recognition and measurement criteria accounting, will not be accounted for until the disposal of the investment is directly Accounting for the same basis of disposal of related assets or liabilities; other changes in owner's equity other than net profit or loss, other comprehensive income and profit distribution of the net assets of the investee recognized by the equity method are not subject to accounting treatment. Until the disposal of the investment, transfer to the current profit and loss. Where the remaining equity after disposal is accounted for by the cost method or the equity method, other comprehensive income and other owner's equity shall be carried forward on a pro-rata basis, and the remaining equity after disposal shall be subject to accounting treatment according to the financial instrument recognition and measurement criteria. Revenue and other owner's equity should be carried forward.

(4) The accounting treatment in the consolidated financial statements is shown in Note 6.

(II) Business combination not under the same control

The parties that participate in the merger are not subject to the same party or the same multiple parties before and after the merger, and are the business combinations not under the same control.

The assets paid or incurred by the purchaser on the purchase date as a consideration for the business combination are measured at fair value. The difference between the fair value and the book value is included in the current profit and loss.

The purchaser allocates the cost of the combination on the purchase date and confirms the fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree acquired.

The difference between the purchaser and the fair value of the acquiree's identifiable net assets acquired in the combination is recognized as goodwill; the combination cost is less than the difference between the fair value of the acquiree's identifiable net assets acquired in the merger. After that, it is included in the current profit and loss.

The assets acquired by the business combination other than the intangible assets (not limited to the assets previously recognized by the purchaser), the economic benefits brought by the purchaser are likely to flow into the company and the fair value can be reliably measured. It is separately recognized and measured at fair value; intangible assets that can be reliably measured at fair value are individually recognized as intangible assets and measured at fair value; any acquired liabilities other than contingent liabilities If the economic benefits are discharged from the Company and the fair value can be measured reliably, it is separately recognized and measured at fair value. If the acquired party's contingent liabilities can be reliably measured, the fair value can be separately recognised as a liability and measured at fair value.

When the initial recognition of the assets acquired in the merger is carried out, the intangible assets owned by the purchaser but not recognized in the financial statements are fully identified and reasonably judged. If one of the following conditions is met, it shall be recognized as an intangible asset. : (1) from contractual rights or other statutory rights; (2) can be separated or separated from the purchased party, and can be used for sale, transfer, licensing, alone or in conjunction with related contracts, assets and liabilities, Lease or exchange.

If the purchaser's deductible temporary difference obtained by the purchaser in the business combination does not meet the conditions for confirming the deferred income tax assets on the purchase date, it will not be confirmed. Within 12 months after the purchase date, if new or further information is obtained indicating that the relevant circumstances of the purchase date already exist, it is expected that the purchaser will be able to realize the economic benefits brought by the temporary difference on the purchase date, and confirm the relevant delivery. Deferred income tax assets related to a business combination are recognized in profit or loss for the current period except for the above-mentioned circumstances.

For business combinations not under the same control, the purchaser's auditing, legal services, evaluation and other intermediation expenses and other related management expenses incurred by the purchaser are included in the current profit and loss when incurred; the equity securities or debts issued by the purchaser as a merger consideration. The transaction fee for sex securities is included in the initial recognition amount of equity securities or debt securities.

If the purchaser realizes the business combination not under the same control step by step through multiple transactions, it belongs to the "package deal", and the company treats each transaction as a transaction for obtaining control. In the case of a "package deal", in the individual financial statements, the sum of the book value of the equity investment held by the purchaser before the purchase date and the new investment cost on the purchase date is used as the initial investment cost calculated by the cost method; The other comprehensive income recognized by the equity party's equity investment held before the date is accounted for using the same basis as the investee's direct disposal of related assets or liabilities. The owner's equity recognized by the changes in the owner's equity other than the net profit or loss, other comprehensive income and profit distribution is transferred to the current profit and loss of the disposal period when the investment is disposed. Where the remaining equity after disposal is accounted for using the cost method or equity method in accordance with the long-term equity investment criteria, other comprehensive income and other owner's equity shall be carried forward on a pro-rata basis, and the remaining equity after disposal shall be converted into accounting according to the criteria for recognition and measurement of financial instruments. All other comprehensive income and other owner's equity should be carried forward. The accounting treatment in the consolidated financial statements is shown in Note IV. (VI).

If the equity investment held before the purchase date is accounted for using the financial instrument recognition and measurement criteria, the fair value of the equity investment plus the new investment cost is used as the initial investment cost calculated by the cost method. The difference between the fair value of the equity and the book value and the accumulated fair value of the original comprehensive income are transferred to the current investment gains and losses calculated by the cost method.

(III) Judging multiple transactions as the criteria for a package transaction

The judgment criteria for the company to judge multiple transactions as a package transaction are as follows:

(1) These transactions are made simultaneously or with consideration of each other's influence;

(2) These transactions as a whole can achieve a complete business result;

(3) The occurrence of a transaction depends on the occurrence of at least one other transaction;

(4) A transaction is not economical when considered separately, but it is economical when considered together with other transactions.

6) Preparation method of consolidated financial statements

The scope of consolidation of the Company's consolidated financial statements is determined on the basis of control. The control means that the investor has the power of the investee, enjoys variable returns by participating in the relevant activities of the investee, and has the ability to use the powers of the investee. Affect the amount of its return. Related activities refer to activities that have a significant impact on the return of the investee.

The relevant activities of the investee are judged on a case-by-case basis, usually including sales and purchases of goods or services, management of financial assets, purchase and disposal of assets, research and development activities, and financing activities.

Considering the purpose of the establishment of the investee, the relevant activities of the investee and how to make decisions on related activities, whether the rights enjoyed by the company enable it to currently lead the relevant activities of the investee, whether or not to participate in the investee The variable activity of the related activities, the ability to use the power of the investee to influence the amount of the return and the relationship with other parties, etc., on whether to control the investee. A reassessment will be carried out once the relevant facts and circumstances have changed and the relevant elements involved in the control have changed.

In determining whether or not to have power over the investee, only the substantive rights associated with the investee are considered, including the substantive rights enjoyed by them and the substantive rights enjoyed by other parties.

Based on the financial statements of itself and its subsidiaries, the Company regards the entire enterprise group as an accounting entity based on other relevant information. According to the confirmation, measurement and presentation requirements of relevant accounting standards, it has been in accordance with the unified accounting policies and accounting periods. Reflect the overall financial status, operating results and cash flow of the corporate group. The merger procedure specifically includes: merging the assets, liabilities, owner's equity, income, expenses and cash flow of the parent company and subsidiaries; offsetting the parent company's long-term equity investment in the subsidiary and the parent company's owner's equity in the subsidiary The share that is enjoyed; offsets the impact of internal transactions between the parent company and the subsidiaries and subsidiaries. If the internal transactions indicate that the relevant assets have impairment losses, the losses are fully recognized; The transaction was adjusted.

The share of the subsidiary's owner's equity that is not attributable to the parent company, as minority shareholders' equity, is presented as "minority shareholders' equity" under the owner's equity item in the consolidated balance sheet.

The portion of the subsidiary's current net profit or loss that belongs to minority shareholders' equity is presented as "minority shareholder gains and losses" under the net profit item in the consolidated income statement. The share of the subsidiary's current comprehensive income that belongs to minority shareholders' equity is listed in the consolidated total income item in the consolidated income statement as "the total comprehensive income attributable to minority shareholders".

If the current loss shared by the minority shareholders of the subsidiary exceeds the minority shareholder's share of the owner's equity at the beginning of the subsidiary, the balance will still reduce the minority shareholders' equity.

The unrealized internal transaction gains and losses arising from the sale of assets to subsidiaries are fully offset against "net profit attributable to owners of the parent company". The unrealized internal transaction gains and losses arising from the sale of assets by the subsidiary to the parent company are offset by the distribution ratio of the parent company to the subsidiary in the "net profit attributable to the owner of the parent company" and "minority gains and losses". The unrealized internal transaction gains and losses arising from the sale of assets between subsidiaries are offset by the distribution ratio of the parent company to the seller's subsidiary in the "net profit attributable to the owner of the parent company" and "minority shareholder gains and losses".

During the reporting period, due to the increase in subsidiaries and businesses of the business combination under the same control, the Company adjusted the opening balance of the consolidated balance sheet when the consolidated statement was prepared, and consolidated the income, expenses and profits of the subsidiary and the business from the beginning of the period to the end of the reporting period. Incorporate into the consolidated income statement, the cash flow is included in the consolidated cash flow statement, and the related items of the comparative report are adjusted, as if the combined reporting entity has existed since the ultimate controlling party began to control.

During the reporting period, the Company did not adjust the opening balance of the consolidated balance sheet for the preparation of the consolidated balance sheet for subsidiaries and businesses that were not under the same control of business combination or other methods. The subsidiary and the business purchase date to the end of the reporting period Income, expenses, profits, and cash flows are included in the consolidated income statement and consolidated cash flow statement.

During the reporting period, the Company disposed of subsidiaries and businesses. When preparing the consolidated balance sheet, it does not adjust the opening balance of the consolidated balance sheet. The income, expenses and profits of the subsidiary and the business beginning to the disposal date are included in the consolidated income statement. The flow is included in the consolidated cash flow statement.

The parent company purchases the equity of the subsidiary owned by the minority shareholders of the subsidiary. In the consolidated financial statements, the long-term equity investment newly acquired due to the purchase of minority shares and the proportion of new shareholdings shall be subject to the continuous calculation of the subsidiary from the date of purchase or the merger date. The difference between the net assets share, adjust the capital reserve (capital premium or equity premium), the capital reserve is insufficient to offset, and adjust the retained earnings.

A business combination under the same control that is realized step by step through multiple transactions is not a "package transaction". On the date of obtaining the control right, the long-term equity investment held by the merging party before the merger is achieved, the acquisition date and the merged party and the merged party Changes in profit or loss, other comprehensive income and other changes in owners' equity have been recognised in the period in which

In the case of a multi-transaction step-by-step realization of a business combination not under the same control which is not a "package deal", in the consolidated financial statements, the equity of the purchased party held before the purchase date is based on the fair value of the equity on the purchase date. For re-measurement, the difference between the fair value and the book value is included in the current investment income; if the equity of the purchased party held before the purchase date involves other comprehensive income under the equity method, etc., other comprehensive income related to it is transferred to the income of the purchase day, except other comprehensive income arising from the remeasurement of the net income, or asset changes of the income plan by the investee.

The parent company partially disposes of the long-term equity investment in the subsidiary without losing control. In the consolidated financial statements, the disposal price and the disposal of the long-term equity investment shall be subject to the net assets continuously calculated by the subsidiary from the date of purchase or the merger date. The difference between the shares, adjust the capital reserve (capital premium or equity premium), the capital reserve is insufficient to offset, adjust the retained earnings.

If the control of the investee is lost due to the disposal of part of the equity investment, etc., in the preparation of the consolidated financial statements, the remaining equity is re-measured according to its fair value on the date of loss of control. The difference between the consideration obtained from the disposal of the equity and the fair value of the remaining equity, minus the difference between the original shareholding ratio and the share of the net assets that should be continuously calculated from the date of purchase or the merger date, is included in the current period invest income of loss control, and reducing the goodwill. Other comprehensive income related to the original subsidiary's equity investment will be converted into current investment income when control is lost.

If the transaction of investing in the subsidiary's equity investment until the loss of control is disposed of in a package transaction through multiple transactions, the transactions will be treated as a disposal subsidiary and lost. The transaction of control rights is accounted for; however, the difference between each disposal price and the disposal investment that has the share of the net assets of the subsidiary before the loss of control is recognized as other comprehensive income in the consolidated financial statements, And transferred to the current loss of control gains and losses.

The consolidated statement of changes in owners' equity is prepared based on the consolidated balance sheet and consolidated income statement.

7) Classification of joint venture arrangements and accounting treatment of joint operations

A joint arrangement is an arrangement that is jointly controlled by two or more parties. Joint control refers to the control that is common to an arrangement in accordance with the relevant agreement, and the relevant activities of the arrangement must be agreed upon by the participants sharing the control rights before making a decision. In judging whether there is joint control, it should first be judged whether all participants or groups of participants collectively control the arrangement, and secondly, whether the decision of the relevant activities of the arrangement must be unanimously agreed by the participants who collectively control the arrangement.

The company determines the classification of the joint venture arrangement based on the rights and obligations assumed in the joint venture arrangement. Joint venture arrangements are divided into joint operations and joint ventures.

Joint operation refers to the joint venture arrangement in which the joint venture party enjoys the relevant assets of the arrangement and bears the liabilities related to the arrangement. The Company confirms the following items related to the share of interests in the joint operation and conducts accounting treatment in accordance with the relevant accounting standards:

1. Confirm the assets held separately and confirm the assets held jointly by their shares;

2. Confirm the liabilities assumed separately and recognize the shared liabilities according to their shares;

3. Confirmation of the income generated by selling the share of the common operating output that it enjoys;

4. Recognize the income generated by the joint operation from the sale of the output according to its share;

5. Confirm the expenses incurred separately and confirm the expenses incurred by the joint operation according to their shares.

8) Criteria for determining cash and cash equivalents

In the preparation of the cash flow statement, cash on hand and deposits that can be used for payment are recognized as cash. Cash equivalents are short-term (usually due within three months from the date of purchase), highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

9) Foreign currency business and foreign currency statement conversion

(I) **Foreign currency business conversion**

The foreign currency business uses the spot exchange rate on the transaction date as the conversion rate to convert the foreign currency amount into RMB.

The balance of foreign currency monetary items is translated at the spot exchange rate on the balance sheet date. The resulting exchange differences, except for foreign currency special borrowings related to the acquisition and construction of assets eligible for capitalization, are treated in accordance with the principle of capitalization of borrowing costs. All of them are included in the current profit and loss. Foreign currency non-monetary items measured at historical cost are still translated at the spot exchange rate on the transaction date, and the amount of the recording currency is not changed. Foreign currency non-monetary items measured at fair value are translated using the spot exchange rate on the date when the fair value is determined. The resulting exchange differences are recognised in profit or loss or other comprehensive income.

(II) **Foreign currency statement translation**

Assets and liabilities in the balance sheet are translated at the spot exchange rate on the balance sheet date; except for the "undistributed profit" item, other items are converted at the spot exchange rate at the time of occurrence. Income and expense items in the income statement are translated at the spot exchange rate on the transaction date. In accordance with the translation difference of the foreign currency financial statements generated by the above conversion, the "translation difference of foreign currency statements" item is separately listed under other comprehensive income items.

When disposing of an overseas operation, the translation difference of the foreign currency financial statements related to the overseas operation indicated by other comprehensive income items in the balance sheet is transferred from the other comprehensive income items to the current profit and loss of disposal; The translation of the foreign currency financial statements in the disposal portion of the proportion is calculated and transferred to the current profit and loss.

10) Financial instruments

Financial instruments include financial assets, financial liabilities or equity instruments. A financial asset or financial liability is recognized when the company becomes a party to a financial instrument contract.

(I) **Classification of financial instruments**

The management classifies financial assets and financial liabilities at fair value through profit or loss, including transactional financial assets or financial liabilities, directly designated as Financial assets or financial liabilities measured at fair value through profit or loss; held-to-maturity investments; receivables; available-for-sale financial assets; other financial liabilities.

(II) Confirmation basis and measurement method of financial instruments

A. Financial assets measured at fair value through profit or loss (financial liabilities)

At the time of acquisition, the fair value (deducting the cash dividends that have been declared but not yet paid or the bond interest that has not yet been paid but not yet received) is taken as the initial recognition amount, and the related transaction expenses are included in the current profit and loss.

The interest or cash dividends obtained during the holding period are recognized as investment income, and the change in fair value is included in the current profit and loss.

At the time of disposal, the difference between the fair value and the initial recorded amount is recognized as investment income, and the gains and losses from changes in fair value are adjusted.

B. Held-to-maturity investments

At the time of acquisition, the sum of the fair value (deducting the bond interest that has expired but not yet received) and the related transaction expenses is taken as the initial confirmation amount.

During the holding period, the interest income is calculated based on the amortized cost and the actual interest rate, and is included in the investment income. The effective interest rate is determined at the time of acquisition and remains unchanged during the expected duration or for a shorter period of time applicable.

At the time of disposal, the difference between the purchase price and the book value of the investment is included in the investment income.

C. Receivables

Claims arising from the sale of goods or services, and the claims of other companies that do not include debt instruments that are quoted in an active market, including accounts receivable, other receivables, etc., to the purchaser The price of the contract or agreement receivable shall be deemed as the initial confirmation amount; if it has the nature of financing, it shall be initially confirmed according to its present value.

When recovering or disposing, the difference between the price obtained and the book value of the receivable is included in the current profit and loss.

D. Available-for-sale financial assets

At the time of acquisition, the sum of the fair value (deducting the cash dividends that have been declared but not yet paid or the bond interest that has expired but not yet received) and the related transaction fees are taken as the initial confirmation amount.

The interest or cash dividends obtained during the holding period are recognized as investment income. At the end of the period, it is measured at fair value and changes in fair value are included in other comprehensive income. Equity investments that have no control, joint control or significant influence on the investee and that are not quoted in an active market and whose fair value cannot be reliably measured are presented as available-for-sale financial assets and subsequently measured at cost.

At the time of disposal, the difference between the price obtained and the book value of the financial asset is included in the investment gains and losses. At the same time, the accumulated amount of the fair value of the other comprehensive income is transferred to the disposal portion and is included in the investment gains and losses.

E. Other financial liabilities

The sum of its fair value and related transaction expenses is used as the initial confirmation amount. Subsequent measurement is performed using amortized cost.

(III) Confirmation basis and measurement method of financial asset transfer

When a financial asset transfer occurs, if almost all the risks and rewards of ownership of the financial asset have been transferred to the transferee, the financial asset is derecognised; if almost all the risks and rewards of ownership of the financial asset are retained, the termination is not terminated. Confirm the financial asset.

When judging whether the transfer of financial assets satisfies the conditions for derecognition of the above-mentioned financial assets, the principle of substance over form is adopted. The company divides the transfer of financial assets into the overall transfer and partial transfer of financial assets. If the overall transfer of financial assets meets the conditions for derecognition, the difference between the following two amounts is included in the current profit and loss:

(1) The book value of the transferred financial assets;

(2) The consideration received as a result of the transfer is the sum of the cumulative change in fair value (which is the case in which the transferred financial asset is an available-for-sale financial asset).

If the partial transfer of financial assets meets the conditions for derecognition, the book value of the transferred financial assets is apportioned between the derecognised portion and the non-recognised portion according to their respective fair values, and the difference between the following two amounts is calculated. Current profit and loss:

(1) The book value of the derecognition part;

(2) The consideration for the derecognition portion is the sum of the amount corresponding to the derecognition portion of the cumulative amount of changes in fair value that is directly recognised in owners' equity, in the case where the transferred financial asset is an available-for-sale financial asset.

If the transfer of financial assets does not meet the conditions for derecognition, the financial assets continue to be recognized and the consideration received is recognized as a financial liability.

(IV) Conditions for termination of financial liabilities

If all or part of the current obligations of a financial liability have been discharged, the financial liability or part of it will be terminated; if the company signs an agreement with the creditor, it will replace the existing financial liabilities with new financial liabilities, and the new financial liabilities and existing financial liabilities If the terms of the contract are substantially different, the existing financial liabilities are derecognised and the new financial liabilities are recognized.

If substantial changes are made to all or part of the contractual terms of existing financial liabilities, the existing financial liabilities or part thereof will be terminated, and the financial liabilities after the modification of the terms will be recognized as a new financial liability.

When the financial liabilities are derecognised in whole or in part, the difference between the carrying amount of the financial liabilities derecognised and the payment consideration (including the transferred non-cash assets or the new financial liabilities) is recognised in profit or loss.

If part of the financial liabilities are repurchased, the book value of the financial liabilities as a whole is allocated on the repurchase date based on the relative fair value of the continuation confirmation part and the derecognition part. The difference between the book value assigned to the derecognised portion and the consideration paid (including the transferred non-cash assets or the new financial liabilities assumed) is recognised in profit or loss for the current period.

(V) Method for determining the fair value of financial assets and financial liabilities

A financial instrument with an active market that determines its fair value by quoted prices in an active market. Financial instruments that do not exist in an active market use valuation techniques to determine their fair value. At the time of valuation, the company adopts valuation techniques that are applicable in the current circumstances and that are sufficient to support the use of data and other information, are selected to be consistent with the characteristics of assets or liabilities considered by market participants in transactions in related assets or liabilities. Enter the value and prioritize the relevant observable input value. Unobservable inputs are used only if the relevant observable inputs are not available or are not practicable.

(VI) Impairment of financial assets (excluding receivables)

Except for financial assets measured at fair value through profit or loss, the book value of financial assets is checked at the balance sheet date. If there is objective evidence that a financial asset is impaired, provision for impairment is made.

A. Impairment of available-for-sale financial assets

At the end of the period, if the fair value of available-for-sale financial assets declines significantly, or after comprehensive consideration of various relevant factors, it is expected that this downward trend is non-temporary, and it is deemed that it has been impaired and will be directly included in the original The accumulated losses resulting from the decline in the fair value of other comprehensive income are transferred out and the impairment loss is recognized.

For available-for-sale financial assets, the expected loss of future cash flows is affected by the following loss items and can be reliably measured.

1 The debtor has serious financial difficulties;

2 The debtor violates the terms of the contract, such as the payment of interest or the principal default or overdue;

3 The company makes concessions to debtors with financial difficulties due to economic or legal considerations;

4 The debtor is likely to close down or carry out other financial restructurings;

5 Due to major financial difficulties of the issuer, the financial assets cannot continue to trade in the active market;

6 Significant adverse changes in the technical, market, economic or legal environment in which the issuer of the equity instrument operates, such that the equity instrument investor may not be able to recover the investment cost;

7 The fair value of equity instrument investments has experienced a serious or non-temporary decline.

It is determined that the impairment has occurred, and the accumulated loss arising from the decline in the fair value directly included in the owner's equity is transferred out to confirm the impairment loss. For the available-for-sale debt instruments that have been recognized for impairment losses, the fair value of the subsequent accounting period has risen and is objectively related to the events that occurred after the recognition of the original impairment loss is recognized, the previously recognized impairment losses are reversed. Enter the current profit and loss. Impairment losses arising from investments in available-for-sale equity instruments may not be reversed through profit or loss.

B. Provision for impairment of held-to-maturity investments

The measurement of the impairment loss of held-to-maturity investments is treated in accordance with the measurement method of impairment loss of receivables.

11) Receivables

Receivables include accounts receivable and other receivables.

At the end of the period, if there is objective evidence that the receivables are impaired, the carrying amount is reduced to the recoverable amount, and the amount of the write-down is recognized as asset impairment loss, which is recognised in profit or loss. The recoverable amount is determined by discounting its future cash flows (excluding credit losses that have not yet occurred) at the original effective interest rate, and considering the value of the relevant collateral (net of estimated disposal expenses, etc.). The original effective interest rate is the actual interest rate calculated and determined when the receivable is initially recognized. The estimated future cash flows of short-term receivables are very small from their present value. When determining the relevant impairment losses, the estimated future cash flows are not discounted.

(I) Receivables with significant single amount and single provision for bad debts

Basis or amount standard for significant single amount:	Receivables with a closing balance of RMB 10,000,000 (including RMB 10,000,000) or more are receivables with significant single amount.
The accrual method of single significant amount and single provision for bad debts:	After the impairment test is carried out separately, there is objective evidence that the impairment has occurred, and the provision for bad debts is made based on the difference between the present value of future cash flow and its book value; The receivables that have not been impaired are tested separately, and the bad debt provision is made according to the combination.

(II) Receivables with provision for bad debts based on a combination of credit risk characteristics

For receivables with non-significant single amount, they are classified into several combinations according to credit risk characteristics with receivables that have not been impaired after separate testing, and have similar credit risk characteristics according to the same or similar in previous years. Based on the actual loss rate of the accounts receivable portfolio, the current ratio is used to determine the proportion of bad debt provision for each combination of the current period, and the provision for bad debts that should be accrued in the current period is calculated accordingly.

Determine the basis for the combination	
Aging combination	Based on the age of the credit risk combination
Government and related party combination	Receivable from the government and the ultimate controlling party of the company Shandong Province SASAC's consolidated financial statements within the scope of related parties
Accrual method for provision for bad debts by combination	
Aging combination	Aging analysis
Government and related party combination	Provision for bad debts based on the difference between the present value of its future cash flows and its book value

In the combination, the aging analysis method is used to make provision for bad debts:

Aging	Accounts receivable accrual ratio (%)	Proportion of other receivables (%)
Within 1 year (including 1 year)	0%	0%
1-2 years	5%	5%
2-3 years	5%	5%
3-4 years	20%	20%
4-5 years	20%	20%
More than 5 years	100%	100%

(III) **Receivables with insignificant single amount but with separate provision for bad debts**

Reasons for single provision for bad debts:	There is conclusive evidence that there is a significant difference in collectability
Provision for bad debts:	Provision for bad debts based on the difference between the present value of future cash flows and its book value

12) Inventory

(I) **Classification of inventories**

The inventory is classified into: in-transit materials, raw materials, turnover materials, inventory goods, products in process, goods issued, commissioned processing materials, and consumable biological assets.

(II) **Valuation method for obtaining and issuing inventories**

When inventory is obtained, it is measured at cost. Inventory costs include purchase costs, processing costs, and other costs.When the inventory is shipped, it is weighted and averaged at the end of the month.。

(III) **Basis for determining the net realizable value of inventories and accrual method for inventory depreciation reserve**

After the inventory is fully inspected at the end of the period, the inventory depreciation reserve is drawn or adjusted at the lower of the cost of the inventories and the net realizable value.

The goods directly used for sale, such as finished product, finished goods and materials for sale, is determined in the normal production and operation process by the estimated selling price of the goods minus the estimated selling expenses and related taxes. Net realizable value; inventory of materials that need to be processed, in the normal production and operation process, the estimated selling price of the finished product produced minus the estimated cost of completion, estimated selling expenses and related taxes and fees to determine its net realizable value; the net realizable value of the inventory held for the execution of a sales contract or a labor contract is calculated on the basis of the contract price. If the quantity of the held inventory is more than the quantity ordered by the sales contract, the excess inventory is the net realizable value is calculated based on the general sales price.

At the end of the period, the inventory depreciation reserve is accrued according to the individual inventory items; but for a large number of inventories with lower unit prices, the inventory depreciation reserve is accrued according to the inventory category; related to the product series produced and sold in the same region, having the same or similar end use or Inventories with a purpose that is difficult to measure separately from other projects are combined for provision for inventory depreciation.

If the influencing factors of the write-down of inventory value have disappeared, the amount of write-down will be restored and will be reversed within the amount of the provision for decline in value of the inventory that has been accrued. The amount of the reversal is included in the current profit and loss.

(IV) **Inventory system**

Adopt perpetual inventory system.

(V) **Amortization method for low-value consumables and packaging materials**

(1) Low-value consumables adopt the one-off write-off method;

(2) The package is subject to a one-off write-off method.

(VI) **Accounting method for development cost**

The cost of the company's development projects includes:

(1) Compensation for land acquisition and demolition: All expenses incurred in the purchase or participation in the auction of land by the real estate development, including land price, resettlement fees, demolition compensation for existing buildings, deed tax, and auction service fees.

(2) Pre-construction project fee: planning, design, feasibility study, hydrogeological exploration, surveying and mapping, site leveling and other costs incurred before the development.

(3) Infrastructure fees: the cost of infrastructure such as water supply, power supply, gas supply, sewage, flood discharge, communication, lighting, greening, sanitation facilities, brilliance works and roads that occur during the development process.

(4) Construction and installation engineering fees: All construction and installation engineering costs and equipment costs incurred in the construction and construction of the construction and installation drawings during the collection and development process.

(5) Ancillary facility fee: the costs of public facilities that are collected in the development project, such as boiler room, water tower (box), bicycle shed, public security fire room, power distribution room, public toilet, kindergarten, school, entertainment and

cultural facilities, Expenditure on facilities such as clubs, neighborhood committees, and garbage rooms.

Indirect costs of development: the collection of the expenses incurred in the development and management of the development project site can not directly determine the cost of a project must be allocated according to certain standards among the various development projects at the end of the month. Including: borrowing costs incurred before the completion of the development project, office expenses of the project management department, telephone charges, transportation travel expenses, repair costs, labor protection fees, depreciation expenses, amortization of low-value consumables, amortization of turnover houses, and management institutions Staff salaries, and other expenses.

When the development project is completed and meet the conditions for delivery by relevant government departments, the total saleable area of the developed products such as houses, shops, office spaces and parking spaces can be calculated or estimated, and the saleable area of each developed product can be used. The proportion of the sales area will be shared among the development products, and the actual cost of each development product will be calculated. If the settlement is not finalized, the developed product shall be included in the estimated cost, and the developed product shall be adjusted according to the difference between the actual cost and the estimated cost after the final settlement.

13) Holding assets for sale

(I) Recognition criteria for non-current assets or disposal groups held for sale

The company primarily recovers its book value through the sale (including the exchange of non-monetary assets with commercial substance, the same below), rather than continuing to use a non-current asset or disposal group, which should be classified as held for sale.

The company classifies non-current assets or disposal groups that meet the following conditions into holding categories for sale:

(1) According to the practice of selling such assets or disposal groups in similar transactions, they can be sold immediately under current conditions;

(2) The sale is highly probable, that is, the company has already made a resolution on a sale plan and obtained a certain purchase commitment, and the sale is expected to be completed within one year. The relevant regulations require the relevant authorities of the company or the regulatory authorities to approve the sale, and have been approved.

The determined purchase commitment refers to the legally binding purchase agreement signed between the company and other parties. The agreement includes important terms such as transaction price, time and sufficiently severe breach of penalty, making it unlikely that the agreement will be significantly adjusted or cancelled.

(II) Accounting treatment of non-current assets held for sale or disposal groups

When the company initially measures or re-measures the non-current assets or disposal groups held for sale on the balance sheet date, if the book value is higher than the fair value less the sales expenses, the book value is reduced to the fair value less The net amount after the sale of the expenses, the amount of the write-down is recognized as the asset impairment loss, which is included in the current profit and loss, and the provision for impairment of assets held for sale is made.

(1) For fixed assets held for sale, the estimated net residual value of the fixed assets should be adjusted so that the estimated net residual value of the fixed assets can reflect the fair value less the disposal expenses, but not exceeding the original book value of the fixed asset when it is held for sale. The difference between the original book value and the estimated net residual value should be included in the current profit and loss as the asset impairment loss. Fixed assets held for sale are not depreciated and are measured at the lower of the carrying amount and fair value less costs of disposal.

(2) For equity investments in associates or joint ventures held for sale, the equity method is discontinued from the date of disposal until the date of disposal.

(3) If the investment in the sale of the subsidiary will result in the loss of control of the subsidiary, regardless of whether the company retains minority interests after the sale, the subsidiary investment meets the conditions for holding the classification of the sale, In the parent company's individual financial statements, the investment in the subsidiaries is divided into holdings for sale, and all assets and liabilities of the subsidiaries are classified into holdings for sale in the consolidated financial statements.

(III) Accounting treatment when the conditions for holding for sale are no longer satisfied

(1) If an asset or disposal group is classified as held for sale but later no longer meets the conditions for recognition of fixed assets held for sale, the company ceases to classify it as held for sale and is subject to the following two the lower of the item amount is measured:

① The book value of asset or disposal group before classified as holding for sale, is amount adjusted according to the assumption that the depreciation, amortization or impairment before classified as held for sale.

② The amount of re-recovery on the date of no further sale.

(2) If the equity investment in an associate or joint venture that is classified as held for sale no longer meets the conditions for holding the assets for sale, the company adopts retroactive adjustment of the equity method from the date on which it is classified as holding assets for sale.

(IV) Accounting treatment of other non-current assets held for sale

Other non-current assets, such as intangible assets that are held for sale, are treated in accordance with the above principles. Other non-current assets referred to herein do not include deferred income tax assets, assets formed by employee compensation, and financial assets regulated by "Accounting Standards for Business Enterprises No. 22

Financial instruments recognized and measured", investment real estate and biological assets measured at fair value, and contractual rights arising from insurance contracts.

14) Long-term equity investment

(I) Classification of long-term equity investments and their basis for judgment

A. Classification of long-term equity investments

The long-term equity investments are classified into three categories, that is, the equity investments that the investors exercise control over the investee, significant influence equity investments, and the equity investments in their joint ventures.

B. Judgment basis for long-term equity investment category

① The basis for determining the control over the investee is detailed in Note 6. (6);

② Basis for determine the significant impact on the investee:

Significant influence refers to the power to participate in decision-making on the financial and operational decisions of an enterprise, but it cannot control or jointly control the formulation of these policies with other parties.

The company usually determines whether it has a significant impact on the investee by one or more of the following situations:

A.Representatives are represented on the board of directors of the invested entity or a similar authority. In this case, because the representative of the board of directors or similar authority of the invested entity is represented and has the corresponding substantive decision-making power, the investor can participate in the formulation of the financial and operating policies of the invested entity through the representative, and has significant influence on the invested entity.

B.Participate in the financial and business policy formulation process of the invested entity. In this case, suggestions and opinions can be made for their own interests in the process of formulating policies, so that they can exert significant influence on the invested entity.

C.Important transactions occur with the investee. The relevant transactions are of importance to the day-to-day operations of the invested company, and thus can affect the production and operation decisions of the invested entity in a certain extent.

D.Send management personnel to the invested company. In this case, the manager has the power to dominate the relevant activities of the invested entity, thus being able to exert significant influence on the invested entity.

E.Provide key technical information to the investee. Because the production and operation of the invested entity depends on the technical or technical data of the investor, it indicates that the investor has a significant impact on the invested entity.

When the company judges whether it has a significant impact on the investee, it is not limited to whether there is one or more of the above situations, and it is necessary to comprehensively consider all facts and circumstances to make a comprehensive judgment.

Equity investment which the investor has a significant influence on the invested entity, is investment in the joint venture.

③ Basis of determine whether the invested entity is joint venture:

The joint venture of the company means that the company only has rights to the net assets of the joint venture arrangements.

The definitions, classifications and judgment criteria for joint control of joint venture arrangements are detailed in Note 4. (7).。

(II) Determination of initial cost of long-term equity investment

A. Long-term equity investment formed by business combination

Business combination under the same control: If the company pays cash, transfers non-cash assets or assumes debts, and issues equity securities as the merger consideration, the initial investment cost of the long-term equity investment is the share of the book value of merged party owner's equity in the ultimate controlling party consolidated financial statements on the merger date. The difference between the initial investment cost of the long-term equity investment and the payment of the merger consideration, adjust the capital reserve (capital premium or equity premium); if the capital reserve (capital premium or equity premium) is insufficient to offset, adjust the retained earnings. If the combining party issues the equity securities as the merger consideration, the difference between the initial investment cost of the long-term equity investment and the total par value of the shares issued shall be adjusted according to the total par value of the issued shares as the share capital, and the capital public (capital premium or equity premium) shall be adjusted; If the reserve (capital premium or share premium) is insufficient to offset, the retained earnings will be adjusted.

Business combination not under the same control: The initial investment cost of the long-term equity investment is the company's merger cost determined on the purchase date. The combination cost is the fair value of the assets paid, the liabilities incurred or assumed, and the equity securities issued by the purchaser in order to obtain control over the acquiree. The transaction fee of the equity securities or debt securities issued by the purchaser as a merger consideration is included in the initial recognition amount of equity securities or debt securities. The business combination of non-identical control realized through multiple transactions in a step-by-step manner, the sum of the book value of the equity investment held by the purchaser before the purchase date and the new investment cost on the purchase date is taken as the initial investment cost of the investment. The Company will use the contingent consideration as agreed in the merger agreement as part of the consideration for the business combination transfer, and the fair value of the merger will be included in the business combination cost.

Intermediary expenses such as auditing, legal services, evaluation and other related expenses incurred by the combining party or the purchaser for the business combination are recognised in profit or loss when incurred.

B. Long-term equity investment obtained by other means

The long-term equity investment obtained by cash payment use the actual purchase price as the initial investment cost. The initial investment cost includes expenses, taxes and other necessary expenses directly related to the acquisition of long-term equity investments.

For the long-term equity investment obtained by issuing equity securities, the fair value of the issued equity securities is taken as the initial investment cost.。

Under the premise that the non-monetary asset exchange has the commercial substance and the fair value of the assets exchanged or exchanged assets can be reliably measured, the long-term equity investment exchanged for non-monetary assets is determined based on the fair value of the assets exchanged. Investment cost, unless there is conclusive evidence that the fair value of the assets transferred is more reliable; non-monetary assets that do not meet the above premise, the book value of the assets exchanged and the related taxes and fees payable as the initial value of the long-term equity investment cost of investment.

The initial investment cost of a long-term equity investment obtained through debt restructuring is determined on the basis of fair value.

(III) Subsequent measurement of long-term equity investments and method of recognition of profit or loss

The long-term equity investment that the company can control over the investee is accounted for using the cost method.

Long-term equity investments accounted for using the cost method are valued at the initial investment cost. Add or withdraw investment to adjust the cost of long-term equity investment. The cash dividends or profits declared by the investee are recognized as current investment income.

The long-term equity investment in joint ventures and joint ventures is accounted for using the equity method. The initial investment cost is greater than the difference between the fair value of the identifiable net assets of the investee when investing, and the initial investment cost of the long-term equity investment is not adjusted; the initial investment cost is less than the fair value of the identifiable net assets of the investee when investing. The difference is included in the current profit and loss, while adjusting the cost of long-term equity investment.

After obtaining the long-term equity investment, the company will recognize the investment income and other comprehensive income according to the share of net profit and loss and other comprehensive income realized by the investee that should be shared or should be shared, and adjust the book value of the long-term equity investment; The portion of the profit or cash dividend declared by the invested entity shall be calculated to reduce the book value of the long-term equity investment; the Company shall adjust the other changes in the owner's equity,except the net profit or loss, other comprehensive income and profit distribution of the invested entity, adjust the book value of the long-term equity investment and included in the owner's equity.

When confirming the share of the net profit or loss of the investee, the company shall adjust the net profit of the investee based on the fair value of the investee's identifiable net assets at the time of investment.

If the accounting policies and accounting periods adopted by the invested entity are inconsistent with the Company, the financial statements of the invested entity shall be adjusted in accordance with the accounting policies and accounting periods of the Company, and the investment income and other comprehensive income shall be confirmed accordingly.

The Company confirms that the net loss incurred by the investee is limited to the book value of the long-term equity investment and other long-term equity that substantially constitutes the net investment of the investee, and the company has the obligation to bear additional losses.

If the investee realizes net profit in the future, the company will resume the confirmation of the revenue share after its income sharing amount makes up for the unconfirmed loss share.

When the Company calculates and recognizes that it should share or should bear the net profit or loss of the investee, the unrealized internal transaction gains and losses between the joint venture and the joint venture shall be offset according to the proportion of the share to be enjoyed, and the investment income is confirmed.

The unrealized internal transaction losses incurred by the Company and the investee are subject to asset impairment losses in accordance with the relevant provisions of the "Accounting Standards for Business Enterprises No. 8 – Impairment of Assets", etc., and the transaction losses are recognized in full.

If the company can exert significant influence on the invested entity or implement joint control but does not constitute control due to additional investment, etc., the original held equity investment determined in accordance with the "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments" The sum of fair value plus new investment costs is used as the initial investment cost calculated by the equity method. If the previously held equity investment is classified as an available-for-sale financial asset, the difference between the fair value and the book value, and the accumulated fair value changes previously recognised in other comprehensive income are transferred to the current gains and losses.

If the Company loses joint control or significant influence on the investee due to the disposal of part of the equity investment, etc., the remaining equity after disposal shall be calculated according to the "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments", which is lost. The difference between the fair value and the book value on the date of joint control or significant impact is recognised in profit or loss. The other comprehensive income recognized in the original equity investment using the equity method is accounted for on the same basis as the investee's direct disposal of related assets or liabilities when the equity method is terminated.

If the Company loses control over the investee due to the disposal of part of the equity investment, etc., in the preparation of individual financial statements, if the remaining equity after disposal can exercise joint control or exert significant influence on the investee, changed into equity method, and the remaining equity is adjusted by equity method when it is acquired; if the remaining equity after disposal cannot jointly control or exert significant influence on the invested entity, it shall be changed according to "Accounting Standards for Business Enterprises No. 22" The relevant provisions of the Financial Instruments Recognition and Measurement are accounted for.

For the disposal of long-term equity investments, the difference between the book value and the actual purchase price is included in the current profit and loss. For the long-term equity investment accounted for using the equity method, when the investment is disposed, the same amount of assets or liabilities are directly disposed to be disposed of by the investee, and the portion originally included in other comprehensive income is accounted for according to the corresponding proportion.

15) Investment properties

(I) Initial measurement of investment real estate

The company's investment properties includes leased land use rights, land use rights held and prepared for transfer after appreciation, and leased buildings.

The Company does not recognize investment development real estate as a rental development product that is not officially identified as rental for long-term holding purposes, and is accounted for in the "Inventory-Intent to sell and temporarily leased development products" project; for the purpose of rental development Product, transfer its book value to investment properties accounting.

The Company's investment properties is initially measured at its cost. The cost of the purchased investment properties includes the purchase price, related taxes and other expenses directly attributable to the asset; the cost of self-constructed investment properties is constructed by the necessary expenses incurred before the assets reach the expected usable status.

(II) Subsequent measurement of investment real estate

The Company adopts the cost model to conduct subsequent measurement of investment properties and depreciation or amortization according to the policy consistent with the building or land use rights.

16) Fixed assets

(I) Fixed assets recognition conditions

Fixed assets refer to tangible assets held for the purpose of producing goods, providing labor services, renting or operating management, and having a useful life of more than one fiscal year. Fixed assets are recognized when they meet the following conditions: (1) The economic benefits associated with the fixed assets are likely to flow into the enterprise; (2) The cost of the fixed assets can be reliably measured.

(II) Depreciation method

The depreciation of fixed assets is accrued using the straight-line method. The depreciation rate is determined based on the fixed asset class, estimated service life and estimated net residual value. If the service life of each component of a fixed asset is different or provides economic benefits to the enterprise in different ways, then different depreciation rates or depreciation methods are selected, and depreciation is separately provided.

Category	Depreciation method	Depreciation period (year)	Residual rate (%)	Annual depreciation rate (%)
Houses and buildings	Straight line method	10-25	3	9.7-3.88
Mechanical equipment	Straight line method	3	3	19.40-9.70
Transportation Equipment	Straight line method	5	3	19.4
Office furniture	Straight line method	5-8	3	19.4-12.13
Office equipment	Straight line method	5-8	3	19.4-12.13
Electronic equipment and others	Straight line method	5-8	3	19.4-12.13
Reservoir and pipeline equipment	Straight line method	45	3	2.16

(III) **Recognition basis, valuation method and depreciation method of fixed assets acquired under finance lease**

If the company and the leasing party have one of the following conditions stipulated in the terms of the lease agreement, they are recognized as financing leased assets:

(1) The ownership of the leased asset after the lease expires is attributable to the company;

(2) The company has the option to purchase assets, and the purchase price is much lower than the fair value of the asset when the option is exercised;

(3) The lease term accounts for the majority of the useful life of the leased asset;

(4) The present value of the minimum lease payments on the lease start date is not significantly different from the fair value of the assets.

On the lease start date, the lower of the fair value of the leased asset and the present value of the minimum lease payment is taken as the book value of the leased asset, and the minimum lease payment is taken as the book value of the long-term payable, and the difference is regarded as unconfirmed financing fees.

If the fixed assets leased by the financial leasing method can reasonably determine that the leased assets will be acquired at the expiration of the lease term, the depreciation shall be made within the useful life of the leased assets; if it can not reasonable to determine the ownership of the leased assets when the lease term expires, depreciation is provided for the shorter of the lease term and the remaining useful life of the leased asset.

17) Construction in progress

Construction in progress is accounted by project classification.

