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**Notice to Hong Kong investors:** With respect to Bonds to be listed on the Hong Kong Stock Exchange, the Issuer and Guarantor confirm that the Bonds are intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer and Guarantor confirm that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved. Furthermore, there are various other risks relating to the Deed of Guarantee, the Guarantor and its subsidiaries, their business and their jurisdictions of operations which investors should familiarise themselves with before making an investment in the Bonds.

**GOUCHENG INTERNATIONAL CO., LTD.**

*(incorporated in the British Virgin Islands)*

**U.S.\$100,000,000 3.50 PER CENT. GUARANTEED BONDS DUE 2023**

**(Stock Code 40513)**

**UNCONDITIONALLY AND IRREVOCABLY GUARANTEED BY**



**NINGHAI CITY INVESTMENT GROUP LTD.**

**(寧海縣城投集團有限公司)**

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

## IMPORTANT NOTICE

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**Confirmation of your Representation:** In order to be eligible to view the Offering Circular or make an investment decision with respect to the securities, investors must not be located in the United States. The Offering Circular is being sent at your request and by accepting the e-mail and accessing the Offering Circular, you shall be deemed to have represented to Goucheng International Co., Ltd. (the “**Issuer**”), Ninghai City Investment Group Ltd. (寧海縣城投集團有限公司) (the “**Guarantor**”) and Shun Heng Securities Limited and Silk Road International Capital Limited as the joint lead managers (the “**Joint Lead Managers**”) that you and any customers you represent are not, and the electronic mail address that you gave the Joint Lead Managers to which this e-mail has been delivered is not, located in the United States and that you consent to delivery of such Offering Circular and any amendments or supplements thereto by electronic transmission.

The attached document 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 herein.

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STRICTLY CONFIDENTIAL

## GOUCHENG INTERNATIONAL CO., LTD.

(incorporated in the British Virgin Islands)

### U.S.\$100,000,000 3.50 PER CENT. GUARANTEED BONDS DUE 2023 UNCONDITIONALLY AND IRREVOCABLY GUARANTEED BY



## NINGHAI CITY INVESTMENT GROUP LTD.

(寧海縣城投集團有限公司)

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

ISSUE PRICE: 100.00 PER CENT.

The U.S.\$100,000,000 3.50 per cent. guaranteed bonds due 2023 (the “**Bonds**”) will be issued in the aggregate principal amount of U.S.\$100,000,000 by Goucheng International Co., Ltd. (the “**Issuer**”) in the denomination of U.S.\$200,000 each and integral multiples of U.S.\$1,000 in excess thereof. The Bonds will be unconditionally and irrevocably guaranteed (the “**Guarantee of the Bonds**”) by Ninghai City Investment Group Ltd. (寧海縣城投集團有限公司) (the “**Company**”). The Issuer is an indirect wholly-owned subsidiary of the Company.

The Bonds will bear interest from 16 December 2020 at the rate of 3.50 per cent. per annum. Interest on the Bonds is payable semi-annually in arrear in equal instalments on 16 June and 16 December in each year (as defined in Terms and Conditions of the Bonds (the “**Terms and Conditions**”)).

The Bonds will constitute direct, general, unsubordinated, unconditional and (subject to Condition 3(a) (*Covenants – Negative Pledge*) of the Terms and Conditions) unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application. The Company will enter into a deed of guarantee (the “**Deed of Guarantee**”) on or around 16 December 2020 (the “**Issue Date**”). The Guarantee of the Bonds (as defined in the Terms and Conditions) will constitute direct, general, unsubordinated, unconditional and (subject to Condition 3(a) (*Covenants – Negative Pledge*) of the Terms and Conditions) unsecured obligations of the Company which will at all times rank at least *pari passu* with all other present and future unsecured obligations of the Company, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

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 (as defined below) or its local counterparts (the “**NDRC**”) and which came into effect on 14 September 2015, and any implementation rules, reports, certificates or guidelines as issued by the NDRC from time to time, the Company has registered the issuance of the Bonds with the NDRC and obtained a certificate from the NDRC on 27 October 2020 evidencing such registration, which at the date of this Offering Circular, remains valid and in full force and effect. The Company intends to report or cause to be reported with the NDRC the requisite information and documents within the prescribe timeframe after the completion of each issuance of the Bonds.

The Company will be required to register or cause to be registered with the State Administration of Foreign Exchange or its local branch (“**SAFE**”) the Deed of Guarantee within the prescribed timeframe 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**”). The Company intends 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 SAFE Registration Deadline (being the day falling 135 PRC Business Days (as defined in the Terms and Conditions) after the Issue Date) and comply with all applicable PRC laws and regulations in relation to the Guarantee of the Bonds.

Payments on the Bonds will be made without withholding or deduction for taxes of the British Virgin Islands or the PRC to the extent described in “*Terms and Conditions of the Bonds – Taxation*”.

Unless previously redeemed, or purchased and cancelled as provided herein, the Issuer will redeem each Bond at its principal amount on 16 December 2023, subject as provided in “*Terms and Conditions of the Bonds – Payments*”. The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice to the Bondholders (which notice shall be irrevocable) at their principal amount, together with interest accrued to (but not including) the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that the Issuer or the Company has or (in the case of the Company, if a demand was made under the Guarantee of the Bonds) will become obliged to pay Additional Tax Amounts (as defined in the Terms and Conditions) as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands, or the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 10 December 2020 and such obligation cannot be avoided by the Issuer or the Company taking reasonable measures available to it. At any time following the occurrence of a Relevant Event (as defined in the Terms and 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 Terms and Conditions) at a price equal to 101 per cent. (in the case of a Change of Control) or 100 per cent. (in the case of a Non-Registration Event) of their principal amount, in each case together with accrued interest to (but not including) such Put Settlement Date. See “*Terms and Conditions of the Bonds – Redemption and Purchase*”.

Application will be made to The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) for the listing of the Bonds by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange) (the “**Professional Investors**”) only. This Offering Circular is for distribution to Professional Investors only.

**Notice to Hong Kong investors:** With respect to Bonds to be listed on the Hong Kong Stock Exchange, the Issuer and Guarantor confirm that the Bonds are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer and Guarantor confirm that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved. Furthermore, there are various other risks relating to the Deed of Guarantee, the Guarantor and its subsidiaries, their business and their jurisdictions of operations which investors should familiarise themselves with before making an investment in the Bonds.

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

This 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 and do not constitute an offer to sell nor a solicitation of an offer to buy any securities. Nothing referred to herein (including the listing document) forms the basis for any contract or commitment whatsoever. For the avoidance of doubt, the publication of the listing document referred to herein shall not be deemed to be an offer of securities made pursuant to a prospectus issued by or on behalf of the issuer 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.

Investing in the Bonds involves certain risks. See “*Risk Factors*” beginning on page 10 for a description of certain factors to be considered in connection with an investment in the Bonds.

The PRC government is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Bonds or the Guarantee of the Bonds in lieu of the Issuer or (as the case may be) the Company. See “*Risk Factors – Risks relating to the PRC – The PRC Government (including but not limited to the Zhejiang Provincial Government, the Ningbo Municipal Government and the Ninghai Municipal Government) has no obligation to pay any amount under the Bonds as payment obligations under the Bonds remain the sole obligation of the Issuer.*”

The Bonds and the Guarantee of the Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”), or the securities laws of any other jurisdiction. The Bonds and the Guarantee of the Bonds 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 requirement of the Securities Act. The Bonds and the Guarantee of the Bonds may be offered and sold to non-U.S. Persons in offshore transactions in compliance with Regulation S. For a description of these and certain restrictions on offers and sales of the Bonds and the Guarantee of the Bonds and the distribution of this Offering Circular, see “*Subscription and Sale*”.

The Bonds will be represented by beneficial interests in the global bond certificate (the “**Global Bond 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**”), together with Euroclear, the “**Clearing Systems**”). Beneficial interests in the Global Bond Certificate will be shown on, and transfers thereof will be effected only through, records maintained by the Clearing Systems. Except as described herein, individual certificates for Bonds will not be issued in exchange for interests in the Global Bond Certificate.

**Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers**

**Shun Heng Securities Limited**

**Silk Road International**

**Offering Circular dated 10 December 2020**

## IMPORTANT NOTICE

Each of the Issuer and the Company accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable inquiries, that to the best of its knowledge and belief (i) this Offering Circular contains all information with respect to the Company and its subsidiaries, including, the Issuer, taken as a whole (collectively, the “**Group**”), and the Bonds which is material in the context of the issue, offering, sale, marketing or distribution of the Bonds (including all information which is required by applicable laws or according to the particular nature of the Issuer, the Company, the Group and of the Bonds or the Guarantee of the Bonds, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the Company, the Group and of the rights attaching to the Bonds and the Guarantee of the Bonds), (ii) the statements of fact contained in this Offering Circular are in every material particular true and accurate and not misleading, and there are no other facts in relation to the Issuer, the Company, the Group and the Bonds, the omission of which would, in the context of the issue, offering, sale, marketing or distribution of the Bonds, make any statement in this Offering Circular misleading, (iii) the statements of intention, opinion, belief or expectation contained in this Offering Circular are honestly and reasonably made or held and have been reached after considering all relevant circumstances and are based on reasonable assumption, (iv) all statistical, industry and market related data included in this Offering Circular are derived from sources which each of the Issuer and the Company reasonably believe as accurate and reliable in all material respects, (v) all reasonable enquiries have been and will be made by the Issuer and the Company to ascertain such facts and to verify the accuracy of all such information and statements, and (vi) all descriptions of contracts or other material documents described in this Offering Circular are accurate in all material respects and fairly summarise the contents of such contracts or documents.

This Offering Circular has been prepared by the Issuer and the Company solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Company, the Joint Lead Managers, the Trustee and the Agents (as defined in the Terms and Conditions of the Bonds) to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the 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 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*”. This Offering Circular does not constitute an offer of, or an invitation to purchase, any of the Bonds in any jurisdiction in which such offer or invitation would be unlawful. By purchasing the Bonds, investors represent and agree to all of those provisions contained in that section of this Offering Circular.

***The appointment of China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as Trustee, Registrar, Principal Agent and Transfer Agent in respect of the Bonds is subject to the completion of satisfactory know your client procedures by China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司).***

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 Company, the Group, the Bonds or the Guarantee of the Bonds, other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Company, the Group, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents or advisors. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Company or the Group, or any of them since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Company, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents or advisors to subscribe for or purchase, any of the Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

**Singapore Securities and Futures Act Product Classification** – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the “**SFA**”), the Issuer has determined, and hereby notifies all relevant persons (as defined in



Section 309A(1) of the SFA) that the Bonds are “prescribed capital markets products” (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 (the “**SF (CMP) Regulations**”) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

This Offering Circular is being furnished by the Issuer and the Company in connection with the offering of the Bonds exempt from registration under the Securities Act 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 Company 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 offered by this Offering Circular 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 and no responsibility or liability is accepted, by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents or advisors 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 of the Bonds 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 affiliates, directors, employees, agents or advisors or any person who controls any of them. The Joint Lead Managers, the Trustee and the Agents and their respective affiliates, directors, employees, agents or advisors or 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.

To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, directors, employees, agents or advisors 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 Company, the Group, the issue and offering of the Bonds or the giving of the Guarantee of the Bonds. Each of the Lead Manager, the Trustee, the Agents and their respective affiliates, directors, employees, agents or advisors 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 affiliates, directors, employees, agents or advisors or any person who controls any of them undertakes to review the financial condition or affairs of the Issuer, the Company 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 affiliates, directors, employees, agents or advisors 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 Company, the Joint Lead Managers, the Trustee or the Agents that any recipient of this Offering Circular should purchase the Bonds. Each potential purchaser of the Bonds should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Bonds should be based upon such investigations with its own tax, legal and business advisors as it deems necessary.

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 Company 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.

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

Investors are advised to read and understand the contents of this Offering Circular before investing. If in doubt, investors should consult his or her advisor. The Issuer, the Company, the Group, the Joint Lead Managers, the Trustee and the Agents and their respective affiliates, directors, employees, agents or advisors are not making any representation to any purchaser of the Bonds regarding the legality of any investment in the Bonds by such purchaser under any legal investment or similar laws or regulations.

The contents of this Offering Circular should not be construed as providing legal, business, accounting or investment advice. 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 affiliates, directors, employees, agents or advisors or any person who controls any of them in connection with its investigation of the accuracy of such information or its investment decision.

All non-company specific statistics and data relating to the Group's industry or the economies of pertinent jurisdictions, such as the PRC, have been extracted or derived from publicly available information and various government sources. Each of the Issuer and the Company believes that the sources of this information are appropriate for such information and each of the Issuer and the Company has taken reasonable care in extracting and reproducing such information. Neither the Issuer nor the Company has reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, this information has not been independently verified by the Issuer, the Company or the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents or advisors and none of the Issuer, the Company, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents or advisors or any person who controls any of them makes any representation as to the correctness, accuracy or completeness of that information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified. Accordingly, such information should not be unduly relied upon.

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

Unless otherwise specified or the context requires, references herein to "**Renminbi**" or "**RMB**" are to the lawful currency of the PRC, references herein to "**HKD**" are to the lawful currency of Hong Kong, references herein to "**U.S. dollars**" or "**U.S.\$**" are to the lawful currency of the United States of America, references to "**HKFRS**" are to Hong Kong Financial Reporting Standards. In addition, references herein to the financial ratios of the Company and defined terms used in the calculation of such ratios may differ from those in the "*Terms and Conditions of the Bonds*".

Unless otherwise stated in this Offering Circular, all translations from Renminbi into U.S. dollars were made at the rate of RMB6.7896 to U.S.\$1.00, the noon buying rate in New York City as certified by the Federal Reserve Bank of New York for customs purposes for cable transfers payable in Renminbi on 30 September 2020, as set forth in the H.10 statistical release of the Federal Reserve Board. 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. For further information relating to the exchange rates, see "*Exchange Rate Information*".

The contents of this Offering Circular have not been reviewed by any regulatory authority in Hong Kong. Investors are advised to exercise caution in relation to the offer. If investors are in any doubt about any of the contents of this Offering Circular, investors should obtain independent professional advice.

## PRESENTATION OF FINANCIAL INFORMATION

The consolidated financial information of the Group as at and for the years ended 31 December 2017, 2018 and 2019 has been extracted from the audited consolidated financial statements of the Group as at and for the years ended 31 December 2018 and 2019 (the “**Annual Financial Information**”), which have been prepared and presented in accordance with the Accounting Standards for Business Enterprises in the PRC (the “**PRC GAAP**”) and included elsewhere in this Offering Circular. The audited consolidated financial statements of the Group as at and for the years ended 31 December 2018 and 2019 have been audited by Mazars Certified Public Accountants LLP (“**Mazars**”) in accordance with the PRC GAAP.

This Offering Circular also includes certain consolidated financial information of the Group as at and for the nine months ended 30 September 2019 and 2020 which has been extracted from the reviewed consolidated financial statements of the Group as at and for the nine months ended 30 September 2020 (the “**Interim Financial Information**”). The Interim Financial Information has been reviewed but not audited by Mazars. As a result, the Interim Financial Information should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit. Potential investors must exercise caution when using such data to evaluate the Group’s financial condition and results of operations. None of Joint Lead Managers makes any representation or warranty, express or implied, regarding the sufficiency of such Interim Financial Information for an assessment of, and potential investors must exercise caution when using such data to evaluate, the Group’s financial condition, results of operations and results. Such Interim Financial Information should not be taken as an indication of the expected financial condition, results of operations and results of the Group for the full financial year ending 31 December 2020.

The Annual Financial Information and the Interim Financial Information were prepared in Chinese and an English translation (“**Financial Statements Translation**”) has been prepared and included in this Offering Circular for reference only.

The Financial Statements Translation does not itself constitute audited or reviewed financial statements. None of the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, directors, officers, employees, agents, representatives and advisers 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 using such financial information to evaluate the Group’s financial condition, results of operations and cash flows.

The financial statements are prepared and presented in Renminbi.

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

## CERTAIN DEFINED TERMS AND CONVENTIONS

We have prepared this Offering Circular using a number of conventions which you should consider when reading the information contained herein. In this Offering Circular, references to:

“**BVI**” are to the British Virgin Islands;

“**CBRC**” are to China Bank Regulatory Commission (中國銀行業監督管理委員會) (which was merged with the China Insurance Regulatory Commission (中國保險監督管理委員會) to form the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會) in April 2018);

“**CSRC**” are to China Securities Regulatory Commission (中國證券監督管理委員會);

“**GDP**” are to gross domestic product (國內生產總值);

“**Guarantor**” or “**Company**” are to Ninghai City Investment Group Ltd. (寧海縣城投集團有限公司), a limited liability company incorporated in the PRC;

“**Group**”, “**we**”, “**us**” or “**our**” are to Ninghai City Investment Group Ltd. (寧海縣城投集團有限公司) and its subsidiaries;

“**Issuer**” are to Goucheng International Co., Ltd., a business company with company number 2045125, incorporated with limited liability in BVI on 1 October 2020;

“**MOF**” are to Ministry of Finance of the People’s Republic of China (中華人民共和國財政部);

“**NDRC**” are to National Development and Reform Commission (中華人民共和國國家發展和改革委員會) and its local counterparts;

“**Ninghai SAMC**” are to Ninghai County State-owned Assets Management Centre (寧海縣國有資產管理中心);

“**Ninghai SASAB**” are to Ninghai County State-owned Assets Supervision and Administration Bureau (寧海縣國有資產監督管理局) (Ninghai SASAB changed its name into Ninghai SAMC in July 2020);

“**PBOC**” are to the People’s Bank of China (中國人民銀行);

“**PRC government**” are to the central government of the PRC and its political subdivisions, including provincial, municipal and other regional or local government entities, and instrumentalities thereof, or where the context requires, any of them;

“**SAFE**” are to State Administration of Foreign Exchange of the PRC (國家外匯管理局) or its local counterparts.

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 such rounding.

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



## FORWARD-LOOKING STATEMENTS

This Offering Circular includes forward-looking statements. All statements other than statements of historical facts contained in this Offering Circular, including, without limitation, those regarding the Group's future financial position, strategies, plans, objectives, goals, targets and future developments in the markets where the Group participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe", "expect", "estimate", "predict", "aim", "intend", "will", "may", "plan", "consider", "anticipate", "seek", "should", "could", "would", "continue", or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those expressed or implied by the forward-looking statements include, among other things, the following:

- the Group's business prospects and business opportunities that the Group may pursue;
- the Group's ability to successfully implement its business plans and strategies;
- the Group's capital expenditure plans and its ability to carry out those plans;
- access and cost of capital and financing;
- the Group's financial condition and performance and capital expenditure plans;
- changes in competitive conditions and the Group's ability to compete under these conditions;
- performance of the obligations and commitments of the third parties service provider under the existing and future servicing agreements;
- fluctuations in prices of and demand for products and services that the Group provides;
- changes in political, economic, legal and social conditions in the PRC;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industry and markets in which the Group operates;
- 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; and
- changes in the global economic conditions and material volatility in the global financial markets.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed in "*Risk Factors*" and elsewhere in this Offering Circular. We caution you not to place undue reliance on these forward-looking statements, which reflect the Group's management's view only as at the date of this Offering Circular and are not a guarantee of future performance. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur in the way we expect, or at all. All forward-looking statements contained in this Offering Circular are qualified by reference to the cautionary statements set out in this section.

## TABLE OF CONTENTS

	<b>Page</b>
IMPORTANT NOTICE .....	i
PRESENTATION OF FINANCIAL INFORMATION .....	iv
CERTAIN DEFINED TERMS AND CONVENTIONS .....	v
FORWARD-LOOKING STATEMENTS .....	vi
SUMMARY .....	1
THE OFFERING .....	4
SUMMARY FINANCIAL INFORMATION .....	7
RISK FACTORS .....	10
EXCHANGE RATE INFORMATION .....	39
USE OF PROCEEDS .....	41
CAPITALISATION AND INDEBTEDNESS .....	42
TERMS AND CONDITIONS OF THE BONDS .....	43
SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM .....	62
DESCRIPTION OF THE ISSUER .....	64
DESCRIPTION OF THE GROUP .....	65
DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY .....	85
TAXATION .....	87
SUMMARY OF CERTAIN DIFFERENCES BETWEEN PRC GAAP AND IFRS .....	91
SUBSCRIPTION AND SALE .....	93
PRC REGULATIONS .....	97
GENERAL INFORMATION .....	106
INDEX TO FINANCIAL STATEMENTS .....	F-1

## 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 prospective investors in deciding whether to invest in the Bonds. Terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Prospective investors should read this Offering Circular in its entirety, including the section entitled “Risk Factors” and the financial statements and related bonds thereto, before making an investment decision.*

### Overview

The Group is one of the primary state-owned assets management and infrastructure construction platforms of the Ninghai Municipal Government focusing on primary land development, resettlement housing and price-capped housing and water supply and water treatment in Ninghai and is indirectly controlled by Ninghai SAMC. Established in 2000 and designated to carry out the Ninghai Municipal Government’s blueprint for municipal development in Ninghai, the Group has established itself as a leading state-owned asset management company in Ninghai and plays an important role in the urbanisation of Ninghai.

For the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, the Group’s total operating revenue was RMB1,620.2 million, RMB2,389.0 million, RMB2,137.5 million and RMB1,553.3 million, respectively, and its gross profit was RMB573.7 million, RMB702.1 million, RMB465.3 million and RMB368.5 million, respectively. The Group’s net profit was RMB226.3 million, RMB272.8 million, RMB280.4 million and RMB459.7 million, respectively, for the same periods indicated above.

The Group’s operation and investment primarily focus on four major business segments, namely (i) primary land development, (ii) resettlement housing and price-capped housing, (iii) water supply and water treatment and (iv) commercial leasing. Set forth below is an overview of the major business segments of the Group:

- **Primary Land Development.** The Group is the only entity designated by the Ninghai Municipal Government to conduct primary land development in Ninghai urban area. The Group commenced primary land development in 2003, primarily through the Company. The Group prepares land for sale to secondary developers by levelling and clearing undeveloped land. As at 31 December 2019, the Group had completed the primary development of more than ten thousand Mu (畝) of land.

For the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, operating revenue generated from the Group’s primary land development business was RMB531.9 million, RMB1,037.4 million, RMB902.1 million and RMB630.0 million, respectively, representing 32.8 per cent., 43.4 per cent., 42.2 per cent. and 40.6 per cent. of the Group’s total operating revenue for the same periods, respectively.

- **Resettlement Housing and Price-capped Housing.** The Group engages in resettlement housing and price-capped housing business mainly through three of its members, namely, the Company, Ninghai Municipality Urban Construction Real Estate Development Co., Ltd. (寧海縣城建房地產開發有限公司) (“**Ninghai Real Estate Co.**”) and Ninghai County New Times Urban Construction Investment Co., Ltd. (寧海縣新時代城市建設投資有限公司) (“**Ninghai New Times Co.**”). The Ninghai Municipal Government has mandated the Group to construct and sell resettlement housing for the resettlement of former residents of land expropriated for the development of the related area and price-capped housing in accordance with the government’s policy.

For the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, operating revenue generated from the Group’s resettlement housing and price-capped housing business was RMB477.5 million, RMB871.5 million, RMB815.7 million and RMB606.6 million, respectively, representing 29.5 per cent., 36.5 per cent., 38.2 per cent. and 39.1 per cent. of the Group’s total operating revenue for the same periods, respectively.

- **Water Supply and Water Treatment.** The Group engages in water supply and water treatment business through two of its members, including Ninghai Municipality Water Affairs Group Co., Ltd. (寧海縣水務集團有限公司) (“**Ninghai Water Affairs Co.**”) and Ninghai Municipality Water Supply Co., Ltd. (寧海縣供水有限公司) (“**Ninghai Water Supply Co.**”), which are both the sole state-owned enterprise authorised by the Ninghai Municipal Government to engage in water supply and water treatment in Ninghai, respectively.

For the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, operating revenue generated from the Group’s water supply and water treatment business was RMB180.7 million, RMB193.0 million, RMB225.4 million and RMB145.3 million, respectively, representing 11.2 per cent., 8.1 per cent., 10.5 per cent. and 9.4 per cent. of the Group’s total operating revenue for the same periods, respectively.

- **Commercial Leasing.** The Group engages in commercial leasing business through its member, Ninghai She Pan Tu Ocean Development Co., Ltd. (寧海縣蛇蟠塗海洋開發有限公司) (“**She Pan Tu Co.**”). The Group leases its properties in Ninghai, including commercial properties, office buildings and warehouses. The Group normally enters into leases for a period of two to ten years for commercial property leasing, one year for shop and market stall leasing and five to ten years for culture ponds leasing. As at 31 December 2019, the Group had leasable properties with a total GFA of 4.0 million square metres, of which approximately 80.6 per cent. had been leased.

For the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, operating revenue generated from the Group’s commercial leasing business was RMB106.8 million, RMB118.2 million, RMB111.9 million and RMB44.0 million, respectively, representing 6.6 per cent., 5.0 per cent., 5.2 per cent. and 2.8 per cent. of the Group’s total operating revenue for the same periods, respectively.

### **Competitive Strengths**

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

- The Group is well positioned to benefit from the economic growth and strategic location of Ninghai.
- The Group is one of the primary state-owned assets management and infrastructure construction platforms under the control of Ninghai SAMC.
- The Group benefits from strong support from the Ninghai Municipal Government.
- The Group has a strong project pipeline with abundant land reserves warranting sustainable revenue and operating cash inflow from primary land development in the future.
- The Group has access to diverse source of funding.
- The Group is led by an experienced management and operations team.

### **Business Strategies**

The Group intends to implement the following strategies to achieve its business objectives:

- Actively continue to focus on primary land and resettlement housing and price-capped housing in Ninghai.
- Explore new business opportunities and sources of revenue.
- Continue to enhance financial management and risk control system.

## **Recent Development**

### ***The Recent Coronavirus Epidemic Outbreak***

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

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



## THE OFFERING

*The following summary contains some basic information about the Bonds 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” shall have the same meanings in this summary. For a complete description of the terms of the Bonds, see “Terms and Conditions of the Bonds” in this Offering Circular.*

<b>Issuer</b> .....	Goucheng International Co., Ltd.
<b>Company</b> .....	Ninghai City Investment Group Ltd. (寧海縣城投集團有限公司)
<b>Bonds</b> .....	U.S.\$100,000,000 3.50 per cent. Guaranteed Bonds due 2023
<b>Guarantee of the Bonds</b> .....	The Company has unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Bonds.
<b>Issue Price</b> .....	100.00 per cent. of the principal amount
<b>Form and Denomination</b> .....	The Bonds will be issued in registered form in the denomination of U.S.\$200,000 each and integral multiples of U.S.\$1,000 in excess thereof.
<b>Interest</b> .....	The Bonds will bear interest from and including 16 December 2020 at the rate of 3.50 per cent. per annum, payable semi-annually in arrear in equal instalments on 16 June and 16 December in each year.
<b>Issue Date</b> .....	16 December 2020
<b>Maturity Date</b> .....	16 December 2023
<b>Status of the Bonds</b> .....	The Bonds will constitute direct, general, unsubordinated, unconditional and (subject to Condition 3(a) ( <i>Covenants – Negative Pledge</i> ) of the Terms and Conditions) unsecured obligations of the Issuer which will at all times rank <i>pari passu</i> among themselves and at least <i>pari passu</i> with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
<b>Status of the Guarantee of the Bonds</b> .....	The Guarantee of the Bonds will constitute direct, general, unsubordinated, unconditional and (subject to Condition 3(a) ( <i>Covenants – Negative Pledge</i> ) of the Terms and Conditions) unsecured obligations of the Company which will at all times rank at least <i>pari passu</i> with all other present and future unsecured obligations of the Company, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

See “*Risk Factors – Risks relating to the Bonds and the Guarantee of the Bonds*”.

<b>Negative Pledge</b> .....	The Bonds will contain a negative pledge provision as further described in Condition 3(a) ( <i>Covenants – Negative pledge</i> ) of the Terms and Conditions.
<b>Redemption at Maturity</b> .....	Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 16 December 2023, subject as provided in Condition 6 of the Terms and Conditions.
<b>Taxation</b> .....	All payments of principal, premium (if any) and interest in respect of the Bonds by or on behalf of the Issuer or the Company shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the BVI or the PRC or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. Where such withholding or deduction is made by the Issuer or (as the case may be) the Company by or within the PRC up to and including the aggregate rate applicable on 10 December 2020 (the “ <b>Applicable Rate</b> ”), the Issuer or the Company, as the case may be, will pay such additional amounts as will result in receipt by the Bondholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required. In the event the Issuer or (as the case may be) the Company is required to make a deduction or withholding (i) by or within the PRC, in excess of the Applicable Rate or (ii) by or within the BVI, the Issuer or the Company, as the case may be, shall pay such additional amounts (the “ <b>Additional Tax Amounts</b> ”) as will result in receipt by the Bondholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Tax Amounts shall be payable in respect of any Bond in the circumstances set out in Condition 7 of the Terms and Conditions.
<b>Redemption for Tax Reasons</b> .....	The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice to the Bondholders (which notice shall be irrevocable) at their principal amount, together with interest accrued to (but not including) the date fixed for redemption, at any time in the event of certain changes affecting taxes of the BVI or the PRC, as further described in “ <i>Terms and Conditions – Redemption and Purchase – Redemption for tax reasons</i> ”.
<b>Redemption for Relevant Event</b> ...	At any time following the occurrence of a Relevant Event, the Holder of any Bond will have the right, at such Holder’s option, to require the Issuer to redeem all but not some only of that Holder’s Bonds on the Put Settlement Date at a price equal to 101 per cent. (in the case of a Change of Control) or 100 per cent. (in the case of a Non-Registration Event) of their principal amount, in each case together with accrued interest to (but not including) such Put Settlement Date, as further described in “ <i>Terms and Conditions – Redemption and Purchase – Redemption for Relevant Event</i> ”.

<b>Events of Default</b> .....	Upon the occurrence of certain events as described in Condition 8 of the Terms and Conditions, the Trustee at its discretion may and, if so requested in writing by Holders of at least one quarter of the aggregate principal amount of the outstanding Bonds or if so directed by an Extraordinary Resolution, shall (subject to the Trustee first having been indemnified and/or secured and/or pre-funded to its satisfaction) give written notice to the Issuer that the Bonds are, and they shall be immediately become due and payable at their principal amount together with accrued but unpaid interest (if any) without further action or formality.
<b>Cross-Default</b> .....	The Bonds will contain a cross-default provision as further described in Condition 8(c) of the Terms and Conditions.
<b>Clearing Systems</b> .....	The Bonds will be represented by beneficial interests in the Global Bond Certificate in registered form, which will be registered in the name of a nominee of, and deposited on or about the Issue Date with a common depository for, Euroclear and Clearstream. Beneficial interests in the Global Bond 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 beneficial interests in the Global Bond Certificate.
<b>Clearance and Settlement</b> .....	The Bonds have been accepted for clearance by Euroclear and Clearstream under the following codes: ISIN: XS2270573194 Common Code: 227057319
<b>Governing Law</b> .....	English law.
<b>Jurisdiction</b> .....	Exclusive jurisdiction of Hong Kong courts.
<b>Trustee</b> .....	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司)
<b>Principal Paying Agent, Paying Agent, Registrar and Transfer Agent</b> .....	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司)
<b>Listing</b> .....	Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only as described in this Offering Circular.
<b>Use of Proceeds</b> .....	See “ <i>Use of Proceeds</i> ”.
<b>Legal Entity Identifier of the Issuer</b> .....	655600MKZYMJM4YOHNS0

## SUMMARY FINANCIAL INFORMATION

*The following tables set forth the summary consolidated financial information of the Group as at and for the periods indicated.*

*The selected consolidated financial information as at and for the years ended 31 December 2017, 2018 and 2019, as set out below, have been derived from the Group's audited consolidated financial statements as at and for the years ended 31 December 2018 and 2019, which have been audited by Mazars, the independent auditor of the Group, and are included elsewhere in this Offering Circular.*

*The summary consolidated financial information as at and for the nine months ended 30 September 2019 and 2020 set forth below have been derived from the unaudited but reviewed consolidated interim financial statements of the Group as at and for the nine months ended 30 September 2020, which have been reviewed by Mazars and should be read in conjunction with the unaudited but reviewed consolidated interim financial statements of the Group as at and for the nine months ended 30 September 2020, including the notes thereto, which are included elsewhere in this Offering Circular. Such unaudited consolidated interim financial information as at and for the nine months ended 30 September 2020 should not be taken as an indication of the expected business, financial condition and results of operations as at and for the full year ending 31 December 2020. The Group's consolidated financial statements and information are prepared and presented in accordance with PRC GAAP.*

The Group's consolidated financial statements as at and for the years ended 31 December 2018 and 2019 and as at and for the nine months ended 30 September 2020 (the "**Consolidated Financial Statements**") have only been prepared in Chinese (the "**Chinese Financial Statements**"). An English translation of the Chinese Financial Statements (the "**Financial Statements Translation**") has been prepared and included 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 is qualified in its entirety by, and is subject to, the financial information set out or referred to in, the Chinese Financial Statements.