The total amount of expenditure incurred by the construction in progress before the construction of the asset reaches the expected usable status is recorded as the value of the fixed assets. If the construction of fixed assets under construction has reached the expected usable condition, but has not yet completed the final settlement of the project, it will be transferred to the fixed value according to the project budget, cost or actual cost of the project from the date of the scheduled usable status. Assets, and depreciation of fixed assets according to the company's fixed assets depreciation policy, after the completion of final accounts, the original temporary valuation is adjusted according to the actual cost, but the original depreciation amount is not adjusted.

18) Borrowing costs

(I) Recognition principle of capitalization of borrowing costs

Borrowing costs, including interest on borrowings, amortization of discounts or premiums, ancillary expenses, and exchange differences arising from foreign currency borrowings.

If the borrowing costs incurred by the company can be directly attributable to the acquisition, construction or production of assets that meet the capitalization conditions, they shall be capitalized and included in the cost of the relevant assets; other borrowing costs are recognized as expenses at the time of occurrence and are included in the expenses.

Assets eligible for capitalization refer to assets such as fixed assets, investment real estate and inventories that require a substantial period of acquisition, construction or production activities to achieve the intended use or sale status.

Capitalization begins when the borrowing costs meet the following conditions:

(1) Asset expenditure has occurred, including expenditures incurred in the form of payment of cash, transfer of non-cash assets or commitment of interest-bearing debts for the acquisition, construction or production of assets eligible for capitalization;

(2) Borrowing costs have occurred;

(3) The acquisition, construction or production activities necessary to bring the assets to the intended usable or saleable state have begun.

(II) Capitalization period of borrowing costs

During the capitalization period, the period from the time when the borrowing costs start to be capitalized to the point when the capitalization is stopped, the period in which the borrowing costs are suspended for capitalization is not included.

When the acquisition, construction or production of assets eligible for capitalization is ready for its intended use or sale, the capitalization of borrowing costs ceases.

When some of the assets in the acquisition, construction or production of assets eligible for capitalization are completed and can be used separately, the capitalization of the borrowing costs of the assets will cease.

Each part of the assets purchased, constructed or produced shall be completed separately, but must be used after the completion of the whole work or may be sold externally. The capitalization of the borrowing costs shall be stopped when the assets are completed as a whole.

The borrowing costs of the Company's real estate development projects are capitalized when they meet the capitalization conditions, and are included in the "development cost-development indirect costs" project; the essence of the acquisition, construction or production activities necessary for the completion of the development project to achieve the intended use or sale status If the above has been completed, the capitalization of the borrowing costs incurred will be directly included in the current profit and loss.

(III) **Suspension of capitalization during the capitalization period**

If the assets eligible for capitalization are interrupted abnormally during the acquisition, construction or production process and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended; if the interruption is in accordance with the capitalization conditions of the purchase or construction or production Borrowing costs continue to be capitalized when the assets are in a condition that is ready for their intended use or saleable status. The borrowing costs incurred during the period of interruption are recognized as current gains and losses until the borrowing costs continue to be capitalized after the acquisition or construction of the assets or the resumption of production activities.

(IV) **Calculation method of capitalization amount of borrowing costs**

For special borrowings borrowed for the acquisition, construction or production of assets eligible for capitalization, the actual borrowing costs and auxiliary expenses incurred in the current period of special borrowings, minus the interest income of the unused borrowing funds deposited in the bank or temporarily investment income, to determine the capitalization amount of the borrowing costs.。

For the general borrowings used for the acquisition, construction or production of assets eligible for capitalization, the weighted average of the asset expenditures of the accumulated borrowings exceeding the special borrowings is multiplied by the capitalization rate of the general borrowings used amount of interest. The capitalization rate is determined based on the weighted average interest rate of general borrowings.

If there is a discount or premium on the loan, the discount or premium amount to be amortized in each accounting period shall be determined according to the actual interest rate method, and the interest amount of each period shall be adjusted.

19) Biological assets

(I) Classification and determination criteria for biological assets

A. Classification of biological assets

Biological assets are classified into consumable biological assets, productive biological assets and public welfare biological assets.

Consumable biological assets refer to biological assets held for sale or harvested as agricultural products in the future, including growing field crops, vegetables, timber forests, and livestock for sale.

Production biological assets refer to biological assets held for the purpose of producing agricultural products, providing labor services or renting, including economic forests, firewood forests, livestock production and working animals.

Public welfare biological assets refer to biological assets with protection and environmental protection as the main purpose, including wind-proof and sand-fixing forests, soil and water conservation forests, and water conservation forests.

B. Determination criteria for biological assets

If the biological assets meet the following conditions at the same time, they are confirmed:

① The enterprise owns or controls the biological assets due to past transactions or events;

② that the economic benefits or service potential associated with the biological asset are likely to flow into the enterprise;

③ The cost of the biological asset can be reliably measured.

(II) Initial measurement of biological assets

Biological assets are initially measured at cost.

(1) The cost of purchased biological assets, including purchase price, related taxes, transportation fees, insurance premiums, and other expenses directly attributable to the purchase of the assets.

(2) The cost of consumable biological assets cultivated, propagated or farmed by themselves is determined as follows:

① The cost of self-cultivated field crops and vegetables, including the materials, fertilizers, pesticides and other material costs, labor costs and indirect expenses that should be allocated before harvest.

② The cost of self-propagating fattening livestock, including the necessary expenses such as feed fees, labor costs and indirect expenses to be distributed before sale.

(3) The cost of self-propagating productive biological assets is determined as follows:

The cost of self-propagating livestock and working animals, including the necessary expenses such as feed fees, labor costs and indirect expenses to be incurred before the intended production and operation (age). To achieve the purpose of scheduled production and operation, it means that the productive biological assets enter the normal production period, and can continuously produce agricultural products, provide labor services or rent for many years.

(4) The cost of self-created public welfare biological assets determined by the necessary expenses such as afforestation fees, tending fees, forest protection fees, forestry facilities fees, improved seed testing fees, survey design fees and indirect expenses to be apportioned before the closure.

(5) The borrowing costs of the cost of biological assets shall be included in the relevant provisions of the borrowing costs.

(6) The cost of the investor's investment in biological assets shall be determined in accordance with the value agreed in the investment contract or agreement, unless the contract or agreement stipulates that the value is not fair.

(7) Subsequent expenditures such as management and maintenance expenses, which are incurred after the biological assets are closed or have reached the intended production and operation objectives, are included in the current profits and losses.。

(III) **Subsequent measurement of biological assets**

Biological assets are measured using a cost model.

(1) The company's production biological assets that meet the intended production and operation purposes are depreciated on schedule and are included in the cost of the relevant assets or current profits and losses according to their purposes.

(2) The company reasonably determines its service life, estimated net residual value and depreciation method based on the nature of the productive biological assets, their use and the expected realization of relevant economic benefits. Use the depreciation method years average method.

(3) The company determines the service life of the productive biological assets, taking into account the following factors: the expected output capacity or physical output of the asset; the expected physical loss of the asset, such as the aging of livestock and service animals, economic forest aging, etc.; Inferred intangible losses, such as the relative decline in the production capacity of existing productive biological assets and the quality of produced agricultural products due to the emergence of new varieties, and changes in market demand, making agricultural products produced by productive biological assets relatively obsolete.

The depreciation of productive biological assets is based on the average age method.

The depreciation of the productive biological assets that have been depreciated is deducted according to the amount after the impairment. The estimated service life and estimated net residual value rate and annual depreciation rate of productive biological assets are as follows:

Category	Estimated service life (years)	Estimated net residual value rate (%)	Annual depreciation Rate (%)	Determination basis
Horses	5-12	0.00	20-8.33	Audit opinions

The company reviews the estimated useful life, estimated net residual value and depreciation method of the productive biological assets at the end of each year. If the expected life of the productive biological asset or the expected net residual value is different from the original estimate, or if there is a significant change in the way in which the expected economic benefits are realized, it shall be treated as a change in accounting estimates.

（IV） **Harvesting and disposal of biological assets**

(1) For consumable biological assets, the cost is carried forward at the book value at the time of harvest or sale. The method of carrying forward the cost is the weighted average method.

(2) The cost of agricultural products harvested from productive biological assets shall be calculated and determined according to the necessary expenses such as material expenses, labor costs and indirect expenses incurred during the production or harvesting process, and the book value shall be calculated by weighted average method convert to agricultural product costs.

(3) The cost of changing the use of biological assets is determined according to the book value at the time of changing the use.

(4) When the sale of biological assets, loss, death or damage, the balance of the disposal income after deducting its book value and related taxes and fees shall be included in the current profits and losses.

20) Intangible assets

（I） **Valuation method of intangible assets**

A. Initial measurement by cost when obtaining intangible assets

The cost of outsourcing intangible assets including the purchase price, related taxes and fees, and other expenses directly attributable to bringing the asset to its intended use. If the purchase price of an intangible asset is delayed beyond the normal credit conditions and is of financing nature, the cost of the intangible asset is determined on the basis of the present value of the purchase price.。

The intangible assets obtained by the debtor to offset the debt in debt restructuring, tthe book value determined based on the fair value of the intangible asset, and includes the difference between the book value of the debt to be restructured and the fair value of the intangible asset used for debt repayment into profit and loss;

Under the premise that the non-monetary asset exchange has commercial substance and the fair value of the assets exchanged or exchanged assets can be reliably measured, the intangible assets exchanged for non-monetary assets are converted into the book value based on the fair value of the assets exchanged. Unless there is conclusive evidence that the fair value of the assets transferred is more reliable; the exchange of non-monetary assets that does not meet the above premise, the book value of the assets exchanged and the related taxes and fees payable as the cost of the intangible assets are not recognized. profit and loss.。

The intangible assets acquired by the enterprise under the same control are determined based on the book value of the merged party; the intangible assets acquired by the enterprises under the same control are determined at fair value.

The cost of in-house self-developed intangible assets includes: materials used in the development of the intangible assets, labor costs, registration fees, amortization of other patents and concessions used in the development process, and interest charges to meet the capitalization conditions. And other direct costs incurred to bring the intangible asset to its intended use.

The company's intangible assets include land use rights, software, concessions, charging rights, patent rights, trademark rights, etc.

B. Subsequent measurement

Analyze and judge the service life of intangible assets.

For intangible assets with limited service life, they are amortized on a straight-line basis within the period in which they bring economic benefits to the enterprise; if the intangible assets are not expected to bring economic benefits to the enterprise, it is regarded as an intangible asset with an indefinite useful life and is not amortized.。

For the impairment test of intangible assets, see Note 4. (21) Long-term asset impairment.

(II) Estimation of service life of intangible assets with limited service life

Project	Estimated service life (years)	In accordance with
Land use rights	30-50	Land use right certificate registration period
Software	5-10	Expected benefit period
Franchise	10-20	Expected benefit period
Charge right	10-20	Expected benefit period
Patent	5-10	Expected benefit period

Project	Estimated service life (years)	In accordance with
Trademark rights	10-20	Expected benefit period

At the end of each period, the service life and amortization method of intangible assets with limited useful life are reviewed.

After review, the useful life and amortization method of intangible assets at the end of the year are not different from previous estimates.

（III） **Specific criteria for the dividing research phase and development phase of internal research and development projects.**

Expenditures for internal research and development projects are divided into research phase expenditures and development phase expenditures.

Research phase: The stage of planned investigations and research activities to acquire and understand new scientific or technical knowledge.

Development phase: The stage in which research or other knowledge is applied to a plan or design to produce new or substantially improved materials, devices, products, etc. prior to commercial production or use.

The specific criteria for the Company to divide expenditures for research and development phases are:

Expenditure at the research stage refers to all expenditures before the completion of the phase III clinical trial phase of the drug (including new drug and original drug dosage form change). (or: the stage of original planned and pre-clinical experiments for acquiring new drug production technologies. Or: refers to the originality of the company for obtaining new processes, testing techniques through experiments, pilot tests, etc. Sexual planned investigation and research activity stage).

Expenditure in the development phase refers to the directly vested expenses after the completion of the phase III clinical trial of the drug (including the change of the new drug and the original drug dosage form), and the completion of the phase III clinical trial to obtain the new drug registration certificate and production issued by the State Food and Drug Administration. The approval will prevail. (or: after obtaining the clinical approval of the new drug issued by the State Food and Drug Administration, the clinical trials of applying the research results to the new drug, etc., to obtain the stage of the production of the new drug. Or: refers to the industrialization of new drugs Before the production stage, apply the research results or formula structure to a new drug to produce a new drug program that is consistent with the research phase or a new material, new process, new product and other activities that have substantial improvements.)

（IV） **Specific criteria for capitalization of development stage expenditures**

Expenditures for the development phase of an internal research and development project are recognized as intangible assets when the following conditions are met:

(1) It is technically feasible to complete the intangible asset to enable it to be used or sold;

(2) Has the intent to complete the intangible asset and use or sell it;

(3) The way in which intangible assets generate economic benefits, including the ability to prove that the products produced using the intangible assets exist in the market or the intangible assets exist in the market, and the intangible assets will be used internally, which can prove their usefulness;

(4) There is sufficient technical, financial and other resources to support the development of the intangible assets and the ability to use or sell the intangible assets;

(5) Expenditure attributable to the development phase of the intangible asset can be reliably measured.

Expenditures in the development stage, if they do not meet the above conditions, are included in the current profit and loss when incurred. Expenditure at the research stage is included in the current profit and loss when incurred.

21) Long-term asset impairment

Determining whether long-term equity investment, investment real estate measured by cost model, fixed assets, construction in progress, biological assets measured by cost model, intangible assets determined by service life of oil and gas assets are depreciated on each balance sheet date. If there is any indication of impairment, the recoverable amount is estimated. If the recoverable amount is lower than its book value, the book value of the asset is reduced to the recoverable amount, and the amount of the write-down is recognized as the corresponding impairment loss. For the current profit and loss, the corresponding impairment provision is made at the same time.

The estimate of the recoverable amount of an asset is determined based on the higher of its fair value less costs of disposal and the present value of its estimated future cash flows. The enterprise estimates the recoverable amount based on the individual assets. When it is difficult to estimate the recoverable amount of the individual assets, the recoverable amount of the asset group is determined based on the asset group to which the assets belong.

After the asset impairment loss is confirmed, the depreciation or amortization expense of the impaired assets will be adjusted accordingly in the future period so that the assets will be systematically apportioned the adjusted book value of the assets within the remaining life.

Intangible assets with indefinite useful lives, intangible assets that have not yet reached the state of use, and goodwill formed by the merger are tested for impairment at the end of each year.

With regard to the impairment test of goodwill, the book value of goodwill formed by business combination is apportioned to the relevant asset group according to a reasonable method from the date of purchase; if it is difficult to apportion to the relevant asset group, it is allocated to the relevant assets group combination. When the book value of goodwill is allocated to the relevant asset group or asset group combination, the fair value of each asset group or combination of asset groups is apportioned in proportion to the total fair value of the relevant asset group or asset group combination. If the fair value is difficult to be reliably measured, the book value of each asset group or asset group combination shall be apportioned in proportion to the total book value of the relevant asset group or asset group combination.

When performing impairment test on the relevant asset group or asset group combination containing goodwill, if there is any sign of impairment of the asset group or asset group combination related to goodwill, firstly, the asset group or asset group combination that does not contain goodwill An impairment test is carried out to calculate the recoverable amount and compare it with the relevant book value to confirm the corresponding impairment loss. The asset group or asset group combination containing goodwill is tested for impairment, and the book value of these related asset groups or asset group combinations (including the book value portion of the assessed goodwill) and its recoverable amount, such as the relevant asset group, are compared. Or the impairment loss of goodwill is recognized if the recoverable amount of the asset group combination is lower than its book value.

22) Long-term deferred expenses

For the expenses that have occurred but should be borne by the current and future periods, the amortization period is more than one year, including the operating lease fixed assets improvement expenditure, and the long-term deferred expenses are amortized according to the expected benefit period. If the long-term deferred expenses item cannot benefit the future accounting period, all the amortized value that has not been amortized will be transferred to the current profit and loss.

23) Employee benefits

Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits provided in various forms of consideration in exchange for service rendered by employees or compensations for the termination of employment relationship.

(I) Accounting treatment for short-term compensation

During the accounting period in which employees provide services to the company, the actual short-term remuneration is recognized as a liability and recognised in profit or loss or related asset costs.

(II) Accounting treatment of post-employment benefits

The post-employment benefit plan is classified into a defined contribution plan and a defined benefit plan.

During the accounting period in which employees provide services to the company, the amount of the deposits calculated according to the defined contribution plan is recognized as a liability and included in the current profit and loss or related asset costs.

According to the defined contribution plan, it is expected that the total amount of the deposit due will not be paid within 12 months after the end of the annual reporting period in which the employee provides the relevant services, and the maturity and currency of the defined benefit plan will be matched according to the balance sheet date. The market yield of high-quality corporate bonds in treasury bonds or active markets, the total amount payable shall be measured at the discounted amount to pay employee benefits.

The company discounts all defined benefit plan obligations based on the market yield on the balance sheet date and the defined benefit period currency and currency, or the high-quality corporate bonds in the active market, including obligation to pay within twelve months after the end of the annual reporting period of expected employee service.

If there is an asset in the defined benefit plan, the deficit or surplus formed by the present value of the defined benefit plan obligation minus the fair value of the defined benefit plan asset is recognized as a net benefit or net asset of the defined benefit plan. If there is a surplus in the defined benefit plan, the enterprise measures the net assets of the defined benefit plan by the lower of the surplus and the asset cap of the defined benefit plan. Among them, the asset cap refers to the present value of the economic benefits that the enterprise can obtain from the set-benefit plan refund or reduce the future deposit of funds for the defined benefit plan.

At the end of the reporting period, the service cost in the employee compensation cost of the defined benefit plan and the net interest or net interest of the defined benefit plan are included in the current profit and loss or asset cost; re-measurement of the net benefit or net of the defined benefit plan Changes in assets. It is included in other comprehensive income and is not allowed to be transferred back to profit or loss in subsequent accounting periods and can be transferred within the scope of equity.

Under the defined benefit plan, the past service cost will be recognized as the current expense as soon as possible after modifying the defined benefit plan and confirming the relevant restructuring fee or termination benefit.

The company confirms the settlement gain or loss when setting the benefit plan settlement. The gain or loss is the difference between the present value of the defined benefit plan obligation and the settlement price determined on the settlement date.

(III) **Accounting treatment of termination benefits**

The employee compensation liabilities arising from the dismissal benefits are recognized with earlier of following two cases and are included in the current profit and loss:

(1) The enterprise cannot unilaterally withdraw the dismissal benefits provided by the termination of the labor relations plan or the reduction proposal;

(2) When the company confirms the costs or expenses associated with the restructuring involving the payment of the termination benefits.。

If the dismissal benefits are expected to be fully paid within 12 months after the end of the annual reporting period, the relevant provisions for short-term remuneration shall apply; if the dismissal benefits are not expected to be fully paid within 12 months after the end of the annual reporting period, other long-term relevant provisions on employee benefits shall apply.

(IV) **Accounting treatment for other long-term employee benefits**

If other long-term employee benefits meet the conditions of the defined contribution plan, they shall be handled according to the above 2. If it does not meet the defined contribution plan, the relevant provisions on the defined benefit plan shall be applied to confirm and measure the net liabilities or net assets of other long-term employee benefits. At the end of the reporting period, the total net amount of service costs, net liabilities or net assets of other long-term employee benefits, net re-measurement of other long-term employee benefits net assets or net assets is recognised in profit or loss or related assets and cost.

24) Estimated liabilities

In the case of litigation, debt guarantee, loss contract, and reorganization, if such matters are likely to require future delivery of assets or provision of labor, and the amount can be reliably measured, it is recognized as an estimated liability.

Estimated liabilities are initially measured in accordance with the best estimate of the expenditure required to perform the relevant current obligations, taking into account factors such as risks, uncertainties and time value of money associated with contingent events. If the time value of money has a significant impact, the best estimate is determined by discounting the relevant future cash outflows; the increase in the book value of the estimated liabilities due to the discounted reduction over time is recognized as interest expense.

On the balance sheet date, the book value of the estimated liabilities is reviewed and adjusted to reflect the current best estimate.

25) Share-based payment

(I) **Types of payment of shares and accounting treatment**

A share-based payment is a transaction in which a company grants equity instruments or assumes liabilities determined on the basis of equity instruments in order to obtain services from employees. Share-based payments are divided into equity-settled share-based payments and cash-settled share-based payments.

A. Equity-settled share-based payment

The stock option plan is an equity-settled share-based payment in exchange for service provided by the employee, and the equity instrument granted to the employee is measured at the fair value at the grant date. The right is exercise when fulfil the service within the waiting period or to meet the specified performance conditions. In the waiting period, based on the best estimate of the number of vesting equity instruments, the services obtained in the current period are included in the fair value of the equity instrument grant date. Related costs or expenses correspondingly increase capital reserve.

B. Cash-settled share-based payment

The stock appreciation rights plan is a cash-settled share-based payment, which is measured at the fair value of the liabilities determined by the company based on the number of shares of the company. The cash-settled share-based payment must be completed after the service in the waiting period or the required performance conditions, and is based on the best estimate of the vesting rights on each balance sheet date of the waiting period. The fair value of the amount, the service obtained in the current period is included in the cost or expense, and the liability is increased accordingly. The fair value of the liability is re-measured at each balance sheet date and at the balance sheet date before the settlement of related liabilities.

(II) **Method for determining the fair value of equity instrument**

For the shares granted to employees, the fair value is measured at the market price of the company's shares, and the terms and conditions on which the shares are granted (excluding the vesting conditions other than market conditions) are considered for adjustment.

For the stock options granted to employees, the fair value of the options granted is estimated through the option pricing model.

(III) **Basis for determining the best estimate of the vesting equity instrument**

At each balance sheet date during the waiting period, the best estimate is made based on the follow-up information such as the latest change in the number of employees with vesting rights, and the number of equity instruments that are expected to be vested is revised.

(IV) **Amend and terminate the processing of the share-based payment plan**

If the modification of the share-based payment plan increases the fair value of the equity instruments granted, the increase in the service should be recognized accordingly in accordance with the increase in the fair value of the equity instruments.

If the modification of the share-based payment plan increases the number of equity instruments granted, the fair value of the increased equity instruments should be recognized as an increase in the service.

If the vesting conditions are modified in a manner that is beneficial to the employee, such as shortening the waiting period, changing or canceling the performance conditions (rather than market conditions), the company considers the revised vesting conditions when dealing with the vesting conditions.

If the terms and conditions are modified in a manner that reduces the total fair value of the share-based payment or other means that are not conducive to the employee, the service obtained should continue to be accounted for as if the change had never occurred, unless some or all of the granted benefits were cancelled. tool.

If the granted equity instrument is cancelled during the waiting period, the cancellation of the equity instrument granted as the accelerated exercise will be recognized in the current profit and loss and the capital reserve will be recognized. If the employee or other party can choose to meet the non-vesting conditions but fails to meet the waiting period, it will be treated as a cancellation of the equity instrument.

26) Other financial instruments such as preferred stocks and perpetual bonds

The preferred shares or perpetual bonds issued by the company are classified into financial liabilities or equity instruments at initial recognition, based on the contractual terms of the financial instruments issued and the economic substance they reflect, combined with the definition of financial liabilities and equity instruments.

If the preferred shares or perpetual bonds are financial liabilities, the relevant interest, dividends (or dividends), gains or losses, and gains or losses arising from redemption or refinancing are included in the current profits and losses.

Preferred stocks or perpetual bonds are equity instruments that are treated as changes in equity when they are issued (including refinancing), repurchased, sold or cancelled. The distribution of the equity instrument holders shall be treated as profit distribution, and the stock dividends issued shall not affect the total owner's equity.

Transaction costs associated with equity transactions are deducted from equity. Transaction costs are incremental fees that can be directly attributable to the purchase, issue or disposal of preferred stock or perpetual bonds. Incremental costs refer to expenses that will not occur if the company does not purchase, issue or dispose of financial instruments.

Transaction costs incurred in the issuance or acquisition of equity instruments (such as registration fees, underwriting fees, legal, accounting, assessment and other professional services fees, printing costs and stamp duty, etc.) may be directly attributable to equity transactions, Less. Transaction costs incurred for the termination of an uncompleted equity transaction are recognised in profit or loss for the period.

27) Revenue

(I) Recognition of sales of goods

The company has transferred the main risks and rewards of ownership of the goods to the purchaser; neither retains the continuation of management rights associated with ownership, nor does it exercise effective control over the goods sold; the amount of income can be reliably measured; It is very likely that economic benefits will flow into the enterprise; when the relevant costs that have occurred or will occur can be reliably measured, the realization of the sales revenue of the goods is confirmed.

The amount of income from sales of goods shall be determined in accordance with the contract or agreement price received or receivable from the purchaser, unless the contract or agreement price received or receivable is unfair; the contract or agreement price shall be deferred, If it is of a financing nature, it shall be determined according to the fair value of the contract or agreement receivable. The difference between the fair value of the contract or agreement receivable and its fair value is amortized using the effective interest method during the period of the contract or agreement and is recognised in profit or loss.

(II) **Recognition of revenue from labor services**

If the results of the labor service transactions on the balance sheet date can be reliably estimated, the labor income will be recognized by the percentage of completion method. The completion schedule of the labor service transaction is determined based on the proportion of the cost incurred to the estimated total cost.

If the results of labor service transactions on the balance sheet date cannot be reliably estimated, they shall be dealt with as follows:

(1) The labor costs incurred have been estimated to be compensated. The labor service income should be recognized according to the amount of labor costs incurred, and the labor costs should be carried forward at the same amount.

(2) If the labor costs incurred have not been compensated, the labor costs incurred will be included in the current profits and losses, and the income from the provision of labor services will not be recognized.

(III) **Recognition of the income from the transfer of asset use rights**

The economic benefits associated with the transaction are likely to flow into the business and the amount of revenue can be reliably measured. The amount of income from the transfer of asset use rights is determined in the following cases:

(1) The amount of interest income shall be calculated and determined according to the time and actual interest rate of the use of the company's monetary funds by others.

(2) The amount of royalty income shall be calculated and determined in accordance with the time and method of charging as stipulated in the relevant contract or agreement.

(IV) **Recognition of construction contract revenue**

A. The results of the construction contract can be reliably estimated

On the balance sheet date, if the outcome of the construction contract can be reliably estimated, the contract revenue and expenses are recognized based on the percentage of completion method. The percentage of completion method refers to the method of recognizing income and expenses based on the progress of the contract. The contract completion schedule is determined by the ratio of the actual contract costs incurred to the estimated total cost of the contract.

The results of fixed cost contracts can be reliably estimated based on:

① The total contract revenue can be reliably measured;

② The economic benefits related to the contract are likely to flow into the company;

③ The actual contract costs can be clearly distinguished and reliably measured;

④ The progress of the contract and the cost of completing the contract can be reliably determined.

The results of the cost-plus contract can be reliably estimated and determined based on:

① The economic benefits associated with the contract are likely to flow into the company;

② The actual contract costs can be clearly distinguished and reliably measured.

If the estimated total cost of the contract exceeds the total contract revenue, the estimated loss of the contract is recognized as the asset impairment loss and is included in the current profit and loss. When the contract is completed, the contract is also expected to be lost.

B. The results of the construction contract cannot be reliably estimated

The results of the construction contract cannot be reliably estimated and are handled separately:

① If the contract cost can be recovered, the contract revenue is recognized according to the actual contract cost that can be recovered, and the contract cost is recognized as the contract expense in the current period in which it occurs;

② If the contract cost cannot be recovered, it will be confirmed as contract expense immediately when it occurs, and the contract revenue will not be confirmed.

(V) Recognition of construction-operating-transfer (BOT) business income

A.During the construction period, the company shall confirm the relevant income and expenses for the construction services provided in accordance with the provisions of (27) 4. Construction contract revenue. After the completion of the facility, the income related to the follow-up business services shall be recognized in accordance with the income regulations.

The income from the construction contract shall be measured at the fair value of the consideration received or receivable, and the financial assets or intangible assets shall be recognized at the same time as the revenue is recognized in the following cases:

a.The contract stipulates that within a certain period after the completion of the facility, the company may unconditionally receive a certain amount of monetary funds or other financial assets from the contract awarding party; or if the company provides operating services at a charge lower than a certain amount of money, If the contract awarding party is responsible for reimbursing the relevant price difference to the company in accordance with the contract, it shall confirm the financial assets while confirming the income, and shall deal with it in accordance with the provisions of the "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments".

b.The contract stipulates that the company has the right to charge the object of obtaining the service within a certain period of time after the completion of the relevant facilities. However, if the amount of the fee is uncertain, the right does not constitute an unconditional right to receive cash. The company shall confirm Intangible assets are recognized at the same time as income.

B.If the company does not provide actual construction services and distributes the construction of the facility to other parties, the construction service income shall not be confirmed. It shall be recognized as financial assets or intangible assets according to the contractual provisions, etc., according to the construction price paid during the construction process.

(VI) **Recognition of construction-transfer (BT) business income**

The construction transfer method (BT) shall be accounted for in accordance with the Accounting Standards for Business Enterprises. The project company shall provide construction services at the same time. During the construction period, the construction services provided shall be in accordance with (27). The contract revenue provisions confirm the relevant income and costs. The construction contract income is measured at the fair value of the consideration receivable and the long-term receivables are confirmed. If the project company does not provide the construction services, the contract should be considered according to the construction price paid during the construction process to confirm long-term receivables. Among them, long-term receivables should be measured by amortized cost and interest income recognized on schedule. The effective interest rate generally remains unchanged during the duration of long-term receivables.

(VII) **Recognition of real estate income**

Commercial housing sales revenue: For commercial housing sales, the sales contract is signed between the buyer and the seller and filed in the land department; the real estate development product has been completed and is ready for use, and the relevant competent authorities have passed the inspection and completed the formalities; the buyer pays according to the sales contract. The clause pays the agreed purchase price (usually paying the first installment of the sales contract and the payment arrangement of the confirmed remaining payment) and confirms the realization of the sales income when completing the physical handover of the commercial housing.

If the buyer receives the written notice of the delivery of the house and fails to complete the physical handover of the commercial house within the stipulated time and has no justified reasons, the realization of the sales income shall be confirmed on the next day after the end of the time limit specified in the written notice of the delivery.

The company will obtain the price of the pre-sale commercial house after obtaining the pre-sale permit, and first manage it as the advance receipt. After the completion of the commercial house and the acceptance of the commodity, the sales revenue will be confirmed when the handover procedure is completed.

28) Government subsidies

The government subsidy is that the company obtains monetary assets or non-monetary assets from the government without compensation. It is divided into government subsidies related to assets and government subsidies related to income.

(I) **Basis and accounting treatment of government subsidies related to assets**

Government grants acquired by the company to purchase or construct or otherwise form long-term assets are used as government grants related to assets.

The government grants related to assets are written off or deducted as deferred income and are recognised in profit or loss in a reasonable and systematic manner over the useful lives of related assets. Government grants measured at nominal amounts are recognised directly in profit or loss.

If the relevant assets are sold, transferred, scrapped or damaged before the end of their useful lives, the balance of the relevant deferred income that has not been allocated shall be transferred to the profit and loss of the current period of disposal of the assets.

（II） **Basis and accounting treatment of government subsidies related to income**

Other government grants other than assets related to the company are used as government grants related to income. Government grants related to income are treated as follows:

（1） If it is used to compensate the related costs or losses of the company in the future period, it is recognized as deferred income, and is included in the current profit and loss or offset related costs.

（2） If it is used to compensate the related costs or losses incurred by the company, it shall be directly included in the current profit and loss or offset related costs.

For government subsidies that include both asset-related and income-related components, different parts are separately accounted for; if it is difficult to distinguish, the whole is classified as a government subsidy related to income.

Government grants related to the company's daily activities are included in other income or offset related costs in accordance with the economic business. Government grants not related to the company's daily activities are included in the non-operating income and expenditure.

（III） **Accounting treatment of policy preferential loan interest discount**

（1）The finance allocates the interest subsidy funds to the loan bank. If the loan bank provides loans to the company at a policy preferential interest rate, the actual amount of the borrowed money received is used as the book value of the loan, and is calculated according to the loan principal and the policy preferential interest rate. Related borrowing costs.

（2） The finance will directly distribute the discounted funds to the company, and the company will offset the relevant borrowing costs.

Government grants are recognized and measured at the actual amount received when the funds are actually received. Only when there is conclusive evidence that the subsidy is paid according to a fixed quota standard and there is conclusive evidence that it can meet the relevant conditions of the financial support policy and is expected to receive financial support funds, it can be confirmed and measured according to the receivable amount.

If the confirmed government subsidy needs to be returned, the company shall perform accounting treatment in the current period that needs to be returned, that is, the book value of the relevant assets shall be offset against the initial recognition, and the book value of the assets shall be adjusted; if there is relevant deferred income, the relevant deferred income shall be offset. The book balance, the excess is included in the current profit and loss; in other cases, it is directly included in the current profit and loss.

29) Deferred income tax assets and deferred income tax liabilities

The difference between the book value of certain assets and liabilities items and their tax base, and the difference between the book value of the items that are not recognized as assets and liabilities but whose tax base can be determined in accordance with the tax law For the temporary difference, the deferred income tax assets and deferred income tax liabilities are recognized using the balance sheet liability method.

In general, all temporary differences are recognized for related deferred income tax. However, for the deductible temporary difference, the relevant deferred income tax assets are recognized to the extent that it is probable that the taxable income is used to offset the deductible temporary difference. In addition, related to the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction that is neither a business combination nor an accounting profit and taxable income (or deductible loss). The temporary differences do not recognize the related deferred income tax assets or liabilities.

For deductible losses and tax credits that can be carried forward in subsequent years, the corresponding deferred income tax assets are recognized to the extent that it is probable that the future taxable income will be used to offset the deductible losses and tax credits.

Deferred income tax liabilities arising from taxable temporary differences relating to investments in subsidiaries, associates and joint ventures, unless the Company is able to control the timing of temporary differences, and the temporary differences are probable in the foreseeable future Will not turn back. For deductible temporary differences related to investments in subsidiaries, associates and joint ventures, only temporary differences are likely to be reversed in the foreseeable future and are likely to be used to offset deductible temporary differences in the future. Deferred income tax assets are recognized only when the taxable income is recognized. On the balance sheet date, the deferred income tax assets and deferred income tax liabilities are measured at the applicable tax rates in the period in which the related assets are recovered or the related liabilities are recovered in accordance with the tax laws.

Except for the current income tax and deferred income tax related to transactions and events that are directly included in other comprehensive income or shareholders' equity, which are included in other comprehensive income or shareholders' equity, and the carrying amount of deferred income tax adjusted goodwill arising from business combination, Income tax and deferred income tax expenses or gains are recognised in profit or loss for the current period.

On the balance sheet date, the book value of the deferred income tax assets is reviewed. If it is probable that sufficient taxable income will not be available in the future to offset the benefits of the deferred income tax assets, the carrying amount of the deferred income tax assets is reduced. When it is probable that sufficient taxable income will be obtained, the amount of the write-down will be reversed.

When there is a statutory right to settle on a net basis, and the intention is to settle the net amount or acquire the assets and pay off the liabilities simultaneously, the current income tax assets of the company and the current income tax liabilities are presented at the net amount after the offset.

When there is a statutory right to settle the current income tax assets and current income tax liabilities on a net basis, and the deferred income tax assets and deferred income tax liabilities are related to the income tax levied by the same tax collection authority on the same taxpayer or related to different taxpayers, However, in the future period in which each of the important deferred income tax assets and liabilities are reversed, the taxpayer involved intends to settle the current income tax assets and liabilities on a net basis or acquire assets and liquidate liabilities simultaneously, deferred income tax assets and deferred income tax liabilities are presented at the net amount after offset.

30) Lease

(I) **Operating lease accounting treatment**

(1) The lease fee paid for the lease of assets shall be apportioned on a straight-line basis over the entire lease term without deduction of the rent-free period and included in the current expenses. The initial direct costs associated with the lease transaction are charged to the current expenses.

When the lessor of the asset bears the expenses related to the lease, the part of the expenses shall be deducted from the total rent, and the deducted rental expenses shall be apportioned during the lease term and included in the current expenses.

(2) The rental fee charged for the leased assets is apportioned on a straight-line basis over the entire lease term without deduction of the rent-free period, and is recognized as rental income. The initial direct expenses related to the lease transaction are included in the current expenses; if the amount is large, they are capitalized and included in the current income in the same period as the lease income is recognized throughout the lease period.

When the expenses related to the lease that should be borne by the lessee are assumed, the part of the expenses is deducted from the total rental income, and the deducted rental expenses are allocated during the lease term.

(II) **Accounting treatment of financing lease**

(1) Finance leased assets: On the date of the lease start, the company will use the lower of the fair value of the leased asset and the present value of the minimum lease payment as the book value of the leased asset, and the minimum lease payment as the long-term payable The value of the account is recorded as the unrecognized financing fee.

The unrecognized financing expenses are amortized over the asset lease period using the effective interest rate method and included in finance expenses. The initial direct costs incurred by the company are included in the value of the leased asset.

(2) Financing leased assets: The Company recognizes the difference between the sum of the unrecognized residual value and its present value as unrealized financing income on the lease start date, and recognizes it as Rental income. The initial direct costs incurred by the company in connection with the lease transaction are included in the initial measurement of the finance lease receivables and reduce the amount of revenue recognized during the lease term.

31) Termination of business

Termination of business is a component that can be individually distinguished that satisfies one of the following conditions and that has been disposed of or classified as held for sale:

1、This component represents an independent primary business or a separate primary business area;

2、The component is part of an associated plan to be disposed of for an independent primary business or a separate primary business area;

3、This component is a subsidiary acquired for resale.

For the accounting treatment of assets held for sale, see Note 4. (13) Assets held for sale.

32) Other important accounting policies and accounting estimates

(I) Important accounting estimates and judgments

In the process of applying the above accounting policies, due to the inherent uncertainty of business activities, the Company needs to make judgments, estimates and assumptions on the book value of statement items that cannot be accurately measured. These judgments, estimates and assumptions are based on the historical experience of the management of the Company and are based on other relevant factors. Actual results may differ from our estimates.

The Company regularly reviews the above judgments, estimates and assumptions on a going concern basis. Changes in accounting estimates only affect the current period of the change, and the number of impacts is recognized in the current period of the change; The number is confirmed during the current and future periods of the change.

On the balance sheet date, the key assumptions and uncertainties in the accounting estimates that are likely to result in significant adjustments to the book value of assets and liabilities in the future are:

A. Income Tax

The company pays corporate income tax in multiple regions. In normal business activities, there are certain uncertainties in the final tax treatment and calculation of some transactions and events. The company needs to make significant judgments when accruing income tax expenses in various regions. Whether some projects can be approved before taxation requires the approval of the tax authorities. If the final determination result of these tax matters is different from the amount initially recorded, the difference will be the amount of income tax expense and deferred income tax during the above final determination period. Have an impact. In addition, the reversal of deferred income tax assets depends on whether the company can generate sufficient taxable income in the future to offset the deductible temporary differences. If the future profitability deviates from the relevant estimates, the value of the deferred income tax assets must be adjusted, and may have an impact on the financial position and operating results of the company.

B. Depreciation and amortization

After considering the residual value of investment real estate, fixed assets and intangible assets, the Company depreciates and amortizes the straight-line method over its useful lives. The company reviews the useful life periodically to determine the amount of depreciation and amortization expenses that will be included in each reporting period. The service life is determined by the Company based on past experience with similar assets and in combination with anticipated technical updates. Depreciation and amortization charges are adjusted in future periods if there is a significant change in previous estimates.

C. The useful life of fixed assets

The management of the company estimates the useful life of fixed assets. Such estimates are based on historical experience of fixed assets of similar nature and function over the actual useful life of previous years. When the useful life is different from the previously estimated useful life, the management will adjust the estimated useful life of the fixed assets accordingly, or offset or offset the corresponding fixed assets when the technology is abandoned or sold. Therefore, estimates based on current experience may differ from actual results for the next accounting period and may result in significant adjustments to the book value and depreciation expense of fixed assets in the balance sheet.

D. Non-financial long-term asset impairment

The Company performs an impairment assessment of non-financial assets on the balance sheet date to determine whether the asset recoverable amount falls below its carrying amount. If the circumstances indicate that the carrying amount of the asset exceeds its recoverable amount, the difference is recognised as an impairment loss.

The recoverable amount is the higher of the net amount of the fair value of the asset (or asset group) minus the disposal expense and the present value of the estimated future cash flow of the asset (or asset group). When estimating the present value of future cash flows, it is necessary to make significant judgments on the future useful life of the asset (or asset group), the production volume of the manufactured product, the selling price, the relevant operating costs, and the discount rate used in calculating the present value. The Company uses all relevant information available to the Company in estimating the recoverable amount, including forecasts relating to production, selling prices and related operating costs based on reasonable and supportable assumptions. If the future events are inconsistent with these estimates, the recoverable amount will need to be revised and these amendments may have an impact on the Company's operating results or financial position.

E. Provision for bad debts

The estimation of the amount of bad debt provision made by the management of the Company for the receivables is determined based on the customer's credit history and current market conditions. Management re-measures the amount of bad debt provision before each balance sheet date. The difference between the actual result and the original estimate will affect the book value of the receivables and the provision or reversal of bad debt provision during the period in which the estimate is changed.

F. Inventory depreciation reserve

The Company measures the lowering of cost and net realizable value according to the inventory accounting policy, and makes provision for inventory depreciation for inventories with higher than net realizable value and obsolete and slow-moving inventory. The impairment of inventories to net realisable value is based on the assessment of the saleability of inventories and their net realisable value. Identification of inventory impairment requires management to make judgments and estimates based on factors such as the purpose of holding inventory and the impact of events after the balance sheet date. The difference between the actual result and the original estimate will affect the book value of the inventory and the provision or reversal of the inventory depreciation reserve during the period in which the estimate is changed.

G. Goodwill estimated impairment provision

In determining whether goodwill is to be impaired, it is necessary to estimate the value of use after the goodwill is allocated to the cash-generating unit. The calculation of goodwill based on value in use requires the Company to estimate the future cash flow generated by the cash-generating unit and the appropriate discount rate to calculate the present value. The forecast is based on management's past experience and projections of market developments.

H. Construction contract

When the construction contract results can be reliably estimated, the company uses the percentage of completion method to confirm the contract revenue on the balance sheet date. Significant judgment is required in determining the percentage of completion, contract costs incurred, estimated total contract revenue and total cost, and contract recyclability. The project management relies mainly on past experience and work to make judgments. Estimated total contract revenue and total cost, as well as estimated changes in contract execution results, may have an impact on operating income, operating costs, and profit or loss for the current or subsequent period of the change, and may have a significant impact.

I. Real estate development costs

The cost of real estate construction is recorded as inventory during the construction period and will be transferred to the income statement after confirmation of the real estate sales revenue. Before final settlement of project costs and other related real estate development costs, such costs need to be estimated by the management of the company in accordance with budgeted costs and development schedules. The company's real estate development is generally carried out in phases. The costs directly related to a certain period of development are recorded as the cost of the period. The common costs at different stages are allocated to each stage according to the saleable area. If the final settlement of the project cost and the related cost share are different from the original estimate, the increase or decrease of the engineering cost and other costs will affect the profit and loss of the future year.

J. Land value added tax

The company is subject to land value added tax. The accrued amount of the land value-added tax is the best estimate made by management based on the understanding of the relevant tax laws and regulations. The actual land value-added tax payable shall be determined by the tax authorities at the time of liquidation of the land value-added tax. The Group has not yet established a clearing and taxation plan for its land value-added tax with certain taxation authorities on certain real estate development projects. The final land value-added tax calculation result may be different from the initial recorded amount, and any difference will affect the land value-added tax expenditure and related provision amount during the difference period.

K. Inventory impairment

On the balance sheet date, the Company measures the inventory at the lower of cost and net realizable value. The calculation of net realizable value requires the use of assumptions and estimates. The management assesses the recoverability of the money based on an estimate of the net realisable value of the relevant property, including the analysis of the prevailing market price of the property that is comparable to the standard and the area, and the completion of the development based on the existing asset structure and the price list of the work. Forecast the construction cost required. If the actual net realizable value of the relevant property is higher or lower than expected due to changes in market conditions or significant deviation of development costs from the budget, it will have an impact on the provision for inventory depreciation.

33) Changes in important accounting policies and accounting estimates

(I) Changes in important accounting policies

(1) The company revised the company's financial statement format in accordance with the "Notice of the Ministry of Finance on Amending the 2018 Annual General Financial Statement Format" issued by the Ministry of Finance in 2018 (Accounting [2018] No. 15). Since the company has not implemented the new financial standards and new revenue standards, the financial statements should be prepared using the requirements of Annex 1 of the notice, and the presentation of the comparative statements should be adjusted accordingly. This change in accounting policy only affects the listing of financial statements, and has no significant impact on the company's financial status, operating

results and cash flow.

Content and reasons for changes in accounting policies	Significantly affected report item name	Amount of influence
According to the "Notice of the Ministry of Finance on Revising the Format of the Financial Statements of General Enterprises in 2018" (Accounting [2018] No. 15), delete the original "receivable notes" and "accounts receivable" items in the balance sheet and integrate them. For the newly added "receivable notes and accounts receivable" items, the amount of money that should be collected by the enterprise for operating activities such as selling goods and providing services, and the commercial drafts received, which are measured at amortized cost on the balance sheet date, are reflected. Includes bank acceptance bills and commercial acceptance bills.	Notes receivable and accounts receivable	2,632,549,833.22
	Notes receivable	-187,772,879.50
	Notes receivable	-2,444,776,953.72
According to the "Notice of the Ministry of Finance on Revising the Format of the 2018 Annual General Enterprise Financial Statements" (Accounting [2018] No. 15), delete the original "receivable interest" and "dividends receivable" items in the balance sheet and merge them into "others". Accounts receivable" project.	Other receivables	6,938,548.82
	Interest receivable	-6,938,548.82
	Dividend receivable	0.00
According to the "Notice of the Ministry of Finance R on evising the Format of Financial Statements for General Enterprises in 2018" (Accounting [2018] No. 15), delete the original "Fixed Assets Clearance" project in the balance sheet and merge it into the "Fixed Assets" project to reflect the assets. The closing book value of the fixed assets on the balance sheet date and the net profit and loss of the fixed assets that have not been cleared.	Fixed assets	44,408.71
	Fixed assets cleanup	-44,408.71

According to the "Notice of the Ministry of Finance on Revising the Format of the Financial Statements of General Enterprises in 2018" (Accounting [2018] No. 15), the original "Engineering Materials" project will be deleted from the balance sheet and merged into the "Construction in Construction" project to reflect the assets. The closing book value of the construction in progress at the balance sheet date that has not yet reached the expected usable status and the ending book value of the various materials prepared for the construction in progress.	Construction in progress	8,465,293.20
	Engineer material	-8,465,293.20
According to the "Notice of the Ministry of Finance on Revising the Format of the 2018 Annual General Enterprise Financial Statements" (Accounting [2018] No. 15), delete the original "Payable Notes" and "Accounts Payable" items in the balance sheet and integrate them into new ones. The "Bill payables and accounts payable" item reflects the amount due from the purchase of materials, commodities and services on the balance sheet date, as well as the commercial bills issued and accepted, including bank acceptance bills and commercial acceptance bills. .	Notes payable and accounts payable	3,164,917,898.49
	Bills payable	-193,817,788.59
	Accounts payable	-2,971,100,109.90
According to the "Notice of the Ministry of Finance on Amending the Format of the 2018 Annual General Enterprise Financial Statements" (Accounting [2018] No. 15), delete the original "payable interest" and "dividend payable" items in the balance sheet and merge them into "other payables".	Other payables	221,011,894.95
	Interest payable	-190,789,314.12
	Dividend payable	-30,222,580.83
According to the "Notice of the Ministry of Finance on Revising the Format of Financial Statements for General Enterprises in 2018" (Accounting [2018] No. 15), delete the original "special payables" item in the balance sheet and merge it into the "long-term payables" project, reflecting The ending book value of various long-term payables other than	Long-term payables	173,744,546.19
	Special payable	-173,744,546.19

According to the "Notice of the Ministry of Finance on Revising the Format of Financial Statements for General Enterprises in 2018" (Accounting [2018] No. 15), the "interest expense" and "interest income" items under the "financial expenses" of the income statement are respectively reflected as Interest expenses and interest income recognized as expenses incurred in raising funds required for production and operation.	Interest expense	678,687,229.00
	Interest income	115,054,714.89

5. Taxation

1) Main taxes and tax rates

The main taxes applicable to the company during the year and their tax rates are listed below:

Tax type	Tax basis	Tax rate or rate
VAT	The value added during the sale of goods or the provision of taxable services	Before May 1, 2018, it was 3%, 5%, 6%, 11%, and 17%. After May 1, 2018, it was 3%, 5%, 6%, 10%, and 16%.
Land value-added tax	The value-added amount generated by the state-owned land use right and the property rights of the above-ground buildings and other attachments is paid; the pre-sale amount is prepaid according to the pre-payment rate stipulated by the real estate location.	The implementation of the four-level rate of progressive tax rate (30% -60%) is paid.
Property tax	If the ad valorem is levied, the residual value after deducting 30% of the original value of the property is the basis of taxation.	1.2%
	From the rental plan, the rental income is used as the tax basis.	12%
Urban maintenance and construction tax	Paying VAT	7%、5%
Education surcharge	Paying VAT	3%
Local education surcharge	Paying VAT	2%
Local water conservancy construction fund	Paying VAT	0.5%

Tax type	Tax basis	Tax rate or rate
Corporate Income Tax	Taxable Income	25%、15%

2) Tax preference and approvals

(II) **Corporate income tax**

(1) Shandong Yongneng Energy Saving and Environmental Protection Service Co., Ltd.

1) According to the Notice of the Ministry of Finance and the State Administration of Taxation on the Incorporation of Railway Transportation and Postal Industry into the Pilot of VAT Reform for Business Taxes (Cai Shui [2013] No. 106), the Transportation Tax and Some Modern Service Business Taxes are VAT The provisions of the pilot transition policy, eligible tax service providers are exempt from VAT for the taxable services provided in the contract energy management project.

2) According to the Notice of the Ministry of Finance and the State Administration of Taxation on Promoting the Development of Value-added Tax, Business Tax and Corporate Income Tax Policies for Energy-Saving Service Industries (Cai Shui [2010] No. 110), eligible energy-saving service companies implement contract energy management projects, The income tax of the first production and operation income of the project is "three exemptions and three reductions", and the company has filed with the State Taxation Bureau of Licheng District, Jinan City.

3) On December 15, 2016, the company passed the high-tech enterprise certification of Shandong Provincial Science and Technology Department, Shandong Provincial Department of Finance, Shandong Provincial State Taxation Bureau and Shandong Provincial Local Taxation Bureau, and was awarded the High-tech Enterprise Certificate, certificate number: GR201637000682, valid for three years. According to the "Enterprise Income Tax Law" and other relevant regulations, the company enjoys a preferential corporate income tax rate of 15% for high-tech enterprises within three years from 2016.

(2) Zouping Zhongxing Water Co., Ltd.

According to the "VAT Law" and its implementation regulations, fiscal and taxation [2015] No.78 provisions, enterprises have access to resources for comprehensive utilization of products and services, you can enjoy the VAT refund policy. The sewage treatment services provided by the enterprise belong to the preferential items listed in Caishui [2015] No.78, and can enjoy the preferential policy of refunding 70% of the value-added tax.

According to the "Enterprise Income Tax Law" and its implementation regulations, Caishui [2009] No. 166, apply to the Zouping County State Taxation Bureau for environmental protection, energy conservation and water conservation projects, and exempt the enterprise from 2014 to 2016 Income tax, halved the corporate income tax for the project from 2017 to 2019. The application for corporate income tax reduction for

Zouping Zhongxing Water Co., Ltd. has been approved by the Zouping County State Taxation Bureau and is approved for filing (Zou Guo Taxation Co., Ltd. [2016] No. 14313).

(3) Shandong Shuifa Zhongxing Environmental Protection Technology Co., Ltd.

According to the provisions of Caishui [2009] No. 166, the Qingyun County State Administration of Taxation has filed an application for income tax exemption for eligible environmental protection, energy conservation and water conservation projects. The Inland Revenue Department has approved the filing and issued the Qingguo Taxation. 2016] Notice No. 8834 Tax Matters. Corporate income tax is halved, and the period of reduction is from January 1, 2016 to December 31, 2017.

(4) Weinan Linuo Solar Power Engineering Co., Ltd.

Minnan Linuo Solar Power Engineering Co., Ltd. applied to the State Taxation Bureau of Yinan County of Shandong Province in accordance with the provisions of the second paragraph of Article 27 of the Enterprise Income Tax Law and its implementation regulations, exempting the company from March 1, 2016. The corporate income tax on February 28, 2019 will be reduced by half from the company's corporate income tax from March 1, 2019 to February 28, 2022.

(5) Xintai Zhongmu New Energy Technology Co., Ltd.

Xintai Zhongmu New Energy Technology Co., Ltd. applied to the State Taxation Bureau of Xintai City, Shandong Province according to the provisions of the second paragraph of Article 27 of the Enterprise Income Tax Law and its implementation regulations, exempting the company from August 1, 2016 to July 31, 2019, and reducing half of the corporate income tax from August 1, 2019 to July 31, 2022. Xintai City Zhongmu New Energy Technology Co., Ltd. on March 17, 2017 in accordance with the "Notice of the Ministry of Finance and the State Administration of Taxation on Continued Implementation of the VAT Policy for Photovoltaic Power Generation", Caishui [2016] No. 81, to Xintai City, Shandong Province The Inland Revenue Department applies for the VAT on photovoltaic power generation.

(6) Bayannaoer Linuo Solar Power Co., Ltd.

Bayannaoer Linuo Solar Power Co., Ltd. applied to the State Taxation Bureau of Inner Mongolia Autonomous Region in accordance with the provisions of the second paragraph of Article 27 of the Enterprise Income Tax Law and its implementation regulations, exempting the company from November 1 to 20, 2016. The corporate income tax on October 31 of this year will be reduced by half the corporate income tax of the company from November 1, 2019 to October 31, 2022.

(7) Shandong Shuifa Lurun Water Technology Co., Ltd.

Shandong Shuifa Lurun Water Technology Co., Ltd. According to the provisions of Article 28, paragraph 2 of the "Enterprise Income Tax Law of the People's Republic of China" (Presidential Decree No. 63 of the People's Republic of China), the high-tech enterprises that the state needs to support should be reduced by 15 the corporate tax rate is levied at the rate of %. Shandong Shuifa Lurun Water Technology Co., Ltd. obtained the high-tech enterprise certificate in 2016. The certificate is valid from January 1, 2016 to December 31, 2018.

(8) Heze Zhongxing Water Environment Co., Ltd., Heze Zhongxing Peony Water Environment Co., Ltd.

According to Article 88 of the "Regulations on the Implementation of Enterprise Income Tax of the People's Republic of China", the Company is engaged in the exemption and reduction of public waste disposal business in the enterprise income tax environmental protection project; since 2013, it has enjoyed the income tax concession of three exemptions and three reductions policy. 2013-2015 is an exemption year. In 2016, 2017, 2018, the levy will be halved.

Heze Zhongxing Peony Water Environment Co., Ltd., according to the provisions of Caishui [2015] No. 78, submitted the application for comprehensive utilization of resources and labor VAT to the State Administration of Taxation of Heze High-tech Industrial Development Zone, and the tax bureau approved the filing and the next A notice of taxation matters of No. 66 (2015) was issued. The value-added tax is refunded 70%, and the effective period of the reduction begins on July 1, 2015.

Heze Zhongxing Peony Water Environment Co., Ltd. proposed to the State Taxation Bureau of Heze High-tech Industrial Development Zone to apply for the purchase of special equipment investment credit for enterprise income tax. The Inland Revenue Department approved the filing and issued the taxation of Hego National Taxation Co., Ltd. [2016] No. 125 The notice shall be credited to the enterprise income tax payable in the current year according to 10% of the investment in the purchase of special equipment; if the taxable amount in the current year is insufficient, it may be carried forward to the next year, but the carry-over period shall not exceed 5 tax years.

(9) Subsidiary of Shuifa Agricultural Development Co., Ltd.

According to the "Provisional Regulations on Value Added Tax" and Caishui [2016] No. 81, the agricultural planting cooperatives of Shuifa Agricultural Development Co., Ltd. can enjoy the VAT exemption for the cultivation of crops they engage in. The time limit for the reduction is from January 1, 2017 until December 31, 2017. For example, Chengwu County Tianlisheng Fruit and Vegetable Planting Professional Cooperative, Chengwu County Jincancan Fruit and Vegetable Planting Professional Cooperative

According to the provisions of the "Enterprise Income Tax Law" and its implementation regulations, the agricultural plantation cooperatives of Shuifa Agricultural Development Co., Ltd. can enjoy the income tax reduction and exemption for income from agricultural, forestry, animal husbandry and fishery projects. The reduction period is from January 1st until December 31, 2017. For example, Chengwu County Tianlisheng Fruit and Vegetable Planting Professional Cooperative, Chengwu County Jincancan Fruit and Vegetable Planting Professional Cooperative.

(10) Ganzizhou Yongxing Electric Power Co., Ltd., Sichuan Qinghe Water Conservancy and Hydropower Engineering Design Co., Ltd., Xichang Yuliuhe Electric Power Development Co., Ltd., Anhe (Leibo) Hydropower Co., Ltd., Leibo County Democratic Hydropower Co., Ltd. Liability Company, Yanyuan County Wudaohe Electric Power Co., Ltd., Huidong County Light Source Electric Power Co., Ltd., Huidong Guangming Hydropower Development Co., Ltd., Sichuan Anhe Water Conservancy and Hydropower Engineering Co., Ltd., Yanyuan County Baishuigou Hydropower Development Co., Ltd., Yunnan Huaning New Kowloon Investment Co., Ltd., Yunnan Huaning Xinhuayuan Hydropower Co., Ltd.

The above companies are based on the "Notice of the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation on the implementation of the tax policy issues related to the implementation of the Western Development Strategy" (Cai Shui [2011] No. 58) and the State Administration of Taxation on the implementation of the strategy for the implementation of the Western Development Strategy. Announcement on Income Tax Issues (No. 12 of 2012), Announcement of Sichuan Provincial State Administration of Taxation on Implementing the Preferential Policies for Enterprise Income Taxes in the Western Development Strategy (Sichuan Provincial State Taxation Bureau No. 7 of 2012), 2014 In June, the application for income tax concessions, approved by the State Administration of Taxation, enjoys the preferential policy of two-and-a-half reduction of corporate income tax and a preferential tax rate of 15%, and enjoys the preferential period from January 1, 2014 to December 31, 2020.

(11) Shandong Mingke New Energy Co., Ltd.

According to the Notice of the Ministry of Finance and the State Administration of Taxation on Promoting the Development of Value-Added Tax, Business Tax and Corporate Income Tax Policies for Energy-Saving Service Industries (Cai Shui [2010] No. 110), the implementation of contract energy management projects for qualified energy-saving service companies is in line with enterprises. For the relevant provisions of the Income Tax Law, the enterprise income tax shall be exempted from the first year to the third year from the tax year in which the first production and operation income of the project belongs, and the enterprise income tax shall be halved at the statutory rate of 25% from the fourth year to the sixth year. . Since 2013, the company has enjoyed preferential policies for collecting corporate income tax on "three exemptions and three reductions". On February 16, 2017, Mingke Energy obtained the 2017 corporate income tax reduction filing document approved by the State Taxation Bureau of Jinan High-tech Industrial Development Zone of Shandong Province.

(12) Shandong Fengshi Information Technology Co., Ltd.

On December 15, 2016, the company passed the high-tech enterprise certification of Shandong Provincial Science and Technology Department, Shandong Provincial Finance Department, Shandong Provincial State Taxation Bureau and Shandong Provincial Local Taxation Bureau, and was awarded the High-tech Enterprise Certificate, certificate number:

GR201637000864, valid. Three years. According to the "Enterprise Income Tax Law" and other relevant regulations, the company enjoys a preferential corporate income tax rate of 15% for high-tech enterprises within three years from 2016.

（13）Lu Medical Holdings Limited

Finance and Taxation [2000] No. 42 "Notice of the Ministry of Finance and the State Administration of Taxation on the Relevant Tax Policies for Medical and Health Institutions" Article 1 (1) The income from medical services obtained by non-profit medical institutions in accordance with the price stipulated by the state shall be exempted from various taxes. (2) Revenues obtained from non-medical services for non-profit medical institutions, such as rental income, property transfer income, training income, and foreign investment income, shall be subject to various taxes. Non-profit medical institutions will directly use the non-medical service income to improve the medical and health service conditions. After review and approval by the tax authorities, they can deduct the taxable income and levy corporate income tax on their balance.

（14）Dongying Jingze Membrane Technology Co., Ltd.

On November 30, 2018, the company passed the high-tech enterprise certification of Shandong Provincial Science and Technology Department, Shandong Provincial Finance Department and State Taxation Administration Shandong Provincial Taxation Bureau, and was awarded the High-tech Enterprise Certificate, certificate number: GR201837002541, valid for three years. According to the "Enterprise Income Tax Law" and other relevant regulations, the company enjoys a preferential corporate income tax rate of 15% for high-tech enterprises within three years from 2018.

（15）Shuifa Design (Weifang) Co., Ltd., Shuifa Design Group (Nanchang) Co., Ltd., Anhui Hengze Engineering Technology Service Co., Ltd., Shandong Zhengze Survey and Design Co., Ltd., Liaocheng Shunze Engineering Design Co., Ltd., Shuifa Design Group (Dongying) Co., Ltd., Shuifa Design Group Weihai Co., Ltd., Xiamen Shuifa Boao Engineering Design Consulting Co., Ltd., Shandong Zhongtian Changjin Construction Engineering Co., Ltd.

According to the "Notice of the Ministry of Finance and the State Administration of Taxation on Further Enlarging the Scope of the Income Tax Preferential Policies for Small and Small Enterprises" (Cai Shui [2018] No. 77), Articles 1 and 2: From January 1, 2018 to December 31, 2020 The upper limit of the annual taxable income of small and small-profit enterprises will be raised from RMB 0.5 million to RMB 1 million, and the small-profit enterprises with annual taxable income less than RMB 1 million (including RMB 1 million) will be reduced by 50%. The taxable income is included and the corporate income tax is paid at a rate of 20%.

（III）**Value added tax**

（1）Lu control Jiuji Water Co., Ltd.

According to the Notice of the Ministry of Finance and the State Administration of Taxation on the VAT Policy on Sewage Treatment Fees, Caishui [2001] No. 97, SXA031900481 sewage treatment fee is exempt from VAT. The company has been filed with the State Taxation Bureau of Nanling County, Wuhu City.

（2） River Daxie Hydropower Construction Co., Ltd.

According to Article 2 of the "Regulations on Value-Added Tax Exemption for Cross-border Taxable Duties for Business Taxes (Trial)" (Regulation No. 29 of the State Administration of Taxation, 2016), it is clarified that the construction services outside the project are exempt from VAT, and the total project The construction services provided by the contractor and the engineering subcontractor for the construction projects outside the construction site are all construction services outside the project.

（3） Dezhou Lingcheng Shangshan Ruoshui Development Co., Ltd.

According to the Notice of the Ministry of Finance and the State Administration of Taxation on the Application of the Low Value Rate of VAT for Some Goods and the VAT Policy for Simple Measures (Cai Shui [2009] No. 9): "Third, the tap water company that belongs to the general taxpayer sells tap water according to the simple The method shall levy a value-added tax according to the 6% levy rate, and shall not deduct the value-added tax specified on the value-added tax deduction certificate from the purchase of tap water.

According to the "Notice of the Ministry of Finance and the State Administration of Taxation on the Policy of Deferred VAT Collection Rate" (Cai Shui [2014] No. 57): "... Second, Finance and Taxation [2009] No. 9 Document No. 2 (Items 3 and 3 are "adjusted according to the 6% rate" and "according to the 3% rate".

（4） (4) Maanshan Jinsheng Waterworks Co., Ltd.

According to Caishui [2016] No. 19, the rural drinking water fee is exempt from value-added tax, land use tax, property tax, stamp duty. This document expires on December 31, 2018.

（5） Shandong Mingke New Energy Co., Ltd.

According to Caishui [2015] No. 78 Document, the Ministry of Finance and the State Administration of Taxation issued a notice on the issuance of the Catalogue of VAT Concessions for Comprehensive Utilization of Resources and Labor Services, and the tax incentives for refunding 100% of the value-added tax on the date of operation of the company.

（6） Leling Water Development Co., Ltd.

According to the "Notice on the VAT Policy on Sewage Treatment Fees of the Ministry of Finance and the State Administration of Taxation" Caishui [2001] No. 97, the *sewage treatment fee charged with the water fee is exempt from VAT, and has been filed in* 2019.

（7） Shenzhou Smart Environment Investment Co., Ltd.

According to the "Notice of the Finance Bureau and the State Administration of Taxation on the Pilot Project for the Comprehensive Promotion of the Change of Business

Tax to VAT", Article 7 (19), Item 7 of Annex 3 of Caishui [2016] No. 36, eligible companies to repay the business Interest income earned is exempt from VAT benefits

(8) Shandong Hehui Medical Co., Ltd.

The medical services provided by medical institutions are exempt from the VAT preferential treatment. The Ministry of Finance and the State Administration of Taxation have issued a notice on the comprehensive introduction of the pilot program for the change of business tax to VAT (Cai Shui [2016] No. 36), Article 1 (7) of Annex 3.

(9) Shandong Fengshi Information Technology Co., Ltd.

According to the "Notice of the Ministry of Finance and the State Administration of Taxation on Software Product Value-added Tax Policies" (Cai Shui [2011] No. 100), the general taxpayers of VAT produce and sell software products in order to enjoy the VAT refund policy.

(10) Lu Medical Holdings Limited

Finance and Taxation [2000] No. 42 "Notice of the Ministry of Finance and the State Administration of Taxation on the Relevant Tax Policies for Medical and Health Institutions" Article 1 (1) The income from medical services obtained by non-profit medical institutions in accordance with the price stipulated by the state shall be exempted from various taxes. (2) Revenues obtained from non-medical services for non-profit medical institutions, such as rental income, property transfer income, training income, and foreign investment income, shall be subject to various taxes. Non-profit medical institutions will directly use the non-medical service income to improve the medical and health service conditions. After review and approval by the tax authorities, they can deduct the taxable income and levy corporate income tax on their balances; The self-produced preparations of for-profit medical institutions are exempt from VAT;

(11) Qilu Water Group Co., Ltd.

According to the "Notice of the Ministry of Finance and the State Administration of Taxation on Printing and Distributing the Catalogue of VAT Concessions for Comprehensive Utilization of Resources and Labor Services" Caishui [2015] No. 78 Document, the company enjoys 70% of the comprehensive utilization of value-added tax. The company, Wuyuan Water, was registered in the Taxation Bureau of Ziyuan County, Zibo City in August 2016.

(IV) **Other tax incentives**

(1) Maanshan Jinsheng Water Co., Ltd.

According to Caishui [2016] No. 19, the rural drinking water fee is exempt from value-added tax, land use tax, property tax, stamp duty. This document expires on December 31, 2018.

(2) Lu Medical Holdings Limited

Finance and Taxation [2000] No. 42 "Notice of the Ministry of Finance and the State Administration of Taxation on the Relevant Tax Policies for Medical and Health

Institutions" Article 1 (5) Real estate, land, vehicles and vessels for non-profit medical institutions, exempt from property tax, urban land use Tax and vehicle and boat use tax.

(3) Shandong Shuifa Environmental Protection Group Co., Ltd.

"Notice of the Ministry of Finance and the State Administration of Taxation on the Reduction of Stamp Tax on Business Accounts" (Cai Shui [2018] No. 50), since May 1, 2018, the stamp duty on the debits of the five-tenths of the rate will be halved. The other books of the decals of five yuan are exempt from stamp duty.

(4) Shandong Bole Manor Grain and Oil Co., Ltd.

Enjoy the "Notice on the Implementation of the Preferential Policies for Urban Land Use Tax for the Use of Land for Commodity Storage Facilities of Logistics Enterprises" (Canadian Tax No. 33 [2017] No. 33) Land use tax reduction of 50%.

6. Main item notes for consolidated financial statements

(If the unit of the following amounts is not specified, it is all RMB, and all the opening balances that are not indicated are reffered as ending balance.)

1) Cash and bank balances

ITEM	AT END OF YEAR	AT BEG.OF YEAR
Cash in stock	23,487,726.97	21,557,353.22
Cash at bank	5,565,591,761.13	4,253,906,650.33
Other cash and bank balances	1,137,946,679.01	432,890,845.58
Total	6,727,026,167.11	4,708,354,849.13
Including: the total amount of money deposited abroad		

Among them, the list of restricted monetary funds is as follows:

ITEM	AT END OF YEAR	AT BEG.OF YEAR
Bank acceptance bill deposit	394,843,919.26	
Letter of credit		10,950,000.00
Performance bond	2,036,000.00	25,000,000.00
Time deposit or notice deposit for guarantee	407,200,185.05	187,000,000.00
Apply to the bank for an open deposit with an	78,425,126.37	

ITEM	AT END OF YEAR	AT BEG.OF YEAR
unconditional and irrevocable letter of guarantee		
Frozen bank deposit		145,845.96
Labor employment deposit	34,420,720.54	
Total	916,925,951.22	223,095,845.96

2) Notes receivable and accounts receivable

(I) Summary

ITEM	AT END OF YEAR	AT BEG.OF YEAR
Notes receivable	225,286,170.30	187,772,879.50
Accounts receivable	4,083,552,208.18	2,444,776,953.72
Total	4,308,838,378.48	2,632,549,833.22

(II) Notes receivable

A. Classification of notes receivable

ITEM	AT END OF YEAR	AT BEG.OF YEAR
Bank acceptance bill	195,886,170.30	187,672,879.50
Trade acceptance draft	29,400,000.00	100,000.00
Total	225,286,170.30	187,772,879.50

B. Notes receivable that the company has pledged at the end of the period

None.

C. Notes receivable that the company has endorsed or discounted and has not yet expired on the balance sheet date

ITEM	AT END OF YEAR	AT BEG.OF YEAR
Bank acceptance bill	246,701,823.62	
Total	246,701,823.62	

D. At the end of the period, the company transferred the notes to the accounts receivable due to the failure of the drawer to perform.

None.

(III) **accounts receivable**

A. Disclosure of accounts receivable

Classification	AT END OF YEAR					AT BEG.OF YEAR				
	Book balance		Bad debt preparation		Book value	Book balance		Bad debt preparation		Book value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with significant single amount and separate provision for bad debts										
Accounts receivable for bad debt provision according to credit risk characteristics combination	4,126,240,506.98	99.92	44,588,298.80	1.08	4,081,652,208.18	2,464,914,008.81	99.82	23,137,055.09	0.94	2,441,776,953.72

Classification	AT END OF YEAR					AT BEG.OF YEAR				
	Book balance		Bad debt preparation		Book value	Book balance		Bad debt preparation		Book value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with insignificant single amount but with separate provision for bad debts	3,238,600.00	0.08	1,338,600.00	41.33	1,900,000.00	4,338,600.00	0.18	1,338,600.00	30.85	3,000,000.00
Total	4,129,479,106.98	/	45,926,898.80	/	4,083,552,208.18	2,469,252,608.81	/	24,475,655.09	/	2,444,776,953.72

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In the portfolio, accounts receivable for bad debt provision by aging analysis

Aging	AT END OF YEAR		
	Accounts receivable	Bad debt preparation	Proportion (%)
Within 1 year (including 1 year)	2,132,346,463.35		
1—2years	347,549,286.35	17,377,464.32	5
2—3 years	115,043,479.33	5,752,173.97	5
3—4 years	17,683,656.67	3,536,731.33	20
4—5 years	10,066,487.75	2,013,297.55	20
More than 5 years	15,908,631.63	15,908,631.63	100
Total	2,638,598,005.08	44,588,298.80	/

Accounts receivable with other combinations for provision for bad debts

Percentage of balance	AT END OF YEAR		
	Accounts receivable	Accounts receivable	Accounts receivable
Related party and government portfolio	1,487,642,501.90		
Total	1,487,642,501.90		

B. Accounts receivable that are not significant but have a single provision for bad debts at the end of the period

Company name	AT END OF YEAR			
	Book balance	Bad debt preparation	Proportion (%)	Accrual reason
Shandong Anyang Mining Co., Ltd.	3,238,600.00	1,338,600.00	41.33	The debtor's financial difficulties are incapable of paying off the funds on schedule.
Total	3,238,600.00	1,338,600.00	/	/

C. Provision for bad debts withdrawn, recovered or reversed in the current period

In the current period, the provision for bad debts was RMB 7,080,111.60; the amount of bad debt provision for the current business combination was RMB 14,371,132.11.

D. Accounts receivable actually written off during the period

None.

E. Accounts receivable of the top five balances at the closing balance of the arrears

Company name	AT END OF YEAR			
	Book balance	Aging	Proportion of the total balance of accounts receivable at the end of the period (%)	Bad debt preparation
Linyi County Water Resources Bureau	149,690,476.22	Within 3 years	3.62	0.00
State Grid Shanxi Electric Power Company Linyi Power Supply Company	88,763,757.25	Within 2 years	2.15	0.00
State Grid Heilongjiang Electric Power Co., Ltd.	84,182,762.48	Within 1 years	2.04	0.00
Shandong Daxie Engineering Construction Co., Ltd.	79,914,592.80	Within 1 years	1.94	0.00
State Grid Shandong Power Company Linyi Power Supply Company	71,051,613.60	Within 1 years	1.72	0.00
Total	473,603,202.35	/	11.47	0.00

F. Receivables that are derecognised due to the transfer of financial assets

None

G. If the accounts receivable are transferred and continue to be involved, the amount of assets and liabilities that continue to be involved will be listed separately.

None

3) Prepayments

(I) Aging

Aging	AT END OF YEAR		AT BEG.OF YEAR	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 years	3,314,891,348.52	72.96	1,054,632,744.81	71.72
1—2years	638,523,618.68	14.05	228,663,110.28	15.55
2—3 years	168,604,922.51	3.71	132,715,331.41	9.03
More than 3 years	421,608,963.92	9.28	54,391,467.18	3.70
Total	4,543,628,853.63	100.00	1,470,402,653.68	100.00

Description of reasons why the prepayments with an age greater than 1 year and the amount of money are not settled in time

Serial number	Debtor	Ending balance	Reasons for not being settled in time
1	Dingtao County Liulou Reservoir Command	114,150,000.00	Construction contract performance
2	Heze Hongyuan Water Supply Company	33,460,000.00	Contract performance
Total		147,610,000.00	/

(II) Prepayments of the top five ending balances according to prepaid objects

Company name	Ending balance	Proportion of the total balance of prepayments at the end of the period (%)	Aging	Unsettled reason
Juye County People's	245,700,000.00	5.41	Within 1 year	Land property delivery procedures have not yet been completed

Company name	Ending balance	Proportion of the total balance of prepayments at the end of the period (%)	Aging	Unsettled reason
Government				
Deere Group Co., Ltd. Weihai Branch	137,360,000.00	3.02	Within 1 year	Construction contract performance
Dongying Huangshui East Transfer Emergency Engineering Command	128,806,800.00	2.83	Within 1 year	Construction contract performance
Shandong Yungu Construction Engineering Co., Ltd.	124,370,216.76	2.74	Within 1 year	Construction contract performance
Dingtao County Liulou Reservoir Command	114,150,000.00	2.51	1-2years	Construction contract performance
Total	750,387,016.76	16.51	/	/

4) Other receivables

(I) Summary

ITEM	AT END OF YEAR	AT BEG.OF YEAR
Interest receivable	3,108,185.44	6,938,548.82
Dividend receivable	6,000,000.00	0.00

ITEM	AT END OF YEAR	AT BEG.OF YEAR
Other receivables	3,785,391,812.12	3,662,545,067.69
Total	3,794,499,997.56	3,669,483,616.51

（II） **Interest receivable**

ITEM	AT END OF YEAR	AT BEG.OF YEAR
Current interest on funds	3,108,185.44	6,938,548.82
Total	3,108,185.44	6,938,548.82

（III） **Dividend receivable**

A. Dividend receivable

Project (or invested unit)	AT END OF YEAR	AT BEG.OF YEAR
Shouguang Runsheng Water Co., Ltd.	6,000,000.00	
Total	6,000,000.00	

(IV) **Other receivables**

A. Disclosure of other receivables

Classification	AT END OF YEAR					AT BEG.OF YEAR				
	Book balance		Bad debt preparation		Book value	Book balance		Bad debt preparation		Book value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables with significant single amount and separate provision for bad debts	10,697,773.00	0.27	10,697,773.00	100.00	0.00	25,500,000.00	0.68	12,750,000.00	50.00	12,750,000.00
Other receivables with provision for bad debts based on credit risk characteristics	3,908,016,939.82	99.51	122,625,127.70	3.14	3,785,391,812.12	3,699,688,830.72	99.32	49,893,763.03	1.35	3,649,795,067.69

Classification	AT END OF YEAR					AT BEG.OF YEAR				
	Book balance		Bad debt preparation		Book value	Book balance		Bad debt preparation		Book value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables that are not individually significant but are separately provisioned for bad debts	8,681,585.79	0.22	8,681,585.79	100.00	0.00	17,500.00	0.00	17,500.00	100.00	0.00
Total	3,927,396,298.61	/	142,004,486.49	/	3,785,391,812.12	3,725,206,330.72	/	62,661,263.03	/	3,662,545,067.69

Other receivables with significant single amount and single provision for bad debts at the end of the period

Other receivables (by unit)	AT END OF YEAR			
	Other receivables	Bad debt preparation	Proportion (%)	Accrual reason
Wuhan Lingwei Real Estate Company	10,697,773.00	10,697,773.00	100.00	Money cannot be recovered
Total	10,697,773.00	10,697,773.00	/	/

In the portfolio, other receivables for provision for bad debts by aging analysis

Aging	AT END OF YEAR		
	Other receivables	Bad debt preparation	Proportion (%)
Within 1 year	1,105,652,878.81	0.00	0.00
1—2years	477,911,079.90	23,895,553.99	5.00
2—3 years	229,070,118.34	11,453,505.92	5.00
3—4 years	82,645,754.91	16,529,150.98	20.00
4—5 years	31,542,082.90	6,308,416.58	20.00
More than 5 years	64,438,500.23	64,438,500.23	100.00
Total	1,991,260,415.09	122,625,127.70	/

Other receivables for other combinations of provision for bad debts

Percentage of balance	AT END OF YEAR		
	Other receivables	Bad debt preparation	Proportion (%)
Related party and government portfolio	1,916,756,524.73		
Total	1,916,756,524.73		

B. Other receivables are classified according to the nature of the money

Nature of money	Final book balance	Initial book balance

Nature of money	Final book balance	Initial book balance
Current payment	880,524,861.37	1,502,807,926.15
Deposit, deposit	854,524,903.65	1,286,822,621.94
Temporary payment	1,042,754,032.26	330,669,706.42
Investment funds	763,729,077.8	230,508,970.49
Reserve fund	114,643,311.97	167,786,463.99
Equity delivery transition profit		52,758,156.71
Escrow period profit	61,744,912.84	37,893,554.28
Other	209,475,198.72	115,958,930.74
Total	3,927,396,298.61	3,725,206,330.72

C. Other receivables that are not significant but have a single provision for bad debts at the end of the period

Company name	AT END OF YEAR			
	Book balance	Bad debt preparation	Proportion (%)	Accrual reason
Jinan Moyan Planning Company	17,500.00	17,500.00	100.00	Money cannot be recovered
Tmall Chengwu Lijia Wood Industry Co., Ltd.	123,598.28	123,598.28	100.00	Money cannot be recovered
Li Wen	1,300,000.00	1,300,000.00	100.00	Money cannot be recovered
Zhuang Jun	2,000,000.00	2,000,000.00	100.00	Money cannot be recovered
Shanghai Yongquan Chemical Additive Co., Ltd.	1,800,000.00	1,800,000.00	100.00	Money cannot be recovered

Company name	AT END OF YEAR			
	Book balance	Bad debt preparation	Proportion (%)	Accrual reason
Beijing Century Excellence Engineering Management Co., Ltd.	3,440,487.51	3,440,487.51	100.00	Money cannot be recovered
Total	8,681,585.79	8,681,585.79	/	/

D. Provision for bad debts withdrawn, recovered or reversed in the current period

In the current period, the provision for bad debts was RMB 58,833,351.56; the amount of bad debt provision for the current business combination was RMB 20,509,871.90; no provision for bad debts was recovered or transferred back during the period.

E. Other receivables actually written off during the period

None.

F. Other receivables of the top five ending balances according to the arrears

Company name	Nature of money	Ending balance	Aging	Proportion of the total balance of other receivables at the end of the period (%)	Bad debt reserve
Heze City Public Resource Marketization Supervision and Administration Bureau	Land auction deposit	700,000,000.00	Within 1 year	17.83	0.00
Fujian Xinhengji Advertising Co., Ltd.	Current payment	266,315,804.46	Within 1 year	6.78	0.00

Company name	Nature of money	Ending balance	Aging	Proportion of the total balance of other receivables at the end of the period (%)	Bad debt reserve
Heze Jindi Land Development and Investment Co., Ltd.	Current payment	235,355,972.00	Within 1 year	6.00	0.00
Shandong Lianyi Heavy Industry Co., Ltd.	Investment funds	90,000,000.00	Within 1 year	2.29	0.00
Heze Zhongda Yiju Real Estate Co., Ltd.	Investment funds	70,000,000.00	Within 1 year	1.78	0.00
Total	/	1,361,671,776.46	/	34.68	0.00

G. Receivables involving government grants

None.

H. Other receivables that are derecognised due to the transfer of financial assets involve government-subsidized receivables

None.

I. Amount of assets and liabilities that are transferred to other receivables and continue to be involved

None.

5) Inventory

(I) Inventory classification

Item	AT END OF YEAR	AT BEG.OF YEAR

	Book balance	Depreciation reserve	Book value	Book balance	Depreciation reserve	Book value
Goods in transit	12,467,765.21		12,467,765.21	20,257,617.28		20,257,617.
Raw material	446,131,218.55		446,131,218.55	209,433,108.50		209,433,108.
In the product	146,532,887.73		146,532,887.73	61,366,598.41		61,366,598.
Stock goods	1,058,264,034.83		1,058,264,034.83	122,086,827.56		122,086,827.
Development costs	5,954,776,258.57		5,954,776,258.57	4,141,894,380.76		4,141,894,380.
Agricultural products	476,817,978.86		476,817,978.86	167,039,312.19		167,039,312.
release products	21,564,418.26		21,564,418.26	32,449,132.43		32,449,132.
Low value consumables	62,563,421.15		62,563,421.15	13,182,331.92		13,182,331.
Consumable biological assets	18,374,599.14		18,374,599.14	140,417,756.29		140,417,756.
Assets formed by construction contracts	262,054,802.92		262,054,802.92	102,889,071.29		102,889,071.
Total	8,459,547,385.22		8,459,547,385.22	5,011,016,136.63		5,011,016,136.

(II) **Inventory depreciation reserve**

At the end of the period, no significant signs of impairment of inventories were found, so no provision for inventory depreciation was made.

(III) **The ending balance of the inventory contains the amount of capitalization of the borrowing costs.**

Inventory item name	Ending balance	Capitalization amount of borrowing costs
Agricultural products	476,817,978.86	20,799,914.84
Stock items	1,058,264,034.83	57,654.65
Development costs	5,954,776,258.57	242,976,324.13
Total	7,489,858,272.26	263,833,893.62

6) Other current assets

ITEM	AT END OF YEAR	AT BEG. OF YEAR
Deductible input tax	813,362,675.92	430,349,445.95
Time deposit	129,160,000.00	74,000,000.00
Financial product	6,026,391.62	47,958,000.00
Prepaid land value added tax	17,765,377.40	10,858,573.23
Prepaid corporate income tax	9,344,947.84	9,202,863.18
Prepaid personal income tax	4,416.91	
Prepaid tax	546,637.66	
Prepaid business tax	234,267.07	1,463,969.60
Prepaid expenses	5,133,098.00	1,080,785.42
Other	2,564,408.10	
Total	984,142,220.52	574,913,637.38

7) Available-for-sale financial assets

(I) **Details**

ITEM	AT END OF YEAR	AT BEG. OF YEAR

	Book balance	Depreciation reserve	Book value	Book balance	Depreciation reserve	Book value
Debt instruments available for sale:	4,000,000.00		4,000,000.00	4,000,000.00		4,000,000.00
Equity instrument available for sale:	291,964,308.73		291,964,308.73	125,923,917.00		125,923,917.00
Measured by cost	291,964,308.73		291,964,308.73	125,923,917.00		125,923,917.00
Total	295,964,308.73		295,964,308.73	129,923,917.00		129,923,917.00

(II) No re-classification of held-to-maturity investments in the balance of Available-for-sale financial assets at the end of the period

(III) At the end of the period, there is no financial asset available for sale measured at fair value.

(IV) Available-for-sale financial assets measured at cost at the end of the period

Invested unit	Book balance				Impairment preparation				Proportion of shares held by invested units (%)
	Beginning	Increased in this period	Reduced in this period	Final period	Beginning	Increased in this period	Reduced in this period	Final period	
Wucheng County Jiande Water Conservancy Development Co., Ltd.	36,000,000.00		36,000,000.00	0.00					20.00
Shandong Chengwu Yizhong New Campus	5,100,000.00			5,100,000.00					51.00
Shandong Huaihai Water Engineering Co., Ltd.	2,300,000.00		2,300,000.00	0.00					10.95

Invested unit	Book balance				Impairment preparation				Proportion of shares held by invested units (%)
	Beginning	Increased in this period	Reduced in this period	Final period	Beginning	Increased in this period	Reduced in this period	Final period	
Zouping Herun Real Estate Co., Ltd.	13,913,917.00			13,913,917.00					70.00
Feixian Xingli Water Development Co., Ltd.		27,243,354.63		27,243,354.63					33.56
Yangxin Shunyuan Water Development Co., Ltd.		51,957,037.10		51,957,037.10					48.88
Liaocheng Xinrui Investment Co., Ltd.		75,140,000.00		75,140,000.00					20.00

Invested unit	Book balance				Impairment preparation				Proportion of shares held by invested units (%)
	Beginning	Increased in this period	Reduced in this period	Final period	Beginnin g	Increased in this period	Reduced in this period	Final period	
Jixian Yinzhou Water Conservancy Development Co., Ltd.	48,610,000.00			48,610,000.00					20.00
Renxing Group Co., Ltd.		50,000,000.00		50,000,000.00					20.00
Shouguang Runsheng Water Co., Ltd.	20,000,000.00			20,000,000.00					40.00
Total	125,923,917.00	204,340,391.73	38,300,000.00	291,964,308.73					/

(1) Shandong Herun Real Estate Co., Ltd. holds 40% of Zouping Herun Real Estate Co., Ltd. and Shandong Water Transfer Engineering Technology Research Center Co., Ltd. holds 30% of Zouping Herun Real Estate Co., Ltd., with a total shareholding of 70%, Zouping The county people's procuratorate transferred the financial information of Zou Ping and Run Lianye Co., Ltd., and the financial data could not be accurately obtained in the current period. The cost method was used for accounting for Zouping and Run Real Estate Co., Ltd.

(2) Shandong Water Transfer Engineering Technology Research Center Co., Ltd. holds 40% of the shares of Shouguang Runsheng Water Co., Ltd., but does not participate in the management of the company, and does not dispatch management personnel and board members, so it does not constitute a major impact.

(3) On April 19, 2015, Shandong Shuifa Holding Group Co., Ltd. signed a cooperation agreement with Shandong Chengwu No. 1 Middle School and Chengwu County People's Government for the new campus of Shandong Chengwu No. 1 Middle School. Holding Group Co., Ltd. contributed RMB 5,100,000 in monetary terms, and Shandong Chengwu No. 1 Middle School invested RMB 4,900,000 in physical form. After the completion of the project, Shandong Chengwu No. 1 Middle School will be responsible for the management of Shandong Chengwu Yizhong New Campus. Shandong Shuifa Holding Group Co., Ltd. does not participate in management operations and does not dispatch management personnel, so it does not constitute a major impact.