The Joint Lead Managers have not independently verified or checked the accuracy of the Financial Statements Translation and can give no assurance that the information contained in the Financial Statements Translation is accurate, truthful or complete.

## Summary of Consolidated Income Statements of the Group

	Year Ended 31 December			Nine months Ended 30 September	
	2017	2018	2019	2019	2020
	(Audited)	(Audited)	(Audited) RMB	(Unaudited)	(Unaudited)
<b>Total operating revenue</b> .....	<b>1,620,208,405.9</b>	<b>2,388,986,903.8</b>	<b>2,137,468,885.3</b>	<b>1,720,099,822.3</b>	<b>1,553,272,537.6</b>
Including: operating revenue .....	1,620,208,405.9	2,388,986,903.8	2,137,468,885.3	1,720,099,822.3	1,553,272,537.6
<b>Total operating cost</b> .....	<b>1,587,424,627.0</b>	<b>2,140,787,242.3</b>	<b>2,317,928,741.8</b>	<b>1,664,368,355.8</b>	<b>1,624,167,276.1</b>
Include: operating costs .....	1,046,500,357.9	1,686,914,757.5	1,672,143,442.1	1,177,490,063.3	1,184,798,292.2
Taxes and surcharges .....	19,696,067.1	20,960,838.5	16,200,232.1	8,499,592.8	5,786,922.3
Selling expenses .....	36,266,178.6	38,834,930.0	33,235,928.0	22,657,764.0	19,850,320.6
Administrative expenses .....	178,494,027.3	184,018,228.9	136,827,477.6	98,817,903.9	78,835,953.3
Finance Costs .....	295,566,553.6	210,058,487.4	459,521,661.9	356,903,031.8	334,895,787.8
Including: interest expenses .....	320,923,227.5	224,468,634.5	491,218,313.6	385,037,737.9	364,976,591.7
Interest income .....	47,513,641.7	23,228,190.3	32,564,738.4	28,978,647.4	31,452,016.4
Add: other income .....	256,959,689.5	30,201,447.1	3,402,990.0	2,890,300.0	3,865,982.9
Investment income .....	23,267,145.3	(4,286,498.8)	654,375,700.4	643,900,209.1	533,155,020.0
Including: income from investments in associates and joint ventures .....	(12,750,056.5)	(3,674,050.7)	32,038,680.3	21,563,189.0	(4,157,842.3)
Gains from changes in fair value .....	–	23,982,720.2	(227,990,438.7)	(249,753,138.1)	–
Impairment loss on asset .....	–	8,122,409.8	3,465,578.6	10,027,430.0	3,066,860.0
Gains on disposal of assets .....	–	(78,221.2)	48,083.8	(6,487.9)	(14,576.2)
<b>Operating Profit</b> .....	<b>313,010,613.7</b>	<b>306,141,518.6</b>	<b>252,842,057.6</b>	<b>462,789,779.6</b>	<b>469,178,548.1</b>
Add: non-operating revenue .....	2,198,715.5	4,404,426.7	1,859,479.3	1,464,834.2	1,148,240.9
Less: non-operating expenses .....	2,798,370.7	1,378,401.0	2,587,609.9	2,201,900.7	7,545,721.2
<b>Total Profit</b> .....	<b>312,410,958.5</b>	<b>309,167,544.3</b>	<b>252,113,927.0</b>	<b>462,052,713.0</b>	<b>462,781,067.8</b>
Less: income tax expense .....	86,100,787.7	36,374,647.7	(28,277,372.2)	(47,542,847.9)	3,091,496.9
<b>Net Profit</b> .....	<b>226,310,170.8</b>	<b>272,792,896.6</b>	<b>280,391,299.1</b>	<b>509,595,560.9</b>	<b>459,689,570.9</b>
Classification in accordance with going concern .....					
Net profit from continuing operations .....	226,310,170.8	272,792,896.6	280,391,299.1	509,595,560.9	459,689,570.9
Net profit from discontinued operations .....	–	–	–	–	–
Classification in accordance with attribution .....					
Attributable to owners of the parent company .....	140,644,595.9	274,367,668.3	272,751,248.4	503,460,773.4	456,891,323.9
Minority interest .....	85,665,574.9	(1,574,771.7)	7,640,050.8	6,134,787.5	2,798,247.0
<b>Other comprehensive income after tax</b> .....	<b>–</b>	<b>11,114,467.2</b>	<b>221,556,350.1</b>	<b>221,556,350.1</b>	<b>–</b>
<b>Total Comprehensive Income</b> .....	<b>226,310,170.8</b>	<b>283,907,363.8</b>	<b>501,947,649.2</b>	<b>731,151,911.0</b>	<b>459,689,570.9</b>
Attributable to owners of the parent company .....	140,644,595.9	285,482,135.5	494,307,598.5	725,017,123.5	456,891,323.9
Attributable to minority shareholders .....	85,665,574.9	(1,574,771.7)	7,640,050.8	6,134,787.5	2,798,247.0



## Summary of Consolidated Balance Sheets of the Group

	As at 31 December			As at
	2017	2018	2019	30 September
	(Audited)	(Audited)	(Audited)	(Unaudited)
	RMB			
<b>Current assets</b>				
Cash and cash equivalents.....	2,480,347,617.7	2,308,299,919.1	2,559,596,610.5	3,691,794,824.0
Notes receivable & Accounts receivable .....	1,025,055,640.5	248,655,472.9	64,645,336.7	50,404,595.4
Prepayments .....	1,923,043,389.1	898,657,347.2	776,970,658.9	636,857,822.9
Other receivables.....	6,350,303,314.6	6,884,545,301.2	7,009,136,887.2	7,662,798,433.0
Inventory .....	22,160,838,068.4	22,105,827,474.7	21,979,186,396.7	21,889,582,774.8
Other current assets.....	48,242,293.8	109,233,901.1	113,011,716.7	115,260,854.8
<b>Total current assets .....</b>	<b>33,987,830,324.0</b>	<b>32,555,219,416.1</b>	<b>32,502,547,606.7</b>	<b>34,046,699,304.8</b>
<b>Non-current assets</b>				
Available-for-sale financial assets .....	229,550,000.0	188,367,325.0	188,417,325.0	108,817,325.0
Long-term equity investments .....	199,368,504.6	1,347,385,032.4	1,406,080,633.7	1,674,463,027.8
Investment real estate.....	462,902,084.9	523,431,314.5	2,183,023,140.0	1,903,816,000.0
Fixed assets.....	1,713,484,254.2	1,579,748,487.4	1,093,668,657.5	992,665,965.8
Construction in progress .....	6,211,971,380.7	953,084,779.8	1,637,950,636.8	1,862,674,214.1
Intangible assets .....	204,953,004.5	39,181,599.9	27,768,986.7	17,968,659.1
Long-term deferred expenses .....	13,219,348.4	10,065,477.1	7,480,927.8	5,503,261.3
Deferred tax assets .....	10,239,028.8	5,131,542.0	3,193,637.1	2,363,101.4
Other non-current assets.....	3,459,298,803.5	5,850,914,807.8	4,046,855,176.6	4,136,781,207.9
<b>Total non-current assets.....</b>	<b>12,504,986,409.5</b>	<b>10,497,310,365.9</b>	<b>10,594,439,121.1</b>	<b>10,705,052,762.4</b>
<b>Total assets.....</b>	<b>46,492,816,733.5</b>	<b>43,052,529,782.0</b>	<b>43,096,986,727.8</b>	<b>44,751,752,067.1</b>
<b>Current liabilities</b>				
Short-term borrowings.....	2,634,850,000.0	2,002,530,000.0	3,114,325,000.0	3,787,750,000.0
Notes payable & Accounts payable.....	442,795,916.1	931,669,013.6	553,478,824.6	988,884,205.1
Advance from customers.....	767,528,813.1	652,907,787.1	662,809,114.9	616,862,362.2
Payroll payable .....	8,691,457.2	12,412,775.1	12,545,517.6	2,776,604.7
Taxes and surcharges payable .....	359,423,773.8	205,349,063.1	218,343,442.7	187,346,472.6
Other payables .....	14,968,427,413.9	13,686,648,169.4	9,558,876,634.4	7,792,732,569.5
Non-current liabilities due within one year .....	2,303,857,686.6	4,811,894,021.9	3,146,444,659.8	2,560,773,263.5
<b>Total current liabilities.....</b>	<b>21,485,575,060.6</b>	<b>22,303,410,827.2</b>	<b>17,266,823,193.8</b>	<b>15,937,125,477.6</b>
<b>Non-current liabilities</b>				
Long-term borrowings.....	7,269,105,642.2	2,433,950,000.0	1,913,368,800.0	2,750,620,000.0
Bonds payable.....	1,829,423,325.3	1,551,779,779.4	6,244,787,830.0	8,620,564,266.7
Long-term payables.....	977,097,791.0	1,515,733,430.7	2,348,132,426.7	2,117,171,599.1
Deferred income.....	79,743,981.0	69,217,400.0	77,159,400.0	77,159,400.0
Deferred tax liabilities .....	–	32,689,982.0	61,146,347.2	51,686,287.5
<b>Total non-current liabilities .....</b>	<b>10,155,370,739.4</b>	<b>5,603,370,592.1</b>	<b>10,644,594,803.8</b>	<b>13,617,201,553.2</b>
<b>Total liabilities.....</b>	<b>31,640,945,800.0</b>	<b>27,906,781,419.3</b>	<b>27,911,417,997.5</b>	<b>29,554,327,030.9</b>
<b>Owners' equity</b>				
Paid-in capital .....	500,000,000.0	1,000,000,000.0	1,000,000,000.0	1,000,000,000.0
Capital reserves.....	10,793,449,127.1	11,068,316,023.2	10,607,799,741.5	10,278,488,906.6
Other comprehensive income .....	–	108,172,330.9	329,728,681.0	273,997,695.4
Surplus reserves .....	206,424,774.5	234,039,315.3	234,039,315.3	234,039,315.3
Retained earnings.....	2,335,555,088.8	2,522,044,222.3	2,794,795,470.7	3,251,686,794.6
Total equity attributable to owners of the parent company .....	13,835,428,990.5	14,932,571,891.8	14,966,363,208.5	15,038,212,711.9
Minority interests .....	1,016,441,943.1	213,176,470.9	219,205,521.7	159,212,324.3
<b>Total owners' equity .....</b>	<b>14,851,870,933.5</b>	<b>15,145,748,362.7</b>	<b>15,185,568,730.2</b>	<b>15,197,425,036.3</b>
<b>Total liabilities and owners' equity .....</b>	<b>46,492,816,733.5</b>	<b>43,052,529,782.0</b>	<b>43,096,986,727.8</b>	<b>44,751,752,067.1</b>

## RISK FACTORS

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

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

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

### RISKS RELATING TO THE GROUP'S BUSINESS

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

The Group's businesses and assets are highly concentrated in Ninghai, Ningbo, Zhejiang Province. For the three years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, revenue derived from Ninghai accounted for substantially all of the Group's revenue. Therefore, the Group's businesses, financial conditions, results of operations and prospects have been and will continue to be heavily dependent on the level of economic development of Ninghai, Ningbo, Zhejiang Province and the PRC.

The future prospects of economy the PRC, Zhejiang Province, Ningbo and Ninghai depend on many different factors, most of which are beyond the Group's control. It is uncertain how the economic condition and future development in Zhejiang Province, Ningbo and Ninghai will be affected by the slowdown in the growth of the PRC's economy. For example, according to the National Statistic Bureau, the GDP growth rate of China decreased from 9.5 per cent. in 2011 to 6.9 per cent. in 2015, and further to 6.1 per cent. in 2019. Furthermore, due to the outbreak of COVID-19, China's GDP growth was a negative 6.8 per cent. for the first quarter of 2020, a record low GDP growth rate since 1978. Ningbo has experienced a prolonged period of rapid economic growth in recent years. According to Ningbo Municipal Statistics Bureau, Ningbo's GDP increased from RMB984.7 billion in 2017 to RMB1,198.5 billion in 2019, representing a CAGR of 10.3 per cent. However, in line with the slowdown in the GDP growth rate of the PRC, the annual growth rate of Ningbo's GDP slowed down from 7.8 per cent. for the year 2017 to 7.0 per cent. for the year 2018 and further slowed down to 6.8 per cent. for the year 2019. There is no assurance that the economy of the PRC, Zhejiang Province, Ningbo or Ninghai will continue to grow, if at all.

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

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

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

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

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

In light of the strategic importance of some of the Group's businesses to Ninghai, the Group has received various kinds of support (excluding credit support or guarantees provided by the government) from the Ninghai Municipal Government to support its investments in and operation of those businesses. For the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, the aggregate government grants provided to the Group amounted to approximately RMB257.0 million, RMB31.4 million, RMB3.5 million and RMB3.9 million, respectively.

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

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

***Any public assets of the Group, which represents a significant portion of the Group's total assets, should not be taken into account when assessing the Group's businesses, financial conditions, results of operations and prospects.***

According to the Circular of the General Office of the National Development and Reform Commission and the General Office of the Ministry of Finance on Further Strengthening the Corporate Bonds to Serve the Real Economy and Strictly Prevent Local Debt Risks (《國家發展改革委辦公廳、財政部辦公廳關於進一步增強企業債券服務實體經濟能力嚴格防範地方債務風險的通知》) (發改辦財金[2018]194號) (the "Circular 194") promulgated on 8 February 2018 and took effect on the same day, any public assets such as 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, no-charge pipe network facilities and other public assets and the usage rights of reserve land (together, "Public Assets") cannot be counted towards the Group's assets for the purposes of issuing corporate bonds. Similarly, the Circular of the National Development and Reform Commission and the Ministry of Finance on Improvement of Market Regulatory Regime and Strict Prevention of Foreign Debt Risks and Local Government Indebtedness Risks (《國家發展改革委、財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知》) (發改外資[2018]706號) (the "Joint Circular"), promulgated on 11 May 2018 and took effect on the same day, also prevents enterprises incurring medium to long-term foreign debts from counting Public Assets or the rights to use land reserves, as assets owned by the

enterprises for reporting purposes. In addition, the Joint Circular obligates such enterprises may not implicitly or explicitly publicise any misleading link to government credit in offering documentation or otherwise; where an enterprise is owned by a local government entity, the documentation must make clear that the liability of the local government is limited to the amount of its capital contribution and the debts of the enterprise are to be solely repaid by the enterprise itself as an independent legal person. As at 30 September 2020, the Group's Public Assets amounted to approximately RMB2,882.7 million, representing approximately 6.4 per cent. of the Group's total assets. Potential investors should note that such amount of the Group's Public Assets has not been audited by any auditor and as such potential investors must exercise caution when using or placing any reliance on such amount.

In particular, prospective investors should not take into account the Group's Public Assets when assessing the Group's businesses, financial conditions, results of operations and prospects as the Group's Public Assets cannot be utilised to discharge any obligations of the Group, including the repayment of any amount under the Bonds. The Group's Public Assets have not been excluded from the Group's consolidated financial statements included elsewhere in this Offering Circular, potential investors must therefore exercise caution when using such consolidated financial statements to evaluate the Group's businesses, financial conditions, results of operations and prospects.

As the Circular 194 is relatively new and given the limited volume of published decisions relating to the Circular 194, the interpretation and implementation of the Circular 194 involves uncertainties. In addition, there can be no assurance that the PRC Government will not impose additional or stricter laws and regulations relating to foreign debt financing, which may increase the Group's financing costs and in turn could materially and adversely affect the Group's businesses, financial conditions, results of operations and prospects.

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

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

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

On 8 February 2018, the Circular 194 was released which reiterates the PRC Government's position to isolate the debt of local government financing vehicles from the relevant local government and to control the increase of the local governments' debt. The Circular 194 requires companies that plan to issue bonds to establish a sound and standardised corporate governance structure, management decision-making mechanism and financial management system. It further requires that the assets owned by such companies should be of good quality and clear ownership and it is forbidden to include Public Assets in corporate assets for the purposes of issuing corporate bonds. The PRC Government issued the Regulation on the Financing Activities Conducted by Financial Institutions for Local Governments and State-owned

Enterprises (《財政部關於規範金融企業對地方政府和國有企業投融資行為有關問題的通知》)(財金[2018]23號) (the “**MOF Circular**”), promulgated on 28 March 2018 and took effect on the same day, which aims to increase the responsibility of the PRC state-owned financial institutions to investigate into the financial independence and liquidity level of the local government financing vehicles that they assist in fundraising. See “– Any public assets of the Group, which represents a significant portion of the Group’s total assets, should not be taken into account when assessing the Group’s businesses, financial conditions, results of operations and prospects”.

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

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

***The Group’s businesses and prospects to a large extent depend upon the spending or budget of the Ninghai Municipal Government on primary land development, resettlement housing and price-capped housing and water supply and water treatment.***

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

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



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

The Group's business operations require substantial capital resources. For the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, the Group incurred capital expenditures of RMB489.2 million, RMB679.0 million, RMB352.6 million and RMB224.8 million, respectively. The Group has historically satisfied its capital requirement with the cash flow generated from its operating activities, bank loans, issuance of bonds in the PRC, trust financing, financial leasing, other borrowings and subsidies from the Ninghai Municipal Government. The Group will continue to require substantial capital resources to support its business operations and expansion. Any failure to obtain sufficient capital resources on acceptable terms or in a timely manner may materially and adversely affect its business and prospects.

The ability of the Group to generate sufficient operating cash flow is affected by a number of factors, such as the Group's ability to manage and implement business activities, the local government's payment schedule, due performance of the Group's contractors, changes in the general market conditions and regulatory environment and the competition in certain sectors in which the Group operates. For the years ended 31 December 2017, 2018 and 2019, the Group had net operating cash outflow of RMB1,468.8 million, RMB1,119.4 million and RMB3,636.1 million, respectively. There can be no assurance that the Group's operations are able to generate sufficient cash inflow to satisfy its cash need at all times, if at all. Any adverse changes in any of these factors, which may be out of the Group's control, may create capital shortfall. There is no assurance that the Group's operations are able to generate sufficient cash to satisfy the Group's cash need at all times, if at all.

***The Group does not anticipate generating operating cash inflow during the early stages of primary land development, resettlement housing or price-capped housing projects and could require additional financing for future projects.***

The Group faces uncertainties and risks related to the early stages of primary land development and resettlement housing and price-capped housing projects. The Group does not anticipate generating operating cash inflow during these stages and there can be no assurance that the Group will be able to develop these projects to the point where they will become profitable. If the Group cannot successfully develop these projects, it may require additional financing and there can be no assurance that it will be able to obtain such financing on favourable terms or at all. The inability of the Group to recoup its investments in early stage land development projects or obtain additional financing as needed could have a material adverse effect on the Group's business, financial condition and results of operations.

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

The Group relies on bank loans to satisfy a portion of its capital requirements and the Group has had a significant amount of outstanding indebtedness. As at 30 September 2020, the Group's total indebtedness (comprising short-term and long-term borrowings, notes and bonds payables, non-current liabilities due within one year) was approximately RMB18,367.8 million. As at 30 September 2020, the Group had total credit facilities of approximately RMB10,040.0 million, of which approximately RMB2,786.7 million had not been utilised. Substantial indebtedness could impact on the Group's businesses in a number of ways, including:

- requiring the Group to dedicate part of its operating cash flow to service its indebtedness before it receives the government funding;
- increasing the Group's finance costs, thus affecting the overall profits of the Group;
- limiting the Group's flexibility in planning for or responding to changes in the Group's businesses and the industries in which it operates;

- limiting, together with the financial and other restrictive covenants of the Group's indebtedness, among other things, the Group's ability to borrow additional funds; and
- increasing the Group's vulnerability to adverse general economic and industry conditions.

Certain financing contracts entered into by members of the Group contain operational and financial restrictions that prohibit the borrower from incurring additional indebtedness unless it is able to satisfy certain financial ratios, restrict the borrower from creating security or granting guarantees or prohibit the borrower from changing its business and corporate structure, without the lender's prior consent. Such restrictions may negatively affect the Group's ability to respond to changes in market conditions, pursue the business opportunities the Group believes to be desirable, obtain future financing, fund capital expenditures, or withstand a continuing or future downturn in its business. Any of these factors could materially and adversely affect the Group's ability to satisfy its obligations under outstanding financial obligation, such as the Bonds after issuance.

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

As at 30 September 2020, assets of the Group with a total book value of approximately RMB77.0 million were provided as security to secure the loan facilities of the Company or its subsidiaries. Third-party security rights may limit the Group's use of the underlying collateral assets and materially and adversely affect its operation efficiency. If the Company and its subsidiaries are unable to service and repay their debts under such loan facilities on a timely basis, the assets provided as security for such bank loans may be subject to foreclosure, which may materially and adversely affect the Group's businesses, financial conditions, results of operations and prospects.

***The Group faces risks associated with contracting with public bodies.***

As a designated entity controlled by the Ninghai Municipal Government to carry out primary land development, resettlement housing and price-capped housing, water supply and water treatment, commercial leasing and other businesses in Ninghai, the Group collaborates with various governmental authorities and their controlled entities in conducting its businesses, particularly primary land development businesses. Although the Group believes that it currently maintains close working relationships with those governmental authorities and their controlled entities relevant to its businesses, there is no assurance that such close working relationships will be maintained in the future. Local governments and their controlled entities may (i) have economic or business interests or considerations that are inconsistent with the Group's, (ii) take actions contrary to the Group's requests, policies or objectives, (iii) be unable or unwilling to fulfil their contractual obligations in a timely manner, if at all, (iv) change existing policies and project plans without prior notice or consent from the Group for reasons such as government budgeting, (v) encounter financial difficulties, or (vi) have disputes with the Group as to the contractual terms or other matters. In addition, the Group mainly contracts with the Ninghai Municipal Government or other governmental authorities or follows investment plans issued by governmental authorities to develop a large number of infrastructure projects in Ninghai. There is no assurance that the Group will be able to successfully resolve

any material disagreement with the Ninghai Municipal Government or any of the contracting counterparties controlled by the Ninghai Municipal Government in a timely manner, or at all. Disputes with public bodies may last for considerably longer periods of time than for those with private sector counterparties, and payments from the public bodies may be delayed as a result. Any of these may materially and adversely affect the business relationships between the Group and the Ninghai Municipal Government, which may in turn materially and adversely affect the Group's businesses, financial conditions, results of operations and prospects.

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

The Group's accounts receivable mainly comprise the outstanding amounts on payments owed by Ninghai Water Supply Co., Ltd. City South Hall (寧海縣供水有限公司城南營業廳), Ninghai Water Supply Co., Ltd. Qiaotouhu Hall (寧海縣供水有限公司橋頭胡營業廳) and Ninghai Ningdong New City Minerals Co., Ltd. (寧海寧東新城礦產有限公司), as at 30 September 2020. As at 31 December 2017, 2018, 2019 and 30 September 2020, the Group's accounts receivable amounted to RMB1,025.1 million, RMB248.7 million, RMB64.6 million and RMB50.4 million, respectively, representing 2.2 per cent., 0.6 per cent., 0.1 per cent. and 0.1 per cent. of the Group's total assets, respectively.

The Group's other receivables mainly comprise current payment to be paid by relevant government entities, such as Ninghai SAMC and Ninghai Housing and Urban-Rural Development Bureau (寧海縣住房和城鄉建設局) as at 30 September 2020. As at 31 December 2017, 2018, 2019 and 30 September 2020, the Group's other receivables amounted to RMB6,350.3 million, RMB6,884.5 million, RMB7,009.1 million and RMB7,662.8 million, respectively, representing 13.7 per cent., 16.0 per cent., 16.3 per cent. and 17.1 per cent. of the Group's total assets, respectively.

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

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

The Company has a number of subsidiaries and associated companies operating in multiple industries. Through these subsidiaries and associated companies, the Group focuses on five business segments covering a wide range of industries: (i) primary land development, (ii) resettlement housing and price-capped housing, (iii) water supply and water treatment, (iv) commercial leasing, and (v) other businesses. As such, the Group is exposed to business, market and regulatory risks associated with multiple businesses.

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

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

The Company also provides direct funding, guarantees and other support to certain of its subsidiaries in various lines of businesses. For instance, the Company provides loans to, or acts as a guarantor for the borrowings of, certain subsidiaries. If a subsidiary defaults on any borrowings lent or guaranteed by the Company, the Company will not receive the repayment as planned or the relevant creditor may exercise its

right under the guarantee to demand repayment from the Company. The occurrence of either of these types of events may result in a funding shortage of the Company and may materially and adversely affect the Company's ability to provide financial support to its other subsidiaries. If the Company's financial or non-financial support ceases or diminishes for any reason, the operations of the relevant subsidiaries may be materially and adversely affected, which in turn may have a material and adverse impact on the Group's businesses, financial conditions and results of operations.

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

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

***The Group may not successfully implement its growth strategy.***

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

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

The Group relies heavily on its quality control systems to ensure the safety and quality of its projects and products. Therefore, it needs to maintain an effective quality control system for the Group's primary land development, resettlement housing and price-capped housing, water supply and water treatment businesses. The effectiveness of the Group's quality control system depends significantly on a number of factors, including a timely update of the quality control system to suit the ever-changing business needs, the related training programs as well as its ability to ensure that the Group's and the contractors' employees adhere to its quality control policies and guidelines. There can be no assurance that the quality of the projects undertaken by the Group will always meet the required standard. Any failure or deterioration of the Group's quality control systems could result in defects in its projects, which in turn may subject the Group to contractual, product liability and other claims. Any such claims, regardless of whether they are ultimately successful, could cause the Group to incur significant costs, harm its business reputation and result in significant disruption to its operations. Furthermore, if any of such claims are ultimately successful, the Group could be required to pay substantial monetary damages or penalties. Although the Group believes

that its quality control systems have functioned properly, there can be no assurance that failures in its quality control systems will not occur in the future, and any such failure could have a material and adverse effect on the Group's businesses and operations.

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

The Group is required to comply with extensive environmental, safety and health regulations in the PRC. Failure to comply with such regulations may result in fines or suspension or revocation of the Group's licenses or permits to conduct its business. Given the volume and complexity of these regulations, compliance may be difficult or involve significant financial and other resources to establish efficient compliance and monitoring systems. There is no assurance that the Group will be able to comply with all applicable requirements or obtain these approvals and permits on a timely basis, if at all. As at the date of this Offering Circular, the Group has not received any notice regarding non-compliance with the applicable safety regulations or requirements from any government authority. In addition, PRC laws and regulations are constantly evolving. There can be no assurance that the PRC Government will not impose additional or stricter laws or regulations, which may increase compliance costs of the Group.

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

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

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

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

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



- conducting transactions that exceed authorised limits;
- engaging in misrepresentation or fraudulent, deceptive or otherwise improper activities when marketing or selling products;
- engaging in unauthorised or excessive transactions to the detriment of the Group's customers;
- making or accepting the bribery activities;
- conducting any inside dealing; or
- otherwise not complying with applicable laws or the Group's internal policies and procedures.

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

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

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

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

***The Group's business operations are subject to extensive regulation at various levels of government, and any failure to comply with applicable laws, rules and regulations, including obtaining any necessary qualifications, permits, licences or approvals for its operations may materially and adversely affect the Group.***

Certain business activities of the Group, such as energy, infrastructure construction and property development are extensively regulated in the PRC. The operation of these business activities requires a number of approvals, licenses and permits from different governmental authorities. For example, the Group is required to obtain a project approval and the environmental assessment approval at the outset of the project, and as the projects progress, it needs to receive the construction land planning permit (建設用地規劃許可證), the land use right certificate (土地使用權證書), the environment impact evaluation approval (環境影響評價批覆), the construction project planning permit (建設工程規劃許可證) and the construction permit (建築工程施工許可證) at different stages of development. It takes time to obtain all of these approvals and certificates. Governmental authorities in China have broad discretion in implementing and enforcing applicable laws and regulations and in determining the grant of approvals, licenses, permits and certificates necessary for conducting businesses. As at the date of this Offering Circular, the Group has obtained all aforesaid approvals, licences, permits and certificates for its construction projects under

construction save for those which are not required to obtain or complete obtaining as at the date hereof. Failure to obtain the necessary approvals, licenses or permits in a timely manner could result in delay or suspension of business operations and a failure to obtain the necessary approvals, licenses or permits may subject the relevant entities to regulatory or administrative penalties.

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

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

As at 31 December 2017, 2018, 2019 and 30 September 2020, the Group's inventories amounted to RMB22,160.8 million, RMB22,105.8 million, RMB21,979.2 million and RMB21,889.6 million, respectively, representing 47.7 per cent., 51.3 per cent., 51.0 per cent. and 48.9 per cent. of the Group's total assets, respectively. As at 30 September 2020, the Group's inventories mainly comprise land development expenditures, real estate development costs and development products. The Group's inventory of land development expenditures amounted to RMB15,983.3 million, accounting for 73.0 per cent of the Group's total inventories as at the same date. Nevertheless, in accordance with the Group's accounting policies, the Group had not made provision for inventory price changes in the three years ended 31 December 2019. Therefore, a significant decrease in the value of land the Group holds could materially and adversely affect the Group's businesses, financial conditions, results of operations or prospects.

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

The Company is a state-owned enterprise under the supervision of the Ninghai SAMC. As a state-owned enterprise, it is from time to time required to engage and participate in projects and business which are motivated by public interests and social welfare development, including engaging in primary land development business, developing resettlement housing and price-capped housing projects, distribution of water supply and offering water treatment service. For example, for the year ended 2017, the Group's gross profit in its resettlement housing and price-capped housing business were RMB-0.3 million, reflecting a gross profit margin of -0.1 per cent.. The negative operating revenue and gross profit margin in 2017 was primarily due to the large upfront investment made before the project was completed and revenue were recognised. The Group's related profits largely depend on the government's financial subsidies. The profitability of the Group is directly affected by the relevant policy the Ninghai Municipal Government imposed on the sale of resettlement housing and price-capped housing and subsidy incomes in Ninghai. As such, the availability of the financial subsidies in the future in Ninghai will have a significant impact on the income and profits of the Group.

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

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

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

***Adverse events concerning or negative market conditions affecting the Group's existing tenants could have an adverse impact on the Group's ability to attract new tenants, release space, collect rent or renew leases, and thus could adversely affect cash flow from operations and inhibit growth.***

The Group's cash flow from its commercial leasing business depends on the ability to lease space to tenants on economically favourable terms. The Group could be adversely affected by various facts and events over which the Group has limited or no control, such as:

- lack of demand for space in areas where the properties are located;
- inability to retain existing tenants and attract new tenants;
- oversupply of or reduced demand for space and changes in market rental rates;
- defaults by tenants or failure to pay rent on a timely basis;
- the need to periodically renovate and repair marketable space;
- physical damage to properties;
- economic or physical decline of the areas where properties are located; and
- potential risk of functional obsolescence of properties over time.

At any time, any tenant may experience a downturn in its business that may weaken its financial condition. As a result, a tenant may delay lease commencement, fail to make rental payments when due, decline to extend a lease upon its expiration, become insolvent or declare bankruptcy. Any tenant bankruptcy or insolvency, leasing delay or failure to make rental payments when due could result in the termination of the tenant's lease and material losses to the Group. If tenants do not renew their leases as they expire, the Group may not be able to rent the space. Furthermore, leases that are renewed, and some new leases for space that is re-let, may have terms that are less economically favourable than expiring lease terms, or may require the Group to incur significant costs, such as renovations, tenant improvements or lease transaction costs. Any of these events could adversely affect the Group's cash flow from operations and the Group's ability to make distributions to shareholders and service indebtedness. A significant portion of the costs of owning property, such as real estate taxes, insurance, property management fees and debt service payments, are not necessarily reduced when circumstances cause a decrease in rental income from the properties.

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

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

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

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

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

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

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

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

The impacts of COVID-19, and other epidemics and pandemics that may arise in the future, could materially and adversely affect the economies of many nations, particular regions, or the entire global economy, individual companies and the market in general. The full extent of such impacts cannot necessarily be foreseen at the present time. The prolonged occurrence of COVID-19 has, in extreme circumstances, led to the forced suspension or closure of factories, which could in turn materially affect the demand in commercial leasing business and hence the Group may not be able to generate sufficient revenue in its commercial leasing business to cover the costs, or at all.