(4) Shandong Shuifa Water Co., Ltd. holds 48.88% shares of Yangxin Shunyuan Water Development Co., Ltd., and Yangxin Dongcheng Water Supply Co., Ltd. holds 51.12% shares of Yangxin Shunyuan Water Development Co., Ltd., so it does not constitute a major impact.

(5) Shandong Shuifa Water Co., Ltd. holds 33.56% shares of Feixian Xingli Water Development Co., Ltd., Feixian City Asset Management Co., Ltd. holds 39.6% shares of Feixian Xingli Water Development Co., Ltd., Linyi New and Old Kinetic Energy Conversion Fund Investment Co., Ltd. Holding 26.84% of the shares of Feixian Xingli Water Development Co., Ltd., it cannot exert significant influence on Feixian Xingli Water Development Co., Ltd.

(V) Available-for-sale financial assets——Long-term debt investments

Bond project	Type of bond	Face value	Initial investment cost	expiry date
Sun Temple Hospital Investment	Asset investment	4,000,000.00	4,000,000.00	long term

Continued from the table:

Type of bond	Opening Balance	Current interest	Accumulated receivables or interest received	Ending balance
Sun Temple Hospital Investment	4,000,000.00	240,000.00	240,000.00	4,000,000.00

[Note] In 2016, the company and the Sunwu Branch of the People's Hospital of Chengwu County signed the "Investment Agreement for the Ward House of Sun Temple Branch of Chengwu County People's Hospital". The ward building is located in the east of the Sun Temple Branch of the People's Hospital of Chengwu County. It covers an area of 1,200 square meters and has a construction area of 3,520 square meters. The estimated investment amount is RMB 6,200,000. The agreement stipulates that within 10 working days from the date of signing, the company will gradually invest all the investment funds of RMB 4,000,000 in accordance with the progress of the project construction, and the investment property rights belong to the company. The investor holds the corresponding assets and corresponding shares of the ward according to the investment ratio. The annual investment return rate of the company's RMB 4,000,000 investment is 6%, that is, the annual income is RMB 240,000. Sunwu Branch of Chengwu County People's Hospital guarantees that the operating balance will give priority to Party A's investment income, and will pay investment income to the Company before October 30 of each year after the company's investment completion date.

8) Long-term accounts receivable

(I) **Details**

Item	AT END OF YEAR			AT BEG.OF YEAR		
	Book balance	Bad debt preparation	Book value	Book balance	Bad debt preparation	Book value
Financing lease	183,227,839.78		183,227,839.78			
Instalment collection and sales of goods	130,928,523.18		130,928,523.18			
Instalment collection	1,155,757,968.13		1,155,757,968.13	1,148,832,077.78		1,148,832,077.78

Item	AT END OF YEAR			AT BEG.OF YEAR		
	Book balance	Bad debt preparation	Book value	Book balance	Bad debt preparation	Book value
Governance of Huaidong East Project	424,610,000.00		424,610,000.00	424,610,000.00		424,610,000.00
Key medium and small river management project	212,540,000.00		212,540,000.00	212,540,000.00		212,540,000.00
Key river management project	378,420,000.00		378,420,000.00	378,420,000.00		378,420,000.00
River maintenance fee project	52,000,000.00		52,000,000.00	52,000,000.00		52,000,000.00
Total	2,537,484,331.09		2,537,484,331.09	2,216,402,077.78		2,216,402,077.78

[Note] The long-term receivables of the Company are mainly BT, BOT and other government cooperation projects. There is uncertainty in the time of project repayment and the amount of repayment in each period. At the same time, some projects are under construction, so there is no long-term formation of the project. Therefore, the long-term receivables formed by the project are not discounted..

(II) No long-term receivables are overdue and extended

(III) At the end of the period, no significant impairment of long-term receivables was found, so no provision for impairment was made.

9) Long-term equity investments

(I) Long-term equity investment details

Item	AT END OF YEAR			AT BEG.OF YEAR		
	Book balance	Bad debt preparation	Book value	Book balance	Bad debt preparation	Book value

Investment in joint ventures	19,400,000.00		19,400,000.00			
Investment in joint ventures	528,560,942.31		528,560,942.31	585,691,934.15		585,691,934.15
Total	547,960,942.31		547,960,942.31	585,691,934.15		585,691,934.15

（II） **Long-term equity investment details**

Invested unit	Opening Balance	Changes in the current period								Ending balance	Impairment reserve ending balance
		Increased investment	Reduced investment	Investment gains and losses recognized under the equity method	Other comprehensive income adjustment	Other changes in equity	Declare cash dividends or profits	Provision for impairment	Other		
1.Joint venture											
Shanghai Minxin Energy Technology Co., Ltd.		19,200,000.00								19,200,000.00	
Heze Jinyuan Land Development Investment Co., Ltd.		200,000.00								200,000.00	
Subtotal		19,400,000.00								19,400,000.00	

Invested unit	Opening Balance	Changes in the current period								Ending balance	Impairment reserve ending balance
		Increased investment	Reduced investment	Investment gains and losses recognized under the equity method	Other comprehensive income adjustment	Other changes in equity	Declare cash dividends or profits	Provision for impairment	Other		
2.Joint ventures											
Shandong Huatong Environmental Technology Co., Ltd.	44,621,158.74			-8,327,567.54						36,293,591.20	
Shandong Yuanshui Energy Environmental Protection Technology Co., Ltd.	201,819.75			-146,785.18						55,034.57	

Invested unit	Opening Balance	Changes in the current period								Ending balance	Impairment reserve ending balance
		Increased investment	Reduced investment	Investment gains and losses recognized under the equity method	Other comprehensive income adjustment	Other changes in equity	Declare cash dividends or profits	Provision for impairment	Other		
Fusong County Jiyuan City Construction Co., Ltd.		38,100,000.00								38,100,000.00	
Sichuan Jieneng Equity Investment Fund Management Co., Ltd.		2,650,000.00								2,650,000.00	
Heze Haoyuan Industrial Co., Ltd.		22,661,600.00								22,661,600.00	

Invested unit	Opening Balance	Changes in the current period								Ending balance	Impairment reserve ending balance
		Increased investment	Reduced investment	Investment gains and losses recognized under the equity method	Other comprehensive income adjustment	Other changes in equity	Declare cash dividends or profits	Provision for impairment	Other		
Shandong Shuifa Ziguang Big Data Co., Ltd.		20,000,000.00								20,000,000.00	
Peony International Commodity Exchange Center Co., Ltd.	12,000,000.00			-5,012,396.61						6,987,603.39	
Shandong Huifengyuan Finance Guarantee Co., Ltd.		42,000,000.00								42,000,000.00	

Invested unit	Opening Balance	Changes in the current period								Ending balance	Impairment reserve ending balance
		Increased investment	Reduced investment	Investment gains and losses recognized under the equity method	Other comprehensive income adjustment	Other changes in equity	Declare cash dividends or profits	Provision for impairment	Other		
Shandong Water Investment Co., Ltd.	146,528,170.79			-2,629,091.21						143,899,079.58	
Zaozhuang Qilu Hongyuan Water Development Co., Ltd.		20,000,000.00								20,000,000.00	
Weihai Water Industry Co., Ltd.		1,000,000.00								1,000,000.00	

Invested unit	Opening Balance	Changes in the current period								Ending balance	Impairment reserve ending balance
		Increased investment	Reduced investment	Investment gains and losses recognized under the equity method	Other comprehensive income adjustment	Other changes in equity	Declare cash dividends or profits	Provision for impairment	Other		
Kashi Water Control Planting Farmers Professional Cooperative		475,000.00								475,000.00	
Jinxiang Yangshan Scenic Area Sea World Water Park Co., Ltd.	2,225,378.99									2,225,378.99	
Shandong Shuifa Education Development Co., Ltd.		10,000,000.00								10,000,000.00	

Invested unit	Opening Balance	Changes in the current period								Ending balance	Impairment reserve ending balance
		Increased investment	Reduced investment	Investment gains and losses recognized under the equity method	Other comprehensive income adjustment	Other changes in equity	Declare cash dividends or profits	Provision for impairment	Other		
Xinjiang Yaxin Mingzhu Urban and Rural Ecological Construction Co., Ltd.		9,000,000.00								9,000,000.00	
Shandong Shuifa Runxin Water Co., Ltd.	75,150,000.00									75,150,000.00	
Beijing Yingke Chuanglian Education Technology Co., Ltd.		6,600,000.00								6,600,000.00	

Invested unit	Opening Balance	Changes in the current period								Ending balance	Impairment reserve ending balance
		Increased investment	Reduced investment	Investment gains and losses recognized under the equity method	Other comprehensive income adjustment	Other changes in equity	Declare cash dividends or profits	Provision for impairment	Other		
Shandong Yirenkang E-commerce Co., Ltd.	1,458,222.61			0.01						1,458,222.62	
Shandong Shuifa Xingchen Project Management Co., Ltd.		306,000.00								306,000.00	
Yangxin Shunyuan Water Development Co., Ltd.	51,957,037.10								-51,957,037.10		

Invested unit	Opening Balance	Changes in the current period								Ending balance	Impairment reserve ending balance
		Increased investment	Reduced investment	Investment gains and losses recognized under the equity method	Other comprehensive income adjustment	Other changes in equity	Declare cash dividends or profits	Provision for impairment	Other		
Sichuan Huate Energy Development Co., Ltd.		40,829,408.69								40,829,408.69	
Luding County Minghe Electric Power Co., Ltd.		5,280,000.00								5,280,000.00	
Shandong Huayu Project Management Co., Ltd.	1,200,000.00	300,000.00								1,500,000.00	

Invested unit	Opening Balance	Changes in the current period								Ending balance	Impairment reserve ending balance
		Increased investment	Reduced investment	Investment gains and losses recognized under the equity method	Other comprehensive income adjustment	Other changes in equity	Declare cash dividends or profits	Provision for impairment	Other		
Sichuan Anhe Water Conservancy and Hydropower Engineering Co., Ltd.	50,000,000.00								-50,000,000.00		
Fusong County Songjianghe Hengrun Purification Co., Ltd.	28,475,000.00								-28,475,000.00		
Liaocheng Xinrui Water Co., Ltd.	75,140,000.00								-75,140,000.00		

Invested unit	Opening Balance	Changes in the current period								Ending balance	Impairment reserve ending balance
		Increased investment	Reduced investment	Investment gains and losses recognized under the equity method	Other comprehensive income adjustment	Other changes in equity	Declare cash dividends or profits	Provision for impairment	Other		
Feixian Xingli Water Development Co., Ltd.	27,243,354.63								-27,243,354.63		
Mandu Hydropower Co., Ltd. (Nepal)	42,317,947.00								-42,317,947.00		
Guangrao County Water Development Co., Ltd.	27,173,844.54								-27,173,844.54		

Invested unit	Opening Balance	Changes in the current period								Ending balance	Impairment reserve ending balance
		Increased investment	Reduced investment	Investment gains and losses recognized under the equity method	Other comprehensive income adjustment	Other changes in equity	Declare cash dividends or profits	Provision for impairment	Other		
Chengwu Pension Rehabilitation Center Nursing Home		200,000.00								200,000.00	
Water Development Co., Ltd.		40,000.00		-29,976.73						10,023.27	
Qihe Water Development Co., Ltd.		29,000,000.00								29,000,000.00	
Shandong Fuyuquan Drinks Co., Ltd.		12,880,000.00								12,880,000.00	
Subtotal	585,691,934.15	261,322,008.69	-	-16,145,817.26	-	-	-	-	-302,307,183.27	528,560,942.31	

Invested unit	Opening Balance	Changes in the current period								Ending balance	Impairment reserve ending balance
		Increased investment	Reduced investment	Investment gains and losses recognized under the equity method	Other comprehensive income adjustment	Other changes in equity	Declare cash dividends or profits	Provision for impairment	Other		
Total	585,691,934.15	280,722,008.69	-	-16,145,817.26	-	-	-	-	-302,307,183.27	547,960,942.31	

At the end of the period, no significant impairment of long-term equity investment was found, so no provision for impairment was made.

Note: The current increase and decrease of "other": Yangxin Shunyuan Water Development Co., Ltd., Liaocheng Xinrui Water Co., Ltd., Feixian Xingli Water Development Co., Ltd. are transferred to available-for-sale financial assets; Sichuan Anhe Water Conservancy and Hydropower Engineering Ltd., Fusong County Songjiang River Hengrun Purification Co., Ltd., Mandu Hydropower Co., Ltd. (Nepal), Guangrao County Water Development Co., Ltd. are included in the scope of consolidation.

10) Investment properties

(I) Investment properties adopting cost measurement mode

Item	Building	Land use rights	Construction in progress	Total
1. The original value of the book				
a.Opening balance	1,432,477,504.99			1,432,477,504.99
b. Increase in the current period				
(1) Outsourcing	493,987,794.10			493,987,794.10
(2)Inventory\Fixed assets\ Transfer of construction in progress	488,725,068.60			488,725,068.60
(3)Increase in business combination				
c. Current amount reduction				
(1) Disposal	481,111,375.74			481,111,375.74
(2) Other transfer	22,326,800.00			22,326,800.00
d. Ending balance	1,911,752,191.95			1,911,752,191.95
2.Accumulated depreciation and accumulated amortization				
a.Opening balance	51,724,792.57			51,724,792.57
b. Increase in the current period				
(1)Withdrawal or amortization	23,066,630.62			23,066,630.62

Item	Building	Land use rights	Construction in progress	Total
c. Current amount reduction				
(1) Disposal	18,903,616.22			18,903,616.22
(2) Other transfer				
d. Ending balance	55,887,806.97			55,887,806.97
3.Impairment preparation				
a.Opening balance				
b. Increase in the current period				
(1) Provision				
c. Current amount reduction				
(1) Disposal				
(2) Other transfer				
d. Ending balance				
4.Book value				
1. Book value at the end of the period	1,855,864,384.98			1,855,864,384.98
2. Book value at the beginning of the period	1,380,752,712.42			1,380,752,712.42

(II) Investment properties without certificate of property rights

None.

(III) At the end of the period, no significant impairment of Investment properties was found, so no provision for impairment was made.

11) Fixed assets

(I) Summary

ITEM	AT END OF YEAR	AT BEG. OF YEAR

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ITEM	AT END OF YEAR	AT BEG. OF YEAR
Fixed assets	12,783,949,495.68	7,429,391,240.97
Fixed assets cleanup	1,403,669.63	44,408.71
Total	12,785,353,165.31	7,429,435,649.68

(II) **Fixed assets**

A. Summary of fixed assets

Item	Beginning number	Increased in this period				Reduced in this period		Ending number
		Purchase	Transfer of construction in progress	Increase in business combination	Other	Dispose of or scrap	Other	
(1) Original book value								
Houses and buildings	2,899,259,538.68	220,545,741.16	520,285,114.61	2,550,594,818.95		19,913,615.96	158,349,945.83	6,012,421,651.61
Mechanical equipment	2,864,504,153.86	78,818,304.28	1,177,719,960.17	1,741,639,161.69	19,993.16	42,919,804.88	117,841,318.19	5,701,940,450.09
Transportation	146,436,023.56	48,496,012.44		103,341,159.25	534,001.48	5,740,124.62	837,907.81	292,229,164.30
Office equipment	206,497,035.34	91,173.17	1,064,070.33	28,914,942.93		26,883,438.83	1,002,711.68	208,681,071.26
Electronic equipment and others	54,099,111.96	68,496,281.15	1,967,557.13	49,639,749.50	1,046,948.10	4,147,192.21	6,945,726.84	164,156,728.79
Reservoir and pipeline equipment	2,777,812,944.43	66,726,867.22	683,402,420.71	0.00	5,843,531.90	101,557,396.69	79,742,498.98	3,352,485,868.59
Total	8,948,608,807.83	483,174,379.42	2,384,439,122.95	4,474,129,832.32	7,444,474.64	201,161,573.19	364,720,109.33	15,731,914,934.64
(2) Accumulated								

Item	Beginning number	Increased in this period				Reduced in this period		Ending number
		Purchase	Transfer of construction in progress	Increase in business combination	Other	Dispose of or scrap	Other	
depreciation								
Houses and buildings	382,350,965.45	301,964,370.44	4,079,864.12	378,172,343.16		96,174,827.12	151,218,079.37	819,174,636.68
Mechanical equipment	657,208,160.01	252,897,015.26	33,785,980.36	435,368,804.08		14,651,182.71	32,896,053.75	1,331,712,723.25
Transportation	70,721,212.84	31,511,290.01		62,054,891.64	308,899.01	4,524,308.41		160,071,985.09
Office equipment	121,223,845.06	37,009,268.76		5,540,652.20		21,979,855.27	463,467.03	141,330,443.72
Electronic equipment and others	33,979,015.25	46,761,122.43		34,192,194.34	20,886.80	15,312,879.27	546,331.08	99,094,008.47
Reservoir and pipeline equipment	253,734,368.25	85,147,682.34		45,419,055.48	12,776,534.65	495,998.97		396,581,641.75
Total	1,519,217,566.86	755,290,749.24	37,865,844.48	960,747,940.90	13,106,320.46	153,139,051.75	185,123,931.23	2,947,965,438.96
(3) Provision for								

Item	Beginning number	Increased in this period				Reduced in this period		Ending number
		Purchase	Transfer of construction in progress	Increase in business combination	Other	Dispose of or scrap	Other	
impairment								
Houses and buildings								
Mechanical equipment								
Transportation								
Office equipment								
Electronic equipment and others								
Reservoir and pipeline equipment								
Total								
(4) Book value								

Item	Beginning number	Increased in this period				Reduced in this period		Ending number
		Purchase	Transfer of construction in progress	Increase in business combination	Other	Dispose of or scrap	Other	
Houses and buildings	2,516,908,573.23							5,193,247,014.93
Mechanical equipment	2,207,295,993.85							4,370,227,726.84
Transportation	75,714,810.72							132,157,179.21
Office equipment	85,273,190.28							67,350,627.54
Electronic equipment and others	20,120,096.71							65,062,720.32
Reservoir and pipeline equipment	2,524,078,576.18							2,955,904,226.84
Total	7,429,391,240.97							12,783,949,495.68

B. Temporary idle fixed assets

None.

C. At the end of the period, no significant impairment of fixed assets was found, so no provision for impairment was made.

D. Fixed assets without certificate of title

Item	Book value	Reason for failure to complete the title certificate
Chengwu Shuifa Comprehensive Building	9,390,352.24	Being processed
Shandong Shuifa Jinqiao International Trade Co., Ltd. Buildings	346,790.54	Being processed
Shandong Shuifa Jinqiao Agricultural Products Co., Ltd. Buildings	4,659,010.17	Being processed
Shandong Bole Manor Food Co., Ltd. Workshop	67,733.00	Being processed
Shandong Bole Manor Grain and Oil Co., Ltd. 60,000 tons of grain storage project	32,619,533.98	Land certificate and Real Estate license are being processed

（III） **Fixed assets cleanup**

ITEM	AT END OF YEAR	AT BEG. OF YEAR
Mechanical equipment	1,377,069.59	25,254.80
Transportation		18,800.00
Electronic equipment	26,600.04	289.91
Office equipment		64.00
Total	1,403,669.63	44,408.71

12) Construction in progress

（I） **Summary**

ITEM	AT END OF YEAR	AT BEG.OF YEAR

ITEM	AT END OF YEAR	AT BEG.OF YEAR
Construction in progress	16,772,355,768.32	12,286,717,078.86
Engineer material	29,207,717.43	8,465,293.20
Total	16,801,563,485.75	12,295,182,372.06

（II） **Construction in progress**

A. Details

ITEM	AT END OF YEAR			AT BEG.OF YEAR		
	Book balance	Impairment preparation	Book value	Book balance	Impairment preparation	Book value
Huangshui East Transfer Emergency Project	2,734,506,795.49		2,734,506,795.49	1,742,926,315.06		1,742,926,315.06
Indeed as a multi-power station	1,772,527,514.62		1,772,527,514.62	1,671,145,206.50		1,671,145,206.50
Longtou Beach (Zibo) Hydropower Station	597,014,031.78		597,014,031.78	545,707,742.81		545,707,742.81
Coach power station	533,800,576.95		533,800,576.95	519,969,945.44		519,969,945.44
The first phase of the South-to-North Water Transfer Project, Jining City, Shandong Province	2,764,088.36		2,764,088.36	472,070,923.33		472,070,923.33
Xinhe Reservoir	0.00		0.00	423,160,462.08		423,160,462.08
Nanmenguan Hydropower Station	432,557,910.35		432,557,910.35	386,733,263.29		386,733,263.29
Chama Ridong Power Station	375,923,051.81		375,923,051.81	347,785,974.56		347,785,974.56

Second Plain Reservoir Project	326,496,653.51		326,496,653.51	293,388,966.73		293,388,966.73
Shuruyaz power station	304,897,325.45		304,897,325.45	289,082,686.33		289,082,686.33
Biomass Power Generation Phase II Project	20,346,299.01		20,346,299.01	255,977,338.87		255,977,338.87
Yanggu County Zhaowanghe Reservoir Project	0.00		0.00	201,599,049.71		201,599,049.71
Urban and rural water supply integration project	404,429,149.22		404,429,149.22	199,006,725.32		199,006,725.32
Thermal power plant	60,439,263.85		60,439,263.85	191,909,891.72		191,909,891.72
Binzhou High-tech Plain Reservoir Project	196,031,842.50		196,031,842.50	188,463,235.97		188,463,235.97
Leling City Dingwu Reservoir Water Supply Project	443,929.94		443,929.94	184,160,465.53		184,160,465.53
New People's Hospital Relocation Project	391,498,751.14		391,498,751.14	181,553,772.24		181,553,772.24
Pension rehabilitation center	143,955,362.40		143,955,362.40	175,551,299.36		175,551,299.36

As much as the construction road	149,830,000.00		149,830,000.00	149,830,000.00		149,830,000.00
Wenshang County Zhongdu Reservoir Project	0.00		0.00	148,202,282.03		148,202,282.03
Lanling County Huibaoling Reservoir Urban and Rural Water Supply Project	172,808,732.72		172,808,732.72	148,127,596.23		148,127,596.23
Shoumen Reservoir Construction Project	146,315,737.59		146,315,737.59	148,051,896.71		148,051,896.71
Xiku District Construction Project	203,123,032.46		203,123,032.46	146,999,668.79		146,999,668.79
People's Hospital Infrastructure Project	0.00		0.00	129,055,835.81		129,055,835.81
Biotechnology power plant engineering	0.00		0.00	124,857,324.32		124,857,324.32
Phase II PPP Project of Biomass Boiler in Lianghe Area of Jinan High-tech Zone	206,975,020.14		206,975,020.14	118,299,768.55		118,299,768.55
Urban and rural water	0.00		0.00	117,945,496.46		117,945,496.46

supply integration project						
Xiuwu County County Central Heating Project	10.26		10.26	113,699,668.22		113,699,668.22
Shanshuping Hydropower Station, Luding County, Ganzi Prefecture	189,598,329.08	63,810,648.33	125,787,680.75	169,991,734.37	63,810,648.33	106,181,086.04
Multi-plant	104,928,008.70		104,928,008.70	104,938,457.67		104,938,457.67
Linyi water pipeline maintenance project	121,904,393.50		121,904,393.50	102,520,966.89		102,520,966.89
Funch Hydropower Station	105,983,753.00		105,983,753.00	102,382,003.34		102,382,003.34
Shoumen Water Purification Plant Construction Project	118,756,317.75		118,756,317.75	101,952,534.64		101,952,534.64
Jiayuguan 20MW photovoltaic power generation project	0.00		0.00	101,201,313.09		101,201,313.09
Qinshui Lushan Reservoir Water Supply Project	0.00		0.00	94,978,703.97		94,978,703.97
Sichuan Chuanhe Hydropower	13,173,559.48		13,173,559.48	78,960,229.37		78,960,229.37

Development Co., Ltd.						
Sichuan Chuanhe Hydropower Development Co., Ltd. Malkang County Puyuezu Hydropower Station	508,641.15	508,641.15	0.00			
Dongku District Construction Project	76,025,695.74		76,025,695.74	74,956,922.66		74,956,922.66
Leling City Dingwu Reservoir Water Supply Project	250,578,601.69		250,578,601.69	69,491,636.35		69,491,636.35
Phase II PPP Project of Biomass Boiler in Lianghe Area of Jinan High-tech Zone	0.00		0.00	64,458,486.08		64,458,486.08
Minnan Chinese Herbal Medicine Planting Integration Phase III 19MW Solar Power Plant Project	0.00		0.00	55,465,694.47		55,465,694.47
Drainage Reservoir Capacity Enhancement Project	111,813,243.39		111,813,243.39	52,374,502.63		52,374,502.63

Lingnan Water Plant	204,502,408.45		204,502,408.45	48,135,507.39		48,135,507.39
Binhu Reservoir	0.00		0.00	45,538,545.00		45,538,545.00
China Southwest Shandong Garlic and Agricultural Products Comprehensive Trading Center	35,253,055.83		35,253,055.83	43,855,642.26		43,855,642.26
LNG processing plant construction project	42,842,406.01		42,842,406.01	42,522,575.00		42,522,575.00
Second sewage treatment station	0.00		0.00	40,168,192.52		40,168,192.52
Heze City Third Wastewater Treatment Plant Expansion Project	0.00		0.00	38,290,351.15		38,290,351.15
Baoyuan Lake BT Project	0.00		0.00	37,835,665.70		37,835,665.70
Haiyangxing Village Water Supply Project	35,489,486.30		35,489,486.30	30,292,039.80		30,292,039.80
Tunnel engineering	58,098,867.82		58,098,867.82	28,643,312.15		28,643,312.15
Other works	2,217,721,070.02		2,217,721,070.02	1,206,309,908.72		1,206,309,908.72
Bay East Power Station Project	635,811,171.23		635,811,171.23			

Rongcheng Fuyang Thermal Power Co., Ltd.	486,043,176.29		486,043,176.29			
Xining Power Station, Liuzhongtang Power Station, Moziyan Power Station, Luoshanxi Power Station	217,153,552.84		217,153,552.84			
Bagmati Hydropower Station	207,373,995.97		207,373,995.97			
Heze Ruiyuan Water Development Co., Ltd. Pipe Network	186,935,138.20		186,935,138.20			
Rongcheng Fuyang Thermal Power Co., Ltd.	166,436,617.77		166,436,617.77			
Big bend waist tree hydropower station	135,451,655.74		135,451,655.74			
Hongdong Biomass Thermal Power Project	132,386,670.10		132,386,670.10			
People and regional thermal facilities children	131,150,391.03		131,150,391.03			
Juye County Tianyu Longgang Airlines Co., Ltd.	128,969,339.49		128,969,339.49			

Pilot into the solid drinking water project	126,323,496.98		126,323,496.98			
Fuyu Shuntai Cogeneration Project	111,195,922.26		111,195,922.26			
Qianguo Zhonghe Biomass Thermal Power Co., Ltd. Heating Pipe Network	102,344,797.97		102,344,797.97			
Heat source plant to Shidao Beicheng Thermal Power Facilities	99,747,161.07		99,747,161.07			
Rongcheng Fuyang Thermal Power Co., Ltd. Equipment in the plant area	97,772,380.67		97,772,380.67			
Internal Medicine Building of Chengwu County People's Hospital	94,729,328.45		94,729,328.45			
Bathing reservoir water supply project	86,354,966.44		86,354,966.44			
Wulianghe approach traffic highway	82,832,400.00		82,832,400.00			
Liangshan Power Plant	71,513,709.88		71,513,709.88			

Project						
Longer Power Station	71,110,353.50		71,110,353.50			
Panhekou Power Station	69,649,401.45		69,649,401.45			
Xiangfen Power Project Phase II	66,148,180.47		66,148,180.47			
Puyang County Biomass Thermal Power Project	61,766,326.70		61,766,326.70			
Chengwu County People's Hospital New Campus	54,880,183.95		54,880,183.95			
Power station, Jianshan power station, Tuanshu power station, Tianfang power station, household power station, Yancheng power station	40,978,940.68		40,978,940.68			
Pingding County Yexi Independent Industrial and Mining Area and Surrounding Domestic Waste Comprehensive Treatment Project	40,203,648.23		40,203,648.23			
Beihai Pipeline Gas Co.,	39,594,519.08		39,594,519.08			

Ltd. Gas Building						
Fengquan Reservoir	39,253,421.72		39,253,421.72			
Nanling County Urban and Rural Wastewater Treatment Integration PPP Project	38,491,972.71		38,491,972.71			
Wuyuan County Wastewater Treatment Plant Improvement Project	38,467,617.63		38,467,617.63			
Guangrao County Water Development Co., Ltd. Phase I Pipes and Grooves	33,551,009.96		33,551,009.96			
Smart Greenhouse Project	30,302,972.05		30,302,972.05			
Qingyun County Pure Source Water Treatment Wastewater Treatment Plant PPP Project	25,178,110.89		25,178,110.89			
Nan'an Municipal Wastewater Treatment Plant Urban Domestic Sewage Treatment Plant	22,709,608.94		22,709,608.94			

Renovation Project						
Total	16,836,675,057.80	64,319,289.48	16,772,355,768.32	12,350,527,727.19	63,810,648.33	12,286,717,078.86

B. Changes in important construction projects in the current period

Project name	Budget	Opening Balance	Amount increased in the current period	Transfer of fixed assets in the current period	Other reductions in this period	Ending balance	Accumulated investment in the project as a percentage of the budget (%)	project progress(%)	Accumulated amount of interest capitalization	Including : the amount of interest capitalization in the current period	Current interest capitalization rate (%)	Sources of funds
Sichuan Jiarong Daxie Hydropower Development Co., Ltd. Longtou Beach (Zibo) Hydropower Station	489,001,200.00	545,707,742.81	51,306,288.97			597,014,031.78	90.00	99.00	144,250,022.10	26,921,540.26	4.89	Own funds, fundraising funds, financial institution loans

Project name	Budget	Opening Balance	Amount increased in the current period	Transfer of fixed assets in the current period	Other reductions in this period	Ending balance	Accumulated investment in the project as a percentage of the budget (%)	project progress(%)	Accumulated amount of interest capitalization	Including : the amount of interest capitalization in the current period	Current interest capitalization rate (%)	Sources of funds
Litang County Heyuan Hydropower Development Co., Ltd. Chama Ridong Hydropower Station	2,400,000,000.00	347,785,974.56	28,137,077.25	-		375,923,051.81	15.66	20.00	65,637,704.77	18,880,641.15	8.00	Fundraising funds, financial institution loans
Litang County Heyuan Hydropower Development Co., Ltd.	512,430,000.00	519,969,945.44	13,830,631.51	-		533,800,576.95	104.17	98.00	94,690,314.18	10,817,162.83	8.00	Fundraising funds, financial institution loans

Project name	Budget	Opening Balance	Amount increased in the current period	Transfer of fixed assets in the current period	Other reductions in this period	Ending balance	Accumulated investment in the project as a percentage of the budget (%)	project progress(%)	Accumulated amount of interest capitalization	Including : the amount of interest capitalization in the current period	Current interest capitalization rate (%)	Sources of funds
Litang County Heyuan Hydropower Development Co., Ltd.	2,551,975,100.00	1,671,145,206.50	101,382,308.12	-		1,772,527,514.62	69.46	75.00	317,578,092.33	92,703,205.75	8.00	Fundraising funds, financial institution loans
Litang County Heyuan Hydropower Development Co., Ltd. Shulu Yaza Power Station	3,100,000,000.00	289,082,686.33	15,814,639.12	-		304,897,325.45	9.84	20.00	56,307,126.99	15,705,400.98	8.00	Fundraising funds, financial institution loans

Project name	Budget	Opening Balance	Amount increased in the current period	Transfer of fixed assets in the current period	Other reductions in this period	Ending balance	Accumulated investment in the project as a percentage of the budget (%)	project progress(%)	Accumulated amount of interest capitalization	Including : the amount of interest capitalization in the current period	Current interest capitalization rate (%)	Sources of funds
Sichuan Haieng Tianyuan Electric Power Co., Ltd. Nanmenguan Hydropower Station	600,000,000.00	386,733,263.29	45,824,647.06	-		432,557,910.35	72.00	90.00	50,732,603.36	34,662,655.23	8.00	Fundraising

Project name	Budget	Opening Balance	Amount increased in the current period	Transfer of fixed assets in the current period	Other reductions in this period	Ending balance	Accumulated investment in the project as a percentage of the budget (%)	project progress(%)	Accumulated amount of interest capitalization	Including : the amount of interest capitalization in the current period	Current interest capitalization rate (%)	Sources of funds
Luding County Changyuan Power Development Co., Ltd. Bay East Power Station Project	700,000,000.00		635,811,171.23	-		635,811,171.23	0.91	0.91	174,354,335.77	25,796,429.54	7.00	Fundraising funds, financial institution loans
Leling New People's Hospital Relocation Project	708,000,000.00	181,553,772.24	209,944,978.90			391,498,751.14	56.00	90.00	14,021,656.29	10,700,545.16	4.90	Financial institution loan

Project name	Budget	Opening Balance	Amount increased in the current period	Transfer of fixed assets in the current period	Other reductions in this period	Ending balance	Accumulated investment in the project as a percentage of the budget (%)	project progress(%)	Accumulated amount of interest capitalization	Including : the amount of interest capitalization in the current period	Current interest capitalization rate (%)	Sources of funds
Weifang Binhai Water Co., Ltd. Second Plain Reservoir Project	758,000,000.00	293,388,966.73	33,231,886.78	124,200.00		326,496,653.51	53.00	99.00	50,495,844.91	11,326,378.44	4.90	Own funds, financial subsidies, financial institution loans
Huangshui East Transfer Emergency Project	3,398,929,500.00	1,742,926,315.06	991,580,480.43			2,734,506,795.49	66.17	98.00	150,038,623.11	97,824,931.05	4.00	Fundraising funds, financial institution loans
Rongcheng Fuyang Thermal Power Co., Ltd.	900,000,000.00		486,043,176.29			486,043,176.29	88.00	95.00	32,223,812.87	32,223,812.87	7.50	Financial institution loan

Project name	Budget	Opening Balance	Amount increased in the current period	Transfer of fixed assets in the current period	Other reductions in this period	Ending balance	Accumulated investment in the project as a percentage of the budget (%)	project progress(%)	Accumulated amount of interest capitalization	Including : the amount of interest capitalization in the current period	Current interest capitalization rate (%)	Sources of funds
Total	16,118,335,800.00	5,978,293,872.96	2,612,907,285.66	124,200.00	0.00	8,591,076,958.62	/	/	1,150,330,136.68	377,562,703.26	/	/

C. Provision for impairment of construction in progress in the current period

Item	Accrual amount of the current period	Reason for accrual
Sichuan Chuanhe Hydropower Development Co., Ltd. Malkang County Puyuezu Hydropower Station	508,641.15	The recoverable amount is reduced before the merger
Ganzizhou Tianhai Electric Power Development Co., Ltd. Shanshuping Hydropower Station	63,810,648.33	The recoverable amount is reduced before the merger
Total	64,319,289.48	/

(III) **Engineering materials**

Item	AT END OF YEAR			AT BEG. OF YEAR		
	Book balance	Impairment preparation	Book value	Book balance	Impairment preparation	Book value
Special material	29,017,983.62		29,017,983.62	8,436,508.20		8,436,508.20
Professional setting	27,469.50		27,469.50			
Tools	162,264.31		162,264.31	28,785.00		28,785.00
Total	29,207,717.43		29,207,717.43	8,465,293.20		8,465,293.20

13) Productive biological assets

(I) **Productive biological assets measured using cost models**

Item	Animal husbandry	Aquaculture	Total
1. The original value of the book			
a.Opening balance	8,833,289.87		8,833,289.87
b. Increase in the current period			
(1) Outsourcing		4,000.00	4,000.00
c. Current amount reduction			
(1) Disposal			
(2) Other			
d. Ending balance	8,833,289.87	4,000.00	8,837,289.87
2. Accumulated depreciation			
a. Opening balance	1,132,717.75		1,132,717.75
b. Increase in the current period			
(1) Provision	2,011,725.39		2,011,725.39
c. Current amount reduction			
(1) Disposal			
(2) Other			
d. Ending balance	3,144,443.14		3,144,443.14
3.The impairment provision			
a. Opening balance			
b. Increase in the current period			
(1) Provision			
c. Current amount reduction			

(1) Disposal			
(2) Other			
d. Ending balance			
4. The book value			
a. Book value at the end of the period	5,688,846.73	4,000.00	5,692,846.73
b. Book value at the beginning of the period	7,700,572.12		7,700,572.12

14) Intangible assets

(I) **Details**

Item	Beginning number	Amount increased in the current period				Amount reduced in the current period		Ending number
		Purchase	Internal research and development	Increase in business combination	Other transfer	Disposal	Other out	
(1) Original book value								
Land use rights and farmland management rights	1,088,612,561.31	31,802,117.20		370,071,179.55	5,358,759,048.56		58,832,287.71	6,790,412,618.91
Concession	2,049,500,513.91	332,766,710.32		553,907,176.51		672,780.00	48,228,279.99	2,887,273,340.75
Charge right	549,519,761.10			238,685,711.62		150,294,877.67		637,910,595.05
Patent	17,808,500.00	190.00		6,277,344.01		16,259,500.00		7,826,534.01
Trademark rights	587,708.55	108,000.00						695,708.55
Software	16,609,960.30	8,241,625.25		7,320,785.25	506,156.26	5,413,201.32	171,498.00	27,093,827.74

Item	Beginning number	Amount increased in the current period				Amount reduced in the current period		Ending number
		Purchase	Internal research and developmen t	Increase in business combination	Other transfer	Disposal	Other out	
Total	3,722,639,005.17	372,918,642.77		1,176,262,196.94	5,359,265,204.82	172,640,358.99	107,232,065.70	10,351,212,625.01
(2)Accumulated amortization		Accrual	Internal research and development	Increase in business combination	Other transfer	Disposal	Other out	
Land use rights and farmland management rights	56,888,728.10	42,494,236.83		34,249,705.45	8,291.40	1,045,196.36	1,446,769.54	131,148,995.88
Concession	171,286,972.88	63,297,102.28		1,983,243.99	22,136,640.23	17,702,161.95	3,670,998.25	237,330,799.18
Charge right	32,255,869.56	24,781,831.26		6,919,265.91		2,846,832.14		61,110,134.59
Patent	987,057.73	214,582.80		1,593,750.07		722,103.17		2,073,287.43
Trademark rights	41,717.08	99,773.74						141,490.82

Item	Beginning number	Amount increased in the current period				Amount reduced in the current period		Ending number
		Purchase	Internal research and developmen t	Increase in business combination	Other transfer	Disposal	Other out	
Software	6,981,022.61	3,163,401.86		1,940,519.36		2,890,244.61	126,262.75	9,068,436.47
Total	268,441,367.96	134,050,928.77	0.00	46,686,484.78	22,144,931.63	25,206,538.23	5,244,030.54	440,873,144.37
(3)Provision for impairment		Accrual				Disposal	Other	
Land use rights and farmland management rights								
Concession								
Charge right								
Patent								
Trademark rights								

Item	Beginning number	Amount increased in the current period				Amount reduced in the current period		Ending number
		Purchase	Internal research and development	Increase in business combination	Other transfer	Disposal	Other out	
Software								
Total								
(4) Book value								
Land use rights and farmland management rights	1,031,723,833.21							6,659,263,623.03
Concession	1,878,213,541.03							2,649,942,541.57
Charge right	517,263,891.54							576,800,460.46
Patent	16,821,442.27							5,753,246.58
Trademark rights	545,991.47							554,217.73
Software	9,628,937.69							18,025,391.27

Item	Beginning number	Amount increased in the current period				Amount reduced in the current period		Ending number
		Purchase	Internal research and development	Increase in business combination	Other transfer	Disposal	Other out	
Total	3,454,197,637.21							9,910,339,480.64

At the end of the period, no intangible assets were found to have significant signs of impairment, so no provision for impairment was made.

(II) **The land use right of the property certificate has not been completed**

Item	Book value	Reason for failure to complete the title certificate
Shandong Shuifa Jinqiao International Trade Co., Ltd.	16,198,752.00	Procedures are being processed
Shandong Bole Manor Food Co., Ltd.	6,899,825.89	Procedures are being processed

15) Development expenditure

(1) List of R&D expenditures

Item	Opening Balance	Increase in the current period		Reduction amount in this period		Ending balance
		Internal development expenditure	Other	Confirmed as an intangible asset	Transfer to current profit and loss	
IOTO Smart Project		1,997,099.45				1,997,099.45
GPRS smart water meter		3,850.00				3,850.00
Ultrafiltration membrane, etc.		2,704,737.01				2,704,737.01
Total		4,705,686.46				4,705,686.46

16) Goodwill

(I) Original book value of goodwill

The name of the invested entity or the matter of forming goodwill	Opening Balance	Increased in this period		Reduced in this period		Ending balance
		Formed by business combination	Other	Disposal	Other	
Wuhan Hanwu Water Supply Development Co., Ltd.	7,992,251.77	-		-		7,992,251.77
Ma'anshan Jinsheng Water Co., Ltd.	8,443,604.87	-		-		8,443,604.87
Shenzhou Smart Environment Investment Co., Ltd.		8,498,475.48		-		8,498,475.48
Shandong Mingke New Energy Co., Ltd.	14,329,300.02	-		-		14,329,300.02
Ganzi Prefecture Tianhai Electric Power Development Co., Ltd.	582,671.52	-		-		582,671.52
Yunnan Huaning County Xinhuayuan Hydropower Co., Ltd.	2,044,969.85	-		-		2,044,969.85
Yunnan Huaning New	10,256,700.88	-		-		10,256,700.88

The name of the invested entity or the matter of forming goodwill	Opening Balance	Increased in this period		Reduced in this period		Ending balance
		Formed by business combination	Othe r	Disposal	Othe r	
Kowloon Investment Co., Ltd.						
Sichuan Haineng Tianyuan Electric Power Co., Ltd.	897,709.29	-		-		897,709.29
Chengdu Yangrun Investment Co., Ltd.	570,020.14	-		-		570,020.14
Chengdu Hongneng Investment Co., Ltd.	2,691,839.85	-		-		2,691,839.85
Shuifa Anhe Group Co., Ltd.		42,403,203.52		-		42,403,203.52
Luding County Changyuan Power Development Co., Ltd.		5,000,000.00		-		5,000,000.00
Sichuan Anhe Investment Co., Ltd.		276,538.56		-		276,538.56
Huidong Guangming Hydropower Development Co., Ltd.		3,360,000.00		-		3,360,000.00
Leibo County Democratic		4,900,000.00		-		4,900,000.00

The name of the invested entity or the matter of forming goodwill	Opening Balance	Increased in this period		Reduced in this period		Ending balance
		Formed by business combination	Other	Disposal	Other	
Hydropower Co., Ltd.						
Anhe (Leibo) Hydropower Co., Ltd.		5,866,194.39		-		5,866,194.39
Sichuan Ji'antai Energy Development Co., Ltd.		8,075,000.00		-		8,075,000.00
Beijing Taiye Jiasheng Investment Co., Ltd.		13,051,863.9		-		13,051,863.9
Beijing Ruixin Jiasheng Investment Co., Ltd.		11,227,772.95		-		11,227,772.95
Xichang City Weiliuhe Power Development Co., Ltd.		17,361,666.00		-		17,361,666.00
Lijin Xinhe Natural Gas Technology Service Co., Ltd.		50,234,259.84		-		50,234,259.84
Minnan Linuo Solar Power Engineering Co., Ltd.	10,525,377.10			-		10,525,377.10
Shuifa Design Group (Suzhou) Co.,		3,063,185.24		-		3,063,185.24

The name of the invested entity or the matter of forming goodwill	Opening Balance	Increased in this period		Reduced in this period		Ending balance
		Formed by business combination	Other	Disposal	Other	
Ltd.						
Zhongtiantai and International Engineering Survey and Design (Beijing) Co., Ltd.		4,571,318.47		-		4,571,318.47
Hunan Provincial Highway Design Co., Ltd.		34,864,782.87		-		34,864,782.87
Shandong Wantong Pharmaceutical Co., Ltd.	938,948.59	-		-		938,948.59
Shandong Shuifa Huiyuan Water Co., Ltd.	525.76	-		-		525.76
Dongying Jingze Membrane Technology Co., Ltd.		3,495,674.12		-		3,495,674.12
Shandong Fangda Renewable Resources Utilization Co., Ltd.		1,483,518.37		-		1,483,518.37
Weifang Huize Water		123,753,745.92		-		123,753,745.92

The name of the invested entity or the matter of forming goodwill	Opening Balance	Increased in this period		Reduced in this period		Ending balance
		Formed by business combination	Other	Disposal	Other	
Co., Ltd.						
Rongcheng Xiangyang Thermal Power Co., Ltd.		96,559,086.59		-		96,559,086.59
Shandong Water Transfer Engineering Technology Research Center Co., Ltd.		1,718,246.42		-		1,718,246.42
Heze Jinjiang Environmental Protection Energy Co., Ltd.	3,042,423.36	-		-		3,042,423.36
Baoting Tianshan Yuquan Holiday Hotel Co., Ltd.	41,675,585.71	-		-		41,675,585.71
Shandong Junda Real Estate Co., Ltd.	34,204,457.93	-		-		34,204,457.93
Shandong Junteng Culture and Sports Development Co., Ltd.	9,210,135.75	-		-		9,210,135.75
Qingdao Chengtou	1,615.53	-		-		1,615.53

The name of the invested entity or the matter of forming goodwill	Opening Balance	Increased in this period		Reduced in this period		Ending balance
		Formed by business combination	Other	Disposal	Other	
Fenghui Real Estate Co., Ltd.						
Shandong Yongneng Energy Saving Environmental Protection Service Co., Ltd.	4,210,359.89	-		-		4,210,359.89
Jinan Watertech Environmental Technology Co., Ltd.	24,020,709.72	-		-		24,020,709.72
Fengyuan Green Energy Co., Ltd.	1,994,673.35	-		-		1,994,673.35
Shandong Plain Hanyuan Green Energy Co., Ltd.		63,281,329.73		-		63,281,329.73
Jiangsu Hongdong Biomass Thermal Power Co., Ltd.		1,779,963.09		-		1,779,963.09
Jixian Puxin Power Generation Co., Ltd.		3,714,172.21		-		3,714,172.21
Yantai Juli Gas Co., Ltd.	7,126,017.38	-		6,693,940.87		432,076.51

The name of the invested entity or the matter of forming goodwill	Opening Balance	Increased in this period		Reduced in this period		Ending balance
		Formed by business combination	Other	Disposal	Other	
Lindian Dongmingyuan Wind Power Co., Ltd.		159,035,300.40		-		159,035,300.40
Elk Huada Bio-thermal Power Co., Ltd.	3,576,146.20	-		-		3,576,146.20
Elk Huada Thermal Power Co., Ltd.	8,593,103.97	-		-		8,593,103.97
Qianguo Zhonghe Biomass Thermal Power Co., Ltd.	12,000,767.24	-		-		12,000,767.24
Shandong Shuifa Xianda Water Co., Ltd.	38,529.38	-		-		38,529.38
Jining Nanshui North Water Supply Co., Ltd.	5,345,095.60	-		-		5,345,095.60
Juye County Tianyu Longgang Airlines Co., Ltd.	2,818,927.48	-		-		2,818,927.48
Xianxian Deheng Water Co., Ltd.	164,341.74	-		-		164,341.74

The name of the invested entity or the matter of forming goodwill	Opening Balance	Increased in this period		Reduced in this period		Ending balance
		Formed by business combination	Other	Disposal	Other	
Fangyuan Environmental Protection (Yongchun) Co., Ltd., Fangyuan Environmental Protection (Nan'an) Co., Ltd., Quanzhou Yingyuan Environmental Protection Co., Ltd.	2,109,605.99	-		-		2,109,605.99
Shandong Donghao Solar Technology Co., Ltd.	80,025.12	-		-		80,025.12
Shandong Risheng Real Estate Development Co., Ltd.	69,697,615.02	-		-		69,697,615.02
Shandong Herun Real Estate Co., Ltd.	910,010.30	-		910,010.30		
Shandong Hydrographic Printing Co., Ltd.	808,236.12	-		808,236.12		
Total	290,902,302.42	667,575,298.07		8,412,187.29		950,065,413.20

（II）**Goodwill impairment provision**

None.