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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



## **RISKS RELATING TO THE PRC**

***The PRC Government (including but not limited to the Zhejiang Provincial Government, the Ningbo Municipal Government and the Ninghai Municipal Government) has no obligation to pay any amount under the Bonds as payment obligations under the Bonds remain the sole obligation of the Issuer.***

The PRC Government (including but not limited to the Zhejiang Provincial Government, the Ningbo Municipal Government and the Ninghai Municipal Government) is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Bonds in lieu of the Issuer or the Company. The payment obligations under the Bonds remain the sole obligation of the Issuer. This position has been reinforced by the MOF Circular, the Joint Circular, and the Circular 666.

None of the PRC Government (including but not limited to the Zhejiang Provincial Government, the Ningbo Municipal Government and the Ninghai Municipal Government) has any obligation to pay any amount under the Bonds. Investments in the Bonds are based on the credit risk of the Issuer and the Company, rather than analysis of the credit risk of the PRC Government (including the Zhejiang Provincial Government, the Ningbo Municipal Government and the Ninghai Municipal Government). In the event the Group does not fulfil its obligations under the Bonds, investors will only be able to claim as an unsecured creditor against the Group and its assets (which also excluding the public assets as defined above), and not any other person including the PRC Government (including but not limited to the Zhejiang Provincial Government, the Ningbo Municipal Government and the Ninghai Municipal Government), any other local or municipal government authorities. As the MOF Circular, the Joint Circular and the 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 and any adverse interpretation and enforcement of such laws and regulations in the future may materially and adversely affect the Group's businesses, financial conditions, results of operations and prospects.

In addition, any ownership or control by the PRC Government (including but not limited to the Zhejiang Provincial Government, the Ningbo Municipal Government and the Ninghai Municipal Government) does not necessarily correlate to, or provide any assurance as to, the Issuer's financial condition. If the Issuer does not fulfil its obligations under the Bonds and the Trust Deed, the Bondholders will only have recourse against the Issuer, and not the PRC Government.

Similar to other companies beneficially controlled by the PRC Government, the Issuer may be generally perceived to have access to liquidity support from its beneficial controlling shareholder in light of its ownership structure and the nature of its beneficial controlling shareholder, particularly in the event that the Issuer becomes financially distressed. However, the PRC Government as the ultimate shareholder of the Issuer only has limited liability in the form of its equity contribution in the Issuer or the Trust Deed if the Issuer fails to meet its obligations under these instruments, and, as a result, no financial support from any PRC governmental entity may materialise. The Issuer should rely upon 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. The Bonds are solely to be repaid by the Issuer as an obligor under the relevant transaction documents and as an independent legal person.

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

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

After rapidly growing in the past 30 years, the PRC's economy has slowed down in its growth rate since the second half of 2013, raising market concerns that the historic rapid growth may not be sustainable. According to the National Statistics Bureau of the PRC, the annual growth rate of China's GDP in 2019 slowed down to 6.1 per cent. on a year-on-year basis compared to 6.6 per cent. in 2018 and 6.8 per cent.

in 2017. In March 2016, Moody's and S&P changed China's credit rating outlook to "negative" from "stable", which highlighted the country's surging debt burden and questioned the government's ability to enact reforms. In May 2017, Moody's downgraded China's sovereign rating to "A1" from "Aa3" and in September 2017, S&P downgraded China's credit rating to "A+" from "AA-" while changing its outlook to "stable" from "negative". There can be no assurance the economy of the PRC will maintain sustainable growth.

The future performance of China's economy is not only affected by the economic and monetary policies of the PRC Government, but it is also exposed to material changes in global economic and political environments and the performance of certain major developed economies in the world, such as the United States and the European Union. For example, in 2018, the United States government, under the administration of President Donald J. Trump, imposed several rounds of tariffs on various categories of imports from China, and China responded with similarly sized tariffs on U.S. products in retaliation. Since December 2018, both countries began negotiations to resolve the trade conflicts. On 15 January 2020, the U.S. and PRC Government signed the U.S.-China Economic and Trade Agreement (the "**Phase I Agreement**"). However, it remains to be seen whether the Phase I Agreement will be abided by both governments and successfully reduce trade tensions. If either government violates the Phase I Agreement, it is likely that enforcement actions will be taken and trade tensions will escalate. The adoption and expansion of trade restrictions, the occurrence of a trade war, or other governmental action related to tariffs or trade agreements or policies has the potential to materially and adversely affect China's economy, which in turn could materially and adversely impact the Group's businesses, financial conditions and results of operations. In addition, in the United Kingdom, a remain-or-leave referendum on its membership within the European Union was held in June 2016, the result of which favoured the exit of the United Kingdom from the European Union ("**Brexit**"). On 31 January 2020, the United Kingdom officially exited the European Union following a UK-EU Withdrawal Agreement signed in October 2019. The United Kingdom and the European Union will have a transition period until 31 December 2020 to negotiate, among others, trade agreements in details. Given the lack of precedent, it is unclear how Brexit would affect the fiscal, monetary and regulatory landscape within the UK, the EU and globally. This event has resulted in a downgrade of the credit ratings of the United Kingdom and the uncertainty before, during and after the period of negotiation may also create a negative economic impact and increase volatility in global markets.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Substantially all of the Group's assets and the Group's members are located in the PRC. In addition, substantially all of the assets of the directors of the Company and the members of its senior management of the Company are located within the PRC. Therefore, it may not be possible for investors to effect service of process upon the Company or its directors or members of its senior management outside the PRC. The PRC has not entered into treaties or arrangements providing for the recognition of judgment made by courts of most other jurisdictions. Pursuant to the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (Fa Shi [2008] No. 9) (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》)(法釋[2008]9號) (the “**Choice of Court Arrangement**”) which is effective on 1 August 2008, a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a “choice of court” agreement in writing may apply for recognition and enforcement of the judgment in the PRC. Similarly, a party with a final court judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a “choice of court” agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A “choice of court” agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Choice of Court Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute do not enter into a “choice of court” agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against the Company, the Group's assets or the Company's directors or members of its senior management outside the PRC and/or to seek recognition and enforcement for foreign judgments in the PRC. On 18 January 2019, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters between the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the “**2019 Arrangement**”), which is not yet effective, seeks to establish a bilateral legal mechanism with greater clarity and certainty for recognition and enforcement of judgments in a wider range of civil and commercial matters between Hong Kong and the PRC. The 2019 Arrangement will be implemented by local legislation in Hong Kong and will take effect after both Hong Kong and the PRC have completed the necessary procedures to enable implementation. However, the recognition and enforcement of foreign judgements in the PRC are subject to the provisions, limitations, procedures and other terms and requirements of the 2019 Arrangement and there may still be hurdles for investors to effect service of process against the Company, the Group's assets or the Company's directors or members of its senior management outside the PRC and/or to seek recognition and enforcement for foreign judgments in the PRC.

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

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

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



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

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

Under the existing PRC laws and regulations on foreign exchange, payments of current account items, including profit distributions, interest payments and trade and service related foreign exchange transactions, can be made in foreign currencies without prior approval from or registration with the SAFE provided that certain procedural requirements are complied with. Approval from or registration with competent government authorities is required where Renminbi is to be converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC Government may, at its discretion, take measures to restrict access to foreign currencies for current account and capital account transactions under certain circumstances. If the foreign exchange control system prevents the Group from obtaining sufficient foreign currencies to satisfy the Group's foreign currency demands, the Group may not be able to pay interests and/or principal to holders of the Bonds or other foreign currency denominated debt, if any. In addition, there can be no assurance that new laws or regulations will not be promulgated in the future that would have the effect of further restricting the remittance of Renminbi into or out of the PRC.

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

The value of Renminbi against U.S. dollars and other foreign currencies is subject to changes in the PRC's policies, as well as international economic and political developments. On 21 July 2005, the PRC Government adopted a more flexible managed floating exchange rate system to allow the value of Renminbi to fluctuate within a regulated band that is based on market supply and demand with reference to a basket of currencies. From 21 July 2005 to 17 March 2014, the floating band of interbank spot foreign exchange market trading price of Renminbi against U.S. dollars was gradually widened from 0.3 per cent. to 2 per cent. On 11 August 2015, PBOC adjusted the mechanism for market makers to form the central parity rate by requiring them to consider the closing exchange rate of the last trading date, the supply and demand of foreign exchange and the rate change at primary international currencies. On 11 December 2015, the China Foreign Exchange Trade System, a sub-institutional organisation of PBOC, published the Renminbi exchange rate index for the first time which weighs the Renminbi based on 13 currencies, to guide the market in order to measure the Renminbi exchange rate from a new perspective. Although starting from 1 October 2016, Renminbi has been added to the Special Drawing Rights basket created by the International Monetary Fund, there can be no assurance that the PRC Government will continue to gradually liberalise the control over cross-border Renminbi remittances in the future, that any pilot schemes for Renminbi cross-border utilisation will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting the remittance of Renminbi into or outside the PRC.

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



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

As at 31 December 2019, the Group had approximately 1,300 employees. Although the Group enjoys good labour relations with its employees, the Group is unable to predict the outcome of any future labour negotiations. Any conflicts with the Group's employees or contractors and/or their respective unions could have a material and adverse effect on its financial conditions and results of operations.

On 28 December 2012, the PRC Government amended the Labour Contract Law (《勞動合同法》), which amendment became effective on 1 July 2013. The Labour Contract Law establishes additional restrictions and increases the cost to employers upon termination of employees, including specific provisions related to fixed-term employment contracts, temporary employment, probation, consultation with the labour union and employee general assembly, employment without a contract, dismissal of employees, compensation upon termination and overtime work, and collective bargaining. According to the Labour Contract Law, an employer is obligated to sign an unlimited term labour contract with an employee under certain circumstances (including where the employer continues to employ the employee after two consecutive fixed term labour contracts). The employer must also pay compensation to employees if the term of a limited term labour contract expires, unless an employee refuses to extend the labour contract with the employee under the same terms or better terms than those in the original contract. Further, under the Regulations on Paid Annual Leave for Employees (《職工帶薪年休假條例》) which became effective on 1 January 2008, employees who have served more than one year with an employer are entitled to a paid vacation ranging from five to fifteen days, depending on their length of service. Employees who waive such vacation time at the request of employers shall be compensated at three times their daily salaries for each waived vacation day. As a result of these protective labour measures or any additional future measures, the Group's labour costs may increase. There can be no assurance that any disputes, work stoppages or strikes will not arise in the future.

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

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

## RISKS RELATING TO THE BONDS AND THE GUARANTEE OF THE BONDS

*There is uncertainty relating to the enforceability of the Guarantee of the Bonds. If the Company fails to complete the SAFE registration in connection with the Guarantee of the Bonds within the time period prescribed by SAFE, there may be logistical hurdles for cross border payment under the Guarantee of the Bonds.*

On 12 May 2014, the SAFE promulgated the Notice concerning the Foreign Exchange Administration Rules on Cross Border Security and the relating implementation guidelines (collectively the “**SAFE Regulations**”) which stipulates that any guarantee provided by PRC-incorporated entities in favour of offshore creditors in connection with debt financing granted to offshore debtors is required to be registered with the SAFE. Under the SAFE Regulations, the Company is required to register the Guarantee of the Bonds with the SAFE as a procedural matter within 15 business days after the execution of the Deed(s) of Guarantee. In the event that the Company is required to perform its payment obligations under the Guarantee of the Bonds, the Company shall go through the registration procedure pursuant to the SAFE Regulations.

Pursuant to the SAFE Regulations, the approval, registration or recordation granted by the foreign exchange authority to a cross-border guarantee contract, or any other management matter or requirement as specified by the SAFE Regulations, does not constitute an essential element for the effectiveness of such cross-border guarantee contract. However, failure to complete the registration as required may result in relevant punishments under the Foreign Exchange of Cross Border Guarantee Measures. In addition, where the Company fails to complete the registration with the SAFE, the Company must, before performing the obligations under the Guarantee of the Bonds, complete a remedial registration. Only by submitting the registration documents or remedial registration documents will the Company be able to remit funds outside PRC in order to perform its payment obligations under the Guarantee of the Bonds. In addition, if the guarantee liability is a repayment obligation for an issuer under the offshore bond issuance, the equity interests of such issuer must be directly or indirectly held by an onshore entity and the proceeds of the bond issuance must be used for an offshore project in which the onshore entity has an equity interest and the issuer and such offshore project must have been duly approved by, registered and filed with the relevant authorities in charge of outbound investment.

There is no assurance that the Company will be able to complete the registration of the Guarantee of the Bonds with SAFE within the prescribed timeframe or at all. Under the Terms and Conditions of the Bonds, Bondholders may require the Issuer to redeem their Bonds in the event that the Guarantee of the Bonds is not registered within a specified timeframe. Bondholders who do not exercise such redemption option should note that before requisite registrations and/or approvals of the Guarantee of the Bonds given by the Company are completed, it is uncertain whether the Guarantee of the Bonds given by the Company can be enforced in practice. There may be hurdles at the time of remittance of funds (if any cross-border payment is to be made by the Company under the Guarantee of the Bonds) as domestic banks may require evidence of SAFE registration in connection with the Guarantee of the Bonds in order to affect such remittance.

*The Bonds and the Guarantee of the Bonds are unsecured obligations.*

As the Bonds and the Guarantee of the Bonds are unsecured obligations, their repayment may be compromised if:

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

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

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

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

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

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

***The Bonds have no current active trading market and may trade at a discount to their initial offering price and/or with limited liquidity.***

The Bonds will be new securities which may not be widely distributed and for which there is currently no active trading market. If the Bonds are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer, the Company, or the Group. If the Bonds are traded at a discount, investors may not be able to receive a favourable price for their Bonds, and in some circumstances investors may not be able to sell their Bonds at all or at their fair market value.

Although application will be made for the Bonds to be listed and permitted to deal on the Hong Kong Stock Exchange, there is no assurance that such application will be accepted, that the Bonds will be so listed and quoted or that an active trading market will develop. In addition, the market for investment grade and crossover grade debt has been subject to disruptions that have caused volatility in prices of securities similar to the Bonds. The Joint Lead Managers are not obliged to make a market in the Bonds and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Joint Lead Managers. Accordingly, there is no assurance as to the development or liquidity of any trading market, or that disruptions will not occur, for the Bonds.

***Additional procedures may be required to be taken to hear English law governed matters in the Hong Kong courts. There is also no assurance that the PRC courts will recognise and enforce judgements of the Hong Kong courts in respect of English law matters.***

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

Under the Arrangement on Reciprocal Recognition and Enforcement of Judgements 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), judgements of Hong Kong courts are likely to be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgements have agreed to submit to the exclusive jurisdiction of Hong Kong courts. However, recognition and enforcement of a Hong Kong court judgement could be refused if the PRC courts consider that the enforcement of such judgement is contrary to the social and public interest of the PRC. While it is expected that the PRC courts will recognise and enforce a judgement given by Hong Kong courts governed by English law, there can be no assurance that the PRC courts will do so for all such judgements as there is no established practice in this area. As compared to other similar debt securities issuances in the international capital markets where the relevant holders of the debt securities would not typically be required to submit to an exclusive jurisdiction, the Bondholders will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the Bondholders' ability to initiate a claim outside of Hong Kong will be limited.

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

The Bondholders may suffer unforeseen losses due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in the prices of the Bonds, resulting in a capital loss for the Bondholders.

However, the Bondholders may reinvest the interest payments at higher prevailing interest rates. Conversely, when interest rates fall, the prices of the Bonds may rise. The Bondholders may enjoy a capital gain, but interest payments received may be reinvested at lower prevailing interest rates.

***Investment in the Bonds is subject to exchange rate risks.***

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

***The Bonds are redeemable in the event of certain withholding taxes being applicable.***

There is no assurance as to whether or not payments on the Bonds may be made without withholding taxes or deductions applying from the Issue Date 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 British Virgin Islands or the PRC or any political subdivision, territory, possession thereof or authority therein having power to tax (the "**Relevant Jurisdiction**"). Although, pursuant to the Terms and Conditions of the Bonds, the Issuer or the Company, as the case may be, is required to make gross up payments on account of any such withholding taxes or deductions, the Issuer also has the right to redeem the Bonds at any time in the event that it or, as the case may be, the Company has or will become obliged to pay additional tax amounts on account of any existing or future 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 (only where such tax or withholding is in excess of the rate applicable on 10 December 2020) the PRC or any political subdivision, territory, possession thereof or any authority therein having power to tax as a result of any change in, or amendment to, the laws of the British Virgin Islands or the PRC or any regulations or rulings promulgated thereunder, or any change in the application or official interpretation of such laws, rulings or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 10 December 2020.

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

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

The Bonds and the Guarantee of the Bonds are the Issuer's and the Company's unsecured obligations, respectively, and will (i) at all times rank at least *pari passu* in right of payment with all the Issuer's and the Company's other present and future unsecured indebtedness other than any such indebtedness preferred by law; (ii) be effectively subordinated to all of the Issuer's and the Company's present and future secured indebtedness to the extent of the value of the collateral securing such obligations; and (iii) be senior to all of the Issuer's and the Company's present and future subordinated obligations. As a result, claims of secured lenders, whether senior or junior, with respect to assets securing their loans will be prior with respect to those assets. In the event of (1) the Issuer's or the Company's bankruptcy, insolvency, liquidation, reorganisation, dissolution or other winding up proceedings, or (2) a default in payment under the Issuer's or the Company's secured indebtedness or other unsecured indebtedness, or (3) upon any acceleration of any of the Issuer's or the Company's indebtedness, these assets will be available to pay obligations on the Bonds only after all other debt secured by these assets has been repaid in full, thus the repayment may be compromised. Any remaining assets will be available to the Bondholders ratably with all of the Issuer's or the Company's other unsecured creditors, including trade creditors. If there are not sufficient assets remaining to pay all such creditors, then all or a portion of the Bonds then outstanding would remain unpaid.

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

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

***The Issuer may not be able to meet its outstanding obligations under the Bonds.***

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



***The Group may issue additional Bonds in the future.***

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

***Income or gains from the Bonds may be subject to income tax or value added tax (“VAT”) under PRC tax laws.***

The Issuer is incorporated under the laws of the British Virgin Islands. Pursuant to the Enterprise Income Tax Law of the PRC (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 the 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 (i) an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or (ii) which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. In the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, interest paid on the Bonds may be considered to be PRC-sourced, in which case the Issuer, would be required to withhold income tax at a rate of 10 per cent. from payments of interest in respect of the Bonds to any non-resident enterprise holders. 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 per cent. 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, the Issuer may 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 per cent. if the Issuer is deemed to be as a PRC tax resident enterprise. Subject to other findings of competent authorities, the taxable income will normally be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income.

According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (the “**Arrangement**”), which was promulgated on 21 August 2006, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds, if such income is not connected with an office or establishment that the Bondholders have in the PRC and all the other conditions under applicable laws and regulations are satisfied.

Pursuant to the Circular of the Ministry of Finance and the State Administration of Taxation on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知) issued on March 23, 2016 and implemented on May 1, 2016 (“**Circular 36**”), effective from May 1, 2016, PRC tax authorities have started imposing value added tax on revenues from various service sectors to replace the business tax that co-existed with value added tax. VAT is applicable where the entities or individuals provide relevant services under Circular 36 within the PRC. VAT is unlikely to apply to any transfer of Bonds between



entities or individuals located outside of the PRC which satisfy other requirements under Circular 36 and therefore unlikely to apply to gains realised upon such transfers, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC. However, Circular 36 and laws and regulations pertaining to VAT are relatively new, and the interpretation and enforcement of such laws and regulations involve uncertainties.

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

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

The Bonds will be represented by a Global Bond Certificate which will be deposited with a common depository for Euroclear and Clearstream (each, a “**Clearing System**”). Except in the circumstances described in a Global Bond Certificate, investors will not be entitled to receive definitive Bonds. The Clearing Systems will maintain records of the beneficial interests in each Global Bond Certificate. For so long as the Bonds of each Series are represented by a Global Bond Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems.

For so long as the Bonds are represented by a Global Bond Certificate, the Issuer, or failing which, the Company, will discharge its payment obligations under the Bonds by making payments to the Clearing System for distribution to their account holders.

A holder of a beneficial interest in a Global Bond Certificate must rely on the procedures of the relevant Clearing System to receive payments under the Bonds. Neither the Issuer nor the Company has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Bond Certificate.

Holders of beneficial interests in a Global Bond 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. Similarly, holders of beneficial interests in a Global Bond Certificate will not have a direct right under such Global Bond Certificate to take enforcement action against the Issuer or the Company in the event of a default under the Bonds but will have to rely upon their rights under the Trust Deed.

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

In certain circumstances, including, without limitation, the giving of notice to the Issuer and the Company pursuant to Condition 8 (*Events of Default*) of the Terms and Conditions and the taking of steps and/or actions and/or the instituting of proceedings against the Issuer pursuant to Condition 13 (*Enforcement*) of the Terms and Conditions, the Trustee may, at its sole discretion, request the Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of such Bondholders. 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 or the Terms and Conditions of 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 Terms and Conditions of the Bonds contain provisions for calling meetings of holders of the Bonds to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders of the Bonds including holders who did not attend and vote at the meeting and holders who voted in a manner contrary to the majority. Furthermore, there is a risk that the decision of the majority of holders of the Bonds may be adverse to the interests of individual Bondholders.

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

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

The Terms and Conditions of the Bonds also provide that the Trustee may (but shall not be obliged to), without the consent of the holders of the Bonds, agree to (i) any modification of the Trust Deed, the Terms and Conditions of the Bonds, the Deed of Guarantee or the Agency Agreement (other than in respect of a Reserved Matter) which in the opinion of the Trustee not be materially prejudicial to the interests of the holders of the Bonds and (ii) any modification of the Trust Deed, the Terms and Conditions of the Bonds, the Deed of Guarantee 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 law.

In addition, the Trustee may (but shall not be obliged to), without the consent of the holders of the Bonds, authorise or waive any proposed breach or breach of the Bonds, the Trust Deed, the Deed of Guarantee or the Agency Agreement (other than a proposed breach, or a breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the holders of the Bonds will not be materially prejudiced thereby.

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

## EXCHANGE RATE INFORMATION

### PRC

The PBOC sets and publishes daily a central parity 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. Since 1994, the conversion of Renminbi into foreign currencies, including U.S. dollars, has been based on rates set by PBOC, which are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates in the world financial markets. From 1994 to 20 July 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. Although Chinese governmental policies were introduced in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currency for current account items, conversion of Renminbi into foreign exchange for capital account items, such as foreign direct investment, loans or securities, requires the approval of the State Administration for Foreign Exchange and other relevant authorities. On 21 July 2005, the PRC government changed its decade-old policy of pegging the value of Renminbi to that of the U.S. dollar. Under the policy, Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies determined by PBOC. PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each business day, and makes it the central parity rate for the trading against the Renminbi on the following business day. On 18 May 2007, PBOC announced that the floating band of Renminbi trading prices against the U.S. dollar in the interbank spot foreign currency exchange market would be increased from 0.3% to 0.5% from 21 May 2007. This allowed the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by PBOC. On 19 June 2010, PBOC announced that it intends to further reform the Renminbi exchange rate regime by allowing greater flexibility in the Renminbi exchange rate. According to this announcement, PBOC will place more emphasis on reflecting market supply and demand with reference to a basket of currencies and continue dynamic management and adjustment of exchange rate floating practice according to published exchange rate floating bands in foreign exchange markets. The floating band was further widened to 1.0% on 16 April 2012.

On 14 March 2014, PBOC announced that since 17 March 2014, the floating band of inter-bank spot foreign exchange market trading price of RMB against U.S. dollar was further widened from 1% to 2%. On each business day, the spread between the Renminbi and U.S. dollars buying and selling prices offered by the designated foreign exchange banks to their clients shall be within 3% of published central parity of U.S. dollar on that day, instead of 2%. PBOC may continue to promote the market-based Renminbi exchange rate regime, enhance the flexibility of Renminbi exchange rate in both directions, and keep the Renminbi exchange rate basically stable at an adaptive and equilibrium level. On 11 August 2015, PBOC announced to improve the central parity quotations of Renminbi against the U.S. dollar by authorizing 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. In January and February 2016, Renminbi experienced further fluctuation in value against the U.S. dollar. The PRC government may adopt further reforms of its exchange rate system in the future.

The following table sets forth, for the periods indicated, certain information concerning the exchange rates between Renminbi and U.S. dollars. The below exchange rates reflect the noon buying rates as set forth in the H.10 statistical release of the Federal Reserve Board.

Period	Renminbi per U.S. Dollar Noon Buying Rate <sup>(1)</sup>			
	End	Average <sup>(2)</sup>	High	Low
		(RMB per U.S.\$1.00)		
2013 .....	6.0537	6.1412	6.2438	6.0537
2014 .....	6.2046	6.1704	6.2591	6.0402
2015 .....	6.4778	6.2869	6.4896	6.1870
2016 .....	6.9430	6.6549	6.9580	6.4480
2017 .....	6.5063	6.7350	6.9575	6.4773
2018 .....	6.8755	6.6292	6.9737	6.2649
2019 .....	6.9618	6.9014	7.1786	6.6822
2020				
June .....	7.0651	7.0816	7.1263	7.0575
July .....	6.9744	7.0041	7.0703	6.9744
August .....	6.8474	6.9270	6.9799	6.8474
September .....	6.7896	6.8106	6.8474	6.7529
October .....	6.6919	6.7254	6.7898	6.6503
November .....	6.5750	6.6044	6.6899	6.5556
December (through 4 December 2020) .....	6.5301	6.5512	6.5705	6.5301

*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.

## **USE OF PROCEEDS**

The gross proceeds from this offering will be U.S.\$100.0 million. After deducting underwriting commissions and other estimated expenses payable in connection with the offering, the net proceeds will be used for domestic debt refinancing, project construction and working capital.



## CAPITALISATION AND INDEBTEDNESS

The following table sets forth the Group's consolidated capitalisation and indebtedness as at 30 September 2020 on an actual basis and as adjusted to give effect to the issue of the Bonds. The following table should be read in conjunction with the unaudited but reviewed consolidated interim financial statements of the Group as at 30 September 2020 and the notes thereto included elsewhere in this Offering Circular.

	Actual		As adjusted	
	RMB (in millions)	USD (in millions) <sup>1</sup>	RMB (in millions)	USD (in millions) <sup>1</sup>
<b>Current indebtedness:</b>				
Short-term borrowings .....	3,787.8	557.9	3,787.8	557.9
Notes payable .....	648.1	95.5	648.1	95.5
Non-current liabilities due within one year...	2,560.8	377.2	2,560.8	377.2
<b>Total current indebtedness</b> .....	<b>6,996.7</b>	<b>1,030.5</b>	<b>6,996.7</b>	<b>1,030.5</b>
<b>Non-current indebtedness:</b>				
Long-term borrowings .....	2,750.6	405.1	2,750.6	405.1
Bonds payable .....	8,620.6	1,269.7	8,620.6	1,269.7
Bonds to be issued .....	–	–	679.0	100.0
<b>Total non-current indebtedness</b> .....	<b>11,371.2</b>	<b>1,674.8</b>	<b>12,050.2</b>	<b>1,774.8</b>
<b>Total indebtedness</b> <sup>2</sup> .....	<b>18,367.9</b>	<b>2,705.3</b>	<b>19,046.9</b>	<b>2,805.3</b>
<b>Total owner's equity</b> .....	<b>15,197.4</b>	<b>2,238.3</b>	<b>15,197.4</b>	<b>2,238.3</b>
<b>Total capitalisation</b> <sup>3</sup> .....	<b>33,565.3</b>	<b>4,943.6</b>	<b>34,244.3</b>	<b>5,043.6</b>

After the completion of this offering, the Group may incur additional debt or borrowings, including Renminbi denominated borrowings or debt securities in China, in the ordinary course of business.

There has been no material adverse change in the Group's consolidated capitalisation and indebtedness since 30 September 2020.

<sup>1</sup> For convenience only, all conversions from Renminbi into U.S.\$ are made at the rate of RMB6.7896 to U.S.\$1.00, based on the noon buying rate as set forth in the H.10 statistical release of the Federal Reserve Bank of New York on 30 September 2020.

<sup>2</sup> Total indebtedness equals the sum of total current indebtedness and total non-current indebtedness.

<sup>3</sup> Total capitalisation equals the sum of total indebtedness and total equity.

## TERMS AND CONDITIONS OF THE BONDS

*The following is the text of the Terms and Conditions of the Bonds which (subject to modification and except for the paragraphs in italics) will be endorsed on the Bond Certificates (as defined below) issued in respect of the Bonds.*

The U.S.\$100,000,000 3.50 per cent. Guaranteed Bonds due 2023 (the “**Bonds**”, which expression includes, unless the context requires otherwise, any further bonds issued pursuant to Condition 14 (*Further issues*) and forming a single series therewith) of Goucheng International Co., Ltd. (the “**Issuer**”) are constituted by, are subject to, and have the benefit of, a trust deed dated 16 December 2020 (as amended and/or supplemented from time to time, the “**Trust Deed**”) between the Issuer, Ninghai City Investment (Group) Corporation Limited (寧海縣城投集團有限公司) (the “**Guarantor**”) and China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as trustee (the “**Trustee**”, which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed and any successors). The Bonds are the subject of (a) a deed of guarantee dated 16 December 2020 (as amended or supplemented from time to time, the “**Deed of Guarantee**”) entered into by the Guarantor and (b) an agency agreement dated 16 December 2020 (as amended and/or supplemented from time to time, the “**Agency Agreement**”) between the Issuer, the Guarantor, China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as registrar (the “**Registrar**”, which expression includes any successor registrar appointed from time to time in connection with the Bonds), as principal paying agent (the “**Principal Paying Agent**”, which expression includes any successor principal paying agent appointed from time to time in connection with the Bonds) and as transfer agent (the “**Transfer Agent**”, which expression includes any successor or additional transfer agents appointed from time to time in connection with the Bonds), the paying agents named therein (together with the Principal Paying Agent, the “**Paying Agents**”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Bonds) and the Trustee. References herein to the “**Agents**” are to the Registrar, the Principal Paying Agent, the Transfer Agent and the Paying Agents and any other agent or agents appointed from time to time with respect to the Bonds and any reference to an “**Agent**” is to any one of them. Certain provisions of these terms and conditions (these “**Conditions**”) are summaries of the Deed of Guarantee, the Trust Deed and the Agency Agreement and subject to their detailed provisions. The Bondholders (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Deed of Guarantee, the Trust Deed and the Agency Agreement applicable to them. Copies of the Deed of Guarantee, the Trust Deed and the Agency Agreement are available for inspection following prior written request and satisfactory proof of holding to the Trustee by Bondholders at all reasonable times during normal business hours (being between 9:00 a.m. (Hong Kong time) to 3:00 p.m. (Hong Kong time) from Monday to Friday (other than public holidays)) at the principal office for the time being of the Trustee, being at the date hereof 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong.

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

### 1. Form, Denomination, Status and Guarantee

- (a) *Form and denomination:* The Bonds are in registered form in the denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof (each, an “**Authorised Denomination**”).
- (b) *Status of the Bonds:* The Bonds constitute direct, general, unsubordinated unconditional and (subject to Condition 3(a) (*Negative Pledge*)) unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application and Condition 3(a) (*Negative Pledge*).
- (c) *Guarantee of the Bonds:* The Guarantor has in the Deed of Guarantee unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Bonds. This guarantee (the “**Guarantee of the Bonds**”) constitutes direct, general, unsubordinated, unconditional and (subject to Condition 3(a) (*Negative Pledge*)) unsecured obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

*Upon issue, the Bonds will be evidenced by a global bond certificate (the “**Global Bond Certificate**”) substantially in the form scheduled to the Trust Deed. The Global Bond Certificate will be 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**”), and will be exchangeable for individual Bond Certificates only in the circumstances set out therein. These Conditions are modified by certain provisions contained in the Global Bond Certificate. See “Summary of Provisions relating to the Bonds in Global Form”.*

## **2. Register, Title and Transfers**

- (a) *Register:* Title to the Bonds shall pass by transfer and registration in the register (the “**Register**”) that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement. In these Conditions, the “**Holder**” of a Bond means the person in whose name such Bond is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and “**Bondholder**” shall be construed accordingly. A certificate (each, a “**Bond Certificate**”) will be issued to each Bondholder in respect of its registered holding. Each Bond Certificate shall represent the entire holding of Bonds by the same holder and will be numbered serially with an identifying number which will be recorded in the Register.
- (b) *Title:* The Holder of each Bond shall (except as ordered by a court of competent jurisdiction or otherwise required by law) be treated as the absolute owner of such Bond for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Bond Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Bond Certificate) and no person shall be liable for so treating such Holder. Except as otherwise provided for in the Trust Deed, no person shall have any right to enforce any term or condition of the Bonds, the Deed of Guarantee or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.
- (c) *Transfers:* Subject to paragraphs (f) (*Closed periods*) and (g) (*Regulations concerning transfers and registration*) below, a Bond may be transferred upon surrender of the relevant Bond Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided, however, that* a Bond may not be transferred unless the principal amount of Bonds transferred and (where not all of the Bonds held by a Holder are being transferred) the principal amount of the balance of Bonds not transferred are Authorised Denominations. In the case of a transfer of part only of a holding of Bonds represented by one Bond Certificate, a new Bond Certificate shall be issued to the transferee in respect of the part transferred and a further new Bond Certificate in respect of the balance of the holding not transferred (which shall be not less than the Authorised Denomination) shall be issued to the transferor. In the case of a transfer of Bonds to a person who is already a holder of Bonds, a new Bond Certificate representing the enlarged holding shall only be issued against surrender of the Bond Certificate representing the existing holding. All transfers of Bonds and entries on the Register will be made in accordance with the detailed regulations concerning transfers of Bonds scheduled to the Agency Agreement. No transfer of title to a Bond will be valid unless and until registered on the Register.