(III) Description of goodwill formed in the current period

Goodwill in the current period is formed through a combination of holdings not under the same control, which is presented in the consolidated financial statements. For the goodwill formed by the controlling merger during the reporting period, please refer to the relevant explanations in Note VII (1) "Business combinations not under the same control" in the financial statements.

(IV) Demonstrate the method of goodwill impairment test, key parameters and confirmation method of goodwill impairment loss

Each subsidiary with goodwill calculates the recoverable amount of the asset group using the method of estimating the present value of future cash flows. The Company estimates the cash flow for the next 5 years based on the financial budget approved by the management. The gross profit margin for the next 5 years of the profit forecast period is 51%, 27%, 60%, 33%, 27%, 35%, 22%, and will be adopted in subsequent years. The growth rate of cash flow is expected to be 3%-4%, which does not exceed the long-term average growth rate of the asset group business. Management prepares the above financial budget based on past performance and expectations of market development. The pre-tax discount rate used to calculate the present value of future cash flows is 8.15%-9.97%. Considering the company's debt cost, long-term government bond interest rate, market expected return rate and other factors, it has reflected the risk relative to the relevant segment. . According to the results of the impairment test, no impairment occurred at the end of the period.

17) Long-term prepaid expenses

Item	Opening Balance	Increase in the current period	Amortization amount in the current period	Other reduction amount	Ending balance
Rental fees	100,720,755.07	109,816,359.46	24,656,735.38	98,125,178.42	87,755,200.73
Decoration and greening fees	40,363,946.76	68,982,574.03	56,826,780.92	9,856.60	52,509,883.27
Renovation maintenance fee	22,967,434.64	13,729,268.96	7,605,407.08	229,353.05	28,861,943.47
Project follow-up assets	9,628,384.14	35,778,908.58	28,916,764.26	28,306.00	16,462,222.46
Raw water fee	5,550,000.00	-	20,000.00	-	5,530,000.00

Item	Opening Balance	Increase in the current period	Amortization amount in the current period	Other reduction amount	Ending balance
Advertising fee	1,264,522.30	1,103,111.08	1,580,660.19	-	786,973.19
Start-up fee	1,203,011.23	37,305,814.76	6,033,118.34	273,336.91	32,202,370.74
Other	14,719,174.95	67,475,414.39	32,529,254.60	1,009,123.87	48,656,210.87
Total	196,417,229.09	334,191,451.26	158,168,720.77	99,675,154.85	272,764,804.73

18) Deferred tax assets/deferred tax liabilities

(I) Deferred tax assets without offset

Item	Ending balance		Opening Balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Tax impact of bad debt provision	187,931,385.29	46,982,846.32	87,136,918.12	21,784,229.53
Tax impact of uncompensated losses	1,164,228,021.42	291,057,005.36	1,062,616,157.00	265,654,039.25
Assess the impact of impairment tax	248,735,154.40	62,183,788.60	248,597,663.43	62,149,415.86
Provision for impairment of construction in progress	64,319,289.48	16,079,822.37	63,810,648.33	15,952,662.08
Total	1,665,213,850.59	416,303,462.65	1,462,161,386.88	365,540,346.72

(II) Deferred tax liabilities without offset

Item	Ending balance		Opening Balance	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Non-identified control enterprise	2,480,402,153.52	620,100,538.38	1,589,744,357.84	397,436,089.46

Item	Ending balance		Opening Balance	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
merger assets assessment value added				
Total	2,480,402,153.52	620,100,538.38	1,589,744,357.84	397,436,089.46

19) Other non-current assets

ITEM	AT END OF YEAR	AT BEG. OF YEAR
Prepaid project payment	360,830,102.40	956,943,819.63
Prepaid purchase of intangible assets	296,503,119.66	56,782,867.17
Prepaid purchase and construction of fixed assets	127,308,309.86	12,431,522.31
Prepaid purchase and construction of other long-term assets	13,051,588.69	9,548,452.00
Total	797,693,120.61	1,035,706,661.11

20) Short-term loan

(I) Short-term loan classification

ITEM	AT END OF YEAR	AT BEG. OF YEAR
Pledged loan	966,903,517.01	156,500,000.00
Mortgage loan	94,280,993.38	35,630,993.38
Credit garanteed	3,258,470,000.00	1,302,590,000.00
Credit loan	788,806,072.52	233,000,000.00
Total	5,108,460,582.91	1,727,720,993.38

21) Notes payables and Accounts payables

(I) Summary

ITEM	AT END OF YEAR	AT BEG. OF YEAR

ITEM	AT END OF YEAR	AT BEG. OF YEAR
Notes payables	1,017,121,914.57	193,817,788.59
Accounts payables	4,333,650,471.73	2,971,100,109.90
Total	5,350,772,386.30	3,164,917,898.49

(II) Notes payables

Types	AT END OF YEAR	AT BEG. OF YEAR
Bank acceptance bill	703,255,737.71	141,057,788.59
Trade acceptance draft	313,866,176.86	52,760,000.00
Total	1,017,121,914.57	193,817,788.59

At the end of the period, there were no notes payable that had not been paid due.

(III) Accounts payables

A. List of accounts payable

ITEM	AT END OF YEAR	AT BEG. OF YEAR
Within 1 year (including 1 year)	2,643,785,992.31	1,960,335,063.65
1-2 years (including 2 years)	1,136,912,343.89	741,631,713.80
2-3 years (including 3 years)	413,754,806.22	132,487,942.89
over 3 years	139,197,329.31	136,645,389.56
Total	4,333,650,471.73	2,971,100,109.90

B. Important accounts payable aged over one year

ITEM	AT END OF YEAR	Reasons for outstanding or carry-over
Jiangsu Hanhuang Installation Group Co., Ltd. Third Branch	36,366,167.70	Construction contract performance
Shandong Xingrun Construction Co., Ltd.	21,805,000.00	Construction contract performance

ITEM	AT END OF YEAR	Reasons for outstanding or carry-over
Shuangcheng Xingli Municipal Engineering Co., Ltd.	19,792,431.93	Contract payment period
Qihe County Housing and Urban-Rural Development Bureau	19,278,777.83	Construction contract performance
Shandong Yuwang Pipe Industry Co., Ltd.	16,522,512.08	Contract payment period
Total	113,764,889.54	/

22) **Received in advance**

(I) **List of received in advance**

ITEM	AT END OF YEAR	AT BEG. OF YEAR
Within 1 year (including 1 year)	2,794,530,194.13	796,007,675.62
1-2 years (including 2 years)	345,150,111.04	211,314,109.71
2-3 years (including 3 years)	17,751,634.57	4,172,083.48
over 3 years	55,782,175.94	47,565,863.92
Total	3,213,214,115.68	1,059,059,732.73

(II) **Important advance receipts aged over one year**

ITEM	AT END OF YEAR	Reasons for outstanding or carry-over
South-to-North Water Transfer East Line Shandong Main Line Co., Ltd.	138,156,000.00	Advance payment of water conservancy development building, no contract has been signed
Tibet Autonomous Region Rural Hydropower Administration	41,551,560.00	Project not settled

ITEM	AT END OF YEAR	Reasons for outstanding or carry-over
Shandong Zouping Water Resources Engineering Office	41,359,178.22	Project not settled
PT Bakara Energi Lestari	27,284,812.50	Equipment pre-payment, equipment is still in production
Rasita Power Co.,Ltd	17,868,897.55	Equipment pre-payment, equipment is still in production
Total	266,220,448.27	/

23) Accrued payroll

（I） List of accrued payroll

Item	Opening Balance	Increased in this period	Reduced in this period	Ending balance
1. Short-term compensation	73,225,918.13	1,064,882,312.70	999,414,326.60	138,693,904.23
2.Post-employment benefits - set up a contribution plan	457,407.71	88,639,089.71	88,478,537.72	617,959.70
3. Dismissal benefits	51,314.00	40,868.42	92,182.42	0.00
4. Other benefits due within one year				
Total	73,734,639.84	1,153,562,270.83	1,087,985,046.74	139,311,863.93

（II） list of short-term compensation

Item	Opening Balance	Increased in this period	Reduced in this period	Ending balance
1.Wages,bonuses,allowances and subsidies	66,448,133.32	947,226,401.53	881,714,103.95	131,960,430.90
2.Employee welfare fees	5,250,286.00	33,329,056.98	36,579,980.62	1,999,362.36
3.Social insurance premiums	122,351.02	34,920,733.63	34,832,386.21	210,698.44

Item	Opening Balance	Increased in this period	Reduced in this period	Ending balance
Including: medical insurance premiums	109,333.94	30,133,192.90	30,102,872.20	139,654.64
Work injury insurance premium	6,685.72	2,141,200.41	2,078,572.53	69,313.60
Maternity insurance premium	6,331.36	2,646,340.32	2,650,941.48	1,730.20
4. Housing provident fund	194,199.47	43,189,714.95	43,007,568.19	376,346.23
5.Labor Union Funds and Staff Education Funds	1,210,948.32	6,216,405.61	3,280,287.63	4,147,066.30
Total	73,225,918.13	1,064,882,312.70	999,414,326.60	138,693,904.23

(III) List of defined contribution plan

Item	Opening Balance	Increased in this period	Reduced in this period	Ending balance
1. Basic pension insurance	413,509.38	68,978,364.60	68,796,891.07	594,982.91
2.Unemployment insurance premium	24,402.52	3,104,238.28	3,120,287.17	8,353.63
3. Enterprise annuity payment	19,495.81	16,556,486.83	16,561,359.48	14,623.16
Total	457,407.71	88,639,089.71	88,478,537.72	617,959.70

24) Tax payable

ITEM	AT END OF YEAR	AT BEG. OF YEAR
VAT	159,373,504.61	82,110,084.22
Sale tax	524,093.70	504,687.14
Business tax	6,743,163.28	9,712,727.49
Urban maintenance and construction tax	9,418,004.33	4,018,856.76
corporate income tax	313,133,478.69	185,703,136.56
Resource tax	19,725,129.38	1,130,000.00

ITEM	AT END OF YEAR	AT BEG. OF YEAR
Property tax	5,122,949.88	1,871,745.77
Stamp duty	1,491,753.60	516,249.33
Land value added tax	16,472,593.56	2,434,527.39
Land holding tax	20,749,734.75	9,387,109.94
Education surcharge	4,491,924.77	1,944,740.13
Local education surcharges	2,597,846.24	1,373,834.39
Special fund for water conservancy construction	780,211.80	419,449.35
Withholding and paying personal income tax	11,654,137.48	12,131,386.45
Environmental protection tax	306,512.39	
Vehicle usage tax	21,830.09	
Employment security for disabled people	92,981.45	
Other	2,730,643.52	501,604.38
Total	575,430,493.52	313,760,139.30

25) Other payables

(I) Summary

ITEM	AT END OF YEAR	AT BEG. OF YEAR
Interest payable	262,713,526.54	190,789,314.12
Dividend payable	101,963,158.08	30,222,580.83
Other payables	4,951,671,144.90	5,759,036,212.00
Total	5,316,347,829.52	5,980,048,106.95

(II) Interest payable

A. List by classification

ITEM	AT END OF YEAR	AT BEG. OF YEAR

ITEM	AT END OF YEAR	AT BEG. OF YEAR
Short-term borrowings pay interest	3,832,588.58	1,067,975.64
Long-term loan interest due to maturity	74,662,947.64	57,047,544.83
Corporate bond interest	184,010,793.37	116,664,904.11
Current interest		15,679,222.26
Staff fundraising interest	207,196.95	329,667.28
Total	262,713,526.54	190,789,314.12

(III) **Dividend payable**

A. Classification

ITEM	AT END OF YEAR	AT BEG. OF YEAR
Common stock dividend	101,963,158.08	30,222,580.83
Total	101,963,158.08	30,222,580.83

(IV) **Other payables**

A. List other payables by nature of the money

ITEM	AT END OF YEAR	AT BEG. OF YEAR
Current payment	2,092,320,185.42	4,124,201,703.21
Investment funds	835,265,389.84	643,383,553.53
Deposit, deposit	1,033,070,911.88	426,884,620.10
Payable for temporary payment	237,194,177.50	261,742,582.00
Personal advance payment	52,602,396.01	10,485,701.63
Transitional profit	4,103,995.52	16,931,153.70
Other	697,114,088.73	275,406,897.83
Total	4,951,671,144.90	5,759,036,212.00

B. Description of the nature or content of other payables with a larger amount

Item	Ending balance	Nature or content of the money
Heze Jindi Land Development and Investment Co., Ltd.	450,000,000.00	Current payment
Sanqing Industrial Group Real Estate Development Co., Ltd.	213,168,520.00	Current payment
Shandong Guanglian Real Estate Co., Ltd.	193,919,613.73	Current payment
Heze Lvjing Real Estate Co., Ltd.	154,806,119.14	Current payment
Huili County Hongyuan Industry and Trade Co., Ltd.	150,707,145.98	Current payment
Total	1,162,601,398.85	/

C. Description of large amount of other payables aged over one year

Item	Ending balance	Reasons for outstanding or carry-over
Huili County Hongyuan Industry and Trade Co., Ltd.	150,707,145.98	Unscheduled payment deadline
Shandong Water Resources Development Group Co., Ltd.	90,522,105.01	Unscheduled payment deadline
Risheng Hongde Holdings Co., Ltd.	54,000,000.00	Unscheduled payment deadline
Gaozhuang community resettlement	34,925,994.78	Unscheduled payment deadline
Total	330,155,245.77	/

26) Non-current liabilities due within one year

ITEM	AT END OF YEAR	AT BEG. OF YEAR
Long-term loans due within one year	3,123,896,942.24	2,641,805,142.86
Bonds due within one year	588,816,253.31	586,855,648.01

ITEM	AT END OF YEAR	AT BEG. OF YEAR
Long-term payables due within one year	770,839,034.41	286,666,153.46
Total	4,483,552,229.96	3,515,326,944.33

(I) Long-term loans due within one year

(1) Details

ITEM	AT END OF YEAR	AT BEG. OF YEAR
Pledged loan	300,000,000.00	203,500,000.00
Mortgage loan	160,352,256.76	125,548,000.00
Credit garanteed	2,243,522,142.86	2,169,857,142.86
Credit loan	420,022,542.62	142,900,000.00
Total	3,123,896,942.24	2,641,805,142.86

(2) Long-term loans of the top 5 due within one year

Loan unit	Borrowing start date	Borrowing due date	Currency	Borrowing interest rate (%)	Ending number
Ping An Bank	2016-12-29	2019-12-29	RMB	4.75	349,600,000.00
ICBC	2017-12-8	2019-12-8	RMB	4.35	200,000,000.00
Ping An Bank	2016-12-30	2019-12-29	RMB	5.23	199,700,000.00
Qilu Bank	2016-12-27	2019-12-26	RMB	5.23	192,000,000.00
Bank of Beijing	2016-6-29	2019-6-29	RMB	5.3	187,250,000.00
Total	/	/	/	/	/

(3) No overdue loans in long-term loans due within one year

(II) Bonds due within one year

Bond unit	Face value	Issue date	Deadline	Issue amount
Guotai Junan	590,000,000.	2014-9-2	5 years	590,000,000.0

Bond unit	Face value	Issue date	Deadline	Issue amount
(medium-term notes)	00			0
Total	590,000,000.00	/	/	590,000,000.00

Continued on the table

Bond unit	Initial interest payable	Accrued interest for the period	Interest paid in the current period	Ending interest payable	Ending balance
Guotai Junan (medium-term notes)	12,226,739.73	36,580,000.00	36,580,000.00	12,226,739.73	588,816,253.31
Total	12,226,739.73	36,580,000.00	36,580,000.00	12,226,739.73	588,816,253.31

(III) Long-term payables due within one year

Payable unit name	Deadline	Initial amount	interest rate(%)	Ending number	Borrowing conditions
China Power Investment and Financial Leasing Co., Ltd.	2016.6.13-2026.6.13	76,700,000.00	5.87	4,000,000.00	Fixed assets direct lease after sale
CITIC Financial Leasing Co., Ltd.	2017.12.26-2022.12.26	300,000,000.00	5.04	56,810,081.54	Fixed assets sale and leaseback
CGN International Finance Leasing Co., Ltd.	2015.12.18-2024.12.18	160,000,000.00	5.68	16,612,389.71	Fixed assets sale and leaseback
Shandong Tongda Financial Leasing	2018.9.5-2023.9.5	200,000,000.00	7.13	48,410,743.22	Sale and leaseback of constructio

Payable unit name	Deadline	Initial amount	interest rate(%)	Ending number	Borrowing conditions
Company					n in progress
China Kangfu International Leasing Co., Ltd.	2016.2.5-2031.2.5	157,223,642.33	7.89	4,884,132.93	Power plant asset sale and leaseback and electricity fee charging pledge
China Foreign Trade Financial Leasing Co., Ltd	2018.5.25-2022.12.25	227,043,971.00	7.29	38,081,628.99	Sale and leaseback of constructio n in progress
Zhonghai Group Leasing Co., Ltd.	2016.9.23-2026.9.22	333,447,856.00	7.58	33,344,785.60	Power plant asset sale and leaseback and electricity fee charging pledge
China Foreign Trade Financial Leasing Co., Ltd	2018.5.25-2022.12.25	227,043,971.00	7.29	45,408,794.20	Sale and leaseback of constructio n in progress

Payable unit name	Deadline	Initial amount	interest rate(%)	Ending number	Borrowing conditions
China Merchants Finance Leasing (Tianjin) Co., Ltd.	2018.6.15-2026.4.31	500,000,000.00	4.70	62,500,000.00	Credit guarantee
National Bank Financial Leasing Co., Ltd.	2018.5.30-2023.5.30	300,000,000.00	4.75	49,000,000.00	Credit guarantee, pledge
Sky Silver Financial Leasing Co., Ltd.	2018.2.8-2021.2.15	300,000,000.00	4.99	108,907,214.66	Shui Fa guarantee
CCB Financial Leasing Co., Ltd.	2018.4.26-2022.8.11	120,000,000.00	6.50	17,131,520.00	
CCB Financial Leasing Co., Ltd.	2017.9.21-2022.8.11	125,884,811.00	4.02	19,336,675.56	
CCB Financial Leasing Co., Ltd.	2018.4.26-2022.8.11	106,000,000.00	4.56	15,132,842.67	
CCB Financial Leasing Co., Ltd.	2017.6.21-2022.8.11	82,636,746.00	4.02	12,693,508.73	
Jianxin Finance Leasing Co., Ltd.	2017.6.23-2022.8.11	109,624,584.00	4.02	16,839,005.41	
CMB Financial Leasing Co., Ltd.	2015.12.2-2021.12.1	300,000,000.00	4.02	56,767,122.04	Sale and leaseback, pledge of accounts receivable, Shui Fa guarantee

Payable unit name	Deadline	Initial amount	interest rate(%)	Ending number	Borrowing conditions
Ping An International Financial Leasing (Tianjin) Co., Ltd.	2018.4.9-2021.10.9	100,000,000.00	6.50	31,320,634.91	Sale and leaseback, Shui Kong guarantee
CMB Financial Leasing Co., Ltd.	2017.8.31-2022-8.30	200,000,000.00	5.89	64,663,260.09	Sale and leaseback, Shui Fa guarantee
CCB Financial Leasing Co., Ltd.	2016.11.15-2022.11.14	250,000,000.00	5.90	32,890,905.55	Sale and leaseback, Shui Fa as a joint tenant
Bank of Communications Financial Leasing Co., Ltd.	2018.2.11-2022.10.15	160,000,000.00	6.60	36,103,788.60	Sale and leaseback, Shui Fa, Tianyuan joint insurance, accounts receivable pledge
Total		4,335,605,581.33	/	770,839,034.41	/

27) Other current liabilities

ITEM	AT END OF YEAR	AT BEG. OF YEAR
Accrued expenses	5,933,055.00	6,156,083.01
Land compensation	7,898,351.83	
Total	13,831,406.83	6,156,083.01

28) Long-term loans

(I) Classification of long-term loans

ITEM	AT END OF YEAR	AT BEG. OF YEAR
Pledged loan	2,099,350,000.00	1,721,050,000.00
Mortgage loan	3,010,322,704.18	1,157,374,674.07
Credit garanteed	9,119,510,296.88	7,419,219,670.79
Credit loan	3,973,144,000.00	2,273,786,112.62
Total	18,202,327,001.06	12,571,430,457.48

(II) **In the report period, there was no long-term loan formed by the overdue loan.**

(III) **Overdue loans in long-term loans**

None.

29) Bonds payable

(I) **Bonds payable**

ITEM	AT END OF YEAR	AT BEG. OF YEAR
Bond face value	6,800,000,000.00	5,800,000,000.00
Interest adjustment	-37,677,581.43	-48,814,305.87
Total	6,762,322,418.57	5,751,185,694.13

(II) Changes in the amount of Bonds payable (excluding other financial instruments such as preferred stocks classified as financial liabilities, perpetual bonds, etc.)

Bond name	Face value	Issue date	Bond term	Issue amount	Opening Balance	Issued in this issue	Accrued interest at face value	Discount amortization	Repayment in the current period	Ending balance
Zheshang Bank (PPN)	1,000,000,000.00	2015-1-16	5 years	1,000,000,000.00	993,266,269.13			-3,182,860.91		996,449,130.04
HY Markets Non-Public Corporate Bonds (Phase I)	1,000,000,000.00	2016-7-7	5 years	1,000,000,000.00	989,151,679.04			-2,931,106.70		992,082,785.74
HY Markets Non-Public Corporate Bonds (Phase II)	1,000,000,000.00	2016-7-15	5 years	1,000,000,000.00	989,104,787.60			-2,932,347.64		992,037,135.24

Bond name	Face value	Issue date	Bond term	Issue amount	Opening Balance	Issued in this issue	Accrued interest at face value	Discount amortization	Repayment in the current period	Ending balance
Western Non-Public Corporate Bonds (Phase I)	1,200,000,000.00	2017-12-6	5 years	1,200,000,000.00	1,183,382,478.36			-5,823,656.89		1,189,206,135.25
Huachuang non-public corporate bonds	300,000,000.00	2017-6-14	5 years	300,000,000.00	296,280,480.00			-826,560.00		297,107,040.00
Guangzhou non-public corporate bonds	500,000,000.00	2018-11-1	5 years	500,000,000.00		500,000,000.00		2,759,807.70		497,240,192.30
Guangzhou non-public corporate bonds	500,000,000.00	2018-12-26	5 years	500,000,000.00		500,000,000.00		1,800,000.00		498,200,000.00
Total	/	/	/	5,500,000,000.00	4,451,185,694.13	1,000,000,000.00	-	-11,136,724.44		5,462,322,418.57

(III) **Description of other financial instruments classified as financial liabilities**

A. Changes in financial instruments such as preferred stocks and perpetual bonds issued at the end of the period

Financial instruments issued	Book value at the beginning of the period	Increased in this period	Reduced in this period	Final book value
Jinan Shuifa Equity Investment Fund Partnership (Limited Partnership) Huabao Trust Preferred Stock	1,000,000,000.00			1,000,000,000.00
Jinan Shuifa Water Transfer Equity Investment Fund Partnership (Limited Partnership) Western Trust Preferred Stock	300,000,000.00			300,000,000.00
Subtotal	1,300,000,000.00			1,300,000,000.00

B. Explanation of other financial instruments classified as financial liabilities:

1) On October 9, 2016, Shandong Shuifa Construction Fund Management Co., Ltd., Agricultural Bank of China Jinsui (Suzhou Industrial Park) Investment Management Co., Ltd., Huabao Trust Co., Ltd. and Shuifa Group Co., Ltd. jointly established Jinan Shuifa Equity. Investment fund partnership (limited partnership). Jinan Shuifa Equity Investment Fund Partnership (Limited Partnership) has a total capital contribution of RMB 1,250,200,000.00 of which the general partner Shandong Shuifa Construction Fund Management Co., Ltd. is an executive partner, and the capital contribution is RMB 100,000.00; The general partner, Agricultural Bank of China Jinsui (Suzhou Industrial Park) Investment Management Co., Ltd. subscribes for a capital contribution of RMB 100,000.00.00; the priority limited partner Huabao Trust Co., Ltd. contributes RMB 1,000,000,000.00, and the secondary limited partner Shuifa Group Co., Ltd. RMB 250,000,000.00 Huabao Trust Co., Ltd. does not participate in partnership affairs, and collects fixed income from Jinan Shuifa Equity Investment Fund Partnership (Limited Partnership) every six months. The fixed income is calculated based on the amount of paid-in capital, and the benchmark interest rate of the same period of the People's Bank of

China. Up 15% is a fixed rate. The above-mentioned capital contribution is the debt instrument of Jinan Shuifa Equity Investment Fund Partnership (Limited Partnership) which needs to repay interest on a regular basis and repay the principal amount due.

2) On August 8, 2017, Shandong Shuifa Construction Fund Management Co., Ltd., Western Trust Co., Ltd. and Shuifa Group Co., Ltd. established Jinan Shuifa Water Transfer Equity Investment Fund Partnership (Limited Partnership). Jinan Shuifa Water Transfer Equity Investment Fund Partnership (Limited Partnership) has a total capital contribution of RMB 750,100,000.00. The general partner Shandong Shuifa Construction Fund Management Co., Ltd. is an executive partner, and the capital contribution is RMB 100,000.00; Trust Co., Ltd. subscribed for capital contribution of RMB 600,000,000.00; limited partner Shuifa Group Co., Ltd. subscribed capital contribution of RMB 150,000,000.00; as of December 31, 2017, the partnership company actually received Western Trust Co., Ltd. RMB300,000,000.00. In this issue, Shuifa Group Co., Ltd. paid interest of RMB 6,277,500.00 to Western Trust Co., Ltd., and the above-mentioned capital contribution is the debt instrument of Jinan Shuifa Water Transfer Equity Investment Fund Partnership (Limited Partnership) which needs to repay interest on a regular basis.

30) Long-term payables

（I） **Summary**

ITEM	AT END OF YEAR	AT BEG. OF YEAR
Long-term payables	6,085,100,330.04	2,892,031,127.15
Special payable	249,720,978.62	173,744,546.19
Total	6,334,821,308.66	3,065,775,673.34

（II） **Long-term payables**

A. List long-term payables by nature of money

ITEM	AT END OF YEAR	AT BEG. OF YEAR
Financial leasing	2,765,353,069.16	5,962,426,596.69
Fund financing	115,000,000.00	111,500,000.00
Land compensation	9,852,157.99	9,844,433.35
Risk mortgage	1,812,000.00	1,322,000.00
Housing deposit	13,900.00	7,300.00
Total	2,892,031,127.15	6,085,100,330.04

（III） **Special payable**

A. List special payables by nature of the money

Item	Opening Balance	Increased in this period	Reduced in this period	Ending balance	Cause of formation
Agricultural Drinking Water Safety Project	2,640,000.00	203,379.00		2,843,379.00	Government investment subsidy
Municipal reservoirs for plain reservoir construction	4,500,000.00			4,500,000.00	Government investment subsidy
Seismic Bureau special funds	1,000,000.00		1,000,000.00	0.00	Government investment subsidy
Urban and rural water supply integration project	1,300,000.00			1,300,000.00	Government investment subsidy
Xinwanfu River Resume Project	80,000,000.00		80,000,000.00	0.00	Government investment subsidy
research funding	263,546.93		211,816.40	51,730.53	Government investment subsidy
Water project	600,000.00			600,000.00	Government investment subsidy
National Infrastructure Fund	6,000,000.00			6,000,000.00	Government investment subsidy
Financial special fund allocation	6,212,080.80			6,212,080.80	Government investment subsidy

Item	Opening Balance	Increased in this period	Reduced in this period	Ending balance	Cause of formation
Qingyun County Nanhou Reservoir Project	56,500,000.00		56,500,000.00	0.00	Government investment subsidy
Government investment in gold	1,423,499.90			1,423,499.90	The acquisition of this period
People's Hospital Special Fund	13,200,000.00			13,200,000.00	Government investment subsidy
Three for one industry transformation funds		144,535,251.00	86,129,574.69	58,405,676.31	Government investment subsidy
Industrial development support funds		700,000.00		700,000.00	Government investment subsidy
Weifang City Northern Water Supply Pipe Network Construction and Reconstruction Project		5,000,000.00		5,000,000.00	Government investment subsidy
Beihai Municipal Pipeline Gas Infrastructure Construction Project Subsidy		30,000,000.00		30,000,000.00	Government investment subsidy

Item	Opening Balance	Increased in this period	Reduced in this period	Ending balance	Cause of formation
Lake eutrophication prevention and ecological restoration integrated technology promotion		300,000.00		300,000.00	Government investment subsidy
Lake water body information extraction and water quality monitoring based on high score image		400,000.00		400,000.00	Government investment subsidy
Research on water quality improvement technology based on pollutant transfer law of rivers and lakes		150,000.00		150,000.00	Government investment subsidy
Study on the Comprehensive Allocation of Green Water and Blue Water in the Nansihu Basin		80,000.00		80,000.00	Government investment subsidy
Research on Rainwater Flood Development Technology in Plain Area		159,193.52		159,193.52	Government investment subsidy
Reservoir		733,530,000.00	615,140,000.00	118,390,000.00	Government investment subsidy

Item	Opening Balance	Increased in this period	Reduced in this period	Ending balance	Cause of formation
Other	105,418.56	733,430,000.00	733,530,000.00	5,418.56	Government investment subsidy
Total	173,744,546.19	1,648,487,823.52	1,572,511,391.09	249,720,978.62	/

B. Other instructions:

At the end of the other projects, Jinxiang County Jinsiquan Water Co., Ltd. increased the capacity by RMB 5,418.56.

31) Estimated liabilities

(I) Estimated liability schedule

ITEM	AT END OF YEAR	AT BEG. OF YEAR
Product quality assurance	10,254,600.00	10,254,600.00
Reorganization obligation		28,000,000.00
Equity transfer		116,106,000.01
Total	10,254,600.00	154,360,600.01

32) Deferred income

(I) Summary

Item	Opening Balance	Increased in this period	Reduced in this period	Ending balance
Government subsidy	177,778,709.19	185,588,325.31	22,347,496.05	341,019,538.45
Interface fee	38,846,690.30		38,846,690.30	0.00
Network fee	14,489,087.42			14,489,087.42
Operation and maintenance fee	884,600.00			884,600.00
Total	231,999,086.91	185,588,325.31	61,194,186.35	356,393,225.87

（II） **Item details related to government subsidies**

Liability project	Opening Balance	New subsidy amount in this period	Reduced in this period				Other reduction	Ending balance	Related to assets/revenue
			Included in main business income	Reduce management costs	Include other income	Accounting for non-operating income			
Phase II PPP Project of Biomass Boiler in Lianghe Area of Jinan High-tech Zone	46,730,729.17							46,730,729.17	Related to assets
Chenbei Water Plant Phase II (Engineering)	30,000,000.00	4,000,000.00			849,999.96			33,150,000.04	Related to assets
Enterprise support funds	25,966,667.00					950,000.00		25,016,667.00	Related to assets
Xinhe Reservoir Central Subsidy Fund	19,000,000.00							19,000,000.00	Related to assets
Chengbei Water Plant	13,720,000.00							13,720,000.00	Related to assets

Liability project	Opening Balance	New subsidy amount in this period	Reduced in this period				Other reduction	Ending balance	Related to assets/revenue
			Included in main business income	Reduce management costs	Include other income	Accounting for non-operating income			
Gas substitute coal subsidy	10,500,000.00		10,500,000.00						Related to assets
Land compensation	8,076,460.28	361,807.72						8,438,268.00	Related to assets
Financial subsidy	6,693,750.00						393,750.00	6,300,000.00	Related to assets
Straw comprehensive utilization pilot project	4,308,749.99				636,450.00			3,672,299.99	Related to assets
Biomass fuel project subsidy	3,700,000.00				1,387,500.03			2,312,499.97	Related to assets
Financial subsidies for grain storage projects	3,466,875.00				193,500.00			3,273,375.00	Related to assets
Agricultural machinery	1,429,929.81				201,037.20			1,228,892.61	Related to

Liability project	Opening Balance	New subsidy amount in this period	Reduced in this period				Other reduction	Ending balance	Related to assets/revenue
			Included in main business income	Reduce management costs	Include other income	Accounting for non-operating income			
subsidy									assets
High-tech subsidy funds	1,400,000.00	650,000.00			2,050,000.00			0.00	Related to assets
Rural drinking water safety water quality testing subsidy	1,235,000.00				130,000.00			1,105,000.00	Related to assets
Drought-resistant pipeline subsidy	792,226.27				95,365.20			696,861.07	Related to assets
China Agricultural Development Key Construction Fund	509,333.34	12,988,638.46			9,333.34			13,488,638.46	Related to assets
Flue gas emission test EPA grant	220,000.00						220,000.00	0.00	Related to assets

Liability project	Opening Balance	New subsidy amount in this period	Reduced in this period				Other reduction	Ending balance	Related to assets/revenue
			Included in main business income	Reduce management costs	Include other income	Accounting for non-operating income			
New energy vehicle subsidy	16,683.33			6,066.67				10,616.66	Related to assets
Sprinkler subsidy	12,305.00				1,380.00			10,925.00	Related to assets
Land award		25,580,468.48						25,580,468.48	Related to assets
Land leveling project subsidy		46,139,068.24			1,114,674.24			45,024,394.00	Related to assets
Supporting the construction of a new type of main water-saving irrigation project		500,000.00			66,666.67			433,333.33	Related to assets
Grain Bureau Post-Production Service Center		1,500,000.00			75,000.00			1,425,000.00	Related to assets

Liability project	Opening Balance	New subsidy amount in this period	Reduced in this period				Other reduction	Ending balance	Related to assets/revenue
			Included in main business income	Reduce management costs	Include other income	Accounting for non-operating income			
Qingyun County Water Affairs Bureau supports project funds		1,230,000.00						1,230,000.00	Related to assets
BTS subsidy		8,600.00						8,600.00	Related to assets
Agricultural Development Office Industrialization Subsidy		3,990,000.00						3,990,000.00	Related to assets
Provincial Financial Water Resources Allocation Project Fund		24,030,000.00						24,030,000.00	Related to assets
Weifang Municipal Finance Bureau		17,260,000.00						17,260,000.00	Related to assets

Liability project	Opening Balance	New subsidy amount in this period	Reduced in this period				Other reduction	Ending balance	Related to assets/revenue
			Included in main business income	Reduce management costs	Include other income	Accounting for non-operating income			
South-to-North Water Transfer Project Construction City Financial Subsidy Fund									
Provincial Financial and Water Development Fund		3,000,000.00						3,000,000.00	Related to assets
Shandong Agricultural Port Central Budget Memory Fund		20,000,000.00						20,000,000.00	Related to assets
Shandong Fangda Renewable Resources Utilization Co.,		5,539,742.41			73,439.41			5,466,303.00	Related to assets

Liability project	Opening Balance	New subsidy amount in this period	Reduced in this period				Other reduction	Ending balance	Related to assets/revenue
			Included in main business income	Reduce management costs	Include other income	Accounting for non-operating income			
Ltd.									
Liangshan Qianneng Bio-Electric Power Co., Ltd. Cogeneration Project		4,000,000.00						4,000,000.00	Related to assets
Shandong Yongneng Energy Conservation and Environmental Protection Service Co., Ltd.		150,000.00						150,000.00	Related to assets
Shanxi Province Technical Transformation		8,560,000.00						8,560,000.00	Related to assets

Liability project	Opening Balance	New subsidy amount in this period	Reduced in this period				Other reduction	Ending balance	Related to assets/revenue
			Included in main business income	Reduce management costs	Include other income	Accounting for non-operating income			
Project Fund									
Central incentive fund for energy-saving and emission reduction comprehensive demonstration cities		2,900,000.00				72,500.00	120,833.33	2,706,666.67	Related to assets
Total	177,778,709.19	182,388,325.31	10,500,000.00	6,066.67	6,884,346.05	1,022,500.00	734,583.33	341,019,538.45	

33) Other non-current liabilities

(I) Other non-current liabilities details

ITEM	AT END OF YEAR	AT BEG. OF YEAR
Deferred income of China Shipping Group Leasing Co., Ltd.	73,979,689.16	
Staff fundraising and medical risk		6,752,612.00
Total	73,979,689.16	6,752,612.00

34) Share capital

(I) Changes in the increase or decrease of share capital

Item	Opening Balance	Increased in this period	Reduced in this period	Ending balance
Share capital	4,302,416,000.00	903,360,000.00		5,205,776,000.00

(II) Other instructions

On May 23, 2018, Shandong Water Resources Department increased the capital of Shuifa Group Co., Ltd. by RMB 290,920,000.00 in currency form. On June 28, 2018, Shandong Water Resources Department increased the capital of Shuifa Group Co., Ltd. by RMB 211,000,000.00 in 2018, 2018 On July 3, Shandong Water Resources Department increased the capital of Shuifa Group Co., Ltd. by RMB 173,000,000.00 in currency form. On July 20, 2018, Shandong Water Resources Department increased the capital of Shuifa Group Co., Ltd. by RMB 90,000,000.00 in August 2018, August 2018. On the 03th, Shandong Water Resources Department increased the capital of Shuifa Group Co., Ltd. by RMB 138,440,000.00 in currency form.

35) Additional paid-in capital

(I) **Details of changes in additional paid-in capital**

Item	Opening Balance	Increased in this period	Reduced in this period	Ending balance
Capital premium (share premium)	173,117,117.18	88,074,723.02		261,191,840.20
Other additional paid-in capital	37,047,730.73	5,325,022,388.17		5,362,070,118.90
Total	210,164,847.91	5,413,097,111.19		5,623,261,959.10

(II) **Other instructions**

(1) Shandong Provincial Water Resources Department has transferred the company's free transfer to Shandong Water Transfer Engineering Technology Research Center Co., Ltd., Shandong Huaihe River Basin Water Resources Administration Planning and Design Institute, Shandong Huaihai Water Resources Engineering Co., Ltd., etc., to increase capital reserve – capital premium is RMB 88,074,723.02.

(2) Xinjiang Donglu Water Control Agricultural Development Co., Ltd., which is affiliated to the Company, invested in the company's 20-year-period operating rights of the cover of 530,000 units of area of agricultural land authorized by the Shule County People's Government in accordance with the three-party investment agreement and the company's articles of association. After taking into account the deferred income tax liabilities, the capital reserve will be increased by RMB 4,638,734,178.78.

(3) The government investment projects of the subordinates Heze Ruiyuan Water Co., Ltd. and Shanxian Juanzhiyuan Water Development Co., Ltd. were completed, and the transfer of government special funds to the capital reserve resulted in an increase of RMB 686,288,209.39.

36) Special reserves

(I) **Special reserve details**

Item	Opening Balance	Increased in this period	Reduced in this period	Ending balance

Item	Opening Balance	Increased in this period	Reduced in this period	Ending balance
Safety production fee	45,409,482.20	11,043,923.96	9,691,478.91	46,761,927.25
Total	45,409,482.20	11,043,923.96	9,691,478.91	46,761,927.25

（II） **Other instructions**

In this issue, Shandong Water Conservancy Construction Group Co., Ltd. extracted construction industry safety production costs of RMB 11,043,923.96 and used RMB 9,691,478.91.

37) Surplus reserve

（I） **Surplus reserve details**

Item	Opening Balance	Increased in this period	Reduced in this period	Ending balance
Statutory surplus reserve	987,170.48			987,170.48
Total	987,170.48			987,170.48

38) Undistributed profit

ITEM	For year 2018	For year 2017
Undistributed profit before adjustment at the end of the previous period	271,949,090.34	261,278,286.50
Adjust the Total undistributed profit at the beginning of the period (increase +, decrease -)		

ITEM	For year 2018	For year 2017
Adjusting the initial undistributed profit	271,949,090.34	261,278,286.50
Plus: net profit attributable to the owner of the parent company during the period	105,712,196.27	14,552,692.28
Other transfer		-18,388.44
Less: extract the statutory surplus reserve		
Extract discretionary surplus reserve		
Extract general risk preparation		
Payable to common stock dividends	8,715,500.00	3,863,500.00
Common stock profit converted to equity		
End of undistributed profit	368,945,786.61	271,949,090.34

Description of profit distribution:

In this issue, Shuifa Group Co., Ltd. paid a total of RMB 8,715,500.00 to the Shandong Provincial Department of Finance for the transfer of state-owned assets.