*Transfer of interests in the Bonds evidenced by the Global Bond Certificate will be effected in accordance with the rules of the relevant clearing system.*

- (d) *Registration and delivery of Bond Certificates:* Within seven business days of receipt by the Registrar (as the case may be) any Transfer Agent of a duly completed form of transfer, the surrender of a Bond Certificate in accordance with paragraph (c) (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Bond Certificate to each relevant Holder at its Specified Office or the Specified Office of any Transfer Agent or the Registrar (as the case may be) or by mail by uninsured post at the risk of the Holder entitled to the new Bond

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 paragraph, “**business day**” means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

*Except in the limited circumstances described in the Global Bond Certificate, owners of interests in the Bonds will not be entitled to receive physical delivery of Bond Certificates. The Bonds are not issuable in bearer form.*

- (e) *No charge:* Registration of transfer of Bonds and issuance of new Bond Certificates will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but upon (i) payment by the Holder of any taxes, duties or other governmental charges that may be imposed in relation to such transfer (or the giving of such payment or indemnity, and/or security and/or pre-funding as the Issuer, Registrar or (as the case may be) such relevant Transfer Agent may require, (ii) the Registrar or the relevant Transfer Agent (as the case may be) being satisfied in its absolute discretion with the documents of title or identity of the person making the application and (iii) the Registrar or the relevant Transfer Agent (as the case may be) being satisfied that the regulations concerning transfer of Bonds have been complied with.
- (f) *Closed periods:* No Bondholder may require transfers to be registered (i) during the period of 15 days ending on (and including) the due date for any payment of principal (or premium) or interest in respect of the Bonds; (ii) during the period of 15 days ending on (and including) any date on which Bonds may be called for redemption by the Issuer at its option pursuant to Condition 5(b) (*Redemption for tax reasons*); and (iii) after a Put Exercise Notice (as in Condition 5(c) (*Redemption for Relevant Event*)) has been delivered in respect of the relevant Bond(s) in accordance with Condition 5(c) (*Redemption for Relevant Event*).
- (g) *Regulations concerning transfers and registration:* All transfers of Bonds and entries on the Register are subject to the detailed regulations concerning the transfer of Bonds scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar and the Trustee, and by the Registrar, with the prior written approval of the Trustee. A copy of the current regulations will be made (free of charge to the Bondholder and at the Issuer’s expense) available by the Registrar to any Bondholder upon prior written request and satisfactory proof of holding.

### 3. Covenants

- (a) *Negative Pledge:* So long as any Bond remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor shall, and the Issuer and the Guarantor shall procure that none of their respective Subsidiaries will, create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or guarantee of Relevant Indebtedness without at the same time or prior thereto according to the Bonds the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity in respect of any Relevant Indebtedness or such other security as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.
- (b) *Registration with SAFE:* The Guarantor undertakes to register or cause to be registered with SAFE the Deed of Guarantee within the prescribed timeframe 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**”). 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 SAFE Registration Deadline and shall comply with all applicable PRC laws and regulations in relation to the Guarantee of the Bonds. The Guarantor shall before the SAFE Registration Deadline and within fifteen PRC Business Days after receipt of the registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE), (i) provide the Trustee with a certificate in substantially the form set out in the Trust Deed signed by any Authorised Signatory (as defined in the Trust Deed) of the Guarantor confirming the completion of the Cross-Border Security Registration, together with a certified true copy of the relevant SAFE registration certificate (or any other document evidencing the completion of registration issued by SAFE) relating to the Cross-Border Security Registration and (ii) give notice to the Bondholders in accordance with Condition 15 (*Notices*) of the same. The Trustee shall have no obligation to monitor or ensure the registration of the Guarantee of the Bonds with SAFE on or before the SAFE Registration Deadline or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the Cross-Border Security Registration, and shall not be liable to Holders or any other person for not doing so.

(c) *Notification to NDRC:*

- (i) The Guarantor undertakes to report or cause to be reported with the NDRC the requisite information and documents within the prescribed timeframe after the completion of each issuance of the Bonds (or with respect to any further issue pursuant to Condition 14, the issue date of such further issue) in accordance with the NDRC Circular on Promoting the Reform of the Administration on the Filing and Registration System for Foreign Debts issued by Enterprises (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)) promulgated by the NDRC and which came into effect on 14 September 2015, and any implementation rules, reports, certificates or guidelines as issued by the NDRC from time to time (the “**NDRC Post-issuance Reporting**”).
- (ii) The Guarantor shall complete the NDRC Post-issuance Reporting and provide such document(s) evidencing due reporting with the NDRC within the prescribed timeframe and, shall comply with all applicable PRC laws and regulations in connection with the Bonds. The Issuer and the Guarantor shall comply with all applicable PRC laws, rules and regulations in connection with the issuance of the Bonds and the Guarantor shall within fifteen PRC Business Days after submission of such NDRC Post-issuance Reporting (i) provide the Trustee with a certificate in English (substantially in the form scheduled to the Trust Deed) signed by any Authorised Signatory of the Guarantor confirming the submission of the NDRC Post-issuance Reporting (together with the document(s), if any, evidencing due reporting with the NDRC) and (ii) give notice to the Bondholders in accordance with Condition 15 (*Notices*) of the same.
- (iii) The Trustee may rely conclusively on any documents in relation to or in connection with the NDRC Post-issuance Reporting and shall have no obligation or duty to monitor, ensure or assist with the filing or the completion of the NDRC Post-issuance Reporting on or before the deadline referred to above or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the NDRC Post-issuance Reporting or to give notice to the Bondholders confirming the submission of the NDRC Post-issuance Reporting, and shall not be liable to Bondholders or any other person for not doing so.

(d) *Financial Statements etc.:* So long as any Bond remains outstanding:

- (i) each of the Issuer and the Guarantor shall provide a Compliance Certificate (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) within 14 days of a written request by the Trustee and at the time of provision of the Guarantor Audited Financial Reports;



- (ii) the Guarantor shall provide, as soon as practicable after their date of publication and in any event within 135 days after the end of each Relevant Period, two copies of the Guarantor Audited Financial Reports (audited by an internationally recognised firm of independent accountants of good repute) prepared and presented in accordance with the PRC GAAP;
- (iii) the Guarantor shall provide, as soon as practicable after their date of publication and in any event within 90 days after the end of each Relevant Period, two copies of the Guarantor Interim Financial Reports prepared on a basis consistent with the Guarantor Audited Financial Reports,

and if, in each case of (ii) and (iii), such statements shall be in the Chinese language, together with an English translation of the same translated by (x) a nationally or internationally recognised firm of independent accountants of good repute or (y) a professional translation service provider and checked by an internationally recognised firm of independent accountants of good repute, together with a certificate in English signed by an Authorised Signatory of the Guarantor certifying that such translation is complete and accurate; *provided that*, if at any time the capital stock of the Guarantor is listed for trading on The Stock Exchange of Hong Kong Limited, the Guarantor may furnish to the Trustee, as soon as they are available but in any event not more than fourteen days after any financial reports of the Guarantor is filed with The Stock Exchange of Hong Kong Limited, copies of such financial report in English filed with The Stock Exchange of Hong Kong Limited in lieu of the reports identified in (ii) and (iii) of this Condition 3(d) (*Financial Statements etc.*).

In these Conditions:

**“Compliance Certificate”** means a certificate in English of each of the Issuer and the Guarantor signed by an Authorised Signatory certifying that, to the best of the 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:

- (a) no Event of Default or an event or circumstance which could, with the giving of notice, lapse of time, the issuing of a certificate and/or fulfilment of any other requirement provided for in Condition 8 (*Events of Default*), become an Event of Default or a Change of Control had occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event had occurred, giving details of it; and
- (b) each of the Issuer and the Guarantor has complied with all its respective obligations under the Deed of Guarantee, the Trust Deed, the Agency Agreement and the Bonds, or, if non-compliance had occurred, giving details of it;

**“Guarantor Audited Financial Reports”** means the annual audited consolidated statement of comprehensive income, statement of profit or loss, statement of financial position, statement of changes in equity, statement of cash flows of the Guarantor and its Subsidiaries together with any statements, reports (including any directors’ and auditors’ reports) and notes attached to or intended to be read with any of them;

**“Guarantor Interim Financial Reports”** means the unaudited and unreviewed interim consolidated statement of comprehensive income, statement of profit or loss, statement of financial position, statement of changes in equity and statement of cash flows of the Guarantor and its Subsidiaries;

**“Hong Kong”** means the Hong Kong Special Administrative Region of the People’s Republic of China;

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



“**Person**” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

“**PRC**” means the People’s Republic of China, which, solely for the purposes of these Conditions, shall not include Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan Region;

“**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;

“**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;

“**Registration Conditions**” means the receipt by the Trustee of:

- (a) a certificate signed by any authorised signatory of the Guarantor confirming the completion of the Cross-Border Security Registration; and
- (b) a certified true copy of the relevant SAFE registration certificate (or any other document evidencing the completion of the Cross-Border Security Registration) issued by SAFE relating to such registration in (a) above of this definition;

“**Relevant Indebtedness**” means any present or future indebtedness incurred outside of the PRC which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument with a maturity of more than one year from the date of issue, which is, or is intended by the Issuer, the Guarantor or any of the Guarantor’s Subsidiaries to be, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) (which, for the avoidance of doubt, does not include bilateral loans, syndicated loans or club deal loans);

“**Relevant Period**” means (a) 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 (b) in relation to the Guarantor Interim Financial Reports, each period of six months ending on the last day of its first half financial year (being 30 June of that financial year);

“**SAFE**” means the State Administration of Foreign Exchange of the PRC or its local counterparts;

“**SAFE Registration Deadline**” means the day falling 135 PRC Business Days after the Issue Date (as defined below);

“**Security Interest**” means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction; and

“**Subsidiary**” means, in relation to any Person (the “**first Person**”) at any particular time, any other Person (the “**second Person**”):

- (a) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or
- (b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person.

#### 4. Interest

The Bonds bear interest from 16 December 2020 (the “**Issue Date**”) at the rate of 3.50 per cent. per annum (the “**Rate of Interest**”) payable semi-annually in arrear in equal instalments on 16 June and 16 December in each year (each, an “**Interest Payment Date**”), subject as provided in Condition 6 (*Payments*).

Each Bond will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will 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 which is seven days after the Principal Paying Agent or the Trustee has notified the Bondholders that it has received all sums due in respect of the Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).

The amount of interest payable on each Interest Payment Date shall be U.S.\$17.50 in respect of each U.S.\$1,000 principal amount of the Bonds. If interest is required to be paid in respect of a Bond on any other date, it shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

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

In this Condition 4:

“**Calculation Amount**” means U.S.\$1,000;

“**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 30-day months).

## 5. **Redemption and Purchase**

- (a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 16 December 2023, subject as provided in Condition 6 (*Payments*).
- (b) *Redemption for tax 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 and to the Trustees and the Principal Paying Agent (which notice shall be irrevocable) in accordance with Condition 15 (*Notices*) at their principal amount, together with interest accrued to (but not including) the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that:
  - (i) (A) the Issuer has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands or the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 10 December 2020; and (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or
  - (ii) (A) the Guarantor has or (if a demand was made under the Guarantee of the Bonds) would become obliged to pay Additional Tax Amounts as provided or referred to in Condition 7 (*Taxation*) or the Guarantee of the Bonds, as the case may be, as a result of any change in, or amendment to, the laws or regulations of British Virgin Islands or the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 10 December 2020; and (B) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it;

*provided, however, 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 would be obliged to pay such Additional Tax Amounts if a payment in respect of the Bonds were then due or (as the case may be) a demand under the Guarantee of the Bonds were then made.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver or procure that there is delivered to the Trustee:

- (A) a certificate in English signed by any Authorised Signatory of the Issuer stating that the circumstances referred to in (i)(A) and (i)(B) above prevail and setting out the details of such circumstances or (as the case may be) a certificate in English signed by an Authorised Signatory of the Guarantor stating that the circumstances referred to in (ii)(A) and (ii)(B) above prevail and setting out details of such circumstances; and
- (B) an opinion in form and substance satisfactory to the Trustee of independent legal or tax advisers of recognised standing to the effect that the Issuer or (as the case may be) the Guarantor has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendment.

The Trustee shall be entitled (but shall not be obliged) to accept and rely upon such certificate and opinion (without further investigation or enquiry and without liability to the Bondholders or any other person) as sufficient evidence of the satisfaction of the circumstances set out in (i)(A) and (i)(B) or (as the case may be) (ii)(A) and (ii)(B) above, in which event they shall be conclusive and binding on the Bondholders.

Upon the expiry of any such notice as is referred to in this Condition 5(b), the Issuer shall be bound to redeem the Bonds in accordance with this Condition 5(b).

- (c) *Redemption for Relevant Event*: At any time following the occurrence of a Relevant Event, the Holder of any Bond will have the right, at such Holder's option, to require the Issuer to redeem all but not some only of that Holder's Bonds on the Put Settlement Date at 101 per cent. (in the case of a Change of Control) and 100 per cent. (in the case of a Non-Registration Event) of their principal amount, in each case together with accrued interest to (but not including) such Put Settlement Date. To exercise such right, the Holder of the relevant Bond must deposit at the Specified Office of any Paying Agent a duly completed and signed notice of redemption, in the form scheduled to the Agency Agreement, obtainable from the Specified Office of any Paying Agent (a "**Put Exercise Notice**"), together with the Bond Certificates 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 15 (*Notices*). The "**Put Settlement Date**" shall be the 14th day after the expiry of such period of 30 days as referred to above.

A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds subject to the Put Exercise Notices delivered as aforesaid.

The Issuer and the Guarantor shall give notice to Bondholders in accordance with Condition 15 (*Notices*) and to the Trustee and the Principal Paying Agent by not later than 14 days following the first day on which either of them becomes aware of the occurrence of a Change of Control or a Non-Registration Event, which notice shall specify the procedure for exercise by Holders of their rights to require redemption of the Bonds pursuant to this Condition 5(c) (*Redemption for Relevant Event*). The Issuer shall procure that notice regarding such Relevant Event shall be delivered to the Trustee and the Principal Paying Agent in writing and to the Holders (in accordance with Condition 15 (*Notices*)) stating:

- (i) the Put Settlement Date;
- (ii) the date of the Relevant Event and, briefly, the events causing, as applicable, the Change of Control or No Registration Event;
- (iii) the date by which the Put Exercise Notice must be given;

- (iv) the redemption amount and the method by which such amount will be paid;
- (v) the names and addresses of all Paying Agents;
- (vi) the procedures that Holders must follow and the requirements that Holders must satisfy in order to exercise the Relevant Event Put Right; and
- (vii) that a Put Exercise Notice, once validly given, may not be withdrawn.

In these Conditions:

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

- (a) the Guarantor ceases to, directly or indirectly, have the ownership, acquisition or control of 100 per cent. of the voting rights of the issued share capital of the Issuer;
- (b) the Controlling Person (as defined below) ceases to, directly or indirectly, have the ownership, acquisition or control of 90 per cent. of the voting rights of the issued share capital of the Guarantor; or
- (c) persons and entities (including but not limited to Ninghai County State-owned Assets Management Centre (寧海縣國有資產管理中心) or its successors) controlled, directly or indirectly, by the government of the PRC cease to, whether singly or in combination, have the ownership, acquisition or control of 90 per cent. of the voting rights of the issued share capital of the Controlling Person;

**“Controlling Person”** means Ninghai County Qicheng Industrial Co., Ltd. (寧海縣啟誠實業有限公司);

a **“Relevant Event”** will be deemed to occur if:

- (a) there is a Change of Control; or
- (b) there is a Non-Registration Event; and

a **“Non-Registration Event”** occurs when the Registration Conditions are not complied with on or before the SAFE Registration Deadline;

- (d) *No other redemption:* The Issuer shall not be entitled to redeem the Bonds otherwise than as provided in paragraphs (a) (*Scheduled redemption*) to (c) (*Redemption for Relevant Event*) above.
- (e) *Purchase:* The Issuer, the Guarantor or any of their respective Subsidiaries may at any time purchase Bonds in the open market or otherwise and at any price.
- (f) *Cancellation:* All Bonds so redeemed or purchased by the Issuer, the Guarantor or any of their respective Subsidiaries shall be cancelled and may not be reissued or resold.
- (g) *No duty to monitor:* Neither the Trustee nor the Agents shall be obliged to monitor compliance with the provisions of the Trust Deed, the Agency Agreement or these Conditions or to take any steps to ascertain whether a Change of Control, Potential Event of Default (as defined in the Trust Deed) or Event of Default has occurred or to monitor the occurrence of any Change of Control, Potential Event of Default or Event of Default, nor shall they be liable to Bondholders, the Issuer or any other person for not doing so. Neither the Agents nor the Trustee shall have any obligation or duty to verify the accuracy, validity and/or genuineness of any documents in relation to or connection with the Registration Conditions or any documents in relation to or in connection with any Relevant Event, nor shall they be liable to Bondholders, the Issuer or any other person for not doing so.

- (h) *Calculations*: Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying any calculations of any amounts payable under any notice of redemption or Put Exercise Notice, nor shall they have a duty to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection thereto nor shall they be liable to the Bondholders, the Issuer or any other person for not doing so.
- (i) *Notice of redemption*: All Bonds in respect of which any notice of redemption is given under this Condition 5 (*Redemption and Purchase*) shall be redeemed on the date, in such place and in such manner as specified in such notice in accordance with this Condition 5 (*Redemption and Purchase*). 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 5(b) (*Redemption for tax reasons*) and any Put Exercise Notice given by a Bondholder pursuant to Condition 5(c) (*Redemption for Relevant Events*)), the notice given first in time shall prevail and in the event of two notices being given on the same date, the first to be given shall prevail.

## 6. Payments

- (a) *Principal*: Payments of principal shall be made by transfer to a U.S. dollar account maintained by the payee and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Bond Certificates at the Specified Office of any Paying Agent.
- (b) *Interest*: Payments of interest shall be made by transfer to a U.S. dollar account maintained by the payee and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Bond Certificates at the Specified Office of any Paying Agent.

*Notwithstanding the foregoing, so long as the Global Bond Certificate is held on behalf of Euroclear, Clearstream or any other clearing system, each payment in respect of the Global Bond 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.*

- (c) *Payments subject to fiscal laws*: All payments in respect of the Bonds are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “Code”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Bondholders in respect of such payments.
- (d) *Payments on business days*: Payment instructions (for value on the due date, or, if the due date is not a business day, for value on the next succeeding business day) will be initiated (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Bond Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Bond shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for a payment not being a business day. In this paragraph, “business day” means any day (other than a Saturday, Sunday or public holiday) on which banks are open for general business (including dealings in foreign currencies) in New York City, Hong Kong or the places in which the respective Specified Office of the Paying Agent is located and for the purpose of (i) above, in the place in which the Bond Certificate is surrendered (or, as the case may be, endorsed).
- (e) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Bond, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Bond Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Bond Certificate.



- (f) *Delay in payment:* A Holder of a Bond shall not be entitled to any interest or other payment in respect of any delay in payment after the due date in receiving the amount due on a Bond (A) if the due date for a payment not being a business day or (B) if the Bondholder is late in surrendering or cannot surrender its Bond Certificate (if required to do so).
- (g) *Record date:* Each payment in respect of a Bond will be made to the person shown as the Holder on the Register at the close of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**"). Payments on each Bond shall be made in U.S. dollar by wire transfer to the registered account of the Bondholder. For the purposes of this Condition 6, a Bondholder's "**registered account**" means the U.S. dollar denominated account maintained by or on behalf of it with a bank, details of which appear on the Register at the opening of business on the relevant Record Date.

## 7. Taxation

All payments of principal, premium (if any) and interest in respect of the Bonds by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the British Virgin Islands or the PRC or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges 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 up to and including the aggregate rate applicable on 10 December 2020 (the "**Applicable Rate**"), the Issuer or the Guarantor, as the case may be, will pay such additional amounts as will result in receipt by the Bondholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required.

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

- (a) held by or on behalf of a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Bond; or
- (b) where (in the case of a payment of principal, premium or interest on redemption) the relevant Bond Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Holder would have been entitled to such Additional Tax Amounts if it had surrendered the relevant Bond Certificate on the last day of such period of 30 days.

In these Conditions, "**Relevant Date**" means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Bondholders.

Any reference in these Conditions to principal, premium (if any) or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 7 (*Taxation*) or any undertaking given in addition to or in substitution of this Condition 7 (*Taxation*) pursuant to the Trust Deed.



If the Issuer or the Guarantor becomes subject at any time to any taxing jurisdiction other than the British Virgin Islands or the PRC respectively, references in these Conditions to the British Virgin Islands or the PRC shall be construed as references to the British Virgin Islands or (as the case may be) the PRC and/or such other jurisdiction.

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 7 (*Taxation*) or for determining whether such amounts are payable or the amount thereof, and shall not be responsible or liable for any failure by the Issuer, the Guarantor, the Bondholders or any other person 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.

## **8. Events of Default**

If any of the following events occurs, then the Trustee at its discretion may and, if so requested in writing by Holders of at least one quarter of the aggregate principal amount of the outstanding Bonds or if so directed by an Extraordinary Resolution, shall (subject to the Trustee first having been indemnified and/or secured and/or pre-funded to its satisfaction) give written notice to the Issuer that the Bonds are, and they shall immediately become due and payable at their principal amount together with accrued but unpaid interest (if any) without further action or formality:

- (a) *Non-payment*: the Issuer fails to pay any amount of principal or premium (if any) in respect of the Bonds on the due date for payment thereof or fails to pay any amount of interest in respect of the Bonds within fourteen (14) days of the due date for payment thereof; or
- (b) *Breach of other obligations*: the Issuer or the Guarantor defaults in the performance or observance of any of its other obligations under or in respect of the Bonds, the Deed of Guarantee or the Trust Deed (other than those the breach of which would give rise to a redemption pursuant to Condition 5(c) (*Redemption for Relevant Event*)) and such default (i) is incapable of remedy or (ii) being a default which is capable of remedy remains unremedied for 30 days after the Trustee has given written notice thereof to the Issuer and the Guarantor; or
- (c) *Cross-default of Issuer, Guarantor or Subsidiary*:
  - (i) any other present or future indebtedness of the Issuer, the Guarantor or any of their respective Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;
  - (ii) any such indebtedness 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) otherwise than at the option of the Issuer, the Guarantor or (as the case may be) the relevant Subsidiary or (provided that no event of default, howsoever described, has occurred) any person entitled to such indebtedness; or
  - (iii) the Issuer, the Guarantor or any of their respective Subsidiaries fails to pay within any originally applicable grace period any amount payable by it under any present or future guarantee for, or indemnity in respect of any indebtedness;

*provided that* the aggregate amount of indebtedness, guarantees and indemnities referred to in sub-paragraph (i), sub-paragraph (ii) and/or sub-paragraph (iii) above, individually or in the aggregate, equals or exceeds U.S.\$15,000,000 (or its equivalent in any other currency or currencies on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this Condition 8(c) operates); or

- (d) *Unsatisfied judgment*: one or more judgment(s) or order(s) from which no further appeal or judicial review is permissible under applicable laws for the payment of any amount exceeding U.S.\$15,000,000 (or its equivalent in any other currency or currencies on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this Condition 8(d) operates) is rendered against the Issuer, the Guarantor or the Guarantor's 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*: a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or a substantial part of the undertaking, assets and revenues of the Issuer, the Guarantor or the Guarantor's Principal Subsidiaries and is not discharged or stayed for a period of 45 days; or
- (f) *Insolvency, etc.*: (i) the Issuer, the Guarantor or the Guarantor's Principal Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator is appointed (or application for any such appointment is made) in respect of the Issuer, the Guarantor or the Guarantor's Principal Subsidiaries or the whole or any substantial part of the undertaking, assets and revenues of the Issuer, the Guarantor or any of their respective Subsidiaries, (iii) the Issuer, the Guarantor or the Guarantor's Principal Subsidiaries takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any substantial part of its indebtedness or any guarantee of any substantial part of indebtedness given by it or (iv) the Issuer, the Guarantor or the Guarantor's Principal Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business (otherwise than, in the case of a Principal Subsidiary of the Issuer or a Principal Subsidiary of the Guarantor, for the purposes of or pursuant to an amalgamation, reorganisation, restructuring, merger or consolidation (x) whilst solvent; (y) pursuant to terms approved by an Extraordinary Resolution of the Bondholders; or (z) whereby all or substantially all of the undertaking, assets and revenues of such Principal Subsidiary are transferred or otherwise vested in the Issuer, the Guarantor or any of their respective Subsidiaries); or
- (g) *Winding up, etc.*: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer, the Guarantor or the Guarantor's Principal Subsidiaries (otherwise than, in the case of a Principal Subsidiary of the Issuer or a Principal Subsidiary of the Guarantor, (x) for the purposes of or pursuant to an amalgamation, reorganisation, restructuring, merger or consolidation pursuant to terms approved by an Extraordinary Resolution of the Bondholders; (y) whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer, the Guarantor and/or any of their Subsidiaries, or (z) for a voluntary solvent winding up, liquidation or dissolution); or
- (h) *Failure to take action, etc.*: any action, condition or thing 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 and in respect of the Bonds, the Deed of Guarantee or the Trust Deed, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Bond Certificates, the Deed of Guarantee and the Trust Deed admissible in evidence in the courts of the British Virgin Islands, Hong Kong and the PRC is not taken, fulfilled or done; or
- (i) *Unlawfulness*: it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any of its obligations under or in respect of the Bonds, the Deed of Guarantee or the Trust Deed, as the case may be; or
- (j) *Guarantee not in force*: the Guarantee of the Bonds or the Cross-Border Security Registration is not (or is claimed by the Guarantor not to be) in full force and effect or (in the case of the Cross-Border Security Registration), revoked; or

- (k) *Government intervention*: (i) all or any substantial part of the undertaking, assets and revenues of the Issuer, the Guarantor or the Guarantor's Principal Subsidiaries is condemned, seized or otherwise appropriated by any person acting under the authority of any national, regional or local government or (ii) the Issuer, the Guarantor or the Guarantor's Principal Subsidiaries is prevented by any such person from exercising normal control over all or any substantial part of its undertaking, assets and revenues; or
- (l) *Analogous event*: any event occurs which under the laws of Hong Kong or the PRC has an analogous effect to any of the events referred to in paragraphs (d) (*Unsatisfied judgment*) to (k) (*Government intervention*) above.

In this Condition 8, "**Principal Subsidiary**" means any Subsidiary of the Guarantor:

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

provided that, in relation to paragraphs (a), (b) and (c) above of this definition:

- (i) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Guarantor relate, the reference to the then latest consolidated audited accounts of the Guarantor for the purposes of the calculation above shall, until consolidated audited accounts of the Guarantor for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published be deemed to be a reference to the then latest consolidated audited accounts of the Guarantor adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;
- (ii) if at any relevant time in relation to the Guarantor or any of their respective Subsidiaries which itself has Subsidiaries no consolidated accounts are prepared and audited, total revenue, net profit or total assets of the Guarantor and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by or on behalf of the Guarantor;
- (iii) if at any relevant time in relation to any Subsidiary, no accounts are audited, its total revenue, net profit or total assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by or on behalf of the Guarantor;
- (iv) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (i) above of this definition) are not consolidated with those of the Guarantor, then the determination of whether or not such subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Guarantor; and

- (v) in the case of a Subsidiary to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall become a Principal Subsidiary upon such transfer but shall cease to be a Principal Subsidiary at the date on which the first published audited accounts (consolidated, if appropriate) of the Guarantor prepared as of a date later than such transfer are issued unless such Subsidiary would continue to be a Principal Subsidiary on the basis of such accounts by virtue of the provisions of paragraphs (a), (b) or (c) above of this definition.

A certificate prepared by an Authorised Signatory of the Guarantor certifying that, in his opinion, a Subsidiary is or is not, or was or was not, a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties. The certificate will, if requested by the Trustee, be accompanied by a report by a nationally recognised firm of independent accountants addressed to the directors of the Guarantor as to proper extraction of the figures used by the Guarantor in determining the Principal Subsidiaries of the Guarantor and the mathematical accuracy of the calculation, provided that the Guarantor shall not be required to provide such a report if its external auditors refuse to provide such a report as a result of a policy of such external auditors not to provide such report.

## **9. Prescription**

Claims for principal and interest on redemption shall become void unless the relevant Bonds Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

## **10. Replacement of Bond Certificates**

If any Bond Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar or any Transfer Agent, subject to all applicable laws, regulations or other relevant regulatory authority regulations, in each case upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Bond Certificates must be surrendered before replacements will be issued.

## **11. Trustee and Agents**

Under the Trust Deed, the Trustee is entitled to be indemnified, secured and/or pre-funded to its satisfaction and to be relieved from responsibility in certain circumstances and to be paid or reimbursed its costs, expenses, indemnity payments and other amounts in priority to the claims of the Bondholders. In addition, the Trustee, the Agents and their respective directors and officers are entitled to enter into business transactions with the Issuer, the Guarantor and any entity relating to the Issuer or the Guarantor without accounting for any profit.

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 or the Guarantor (as the case may be) 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 (as the case may be) to the contrary, the Trustee and each Agent shall assume that the same are being duly performed. None of the Trustee or any Agent shall be liable to any Bondholder 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 monitor or ascertain whether any Relevant Event, Event of Default or Potential Event of Default has occurred or monitor compliance by the Issuer or the Guarantor with the provisions of the Trust Deed, the Agency Agreement 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 and/or the Guarantor, and the Trustee shall not at any time have any responsibility.

In the exercise of its functions, rights, authorities, powers and discretions under these Conditions, the Deed of Guarantee and the Trust Deed, the Trustee will have regard to the interests of the Bondholders as a class and shall not have regard to the interest and will not be responsible for any consequence for individual Holders of Bonds as a result of any circumstances particular to individual Bondholders, including but not limited to such Holders being connected in any way with a particular territory or taxing jurisdiction.

The Trustee shall not be entitled to require on behalf of any Bondholders, 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 except to the extent already provided in Condition 7 and/or any undertaking given in addition to, or in substitution for, Condition 7 pursuant to the Trust Deed.

In acting under the Agency Agreement and in connection with the Bonds, the Agents act solely as agents of the Issuer, the Guarantor and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Bondholders.

The initial Agents and their initial Specified Offices are listed below. The Issuer and the Guarantor reserve the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar or principal paying agent and additional or successor paying agents and transfer agents; *provided, however, that* the Issuer and the Guarantor shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar with a specified office outside the United Kingdom and (iii) a Transfer Agent.

Notice of any change in any of the Agents or in any of their Specified Offices shall promptly be given to the Bondholders.

## 12. Meetings of Bondholders; Modification and Waiver

- (a) *Meetings of Bondholders:* The Trust Deed contains provisions for convening meetings of Bondholders to consider matters relating to the Bonds, including the modification of any provision of these Conditions, the Deed of Guarantee or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and the Guarantor (acting together) or by the Trustee and shall be convened by the Trustee upon the request in writing of Bondholders holding not less than one-tenth of the aggregate principal amount of the outstanding Bonds and subject to it being indemnified and/or secured and/or pre-funded to its satisfaction against any costs and expenses. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing one more than half of the aggregate principal amount of the outstanding Bonds or, at any adjourned meeting, two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented; *provided, however, that* certain proposals (including any proposal to change any date fixed for payment of principal or interest in respect of the Bonds, to reduce the amount of principal or interest payable on any date in respect of the Bonds, to alter the method of calculating the amount of any payment in respect of the Bonds or the date for any such payment, to change the currency of payments under the Bonds, to amend the terms of the Guarantee of the Bonds or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a “**Reserved Matter**”)) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Bondholders at which two or more persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Bonds form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Bondholders, whether present or not.



In addition, a resolution (i) in writing or (ii) by way of electronic consents through the relevant clearing systems, in each case signed or given by or on behalf of Bondholders who for the time being are entitled to receive notice of a meeting of Bondholders under the Trust Deed, holding not less than 90 per cent. in aggregate principal amount of the Bonds outstanding, will take effect as if it were an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

- (b) *Modification and waiver:* The Trustee may (but shall not be obliged to), without the consent of the Bondholders, agree to (i) any modification of these Conditions, the Deed of Guarantee, the Trust Deed or the Agency Agreement (other than in respect of a Reserved Matter) which is, in the opinion of the Trustee such modification will not be materially prejudicial to the interests of Bondholders and to any modification of the Bonds, the Deed of Guarantee, the Trust Deed or the Agency Agreement which is of a formal, minor or technical nature or is to correct a manifest error or to comply with any mandatory provision of law. In addition, the Trustee may (but shall not be obliged to), without the consent of the Bondholders, authorise or waive any proposed breach or breach of the Bonds, the Deed of Guarantee, the Trust Deed or the Agency Agreement (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Bondholders will not be materially prejudiced thereby.

Any such authorisation, waiver or modification shall be binding on the Bondholders and unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified to the Bondholders by the Issuer as soon as practicable thereafter in accordance with Condition 15.

- (c) *Directions from Bondholders:* Notwithstanding anything to the contrary, the Bonds, the Deed of Guarantee, the Trust Deed and/or the Agency Agreement, whenever the Trustee is required or entitled by these Conditions, the Deed of Guarantee, the Trust Deed and/or the Agency Agreement to exercise any discretion or power, take or refrain from taking any action, make any decision or give any direction or certification, the Trustee is entitled, prior to exercising any such discretion or power, taking or refraining from taking any such action, making any such decision, or giving any such direction or certification, to seek directions or clarification from the Bondholders by way of an Extraordinary Resolution and to be indemnified and/or secured and/or pre-funded to its satisfaction against all action, proceedings, claims and demands to which it may be or become liable and all costs, charges, damages, expenses (including legal expenses) and liabilities which may be incurred by it in connection therewith, and the Trustee shall not be responsible for any loss or liability incurred by the Issuer, the Bondholders or any other person as a result of any delay in it exercising such discretion or power, taking or refraining from taking such action, making such decision or giving such direction as a result of seeking such direction or clarification of any such direction from the Bondholders or in the event that no direction or clarification of any such direction is given to the Trustee by the Bondholders. None of the Trustee or any Agent shall be liable to any Bondholder, the Issuer, or any other person for any action taken by the Trustee or such Agent in accordance with the instructions, direction, request or resolution of the Bondholders. The Trustee shall be entitled to rely conclusively on any instructions, direction, request or resolution of Bondholders given by Bondholders holding the requisite principal amount of Bonds outstanding or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed or passed as otherwise provided in the Trust Deed.
- (d) *Certificates and Reports:* The Trustee and the Agents may rely conclusively without liability to Bondholders, the Issuer or any other person on any report, advice, opinion, information, confirmation or certificate or any advice of any lawyers, valuers, accountants (including auditors and surveyors), financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept (and shall be entitled to rely conclusively on) any such report, confirmation, information, opinion or certificate or advice in which event such report, confirmation or certificate or advice shall be binding on the Issuer, the Guarantor, the Trustee and the Bondholders. Neither the Trustee nor the Agents shall be responsible or liable to the Issuer, the Bondholders or any other person for any loss occasioned by acting on or refraining from acting on such report, confirmation, information, opinion, certificate or advice.



### **13. Enforcement**

The Trustee may at any time, at its discretion and without notice, institute such actions, suits and proceedings against the Issuer as it thinks fit to enforce the terms of the Deed of Guarantee or the Trust Deed in respect of the Bonds, but it shall not be bound to do so unless:

- (a) it shall have been so requested in writing by the Holders of at least one quarter of the aggregate principal amount of the outstanding Bonds or has been so directed by an Extraordinary Resolution; and
- (b) it shall have been indemnified and/or provided with security and/or pre-funded to its satisfaction.

No Bondholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

### **14. Further Issues**

The Issuer may from time to time, without the consent of the Bondholders and in accordance with the Trust Deed, create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest and the timing for reporting to the NDRC and registering the guarantee with SAFE) so as to form a single series with the Bonds. References in these Conditions to the Bonds include (unless the context requires otherwise) any such other securities issued pursuant to this Condition 14 (*Further Issues*) and forming a single series with the Bonds. Any further securities forming a single series with the Bonds constituted by the Trust Deed or any deed supplemental to it shall be constituted by a deed supplemental to the Trust Deed.

Whenever it is proposed to create and issue any further bonds, the Issuer shall give to the Trustee not less than 14 days' prior notice (or such shorter period as may be agreed by the Trustee) in writing before the issuance of such bonds of its intention to do so, stating the amount of the further bonds proposed to be created and issued, which notice shall be accompanied by a draft of the proposed supplemental trust deed.

The Issuer may from time to time, with the consent of the Trustee, create and issue other series of bonds having the benefit of the Trust Deed *provided that* such supplemental documents are executed and further opinions are obtained as the Trustee may require, as further set out in the Trust Deed.

### **15. Notices**

Notices to the Bondholders will be valid if mailed to them by unsecured mail or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day (being a day other than a Saturday, a Sunday or public holiday) after the date of mailing. The Issuer shall also ensure that notices are duly published in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed, if so required, and 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.

*Until such time as any individual certificates are issued and so long as the Global Bond Certificate is held in its entirety on behalf of Euroclear and Clearstream any notice to the Bondholders shall be validly given by the delivery of the relevant notice to Euroclear and Clearstream for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by these Conditions and shall be deemed to have been given on the date of delivery to such clearing system.*

## 16. Currency Indemnity

If any sum due from the Issuer or the Guarantor in respect of the Bonds or any order or judgment given or made in relation thereto has to be converted from the currency (the “**first currency**”) in which the same is payable under these Conditions or such order or judgment into another currency (the “**second currency**”) for the purpose of (a) making or filing a claim or proof against the Issuer or the Guarantor, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Bonds, the Issuer and the Guarantor shall indemnify the Trustee and each Bondholder, on the written demand of the Trustee or such Bondholder addressed to the Issuer and the Guarantor and delivered to the Issuer and the Guarantor, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which the Trustee or such Bondholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of each of the Issuer and the Guarantor and shall give rise to a separate and independent cause of action.

## 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 Trust Deed expressly provides for such Act to apply to any of its terms.

## 18. Governing Law and Jurisdiction

- (a) *Governing law:* The Bonds, the Deed of Guarantee, the Agency Agreement and the Trust Deed 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:* Each of the Issuer and the Guarantor has in the Trust Deed and the Guarantor has in the Deed of Guarantee (i) agreed for the benefit of the Trustee and the Bondholders that the Hong Kong courts shall have exclusive jurisdiction to settle any dispute (a “**Dispute**”) arising out of or in connection with the Bonds or the Deed of Guarantee, the Trust Deed and the Agency Agreement (including any non-contractual obligation arising out of or in connection with them); (ii) agreed that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient and has irrevocably submitted to the jurisdiction of such courts; (iii) irrevocably appointed Ninghai Construction and Investment (Hong Kong) Limited at RM 803, 8/F EASEY COMM BLDG, 253-261 Hennessy RD, Wan Chai, Hong Kong to accept service of any process on its behalf. If for any reason either of the Issuer or the Guarantor ceases to have such an agent in Hong Kong, the Issuer or the Guarantor (as the case may be) will promptly appoint a substitute process agent and will notify the Trustee of such appointment within 30 days of such cessation. Nothing herein shall affect the right to serve process in any other manner permitted by law; (iv) consented to the enforcement of any judgment; and (v) to the extent that it may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process, and to the extent that in any such jurisdiction there may be attributed to itself or its assets or revenues such immunity (whether or not claimed), agreed not to claim and irrevocably waived such immunity to the full extent permitted by the laws of such jurisdiction.

## SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

*The Global Bond 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 of the Bonds set out in this Offering Circular. The following is a summary of certain of those provisions.*

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

Under the Global Bond Certificate, the Issuer, for value received, will promise to pay the amount payable upon redemption under the Terms and Conditions in respect of the Bonds represented by the Global Bond Certificate to the registered holder of the Global Bond Certificate (the “**Holder**”) in such circumstances as the same may become payable in accordance with the Terms and Conditions.

The Global Bond Certificate will become exchangeable in whole, but not in part, for duly authenticated and completed individual bond certificates (“**Individual Bond Certificates**”) if Euroclear or Clearstream 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.

Whenever the Global Bond Certificate is to be exchanged for Individual Bond Certificates, such Individual Bond Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Bond Certificate within five business days of the delivery, by or on behalf of the Holder of the Global Bond Certificate, Euroclear and/or Clearstream to the Registrar of such information as is required to complete and deliver such Individual Bond Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Bond Certificates are to be registered and the principal amount of each such person’s holding) against the surrender of the Global Bond Certificate at the Specified Office of the Registrar. Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Bonds scheduled thereto and, in particular, shall be effected without charge to any Bondholder or the Trustee, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange. In this paragraph, “**business day**” means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar has its Specified Office.

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

**Payments on business days:** In the case of all payments made in respect of the Global Bond Certificate, “**business day**” means any day which is a day on which banks are open for general business (including dealings in foreign currencies) in London and New York City.

**Payment Record Date:** Each payment made in respect of the Global Bond Certificate will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the “**Record Date**”) where “**Clearing System Business Day**” means a weekday (Monday to Friday, inclusive), except 25 December and 1 January.

**Issuer’s Redemption:** The option of the Issuer provided for in Condition 5(b) (*Redemption for Taxation Reasons*) shall be exercised by the Issuer giving notice to the Bondholders within the time limits set out in and containing the information required by that Condition.

**Exercise of Put Option:** In order to exercise the option contained in Condition 5(c) (the “**Put Option**”), the Holder of the Global Bond Certificate must, within the period specified in the Terms and Conditions for the deposit of the relevant Global Bond Certificate and put notice, give written notice of such exercise to the Principal Paying Agent specifying the principal amount of Bonds in respect of which the Put Option is being exercised. Any such notice shall be irrevocable and may not be withdrawn.

**Notices:** Notwithstanding Condition 15, so long as the Global Bond Certificate is held on behalf of Euroclear and Clearstream, or any other clearing system (an “**Alternative Clearing System**”), notices to Holders of Bonds represented by the Global Bond Certificate may be given by delivery of the relevant notice to Euroclear and Clearstream, or (as the case may be) such Alternative Clearing System.

**Authentication:** The Global Bond Certificate shall not be valid for any purpose until it has been authenticated for and on behalf of China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as a registrar.

**Transfers:** Transfers of interests in the Bonds represented by this Global Bond Certificate 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 represented by this Global Bond Certificate by the Issuer following its redemption or purchase by the Issuer and its Subsidiaries will be effected by a reduction in the principal amount of the Bonds in the register of Bondholders and this Global Bond Certificate on its presentation to or to the order of the Registrar for annotation (for information only) on the Schedule hereto.

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

## DESCRIPTION OF THE ISSUER

### Overview

The Issuer was incorporated as a BVI business company with limited liability on 1 October 2020 under the laws of the British Virgin Islands. The registered office of the Issuer is at Morgan & Morgan Building, P.O.Box 958, Pasea Estate, Road Town, Tortola, British Virgin Islands. As at the date of this Offering Circular, the Issuer is authorised to issue a maximum of 50,000 shares of one class with a par value of U.S.\$1 each.

The Issuer is a wholly-owned subsidiary of the Company. As at the date of this Offering Circular, the Issuer has not engaged, since its incorporation, in any material activities other than entering into arrangements for the proposed issue of Bonds and on-lending of the proceeds thereof to a member of the Group. As at the date of this Offering Circular, the Issuer has no outstanding borrowings. As at the date of this Offering Circular, the Issuer has no subsidiaries or employees.

### Director

The sole director of the Issuer as at the date of this Offering Circular is Ms. SHI Xueqiao. The business address of the sole director is Nanfan Road, Taoyuan Sub-district, Ninghai County, Ningbo City, Zhejiang Province, PRC.

### Financial Statements

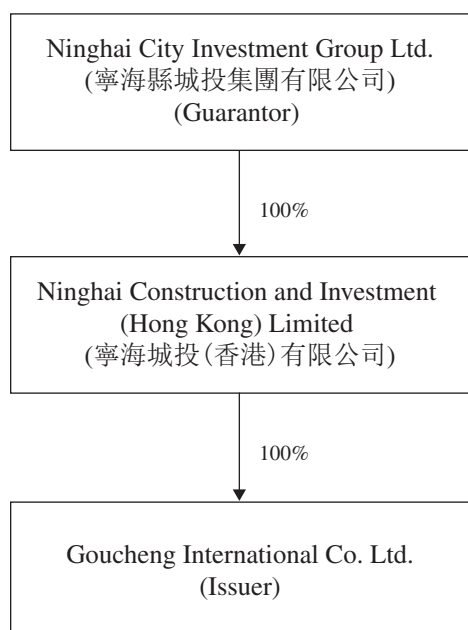
As at the date of this Offering Circular, the Issuer has not published any financial statements as the first financial year of the Issuer has not been concluded.

### 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.

### Corporate Structure

The following table sets forth the organisational relationship among the Issuer and the Guarantor as at the date of this Offering Circular.



## DESCRIPTION OF THE GROUP

### Overview

The Group is one of the primary state-owned assets management and infrastructure construction platforms of the Ninghai Municipal Government focusing on primary land development, resettlement housing and price-capped housing and water supply and water treatment in Ninghai and is indirectly controlled by Ninghai SAMC. Established in 2000 and designated to carry out the Ninghai Municipal Government's blueprint for municipal development in Ninghai, the Group has established itself as a leading state-owned asset management company in Ninghai and plays an important role in the urbanisation of Ninghai.

For the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, the Group's total operating revenue was RMB1,620.2 million, RMB2,389.0 million, RMB2,137.5 million and RMB1,553.3 million, respectively, and its gross profit was RMB573.7 million, RMB702.1 million, RMB465.3 million and RMB368.5 million, respectively. The Group's net profit was RMB226.3 million, RMB272.8 million, RMB280.4 million and RMB459.7 million, respectively, for the same periods indicated above.

The Group's operation and investment primarily focus on four major business segments, namely (i) primary land development, (ii) resettlement housing and price-capped housing, (iii) water supply and water treatment and (iv) commercial leasing. Set forth below is an overview of the major business segments of the Group:

**Primary Land Development.** The Group is the only entity designated by the Ninghai Municipal Government to conduct primary land development in Ninghai urban area. The Group commenced primary land development in 2003, primarily through the Company. The Group prepares land for sale to secondary developers by levelling and clearing undeveloped land. As at 31 December 2019, the Group had completed the primary development of more than ten thousand Mu of land.

For the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, operating revenue generated from the Group's primary land development business was RMB531.9 million, RMB1,037.4 million, RMB902.1 million and RMB630.0 million, respectively, representing 32.8 per cent., 43.4 per cent., 42.2 per cent. and 40.6 per cent. of the Group's total operating revenue for the same periods, respectively.

**Resettlement Housing and Price-capped Housing.** The Group engages in resettlement housing and price-capped housing business mainly through three of its members, namely, the Company, Ninghai Real Estate Co. and Ninghai New Times Co. The Ninghai Municipal Government has mandated the Group to construct and sell resettlement housing for the resettlement of former residents of land expropriated for the development of the related area and price-capped housing in accordance with the government's policy.

For the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, operating revenue generated from the Group's resettlement housing and price-capped housing business was RMB477.5 million, RMB871.5 million, RMB815.7 million and RMB606.6 million, respectively, representing 29.5 per cent., 36.5 per cent., 38.2 per cent. and 39.1 per cent. of the Group's total operating revenue for the same periods, respectively.

**Water Supply and Water Treatment.** The Group engages in water supply and water treatment business through two of its members, including Ninghai Water Affairs Co. and Ninghai Water Supply Co., which are both the sole state-owned enterprise authorised by the Ninghai Municipal Government to engage in water supply and water treatment in Ninghai, respectively.

For the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, operating revenue generated from the Group's water supply and water treatment business was RMB180.7 million, RMB193.0 million, RMB225.4 million and RMB145.3 million, respectively, representing 11.2 per cent., 8.1 per cent., 10.5 per cent. and 9.4 per cent. of the Group's total operating revenue for the same periods, respectively.



**Commercial Leasing.** The Group engages in commercial leasing business through its member, She Pan Tu Co. The Group leases its properties in Ninghai, including commercial properties, office buildings and warehouses. The Group normally enters into leases for a period of two to ten years for commercial property leasing, one year for shop and market stall leasing and five to ten years for culture ponds leasing. As at 31 December 2019, the Group had leasable properties with a total GFA of 4.0 million square metres, of which approximately 80.6 per cent. had been leased.

For the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, operating revenue generated from the Group's commercial leasing business was RMB106.8 million, RMB118.2 million, RMB111.9 million and RMB44.0 million, respectively, representing 6.6 per cent., 5.0 per cent., 5.2 per cent. and 2.8 per cent. of the Group's total operating revenue for the same periods, respectively.

### **Competitive Strengths**

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

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

The Group benefits continually and significantly from Ninghai's strategic location and rapid economic development. Ninghai has undergone a prolonged period of rapid economic development in line with such development in Ningbo. According to the Ningbo Municipal Statistics Bureau, the GDP of Ningbo increased from approximately RMB46.5 billion in 2016 to approximately RMB70.1 billion in 2019, representing a CAGR of 14.7 per cent. The Group also benefits from its location in Ninghai due to the district's importance in Ningbo and Zhejiang Province. Ninghai has an area of approximately 1,931 sq.m. Situated in the east coast of Zhejiang Province at the intersection of Xiangshan Port (象山港), Sanmen Bay (三門灣), Tiantai Mountain (天台山), and Siming Mountain (四明山), Ninghai has been positioned as a comprehensive transportation hub which connects east area of Ningbo and three neighbouring cities, including Xiangshan, Sanmen and Fenghua. Ninghai has modernised its transportation network and strategically developed its key industries in an effort to claim a leading position in Ningbo and among its neighbouring cities. One of the Ninghai Municipal Government's priorities in urbanising and modernising Ninghai is to continue the improvement of its infrastructure and transportation system. Accordingly to the Ninghai Thirteenth Five-Year Plan for National Economic and Social Development (寧海市國民經濟和社會發展第十三個五年計劃綱要).

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

*The Group is one of the primary state-owned assets management and infrastructure construction platforms under the control of Ninghai SAMC.*

The Group is one of the primary state-owned assets management and infrastructure construction platforms under the supervision of the Ninghai SAMC and indirectly wholly-owned by the Ninghai SAMC. Since its establishment in 2000, the Group has played an important role in implementing the Ninghai Municipal Government's blueprint for urban planning and municipal construction and received strong support from the Ninghai Municipal Government. The Ninghai Municipal Government has implemented a variety of favourable policies to ensure the sustainable development of the Group. Accordingly, the Group has been appointed by the Ninghai Municipal Government as the only entity responsible for carrying out Ninghai's primary land development projects. Since its establishment, the Group has invested RMB12.3 billion and undertook to complete a total of 11 primary land development projects on behalf of the Ninghai Municipal Government, including, among others, the Yang Jia village project, the Qiao Xia Pan village project and the XiaYang Wu village plot project.

The Group's business and investments focus on a number of areas relating to primary land development, resettlement housing and price-capped housing development under the ultimate supervision of the Ninghai Municipal Government. The Group's primary land development business, which contributes to a substantial portion of the its operating revenue. The Ninghai Municipality Government makes payments to the Group 90.0 per cent. of the land grant premium for each land developed by the Group. Such arrangement allows the Group to receive a steady stream of income over time. For the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, the Group's gross profit margin was 35.4 per cent., 29.4 per cent., 21.8 per cent and 23.7 per cent., respectively.

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

***The Group benefits from strong support from the Ninghai Municipal Government.***

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

- *Operation Support.* The Ninghai Municipal Government has granted permits to the Group for the operation of public utilities businesses, for example, water supply and water treatment. In addition, the Group's resettlement housing and price-capped housing business depends largely on local government's budget and development plan.
- *Capital Injections.* The Company was established with an initial registered capital of RMB10.0 million on 8 May 2000, contributed by the Ninghai Municipal Government Urban and Rural Construction Committee (寧海縣城鄉建設委員會) ("Ninghai URCC"), the Ninghai Municipal Government Old City Reconstruction Office (寧海縣舊城改造辦公室) ("Ninghai OCRO"). In June 2018, the Company's registered capital has been increased to RMB1,000.0 million by Ninghai SASAB.
- *Asset Allocations.* The Ninghai Municipal Government has injected high-quality assets into the Group since its establishment in 2000. For example, in 2009, the Ninghai SAMC had allocated land use rights with a total value of approximately RMB1,394.3 million to the Group.
- *Fiscal Subsidies from the PRC Government.* For the nine months ended 30 September 2020, the amount of government grants received by the Group in support of its forest rent and maintenance and water conservancy project management and maintenance businesses were approximately RMB3.9 million.

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

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

The Group believes that its abundant land reserves are critical for the Group to achieve sustainable operating income and operating cash inflow from primary land development in the future. As at 31 December 2019, the Group held the land use rights of approximately 9,831 Mu of developed land for future transfer, which the Group believes if to be transferred in the next three years will generate sufficient income. The Group believes that this strong project pipeline will provide increasing operating income and operating cash inflow after the land is developed and transferred to other parties through public auction.

The Group believes that the prospects of sustainable and increasing operating income and operating cash inflow from primary land development are also warranted by the preferential land development policies in Ninghai. According to the Agreement on Entrusted Primary Land Development (委託開展土地整理協議) entered between the Ninghai LRC and the Company, the Group would be entitled to 90.0 per cent. of the land grant premium from its other primary land development projects it undertakes, after deduction of statutory taxes and charges. The Group expects that with continued urbanisation in Ninghai it will continue to drive the demand for land and infrastructure construction and the Group is well-positioned to capture the capitalise this growth by taking of its abundant land reserves.

***The Group has access to diverse source of funding.***

The Group has access to various funding channels, including bank loans and domestic bond offerings in the PRC markets. With well-established operations in various business segments, the Group has a proven track record of creditworthiness, demonstrated by the Company's "AA+" rating, with stable outlook, granted by Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. (上海新世紀資信評估投資服務有限公司), a PRC rating agency, which allows the Group to secure favourable financing terms. The Group primarily finances its operations using a combination of its internal funding and bank loans. The Group maintains long-term stable relationships with many major PRC financial institutions, such as China Everbright Bank, China Development Bank, and China Construction Bank. The Group's borrowings primarily comprise long-term interest-bearing borrowings. As at 30 June 2020, the Group had available credit facilities providing an aggregate of approximately RMB10,040.0 million, of which approximately RMB2,786.7 million had not been utilised. In addition, the Group finances its operations through domestic bond offerings in the PRC markets. For example, the Group issued RMB0.4 billion and RMB1.0 billion corporate bonds in January 2014 and April 2014, respectively..

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

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

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

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

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

## **Business Strategies**

The Group intends to implement the following strategies to achieve its business objectives:

### ***Actively continue to focus on primary land and resettlement housing and price-capped housing in Ninghai.***

The Group plans to continue to actively leverage the strategic location of Ninghai and increase its focus on primary land development, resettlement housing and price-capped housing businesses. See “– *Competitive Strengths – The Group is well positioned to benefit from the economic growth and strategic location of Ninghai*”. According to the Ninghai Thirteenth Five-Year Plan for National Economic and Social Development, Ninghai will continue to construct a number of important civil projects including, among others, the construction of Ninghai Diaoyujiao Wharf Water Transport Construction Project (寧海釣魚礁碼頭水運建設工程), She Pan Tu 99MW Complementary Photovoltaic Power Generation Project (蛇蟠塗99MW 漁光互補光伏發電工程) and Resettlement Housing Projects in Xiayangwu, Yanjia and Dawu Villages (下洋吳、楊家村、大屋村拆遷安置工程). With the ever-evolving regulatory environment in the PRC, the Group will work closely with the Ninghai Municipal Government to develop innovative business models, which will further enhance its dominant market position in the primary land and resettlement housing and price-capped housing fields. In the meantime, the Group had abundant land reserve and there were two primary land development projects under construction as at 31 December 2019. It is expected that there will be a large amount of land in Ninghai to be developed in the future, which also is expected to bring steady income to the Group.

### ***Explore new business opportunities and sources of revenue.***

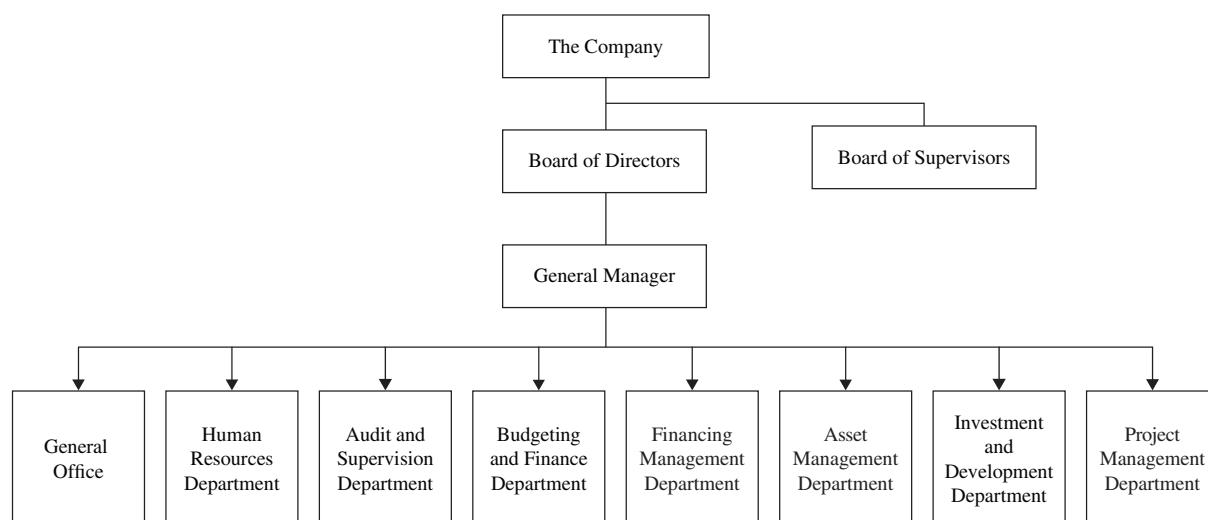
The Group intends to continue operating its current business segments, with a focus on diversifying its business and sources of revenue. The Group is currently expanding and diversifying its businesses to include a broader range of services, such as commercial leasing. In 2003, the Group established She Pan Tu Co., with a registered capital of RMB30 million. The Group believes that it will be able to benefit from its diversified business models and that it will continue to evaluate business opportunities arising from different business segments from time to time.

### ***Continue to enhance financial management and risk control system.***

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

## Organisation Structure

The chart below shows the Group's general organisational structure as at 30 September 2020:



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

The Group has established specialised departments to supervise and manage the major stages of all of its business. The division at the Group level are the General Office, Human Resources Department, Audit and Supervision Department, Budgeting and Finance Department, Financing Management Department, Asset Management Department, Investment and Development Department, and Project Management Department.

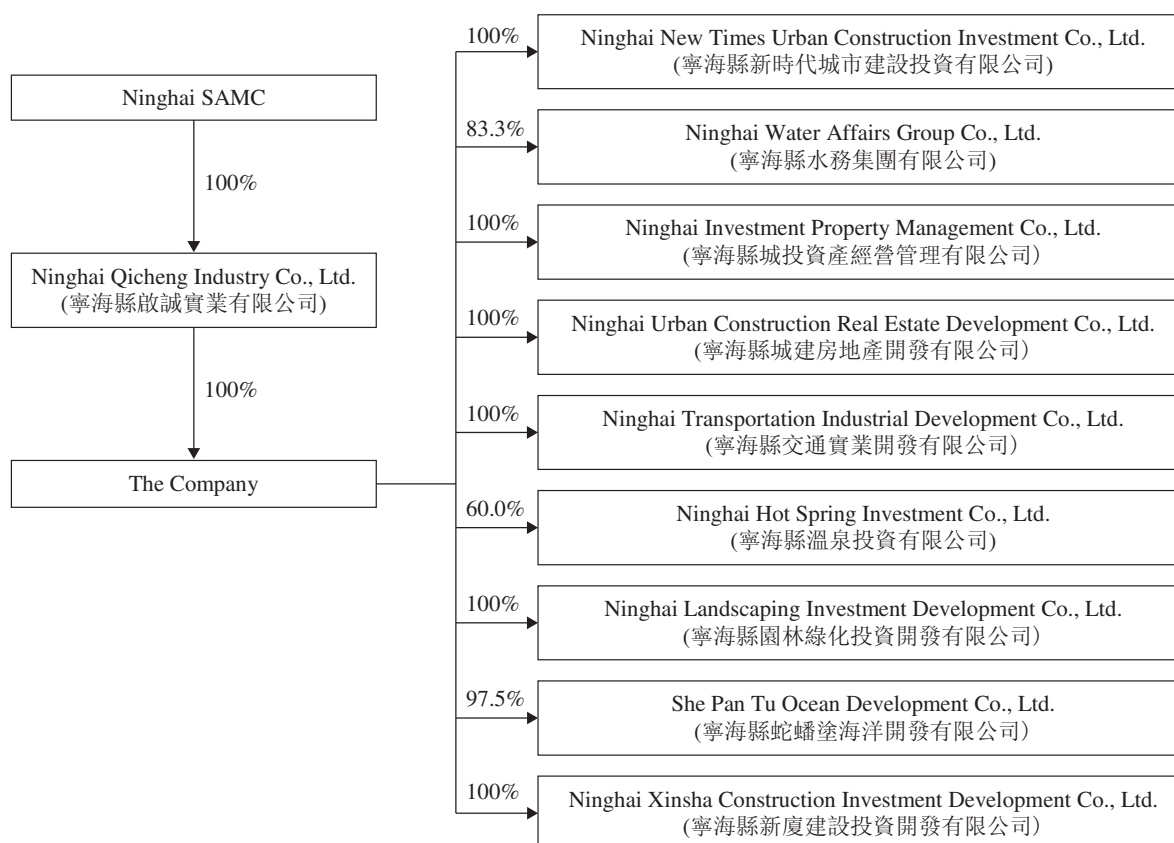
- General Office is primarily responsible for daily administration works, establishing the Group's strategic development plans, guiding the development plan on business segments, establishing evaluation and supervision system over the business segments.
- Human Resources Department is primarily responsible for the Group's human resources planning, employees' performance and compensation management, organizational structure and employee management, recruitment, and training, employee relationship management and other human resources management related work.
- Audit and Supervision Department is primarily responsible for enhancing the internal control and auditing system, auditing the financial statements of the Group and selecting and coordinating with external independent auditors.
- Budgeting and Finance Department is primarily responsible for establishing and implementing the Group's finance management systems, producing annual budget plan and financial reports, implementing the Group's financing plans, the reporting of taxes, researching the feasibility of potential projects and providing advice on capital needs, financing plans, tax plans.
- Financing Management Department is primarily responsible for the implementation of the financing plans, the risk analysis of the market and project, the forecast of the Group's short-term and long-term capital needs, establishing corresponding financing plans and supervising the projects whose financing plans are completed.
- Asset Management Department is primarily responsible for establishing and optimising the Group's asset management system, including the registration of land, property and other stock assets, sales of the Group's developed properties, determination of the sales price and arrangement of marketing campaigns.

- Investment and Development Department is primarily responsible for feasibility analysis of the Group's investment and financing plans, researching development plans.
- Project Management Department is primarily responsible for organizing and implementing the project bidding process, reviewing project construction agreements, conducting project supervision, progress control, quality control, cost control, contract management, safety management.

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

## Corporate Structure

The following table sets forth the Group's structure indicating major members as at 30 September 2020.