39) Revenue and Cost

(I) **Revenue and Cost**

ITEM	Change in this year		Last period	
	Revenues from operations Interest income	Cost of operations Interest expense	Revenues from operations Interest income	Cost of operations Interest expense

ITEM	Change in this year		Last period	
	Revenues from operations Interest income	Cost of operations Interest expense	Revenues from operations Interest income	Cost of operations Interest expense
Main business	11,067,712,294.49	8,132,202,783.62	5,782,117,061.37	4,425,038,740.96
Total	11,067,712,294.49	8,132,202,783.62	5,782,117,061.37	4,425,038,740.96

（II） **Main business income / Main business cost (Classified by business category)**

ITEM	Category	Current period		Last period	
		Revenues from operations Interest income	Cost of operations Interest expense	Revenues from operations Interest income	Cost of operations Interest expense
Water environment	Hydraulic construction	4,046,219,809.15	3,167,355,228.73	1,497,636,158.12	1,218,104,244.39
	Water supply and water transfer	1,121,839,339.12	587,044,260.31	665,494,414.94	414,071,398.50
	Sewage treatment	353,898,933.59	227,218,193.79	269,103,623.95	163,270,755.93
	Clean energy	1,694,402,344.09	1,166,165,041.43	337,348,353.08	256,316,322.29
Modern agriculture	Modern agriculture	604,961,227.55	542,290,035.97	268,955,784.25	263,537,165.91
Cultural Tourism	Cultural Tourism	320,256,438.50	235,667,846.77		
	Medical care	940,556,874.37	803,696,188.15	876,519,253.73	746,050,967.54

	Estate	1,733,499,948.56	1,264,540,559.98	594,571,119.80	458,155,103.76
Others		252,077,379.56	138,225,428.49	1,272,488,353.50	905,532,782.64
Total		11,067,712,294.49	8,132,202,783.62	5,782,117,061.37	4,425,038,740.96

（III） **Main business income / Main business cost (Classified by region)**

ITEM	Current period		Last period	
	Revenues from operations Interest income	Cost of operations Interest expense	Revenues from operations Interest income	Cost of operations Interest expense
North-east area	624,219,609.13	478,171,393.08	252,191,400.59	192,488,527.80
North China	1,641,879,126.42	1,146,315,935.97	322,286,090.38	263,319,291.71
Huadong Region	6,528,555,468.27	4,797,382,145.30	4,888,541,936.59	3,729,567,627.19
Central China	1,033,763,994.56	841,119,071.89	65,310,613.49	49,002,093.53
North-west region	46,282,370.85	48,332,598.97	133,494,380.53	113,401,500.48
Southwest Region	640,829,688.86	417,707,530.07	96,681,706.44	66,057,703.37
South China	301,779,217.58	192,313,972.04	3,769,362.47	1,442,777.60
Hong Kong,Macao and Taiwan regions	0.00	0.00	499,793.09	414,799.99
Export overseas	250,402,818.82	210,860,136.30	19,341,777.79	9,344,419.29

ITEM	Current period		Last period	
	Revenues from operations Interest income	Cost of operations Interest expense	Revenues from operations Interest income	Cost of operations Interest expense
Total	11,067,712,294.49	8,132,202,783.62	5,782,117,061.37	4,425,038,740.96

（IV） **Operating income of the top five customers of the company**

Client's name	Revenues from operations Interest income	Proportion of the company's Total operating income (%)
Shandong Dayu Engineering Construction Co., Ltd.	141,305,683.45	1.28
Jilin Province Power Co., Ltd.	125,650,052.61	1.14
Jinan Tuguan Medical Equipment Co., Ltd.	125,273,819.66	1.13
State Grid Shandong Electric Power Company Dezhou Power Supply Company	96,931,079.00	0.88
State Grid Heilongjiang Electric Power Co., Ltd.	95,896,587.47	0.87
Total	585,057,222.19	5.30

（V） **Construction contract income**

Contract item	The total amount of the contract	Cumulative incurred costs	Cumulative gross profit	Settlement amount processed
Construction contract for the construction of the hydropower station	138,505,200.00	56,418,900.00	51,055,200.00	110,804,200.00
Pingshan County Yangsiba Hydropower Project General Contract	39,800,000.00	29,269,099.77	3,768,000.23	37,106,892.98
Construction contract of Xining	107,530,000.00	35,151,003.86	2,472,796.14	-

Contract item	The total amount of the contract	Cumulative incurred costs	Cumulative gross profit	Settlement amount processed
Hydropower Station in Leibo County				
Construction contract of Moziyan Hydropower Station in Leibo County	129,230,000.00	35,921,362.43	-4,914,492.43	-
Wandong Hydropower Project Construction General Contract	220,007,900.00	209,137,270.23	-1,669,800.61	179,307,400.00
EPC contract for Indonesia Aek Silang Hydropower Project	130,000,000.00	49,705,900.00	13,120,700.00	62,826,900.00
Baishui Power Station General Contract	71,500,000.00	74,219,200.00	-1,263,800.00	72,969,700.00
Laubin Hydropower Project Construction Contract	115,050,000.00	5,967,500.00	-2,395,900.00	3,571,600.00
EPC contract for the downstream hydropower station in Nam Hinboun, Laos	202,800,000.00	80,683,700.00	35,075,000.00	151,309,900.00
China Railway Expo City Pipe Jacking Construction Project	3,500,000.00	2,610,439.31	542,713.83	3,500,000.00
China Railway Expo City plot gas construction project	4,531,314.51	3,004,685.24	1,077,580.08	2,718,788.71
Jiyang Water Warming Project	508,330.00	335,577.91	126,540.27	482,913.50
Zhongtie plot bottom parking garage gas construction	2,642,722.98	1,266,241.83	895,986.06	-
Received Wuhan Jingkai Investment Co., Ltd. project	38,008.00	10,472.19	23,769.25	34,241.44
Received the project of Hubei Green Juyuan Construction Engineering Co., Ltd.	41,015.00	11,300.70	25,649.75	36,950.45
Temporary construction deposit for	15,182.00	4,183.04	9,494.44	13,677.48

Contract item	The total amount of the contract	Cumulative incurred costs	Cumulative gross profit	Settlement amount processed
Zhujiashan farmers' market project (Wuhan Buxing Construction Substation)				
Received Greenland Holdings Group Hannan Real Estate Installation Engineering Fee	56,609.00	24,044.89	54,575.85	78,620.74
Collection of Jiangwan Huating Project	2,600,000.00	275,526.05	625,374.85	900,900.90
Received Hubei Huiling construction and installation project	60,000.00	16,531.56	37,522.49	54,054.05
Received Wuhan Huaxia Power Installation Project	15,843.00	4,365.16	9,907.81	14,272.97
Received Wuhan Yujia Auto Parts Co., Ltd.	77,842.00	21,642.47	49,122.98	70,765.45
Received the construction of Wuhan New Changjiang Dongjing Real Estate Company	3,020,000.00	835,895.93	1,897,273.60	2,733,169.53
Received Wuhan Oriental Long Stamping Installation Project	77,842.00	21,642.47	49,122.98	70,765.45
Received Wuhan Jingkai Investment Co., Ltd. installation project	20,475.00	5,692.68	12,920.96	18,613.64
Received the installation project of Wuhan Shengang Real Estate Co., Ltd.	1,860,000.00	517,137.34	1,173,771.75	1,690,909.09
The installation project of Wuhan Power Supply Co., Ltd. of Hubei Power Co., Ltd.	419,548.00	116,646.45	264,758.10	381,404.55
Received Wuhan Huayunda Logistics Project	90,643.00	25,201.55	57,201.18	82,402.73

Contract item	The total amount of the contract	Cumulative incurred costs	Cumulative gross profit	Settlement amount processed
Received Wuhan Youhe Composite Materials Project	83,456.00	23,203.34	52,665.75	75,869.09
Received Wuhan and Gui Construction Projects	45,000.00	12,511.39	28,397.70	40,909.09
Received the section of the Department of Engineering	27,503.00	7,646.68	17,356.05	25,002.73
Wuhan Xin Dongting Real Estate Project	3,701,284.00	633,893.42	1,438,778.67	2,072,672.09
Greenland Holding Group Wuhan Hannan Real Estate Co., Ltd.	49,943.00	13,885.69	31,517.04	45,402.73
Wuhan Ludao Garden Co., Ltd. Project	93,957.00	23,510.84	53,363.71	76,874.55
Wuhan Chedu Group Co., Ltd. (Zilin Primary School Project)	20,509.00	27,297.98	61,959.54	89,257.52
Wuhan Country Garden Lianfa Investment Co., Ltd. Installation Project	477,000.00	132,620.70	301,015.66	433,636.36
Received Wuhan Lei Yue Real Estate Installation Project	19,518.00	5,426.61	12,317.03	17,743.64
Received Wuhan Taitongyuan Real Estate Installation Project	332,031.00	92,314.85	209,531.51	301,846.36
Received Wuhan Xintianyuan Real Estate Installation Project	400,000.00	111,212.33	252,424.03	363,636.36
Received Wuhan Hongjia Jicheng installation project	15,872.00	4,412.91	10,016.18	14,429.09
Received the installation project of Hubei Zongda Decheng Technology Co., Ltd.	79,526.00	22,110.68	50,185.68	72,296.36

Contract item	The total amount of the contract	Cumulative incurred costs	Cumulative gross profit	Settlement amount processed
Received Wuhan Taitongyuan Real Estate Installation Project	1,380,000.00	383,682.54	870,862.91	1,254,545.45
Received Wuhan Green Island Garden Installation Project	58,685.00	16,316.24	37,033.76	53,350.00
Received the installation project of Wuhan Xiongzhong Hydrogen Co., Ltd.	14,841.00	4,126.26	9,365.56	13,491.82
Received the installation project of Wuhan Shenglin Garden Industry Co., Ltd.	10,000.00	2,780.31	6,310.60	9,090.91
Received the installation project of Wuhan Taitongyuan Real Estate Co., Ltd.	1,380,000.00	383,682.54	870,862.91	1,254,545.45
Received Wuhan Shengang Real Estate Installation Project	4,750,000.00	1,056,517.16	2,398,028.30	3,454,545.46
Received the installation project of Wuhan Real Estate Company	24,261.00	6,745.30	15,310.15	22,055.45
Received Guangzhou Sanye Motor Installation Project	14,841.00	4,126.26	9,365.56	13,491.82
Received the installation project of Wuhan Xinhongsen Real Estate	85,089.00	23,657.37	53,696.27	77,353.64
Received Hubei Gaoman Heavy Industry Technology Installation Project	14,841.00	4,126.26	9,365.56	13,491.82
Received the construction project of the third construction engineering company of Hubei Construction Engineering Group (Happy Family Garden Phase III)	1,761,049.00	489,625.92	1,111,327.72	1,600,953.64

Contract item	The total amount of the contract	Cumulative incurred costs	Cumulative gross profit	Settlement amount processed
Received Wuhan Huaqi Real Estate Development Company project	140,599.00	39,090.86	88,726.41	127,817.27
Received the installation project of Wuhan Xinghantong Energy Development Co., Ltd. (Dongjing Street Gas Station)	71,000.00	19,740.19	44,805.26	64,545.45
Received the installation project of Wuhan Xinghantong Energy Development Co., Ltd. (Xinger Road Gas Station)	71,000.00	19,740.19	44,805.26	64,545.45
Received the installation project of Wuhan Meilin Star Industry Co., Ltd.	14,296.00	3,974.73	9,021.63	12,996.36
Collection of construction funds for the Wuhan Municipal Economic Development Zone (Hannan District) Urban Administration (Aviation Industrial Park, National Fitness Center Public Toilet)	37,500.00	10,426.16	23,664.75	34,090.91
Greenland Holding Group Wuhan Hannan Real Estate Co., Ltd. Installation Project	1,752,930.00	487,368.58	1,106,204.15	1,593,572.73
Received the real estate installation project in Wuhan scenic area	3,950,000.00	417,046.24	946,590.12	1,363,636.36
Received Wuhan Furande top car installation project	21,747.00	6,046.34	13,723.66	19,770.00
Received the installation project of Wuhan Chedu Construction and Development Company (Hannan Government Affairs Center Project)	205,090.00	57,021.34	129,424.11	186,445.45

Contract item	The total amount of the contract	Cumulative incurred costs	Cumulative gross profit	Settlement amount processed
Received the installation project of China Telecom Wuhan Branch	271,074.00	22,610.08	51,319.19	73,929.27
Received Wuhan Jingkai Investment Co., Ltd. installation project (silk hat industrialization base project)	74,229.00	20,637.95	46,842.96	67,480.91
Received the installation project of Wuhan Municipal Engineering Company (Zhoujiahe Pumping Station Project)	299,476.00	41,704.63	94,659.01	136,363.64
Receive the end of the Saatchi Harbour Installation Project	4,750,000.00	264,129.29	599,507.07	863,636.36
Received Wuhan Economic Development Installation Project (Zhujiashan Farmers Market)	80,000.00	22,242.47	50,484.80	72,727.27
Greenland Holdings Group Wuhan Hannan Real Estate Installation Engineering Fee	94,987.00	26,409.32	59,942.50	86,351.82
Received Wuhan Chushui Yunshan installation project	18,568.00	5,162.36	11,717.26	16,879.62
Received Wuhan Haoyao Real Estate Installation Project (Lanting Fenghua Project)	18,459.00	5,132.43	11,649.34	16,781.77
Received the installation fee of Wuhan Jinhuiquan Food & Beverage Company	15,193.00	4,224.12	9,587.70	13,811.82
Received the installation fee of China Telecom Group Co., Ltd. Wuhan Branch	34,800.00	9,675.47	21,960.89	31,636.36
Acceptance of the installation project of Wuhan Hannan Real Estate Co., Ltd.	3,836,563.00	1,066,682.80	2,421,101.75	3,487,784.55

Contract item	The total amount of the contract	Cumulative incurred costs	Cumulative gross profit	Settlement amount processed
(Six District A1)				
The installation project of the power supply company of Hannan District, Wuhan City, Hubei Province Electric Power Co., Ltd. (production scheduling complex)	230,000.00	63,947.09	145,143.82	209,090.91
Received the installation fee of Wuhan Xiongzhong Hydrogen Co., Ltd.	71,800.00	19,962.61	45,310.12	65,272.73
Total	1,204,896,991.49	591,699,571.89	116,068,239.17	650,784,702.10

The total amount of the top five construction contracts recognized in the current period is RMB 820,543,100.00, accounting for 7.41% of the total operating income for the period.

40) Tax and levies on main operations

ITEM	Current period	Last period
Urban maintenance and construction tax	22,670,461.64	12,845,281.74
Urban land use tax	22,567,218.85	14,539,142.56
Land value added tax	46,301,333.50	10,189,011.68
Business tax	0.00	7,886,605.85
Stamp duty	5,555,276.72	7,222,127.44
Education surcharge	11,010,411.54	5,470,607.35
Local education surcharges	5,979,457.13	3,697,381.41

ITEM	Current period	Last period
Property tax	9,258,112.94	2,589,484.02
Local water conservancy construction fund	1,632,410.17	1,157,386.17
Sale tax	3,879,559.34	1,151,220.28
Resource tax	78,520,047.01	1,149,431.20
Employment security for disabled people	855,372.12	578,675.71
Travel tax	153,871.43	188,593.54
Environmental protection tax	1,632,984.74	
Soil and water conservation compensation	265,400.00	
Others	399,945.31	95,093.53
Total	210,681,862.44	68,760,042.48

Other Notes: Detailed accounting standards can be found in the description of "Taxes" in Note 5 to this note.

41) Selling and distribution expenses

ITEM	Current period	Last period
Employee's salary	36,905,922.66	12,711,349.25
Transportation costs	13,788,870.99	11,623,441.92
Maintenance fees	9,624,059.05	8,423,988.00
Labor costs	1,414,061.96	5,322,798.00

ITEM	Current period	Last period
Advertising fee	30,492,345.95	3,829,419.07
Intermediary fee	3,717,954.02	3,471,034.67
Travel expenses	5,474,703.05	2,648,021.67
Car cost	1,617,485.66	1,561,802.03
Social insurance and housing provident fund	5,314,846.46	1,132,091.48
Hospitality	1,770,568.36	1,009,944.05
Water and electricity heating fee	2,080,178.04	912,567.62
Rental fees	1,521,252.77	906,825.86
Office fee	11,313,836.75	886,249.48
Depreciation and amortization fees	3,635,463.78	631,217.53
Employee education expenses	200,819.99	557,227.17
Insurance	1,019,160.32	418,412.73
Others	21,080,598.02	1,991,607.36
Total	150,972,127.83	58,037,997.89

42) General and administrative expenses

ITEM	Current period	Last period
Employee's salary	469,525,863.87	277,514,481.96

ITEM	Current period	Last period
Depreciation and amortization	119,633,920.80	72,586,900.69
Social insurance and housing provident fund	96,704,349.71	68,940,857.68
Intermediary fee	79,276,754.43	33,376,550.55
Office fee	43,822,076.46	27,215,348.99
Research and development fee	35,733,001.41	26,541,665.94
Inventory damage	0.00	24,606,434.79
Welfare fee	29,528,909.97	23,348,286.64
Rental fees	43,926,916.96	23,044,495.44
Travel expenses	28,254,169.39	21,001,094.35
Hospitality	25,248,362.47	20,636,146.74
Car cost	22,557,410.02	19,073,925.91
Water and electricity heating fee	9,736,535.01	13,663,020.99
Maintenance fees	9,223,741.44	10,053,207.47
Insurance	4,341,273.31	6,390,114.24
Long-term prepaid expenses	24,565,066.38	5,368,757.16
Service fee	37,878,819.32	5,105,252.84
Publicity fee	6,596,173.88	4,922,754.01

ITEM	Current period	Last period
Low value consumables amortization	7,089,015.59	4,348,035.30
Labor costs	8,563,079.00	4,071,387.88
Consulting fee	44,944,778.84	4,022,912.61
Staff training fee	4,248,620.23	3,963,188.51
Union funds	3,893,925.88	3,207,145.22
Conference fees	3,151,579.02	3,015,017.37
Start-up fee	1,071,493.25	2,886,183.44
Others	34,448,611.10	30,950,592.11
Total	1,193,964,447.74	739,853,758.83

43) Financial expenses

ITEM	Current period	Last period
Interest expense	1,920,892,986.91	1,394,531,805.76
Less: interest capitalization	645,411,561.55	715,844,576.76
Less: interest income	334,143,938.53	115,054,714.89
Less: exchange gains	2,951,705.33	-156,070.86
Handling expenses	74,604,626.04	22,233,204.94
Others	756.00	10,135.61

ITEM	Current period	Last period
Total	1,012,991,163.54	586,031,925.52

44) **Impairment losses of assets**

ITEM	Current period	Last period
Bad debt loss	65,913,463.16	5,448,636.34
Total	65,913,463.16	5,448,636.34

45) **Other income**

ITEM	Current period	Last period	Related to assets/revenue
VAT refund	5,485,423.65	11,510,135.58	Related to revenue
Land transfer fee and land requisition fee refund	17,443,989.71	10,202,501.44	Related to revenue
Garbage disposal subsidy	-	6,247,467.20	Related to revenue
Enterprise support funds	-	5,697,760.00	Related to revenue
Phase II PPP Project of Biomass Boiler in Lianghe Area of Jinan High-tech Zone	-	994,270.83	Related to assets
Heating subsidy	10,697,760.00	990,000.00	Related to revenue
Yangtze River Shelterbelt Project	-	806,013.92	Related to assets
Property tax and land use tax refund	-	665,861.64	Related to revenue
Afforestation subsidy	-	548,600.00	Related to assets

ITEM	Current period	Last period	Related to assets/revenue
Thousand acres of peony subsidies	-	507,200.00	Related to assets
Straw comprehensive utilization pilot project	636,450.00	491,250.01	Related to assets
Energy saving and consumption reduction support project	-	300,000.00	Related to assets
Special fund for the development of municipal cultural industry in the No. 9 Cultural and Creative Park	-	200,000.00	Related to revenue
Agricultural machinery subsidy	177,637.20	198,538.02	Related to assets
Financial subsidies for grain storage projects	301,920.00	193,500.00	Related to assets
Rural long-term operation and maintenance fee	-	120,000.00	Related to revenue
Drought-resistant pipeline subsidy	945,365.16	95,365.20	Related to assets
Fertilizer subsidy	-	82,000.00	Related to revenue
Rural drinking water safety water quality testing subsidy	130,000.00	65,000.00	Related to assets
Supporting the construction of a new type of main water-saving irrigation project	66,666.67	1,380.00	Related to assets
Tax refund fee	325,436.09		Related to revenue
International company 2017 annual foreign trade development subsidy	266,200.00		Related to revenue
Biomass fuel project subsidy	1,387,500.03		Related to revenue
Land leveling project subsidy	1,114,674.24		Related to assets

ITEM	Current period	Last period	Related to assets/revenue
2017 Industrial Logistics Subsidy	45,000.00		Related to revenue
Yutai County Finance Bureau Science and Technology Project Subsidy	3,160,200.00		Related to assets
Jining Science and Technology Bureau leading personnel subsidy	180,000.00		Related to revenue
Greenhouse subsidy	50,000.00		Related to assets
Chengwu County 2014 Ecological Cycle Agriculture Demonstration Base Construction Project	120,000.00		Related to assets
Vegetable pollution-free certification award fund	10,000.00		Related to revenue
Community project tax and fee subsidy	4,026,940.00		Related to revenue
Purchase of flue gas online monitoring equipment subsidies	220,000.00		Related to assets
Capital Market Opening - Innovation Development Guidance Fund	235,200.00		Related to revenue
BT project construction period interest	4,900,445.10		Related to revenue
Special audit fees for water conservancy enterprises	1,064,015.25		Related to revenue
Total	52,990,823.10	39,916,843.84	/

46) Investment income

(I) **Summary**

ITEM	Current period	Last period

ITEM	Current period	Last period
Long-term equity investment income calculated by equity method	-16,145,817.26	-2,530,692.40
Disposal of investment income from long-term equity investments	71,723,862.6	854,543.15
Investment income of financial assets measured at fair value through profit or loss during the holding period	507,397.40	
Investment income from financial assets measured 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, etc.		7,880,000.00
Investment income from disposal of available-for-sale financial assets		
After losing control, the remaining equity is re-measured at fair value		
Other investment income	1,929,144.16	10,264,840.74
Total	58,014,586.90	16,468,691.49

（II） **Long-term equity investment income calculated by equity method**

Invested unit	Current period	Last period	Reasons for the increase or decrease of the current period compared with the previous year
Jinxiang Yangshan Scenic Area Sea World Water Park Co., Ltd.		-390,380.81	Changes in the business operations of the invested company
Shandong Water Investment Co., Ltd.	-2,629,091.21	-2,625,332.07	Changes in the business operations of the invested

Invested unit	Current period	Last period	Reasons for the increase or decrease of the current period compared with the previous year
			company
Guangrao County Water Development Co., Ltd.		-1,428,976.60	Changes in the business operations of the invested company
Beijing Yirenkang Food Information Technology Co., Ltd.	0.01	-57,722.29	Changes in the business operations of the invested company
Feixian Xingli Water Development Co., Ltd.		34,199.48	Changes in the business operations of the invested company
Shandong Huatong Environmental Technology Co., Ltd.	-8,327,567.54	2,868,663.04	Changes in the business operations of the invested company
Shandong Yuanshui Energy Environmental Protection Technology Co., Ltd.	-146,785.18	-288,180.25	Changes in the business operations of the invested company
Yangxin Shunyuan Water Development Co., Ltd.		-642,962.90	Changes in the business operations of the invested company
Peony International Commodity Exchange Center Co., Ltd.	-5,012,396.61		Changes in the business operations of the invested company
Water Development Co., Ltd.	-29,976.73		Changes in the business operations of the invested company
Total	-16,145,817.26	-2,530,692.40	/

(III) **The company does not have significant restrictions on the repatriation of investment income.**

47) Asset disposal income

ITEM	Current period	Last period
SubTotal of disposal gains or losses recognized when the sale is classified as non-current assets held for sale (other than financial instruments, long-term equity investments and investment properties) or disposal groups		
Of which: fixed assets		
SubTotal of gains or losses on disposal of fixed assets, construction in progress, productive biological assets and intangible assets that are not classified as held for sale	2,203,488.79	59,188.17
Of which: disposal of fixed assets	2,203,488.79	59,188.17
Disposal of construction in progress		
Production of biological assets		
Intangible asset disposal		
SubTotal of gains or losses on non-current assets debt restructuring		
SubTotal of exchange gains or losses on non-monetary assets		
Total	2,203,488.79	59,188.17

48) Non-operating income

ITEM	Current period	Last period	Amount included in current non-recurring gains and losses

ITEM	Current period	Last period	Amount included in current non-recurring gains and losses
Accept donation		6,761,972.43	
Government subsidy	18,092,037.09	20,592,765.11	18,092,037.09
Tax deduction	8,140,148.54	6,737,209.34	8,140,148.54
Transfer of equity payment consideration	94,292,819.81	96,763,631.09	94,292,819.81
Profitable	62,922.36	55,059.08	62,922.36
Various incentives	1,450,925.69	8,936,110.69	1,450,925.69
Penalty and penalty income	2,270,891.19	5,736,577.88	2,270,891.19
Unpayable payables	24,689,278.93	18,459,056.31	24,689,278.93
Compensation compensation	1,440,831.84	1,738,190.85	1,440,831.84
Non-current assets damage and retirement gains	1,164,430.52	379,666.97	1,164,430.52
Others	13,136,673.00	7,412,194.22	13,136,673.00
Total	164,740,958.97	173,572,433.97	164,740,958.97

49) Non-operating expenses

ITEM	Current period	Last period	Amount included in current non-recurring gains and losses
External donation	5,847,593.95	2,716,719.00	5,847,593.95
Abnormal loss	613,688.04	1,602,959.97	613,688.04

ITEM	Current period	Last period	Amount included in current non-recurring gains and losses
Loss of inventory shortage	1,313,951.94		1,313,951.94
Asset retirement, damage loss	6,481,859.93	787,831.28	6,481,859.93
Fine expenditure	3,865,284.53	18,420,588.51	3,865,284.53
Compensation, liquidated damages	1,778,896.81	4,252,888.97	1,778,896.81
Tax late payment	3,540,099.89	1,637,934.34	3,540,099.89
Uncollectible money	1,561,311.62		1,561,311.62
Others	2,331,542.35	590,367.92	2,331,542.35
Total	27,334,229.06	30,009,289.99	27,334,229.06

50) Income tax expenses

（I） **Income tax schedule**

ITEM	Current period	Last period
Current income tax expense	242,439,419.13	145,048,395.85
Deferred income tax	-42,046,889.14	-153,746,622.25
Total	200,392,529.99	-8,698,226.40

51) Cash Flow Statement Item

（I） **Receive other cash related to business activities**

Item	Current period	Last period
Operating subsidy	70,060,360.19	40,534,647.36
Reserve fund	462,080,306.86	668,947,388.77
Deposit	1,173,888,573.49	2,160,081,228.72
Temporary payment	666,664,099.15	206,309,656.98
Other business receipts	85,217,063.64	57,970,079.60
Interest income	334,142,779.69	109,768,710.25
Current receipts	9,847,142,473.20	5,117,985,977.59
Total	12,639,195,656.22	8,361,597,689.27

（II） **Pay other cash related to business activities**

Item	Current period	Last period
Expense expenditure	700,738,440.93	316,265,417.09
Handling fee	70,295,452.39	22,233,204.94
External donation	5,847,593.95	2,716,719.00
Tax late payment	3,540,099.89	1,637,934.34
Current payment	13,656,920,306.78	9,551,718,304.13

Item	Current period	Last period
Other operating payments	56,837,751.24	23,971,244.29
Total	14,494,179,645.18	9,918,542,823.79

(III) **Receive other cash related to investment activities**

Item	Current period	Last period
Income from minority shareholders		5,286,004.64
Current receipts	1,151,022,426.19	496,767,912.47
Government cooperation project income	270,693,385.84	94,322,667.92
Total	1,421,715,812.03	596,376,585.03

(IV) **Pay other cash related to investment activities**

Item	Current period	Last period
Current payment	544,705,593.32	589,091,977.32
Total	544,705,593.32	589,091,977.32

(V) **Receive other cash related to fundraising activities**

Item	Current period	Last period
Project transaction	2,170,422,502.92	2,303,520,414.89
Financing lease	1,863,628,245.25	2,508,633,130.30
Total	4,034,050,748.17	4,812,153,545.19

（VI） **Pay other cash related to fundraising activities**

Item	Current period	Last period
Current payment	4,691,458,812.62	2,596,742,798.96
Fundraising		252,416.00
Financing lease repayment	670,559,042.36	391,686,566.99
Loan deposit	485,625,311.42	215,395,845.96
Total	5,847,643,166.40	3,204,077,627.91

52) Cash flow statement supplementary information

（I） **Supplementary information sheet of cash flow statement**

additional materials	Current period	Last period
1. Adjust net profit to cash flow from operating activities:		

additional materials	Current period	Last period
Net profit	351,209,544.87	107,652,053.23
Plus: Asset impairment provision	65,913,463.16	5,448,636.34
Depreciation of fixed assets, depreciation of oil and gas	460,375,851.57	382,045,333.04
assets, depreciation of productive biological assets	171,179,100.61	108,398,752.24
Amortization of intangible assets	11,642,465.31	34,397,196.51
Long-term deferred expenses amortization Disposal of fixed assets, intangible assets and other long-term assets (revenues are marked with "-")	-2,203,488.79	-59,188.17
Loss of fixed assets (revenues are marked with "-")		113,582.69
Loss of fair value change (revenue is marked with "-")		
Financial expenses (revenues are marked with "-")	1,288,621,577.43	673,557,295.22
Investment loss (revenue is marked with "-")	-63,896,891.20	-16,468,691.49
Deferred income tax assets decreased (increase by "-")	-50,763,115.93	-131,700,338.56
Deferred income tax liabilities increased (reduced by "-")		-22,046,283.69
Reduction in inventory (increase by "-")	-3,441,770,287.03	-1,904,368,668.95
Reduction of operational receivables (increased by "-")	3,737,837,029.35	-2,572,843,125.20

additional materials	Current period	Last period
Increase in operational payables (reduced by "-")	-5,526,600,401.96	115,544,655.49
other		-96,763,631.09
Net cash flow from operating activities	-2,998,455,152.61	-3,317,092,422.39
2. Major events that do not involve cash receipts and payments:		
Amount of endorsement of bank acceptance bills received for the sale of goods and services		
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Financing leased fixed assets		
3. Net change in cash and cash equivalents:		
Ending balance of cash	5,810,100,215.89	4,485,259,003.17
Less: the opening balance of cash	4,485,259,003.17	5,801,021,929.62
Plus: ending balance of cash equivalents		
Less: the opening balance of cash equivalents		
Net increase in cash and cash equivalents	1,324,841,212.72	-1,315,762,926.45

(II) **Composition of cash and cash equivalents**

Item	Current period	Last period
1. cash	5,810,100,215.89	4,485,259,003.17
Among: cash on hand	23,487,726.97	21,557,353.22
Bank deposits that can be used for payment at any time	5,565,591,761.13	4,253,760,804.37
Other currency funds that can be used for payment at any time	221,020,727.79	209,940,845.58
2. cash equivalents		
Among: bond investment due within three months		
3. Balance of cash and cash equivalents at the end of the period	5,810,100,215.89	4,485,259,003.17
Among them: the use of restricted cash and cash equivalents by the parent company or subsidiaries within the group		

53) Assets with restricted ownership or use rights

Item,	Final book value	Restricted cause
Monetary funds	916,925,951.22	See note VI (1)
accounts receivable	80,649,079.48	Pledge
Long-term equity investment	77,961,453.08	Mortgage
Fixed assets	2,296,146,029.77	mortgage

Item,	Final book value	Restricted cause
Intangible assets	1,341,985,979.74	Mortgage
Total	4,713,668,493.29	/

54) Foreign currency monetary Items

（I） Foreign currency monetary Items

Item	Foreign currency balance at the end of the period	Conversion rate	Converting RMB balance at the end of the period
Monetary funds			671.00
Among: US dollars	97.59	6.8755	671.00

55) Government subsidies

（I） Basic information on government subsidies

Type	Amount	Presentation project	Amount included in current profit and loss		Related to assets/revenue
			Profit and loss Item	Amount	
Phase II PPP Project of Biomass Boiler in Lianghe Area of Jinan High-tech Zone	46,730,729.17	Deferred income			Related to assets
Chenbei Water Plant Phase II (Engineering)	33,150,000.04	Deferred income			Related to assets
Enterprise support funds	25,016,667.00	Deferred income	Non-operating income	950,000.00	Related to assets

Type	Amount	Presentation project	Amount included in current profit and loss		Related to assets/revenue
			Profit and loss Item	Amount	
Xinhe Reservoir Central Subsidy Fund	19,000,000.00	Deferred income			Related to assets
Chengbei Water Plant	13,720,000.00	Deferred income			Related to assets
Land compensation	8,438,268.00	Deferred income			Related to assets
Financial subsidy	6,300,000.00	Deferred income			Related to assets
Straw comprehensive utilization pilot project	3,672,299.99	Deferred income	Other income	636,450.00	Related to assets
Biomass fuel project subsidy	2,312,499.97	Deferred income	Other income	1,387,500.03	Related to assets
Financial subsidies for grain storage projects	3,273,375.00	Deferred income	Other income	301,920.00	Related to assets
Agricultural machinery subsidy	1,228,892.61	Deferred income	Other income	177,637.20	Related to assets
Rural drinking water safety water quality testing subsidy	1,105,000.00	Deferred income	Other income	130,000.00	Related to assets
Drought-resistant pipeline subsidy	696,861.07	Deferred income	Other income	945,365.16	Related to assets
China Agricultural Development Key	13,488,638.46	Deferred income			Related to assets

Type	Amount	Presentation project	Amount included in current profit and loss		Related to assets/revenue
			Profit and loss Item	Amount	
Construction Fund					
New energy vehicle subsidy	10,616.66	Deferred income			Related to assets
Sprinkler subsidy	10,925.00	Deferred income			Related to assets
Land award	25,580,468.48	Deferred income			Related to assets
Land leveling project subsidy	45,024,394.00	Deferred income	Other income	1,114,674.24	Related to assets
Supporting the construction of a new type of main water-saving irrigation project	433,333.33	Deferred income	Other income	66,666.67	Related to assets
Grain Bureau Post-Production Service Center	1,425,000.00	Deferred income			Related to assets
Qingyun County Water Affairs Bureau supports project funds	1,230,000.00	Deferred income			Related to assets

Type	Amount	Presentation project	Amount included in current profit and loss		Related to assets/revenue
			Profit and loss Item	Amount	
BTS subsidy	8,600.00	Deferred income			Related to assets
Agricultural Development Office Industrialization Subsidy	3,990,000.00	Deferred income			Related to assets
Provincial Financial Water Resources Allocation Project Fund	24,030,000.00	Deferred income			Related to assets
Weifang Municipal Finance Bureau South-to-North Water Transfer Project Construction City Financial Subsidy Fund	17,260,000.00	Deferred income			Related to assets
Provincial Financial and Water Development Fund	3,000,000.00	Deferred income			Related to assets
Shandong Agricultural Port Central Budget Memory Fund	20,000,000.00	Deferred income			Related to assets
Shandong Fangda Renewable Resources Utilization Co., Ltd.	5,466,303.00	Deferred income			Related to assets

Type	Amount	Presentation project	Amount included in current profit and loss		Related to assets/revenue
			Profit and loss Item	Amount	
Liangshan Qianneng Bio-Electric Power Co., Ltd. Cogeneration Project	4,000,000.00	Deferred income			Related to assets
Shandong Yongneng Energy Conservation and Environmental Protection Service Co., Ltd.	150,000.00	Deferred income			Related to assets
Shanxi Province Technical Transformation Project Fund	8,560,000.00	Deferred income			Related to assets
Central incentive fund for energy-saving and emission reduction comprehensive demonstration cities	2,706,666.67	Deferred income	Non-operating income	72,500.00	Related to assets
VAT refund	5,485,423.65	Other income	Other income	5,485,423.65	Related to revenue
Land transfer fee and land requisition fee refund	17,443,989.71	Other income	Other income	17,443,989.71	Related to revenue
Heating subsidy	10,697,760.00	Other income	Other income	10,697,760.00	Related to revenue

Type	Amount	Presentation project	Amount included in current profit and loss		Related to assets/revenue
			Profit and loss Item	Amount	
Tax refund fee	325,436.09	Other income	Other income	325,436.09	Related to revenue
International company 2017 annual foreign trade development subsidy	266,200.00	Other income	Other income	266,200.00	Related to revenue
2017 Industrial Logistics Subsidy	45,000.00	Other income	Other income	45,000.00	Related to revenue
Yutai County Finance Bureau Science and Technology Project Subsidy	3,160,200.00	Other income	Other income	3,160,200.00	Related to assets
Jining Science and Technology Bureau leading personnel subsidy	180,000.00	Other income	Other income	180,000.00	Related to revenue
Greenhouse subsidy	50,000.00	Other income	Other income	50,000.00	Related to assets
Chengwu County 2014 Ecological Cycle Agriculture Demonstration Base Construction Project	120,000.00	Other income	Other income	120,000.00	Related to assets

Type	Amount	Presentation project	Amount included in current profit and loss		Related to assets/revenue
			Profit and loss Item	Amount	
Vegetable pollution-free certification award fund	10,000.00	Other income	Other income	10,000.00	Related to revenue
Community project tax and fee subsidy	4,026,940.00	Other income	Other income	4,026,940.00	Related to revenue
Purchase of flue gas online monitoring equipment subsidies	220,000.00	Other income	Other income	220,000.00	Related to assets
Capital Market Opening - Innovation Development Guidance Fund	235,200.00	Other income	Other income	235,200.00	Related to revenue
BT project construction period interest	4,900,445.10	Other income	Other income	4,900,445.10	Related to revenue
Special audit fees for water conservancy enterprises	1,064,015.25	Other income	Other income	1,064,015.25	Related to revenue
High-tech enterprise research award	715,000.00	Non-operating income	Non-operating income	715,000.00	Related to revenue

Type	Amount	Presentation project	Amount included in current profit and loss		Related to assets/revenue
			Profit and loss Item	Amount	
Corporate development funds	237,600.00	Non-operating income	Non-operating income	237,600.00	Related to revenue
Donggang Treasury Project Innovation Support Fund and Rizhao New Scale Enterprise Award Fund	300,200.00	Non-operating income	Non-operating income	300,200.00	Related to revenue
Flood prevention subsidy	25,000.00	Non-operating income	Non-operating income	25,000.00	Related to revenue
Hunan Provincial Technology Property Exchange - thematic transfer of results transfer	50,000.00	Non-operating income	Non-operating income	50,000.00	Related to revenue
Price subsidy	393,750.00	Non-operating income	Non-operating income	393,750.00	Related to revenue
Government subsidy funds for enterprises with an annual income of more than 30 million	100,000.00	Non-operating income	Non-operating income	100,000.00	Related to revenue
Tax control deduction of value added tax	452.41	Non-operating	Non-operating income	452.41	Related to revenue

Type	Amount	Presentation project	Amount included in current profit and loss		Related to assets/revenue
			Profit and loss Item	Amount	
		income			
Subsidy renovation project subsidy	5,000,000.00	Non-operating income	Non-operating income	5,000,000.00	Related to revenue
Stable subsidy	23,176.68	Non-operating income	Non-operating income	23,176.68	Related to revenue
Sludge disposal fee	2,245,390.83	Non-operating income	Non-operating income	2,245,390.83	Related to revenue
New three board enterprises listed, the government rewards 2 million yuan	2,000,000.00	Non-operating income	Non-operating income	2,000,000.00	Related to revenue
Run with bonus bonus	872,600.00	Non-operating income	Non-operating income	872,600.00	Related to revenue
Recycling resource project safety production funds	120,000.00	Non-operating income	Non-operating income	120,000.00	Related to revenue
VAT is refunded	2,921,967.17	Non-operating income	Non-operating income	2,921,967.17	Related to revenue

Type	Amount	Presentation project	Amount included in current profit and loss		Related to assets/revenue
			Profit and loss Item	Amount	
Research and development of intelligent irrigation technology equipment; research on precise monitoring and control technology of vegetable solar greenhouse environment	2,062,400.00	Non-operating income	Non-operating income	2,062,400.00	Related to revenue
Patent funding	2,000.00	Non-operating income	Non-operating income	2,000.00	Related to revenue
Total	406,319,685.34	/	/	71,082,860.19	/

7. **Changes in the scope of consolidation**

1) **Business combinations not under the same control A total of 56 companies in this period mainly include:**

(I) **Business combinations not under the same control that occurred during the period mainly include:**

Purchased party name	When the equity is acquired	Equity acquisition cost	Shareholding ratio (%)	Equity acquisition method	Purchase date	Basis for determining the purchase date	Revenue from the purchaser to the end of the period	Net profit of the purchaser from the date of purchase to the end of the period
Hunan Provincial Highway	2018.3.19	44,880,000.00	51.00	Cash purchase	2018.3.19	Equity transfer agreement	45,136,150.31	3,432,122.78

Design Co., Ltd.								
Weifang Huize Water Co., Ltd.	2018.09.30	450,000,000.00	100.00	Equity transfer	2018.09.30	Approved, handed over;	31,413,841.09	7,915,974.48
Shandong Fangda Renewable Resources Utilization Co., Ltd.	2018.11.09	67,876,932.06	43.30	Capital increase and share expansion	2018.11.09	Approved, handed over;	271,034.49	-1,411,680.17
Shandong Xingye Furnace Co., Ltd.	2018.11.09	33,815,905.94	43.30	Capital increase and share expansion	2018.11.09	Approved, handed over;	22,547,701.09	2,101,286.17
Dongying Jingze Membrane Technology Co., Ltd.	2018.09.30	15,562,600.00	45.00	Capital increase and share expansion	2018.09.30	Approved, handed over;	9,762,413.15	1,833,692.72
Jinxiang County Jinquan Sewage Treatment Co., Ltd.	2018.11.30	6,000,000.00	60.00	Equity transfer	2018.11.30	Approved, handed over;		
Shuifa Hairuo Environmental Technology Co., Ltd.	2018.2.1	9,187,500.00	45.00	Cash purchase	2018.2.1	Equity transfer agreement	61,227,436.87	995,046.49

Rongcheng Xiangyang Thermal Power Co., Ltd.	2018.9.21	280,000,000.00	69.00	Cash purchase	2018.9.21	Equity transfer agreement	49,836,368.62	1,853,632.08
Yida (Fujian) Tourism Group Co., Ltd.	2018.12.17	255,000,000.00	51.00	Cash purchase	2018.12.17	Equity change		
Sichuan Anhe Water Conservancy and Hydropower Engineering Co., Ltd.	2018.1	104,080,000.00	51.00	Cash purchase	2018.1	Board resolution, business change	453,291,719.90	28,393,538.32

(II) Merger cost and goodwill

Merger cost	Hunan Provincial Highway Design Co., Ltd.	Weifang Huize Water Co., Ltd.	Shandong Fangda Renewable Resources Utilization Co., Ltd.	Shandong Xingye Furnace Co., Ltd.	Dongying Jingze Membrane Technology Co., Ltd.	Jinxiang County Jinquan Sewage Treatmen t Co., Ltd.	Shuifa Hairuo Environment al Technology Co., Ltd.	Rongcheng Xiangyang Thermal Power Co., Ltd.	Yida (Fujian) Tourism Group Co., Ltd.	Sichuan Anhe WaterHydropo wer projectLimited
--Cash	44,880,000.00	450,000,000.00	67,876,932.06	33,815,905.94	15,562,600.00	6,000,000.00	9,187,500.00	280,000,000.00	255,000,000.00	104,080,000.00
--The fair value of non-cash assets										
-- The fair value of the debts issued or										

Merger cost	Hunan Provincial Highway Design Co., Ltd.	Weifang Huize Water Co., Ltd.	Shandong Fangda Renewable Resources Utilization Co., Ltd.	Shandong Xingye Furnace Co., Ltd.	Dongying Jingze Membrane Technology Co., Ltd.	Jinxiang County Jinquan Sewage Treatment Co., Ltd.	Shuifa Hairuo Environmental Technology Co., Ltd.	Rongcheng Xiangyang Thermal Power Co., Ltd.	Yida (Fujian) Tourism Group Co., Ltd.	Sichuan Anhe WaterHydropower projectLimited
assumed										
-- The fair value of the issued equity securities										
-- Or the fair value of the consideration										
-- The fair value of the equity held before the purchase date on the date of purchase										
--Others										
Total cost of consolidation	44,880,000.00	450,000,000.00	67,876,932.06	33,815,905.94	15,562,600.00	6,000,000.00	9,187,500.00	280,000,000.00	255,000,000.00	104,080,000.00
Less: the fair value share of the identifiable net assets acquired	10,015,217.13	326,246,254.08	66,393,413.69	33,815,905.94	12,066,925.88	6,000,000.00	9,187,500.00	183,440,913.41	342,339,744.00	61,676,796.48
Goodwill/consolidation cost is less than the amount of	34,864,782.87	123,753,745.92	1,483,518.37	-	3,495,674.12			96,559,086.59		42,403,203.52

Merger cost	Hunan Provincial Highway Design Co., Ltd.	Weifang Huize Water Co., Ltd.	Shandong Fangda Renewable Resources Utilization Co., Ltd.	Shandong Xingye Furnace Co., Ltd.	Dongying Jingze Membrane Technology Co., Ltd.	Jinxiang County Jinquan Sewage Treatment Co., Ltd.	Shuifa Hairuo Environmental Technology Co., Ltd.	Rongcheng Xiangyang Thermal Power Co., Ltd.	Yida (Fujian) Tourism Group Co., Ltd.	Sichuan Anhe WaterHydropower projectLimited
fair value of the identifiable net assets acquired										

2) Changes in the scope of consolidation for other reasons

73 subsidiaries increased by direct establishment or investment, etc., were directly transferred to one (Rizhao Water Source Project Construction Supervision Co., Ltd.), and one new trustee (Chengwu County Water Supply Company) has been cancelled and no control is reduced. 28 homes.

8. Rights in other subjects

1) Interests in important subsidiaries

(I) Composition of the enterprise group

Important subsidiary name	level	Main place of business	Registration	Business nature	Shareholding ratio (%)		Way of acquisition
					direct	indirect	
Shandong Shuifa Holding Group Co., Ltd.	First level	Jinan City	Jinan City	Investment and management	100.00		Already existed in 2016
Shuifa Energy Group Co., Ltd.	First level	Jinan City	Jinan City	Natural gas sales, integrated energy services, energy trade, energy distribution	100.00		Already existed in 2016

Important subsidiary name	level	Main place of business	Registration	Business nature	Shareholding ratio (%)		Way of acquisition
Shandong Hengke New Energy Co., Ltd.	Third level	Jinan City	Jinan City	Development, design, construction of solar power projects; solar power production and sales		82.00	Already existed in 2016
Qilu Water Group Co., Ltd.	Second level	Jinan City	Jinan City	Water resources allocation, water supply and drainage, irrigation area support, etc.		51.00	Already existed in 2016
Shandong Shuifa Longtian Wenlv Group Co., Ltd.	Third level	Jinan City	Jinan City	Real estate development, landscaping services, municipal public works, property management		51.00	Set up
Shuifamin Production Industry Investment Group Co., Ltd.	Second level	Jinan City	Jinan City	Real estate development and management, property management		100.00	Already existed in 2016
Shandong Shuiyuan Real Estate Co., Ltd.	Third level	Heze City	Heze City	Real estate development and management, property management		51.07	Already existed in 2016
Shandong Water Resources Real Estate Co., Ltd.	Third level	Jinan City	Jinan City	Real estate development and sales, property management, hotel management, house leasing		100.00	Already existed in 2016
Shandong Junda Real Estate Co., Ltd.	Third level	Jinan City	Jinan City	Real estate development and management; construction and decoration materials, metal materials, hardware sales		90.00	M&A not under the same control

Important subsidiary name	level	Main place of business	Registration	Business nature	Shareholding ratio (%)		Way of acquisition
Shandong Water Control Development Group Co., Ltd.	Second level	Jinan City	Jinan City	Environmental protection, municipal engineering construction; power supply and heat supply; urban and rural water supply and drainage; tourism project development		100.00	Already existed in 2016
Shandong Shengdu Water Development Co., Ltd.	Third level	Jining City	Jining City	Water conservancy project construction management consultation, urban infrastructure construction, machinery and equipment leasing		100.00	Already existed in 2016
Jining Nanshui North Water Supply Co., Ltd.	Third level	Jining City	Jining City	Production and supply of tap water; maintenance of water supply engineering and pipe network		38.07	Already existed in 2016
Shandong Shuifa Environmental Protection Group Co., Ltd.	Second level	Jinan City	Jinan City	Sewage treatment, water source construction, etc.		100.00	Already existed in 2016
Heze Zhongxing Water Environment Co., Ltd.	Third level	Heze City	Heze City	Regional water environment treatment, sewage treatment, water reuse, etc.		85.00	Already existed in 2016
Shandong Shuifa Longze Water Supply Co., Ltd.	Third level	Shouguang City	Shouguang City	Raw water supply, water pipeline engineering, municipal engineering,		85.00	Already existed in 2016

Important subsidiary name	level	Main place of business	Registration	Business nature	Shareholding ratio (%)		Way of acquisition
				landscaping project			
Shandong Shuifa Huangshui East Transfer Engineering Co., Ltd.	Third level	Jinan City	Jinan City	Water conservancy project construction, reservoir reinforcement project, river treatment, sewage treatment project		79.00	Already existed in 2016
Shuifa Zhongxing Group Co., Ltd.	Second level	Jinan City	Jinan City	Urban and rural water supply and drainage, sewage treatment, project management		100.00	Already existed in 2016
Shandong Yongneng Energy Saving Environmental Protection Service Co., Ltd.	Third level	Jinan City	Jinan City	Energy-saving and environmental protection technology research and development; environmental protection, energy-saving engineering design, construction; environmental protection and energy-saving products		46.51	Already existed in 2016
Shandong Shuifa Water Co., Ltd.	Third level	Jinan City	Jinan City	Water resources management, water environment management, sewage treatment and recycling		51.00	Set up
Wuyi Zhongxing Water Co., Ltd.	Fouth level	Wudi County	Wudi County	Production, domestic water, agricultural irrigation centralized water supply, water conservancy		60.00	Already existed in 2016

Important subsidiary name	level	Main place of business	Registration	Business nature	Shareholding ratio (%)		Way of acquisition
				earthwork services			
Lijin Water Development Co., Ltd.	Third level	Lijin County	Lijin County	Urban and rural water supply and drainage, bottle (barrel), drinking pure water production and sales, water source construction		53.90	Already existed in 2016
Shandong Shuifa Zhongxing Thermal Power Co., Ltd.	Third level	Jinan City	Jinan City	Heating power generation, urban and rural water supply and drainage, sewage treatment, water reuse, project management		60.00	Already existed in 2016
Jilin Zhonghe Biomass Thermal Power Co., Ltd.	Fouth level	Zhenlai County	Zhenlai County	Biomass power generation, heating, and comprehensive utilization of rice husk ash		70.00	M&A not under the same control
Shandong Lunan Water Development Co., Ltd.	Third level	Yinan County	Yinan County	Sewage treatment project, water resources allocation		100.00	Already existed in 2016
Shandong Baisheng Construction Engineering Group Co., Ltd.	Third level	Linyi City	Linyi City	Water conservancy and hydropower engineering, electromechanical installation engineering, earth and stone construction		65.00	Already existed in 2016
Fengyuan Green Energy Co., Ltd.	Third level	Laiwu City	Laiwu City	Smart grid technology research and development, technical services;		51.00	M&A not under the same control

Important subsidiary name	level	Main place of business	Registration	Business nature	Shareholding ratio (%)		Way of acquisition
				industrial automation system engineering			
Shandong Shuifa Tianyuan Water Group Co., Ltd.	Second level	Heze City	Heze City	Water industry investment operation management and service		60.00	Already existed in 2016
Tianyuan Water Development Co., Ltd.	Third level	Jinan City	Jinan City	Water industry investment operation management and service		60.00	Already existed in 2016
Shandong Donghao Solar Technology Co., Ltd.	Fouth level	Rizhao City	Rizhao City	Photovoltaic technology research and development: new energy technology promotion, technical consulting, technical services		66.00	Already existed in 2016
Yunnan Huaning New Kowloon Investment Co., Ltd.	Fouth level	Huaning County	Huaning County	Power development, power construction, high-tech development		60.00	Already existed in 2016
Shandong Woer Pipe Industry Co., Ltd.	Third level	Heze City	Heze City	Concrete pipe production and sales		67.00	Already existed in 2016
Shandong Water Pipe Co., Ltd.	Fouth level	Rizhao City	Rizhao City	Pipe fittings sales, design, installation, etc.		70.00	Already existed in 2016
Shandong Juye Juyuan Water Development Co., Ltd.	Third level	Juye County	Juye County	Raw water development and supply, brackish water desalination, sewage treatment, inter-regional water transfer		60.00	Already existed in 2016
Sichuan Tianyuan Water Development Co., Ltd.	Third level	Chengdu	Chengdu	Hydropower investment development		60.00	Already existed in 2016

Important subsidiary name	level	Main place of business	Registration	Business nature	Shareholding ratio (%)		Way of acquisition
Chengdu Yangrun Investment Co., Ltd.	Fouth level	Chengdu	Chengdu	Project investment, water conservancy and hydropower project design and construction		60.00	Already existed in 2016
Shandong Heze Water Conservancy Engineering Corporation	Third level	Heze City	Heze City	Project contracting, engineering construction			Hosting
Jilin Tianyuan Water Co., Ltd.	Third level	Fusong County	Fusong County	For source water development and supply, brackish water desalination, sewage treatment		60.00	Already existed in 2016
Shandong Shuifa Tianyuan Port Co., Ltd.	Third level	Heze City	Heze City	Port shipping engineering development; port terminal construction, management and operation		59.00	Already existed in 2016
Tianyuan Huitong Capital Management Co., Ltd.	Third level	Jinan City	Jinan City	Project investment and investment management, investment consulting, financial advisory with own funds		60.00	Already existed in 2016
Shandong Water Affairs Tendering Co., Ltd	Second level	Jinan City	Jinan City	Agency service, etc.		100.00	Already existed in 2016
Shandong Water Investment Group Co., Ltd.	Second level	Jinan City	Jinan City	Engineering, design, supervision, environmental protection engineering, real estate,		100.00	Already existed in 2016

Important subsidiary name	level	Main place of business	Registration	Business nature	Shareholding ratio (%)		Way of acquisition
				garbage disposal, new energy development			
Shandong Water Transfer Engineering Technology Research Center Co., Ltd.	Third level	Jinan City	Jinan City	Water conservancy and civil engineering technology research and development		70.00	Already existed in 2016
Shandong Runlu Water Conservancy Project Maintenance Co., Ltd.	Fouth level	Jinan City	Jinan City	Maintenance and maintenance of water conservancy and hydropower projects, municipal works, highway projects, etc.		100.00	Already existed in 2016
Shandong Herun Real Estate Co., Ltd.	Fouth level	Jinan City	Jinan City	Real estate development; property management, hotel management; housing leasing; building materials sales		51.00	M&A not under the same control
Shuifa Utilities Group Co., Ltd.	Second level	Jinan City	Jinan City	Water supply and drainage engineering, river regulation, urban flood control, sewage treatment; tendering agency		100.00	Already existed in 2016
Zouping Renyuan Water Supply Co., Ltd.	Third level	Binzhou City	Binzhou City	Construction, management and operation of reservoirs and water supply facilities, water supply and drainage projects, river management		100.00	Already existed in 2016

Important subsidiary name	level	Main place of business	Registration	Business nature	Shareholding ratio (%)		Way of acquisition
Shanxi Zhonghao Huaneng Group Co., Ltd.	Third level	Taiyuan City	Taiyuan City	Environmental protection engineering, sewage treatment engineering, municipal engineering, heating engineering, drainage engineering		51.00	Already existed in 2016
Shanxi Zhonghao Thermal Power Co., Ltd.	Fouth level	Tunliu County	Tunliu County	County district central heating		51.00	Already existed in 2016
Heilongjiang Huiren Huaneng Technology Development Co., Ltd.	Third level	Harbin	Harbin	Technology development, sewage treatment and deep purification in the field of new energy		51.00	Set up
Shuangcheng National Heating Power Co., Ltd.	Fouth level	Double city	Double city	Residents central heating; production and sales of steam, hot water		51.00	M&A not under the same control
Shandong Shuifa Lurun Water Technology Co., Ltd.	Third level	Jinan City	Jinan City	Environmental pollution control facility operation of domestic sewage and industrial wastewater		60.00	Already existed in 2016
Beijing Hezhong Qingyuan Environmental Technology Co., Ltd.	Third level	Beijing	Beijing	Environmental technology development, technology transfer, technical consultation, technical services, technology promotion		55.00	M&A not under the same control
Shandong Fengshi Information Technology Co., Ltd.	Second level	Jinan City	Jinan City	Water conservancy, electric and electric automation engineering,		59.00	Already existed in 2016

Important subsidiary name	level	Main place of business	Registration	Business nature	Shareholding ratio (%)		Way of acquisition
				computer technology development services, etc.			
Shandong Shuifa Construction Fund Management Co., Ltd.	Second level	Jinan City	Jinan City	Equity investment, equity investment fund management, equity investment consulting with its own funds		100.00	Already existed in 2016
Shandong Huaihai Engineering Construction Supervision Co., Ltd.	Second level	Jinan City	Jinan City	Project supervision, project management			Hosting
Shandong Water Resources Development Group Co., Ltd.	First level	Jinan City	Jinan City	Sewage treatment, urban water supply and drainage	100.00		Already existed in 2016
Chengwu Water Development Co., Ltd.	Third level	Chengwu County	Chengwu County	Water resources allocation, water supply and drainage, irrigation area support, etc.		51.00	Already existed in 2016
Lukong Water Development Group Co., Ltd.	Second level	Jinan City	Jinan City	Water source construction, ecological wetland construction, sewage treatment, and water recycling		100.00	Already existed in 2016
Sichuan River Investment Co., Ltd.	Third level	Chengdu	Chengdu	Investment		65.00	Already existed in 2016
Leling Water Development Co., Ltd.	Third level	Leling City	Leling City	Construction of project, installation of water supply pipeline, sewage treatment		51.06	Already existed in 2016

Important subsidiary name	level	Main place of business	Registration	Business nature	Shareholding ratio (%)		Way of acquisition
Shandong Mingke New Energy Co., Ltd.	Third level	Jinan City	Jinan City	Environmental protection and energy saving engineering design, heating service		51.00	M&A not under the same control
Shandong Water Conservancy Construction Group Co., Ltd.	First level	Jining City	Jining City	Dam, power plant, water diversion and drainage construction	100.00		Already existed in 2016
Shandong Water Conservancy Construction Management Co., Ltd.	Second level	Jinan City	Jinan City	Engineering, project investment construction and operation		100.00	Already existed in 2016
Shandong Water Conservancy Pipeline Engineering Co., Ltd	Second level	Jinan City	Jinan City	Pipeline construction, installation, maintenance, dredging		100.00	Already existed in 2016
Shandong Shuifa Medical Co., Ltd.	First level	Jinan City	Jinan City	Medical, pension, rehabilitation investment, construction, operation	100.00		Already existed in 2016
Shandong Hehui Medical Co., Ltd.	Second level	Chengwu County	Chengwu County	Medical, pension, rehabilitation services		48.57	Already existed in 2016
Lu Medical Holdings Limited	First level	Jinan City	Jinan City	Investment in medical projects; medical technology development; network technology development; health consultation, etc.	100.00		Already existed in 2016
Lu Medical Holdings (Le Ling) Co., Ltd.	Second level	Leling City	Leling City	Medical, pension, rehabilitation investment,		51.00	Already existed in 2016

Important subsidiary name	level	Main place of business	Registration	Business nature	Shareholding ratio (%)		Way of acquisition
				construction, operation			
Shandong Wantong Pharmaceutical Co., Ltd.	Second level	Ling County	Dezhou City	Wholesale drug, II, III medical device product sales, medical device maintenance		100.00	Already existed in 2016
Shuifa Agricultural Development Co., Ltd.	First level	Jinan City	Jinan City	Agricultural planting techniques, crops, Chinese herbal medicines, fruit trees, vegetable cultivation	80.00		Already existed in 2016
Changle Sapphire Water Development Co., Ltd.	Third level	Changle County	Changle County	Water resources allocation, water supply and drainage, irrigation area support and water saving transformation, etc.		51.00	Already existed in 2016
Shuifa Design Group Co., Ltd.	First level	Beijing	Beijing	Engineering survey, engineering design; technical service, technology transfer, technology development	100.00		Set up
Shandong Water Engineering Consulting Co., Ltd.	Second level	Jinan City	Jinan City	Consultation business, engineering design, bidding consultation, engineering supervision of water conservancy projects		100.00	Already existed in 2016
Shandong Huaihe River Basin Water Resources	Second level	Jinan City	Jinan City	Engineering, surveying and mapping, water resources argumentation,			Hosting

Important subsidiary name	level	Main place of business	Registration	Business nature	Shareholding ratio (%)		Way of acquisition
Administration Planning and Design Institute				environmental technology development, new energy technology development			
Shuifa Tourism Group Co., Ltd.	First level	Jinan City	Jinan City	Tourism resource development, tourism services, tourism project planning; landscape engineering	100.00		Set up

The basis for holding half or less of the voting rights but still controlling the invested entity:

(1) Shuifa Zhongxing Group Co., Ltd. owns 46.51% of Shandong Yongneng Energy Conservation and Environmental Protection Services Co., Ltd., is the largest shareholder of the company, and holds a majority in the board of directors, and has substantial control over it, so it is included in the scope of the consolidated financial statements.

(2) Shandong Water Control Development Group Co., Ltd. holds 38.07% equity of Jining Nanshui North Water Supply Co., Ltd., which is the company's largest shareholder and accounts for 2/5 of the board of directors. The chairman is dispatched by Shandong Water Control Development Group Co., Ltd. Shareholders are employed, and the equity cooperation agreement stipulates that the consolidated financial statements of Shandong Water Control Development Group Co., Ltd., Shandong Water Control Development Group Co., Ltd. have substantial control over Jining South Water Transfer Water Supply Co., Ltd., so it is included in the scope of consolidated financial statements.

(3) Shandong Shuifa Medical Co., Ltd. holds 48.57% equity of Shandong Hehui Medical Co., Ltd., and holds majority voting rights in the board of directors, and has substantial control over it, so it is included in the scope of consolidated financial statements.

(II) Important non-wholly owned subsidiary

Subsidiary name	Shareholding ratio of minority shareholders (%)	Profit or loss attributable to minority shareholders in the current period	Dispatch of dividends to minority shareholders in the current period	Balance of minority shareholders' equity at the end of the period

Subsidiary name	Shareholding ratio of minority shareholders (%)	Profit or loss attributable to minority shareholders in the current period	Dispatch of dividends to minority shareholders in the current period	Balance of minority shareholders' equity at the end of the period
Shuifa Agricultural Development Co., Ltd.	24.93	6,565,113.78	0.00	97,844,684.58
Qilu Water Group Co., Ltd.	49.00	36,143,003.91	0.00	166,484,269.78

(III) Key financial information of important non-wholly owned subsidiaries

A. Financial status of important non-wholly owned subsidiaries

Subsidiary name	Ending balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total Liabilities
Shuifa Agricultural Development Co., Ltd.	887,502,378.63	410,686,518.06	1,298,188,896.69	1,217,019,763.79	17,584,925.90	1,234,604,689.69
Qilu Water Group Co., Ltd.	3,670,080,695.05	424,797,766.42	4,094,878,461.47	3,400,149,660.70	455,319,815.71	3,855,469,476.41

Continued from the table:

Subsidiary name	Opening Balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total Liabilities
Shuifa Agricultural Development Co., Ltd.	579,420,357.39	275,573,837.44	854,994,194.83	772,889,094.72	12,917,859.80	785,806,954.52
Qilu Water Group Co., Ltd.	2,149,899,693.44	343,210,387.08	2,493,110,080.52	2,065,467,372.33	316,680,730.47	2,382,148,102.80

B. Operating results and cash flow of important non-wholly owned subsidiaries

Subsidiary name	Current period				Last period			
	Revenue	Net Profit	Total comprehensive income	Cash flow from operating activities	Revenue	Net Profit	Total comprehensive income	Cash flow from operating activities
Shuifa Agricultural Development Co., Ltd.	269,512,441.57	-43,716,571.50	-43,716,571.50	-33,035,203.75	297,096,851.36	367,030.49	367,030.49	155,869,380.81
Qilu Water Group Co., Ltd.	794,662,305.81	63,014,834.08	63,014,834.08	-182,354,714.24	24,921,830.25	-18,609,356.47	-18,609,356.47	-1,185,248,541.33

2) **Interests in joint venture arrangements or joint ventures**

(I) **Important joint ventures or joint ventures**

Name of joint venture or joint venture	Main place of business	Registration	Business nature	Shareholding ratio (%)		Accounting treatment for joint ventures or joint ventures
				direct	indirect	
Jinxiang Yangshan Scenic Area Sea World Water Park Co., Ltd.	Jinxiang County	Jinxiang County	Entertainment industry		45%	Equity law
Shandong Water Investment Co., Ltd.	Jinan City	Jinan City	Water conservancy project investment industry		34%	Equity law
Shandong Shuifa Runxin Water Co., Ltd.	Yinan County	Yinan County	Raw water supply industry		49%	Equity law

(II) Key financial information of important associatesv

ITEM	Final balance / current period			Opening balance / previous period		
	Jinxiang Yangshan Scenic Area Sea World Water Park Co., Ltd.	Shandong Water Investment Co., Ltd.	Shandong Shuifa Runxin Water Co., Ltd.	Jinxiang Yangshan Scenic Area Sea World Water Park Co., Ltd.	Shandong Water Investment Co., Ltd.	Shandong Shuifa Runxin Water Co., Ltd.
Current Assets	2,435,716.79	923,420,115.40	98,112,238.11	130,069,109.85	4,242,074.08	1,117,176,651.49
Non-current assets	28,816,636.99	3,817,972,237.41	64,302,761.89	23,300,890.15	68,433,972.60	3,394,786,241.58
Total assets	31,252,353.78	4,741,392,352.81	162,415,000.00	153,370,000.00	72,676,046.68	4,511,962,893.07
Current liabilities	27,613,369.83	1,302,831,023.56	45,000.00		4,741,435.31	771,426,382.13
Non-current liabilities	-	2,520,114,443.37	-			2,806,504,181.66
Total Liabilities	27,613,369.83	3,822,945,466.93	45,000.00		4,741,435.31	3,577,930,563.79
Minority shareholders' equity		506,289,001.15				503,067,121.07
Attributable to shareholders' equity of the parent company	3,638,983.95	412,157,884.73	162,370,000.00	153,370,000.00	67,934,611.37	430,965,208.21

Net asset share based on shareholding ratio	1,637,542.78	312,271,941.20	79,560,000.00	75,150,000.00	27,173,844.55	146,528,170.79
Adjustment matters						
--Goodwill						
-- Internal transaction unrealized profit						
--Others						
Book value of equity investment in associates				153,370,000.00	67,934,611.37	146,528,170.79
Fair value of joint venture equity investment with public quotation						
Revenue	40,600.00	827,812,431.57			2,463.5	779,106,185.81
Net profit	-1,306,302.68	7,150,255.15			-3,572,441.49	13,848,939.73
Termination of operating net profit						

Other comprehensive income						
Total comprehensive income	-1,306,302.68	7,150,255.15			-3,572,441.49	13,848,939.73
Dividends received from associates during the year						

9. Related parties and related party transactions

1) The parent company of the company

Parent company name	Registration	Parent company's shareholding ratio to the company（%）	Proportion of voting rights of the parent company to the enterprise（%）
Shandong Provincial State-owned Assets Supervision and Administration Commission	Jinan in Shandong Province	70.00	70.00

The ultimate controlling party of this enterprise is Shandong State-owned Assets Supervision and Administration Commission.

2) The situation of the subsidiaries of the company

For details of the subsidiaries of the company, please refer to Note 8.（1）Equity in a subsidiary

3) The situation of joint ventures and joint ventures of the enterprise

For the important joint ventures or joint ventures of the enterprise, please refer to Note 8.（2）Equity in joint venture arrangements or joint ventures。

4) Other related parties

Other related party names	Relationship between other related parties and the company
Weifang Longze Water Co., Ltd.	Subsidiaries of minority shareholders of subsidiaries within the scope of consolidation
Jixian Yinzhou Water Conservancy Development Co., Ltd.	Subsidiaries of minority shareholders of subsidiaries within the scope of consolidation
Shanxi Zhonghao Investment Management Co., Ltd.	Subsidiaries of minority shareholders of subsidiaries within the scope of consolidation
Shanxi Zhongrunji Trade Co., Ltd.	Subsidiaries of minority shareholders of subsidiaries within the scope of consolidation
Shanxi Zhongrunji Trading Co., Ltd.	Subsidiaries of minority shareholders of subsidiaries within the scope of consolidation
Shandong Fenghou New Energy Technology Co., Ltd.	Subsidiaries of minority shareholders of subsidiaries within the scope of consolidation
Laiwu City Sea Photovoltaic Power Generation Co., Ltd.	Subsidiaries of minority shareholders of subsidiaries within the scope of consolidation
Yucheng County Sunshine Wood Industry Co., Ltd.	Subsidiaries of minority shareholders of subsidiaries within the scope of consolidation
Heze Jinjiang Wood Industry Co., Ltd.	Subsidiaries of minority shareholders of subsidiaries within the scope of consolidation
Dongping County Fengyuan Yuandong Photovoltaic Power Generation Co., Ltd.	Subsidiaries of minority shareholders of subsidiaries within the scope of consolidation
Zibo Xinhu Water Conservancy Engineering Management Co., Ltd.	Minority shareholders of subsidiaries within the scope of consolidation
Zhangqiu Water Service Management Center	Minority shareholders of subsidiaries within the scope of consolidation
Xianxian Water Supply Company	Minority shareholders of subsidiaries within the scope of consolidation
Ward Siyuan Group Co., Ltd.	Minority shareholders of subsidiaries within the scope of consolidation
Wenshang Jincai State Assets Co., Ltd.	Minority shareholders of subsidiaries within the scope of consolidation
Sichuan Everest Hydropower Development Co., Ltd.	Minority shareholders of subsidiaries within the scope of consolidation
Sichuan Xinkang Luqiao Construction Engineering Co., Ltd.	Minority shareholders of subsidiaries within the scope of consolidation
Sichuan Ji Neng Water Resources	Minority shareholders of subsidiaries within the

Other related party names	Relationship between other related parties and the company
Development Co., Ltd.	scope of consolidation
Sichuan Huashui Electric Power Construction Engineering Co., Ltd.	Minority shareholders of subsidiaries within the scope of consolidation
Shanghai Heyuan Chuangsheng Investment Co., Ltd.	Minority shareholders of subsidiaries within the scope of consolidation
Shanxi Zhonghao Energy Saving and Environmental Protection Group Co., Ltd.	Minority shareholders of subsidiaries within the scope of consolidation
Shandong Xinhe Pipeline System Co., Ltd.	Minority shareholders of subsidiaries within the scope of consolidation
Shandong Xianhe Polymer Material Co., Ltd.	Minority shareholders of subsidiaries within the scope of consolidation
Shandong Shuirun Investment Management Co., Ltd.	Minority shareholders of subsidiaries within the scope of consolidation
Shandong Provincial Highway Construction (Group) Co., Ltd. Headquarters	Minority shareholders of subsidiaries within the scope of consolidation
Shandong Provincial Highway Construction (Group) Co., Ltd. Headquarters	Minority shareholders of subsidiaries within the scope of consolidation
Shandong Lurun New Energy Technology Co., Ltd.	Minority shareholders of subsidiaries within the scope of consolidation
Shandong Jianda Education Real Estate Co., Ltd.	Minority shareholders of subsidiaries within the scope of consolidation
Shandong Hengan Dongchang Construction Engineering Co., Ltd.	Minority shareholders of subsidiaries within the scope of consolidation
Shandong Dingsheng Investment Co., Ltd.	Minority shareholders of subsidiaries within the scope of consolidation
Risheng Hongde Holdings Co., Ltd.	Minority shareholders of subsidiaries within the scope of consolidation
Qingdao Chengtou Gaoxin Investment Holdings Co., Ltd.	Minority shareholders of subsidiaries within the scope of consolidation
South-to-North Water Transfer Shandong Main Line East Line Co., Ltd.	Minority shareholders of subsidiaries within the scope of consolidation
Meihao Investment Real Estate Co., Ltd.	Minority shareholders of subsidiaries within the scope of consolidation
Laiwu City Yucheng Development Group Co., Ltd.	Minority shareholders of subsidiaries within the scope of consolidation
Jinxiang County Urban Construction Investment Co., Ltd.	Minority shareholders of subsidiaries within the scope of consolidation
Jinxiang Water Development Investment Co., Ltd.	Minority shareholders of subsidiaries within the scope of consolidation
Jining Xinhua Automobile Sales Service Co., Ltd.	Minority shareholders of subsidiaries within the scope of consolidation
Jinan New Longtian Real Estate Co.,	Minority shareholders of subsidiaries within the

Other related party names	Relationship between other related parties and the company
Ltd.	scope of consolidation
Jinan Shanrun Information Technology Co., Ltd.	Minority shareholders of subsidiaries within the scope of consolidation
Heze City Reclaimed Water Development Co., Ltd	Minority shareholders of subsidiaries within the scope of consolidation
Heze City Development Investment Co., Ltd.	Minority shareholders of subsidiaries within the scope of consolidation
Heze Sanlei Plastic Industry Co., Ltd.	Minority shareholders of subsidiaries within the scope of consolidation
Heze Urban Construction Engineering Development Group Co., Ltd. Fusong Branch	Minority shareholders of subsidiaries within the scope of consolidation
Heze Urban Construction Engineering Development Group Co., Ltd.	Minority shareholders of subsidiaries within the scope of consolidation
Harbin Jiuqi Energy Technology Development Co., Ltd.	Minority shareholders of subsidiaries within the scope of consolidation
Guangzhou Dongyao Energy Group Co., Ltd.	Minority shareholders of subsidiaries within the scope of consolidation
Fusong County Tianchi Shengjing Real Estate Development Co., Ltd.	Minority shareholders of subsidiaries within the scope of consolidation
Dongming Rundong Water Industry Co., Ltd.	Minority shareholders of subsidiaries within the scope of consolidation
Chengwu County Qiming State-owned Assets Operation Co., Ltd.	Minority shareholders of subsidiaries within the scope of consolidation
Beijing Zhongxin New Source Investment Co., Ltd.	Minority shareholders of subsidiaries within the scope of consolidation
Beijing Jiayu Huaxin Investment Co., Ltd.	Minority shareholders of subsidiaries within the scope of consolidation
Zibo Mengshan Water Management Co., Ltd.	Minority shareholders of subsidiaries within the scope of consolidation
Jiangxi Water Resources and Hydropower Construction Co., Ltd.	Minority shareholders of subsidiaries within the scope of consolidation
Zhao Aihua	Minority shareholders of subsidiaries within the scope of consolidation
Zhang Youyan	Minority shareholders of subsidiaries within the scope of consolidation
Zhang Yousheng	Minority shareholders of subsidiaries within the scope of consolidation
Zhang Weidong	Minority shareholders of subsidiaries within the scope of consolidation
Zhang Liang	Minority shareholders of subsidiaries within the scope of consolidation
Zhang Hao	Minority shareholders of subsidiaries within the scope of consolidation
Yuan Jing	Minority shareholders of subsidiaries within the

Other related party names	Relationship between other related parties and the company
	scope of consolidation
Yang Bin	Minority shareholders of subsidiaries within the scope of consolidation
Yan Qi	Minority shareholders of subsidiaries within the scope of consolidation
Wang Bo	Minority shareholders of subsidiaries within the scope of consolidation
Tian Jiayuan	Minority shareholders of subsidiaries within the scope of consolidation
Tao Wenping	Minority shareholders of subsidiaries within the scope of consolidation
Tang Yu	Minority shareholders of subsidiaries within the scope of consolidation
Si Hongliang	Minority shareholders of subsidiaries within the scope of consolidation
Shi Yaozhe	Minority shareholders of subsidiaries within the scope of consolidation
Shao Chunbo	Minority shareholders of subsidiaries within the scope of consolidation
Ma Congyi	Minority shareholders of subsidiaries within the scope of consolidation
Liu Xiangchun	Minority shareholders of subsidiaries within the scope of consolidation
Liu Kui	Minority shareholders of subsidiaries within the scope of consolidation
Li Wei	Minority shareholders of subsidiaries within the scope of consolidation
Dong Ming	Minority shareholders of subsidiaries within the scope of consolidation
Shandong Chengwu Yizhong	Externally hosted subsidiary

5) Related party transactions

(I) Related transactions for the purchase and sale of goods, provision and acceptance of labor services.

A. Procurement of goods/receiving of labor

Related party	Related transaction content	Related party pricing	Current period		Last period	
			Amount	Proportionof the amount of similar transactions (%)	Amount	Proportionof the amount of similar transactions (%)
Jiangxi Water	Gushi County, Yinshui	Market price	20,000,000.00	40.00	0.00	0.00

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Related party	Related transaction content	Related party pricing	Current period		Last period	
			Amount	Proportionof the amount of similar transactions (%)	Amount	Proportionof the amount of similar transactions (%)
Resources and Hydropower Construction Co., Ltd.	into the Drinking water project water plant and water distribution network project					
Zibo Mengshan Water Management Co., Ltd	Purchasing raw water	Market price	1,635,300.00	100.00	0.00	0.00

B. Sales of goods / provision of labor services

Related party	Related transaction content	Related party pricing	Current period	Last period
Laiwu City Yucheng Development Group Co., Ltd.	Project income	Market price	75,471.70	0.00
Heze Sanlei Plastic Industry Co., Ltd.	Payment	Market price	1,542,338.36	1,255,450.25
Heze Urban Construction EngineeringDevelopment Group Co., Ltd	Project income	Market price	4,886,792.43	5,980,356.20
Chengwu County Qiming State-owned Assets Operation Co., Ltd.	Capital occupation fee income	Market price	5,891,836.81	1,095,761.18
Shandong Chengwu Yizhong	Property management service	Market price	850,951.46	219,120.00

6) Related party accounts receivable and payable

(I) Receivables

Item	Related party	Ending balance		Opening Balance	
		Book balance	Bad debt preparation	Book balance	Bad debt preparation

Item	Related party	Ending balance		Opening Balance	
		Book balance	Bad debt preparation	Book balance	Bad debt preparation
Accounts receivable	Heze Jinjiang Wood Industry Co., Ltd.	6,377,660.36		635,248.83	
	ShandongZhonghao Huajing,Garden Engineering Co., Ltd.	1,093,420.00		37,461,000.00	
	Jinxiang County Urban Construction Investment Co., Ltd.	150,000.00		351,468.38	
	HezeUrban Construction Engineering Development Group Co., Ltd.	2,435,666.01			
	Shandong Chengwu Yizhong	2,368,284.44		280,370.00	
	South-to-North Water Transfer Shandong Main Line East Line Co., Ltd.			2,683,089.75	
	Shandong Huatong Environmental Technology Co., Ltd.			640,000.00	
	Shandong Shuifa Runxin Water Co., Ltd.			3,988,104.00	
	Shandong Xinhe Pipeline System Co., Ltd.			1,341.00	
	Wucheng County Jiande Water Conservancy Development Co., Ltd.			1,440,000.00	
Prepayments	Shanxi Zhongrunji Trading Co., Ltd.	38,857,126.46		843,148.04	
	Shandong Zhonghao Huajing Garden Engineering Co., Ltd.	7,700,000.00		7,700,000.00	

Item	Related party	Ending balance		Opening Balance	
		Book balance	Bad debt preparation	Book balance	Bad debt preparation
	Jinan Shanrun Information Technology Co., Ltd.	1,220,000.00		21,831.00	
	Heze Sanlei Plastic Industry Co., Ltd.	9,100.00			
	Dongming Rundong Water Industry Co., Ltd.	5,600,000.00		5,600,000.00	
	Zhang Liang	670,000.00			
	Chengwu County Qiming State-owned Assets Operation Co., Ltd.			126,386,270.00	
Other receivables	Weifang Longze Water Co., Ltd.	40,072,323.02		40,072,323.02	
	Shandong Fenghou New Energy Technology Co., Ltd.	5,865,016.17		5,846,592.19	
	Yucheng County Sunshine Wood Industry Co., Ltd.	5,440,000.00		14,560,959.44	
	Dongping County Fengyuan Yuandong Photovoltaic Power Generation Co., Ltd.	272,763.77		271,763.77	
	Xianxian Water Supply Company	33,740,744.67		30,414,475.55	
	Ward Siyuan Group Co., Ltd.	1,500,000.00			
	Sichuan Ji Neng Water Resources Development Co., Ltd.	26,266,666.65			
	Sichuan Huashui Electric Power Construction Engineering Co., Ltd.	2,608,533.00		2,587,391.00	
	Laiwu City Yucheng Development	2,098,800.00		2,098,800.00	

Item	Related party	Ending balance		Opening Balance	
		Book balance	Bad debt preparation	Book balance	Bad debt preparation
	Group Co., Ltd.				
	Jinan Shanrun Information Technology Co., Ltd.	6,538,682.46		380,000.00	
	Heze City Reclaimed Water Development Co., Ltd.	500,000.00			
	Heze City Development Investment Co., Ltd.	43,022,300.00			
	Heze Urban Construction Engineering Development Group Co., Ltd.	12,096,120.11		82,096,120.11	
	Dongming Rundong Water Industry Co., Ltd.	4,200,000.00		1,200,000.00	
	Chengwu County Qiming State-owned Assets Operation Co., Ltd.	8,257,600.00		48,962,187.37	
	Wang Bo	564,876.17		862,224.95	
	Shi Yaozhe	896,134.72		844,162.72	
	Shao Chunbo	1,185,000.00		185,000.00	
	Shandong Chengwu Yizhong	289,019,856.87		111,883,750.00	
	Shandong Huatong Environmental Technology Co., Ltd.			31,369,587.15	
	Jinxiang Yangshan Scenic Area Sea World Water Park Co., Ltd.			19,255,000.00	
	Shanxi Zhonghao Energy Saving and Environmental Protection Group Co., Ltd.			4,393,964.69	

Item	Related party	Ending balance		Opening Balance	
		Book balance	Bad debt preparation	Book balance	Bad debt preparation
	Wucheng County Jiande Water Conservancy Development Co., Ltd.			7,200,000.00	
	Jinxiang County Urban Construction Investment Co., Ltd.			3,500,000.00	
	Shanxi Zhongrunji Trading Co., Ltd.			61,000.00	
	Jining Xinhua Automobile Sales Service Co., Ltd.			4,000,000.00	
	Zibo Xinhu Water Conservancy Engineering Management Co., Ltd.			500,000.00	
	Shanxi Zhonghao Investment Management Co., Ltd.			5,300,000.00	
	Jinxiang Water Development Investment Co., Ltd.			300,000.00	
	Zhangqiu Water Service Management Center			5,055,248.30	
	Feixian Xingli Water Development Co., Ltd.			20,000.00	
	Shandong Huaihai Water Engineering Co., Ltd.			3,000,000.00	
	Wenshang Jincai State Assets Co., Ltd.			11,500,000.00	
	Sichuan Xinkang Luqiao Construction Engineering Co., Ltd.			629,823.66	

Item	Related party	Ending balance		Opening Balance	
		Book balance	Bad debt preparation	Book balance	Bad debt preparation
	Shandong Provincial Highway Construction (Group) Co., Ltd. Headquarters			10,872.00	
	Laiwu City Sea Photovoltaic Power Generation Co., Ltd.			0.90	
	Heze Urban Construction Engineering Development Group Co., Ltd. Fusong Branch			5,500,000.00	
	Harbin Jiuqi Energy Technology Development Co., Ltd.			52,758,156.71	
	Beijing Zhongxin New Source Investment Co., Ltd.			50,000.00	

(II) Payables

Item	Related party	Ending balance	Opening Balance
Accounts payables	Shanxi Zhongrunji Trading Co., Ltd.	38,664,606.04	29,515,771.77
	Xianxian Water Supply Company	4,506.60	
	Shandong Xianhe Polymer Material Co., Ltd.	4,500,000.00	4,500,000.00
	Heze Sanlei Plastic Industry Co., Ltd.	1,967,105.59	719,096.16
	Heze Urban Construction Engineering Development Group Co., Ltd.	35,691,635.89	11,000,000.00
	Chengwu County Qiming State-owned	1,000,000.00	

Item	Related party	Ending balance	Opening Balance
	Assets Operation Co., Ltd.		
Advance payment	Shandong Jianda Education Real Estate Co., Ltd.	18,649,960.00	
	Chengwu County Qiming State-owned Assets Operation Co., Ltd.		2,701,230.14
Other payables	Weifang Longze Water Co., Ltd.	13,832,518.90	13,832,518.90
	Shanxi Zhongrunji Trading Co., Ltd.	2,655,115.68	360,000.00
	Yucheng County Sunshine Wood Industry Co., Ltd.	5,440,000.00	
	Zhangqiu Water Service Management Center	235,008.10	
	Ward Siyuan Group Co., Ltd.	47,742.00	47,742.00
	Sichuan Everest Hydropower Development Co., Ltd.	61,718,067.69	24,118,186.06
	Sichuan Xinkang Luqiao Construction Engineering Co., Ltd.	26,812,874.32	26,962,874.32
	Sichuan Ji Neng Water Resources Development Co., Ltd.	61,482,866.89	54,146,427.61
	Sichuan Huashui Electric Power Construction Engineering Co., Ltd.	305,198,423.26	289,982,695.41
	Shanghai Heyuan Chuangsheng Investment Co., Ltd.	10,282,267.00	10,282,267.00
	Shandong Provincial	165,509.98	28,056,592.20

Item	Related party	Ending balance	Opening Balance
	Highway Construction (Group) Co., Ltd. Headquarters		
	Shandong Jianda Education Real Estate Co., Ltd	54,289,865.93	110,409,825.93
	Shandong Hengan Dongchang Construction Engineering Co., Ltd.	2,000,000.00	1,150,000.00
	Qingdao Chengtou Gaoxin Investment Holdings Co., Ltd.	46,702,554.45	46,702,554.45
	Meihao Investment Real Estate Co., Ltd.	238,415,555.54	103,500,000.00
	Heze City Reclaimed Water Development Co., Ltd.	109.98	109.98
	Heze City Development Investment Co., Ltd.	15,015,560.60	3,814,660.60
	Heze Urban Construction Engineering Development Group Co., Ltd.	37,022.00	
	Guangzhou Dongyao Energy Group Co., Ltd.	3,750,000.00	6,346,250.00
	Chengwu County Qiming State-owned Assets Operation Co., Ltd.	60,082,900.00	60,682,900.00
	Beijing Jiayu Huaxin Investment Co., Ltd.	40,830,906.77	40,867,913.03
	Zhao Aihua	4,824,876.50	