## History and Development

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

Year	Events
2000.....	On 10 April 2000, pursuant to the Reply on Agreeing to Establish Ninghai Municipal Urban Construction Investment Development Co., Ltd. (Ning Zheng Fa [2000] No. 62) (《關於同意建立寧海縣城市建設投資開發有限公司的批復》寧政發[2000]62號), the Company was established under the name Ninghai Municipal Urban Construction Investment Development Co., Ltd. (寧海縣城市建設投資開發有限公司) with a registered capital of RMB10.0 million by Ninghai URCC contributing 4.0 million and holding 40.0 per cent. equity interest and Ninghai OCRO contributing 6.0 million and holding the remaining 60.0 per cent. equity share.
2002.....	In February 2002, the registered capital and the paid-up capital of the Company was increased to RMB30.0 million with Ninghai URCC contributing RMB8.0 million and Ninghai OCRO contributing RMB12.0 million.
2003.....	In July 2003, the Company's registered capital was increased to RMB300.0 million where Ninghai LRC contributed RMB270.0 million. After the capital increase, Ninghai URCC, Ninghai OCRO and Ninghai LRC held 4.0 per cent. 6.0 per cent. and 90.0 per cent. of the equity interest in the Company, respectively.
2009.....	In June 2009, pursuant to Ninghai Municipal Government Office Ningban No. 36 Notice (寧海縣人民政府辦公室寧辦第36號抄告單), Ninghai URCC, Ninghai OCRO and Ninghai Land Reserve Centre (寧海縣土地儲備中心) (“ <b>Ninghai LRC</b> ”) transferred their equity interest in the Company to Ninghai SASAB with zero compensation. The Company approved a shareholder resolution and an amended Articles of Association where its registered capital was increased to RMB500.0 million. Ninghai SASAB invested RMB4,126.4 million, of which RMB200.0 million was applied to increase the paid-up capital while the remaining amount was applied to increase capital reserves. Among Ninghai SASAB's investment, RMB400 million was by way of cash injection, RMB1,394.3 million was by granting land use rights and RMB2,332.2 million was by long term equity investment.
2015.....	In July 2015, pursuant to a shareholder's resolution, Ninghai SASAB changed the Company's name from Ninghai Urban Construction Investment Development Co., Ltd. (寧海縣城市建設投資開發有限公司) into Ninghai City Investment Group Ltd. (寧海縣城投集團有限公司)

Year	Events
2018.....	In May 2018, the Company's registered capital was increased to RMB1,000 million by Ninghai SASAB through way of cash injection. In July 2018, the Company's business scope was expanded to include building materials wholesale (excluding storage). In December 2018, the Company further amended its business scope into urban area construction, investment, development and operation, old city reconstruction and related investment, equity participation, land development, and building materials wholesale (excluding storage). Simultaneously, the Company's place of incorporation changed to 5 Nanfan Road, Taoyuan Sub-district, Ninghai County, Ningbo City, Zhejiang Province, PRC.
2019.....	In December 2019, pursuant to Decision on the Transfer of Equity of the Ninghai City Investment Group Ltd., Ninghai Transportation Group, Ninghai Tourism Group and Science and Technology Group (Ning Guozi Fa [2019] No. 60) (關於劃轉縣城投集團、縣交通集團、縣旅遊集團和科創集團股權的決定(寧國資發[2019]60號)), Ninghai SASAB transferred 100.0 per cent. of the equity interest in the Company to Ninghai Qicheng Industry Co., Ltd. (寧海縣啟誠實業有限公司) with zero compensation.

## Recent Development

### *The Recent Coronavirus Epidemic Outbreak*

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

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

## DESCRIPTION OF THE GROUP'S BUSINESSES

### Overview

The Group is one of the primary state-owned assets management and infrastructure construction platforms focusing on primary land development, resettlement housing and price-capped housing development and water supply and water treatment in Ninghai and is indirectly controlled by the Ninghai SAMC. Established in 2000 and designated to carry out the Ninghai Municipal Government's blueprint for municipal development in Ninghai, the Group has established itself as a leading state-owned asset investment company in Ninghai and plays an important role in the urbanisation of Ninghai. The Group's operation and investment primarily focus on five business segments, namely (i) primary land development, (ii) resettlement housing and price-capped housing, (iii) water supply and water treatment, (iv) commercial leasing and (v) other businesses.

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

	Year ended 31 December						Nine months ended 30 September			
	2017		2018		2019		2019		2020	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
(RMB in millions, except for percentages)										
Primary Land Development .....	531.9	32.8	1,037.4	43.4	902.1	42.2	808.1	47.0	630.0	40.6
Resettlement Housing and Price-capped Housing .....	477.5	29.5	871.5	36.5	815.7	38.2	628.0	36.5	606.6	39.1
Water Supply and Water Treatment .....	180.7	11.2	193.0	8.1	225.4	10.5	157.7	9.2	145.3	9.4
Commercial Leasing .....	106.8	6.6	118.2	5.0	111.9	5.2	81.7	4.7	44.0	2.8
Others .....	323.4	20.0	168.9	7.1	82.4	3.9	44.7	2.6	127.4	8.2
<b>Total .....</b>	<b>1,620.2</b>	<b>100.0</b>	<b>2,389.0</b>	<b>100.0</b>	<b>2,137.5</b>	<b>100.0</b>	<b>1,720.2</b>	<b>100.0</b>	<b>1,553.3</b>	<b>100.0</b>

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

	Year ended 31 December						Nine months ended 30 September			
	2017		2018		2019		2019		2020	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
(RMB in millions, except for percentages)										
Primary Land Development .....	378.3	65.9	343.1	48.9	259.4	55.7	390.8	72.0	221.7	60.2
Resettlement Housing and Price-capped Housing .....	(0.3)	(0.1)	102.6	14.6	20.5	4.4	10.6	2.0	3.2	0.9
Water Supply and Water Treatment .....	60.0	10.5	59.3	8.4	73.9	15.9	57.8	10.7	42.3	11.5
Commercial Leasing .....	66.3	11.6	95.4	13.6	84.5	18.2	69.0	12.7	30.9	8.4
Others .....	69.4	12.1	101.6	14.5	27.0	5.8	14.4	2.7	70.4	19.1
<b>Total .....</b>	<b>573.7</b>	<b>100.0</b>	<b>702.1</b>	<b>100.0</b>	<b>465.3</b>	<b>100.0</b>	<b>542.6</b>	<b>100.0</b>	<b>368.5</b>	<b>100.0</b>

## **Primary Land Development**

### ***Overview***

The Group is the only designated entity to conduct primary land development in Ninghai urban area. The Group commenced primary land development in 2003, primarily through the Company. The Group prepares land for sale to secondary developers by levelling and clearing undeveloped land. For the year ended 31 December 2019, the Group had completed the primary development of approximately 3,344 Mu of land, of which approximately 282.6 Mu were transferred. As at 31 December 2019, the Group held the land use rights of approximately 9,831 Mu of developed land for future transfer.

Primary land development involves demolition of buildings, relocation and resettlement of residents, land clearance and construction of networks of electricity, water, transportation, telecommunication, sewerage, gas and heat thereby transforming the land into a condition ready for secondary real property development. The Ninghai Municipal Government subsidises land use rights of the land cleared by the Group with the funds it receives through public invitation to tender or auction to real estate property developers.

The Group's operating income from primary land development derives from the land development fee payable by the Ninghai Municipal Government, which in turn is generated from the grant of land use rights of the land developed by the Group. The amount of land development fee covers the Group's cost of development (such as quota fee, plan and design fee, maintenance fee, demolition fee and the fee for converting collectively-owned land into state-owned land) and profit which is equal to a certain percentage of the land grant premium. The Group enters into the Agreement on Entrusted Primary Land Development (委託開展土地整理協議) the Ninghai LRC and the Company from time to time, under which, the Group would be entitled to 90.0 per cent. of the land grant premium from its other primary land development projects, after deduction of statutory taxes and charges. As at the date of this Offering Circular, a majority of the land held by the Group for primary land development are in old town areas.

For the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, operating revenue generated from the Group's primary land development business was RMB531.9 million, RMB1,037.4 million, RMB902.1 million and RMB630.0 million, respectively, representing 32.8 per cent., 43.4 per cent., 42.2 per cent. and 40.6 per cent. of the Group's total operating revenue for the same periods, respectively.

### ***Business Model***

The Group's primary land development is generally carried out in three steps, namely (i) primary land development by the Group (including demolition of buildings and relocation and resettlement of residents), (ii) grant of land use rights by invitation to tender or auction to real estate developers, and (iii) payment made by the Ninghai Municipal Government to the Group. The Group normally funds its primary land development with its internal cash and external funding, such as bank loans.

The Group used to perform the land reserve function on behalf of the Ninghai Municipal Government to hold the land use rights of the land pending development that were allocated to it by the Ninghai Municipal Government according to the policies of the Ninghai Land and Resources Bureau and the approval of the Ninghai Municipal Government before 2012. Land use rights of the land developed by the Group were transferred to the Ninghai Municipal Government for invitation to tender or auction after the development is completed. The Group received the land transference fees less the cost incurred by the Ninghai Municipal Government and other relevant governmental authorities. Since 2012, the Group has ceased to perform the land reserve function as a result of the promulgation of the Notice regarding Strengthening the Administration of Land Reserve and Financing (Guotuzi Fa [2012] No. 162) (關於加強土地儲備與融資管理的通知(國土資發[2012]162號)). Without prejudice to the previous land use rights acquired, the Group will only be able to carry out primary land development business on an agency basis in which case it conducts primary land development business as an agent only without obtaining land use rights of the land underlying the project.

Upon completion of the development of a parcel of land, the Ninghai LRC normally conducts auditing of the costs and fees incurred by the Group to determine the base tender or auction price of land grant. Following a successful granting of land use rights through invitation to tender or auction, the Ninghai Municipal Land and Resources Bureau will arrange auditing of the cost of development submitted by the Group. According to the Group's accounting policies, the Group recognises its operating income from primary land development upon receiving Ninghai LRC and other governmental authorities' buyback payment for the developed land. Payment of the land development is made by instalments.

### ***Project Description***

For the year ended 31 December 2019, the Group had completed the primary development of approximately 3,344 Mu of land, of which approximately 282.6 Mu were transferred. As at 31 December 2019, the Group held the land use rights of approximately 9,831 Mu of developed land for future transfer.

### ***Completed Projects***

The following table sets forth a brief description of the Group's completed primary land development projects as at 31 December 2019.

<b>Project/Location</b>	<b>Site Area</b>	<b>Invested Amount</b>	<b>Revenue Recognised</b>
	<b>(square metres)</b>	<b>(RMB in millions)</b>	
Taoyuan north road plot* (桃源北路地塊).....	561,336	1,000	–
Zhang village* (前後張村).....	397,335	2,350	–
Tan Shu Tou village* (檀樹頭村).....	101,334	500	–
Tang An Li village (唐安李村).....	448,669	680	78
Hua Shan village* (華山村).....	350,002	1,450	–
Yang Jia village (楊家村).....	261,335	700	15
Qiao Xia Pan village (橋下潘村).....	404,669	850	4
XiaYang Wu village plot (下洋吳村地塊).....	235,335	1,620	475
Cheng Huang temple area (城隍廟周邊地塊).....	18,667	2,000	33
Hong Feng market plot* (紅楓市場周邊地塊).....	65,334	500	–
Farmer's market plot* (農貿市場地塊).....	14,667	630	–
<b>Total</b> .....	<b>2,858,681</b>	<b>12,280</b>	<b>605</b>

\* The Group had not recognised revenue as the procedures relating to relevant payment recognitions had not been fully completed by 31 December 2019.

### ***Projects under Construction***

The following table sets forth the particulars of primary land development projects under construction as at 31 December 2019:

<b>Project</b>	<b>Site Area</b>	<b>Total Estimated Investment</b>	<b>Invested Amount</b>
	<b>(square metres)</b>	<b>(RMB in millions)</b>	
Land of Ninghai Hualian Textile Co., Ltd. (industrial zone) (寧海華聯紡織有限公司(工業區)地塊).....	103,230	450	424
Renmin road reconstruction project land (人民路改造工程地塊).....	1,332	107	69
<b>Total</b> .....	<b>104,562</b>	<b>557</b>	<b>493</b>

## Projects in Pipeline

The following table sets forth the particulars of primary land development projects in pipeline as at 31 December 2019:

Project/Location	Site Area	Total Estimated Investment
	(square metres)	(RMB in millions)
Block 18-2, Xinghai Road East (formerly Tang An Li village phase II) (興海路東18-2地塊(原唐安李村二期)).....	31,062.2	6
North Block of Transportation Bureau (交通局北地塊).....	58,721.2	10
Shuang Shui Village South-1 Block (雙水村南-1地塊).....	64,588.7	50
Cheng Huang Temple Commercial Block (Phase II) (城隍廟周邊商業街區二期地塊).....	119,880.0	600
<b>Total</b> .....	<b>274,252.1</b>	<b>666</b>

## Resettlement Housing and Price-capped Housing

### Overview

The Ninghai Municipal Government has mandated the Group to construct and sell resettlement housing for the resettlement of former residents of land expropriated for the development of the related area and price-capped housing in accordance with the government's policy.

For the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, operating revenue generated from the Group's resettlement housing and price-capped housing business was RMB477.5 million, RMB871.5 million, RMB815.7 million and RMB606.6 million, respectively, representing 29.5 per cent., 36.5 per cent., 38.2 per cent. and 39.1 per cent. of the Group's total operating revenue for the same periods, respectively.

The following table sets forth a breakdown of the Group's operating revenue from resettlement housing and price-capped housing respectively for the three years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2019 and 2020:

	Year ended 31 December						Nine months ended 30 September			
	2017		2018		2019		2019		2020	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
(RMB in millions, except for percentages)										
Resettlement Housing .....	471.8	98.8	775.9	89.0	753.1	92.3	565.4	90.0	556.1	91.7
Price-capped Housing .....	5.7	1.2	95.6	11.0	62.6	7.7	62.6	10.0	50.5	8.3
<b>Total</b> .....	<b>477.5</b>	<b>100.0</b>	<b>871.5</b>	<b>100.0</b>	<b>815.7</b>	<b>100.0</b>	<b>628.0</b>	<b>100.0</b>	<b>606.6</b>	<b>100.0</b>

### Construction

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



### *Selection of Third Party Contractors*

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

### *Construction Contract Terms*

The principal terms of contractor construction agreements include the scope of work, timetable for construction, contract value and payment terms. In addition, the agreements typically contain warranties with respect to quality and timely completion of the construction. The value of the contractor construction agreements is determined primarily by the cost of labour and material as well as construction progress, subject to adjustments set forth in the agreements. The contractor is in charge of selecting suppliers and construct the buildings according to the standards set by the Group and relevant laws and regulations. The Group typically makes payments in accordance with the project contract and project progression and settles 50 per cent. of the total payment upon receiving the Commercial Housing Pre-sale Licence (商品房預售許可證) of the project and another 25 per cent. upon the completion of the project. The Group makes the remaining 25 per cent. of the total payment upon the receiving of Ninghai County Real Estate Development Project Completion Comprehensive Acceptance Record Certificate (寧海縣房地產開發項目竣工綜合驗收備案證書). In the event of a delay in construction or a breach of warranty, the Group may seek penalties or other remedies against the contractor.

### *Procurement of Construction Material*

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

### *Quality Control and Safety*

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

### *Payment*

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

### *Government Grants*

Due to the nature of the resettlement housing and price-capped housing business, the price of residential units developed by the Group is strictly controlled by the Ninghai Municipal Government. The Ninghai Municipal Government subsidises the Group the difference between the actual sales price of the resettlement and price-capped housing projects and the operating cost plus the fixed margin. For the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, government grants allocated to the Group for construction and sale of resettlement housing totalled RMB10.0 million, RMB20.7 million, nil and nil, respectively. The government grant the Group received from Ninghai Municipal Government depends on various factors, including, among others, the Group's operating performance and the progress of the resettlement housing and price-capped housing construction and sales status of the certain year.

## Resettlement Housing

The Group's resettlement housing business is carried out through its subsidiary Ninghai Real Estate Co. and Ninghai New Times Co. The Group is principally engaged in the construction and sale of the resettlement housing.

### Completed Projects

As at 31 December 2019, the Group had completed 12 resettlement housing projects, with a total invested amount of approximately RMB8,626 million.

The following sets forth a brief description of the Group's representative completed resettlement housing projects as at 31 December 2019.

Project Name	Completion Time	Total Invested Amount (RMB in millions)
Sunshine Mingyuan Community Project (陽光名苑小區項目) .....	June 2013	130
Seaview Garden (海景苑) .....	May 2016	652
Taoyuan Street Zhukou Sancun Resettlement Housing Project (桃源街竹口三村安置房項目) .....	February 2014	1,826
Taoyuan Garden (桃源佳苑) .....	October 2016	518
Xuefu Home Garden (學府家園) .....	November 2018	200
Daming Garden (大名花園) .....	November 2018	829
<b>Total</b> .....		<b>4,155</b>

The following table summarises information relating to the Group's sale of resettlement housing as at 30 September 2020:

Project Name	Average Price (RMB per sq.m.)	Area Sold (sq.m.)	Total Amount Paid by Customers (RMB in millions)
Huxi Garden (湖西花園) .....	11,733.3	0.8	88
Sea Bay Garden (海灣花園) .....	13,524.1	6.6	898
Xia Yang Wu Resettlement Community (Hudong Garden) (下洋吳安置小區(湖東花園)) .....	2,903.2	7.8	225
Taoyuan Street Zhu Kou Village Resettlement Housing (桃源街竹口三村安置房) .....	11,863.1	2.6	312
Taoyuan Garden (桃源佳苑) .....	9,225.8	1.6	143
Xuefu Home Garden (學府家園) .....	5,753.4	0.7	42
Daming Garden (大名花園) .....	2,374.5	5.2	123
<b>Total</b> .....	<b>8,196.8</b>	<b>25.2</b>	<b>1,831</b>

### Projects under Construction

As at 31 December 2019, the Group had one resettlement housing project, namely, Yanjia Village Resettlement Housing (楊家村安置小區), under construction, with a total investment of approximately RMB721 million. Yanjia Village Resettlement Housing has a total site area of approximately 1435.8 thousand square metres with a total GFA of 143.3 thousand square metres and a total estimated investment of RMB721 million. This project commenced in June 2013 and is expected to complete in April 2021.

### Projects in Pipelines

As at 31 December 2019, the Group did not have any resettlement housing projects in pipeline.

### ***Price-capped Housing***

The Group's price-capped housing business is carried out through its subsidiary, the Company, Ninghai Real Estate Co. and Ninghai New Times Co. The Group is principally engaged in the construction and sale of the price-capped housing pursuant to the Ninghai Municipal Government's relevant policies. Price-capped housing is largely policy-oriented with limitations on type, sales price and targeted buyer, and is constructed to solve the housing difficulties of low-income families.

#### ***Completed Projects***

As at 31 December 2019, the Group had completed one price-capped housing project, namely, Shengli-Qiao Xia Pan Project (勝利、橋下潘項目). Shengli-Qiao Xia Pan Project was completed in March 2017 with a total investment of RMB1,150 million. As at 31 December 2019, Shengli-Qiao Xia Pan Project had received a total amount of RMB297 million paid by the customers for the sale of its price-capped units.

#### ***Projects under Construction and Projects in Pipeline***

As at 31 December 2019, the Group did not have any price-capped housing projects under construction or in pipeline.

### **Water Supply and Water Treatment**

#### ***Overview***

The Group engages in water supply and water treatment business through its subsidiary Ninghai Water Supply Co., which is the sole state-owned enterprise authorised by the Ninghai Municipal Government to engage water supply and water treatment in Ninghai.

For the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, operating revenue generated from the Group's water supply and water treatment business was RMB180.7 million, RMB193.0 million, RMB225.4 million and RMB145.3 million, respectively, representing 11.2 per cent., 8.1 per cent., 10.5 per cent. and 9.4 per cent. of the Group's total operating revenue for the same periods, respectively.

#### ***Business Scope***

The Group supplies water through its supply pipeline network, with a total length of up to 937.6 kilometres, to consumers in a designated area in Ninghai with the capability of supplying up to approximately 295 thousand tonnes of water per day. The water supplied by the Group is categorised by usage, including residential, commercial, non-commercial usages and special purpose usages.

## Fee Collection

The Group records consumer usage and bills consumers on a monthly basis. Consumers pay a monthly fee, which varies depending on the intended usage of the water and volume. These monthly fees are comprised of two components: water supply fees and water treatment fees. The water supply and water treatment fees charged by the Group is subject to the pricing guidance determined by the Ninghai Municipal Government, which varies depending on the volume and usage of the water supplied. The Group's subsidiary, Ninhai Water Co. has four branches, namely, Ningbei Branch (寧北分公司), Ningdong Branch (寧東分公司), Changting Branch (長亭分公司) and Ningxi Branch (寧西分公司). Ninghai Water Co. and its different branches charges different water fees. The following table sets forth the details of the Group's water distribution and water treatment fees for the year ended 31 December 2019:

		Residential	Commercial	Non-commercial	Special Purpose
			(RMB per sq.m.)		
Ninghai Water Co.....	Water Fee	2.1	4.2	4.2	8.4
	Water treatment Fee	0.85	1.6	1.6	1.6
Ningbei Branch .....	Water Fee	2	4.2	4.2	6.5
	Water treatment Fee	0.85	1.6	1.6	2.5
Ningdong Branch .....	Water Fee	1.35	3.4	3.4	–
	Water treatment Fee	0.85	1.6	1.6	–
Changting Branch.....	Water Fee	1.35	3.4	3.4	–
	Water treatment Fee	0.85	1.6	1.6	–
Ningxi Branch.....	Water Fee	1.7	3.4	3.4	–
	Water treatment Fee	0.85	1.6	1.6	–

## Commercial Leasing

The Group engages in commercial leasing business its subsidiary, She Pan Tu Co. The Group leases its properties in Ninghai, including commercial properties, market stalls and She Pan Tu Culture Pond (蛇蟠塗養殖塘). The Group normally enters into leases for a period of two to ten years for commercial property leasing, one year for market stalls leasing and five to ten years for She Pan Tu Culture Pond leasing. As at 31 December 2019, the Group had leasable properties with a total GFA of 4,028,248 square metres, of which approximately 80.6 per cent. had been leased.

For the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, operating revenue generated from the Group's commercial leasing business was RMB106.8 million, RMB118.2 million, RMB111.9 million and RMB44.0 million, respectively, representing 6.6 per cent., 5.0 per cent., 5.2 per cent. and 2.8 per cent. of the Group's total operating revenue for the same periods, respectively. The significant decrease in operating revenue from the Group's commercial leasing business for the nine months ended 30 September 2020 as compared to the same period in 2019 was due to the disposal of its certain former subsidiaries, through which the Group engaged in commercial leasing businesses including, among others, Ninghai Asset Management Co., Ltd. (寧海縣資產經營管理有限公司), Ninghai Market Development Service Co., Ltd. (寧海縣市場開發服務有限公司) and Ninghai Yuelong Comprehensive Market Co., Ltd. (寧海縣躍龍綜合市場有限公司).

## Rental Pricing Process

The Group has developed a rental pricing process based on its operating experience. The Group determines the initial rental price for investment properties based on a feasibility study. Subsequently, the Group approximates rental ranges for a proposed project in order to evaluate the estimated rate of return on investment.

## Selection of Tenants

The Group's anchor tenants include a number of local government related entities. When selecting tenants, the Group takes into account various factors, including (i) the proposed rent, which should be fair and reasonable; (ii) the tenancy term; (iii) satisfaction of the required quality standard; and (iv) whether it is in line with the Group's business strategy.

## Properties

The following table sets forth certain details regarding each property the Group leased as at 31 December 2019.

Properties	Total GFA for Lease	Total Leased GFA	Occupancy Rate
	(sq.m.)	(sq.m.)	(%)
She Pan Tu Culture Pond .....	3,739,035	2,988,947	79.9
Houses and Stalls of the asset management company (資產經營公司經營用房、攤位) .....	193,250	169,893	87.9
Shops and Office Buildings of the urban construction company (城建房地產商舖、辦公用房).....	20,568	17,338	84.3
Factories and Operating Houses of the Company (城投集團廠房、經營用房) .....	75,395	69,296	91.9
<b>Total</b> .....	<b>4,028,248</b>	<b>3,245,474</b>	<b>80.6</b>

## Other Businesses

The Group's other businesses include drainage pipeline installation, investment real estate, infrastructure construction and others.

For the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, operating revenue generated from the Group's other businesses was RMB323.4 million, RMB168.9 million, RMB82.4 million and RMB127.4 million, respectively, representing 20.0 per cent., 7.1 per cent., 3.9 per cent. and 8.2 per cent. of the Group's total operating revenue for the same periods, respectively.

The following table sets forth a breakdown of the revenues generated by the Group's other businesses respectively for the three years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020:

	Year ended 31 December						Nine months ended 30 September			
	2017		2018		2019		2019		2020	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in millions, except for percentages)									
Drainage Pipeline Installation.....	62.1	19.2	53.2	31.5	71.9	87.3	42.1	94.2	46.1	36.2
Investment Real Estate .....	12.0	3.7	101.6	60.2	-	-	-	74.0	58.1	
Infrastructure Construction .....	243.3	75.2	-	-	-	-	-	-	-	-
Others .....	6.0	1.9	14.1	8.3	10.5	12.7	2.6	5.8	7.3	5.7
<b>Total</b> .....	<b>323.4</b>	<b>100.0</b>	<b>168.9</b>	<b>100.0</b>	<b>82.4</b>	<b>100.0</b>	<b>44.7</b>	<b>100.0</b>	<b>127.4</b>	<b>100.0</b>

## Drainage Pipeline Installation

The Group engages in drainage pipeline installation projects that are ancillary to its water supply and water treatment business through its subsidiaries, namely, Ninghai Water Supply Co. and Ninghai Xinghai Water Affairs Construction Engineering Co., Ltd. (寧海縣興海水務建設工程有限公司). For the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, operating revenue generated from the Group's drainage pipeline installation businesses was RMB62.1 million, RMB53.2 million, RMB71.9 million and RMB46.1 million, respectively, representing 3.8 per cent., 2.2 per cent., 3.4 per cent. and 3.0 per cent. of the Group's total operating revenue for the same periods, respectively.

### ***Investment Real Estate***

The Group received compensation for demolition of its investment real estate. For the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, operating revenue generated from the Group's investment real estate businesses was RMB12.0 million, RMB101.6 million, nil, and RMB74.0 million, respectively, representing 0.7 per cent., 4.3 per cent., nil and 4.8 per cent. of the Group's total operating revenue for the same periods, respectively.

### ***Infrastructure Construction***

The Group engaged in infrastructure construction business through its former members Ninghai Science and Technology Industrial Park Development Co., Ltd. (寧海縣科技工業園區發展有限公司) and Ninghai Economic Development Zone Xinxing Industrial Park Co., Ltd. (寧海經濟開發區新興工業園有限公司). In December 2018, the Group spun off its infrastructure construction business by transferring its equity interest in the above companies to Ninghai Technology Innovation Group Co., Ltd. (寧海科創集團有限公司). The Group ceased from calculating revenues in the infrastructure construction business ever since.

The Group generated RMB243.3 million from its transference of infrastructure construction in 2017, representing 15.0 per cent. of the Group's total operating revenue for the corresponding year.

### ***Others***

The Group engages in other business operations that are ancillary to its main business segments. For the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, operating revenue generated from the Group's others business was RMB6.0 million, RMB14.1 million, RMB10.5 million and RMB7.3 million, respectively, representing 0.4 per cent., 0.6 per cent., 0.5 per cent. and 0.5 per cent. of the Group's total operating revenue for the same periods, respectively.

### **Government Regulations**

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

### **Risk Management**

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

### **Competition**

Due to the Group's status as a wholly state-owned entity and the nature of its business, which requires government authorisation and preferential policies, the Group faces minimal competition within Ninghai. The Group's main competitors are similar businesses operating in other locations, including both in Ningbo, Zhejiang and elsewhere in the PRC.



## **Employees**

As at 31 December 2019, the Group had approximately 1,300 employees.

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

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

## **Insurance**

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

## **Intellectual Property**

The Group's general policy is to seek intellectual property protection for those inventions and improvements likely to be utilised in its business activities or to obtain a competitive advantage. The Group relies on a variety of patents, copyrights, trade secrets, trademarks and proprietary information to maintain and enhance its competitive position. The Group has a total of three trademarks registered in the PRC as at the date of this Offering Circular.

## **Environment Matters**

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

## **Legal Proceedings and Compliance**

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

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

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

## DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

### Directors

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

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

Name	Age	Position/Title
Mr. GE Junwei (葛軍偉).....	42	Chairman
Mr. YANG Jisen (楊繼森).....	48	Director
Mr. ZHOU Zhongkun (周忠坤).....	57	Director
Mr. SHUI Youxing (水佑興).....	52	Director
Mr. LV Zhengwei (呂徵桅).....	40	Director

**Mr. GE Junwei (葛軍偉)**, aged 42, is the chairman, legal representative and general manager of the Company. Prior to joining the Group, Mr. Ge served consecutively as a member staff and a deputy director at the planning management section of the Planning and Design Institute of Ninghai (寧海縣規劃局) (“**Ninghai PDI**”), the director at examination and approval section of Ninghai PDI and concurrently as the head of planing section of the Ninghai Administrative Service Centre (寧海縣行政服務中心), the office head at Ninghai PDI and concurrently the head of legal affairs section of Ninghai PDI, the deputy director general at Ninghai PDI. Mr. Ge obtained a bachelor's degree in Urban Construction from Zhejiang University.

**Mr. YANG Jisen (楊繼森)**, aged 48, is a director of the Company. Prior to joining the Group, Mr. Yang served as a deputy head at the real estate division of Ninghai Housing and Urban-Rural Development Bureau (寧海縣住房和城鄉建設局), the section chief at preliminary work section of Ninghai Urban Demolition Office (寧海縣城市拆遷辦公室). Mr. Yang obtained a bachelor's degree in Civil Engineering from Hunan University of Science and Technology.

**Mr. ZHOU Zhongkun (周忠坤)**, aged 57, is a director of the Company. Prior to joining the Group, Mr. Zhou served as the general manager of Ningbo Guangming Rubber & Plastic Co., Ltd. (寧波光明橡塑有限公司). Mr. Zhou obtained a bachelor's degree in Business Administration from Southwestern University of Finance And Economics.

**Mr. SHUI Youxing (水佑興)**, aged 52, is a director and the deputy general manager of the Company. Prior to joining the Group, Mr. Shui worked at energy office of Ninghai Economic Committee (寧海縣經濟委員會), served as the office head of Ninghai County Electric Power Development Co., Ltd. (寧海縣電力發展有限公司) and a deputy general manager of Ninghai County Jinhai House Demolition Co., Ltd. (寧海縣金海房屋拆遷有限公司). Mr. Shui obtained a college degree in Economic Management from Ninghai Party School.

**Mr. LV Zhengwei (呂徵桅)**, aged 40, is a director of the Company. Prior to joining the Group, Mr. Lv consecutively worked at Ninghai Finance Bureau (寧海縣財政局), Ninghai Taxation Bureau (寧海縣地稅局), Ninghai Municipal Government Office (寧海縣政府辦公室) and Bank of Communication, Ninghai Branch (交通銀行寧海支行). Mr. Lv obtained a bachelor's degree in Law from Wuhan University.

## Senior Management

The Senior Management of the Company consists of three members, of which one is the general manager, one is the deputy general manager, and one is the chief financial officer.

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

<u>Name</u>	<u>Age</u>	<u>Position/Title</u>
Mr. GE Junwei (葛軍偉).....	42	General Manager
Mr. SHUI Youxing (水佑興).....	52	Deputy General Manager
Mr. XU Weiji (許偉繼).....	44	Chief Financial Officer

**Mr. GE Junwei (葛軍偉)**, please see “– *Directors*” above.

**Mr. SHUI Youxing (水佑興)**, please see “– *Directors*” above.

**Mr. XU Weiji (許偉繼)**, aged 44, is the chief financial officer of the Company. Prior to joining the Group, Mr. Xu served as the chief financial officer at Ninghai County Electric Power Development Co., Ltd. (寧海縣電力發展有限公司). Mr. Xu obtained a college degree in Audit from Zhejiang Sci-Tech University.

## TAXATION

*The following summary of certain tax consequences of the purchase, ownership and disposition of Bonds is based upon applicable laws, rules and regulations 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. Persons considering the purchase of Bonds should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Bonds, including any possible consequences under the laws of their country of citizenship, residence or domicile.*

### **British Virgin Islands**

The following summary contains a description of the principal tax laws of the BVI, as in effect on the date hereof, and is subject to any change in the tax laws of the BVI that may come into effect after such date (which may have retroactive effect).