Item	Related party	Ending balance	Opening Balance
	Zhang Youyan	9,919,937.90	6,750,000.00
	Zhang Yousheng	40,054,770.85	21,395,820.61
	Zhang Weidong	27,964,060.05	39,924,091.93
	Zhang Hao	163,008.09	29,561,053.90
	Yuan Jing	669,297.30	11,854,598.65
	Yang Bin	325,833,290.95	260,798,333.33
	Wang Bo	297,348.78	
	Tao Wenping	89,951.07	659,951.07
	Tang Yu	6,451,537.00	6,451,537.00
	Si Hongliang	3,848,533.10	9,628,533.10
	Ma Congyi	3,012,479.75	25,844,396.40
	Li Wei	7,450.00	
	Shanxi Zhonghao Investment Management Co., Ltd.		353,690.90
	Shanxi Zhongrunji Trade Co., Ltd.		400,000.00
	Fusong County Tianchi Shengjing Real Estate Development Co., Ltd.		3,500,000.00
	Shandong Shuifa Runxin Water Co., Ltd.		3,000,000.00
	Shandong Huaihai Water Engineering Co., Ltd.		2,300,000.00
	Heze Sanlei Plastic Industry Co., Ltd.		1,854,864.00
	Shandong Lurun New Energy Technology Co., Ltd.		4,186,263.79
	Jinan New		4,079,458.00

Item	Related party	Ending balance	Opening Balance
	Longtian Real Estate Co., Ltd.		
	Zouping Herun Real Estate Co., Ltd.		104,972,202.72
	Risheng Hongde Holdings Co., Ltd.		90,000,000.00
	Shanxi Zhonghao Energy Saving and Environmental Protection Group Co., Ltd.		37,666,090.17
	Shandong Water Investment Co., Ltd.		8,274,944.52

10. Commitments and contingent events

1) Important commitments

(I) Property mortgage guarantees for each company's external borrowing within the scope of consolidation

Guarantee	Mortgagee	Mortgage object	Mortgage assessment value	Guaranteed loan balance
Litang County Heyuan Hydropower Development Co., Ltd.	Sichuan Trust Company Limited	Coach power station	786,744,429.52	310,000,000.00
Yunnan Huaning County Xinhuayuan Hydropower Co., Ltd.	Agricultural Bank of China Limited	Laozhuzhai Power Station	100,000,000.00	26,000,000.00
Chengwu County People's Hospital	Far East International Leasing Co., Ltd.	Outpatient building, office building, medical equipment	120,000,000.00	31,744,831.84
Yunnan Huaning New Kowloon Investment Co., Ltd.	Agricultural Bank Financial Leasing Co., Ltd.	Lufeng Power Station	400,000,000.00	105,000,000.00
Sichuan Anhe Water Conservancy and Hydropower Engineering Co., Ltd.	Bank of China Double Stream Branch	3 house houses 3 land use rights mortgage guarantee	24,183,500.00	17,000,000.00
Yanyuan County Baishuigou Electric Power Co., Ltd.	China Post Savings Bank Xinjin County Branch	Yancheng County Baishuigou Hydropower Station Overall Asset Mortgage Guarantee	17,072,399.69	6,918,096.84
Anhe (Leibo) Hydropower Co., Ltd.	Agricultural Bank of China Co., Ltd. Leibo County Branch	Ownership Mortgage of the four power stations of Ledu Level 1, Grade II, Sanwangpo and	445,763,243.89	167,000,000.00

Guarantee	Mortgagee	Mortgage object	Mortgage assessment value	Guaranteed loan balance
		Weiziping		
Yanyuan County Wudaohe Electric Power Co., Ltd.	Agricultural Bank of China Co., Ltd. Yanyuan County Branch	The construction of the Tarti Hydropower Station and the Majingzi Hydropower Station and the asset mortgage formed after the completion	270,510,993.61	103,000,000.00
Heze Zhongxing Water Environment Co., Ltd.	Bank of China Heze Branch	Land use rights	14,606,700.00	55,000,000.00
Wang Kai, Gao Yunzhi, Wang Ying	Heze Rural Commercial Bank	Wang Kai, Gao Yunzhi, Wang Ying personal property	34,938,500.00	22,000,000.00
Shandong Fangda Renewable Resources Utilization Co., Ltd.	Bank of China Co., Ltd. Heze Branch	Land use rights	4,937,618.00	37,500,000.00
Shandong Jingluo Engineering Quality Inspection Co., Ltd.	China Postal Savings Bank Co., Ltd. Jining Branch	Cuidu International Business Center Office Building, Unit 20, Floor 01-(Room 2001-2014)	8,739,700.00	5,000,000.00
Yida (Fujian) Tourism Group Co., Ltd.	Minsheng Bank Fuzhou Branch	Jiangxi Yiyi Yida Tourism Development Co., Ltd. 100% equity	60,000,000.00	150,000,000.00
Yida (Fujian) Tourism Group Co., Ltd.	Minsheng Bank Fuzhou Branch	100% equity of Yongtai County Yunding Scenic Area	10,000,000.00	150,000,000.00

Guarantee	Mortgagee	Mortgage object	Mortgage assessment value	Guaranteed loan balance
		Management Co., Ltd.		
Qixia Bole Manor Fruit and Vegetable Professional Cooperative	Yantai Bank	Yantai Bole Manor Fertilizer Co., Ltd.	3,761,453.08	1,680,993.38
Shandong Jingluo Engineering Quality Inspection Co., Ltd.	China Postal Savings Bank Co., Ltd. Jining Branch	Cuidu International Business Center Office Building, Unit 20, Floor 01-(Room 2001-2014)	8,739,700.00	5,000,000.00
Shandong Water Investment Group Co., Ltd.	Shandong Huasheng Financial Leasing Co., Ltd.	Set of environmentally friendly power generation equipment	60,195,900.00	40,985,200.00
Shandong Water Transfer Engineering Technology Research Center Co., Ltd.	CITIC Bank Jinan Branch	Zouping County and Runjiayuan Residential Area North	86,644.000.00	33,000,000.00

(II) Property pledge guarantees for each company's external borrowing within the scope of consolidation

Guarantee	Pledge holder	Pledged object	Pledge value	Guaranteed loan balance
Sichuan Anhe Investment Co., Ltd.	China Post Savings Bank Xinjin County Branch	Equity	4,200,000.00	6,918,096.84
Huidong County Light Source Electric Power Co., Ltd.	Agricultural Bank of China Huidong County Branch	Real estate and machinery (Yanwei River Basin Power Station) as collateral	77,379,663.06	12,000,000.00

Guarantee	Pledge holder	Pledged object	Pledge value	Guaranteed loan balance
Anhe (Leibo) Hydropower Co., Ltd.	Agricultural Bank of China Co., Ltd. Leibo County Branch	Ledu first, second, Sanwangpo, Weiziping four power stations charge the right to charge	The value of the right to charge cannot be quantified	167,000,000.00
Yanyuan County Wudaohe Electric Power Co., Ltd.	Agricultural Bank of China Co., Ltd. Yanyuan County Branch	Electricity fee	The value of the right to charge cannot be quantified	103,000,000.00
Original shareholder Weihai Fuyang Group Co., Ltd. and legal representative and actual controller	Shanghai Pudong Development Bank Rongcheng Sub-branch	Land use rights	588,500,000.00	535,000,000.00
Shuifa Utilities Group Co., Ltd.	National Bank Financial Leasing Co., Ltd.	Charge pledge	125,758,161.74	276,000,000.00
Water Development Group Co., Ltd.	Bank of Communications Taiyuan Chengbei Branch	Charge pledge	160,000,000.00	110,000,000.00
Water Development Group Co., Ltd.	Industrial and Commercial Bank of China Co., Ltd. Zouping Sub-branch	Zouping Renyuan Water Supply Co., Ltd.	424,000,000.00	380,000,000.00
Shuifa Group Co., Ltd. Shandong Shuifa Holding Group Co., Ltd.	Industrial and Commercial Bank of China Co., Ltd. Laiwu Steel City Branch	Charge right	The value of the right to charge cannot be quantified	45,713,888.89
Weifang Fengquan Water Co., Ltd.	ICBC Changyi Branch	Deposit slip	1,000,000.00	1,000,000.00
Chengwu Water Development Co., Ltd.	Industrial and Commercial Bank of China Chengwu Branch	Water supply charge pledge	The value of the right to charge cannot be quantified	100,000,000.00

(III) Guarantees between companies within the scope of the company's merger

Guarantor	Guarantee	Guarantee content	Guaranteed loan balance	Borrowing due date	Remarks
Water Development Group Co., Ltd.	Shandong Shuifa Holding Group Co., Ltd.	Bank loan	600,000,000.00	2019-1-26	
Water Development Group Co., Ltd.	Shandong Shuifa Holding Group Co., Ltd.	Bank loan	400,000,000.00	2019-11-15	
Water Development Group Co., Ltd.	Shandong Shuifa Holding Group Co., Ltd.	Bank loan	400,000,000.00	2019-12-8	
Water Development Group Co., Ltd.	Shandong Shuifa Holding Group Co., Ltd.	Bank loan	200,000,000.00	2019-5-28	
Water Development Group Co., Ltd.	Shandong Shuifa Holding Group Co., Ltd.	Bank loan	240,000,000.00	2020-1-7	
Water Development Group Co., Ltd.	Shandong Shuifa Holding Group Co., Ltd.	Bank loan	200,000,000.00	2020-1-7	
Water Development Group Co., Ltd.	Shandong Shuifa Holding Group Co., Ltd.	Bank loan	100,000,000.00	2021-9-14	
Water Development Group Co., Ltd.	Shandong Shuifa Holding Group Co., Ltd.	Bank loan	100,000,000.00	2020-8-16	
Water Development Group Co., Ltd.	Shandong Shuifa Holding Group Co., Ltd.	Bank loan	90,000,000.00	2019-12-22	
Water Development Group Co., Ltd.	Shandong Shuifa Holding Group Co., Ltd.	Bank loan	90,000,000.00	2020-5-14	
Water Development Group Co., Ltd.	Shandong Shuifa Holding Group Co., Ltd.	Bank loan	50,000,000.00	2019-7-1	
Water Development Group Co., Ltd.	Shandong Shuifa Holding Group Co., Ltd.	Bank loan	20,000,000.00	2020-1-7	
Water Development Group Co., Ltd.	Shandong Shuifa Holding Group Co., Ltd.	Bank loan	200,000,000.00	2021-6-14	
Water Development Group Co., Ltd.	Shandong Shuifa Tianyuan Water Group Co., Ltd.	Bank loan	200,000,000.00	2035-10-29	

Guarantor	Guarantee	Guarantee content	Guaranteed loan balance	Borrowing due date	Remarks
Water Development Group Co., Ltd.	Shandong Shuifa Tianyuan Water Group Co., Ltd.	Bank loan	200,000,000.00	2030-12-21	
Water Development Group Co., Ltd.	Shandong Shuifa Tianyuan Water Group Co., Ltd.	Bank loan	200,000,000.00	2019-5-8	
Water Development Group Co., Ltd.	Shandong Shuifa Tianyuan Water Group Co., Ltd.	Bank loan	50,000,000.00	2020-9-29	
Water Development Group Co., Ltd.	Shandong Shuifa Tianyuan Water Group Co., Ltd.	Bank loan	50,000,000.00	2019-12-19	
Water Development Group Co., Ltd.	Shandong Shuifa Tianyuan Water Group Co., Ltd.	Bank loan	100,000,000.00	2019-1-9	
Water Development Group Co., Ltd.	Shuifa Zhongxing Group Co., Ltd.	Bank loan	300,000,000.00	2020-6-11	
Water Development Group Co., Ltd.	Shuifa Zhongxing Group Co., Ltd.	Bank loan	200,000,000.00	2019-12-26	
Water Development Group Co., Ltd.	Shuifa Zhongxing Group Co., Ltd.	Bank loan	80,000,000.00	2019-1-26	
Water Development Group Co., Ltd.	Shuifa Zhongxing Group Co., Ltd.	Bank loan	100,000,000.00	2020-9-30	
Water Development Group Co., Ltd.	Shuifa Zhongxing Group Co., Ltd.	Bank loan	57,000,000.00	2019-11-26	
Water Development Group Co., Ltd.	Shuifa Zhongxing Group Co., Ltd.	Bank loan	150,000,000.00	2019-8-2	
Water Development Group Co., Ltd.	Shuifa Zhongxing Group Co., Ltd.	Bank loan	200,000,000.00	2021-9-20	
Water Development Group Co., Ltd.	Jilin Zhonghe Biomass Thermal Power Co., Ltd.	Bank loan	100,000,000.00	2027-11-29	
Water Development Group Co., Ltd.	Lukong Water Group Co., Ltd.	Bank loan	465,000,000.00	2022-1-31	

Guarantor	Guarantee	Guarantee content	Guaranteed loan balance	Borrowing due date	Remarks
Water Development Group Co., Ltd.	Lukong Water Group Co., Ltd.	Bank loan	50,000,000.00	2020-8-31	
Water Development Group Co., Ltd.	Lukong Water Group Co., Ltd.	Bank loan	70,000,000.00	2019-1-11	
Water Development Group Co., Ltd.	Lukong Water Group Co., Ltd.	Bank loan	40,000,000.00	2019-12-12	
Water Development Group Co., Ltd.	Lukong Water Group Co., Ltd.	Bank loan	12,000,000.00	2019-12-15	
Water Development Group Co., Ltd.	Leling Water Development Co., Ltd.	Bank loan	130,000,000.00	2025-12-31	
Water Development Group Co., Ltd.	Shandong Shuifa Environmental Protection Group Co., Ltd.	Bank loan	60,000,000.00	2020-9-10	
Water Development Group Co., Ltd.	Shandong Shuifa Environmental Protection Group Co., Ltd.	Bank loan	100,000,000.00	2020-1-3	
Water Development Group Co., Ltd.	Shandong Shuifa Huangshui East Transfer Engineering Co., Ltd.	Bank loan	1,100,000,000.00	2032-4-20	
Water Development Group Co., Ltd.	Shandong Shuifa Huangshui East Transfer Engineering Co., Ltd.	Bank loan	1,100,000,000.00	2027-3-29	
Water Development Group Co., Ltd.	Shandong Shuifa Huangshui East Transfer Engineering Co., Ltd.	Bank loan	160,000,000.00	2021-3-29	
Water Development Group Co., Ltd.	Shandong Shuifa Huangshui East Transfer Engineering Co., Ltd.	Bank loan	99,000,000.00	2021-3-29	

Guarantor	Guarantee	Guarantee content	Guaranteed loan balance	Borrowing due date	Remarks
Water Development Group Co., Ltd.	Shandong Shuifa Huangshui East Transfer Engineering Co., Ltd.	Bank loan	1,700,000,000.00	2028-12-27	
Water Development Group Co., Ltd.	Shandong Shuifa Huangshui East Transfer Engineering Co., Ltd.	Financial leasing	500,000,000.00	2024-5-15	
Water Development Group Co., Ltd.	Shandong Shuifa Huangshui East Transfer Engineering Co., Ltd.	Financial leasing	500,000,000.00	2026-12-19	
Water Development Group Co., Ltd.	Weifang Fengquan Water Co., Ltd.	Bank loan	5,000,000.00	2026-12-29	
Water Development Group Co., Ltd.	Shandong Shuifa Longze Water Supply Co., Ltd.	Bank loan	230,000,000.00	2026/02/29	
Water Development Group Co., Ltd.	Shandong Water Control Development Group Co., Ltd.	Bank loan	50,000,000.00	2019-11-15	
Water Development Group Co., Ltd.	Shuifa Utilities Group Co., Ltd.	Bank loan	200,000,000.00	2021-1-2	
Water Development Group Co., Ltd.	Zouping Renyuan Water Supply Co., Ltd.	Bank loan	400,000,000.00	2028-1-15	
Water Development Group Co., Ltd.	Shanxi Zhonghao Thermal Power Co., Ltd.	Bank loan	111,000,000.00	2024-11-10	
Water Development Group Co., Ltd.	Shandong Shuifa Wenyuan Water Co., Ltd.	Bank loan	50,790,000.00	2030-7-20	
Water Development Group Co., Ltd.	Shandong Lunan Water Development Co., Ltd.	Bank loan	100,000,000.00	2025-12-18	
Shandong Shuifa Tianyuan Water Group Co., Ltd.	Yucheng Wuyuan Water Development Co., Ltd.	Bank loan	60,000,000.00	2021.3.24	

Guarantor	Guarantee	Guarantee content	Guaranteed loan balance	Borrowing due date	Remarks
Shandong Shuifa Tianyuan Water Group Co., Ltd.	Yucheng Wuyuan Water Development Co., Ltd.	Bank loan	76,000,000.00	2023.11.29	
Shandong Shuifa Tianyuan Water Group Co., Ltd.	Yucheng Wuyuan Water Development Co., Ltd.	Bank loan	20,000,000.00	2021.3.24	
Shandong Shuifa Tianyuan Water Group Co., Ltd.	Lauterbach (Heze) Beer Co., Ltd.	Bank loan	50,000,000.00	2019.10.15	
Shandong Shuifa Tianyuan Water Group Co., Ltd.	Water Development Group Co., Ltd.	Bank loan	500,000,000.00	2019-11-15	
Shandong Shuifa Tianyuan Water Group Co., Ltd.	Shan County Volume Source Water Development Co., Ltd.	Bank loan	92,000,000.00	2024-12-27	
Tianyuan Water Development Co., Ltd.	Yunnan Huaning County Xinhuayuan Hydropower Co., Ltd.	Bank loan	31,000,000.00	2027.3.20	
Shuifa Zhongxing Group Co., Ltd.	Fengyuan Green Energy Co., Ltd.	Bank loan	24,000,000.00	2019-3-28	
Shuifa Zhongxing Group Co., Ltd.	Fengyuan Green Energy Co., Ltd.	Bank loan	15,000,000.00	2019-4-11	
Shuifa Zhongxing Group Co., Ltd.	Fengyuan Green Energy Co., Ltd.	Bank loan	9,000,000.00	2019-5-10	
Shuifa Zhongxing Group Co., Ltd.	Fengyuan Green Energy Co., Ltd.	Bank loan	12,000,000.00	2019-8-17	
Shuifa Zhongxing Group Co., Ltd.	Fengyuan Green Energy Co., Ltd.	Bank loan	17,000,000.00	2019-12-26	

Guarantor	Guarantee	Guarantee content	Guaranteed loan balance	Borrowing due date	Remarks
Shuifa Zhongxing Group Co., Ltd.	Fengyuan Green Energy Co., Ltd.	Bank loan	4,950,000.00	2019-12-8	
Shuifa Zhongxing Group Co., Ltd.	Fengyuan Green Energy Co., Ltd.	Bank loan	14,000,000.00	2019-5-31	
Shuifa Zhongxing Group Co., Ltd.	Fengyuan Green Energy Co., Ltd.	Bank loan	10,000,000.00	2019-6-29	
Shuifa Zhongxing Group Co., Ltd.	Fengyuan Green Energy Co., Ltd.	Bank loan	16,000,000.00	2019-7-27	
Shuifa Zhongxing Group Co., Ltd.	Fengyuan Green Energy Co., Ltd.	Bank loan	10,000,000.00	2019-7-30	
Shandong Shuifa Zhongxing Thermal Power Co., Ltd.	Elk Huada Thermal Power Co., Ltd.	Bank loan	10,000,000.00	2019-10-8	

2）Contingencies

（I） **Important contingent events on the balance sheet date**

As of December 31, 2018, the company did not have any contingent issues such as pending litigation and external guarantees that should be disclosed.

11. Events after the balance sheet date

As of the date of approval of the financial report, the company has no significant issues after the balance sheet date that should be disclosed.

12. Other important matters

1) Division information

(I) Determination basis and accounting policy of the report segment

The company's segment report determines that the business segment is reasonably divided according to the company's internal management requirements. It is divided into six business segments: water supply and wastewater treatment division, engineering and real estate division, medical and health division, and modern agriculture ministry, clean energy division and other divisions. Each business segment is accounted for according to the Accounting Standards for Business Enterprises, and the information disclosure of the reporting segment is performed on the balance sheet date.

The segment reporting information is disclosed in accordance with the accounting policies and measurement standards adopted by each segment when reporting to management. These measurements basis are consistent with the accounting and measurement basis in the preparation of the financial statements.

(II) Financial information of the report segment

2018

(Unit: RMB 10,000)

Item	Water Supply and Sewage Treatment Division	Engineering and Real Estate Division	Medical and Health Division	Modern Agriculture Division	Clean Energy Division	Other divisions	Inter-segment offset	Total
Operating income	158,410.72	622,513.48	99,340.60	62,835.59	175,423.41	85,705.62	-97,458.19	1,106,771.23
Of which: external transaction income	147,573.83	577,971.98	94,055.69	60,496.12	169,440.23	57,233.38		1,106,771.23
Of which: domestic transaction income	147,573.83	552,931.70	94,055.69	60,496.12	169,440.23	57,233.37		1,081,730.94

Item	Water Supply and Sewage Treatment Division	Engineering and Real Estate Division	Medical and Health Division	Modern Agriculture Division	Clean Energy Division	Other divisions	Inter-segment offset	Total
Foreign transaction income		25,040.28						25,040.28
Inter-segment transaction revenue	10,836.89	44,541.50	5,284.91	2,339.47	5,983.18	28,472.24	-97,458.19	
Operating expenses	92,389.20	3,970.23	3,052.14	3,832.74	2,835.83	15,596.82	-2,280.52	119,396.44
Operating profit (loss)	53,154.65	2,785.40	625.73	-4,679.72	2,748.99	4,127.03	-17,342.55	41,419.53
Total non-current assets								
Of which: total domestic non-current assets								
Total foreign non-current assets								
Total assets	7,457,180.95	209,599.67	142,131.85	130,761.81	180,067.20	2,262,313.60	-2,781,111.24	7,600,943.84
Total liabilities	5,471,354.74	150,544.22	99,215.90	123,480.06	139,889.42	1,629,334.64	-2,030,322.03	5,583,496.95
Additional information								

Item	Water Supply and Sewage Treatment Division	Engineering and Real Estate Division	Medical and Health Division	Modern Agriculture Division	Clean Energy Division	Other divisions	Inter-segment offset	Total
Depreciation and amortization expenses	289,755.95	4,154.88			9,927.47	15,660.97		319,499.27
Capital expenditure	324,194.98	2,333.79	11,423.06	6,346.79	-	44,997.18		389,295.80
Non-cash charges other than depreciation and amortization	3,913.27	103.61						4,016.88

2017

(Unit: RMB 10,000)

Item	Water Supply and Sewage Treatment Division	Engineering and Real Estate Division	Medical and Health Division	Modern Agriculture Division	Clean Energy Division	Other divisions	Inter-segment offset	Total
Operating income	93,900.80	344,274.77	88,823.93	27,377.58	34,437.84	183,872.00	-194,475.21	578,211.71
Of which: external transaction income	93,459.80	209,220.73	87,651.93	26,895.58	33,734.84	127,248.83		578,211.71

Item	Water Supply and Sewage Treatment Division	Engineering and Real Estate Division	Medical and Health Division	Modern Agriculture Division	Clean Energy Division	Other divisions	Inter-segment offset	Total
Of which: domestic Transaction income	93,459.80	209,220.73	87,651.93	26,895.58	33,734.84	125,314.83		576,277.71
Foreign transaction income						1,934.00		1,934.00
Inter-segment transaction revenue	441.00	135,054.04	1,172.00	482.00	703.00	56,623.17	-194,475.21	
Operating expenses	2,300.87	270.00	49.06	256.00	97.00	2,830.87		5,803.80
Operating profit (loss)	2,541.63	6,622.00	3,061.75	-11,508.76	-4,461.31	-716.24		-4,460.93
Total non-current assets	2,064,174.48	27,603.30	8,992.39	27,557.38	11,496.63	798,961.16		2,938,785.34
Of which: total domestic non-current assets								
Total foreign non-current assets								
Total assets	2,753,569.31	473,689.97	17,559.40	85,499.42	169,278.56	1,245,860.75		4,745,457.41

Item	Water Supply and Sewage Treatment Division	Engineering and Real Estate Division	Medical and Health Division	Modern Agriculture Division	Clean Energy Division	Other divisions	Inter-segment offset	Total
Total liabilities	1,847,691.09	389,073.33	12,132.33	78,580.70	156,832.78	1,319,838.50		3,804,148.73
Additional information								
Depreciation and amortization expenses	23,974.13	2,405.20	4,002.50	689.00	1,428.10			32,498.93
Capital expenditure	526,900.00	3,793.00	18,565.41	10,315.16		73,131.96		632,705.53
Non-cash charges other than depreciation and amortization	323.78	59.98		635.54		615.61		1,634.91

13. Notes on the main Items of the financial statements of the parent company

1) Notes receivable and accounts receivable

(I) Summary

Item	Ending balance	Opening Balance
Accounts receivable	•	
total	202,483,481.21	91,725,551.81

(II) **Accounts receivable**

A. Disclosure of accounts receivable

Category	Ending balance					Opening Balance				
	Book balance		Bad debt preparation		Book value	Book balance		Bad debt preparation		Book value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with significant single amount and separate provision for bad debts										
Accounts receivable for bad debt provision according to credit risk characteristics combination	202,483,481.21	100.00			202,483,481.21	91,725,551.81	100.00			91,725,551.81
Accounts receivable with insignificant single amount but with separate provision for bad debts										
Total	202,483,481.21	/		/	202,483,481.21	91,725,551.81	/		/	91,725,551.81

Accounts receivable with significant single amount and single provision for bad debts at the end of the period: nothing.

In the portfolio, accounts receivable for bad debt provision by aging analysis:

None.

Accounts receivable with provision for bad debts in other combinations:

Item	Ending balance		
	accounts receivable	Bad debt preparation	Proportion (%)
Associated party combination	202,483,481.21		
Total	202,483,481.21		

B. Provision for bad debts withdrawn, recovered or reversed in the current period:

None.

C. Accounts receivable actually written off during the period:

None.

D. Accounts receivable of the top five balances at the closing balance of the arrears

company name	Ending balance			
	Book balance	Aging	Proportion of the total balance of accounts receivable at the end of the period (%)	Bad debt preparation
Shuifa Agricultural Development Co., Ltd.	18,883,642.68	Within 4 years	9.33	
Shandong Chengwu Yizhong	18,607,300.00	Within 1 year	9.19	
Litang County Heyuan Hydropower Development Co., Ltd.	16,397,000.00	Within 3 years	8.10	
Changle Sapphire Water Development Co., Ltd.	15,931,500.00	Within 2 years	7.87	

company name	Ending balance			
	Book balance	Aging	Proportion of the total balance of accounts receivable at the end of the period (%)	Bad debt preparation
Shandong Risheng Real Estate Development Co., Ltd.	12,243,900.00	Within 2 years	6.05	
Total	82,063,342.68	/	40.54	

E. Accounts receivable from related parties

Related party name	Ending balance		
	Relationship with the company	Ending balance	Proportion of accounts receivable balance (%)
Shuifa Agricultural Development Co., Ltd.	Subsidiary	18,883,642.68	9.33
Shandong Chengwu Yizhong	Externally hosted subsidiary	18,607,300.00	9.19
Litang County Heyuan Hydropower Development Co., Ltd.	Subsidiary	16,397,000.00	8.10
Changle Sapphire Water Development Co., Ltd.	Subsidiary	15,931,500.00	7.87
Shandong Risheng Real Estate Development Co., Ltd.	Subsidiary	12,243,900.00	6.05
Other	Subsidiary	120,420,138.53	59.46
Total	/	202,483,481.21	100.00

F. Receivables that are derecognised due to the transfer of financial assets :

None

G. Amount of assets and liabilities formed by transferring accounts receivable and continuing to be involved

None

2) Other receivables

(I) **Summary**

Item	Ending balance	Opening Balance
Dividend receivable	10,000,000.00	10,000,000.00
Other receivables	9,753,712,768.30	7,757,020,116.07
Total	9,763,712,768.30	7,767,020,116.07

(II) **Dividends receivable**

A. Dividend receivable

Item (or invested unit)	Ending balance	Opening Balance
Water Construction Group Co., Ltd.	10,000,000.00	10,000,000.00
Total	10,000,000.00	10,000,000.00

(III) **Other receivables**

A. Disclosure of other receivables

Category	Ending balance					Opening Balance				
	Book balance		Bad debt preparation		Book value	Book balance		Bad debt preparation		Book value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables with significant single amount and separate provision for bad debts										
Other receivables with provision for bad debts based on credit risk characteristics	9,759,862,768.30	100.00	6,150,000.00	0.06	9,753,712,768.30	7,757,130,116.07	100.00	110,000.00	0.01	7,757,020,116.07
Other receivables	17,500.00	0.00	17,500.00	100.00		17,500.00	0.00	17,500.00	100.00	

Category	Ending balance					Opening Balance				
	Book balance		Bad debt preparation		Book value	Book balance		Bad debt preparation		Book value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
that are not individually significant but are separately provisioned for bad debts										
total	9,759,880,268.30	/	6,167,500.00	/	9,753,712,768.30	7,757,147,616.07	/	127,500.00	/	7,757,020,116.07

Other receivables with significant single amount and single provision for bad debts at the end of the period:

None.

In the portfolio, other receivables for provision for bad debts by aging analysis:

Aging	Ending balance		
	Other receivables	Bad debt preparation	Proportion (%)
Within 1 year (including 1 year)	17,019,166.67		
1-2 years	32,002,151.69	1,600,000.00	5.00
2-3 years	91,000,000.00	4,550,000.00	5.00
3-4 years			
4-5 years			
More than 5 years			
total	140,021,318.36	6,150,000.00	/

Other receivables for other combinations of provision for bad debts:

Item	Ending balance		
	Other receivables	Bad debt preparation	Proportion (%)
Associated party combination	9,619,841,449.94		
total	9,619,841,449.94		

B. Other receivables that are not significant in the period at the end of the period but are individually provisioned for bad debts

Other receivables (by unit)	Ending balance			
	Other receivables	Bad debt provision (%)	Proportion	Accrual reason
Jinan Moyan Planning Company	17,500.00	17,500.00	100.00	Overdue
Total	17,500.00	17,500.00	/	/

C. Classification by nature of money

Nature of money	END Book balance	BEG Book balance
Current payment	9,758,790,616.61	7,754,064,964.38
Reserve fund	70,000.00	63,000.00

Nature of money	END Book balance	BEG Book balance
Bid bond	1,000,000.00	3,000,000.00
Temporary payment receivable	2,151.37	2,151.37
other	17,500.32	17,500.32
Total	9,759,880,268.30	7,757,147,616.07

D. Provision for bad debts withdrawn, recovered or reversed in the current period

In the current period, the provision for bad debts was RMB 6,040,000.00, and no provision for bad debts was recovered or transferred back in the current period.

E. Other receivables of the top five ending balances according to the arrears

company name	Nature of money	Ending balance	Aging	Proportion of the total balance of other receivables at the end of the period (%)	Bad debt Allowance Ending balance
Shandong Shuifa Holding Group Co., Ltd.	Current loan	1,697,943,866.91	Within 1 year	17.40	0.00
Shuifa Agricultural Development Co., Ltd.	Current loan	891,984,693.09	Within 1 year	9.14	0.00
Huixin Meihao Industrial Co., Ltd.	Current loan	706,035,816.44	Within 1 year	7.23	0.00
Litang County Heyuan Hydropower Development Co., Ltd.	Current loan	584,126,621.49	Within 1 year	5.98	0.00
Shandong Risheng Real Estate Development Co., Ltd.	Current loan	550,816,943.70	Within 1 year	5.64	0.00
Total	/	4,430,907,941.63	/	45.39	0.00

F. Other receivables from related parties

Related party name	Ending balance		
	Relationship with the company	Ending balance	Proportion of other receivable balances (%)

Related party name	Ending balance		
	Relationship with the company	Ending balance	Proportion of other receivable balances (%)
Shandong Shuifa Holding Group Co., Ltd.	Subsidiary	1,697,943,866.91	17.40
Shuifa Agricultural Development Co., Ltd.	Subsidiary	891,984,693.09	9.14
Huixin Meihao Industrial Co., Ltd.	Subsidiary	706,035,816.44	7.23
Litang County Heyuan Hydropower Development Co., Ltd.	Subsidiary	584,126,621.49	5.98
Shandong Risheng Real Estate Development Co., Ltd.	Subsidiary	550,816,943.70	5.64
Other related parties	Subsidiary	5,188,933,508.31	53.17
Total	/	9,619,841,449.94	98.56

G. Other receivables terminated due to the transfer of financial assets:

None

H. Amount of assets and liabilities formed by transferring other receivables and continuing to be involved:

None

3) Long-term equity investment

Item	Ending balance			Opening Balance		
	Book balance	Impairment preparation	Book value	Book balance	Impairment preparation	Book value
Investment in subsidiaries	7,209,174,734.43		7,209,174,734.43	5,482,566,170.28		5,482,566,170.28
Total	7,209,174,734.43		7,209,174,734.43	5,482,566,170.28		5,482,566,170.28

（I） **Investment in subsidiaries**

Invested unit	Opening balance	Increased in this period	Reduced in this period	Ending balance	Provision for impairment in the current period	Impairment reserve ending balance
Shandong Shuifa Holding Group Co., Ltd.	2,857,180,000.00	1,004,272,244.61		3,861,452,244.61		
Shandong Water Conservancy Construction Group Co., Ltd.	441,573,200.00			441,573,200.00		
Shandong Water Resources Development Group Co., Ltd.	1,751,600,000.00	74,690,000.00		1,826,290,000.00		

Invested unit	Opening balance	Increased in this period	Reduced in this period	Ending balance	Provision for impairment in the current period	Impairment reserve ending balance
Shandong Shuifa Medical Co., Ltd.	50,000,000.00			50,000,000.00		
Shuifa Agricultural Development Co., Ltd.	74,712,970.28	24,700,000.00		99,412,970.28		
Lu Medical Holdings Limited	50,000,000.00			50,000,000.00		
Jinan Shuifa Equity Investment Fund Partnership		250,104,138.72		250,104,138.72		
Shuifa Tourism Development Co., Ltd.	80,000,000.00			80,000,000.00		
Shuifa Design Co., Ltd.	50,000,000.00			50,000,000.00		
Shuifa Culture Industry Co., Ltd.		50,000,000.00		50,000,000.00		
Water Energy Co., Ltd.		252,003,759.15		252,003,759.15		
Shuifa Lunan Water Co., Ltd.		100,000,000.00		100,000,000.00		
Shandong Shuifa Project Management Co., Ltd.		6,000,000.00		6,000,000.00		
Wengyuan Lu Control Water Development Co., Ltd.		39,520,000.00		39,520,000.00		
Shandong Agricultural Development Group Co., Ltd.		10,000,000.00		10,000,000.00		
Shandong Water Transfer Engineering Technology Research Center Co., Ltd.		21,352,244.61	21,352,244.61			

Invested unit	Opening balance	Increased in this period	Reduced in this period	Ending balance	Provision for impairment in the current period	Impairment reserve ending balance
Shuifa Design Co., Ltd.		35,231,893.40		35,231,893.40		
Shandong Huaihai Water Engineering Co., Ltd.		23,904,056.74	23,904,056.74			
Shandong Huaihai Engineering Construction Supervision Co., Ltd.		5,940,427.21		5,940,427.21		
Rizhao Water Source Engineering Construction Supervision Co., Ltd.		1,646,101.06		1,646,101.06		
Changle Sapphire Water Development Co., Ltd.	127,500,000.00		127,500,000.00			
Total	5,482,566,170.28	1,899,364,865.50	172,756,301.35	7,209,174,734.43		

4)Operating income and operating costs

（I） **Operating income and operating costs**

Item	Current period		Last period	
	income	cost	income	cost
Main business	110,589,707.90		65,799,999.12	
Total	110,589,707.90		65,799,999.12	

（II） **Main business income / main business cost (by industry)**

Item	Current period		Last period	
	Operating income	Operating cost	Operating income	Operating cost
Other	110,589,707.90		65,799,999.12	
Total	110,589,707.90		65,799,999.12	

（III） **Main business income/main business cost (classified by business category)**

Item	Current period		Last period	
	Operating income	Operating cost	Operating income	Operating cost
Capital occupation fee	110,589,707.90		65,799,999.12	
Total	110,589,707.90		65,799,999.12	

（IV） **Main business income/main business cost (by region)**

Item	Current period		Last period	
	Operating income	Operating cost	Operating income	Operating cost
North China	110,589,707.90		65,799,999.12	
Total	110,589,707.90		65,799,999.12	

（V） **Operating income of the top five customers of the company**

Client's name	Operating income	Proportion of the company's Total operating income (%)
Shandong Chengwu Yizhong	17,554,056.67	15.87

Client's name	Operating income	Proportion of the company's Total operating income (%)
Huixin Meihao Industrial Co., Ltd.	9,673,773.62	8.75
Shuifa Agricultural Development Co., Ltd.	9,433,962.30	8.53
Litang County Heyuan Hydropower Development Co., Ltd.	8,044,528.33	7.27
Changle Sapphire Water Development Co., Ltd.	7,157,169.83	6.47
Total	51,863,490.75	46.89

5)Investment income

(I) **Investment income**

Item	Current period	Last period
Long-term equity investment income calculated by cost method	12,304,138.72	19,200,000.00
Long-term equity investment income calculated by equity method		
Disposal of investment income from long-term equity investments		
Investment income of financial assets measured at fair value through profit or loss during the holding period		
Investment income from financial assets measured at fair value through profit or loss		
Investment income from held-to-maturity investments during the holding period		
Investment income of available-for-sale financial assets during the holding period		
Investment income from disposal of available-for-sale financial assets		
After losing control, the remaining equity is re-measured at fair value		
Total	12,304,138.72	19,200,000.00

(II) **Long-term equity investment income calculated by cost method**

Invested entity name	Current period	Last period	Reasons for the increase or decrease of the current period compared with the previous year
Shandong Water Conservancy Construction	10,000,000.00	10,000,000.00	

Invested entity name	Current period	Last period	Reasons for the increase or decrease of the current period compared with the previous year
Group Co., Ltd.			
Shandong Huaihe River Basin Water Resources Administration Planning and Design Institute		200,000.00	
Changle Sapphire Water Development Co., Ltd.		9,000,000.00	
Lu Medical Holdings Limited	1,000,000.00		
Shuifa Design Co., Ltd.	1,200,000.00		
Jinan Shuifa Equity Investment Fund Partnership (Limited Partnership)	104,138.72		
Total	12,304,138.72	19,200,000.00	

（III）**Long-term equity investment income calculated by equity method:**
None.

（IV）**The company does not have significant restrictions on the repatriation of investment income.**

14. Supplementary information

None.

SHUIFA Group Co., Ltd.

April 28 2019

编号: 105437332

营业执照

（副 本）(6-6)

统一社会信用代码 911100000785632412

名 称	亚太（集团）会计师事务所（特殊普通合伙）
类 型	特殊普通合伙企业
主要经营场所	北京市西城区车公庄大街9号院1号楼(B2)座301室
执行事务合伙人	王子龙
成立日期	2013年09月02日
合伙期限	2013年09月02日至 长期
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，出具有关报告；基本建设年度财务决算审计；代理记账；会计咨询、税务咨询、管理咨询、会计培训；法律、法规规定的其他业务。（企业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；不得从事本市产业政策禁止和限制类项目的经营活动。）

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登记机关

2019 年 01 月 22 日

提示：每年1月1日至6月30日通过企业信用信息公示系统报送上一年度年度报告并公示。

企业信用信息公示系统网址：qyxy.baic.gov.cn

中华人民共和国国家工商行政管理总局监制

会计师事务所

执业证书

名　　称：亚太（集团）会计师事务所（特殊普通合伙）

首席合伙人：王子龙

主任会计师：

经营场所：北京市车公庄大街9号院B座2单元301室

组织形式：特殊普通合伙

执业证书编号：11010075

批准执业文号：京财会许可[2013]0052号

批准执业日期：2013年08月09日

证书序号：0000188

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

二〇一八年四月四日

中华人民共和国财政部制

证书序号：000426

会计师事务所
证券、期货相关业务许可证

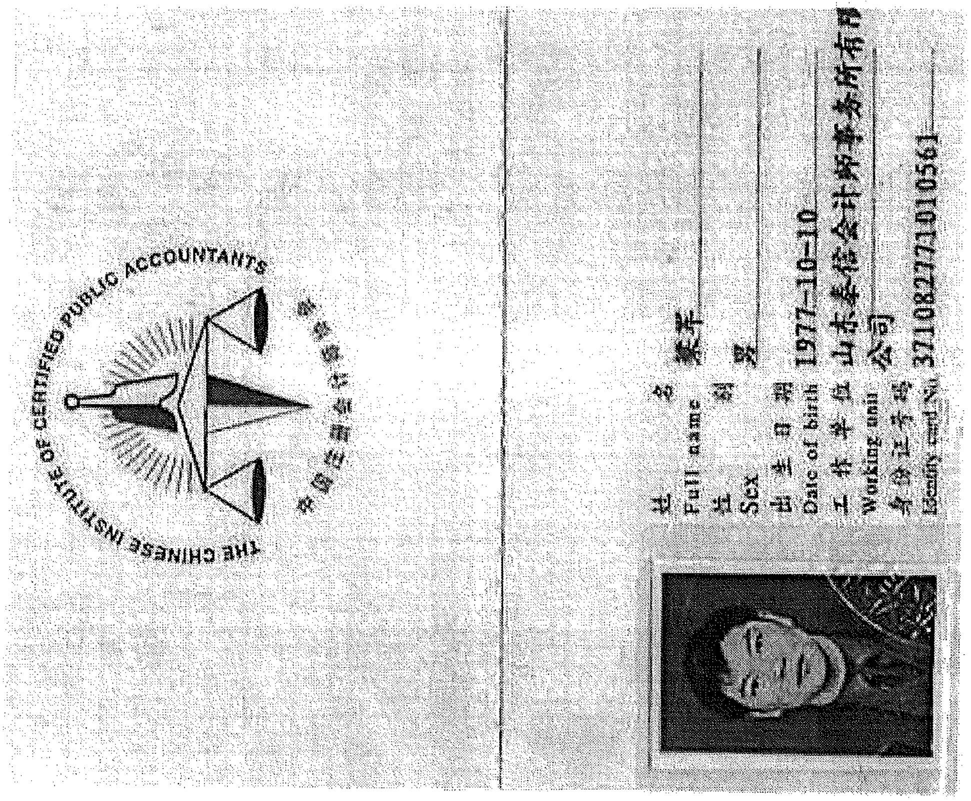
经财政部、中国证券监督管理委员会审查，批准

亚太（集团）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：王子龙

证书号：51　　发证时间：二〇一七年十二月十一日

证书有效期至：二〇一九年十二月十一日



THE CHINESE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

中国注册会计师协会

姓 名 Full name 綦军

性 别 Sex 男

出生日期 Date of birth 1977-10-10

工作单位 Working unit 山东泰信会计师事务所有限公司

身份证号码 Identity card No. 371082771010561

注册会计师工作单位变更事项登记
Registration of the Change of Working Unit by a CPA

同意调出
Agree the holder to be transferred from

山东泰信会计师 事务所 CPAs

转出协会盖章
Stamp of the transfer-out Institute of CPAs

2016 年 y 月 m 日 d

同意调入
Agree the holder to be transferred to

亚太(集团)会计师 事务所 CPAs

山东分所

转入协会盖章
Stamp of the transfer-in Institute of CPAs

年 y 月 m 日 d

10

注册会计师工作单位变更事项登记
Registration of a Change of Working Unit by a CPA

同意调出
Agree the holder to be transferred from

亚太(集团)会计师 事务所 CPAs

有限公司山东分所

转出协会盖章
Stamp of the transfer-out Institute of CPAs

2016 年 y 月 m 21 日 d

同意调入
Agree the holder to be transferred to

亚太(集团)会计师 事务所 CPAs

(特殊普通合伙)山东分所

转入协会盖章
Stamp of the transfer-in Institute of CPAs

2016 年 y 8 月 m 25 日 d

11

注册会计师工作单位变更事项登记
Registration of the Change of Working Unit by a CPA

同意调出
Agree the holder to be transferred from 山东和信会计师事务所(特殊普通合伙) 事务所 CPAs

山东省注册会计师协会 注册会计师转所专用章

转出协会盖章
Stamp of the transfer-out Institute of CPAs
年 /y 月 /m 日 /d

同意调入
Agree the holder to be transferred to 亚太(集团)会计师事务所(特殊普通合伙)山东分所 事务所 CPAs

山东省注册会计师协会 注册会计师转所专用章

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Stamp of the transfer-in Institute of CPAs
年 /y 月 /m 日 /d

10

THE CHINESE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
中国注册会计师协会

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出生日期 Date of birth	1975-07-14
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For the year ended 31 December 2017

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For the year ended 31 December 2018

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