The Issuer and all dividends, interest, rents, royalties, compensation and other amounts paid by the Issuer to persons who are not resident in the BVI and any capital gains realised with respect to any shares, debt obligations, or other securities of the Issuer by persons who are not resident in the BVI are exempt from all provisions of the Income Tax Ordinance in the BVI.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not resident in the BVI with respect to any shares, debt obligation or other securities of the Issuer.

All instruments relating to transfers of property to or by the Issuer and all instruments relating to transactions in respect of the shares, debt obligations or other securities of the Issuer and all instruments relating to other transactions relating to the business of the Issuer are exempt from payment of stamp duty in the BVI. This assumes that the Company does not hold an interest in real estate in the BVI.

There are currently no withholding taxes or exchange control regulations in the BVI applicable to the Issuer or its members.

### **PRC**

The following summary describes the principal PRC tax consequences of ownership of the Bonds by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes. These beneficial owners are referred to as non-PRC Bondholders in this “PRC” section. In considering whether to invest in the Bonds, investors should consult their individual tax advisors with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction. Reference is made to PRC taxes from the taxable year beginning on or after 1 January 2008.

#### ***Income Tax***

Pursuant to the EIT Law enacted by the National People’s Congress of the PRC on 16 March 2007 first, effective on 1 January 2008 and latest amended on 29 December 2018 and its related Implementing Regulations of the Law of the PRC on Enterprise Income Tax issued by the State Council on 6 December 2007 and effective on 1 January 2008, which eliminate or modify most of the tax exemptions, reductions and preferential treatments available under the previous tax regulations, all Chinese enterprises including enterprises that are established under the laws of foreign countries and regions (including Hong Kong, Macau and Taiwan Region) but whose “*de facto* management bodies” are within the territory of PRC are treated as PRC tax resident enterprises for the purpose of the EIT Law and must pay PRC enterprise income tax at the single uniform income tax rate of 25% in respect of their taxable income sourced from both within

and outside PRC, except for a number of preferential tax treatment schemes available to various enterprises. The implementation regulations of the EIT Law define the location of the “*de facto* management body” as an “organizational body which effectively manages and controls the production and business operation, personnel, accounting, properties and other aspects of operations of an enterprise”. If the relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the “*de facto* management body” of the Issuer is within the territory of the PRC, the Issuer may be held to be a PRC tax resident enterprise for the purpose of the EIT Law and be subject to PRC enterprise income tax at the rate of 25% on its taxable income from sources both within and outside PRC, except for a number of preferential tax treatment schemes available to various enterprises. As confirmed by the Issuer, as at the date of this Offering Circular, the Issuer has not been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law. However, we cannot assure you that the Issuer will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future. Pursuant to the EIT Law and its implementation regulations, any non-resident enterprise without an establishment or place of business within the PRC or whose income has no connection to its establishment or place of business inside the PRC must pay enterprise income tax on income sourced within the PRC, and such income tax must be withheld at source by the PRC payer acting as a withholding agent. Accordingly, in the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, the Issuer may be required to withhold income tax from the payments of interest in respect of the Bonds to any non-resident enterprise Bondholder (the tax would be withheld at source), and gains from the disposition of the Bonds may be subject to PRC tax, if the interest or gain is treated as PRC-sourced. Further, in accordance with the Individual Income Tax Law of the PRC which was latest amended on 1 January 2019 and its implementation regulations which was latest amended on 1 January 2019, if the Issuer is considered to be a PRC tax resident enterprise, the interest payable to the non-resident individual Bondholder, and gains realised on the transfer of the Bonds by the non-resident individual Bondholder may be subject to PRC individual income tax if such interest or gains are treated as income derived from sources within the PRC (and in the case of interest payments, the tax would be withheld at source). The tax rate is generally 10% for non-resident enterprise Bondholders and 20% in the case of non-resident individual Bondholders, subject to the provisions of any applicable income tax treaty.

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

We have agreed to pay additional amounts to Bondholders, subject to certain exceptions, so that they would receive the full amount of the scheduled payment, as further set out in “*Terms and Conditions of the Bonds*”.

### ***Stamp Duty***

Subject to relevant requirements under the PRC Laws, no PRC stamp duty will be imposed on non-PRC Bondholders either upon the issue of the Bonds or upon a subsequent transfer of Bonds to the extent that the register of holders of the Bonds is maintained outside the PRC and the issue and the sale of the Bonds is made outside of the PRC.

### ***VAT***

Pursuant to the Circular of the Ministry of Finance and the State Administration of Taxation on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知) issued on March 23, 2016 and implemented on May 1, 2016 (“**Circular 36**”), effective from May 1, 2016, PRC tax authorities have started imposing value added tax on revenues from various service sectors to replace the business tax that co-existed with value added tax. Since the issuance of Circular 36, the Ministry of Finance and SAT have subsequently issued a series of tax circulars to implement the collection of value added tax on revenues from construction, real estate, financial services and life services.

In addition, according to the Tentative Regulations on the Value-added Tax of the PRC which was revised by the State Council and came into effect on 19 November 2017, organisations or individuals who sell commodities, provide processing, repairing or replacement services, or import commodities within the PRC's territories are subject to VAT, and shall pay the VAT accordingly. The rate of the VAT shall be 16 would vary according to the types of goods and services provided.

Circular 36, the Tentative Regulations on the Value-added Tax of the PRC and any other laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of which involve uncertainties, and the above statement may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the competent tax authority. There is uncertainty as to the application of Circular 36 and the Tentative Regulations on the Value-added Tax of the PRC.

We have agreed to pay additional amounts to Bondholders, subject to certain exceptions, so that they would receive the full amount of the scheduled payment, as further set out in "*Terms and Conditions of the Bonds*".

## **Hong Kong**

### ***Withholding Tax***

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

### ***Profits Tax***

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets). Interest on the Bonds may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

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

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

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



## *Stamp Duty*

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

## **The Proposed Financial Transactions Tax (“FTT”)**

On 14 February 2013, the European Commission published a proposal (the “**Commission’s proposal**”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**participating Member States**”). However, Estonia has ceased to participate.

The Commission’s proposal has very broad scope and could, if introduced, apply to certain dealings in the Bonds (including secondary market transactions) in certain circumstances.

Under the Commission’s proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Bonds where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Bonds are advised to seek their own professional advice in relation to the FTT.

## SUMMARY 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 have been identified that are not listed below. Additionally, no attempt has been made to identify possible future differences between PRC GAAP and IFRS as a result of prescribed changes in accounting standards. Regulatory bodies that promulgate PRC GAAP and IFRS have significant projects ongoing that could affect future comparisons such as this one. Finally, no attempt has been made to identify future differences between PRC GAAP and IFRS that may affect the financial information as a result of transactions or events that may occur in the future. Accordingly, no assurance is provided that the following summary of differences between PRC GAAP and IFRS is complete.*

*In making an investment decision, 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.*

### **Available-for-Sale Financial Assets**

Under PRC GAAP, an enterprise shall measure available-for-sale financial assets at their fair values. If the available-for-sale financial assets do not have a quoted market price in an active market and whose fair value cannot be reliably measured, cost model shall be applied.

Under IFRS, available-for-sale financial assets shall be measured at fair value.

### **Government Grant**

Under PRC GAAP, an assets-related government grant is only required to be recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset. In 2017, the Ministry of Finance revised the “Accounting Standards for Business Enterprises No. 16 – Government Grants (關於印發修訂《企業會計準則第16號–政府補助》的通知)”. The revised standards have been implemented on 12 June 2017. Under the new principles of the PRC GAAP, the assets-related government grant 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 IFRS, such assets-related government grants are allowed to be presented in the statement of financial position either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Under PRC GAAP, the relocation compensation for public interests is required to be recognised as special payables. The income from compensation attributable to losses of fixed assets and intangible assets, related expenses, losses from production suspension incurred during the relocation and reconstruction period and purchases of assets after the relocation shall be transferred from special payables to deferred income and accounted for in accordance with the government grants standard. The surplus reached after deducting the amount transferred to deferred income shall be recognised in capital reserve.

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

### **Reversal of an Impairment Loss**

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

Under IFRS, an impairment loss recognised in prior periods for an asset other than goodwill could be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

### **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 the Company have entered into a subscription agreement with the Joint Lead Managers dated 10 December 2020 (the “**Subscription Agreement**”), pursuant to which and subject to certain conditions contained therein, the Issuer and the Company have undertaken, among other things, that the Bonds will be issued on or about 16 December 2020 (the “**Closing Date**”), and the Joint Lead Managers have agreed to, severally but not jointly, subscribe and pay for, or procure subscribers to subscribe and pay for, the Bonds at an issue price of 100.00 per cent. of their principal amount indicated in the following table.

	<b>Principal amount of the Bonds to be subscribed</b>
	U.S.\$
Shun Heng Securities Limited.....	50,000,000
Silk Road International Capital Limited.....	50,000,000
<b>Total</b> .....	<b>100,000,000</b>

The Subscription Agreement provides that the Issuer (failing which, the Company) has agreed to pay the Joint Lead Managers certain fees and underwriting commissions, to reimburse the Joint Lead Managers for certain of their expenses in connection with the initial sale and distribution of the Bonds, and the Issuer and the Company will jointly and severally indemnify the Joint Lead Managers 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 Joint Lead Managers and their respective subsidiaries or 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. The Joint Lead Managers and certain of their respective subsidiaries or affiliates may have performed certain investment banking and advisory services for, and entered into certain commercial banking transactions with the Issuer, the Company or any member of the Group and/or their respective subsidiaries and affiliates, from time to time, for which they have received customary fees and expenses. The Joint Lead Managers and their respective subsidiaries or affiliates may, from time to time, engage in transactions with and perform services for the Issuer, the Company or any member of the Group and/or their respective subsidiaries and affiliates in the ordinary course of their business.

The Joint Lead Managers and their respective affiliates may purchase the Bonds and be allocated Bonds for asset management and/or proprietary purposes but not with a view to distribution. 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 acting in such capacity. In the ordinary course of their various business activities, the Joint Lead Managers and their respective affiliates may 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 or the Company. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

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

No action has been or will be taken that would, or is intended to, permit a public offering of the Bonds, or the possession or distribution of this Offering Circular or any amendment or supplement thereto or any offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required.

Accordingly, the Bonds should not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material, memorandum, prospectus, form of application or advertisement in connection with the Bonds should be distributed or published in or from any jurisdiction, except in circumstances which will result in compliance with any applicable laws and regulations and will not, save as disclosed in this Offering Circular, impose any obligations on the Issuer, the Company or the Joint Lead Managers.

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

## **General**

Each Joint Lead Manager has represented, warranted and undertaken that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Bonds or has in its possession or distributes this Offering Circular or any related offering material.

## **United States**

The Bonds and the Guarantee have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States 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 Joint Lead Manager has represented, warranted and undertaken that it has not offered or sold, and will not offer or sell, any Bonds constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act and, accordingly, that neither it nor any of their respective affiliates (including any person acting on behalf of such Joint Lead Manager or any of their respective affiliates) has engaged or will engage in any directed selling efforts with respect to the Bonds.

Terms used in the paragraph above have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after commencement of the offering, an offer or sale of the Bonds or the Guarantee within the United States by a dealer whether or not participating in the offering may violate the registration requirements of the Securities Act.

## **United Kingdom**

Each Joint Lead Manager has represented, warranted and undertaken that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “FSMA”)) received by it in connection with the issue or sale of any Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer and the Company; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

## **Hong Kong**

Each Joint Lead Manager has represented and agreed that (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to “professional investors” as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “C(WUMP)O”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to Professional Investors.

## **PRC**

This Offering Circular does not constitute a public offer of the Bonds, whether by sale by subscription, in the PRC. Each Joint Lead Manager has represented, warranted and undertaken that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the People’s Republic of China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan Region), except as permitted by the securities laws of the People’s Republic of China and pursuant to the applicable laws and regulations.

## **Singapore**

Each Joint Lead Manager has acknowledged that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented, warranted and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;



- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

### **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 Manager represents, warrants and undertakes 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.

### **British Virgin Islands**

Each Joint Lead Manager has represented and agreed that no offer to purchase or subscribe for any of the Bonds will be made directly or indirectly to the public in the BVI.

## PRC REGULATIONS

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

### **NDRC Registration in Relation to Foreign Debts Management**

On 14 September 2015, the NDRC issued the NDRC Circular, which became effective on the same day. In order to encourage the use of low-cost capital in the international capital markets in promoting investment and steady growth and to facilitate cross-border financing, the NDRC Circular abolished the case-by-case quota review and approval system for the issuance of foreign debts by PRC enterprises.

For the purposes of the NDRC Circular, "foreign debts" means RMB-denominated or foreign currency-denominated debt instruments with a maturity over one year which are issued offshore by PRC enterprises and their controlled offshore enterprises or branches and for which the principal and interest are repaid as agreed, including offshore bonds and long-term and medium-term international commercial loans. According to this definition, offshore bonds issued by both PRC enterprises and their controlled offshore enterprises or branches shall be regulated by the NDRC Circular.

Pursuant to the NDRC Circular, an enterprise shall: (i) apply to the NDRC for the filing and registration procedures prior to the issuance of the bonds; and (ii) shall report the information on the issuance of the bonds to NDRC within 10 working days after the completion of each issuance. The materials to be submitted by an enterprise shall include an application report and an issuance plan, setting out details such as the currency, size, interest rate, term, use of proceeds and the repatriation of funds. The NDRC shall decide whether to accept an application within five working days of receipt and shall issue an Enterprise Foreign Debt Pre-issuance Registration Certificate within seven working days of accepting the application.

To issue foreign debts, an enterprise shall meet the following basic conditions:

- have a good credit history with no default in its issued bonds or other debts;
- have sound corporate governance and risk prevention and control mechanisms for foreign debts; and
- have a good credit standing and relatively strong capability to repay its debts.

Pursuant to the NDRC Circular, the NDRC shall control the overall size of foreign debts that can be raised by PRC enterprises and their controlled overseas branches or enterprises. Based on trends in the international capital markets, the needs of the PRC economic and social development and the capacity to absorb foreign debts, the NDRC shall reasonably determine the overall size of foreign debts and guide the funds towards key industries, key sectors, and key projects encouraged by the PRC government, and effectively support the development of the real economy. According to the NDRC Circular, the proceeds raised may be used onshore or offshore according to the actual needs of the enterprises, but priority shall be given to supporting the investment in major construction projects and key sectors, such as the Belt and Road strategy, the coordinated development of Beijing, Tianjin, and Hebei province, the Yangtze River Economic Belt, international cooperation on production capacity, and the manufacturing of equipment. As the NDRC Circular is still relatively new, certain detailed aspects of its interpretation and application remain subject to further clarification. The Issuer undertakes that it will comply with the requirements of the NDRC Circular in respect of the Bonds.

## 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 issued the Notice of the State Administration of Foreign Exchange on Issuing the Provisions on the Administration of Foreign Exchange for Cross-Border Guarantees (國家外匯管理局關於發布《跨境擔保外匯管理規定》的通知(匯發[2014]29號)) (the “**SAFE Circular 29**”) and the SAFE Guidelines, which became effective on 1 June 2014. According to 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 to directly or indirectly remit proceeds back to the PRC by way of security investment without the prior approval from SAFE; and (iv) 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”.

Notice of the State Administration of Foreign Exchange on Further Promoting the Reform of Foreign Exchange Administration and Improving the Verification of Authentic Compliance (the “**SAFE Circular 3**”), which was effective on 26 January 2017, 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 SAFE Circular 29 and 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 regulations above.

## Regulation on Fiscal Debts of Local Governments

In accordance with Guidance on Further Strengthening Adjustment of Credit Structure to Promote Fast and Smooth Development of National Economy (中國人民銀行、中國銀行業監督管理委員會關於進一步加強信貸結構調整促進國民經濟平穩較快發展的指導意見) issued jointly by the People’s Bank of China and China Banking Regulatory Commission in March 2009, local governments are encouraged to establish financing platforms to issue financing instruments such as corporate bonds and medium term notes. In order to strengthen the management of financing platforms and effectively prevent fiscal financial risks, Notice of the State Council on Strengthening Management of Financing Platform of Local Government (國務院關於加強地方政府融資平台公司管理有關問題的通知) (the “**Circular 19**”) and Notice of NDRC on Further Regulating Issuance of Bonds by Financing Platform of Local Government (國家發展改革委員會辦公廳關於進一步規範地方政府投融資平台公司發行債券行為有關問題的通知) (the “**Circular 2881**”) were

separately promulgated in June 2010 and November 2010. In accordance with Circular 19, all levels of local governments shall clear up the existing debts of their respective financing platforms in the principles thereof. In accordance with Circular 2881, if revenue from the construction of public interest projects represents more than 30 per cent. of their total revenue, the financing platform should provide the 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 to demonstrate their repayment ability, under this circumstances, indebtedness of local government will impact their respective financing platform's issuance of enterprise bonds. In accordance with the Circular 706 issued jointly by the NDRC and Ministry of Finance on 11 May 2018 and became effective on the same day, enterprises that plan to borrow medium-and long-term foreign debts shall regulate information disclosure. In the bond prospectus and other documents, the information on local financial revenues and expenditures, government debt data, and other information that may be supported by government credit shall not be disclosed, misleading publicity linked to government credit shall be strictly prohibited, and it shall be specified in relevant documents that local governments shall assume responsibilities as capital contributors within the limit of the amount of capital contribution, and the relevant borrowed debts shall be repaid by the enterprises granting loans as independent legal persons.

On 29 December 2018, National People's Congress adopted the newly amended Budget Law of the PRC (the "New Budget Law"), which became effective on the same day. The New Budget Law grants local governments the right to issue government bonds. On 21 September 2014, Several Opinions of the State Council on Strengthening the Administration of Local Government Debts (國務院關於加強地方政府性債務管理的意見) (the "**Circular 43**") was promulgated by the State Council. Circular 43 aims at regulating financing system of local government and the three channels are presented. In accordance with Circular 43, financing platforms shall no longer serve the fiscal financing functions nor incur new government debts. Public interest projects may be funded by the government through issuing government bonds, since the new Budget Law of the PRC (the "**New Budget Law**"), as amended on 29 December 2018, empowers local governments to issue government bonds, and public interest projects with income generated, such as city infrastructure construction, may be operated independently by social investors or jointly by the government and social investors through the establishment of special purpose companies. Social investors or such special purpose companies shall invest in accordance with market-oriented principles and may be funded by, among other market-oriented approaches, bank loans, enterprise bonds, project revenue bonds and asset-backed securitisation. Social investors or the special purpose companies shall bear the obligation to pay off such debts and the government shall not be liable for any of the social investors' or special purpose companies' debts. Circular 43 also sets forth the general principles of dealing with existing debts of financing platforms. Based on the auditing results of such debts run by the local governments, the existing debts that should be repaid by the local governments shall be identified, reported to State Council for approval, and then included in the budget plan of local governments.

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

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

- Support stock financing needs for projects under construction. Local governments at all levels and banking financial institutions shall ensure the orderly development of projects under construction. For the loans to the projects under construction of financing platform companies, if the loan contracts with legal effect have been signed before 31 December 2014 and the loans have been granted but the contracts have not yet expired, banking financial institutions shall, under the premise of fully controlling risks and implementing credit conditions, continue to grant loans as agreed in the contracts, and shall not blindly call in loans in advance, delay or suspend the granting of loans.

- Regulate increment financing for projects under construction. Local governments at all levels shall pay close attention to the increment financing needs which are expected to be given fiscal support for the projects under construction of the financing platform companies, and shall, under the premise of compliance with laws and regulations and standard administration, make overall arrangements for various kinds of capitals such as fiscal capital and social capital and ensure the continuation and completion of projects under construction. For the projects under construction of financing platform companies for which the loan amount in the contracts that have been signed fails to meet the construction needs, if it is suitable for them to adopt government and social capital cooperation mode, they shall prioritise such mode to make up the needs. And if they are in compliance with the relevant state provisions without any other funding sources for construction, but temporarily the government and social capital cooperation mode is not suitable, the increment financing needs shall be incorporated into government budget management and solved through issuing government bonds by local governments as required by laws and relevant regulations.
- Administer in an effective and proper manner follow-up financing for projects under construction. Banking financial institutions shall carefully check the destinations of the loans and focus on supporting the projects under construction of financing platform companies in respects such as farmland water conservancy facilities, affordable housing projects and urban railway systems.
- Improve supporting measures. Under the premise of ensuring fiscal expenditure needs, in the regions where there are corresponding amount of government bonds issuance and where the treasury balances exceed the treasury payment for one and a half months, the local financial departments are allowed to, within the limit of the amount of government bonds issuance, make more efforts to effectively use the stock of fiscal funds in the previous years and use the surplus amount of the treasury for capital flow before government bond issuance, so as to address the time difference between the financing for projects under construction and government bonds issuance.

### **Regulations on Land Use Rights**

All land in the PRC is either state-owned or collectively-owned, depending on the location of the land. According to Land Administration Law of the PRC (中華人民共和國土地管理法) as amended on 26 August 2019 and came into effect on 1 January 2020, All land in the urban areas of a city or town is state-owned, and all land in the rural or suburban areas and all farm land are, unless otherwise specified by law, collectively-owned. The PRC government has the right to resume its land ownership or the land use rights according to the relevant law if required for public interest (and compensation must be paid by the PRC government).

Although all land in the PRC is owned by the PRC government or by collectives, individuals and entities may obtain land use rights and hold such land use rights for development purposes. Individuals and entities may acquire land use rights in different ways. The two most important ways are land grants from local land authorities and land transfers from land users who have already obtained the land use rights.

Under the Interim Regulations of the People’s Republic of China on Assignment and Transfer of the State-owned Land Use Rights in Urban Areas (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例) (the “**Interim Regulations on Assignment and Transfer**”) promulgated and enforced by the State Council on 19 May 1990, a system of assignment and transfer of the right to use state-owned land has been adopted. A land user shall pay a premium to the PRC government as consideration for the assignment of land use rights within certain terms, and a land user may transfer, lease, and mortgage or otherwise commercially exploit the land use rights within the terms of use. Under the Interim Regulations on Assignment and Transfer and the Urban Real Estate Administration Law of the PRC (中華人民共和國城市房地產管理法) promulgated by the Standing Committee of the National People’s Congress (the “**SCNPC**”) on 27 August 2009 and amended on 26 August 2019, which came into effect on 1 January 2020, the land administration authority under the local government of the relevant city or county shall enter into an assignment contract with the land user for an assignment of land use rights. The land user shall pay the assignment price as stipulated in the assignment contract. After paying the assignment price in full, the land user shall register with the land administration authority and obtain a land use rights certificate (the “**Land Use Rights Certificate**”). The Land Use Rights Certificate is an evidence of the acquisition of land use rights.



The grant of land use rights by way of competitive processes is subject to the Regulations on the Grant of State-owned Land Use Rights by Invitation of Tender, Auction or Listings-for-sale (招標拍賣掛牌出讓國有土地使用權規定), issued by the Ministry of Natural Resources of the PRC (the “MLR”) (formerly the Ministry of Land and Resources of the PRC “MLR”) on 9 May 2002 and revised as at 28 September 2007 by the Regulations on Granting State-owned Construction Land Use Right through Tenders, Auction and Listing for Sale (招標拍賣掛牌出讓國有建設用地使用權規定) (the “2007 Regulations”), which came into effect on 1 November 2007, and the Rules on the Assignment of State-owned Land Use Right through Tenders, Auction and Putting up for Bidding (招標拍賣掛牌出讓國有土地使用權規範) promulgated by MNR on 31 May 2006 and came into effect on 1 August 2006. In addition, MLR required that with effect from 31 August 2004, the grant of land use rights in specific circumstances must be made pursuant to auctions or listings at a land exchange and that no land use rights for commercial uses thereof may be granted by way of agreement. The 2007 Regulations specifically provide that land to be used for industrial, commercial, tourism, entertainment or commodity residential purposes, or where there are two or more intended users for a certain piece of land, must be granted by way of competitive processes. A number of measures are provided in the 2007 Regulations to ensure such grant of land use rights for commercial purposes is conducted openly and fairly. For instance, the relevant local land bureau must take into account various social, economic and planning considerations when deciding on the use of a certain piece of land, and its decision regarding land use designation is subject to approval of the city or provincial government. The grantee shall apply for land registration and obtain the state-owned land use rights certificate upon full payment of the land premium of the granted land according to the state-owned land use right granting contract. In the event that the land premium of the granted land is not paid in full, the grantee will not receive the land use rights certificate. In addition, the announcement of tender, auction or listing-for-bidding must be made 20 days prior to the date on which such competitive process begins. Further, the 2007 Regulations also stipulated that for listing at a land exchange, the time period for accepting bids must not be less than ten days.

In the case of tender, the relevant local land bureau granting land use rights should examine the qualifications of intended bidders and inform those qualified to participate in the bidding processes by sending out tender invitations. Bidders are required to submit sealed bids and pay a security deposit.

When land use rights are granted by way of tender, a tender evaluation committee consisting of not less than five members (including a representative of the grantor and other experts), formed by the relevant local land bureau is responsible for opening the tenders and deciding on the successful bidder. The successful bidder will then sign the land grant contract with the relevant local land bureau and pay the balance of the land grant fee before obtaining the land use rights certificate.

Where land use rights are granted by way of auction, a public auction will be held by the relevant local land bureau. The land use rights are granted to the highest bidder. The successful bidder will then be asked to sign the land grant contract with the relevant local land bureau and pay the relevant land grant fee within a prescribed period.

Where land use rights are granted by way of listings-for-sale administered by the local government, a public notice will be issued by the relevant local land bureau to specify the location, area and purpose of use of land and the initial bidding price, period for receiving bids and terms and conditions upon which the land use rights are proposed to be granted. The land use rights are granted to the bidder with the highest bid who satisfies the terms and conditions. The successful bidder will enter into a land grant contract with the relevant local land bureau and pay the relevant land grant fee within a prescribed period.

Land use rights granted by way of bilateral agreement are subject to the Regulation Concerning the Grant of Land Use Right Through Bilateral Agreement (協議出讓國有土地使用權規定) promulgated by the MLR, effective on 1 August 2003. It provides that only when the methods of tender or auction or listing for sale are not required by the laws, regulations and rules may land use rights be granted by bilateral agreement between the relevant land authority and the grantee party. The land grant fees carried out in agreement should not be lower than the minimum price set by the central government.

In addition to a direct grant from the government, an investor may also acquire land use rights from land users that have already obtained the land use rights by entering into a transfer contract or a joint development agreement with the land user. The transfer contract or joint development agreement must be registered with the relevant local land bureau at the municipal or county level for land use rights title change purposes. Upon a transfer of land use rights, all rights and obligations contained in the land grant contract are deemed to be incorporated as part of the terms and conditions of such transfer.



## Regulations on Bidding and Tendering Management

Bidding and tendering of various construction projects have been provided in (i) 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, as amended on 27 December 2017 and came into effect on 28 December 2017, (ii) 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, as amended on 2 March 2019, (iii) Measures for the Construction Bidding and Tendering of Construction Projects (工程建設項目施工招標投標辦法) promulgated by the NDRC in 8 March 2003 which became effective on 1 May 2003 and revised on 11 March 2013, which came into effect on 11 May 2013, (iv) Administrative Measures for the Bidding and Tendering of Design of Construction Projects (建築工程設計招標投標管理辦法) issued by MOHURD on 24 January 2017 and became effective on 1 May 2017, (v) Rules on Project Subject to Bidding (必須招標的工程項目規定) promulgated by the NDRC on 27 May 2018 and became effective on 1 June 2018, (vi) Regulation on the Scope of Infrastructure and Public Utility Projects Subject to Bidding (必須招標的基礎設施和公用事業項目範圍規定) promulgated by the NDRC on 6 June 2018 and became effective on the same date, and (vii) 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 revised on 28 September 2018 by MOHURD.

In accordance with the Bidding and Tendering Law of the People's Republic of China and Rules and Project Subject to Bidding, 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; including projects in which investment is made with all or part of state-owned funds or state financing; and projects using loans or aid funds from international organisations such as the World Bank and Asian Development Bank or from foreign government or their agencies.

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

In accordance with the Bidding and Tendering Law of the People's Republic of China and Measures for the Construction Bidding and Tendering of Construction Projects, if any project that shall undergo bidding as required by law fails to go through the bidding process, or the items subject to bidding are broken up into pieces or the bidding requirement is otherwise evaded, the relevant administrative supervision department shall order rectification within a specified period, and may impose a fine of 0.5 per cent. up to 1 per cent. of the contract amount of the project. For projects using the state-owned funds in whole or in part, the project approval authority may suspend the implementation of the project or suspend the fund appropriation and impose punishment on the person direct in charge of the entity or other person directly liable. Further, in accordance with the provisions of the Interpretations of the Supreme People's Court on Issues of Law Application during the Trial of Construction Contracts for Building Projects (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 and became effective on 1 January 2005, if any project that is required to undergo a bidding process fails to go through the bidding process or the bid award is invalid, the construction contract for building projects shall become invalid. In accordance with the provisions of the Interpretations of the Supreme People's Court on Issues of Law Application during the Trial of Construction Contracts for Building Projects (II) (最高人民法院關於審理建設工程施工合同糾紛案件適用法律問題的解釋(二)) as effective on 1 February 2019, where the substantive contents such as scope of project, construction period, project quality, construction project price, etc. agreed in the construction contract entered into between the tenderee and the bid winner are inconsistent with the bidding contract, the People's Court shall support a party's claim of making the performance in accordance with the bidding contract, and where the tenderee and the bid winner enter into a separate contract for purchase of the constructed building at a price evidently higher than market price, construction of complementary facilities free of charge, surrendering profits, donation of monies and goods to the builder etc. in addition to the awarded contract, so as to reduce the project price covertly, such separate contract is invalid.

## **Regulations on Quality Management**

Laws and regulations on project quality mainly include Construction Law of the PRC, 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 on the same date and revised on 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 MOHURD on 22 November 2007 and became effective on the same date, Administrative Measures on for Deposits for Construction Projects Quality (建設工程質量保證金管理辦法) jointly promulgated by MOHURD and the Ministry of Finance of the PRC on 20 June 2017 and became effective on 1 July 2017, Administrative Measures for Completion Acceptance Record of Building Construction and Municipal Infrastructure Projects (房屋建築和市政基礎設施工程竣工驗收備案管理辦法) issued by MOHURD on 19 October 2009 and became effective on the same date, Measures for Quality Warranty of Building Construction Projects (房屋建築工程質量保修辦法) issued by MOHURD on 30 June 2000 and became effective on the same date, Provisions on the management of construction management of Port Works (港口工程建設管理規定) promulgated by the Ministry of Transport of the People's Republic of China on 28 November 2019 and became effective on the same date, and Measures for Completion (Delivery) Acceptance of Highway Works (公路工程竣(交)工驗收辦法) promulgated by MOT on 15 March 2004 and became effective on 1 October 2004, and its Implement which came into effect on 1 May 2010 (公路工程竣(交)工驗收辦法實施細則).

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.

## **Regulations on Environmental Protection**

Major laws and regulations on environmental protection during the project construction process include the Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法) amended by SCNPC on 24 April 2014 which became effective on 1 January 2015, Law on Environmental Impact Assessment of the People's Republic of China (中華人民共和國環境影響評價法) amended by SCNPC on 29 December 2018 which became effective on the same date, Administrative Regulations on Environmental Protection of Construction Projects (建設項目環境保護管理條例) amended by State Council on 16 July 2017 and became effective on 1 October 2017, and Administrative Measures for Environmental Protection Acceptance of Construction Projects upon Completion (建設項目竣工環境保護驗收管理辦法) promulgated by SEPA on 27 December 2001 which became effective on 1 February 2002 and amended on 22 December 2010 which amendment became effective on the same date.

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

### ***Environmental Protection***

The Environmental Protection Law (環境保護法) establishes the legal framework for environmental protection in the PRC. The Ministry of Ecology and Environment (the "MEE") is a department of the State Council which establish and improve the fundamental system in China with respect to the ecological environment, and also coordinate, supervise, and regulate major ecological and environmental issues, guiding and supervising ecological protection and remediation. Each of the local environmental protection bureaus is responsible for the environmental protection work within their respective jurisdictions.

### ***Air Pollution***

The Air Pollution Prevention Law (大氣污染防治法), amended on 26 October 2018 by the SCNPC, which became effective on the same day, establishes the legal framework for air pollution prevention in the PRC. The MEE formulates national air quality standards. Each of the local environmental protection bureaus is authorised to regulate air pollution within each of their respective jurisdictions by formulating more specific local standards and may impose penalties for violation.

### ***Water Pollution***

The Water Pollution Prevention Law (水污染防治法), promulgated on 11 May 1984 by the SCNPC, which became effective on 1 November 1984, and amended on 15 May 1996, 28 February 2008 and 27 June 2017 which amendment became effective on 1 January 2018, establishes the legal framework for water pollution prevention in the PRC. The MEE formulates national waste discharge standards. Enterprises that discharge waste into water shall pay a treatment fee. Each of the local environmental protection bureaus is authorised to regulate water pollution within each of their respective jurisdictions by formulating more specific local standards, and may impose penalties for violation, including suspending operations.

### ***Noise Pollution***

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

### ***Construction Projects***

The Environmental Impact Appraisal Law (環境影響評價法), the Administration Rules on Environmental Protection of Construction Projects (建設項目環境保護管理條例), and the Measures for the Administration of Examination and Approval of Environmental Protection Facilities of Construction Projects (建設項目竣工環境保護驗收管理辦法), require enterprises planning construction projects to engage qualified professionals to provide assessment reports on the environmental impact of such projects. The assessment report shall be filed with and approved by the relevant environmental protection bureau, prior to the commencement of any construction work. The construction project shall not commence operation, unless inspected and approved by the relevant environmental protection bureau.

### **Regulations on Real Estate Development Qualifications**

Under the Provisions on Administration of Qualifications of Real Estate Developers (房地產開發企業資質管理規定) promulgated by MOHURD on 16 November 1993 and amended on 22 December 2018 which amendment became effective on the same date, a real estate developer must apply for a qualification classification certificate. An enterprise may not engage in the development and operation of properties without a qualification classification certificate for real estate development. MOHURD is in charge of monitoring the qualifications of all real estate developers within the PRC, and local real estate development authorities at or above the county level are in charge of monitoring the qualifications of local real estate developers. Engagement in real estate development and operation by a developer without obtaining the required provisional or formal qualification certificate, or by overstepping its qualification class, may result in a fine ranging from RMB50,000 to RMB100,000. If the developer fails to rectify within the specified time limit, the authorities shall revoke the qualification certificate, and submit the matters to administrative authorities for industry and commerce for the revocation of the business license. Pursuant to the Provisions on Administration of Qualifications, the qualification of a real estate developer should be annually inspected.

## **Labour Law**

### ***Employment Contracts***

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

### ***Employee Funds***

Under applicable PRC laws, regulations and rules, including the Social Insurance Law (社會保險法), promulgated by the SCNPC on 28 October 2010, which was amended on 29 December 2018 and became effective on the same day, the Interim Regulations on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例), promulgated by the State Council on 22 January 1999, which was amended on 24 March 2019 and became effective on the same day, and Administrative Regulations on the Housing Provident Fund (住房公積金管理條例), promulgated by the State Council on 3 April 1999, which was amended on 24 March 2019 and became effective on the same day, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance, and to housing provident funds. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to pay the outstanding amount within a stipulated time period.

### **Regulations on Foreign Exchange Administration**

According to the Notice of State Administration of Foreign Exchange on Promulgation of the Administrative Measures for Foreign Debt Registration ((國家外匯管理局關於發布《外債登記管理辦法的通知》(匯發[2013]19號)) and its operating guidelines (外債登記管理操作指引), effective as at 13 May 2013, which was partly amended by Notice of the State Administration of Foreign Exchange on Abolishing and Modifying the Relevant Regulatory Documents Related to the Reform of the Registered Capital Registration System (國家外匯管理局關於廢止和修改涉及註冊資本登記制度改革相關規範性文件的通知(匯發(2015)20號)) on 4 May 2015, issuers of foreign debts are required to register with the SAFE. Issuers other than banks and financial departments of the government shall go through registration or record-filing procedures with the local branch of the SAFE within 15 business days of entering into a foreign debt agreement. The SAFE shall issue foreign debt registration certificate (外債登記證明文件) after issuers complete the registration of foreign debt. If the receipt and payment of funds related to the foreign debt of such issuer is not handled through a domestic bank, the Issuer shall, in the event of any change in the amount of money withdrawn, principal and interest payable or outstanding debt, go through relevant record-filing procedures with the local branch of the SAFE.

According to the Cross-Border Financing Notice, enterprises are required to file with SAFE after a cross-border financing agreement is signed and at least three business days prior to the drawdown of the loan or issue of debt securities, and report the relevant capital settlement information after making such capital settlement. In addition, the enterprises are also required to update the information with respect to the cross-border financing every year. In the event that the audited net assets, or the creditor, loan terms, amount or interest rate of the cross-border financing agreement changes, the enterprises are required to complete the change of the filing in due course. The Cross-Border Financing Circular applies to non-financial institutions only, and shall not include government financing platforms and real estate enterprises.



## GENERAL INFORMATION

1. **Clearing Systems:** The Bonds will be accepted for clearance through Euroclear and Clearstream under International Securities Identification Number for the Bonds as XS2270573194 and the Common Code 227057319.
2. **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue of the Bonds and execution, delivery and performance of its obligations under the Bonds, the Trust Deed and the Agency Agreement. The issue of the Bonds was authorised by written resolutions of the sole director of the Issuer passed on 24 November 2020. The Company has obtained all consents, approvals and authorisations in connection with the giving of the Guarantee of the Bonds and the execution and delivery of the Trust Deed, the Deed of Guarantee, the Guarantee of the Bonds and the Agency Agreement. The giving of the Guarantee of the Bonds was authorised by written resolutions of the board of the directors of the Company passed on 17 August 2020 and resolutions of the shareholders' meeting of the Company passed on 28 August 2020. The Company has registered the issuance of the Bonds with the NDRC and obtained a certificate from the NDRC on 27 October 2020 evidencing such registration, which at the date of this Offering Circular remains valid and in full force and effect.
3. **No Material Adverse Change:** There has been no material adverse change since 30 September 2020 in the financial or trading position, prospects or results of operations of the Issuer, the Company or the Group.
4. **Litigation:** Save as disclosed in this offering circular, none of the Issuer, the Company or any member of the Group is involved in any litigation or arbitration proceedings, which the Issuer, the Company or the Group, as the case may be, believes are material in the context of the Bonds and the giving of the Guarantee of the Bonds and, so far as the Issuer or the Company is aware, no such litigation or arbitration proceedings are pending or threatened.
5. **Listing of Bonds:** Application will be made to the Hong Kong Stock Exchange 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 17 December 2020.
6. **Available Documents:** As long as any Bond is outstanding, copies of the Deed of Guarantee, the Agency Agreement and the Trust Deed will be available for inspection from the Issue Date at all reasonable times during normal business hours (being 9:00 a.m. to 3:00 p.m.) on any weekday (other than public holidays), at the principal office of the Trustee, which at the date of this Offering Circular is 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong following prior written request and satisfactory proof of holding and identity satisfactory to the Trustee.
7. **Independent Auditors:** The audited consolidated financial statements of the Group as at and for the years ended 31 December 2018 and 2019, which are included elsewhere in this Offering Circular, have been audited by Mazars, the independent auditors of the Group, as stated in its reports appearing herein; the unaudited but reviewed consolidated financial statements of the Group as at and for the nine months ended 30 September 2020, which are included elsewhere in this Offering Circular, have been reviewed by Mazars, as stated in its reports appearing herein.
8. **Legal Entity Identifier:** The Legal Entity Identifier of the Issuer is 655600MKZYMJM4YOHN50.

## INDEX TO FINANCIAL STATEMENTS

### **The unaudited but reviewed consolidated financial statements of the Group as at and for the nine months ended 30 September 2020**

Review Report . . . . .	F-3
Consolidated Balance Sheet. . . . .	F-4
Consolidated Income Statement . . . . .	F-6
Consolidated Cash Flow Statement . . . . .	F-7
Consolidated Statement of Changes in Owners' Equity . . . . .	F-8
Balance Sheet. . . . .	F-10
Income Statement . . . . .	F-12
Cash Flow Statement . . . . .	F-13
Statement of Changes in Owners' Equity . . . . .	F-14
Notes to Financial Statements . . . . .	F-16

### **The audited consolidated financial statements of the Group as at and for the year ended 31 December 2019**

Audit Report . . . . .	F-122
Consolidated Balance Sheet. . . . .	F-125
Consolidated Income Statement . . . . .	F-127
Consolidated Cash Flow Statement . . . . .	F-128
Consolidated Statement of Changes in Owners' Equity . . . . .	F-129
Balance Sheet. . . . .	F-131
Income Statement . . . . .	F-133
Cash Flow Statement . . . . .	F-134
Statement of Changes in Owners' Equity . . . . .	F-135
Notes to the Financial Statements . . . . .	F-137

### **The audited consolidated financial statements of the Group as at and for the year ended 31 December 2018**

Audit Report . . . . .	F-247
Consolidated Balance Sheet. . . . .	F-250
Consolidated Income Statement . . . . .	F-252
Consolidated Cash Flow Statement . . . . .	F-253
Consolidated Statement of Changes in Owners' Equity . . . . .	F-254
Balance Sheet. . . . .	F-256
Income Statement . . . . .	F-258
Cash Flow Statement . . . . .	F-259
Statement of Changes in Owners' Equity . . . . .	F-260
Notes to the Financial Statements . . . . .	F-262



中审众环会计师事务所（特殊普通合伙）

Mazars Certified Public Accountants LLP

**NINGHAI CITY INVESTMENT  
GROUP LTD.  
REVIEW REPORT  
30 September 2020**



M A Z A R S  
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## REVIEW REPORT

ZHYZ [2020] No. 010016

**To the shareholders of Ninghai City Investment Group Ltd.:**

We have reviewed the accompanying financial statements of Ninghai City Investment Group Ltd. (hereinafter referred to as "the Company"), which comprise the consolidated and parent company balance sheets as at 30 September 2020, the consolidated and parent company income statements, the consolidated and parent company statements of cash flows and changes in owners' equity from January to September 2020, and notes to the financial statements. The management of the Company is responsible for the preparation of these financial statements, and our responsibility is to issue a review report on these financial statements based on our review work.

We conducted our review in accordance with Chinese Certified Public Accountants Review Standards No. 2101 - Financial Statements Review. Those Standards require that we plan and perform the review to obtain limited assurance about whether the financial statements are free from material misstatement. The review was mainly limited to inquire the relevant employees of the Company and perform the analytical procedures for financial data which provided less assurance than auditing. Since we did not conduct an audit, we shall not issue an audit opinion.

In accordance with our review, we have not noticed any events to make us believe that the accompanying financial statements did not present fairly, in all material respects, the consolidated and parent company's financial position as at 30 September 2020, and the consolidated and parent company's financial performance and cash flows from January to September 2020, in conformity with Accounting Standard for Business Enterprises (generally accepted accounting principles in the People's Republic of China).

Mazars Certified Public Accountants LLP



Wuhan, the People's Republic of China

Certified Public Accountant

Certified Public Accountant



15 November 2020

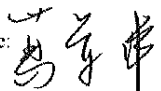
## Consolidated Balance Sheet (Assets)

Consol. No. 1


Prepared by Ninghai City Investment Group Ltd.

RMB

Assets	Note	30 Sep. 2020	31 Dec. 2019
<b>Current assets:</b>			
Cash and cash equivalents	VIII 1	3,691,794,823.99	2,559,596,610.53
Financial assets at fair value through profit or loss			
Notes receivable			
Accounts receivable	VIII 2	50,404,595.39	64,645,336.72
Prepayment	VIII 3	636,857,822.89	776,970,658.94
Other receivables	VIII 4	7,662,798,432.95	7,009,136,887.17
Inventory	VIII 5	21,889,582,774.78	21,979,186,396.72
Held-for-sale assets			
Non-current assets due within one year			
Other current assets	VIII 6	115,260,854.77	113,011,716.66
Total current assets		34,046,699,304.77	32,502,547,606.74
<b>Non-current assets:</b>			
Available-for-sale financial assets	VIII 7	108,817,325.00	188,417,325.00
Held-to-maturity investment			
Long-term receivables			
Long-term equity investment	VIII 8	1,674,463,027.75	1,406,080,633.65
Investment property	VIII 9	1,903,816,000.00	2,183,023,139.98
Fixed assets	VIII 10	992,665,965.75	1,093,668,657.47
Construction in progress	VIII 11	1,862,674,214.10	1,637,950,636.77
Bearer biological assets			
Oil and gas assets			
Intangible assets	VIII 12	17,968,659.14	27,768,986.72
Development expenditure			
Goodwill			
Long-term deferred expenses	VIII 13	5,503,261.31	7,480,927.77
Deferred tax assets	VIII 14	2,363,101.43	3,193,637.08
Other non-current assets	VIII 15	4,136,781,207.88	4,046,855,176.62
Total non-current assets		10,705,052,762.36	10,594,439,121.06
Total assets		44,751,752,067.13	43,096,986,727.80

Legal Representative: 

Chief Financial Officer: 

Chief Accountant: 

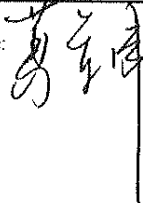
## Consolidated Balance Sheet (Liabilities and Owners' Equity)

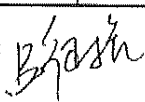
Prepared by Ninghai City Investment Group Ltd.


Consol. No. 1

RMB

Liabilities and owners' equity	Note	30 Sep. 2020	31 Dec. 2019
<b>Current liabilities:</b>			
Short-term borrowings	VIII 16	3,787,750,000.00	3,114,325,000.00
Financial liabilities at fair value through profit or loss			
Notes payable	VIII 17	648,050,000.00	160,000,000.00
Accounts payable	VIII 18	340,834,205.13	393,478,824.58
Advance from customers	VIII 19	616,862,362.17	662,809,114.89
Payroll payable	VIII 20	2,776,604.71	12,545,517.58
Taxes and surcharges payable	VIII 21	187,346,472.57	218,343,442.66
Other payables	VIII 22	7,792,732,569.53	9,558,876,634.35
Held-for-sale liabilities			
Non-current liabilities due within one year	VIII 23	2,560,773,263.53	3,146,444,659.75
Other current liabilities			
Total current liabilities		15,937,125,477.64	17,266,823,193.81
<b>Non-current liabilities:</b>			
Long-term borrowings	VIII 24	2,750,620,000.00	1,913,368,800.00
Bonds payable	VIII 25	8,620,564,266.67	6,244,787,829.95
Long-term payables	VIII 26	2,117,171,599.10	2,348,132,426.68
Accrued liabilities			
Deferred income	VIII 27	77,159,400.00	77,159,400.00
Deferred tax liabilities	VIII 14	51,686,287.46	61,146,347.20
Other non-current liabilities			
Total non-current liabilities		13,617,201,553.23	10,644,594,803.83
Total liabilities		29,554,327,030.87	27,911,417,997.64
<b>Owners' equity:</b>			
Paid-in capital	VIII 28	1,000,000,000.00	1,000,000,000.00
Capital reserve	VIII 29	10,278,488,906.58	10,607,799,741.48
Less: Treasury shares			
Other comprehensive income		273,997,695.44	329,728,680.99
Surplus reserve	VIII 30	234,039,315.33	234,039,315.33
Retained earnings	VIII 31	3,251,686,794.58	2,794,795,470.70
Total equity attributable to owners of the parent company		15,038,212,711.93	14,966,363,208.50
Minority interests		159,212,324.33	219,205,521.66
Total owners' equity		15,197,425,036.26	15,185,568,730.16
Total liabilities & owners' equity		44,751,752,067.13	43,096,986,727.80

Legal Representative: 

Chief Financial Officer: 

Chief Accountant: 



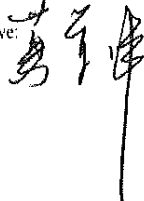
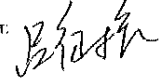
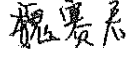
## Consolidated Income Statement

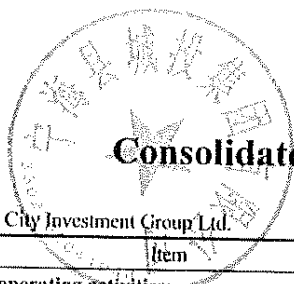
Consol. No. 2

RMB

Prepared by Ninghai City Investment Group Ltd.

Item	Note	Jan.-Sep. 2020	Jan.-Sep. 2019
I. Total operating revenue		1,553,272,537.55	1,720,099,822.26
Including: Operating revenue	VIII 32	1,553,272,537.55	1,720,099,822.26
II. Total operating costs		1,624,167,276.05	1,664,368,355.80
Including: Operating costs	VIII 32	1,184,798,292.15	1,177,490,063.25
Taxes and surcharges	VIII 33	5,786,922.28	8,499,592.80
Selling expenses		19,850,320.60	22,657,764.02
Administrative expenses		78,835,953.26	98,817,903.90
R&D expenses			
Financial costs	VIII 34	334,895,787.76	356,903,031.83
Including: Interest expenses		364,976,591.71	385,037,737.91
Interest income		31,452,016.38	28,978,647.40
Add: Other income	VIII 35	3,865,982.85	2,890,300.00
Investment income ("-" means loss)	VIII 36	533,155,019.98	643,900,209.12
Including: Income from investment in associates and joint ventures		-4,157,842.34	21,563,189.00
Gains from changes in fair value ("-" means loss)	VIII 37		-249,753,138.11
Impairment loss on assets ("-" means loss)	VIII 38	3,066,859.98	10,027,430.01
Gains from disposal of assets ("-" means loss)	VIII 39	-14,576.19	-6,487.89
III. Operating profit ("-" means loss)		469,178,548.12	462,789,779.59
Add: Non-operating income	VIII 40	1,148,240.85	1,464,834.15
Less: Non-operating expenses	VIII 41	7,545,721.18	2,201,900.71
IV. Total profit ("-" means loss)		462,781,067.79	462,052,713.03
Less: Income tax expenses	VIII 42	3,091,496.92	-47,542,847.90
V. Net profit ("-" means net loss)		459,689,570.87	509,595,560.93
Including: Net profit of the combined party before business combination under common control			
(I) Classification in accordance with going concern			
1. Net profit from continuing operations ("-" means net loss)		459,689,570.87	509,595,560.93
2. Net profit from discontinued operations ("-" means net loss)			
(II) Classification in accordance with attribution			
1. Attributable to owners of the parent company ("-" means net loss)		456,891,323.88	503,460,773.40
2. Minority interest ("-" means net loss)		2,798,246.99	6,134,787.53
VI. Other comprehensive income after tax			221,556,350.07
(I) Attributable to owners of the parent company			
A. Not reclassified subsequently to profit or loss			
B. Reclassified subsequently to profit or loss			221,556,350.07
Including: 1. Reclassified subsequently to profit or loss for the invested entity under the equity method			
2. Gains or losses from changes in fair value of available-for-sale financial assets			
3. The amount of which fair value exceeds book value on the transfer date when the self-used property or inventory is transferred to be the investment property measured at fair value			221,556,350.07
(II) Attributable to minority shareholders			
VII. Total comprehensive income		459,689,570.87	731,151,911.00
(I) Attributable to owners of the parent company		456,891,323.88	725,017,123.47
(II) Attributable to minority shareholders		2,798,246.99	6,134,787.53

Legal Representative:  Chief Financial Officer:  Chief Accountant: 



## Consolidated Statement of Cash Flows

Prepared by Ninghai City Investment Group Ltd.

Consol. No. 3

RMB

Item	Note	Jan.-Sep. 2020	Jan.-Sep. 2019
<b>I. Cash flows from operating activities:</b>			
Cash received from sales and services		1,650,212,015.88	1,843,395,164.91
Tax refunds		397,214.70	
Other cash receipts relating to operating activities	VIII 43	3,867,693,397.77	3,532,885,978.69
Sub-total cash inflows from operating activities		5,518,302,628.35	5,376,281,143.60
Cash paid for goods and services		834,997,770.90	1,001,260,894.62
Cash paid to and on behalf of employees		55,243,840.71	56,983,184.85
Payment of taxes and surcharges		29,520,463.15	22,483,847.53
Other cash payments relating to operating activities	VIII 43	4,492,194,434.32	6,497,676,068.57
Sub-total cash outflows from operating activities		5,411,956,509.08	7,578,403,995.57
Net cash flows from operating activities		106,346,119.27	-2,202,122,851.97
<b>II. Cash flows from investing activities:</b>			
Cash receipts from withdraw of investments		70,000,000.00	
Cash received from investment income		47,642,000.00	720,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		70,749.80	82,925.00
Net cash received from disposal of subsidiaries and other business units			538,379,800.08
Other cash receipts relating to investing activities	VIII 43		940,486.99
Sub-total cash inflows from investing activities		117,712,749.80	540,123,212.07
Cash paid for fixed assets, intangible assets and other long-term assets		224,824,857.51	184,493,875.57
Cash paid for investments		300,000.00	50,000.00
Net cash paid for acquiring subsidiaries and other business units			6,447,567.48
Other cash payments relating to investing activities	VIII 43	231,490,648.63	761,801.30
Sub-total cash outflows from investing activities		456,615,506.14	191,753,244.35
Net cash flows from investing activities		-338,902,756.34	348,369,967.72
<b>III. Cash flows from financing activities:</b>			
Cash proceeds from investments by others including: Cash received by subsidiaries from minority shareholders			
Cash received from borrowings		5,835,550,000.00	2,925,968,800.00
Cash received from issuing bonds		3,376,015,241.28	4,100,000,000.00
Other cash receipts relating to financing activities	VIII 43	2,893,542,516.67	3,466,875,509.58
Sub-total cash inflows from financing activities		12,105,107,757.95	10,492,844,309.58
Cash repayments for debts		5,343,343,800.00	4,978,694,900.73
Cash payments for distribution of dividends, profit and interest expenses		1,080,331,947.27	1,107,208,001.73
Including: Dividends or profit paid by subsidiaries to minority shareholders		2,961,000.00	2,961,000.00
Other cash payments relating to financing activities	VIII 43	3,964,110,478.36	2,445,900,424.40
Sub-total cash outflows from financing activities		10,387,786,225.63	8,531,803,326.86
Net cash flows from financing activities		1,717,321,532.32	1,961,040,982.72
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>			
<b>V. Net increase in cash and cash equivalents</b>			
Add: Opening balance of cash and cash equivalents		1,125,135,526.19	1,123,649,071.50
<b>VI. Closing balance of cash and cash equivalents</b>			
		2,609,900,421.44	1,230,937,169.97

Legal Representative:

Chief Financial Officer:

Chief Accountant:



# Consolidated Statement of Changes in Owners' Equity

Consol. No. 4  
RMB

Item	Equity attributable to the parent company						Minority interests	Total owners' equity
	Paid-in capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserve	Retained earnings		
I. Balance at the end of the prior year	1,000,000,000.00	10,607,799,741.48		329,728,680.99	234,039,315.33	2,794,795,470.70	219,205,521.66	15,185,568,730.16
Add: Change in accounting policies Correction of errors in previous period Other								
II. Balance at the beginning of the current period	1,000,000,000.00	10,607,799,741.48		329,728,680.99	234,039,315.33	2,794,795,470.70	219,205,521.66	15,185,568,730.16
III. Increase/decrease during the current period ("-" means decrease)		-329,310,834.90		-53,730,985.55		456,891,323.88	-59,993,197.33	11,856,306.10
(I) Total comprehensive income						456,891,323.88	2,798,246.99	459,689,570.87
(II) Contributions and decrease of capital								
1. Capital contributed by owners								
2. Capital paid in by holders of other equity instruments								
3. Share-based payment								
4. Other								
(III) Profit distribution								
1. Surplus reserve accrued								
2. General risk reserve accrued								
3. Distribution to owners								
4. Other								
(IV) Transfer within owners' equity								
1. Capital reserve transferred to capital								
2. Surplus reserve transferred to capital								
3. Surplus reserve offsetting losses								
4. Retained earnings carried forward from changes in defined benefit plans								
5. Other								
(V) Special reserve								
1. Accrual for the current period								
2. Use for the current period								
(VI) Other								
IV. Closing balance	1,000,000,000.00	10,278,488,906.58		273,997,695.44	234,039,315.33	3,251,686,794.58	-59,830,444.32	-444,872,264.77
		10,278,488,906.58		273,997,695.44	234,039,315.33	3,251,686,794.58	159,212,324.33	15,197,425,036.26

Legal Representative:

Chief Financial Officer:

Chief Accountant:

# Consolidated Statement of Changes in Owners' Equity

Prepared by Ninghai City Investment Group Ltd.

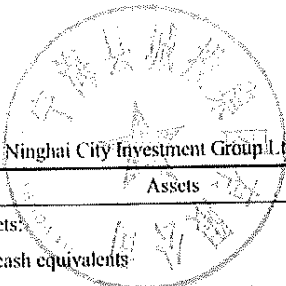
Consol. No. 4  
RMB

Item	2019							Total owners' equity
	Equity attributable to the parent company							
	Paid-in capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserve	Retained earnings	Minority interests	
I. Balance at the end of the prior year	1,000,000,000.00	11,068,316,023.20		108,172,330.92	233,964,711.67	2,549,044,315.35	196,353,366.83	15,047,678,417.05
Add: Change in accounting policies					74,603.66	-27,000,093.04	16,823,104.08	98,069,945.62
Correction of errors in previous period								
Other								
II. Balance at the beginning of the current period	1,000,000,000.00	11,068,316,023.20		108,172,330.92	234,039,315.33	2,522,044,222.31	213,176,470.91	15,145,748,362.67
III. Increase/decrease during the current period ("-" means decrease)		-460,516,281.72		221,556,350.07		272,751,248.39	6,029,050.75	39,820,367.49
(I) Total comprehensive income				221,556,350.07		272,751,248.39	7,640,050.75	501,947,649.21
(II) Contributions and decrease of capital				221,556,350.07		272,751,248.39	1,350,000.00	1,350,000.00
1. Capital contributed by owners							1,350,000.00	1,350,000.00
2. Capital paid in by holders of other equity instruments								
3. Share-based payment								
4. Other								
(III) Profit distribution							-2,961,000.00	-2,961,000.00
1. Surplus reserve accrued								
2. General risk reserve accrued								
3. Distribution to owners								
4. Other								
(IV) Transfer within owners' equity								
1. Capital reserve transferred to capital								
2. Surplus reserve transferred to capital								
3. Surplus reserve offsetting losses								
4. Retained earnings carried forward from changes in defined benefit plans								
5. Other								
(V) Special reserve								
1. Accrual for the current period								
2. Use for the current period								
(VI) Other								
IV. Closing balance	1,000,000,000.00	-460,516,281.72 10,607,799,741.48		329,728,680.99	234,039,315.33	2,794,795,470.70	219,205,521.66	-460,516,281.72 15,185,588,730.16

Legal Representative:

Chief Financial Officer:

Chief Accountant:



## Balance Sheet (Assets)

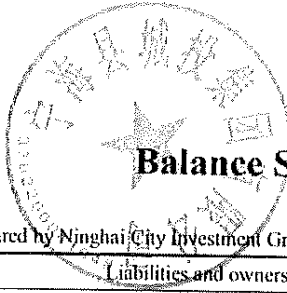
No. 1

RMB

Prepared by Ninghai City Investment Group Ltd.

Assets	Note	30 Sep. 2020	31 Dec. 2019
<b>Current assets:</b>			
Cash and cash equivalents		1,943,066,622.67	993,667,284.47
<b>Financial assets at fair value through profit or loss</b>			
Notes receivable			43,074,759.06
Accounts receivable		21,847,805.22	287,484,427.67
Prepayment		210,835,602.66	2,990,133,843.23
Other receivables	XIV 1	5,376,632,493.15	17,911,626,997.22
Inventory		18,227,803,166.92	
Held-for-sale assets			
Non-current assets due within one year			
Other current assets		16,502,456.00	18,208,074.40
Total current assets		25,796,688,146.62	22,244,195,386.05
<b>Non-current assets:</b>			
Available-for-sale financial assets		108,817,325.00	178,817,325.00
Held-to-maturity investment			
Long-term receivables			
Long-term equity investment	XIV 2	2,460,434,144.46	2,329,517,508.91
Investment property		1,531,896,800.00	1,531,896,800.00
Fixed assets		47,156,039.02	48,404,660.14
Construction in progress		1,168,671,657.13	972,872,423.55
Bearer biological assets			
Oil and gas assets			
Intangible assets		200,000.00	200,000.00
Development expenditure			
Goodwill			
Long-term deferred expenses		3,080,601.20	2,178,474.00
Deferred tax assets		1,859,456.81	2,380,038.59
Other non-current assets		1,651,277,919.65	1,648,047,379.65
Total non-current assets		6,973,393,943.27	6,714,314,609.84
Total assets		32,770,082,089.89	28,958,509,995.89

Legal Representative: Chief Financial Officer: Chief Accountant:



## Balance Sheet (Liabilities and Owners' Equity)

Prepared by Ninghai City Investment Group Ltd.

No. 1  
RMB

Liabilities and owners' equity	Note	30 Sep. 2020	31 Dec. 2019
<b>Current liabilities:</b>			
Short-term borrowings		2,301,400,000.00	1,506,025,000.00
Financial liabilities at fair value through profit or loss			
Notes payable		299,380,000.00	
Accounts payable		249,469,065.81	264,822,289.20
Advance from customers		32,917,131.45	82,306,767.64
Payroll payable			
Taxes and surcharges payable		167,997,831.48	170,518,585.82
Other payables		2,710,957,127.54	3,090,272,421.98
Held-for-sale liabilities			
Non-current liabilities due within one year		2,409,273,263.53	2,756,094,659.75
Other current liabilities			
Total current liabilities		8,171,394,419.81	7,870,039,724.39
<b>Non-current liabilities:</b>			
Long-term borrowings		1,742,720,000.00	751,400,000.00
Bonds payable		8,620,564,266.67	6,244,787,829.95
Long-term payables		1,716,873,432.44	1,951,574,593.35
Accrued liabilities			
Deferred income			
Deferred tax liabilities		17,129,345.97	17,129,345.97
Other non-current liabilities			
Total non-current liabilities		12,097,287,045.08	8,964,891,769.27
Total liabilities		20,268,681,464.89	16,834,931,493.66
<b>Owners' equity:</b>			
Paid-in capital		1,000,000,000.00	1,000,000,000.00
Capital reserve		8,455,003,363.21	8,277,985,554.11
Less: Treasury shares			
Other comprehensive income		219,284,575.44	191,976,392.52
Surplus reserve		234,039,315.33	234,039,315.33
Retained earnings		2,593,073,371.02	2,419,577,240.27
Total owners' equity		12,501,400,625.00	12,123,578,502.23
Total liabilities & owners' equity		32,770,082,089.89	28,958,509,995.89

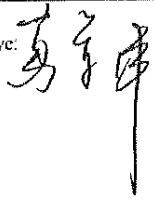
Legal Representative: Chief Financial Officer: Chief Accountant:

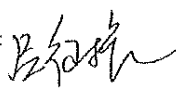
## Income Statement


No. 2  
RMB

Prepared by Ninghai City Investment Group Ltd.

Item	Note	Jan.-Sep. 2020	Jan.-Sep. 2019
I. Operating revenue	XIV 3	674,858,213.88	769,990,352.14
Less: Operating costs	XIV 3	499,096,532.17	641,477,923.11
Taxes and surcharges		2,553,095.46	4,240,643.61
Selling expenses		594,369.00	1,622,612.89
Administrative expenses		15,041,479.74	17,126,462.51
R&D expenses			
Financial costs		250,364,709.80	178,446,279.72
Including: Interest expenses		259,171,176.31	188,857,068.27
Interest income		8,892,959.47	10,451,031.83
Add: Other income			
Investment income ("-" means loss)	XIV 4	259,535,545.80	178,063,189.00
Including: Income from investment in associates and joint ventures		-4,157,842.34	21,563,189.00
Gains from changes in fair value ("-" means loss)			-249,744,840.47
Impairment loss on assets ("-" means loss)		2,082,327.11	6,450,744.42
Gains from disposal of assets ("-" means loss)			
II. Operating profit ("-" means loss)		168,825,900.62	-138,154,476.75
Add: Non-operating income		1,001.18	208,098.44
Less: Non-operating expenses		74,000.00	138,040.75
IV. Total profit ("-" means loss)		168,752,901.80	-138,084,419.06
Less: Income tax expenses		520,581.78	-54,615,463.00
IV. Net profit ("-" means net loss)		168,232,320.02	-83,468,956.06
(I) Net profit from continuing operations ("-" means net loss)		168,232,320.02	-83,468,956.06
(II) Net profit from discontinued operations ("-" means net loss)			
V. Other comprehensive income after tax			
A. Not reclassified subsequently to profit or loss			
B. Reclassified subsequently to profit or loss			
Including: 1. Reclassified subsequently to profit or loss for the invested entity under the equity method			
2. Gains or losses from changes in fair value of available-for-sale financial assets			
3. The amount of which fair value exceeds book value on the transfer date when the self-used property or inventory is transferred to be the investment property measured at fair value			
VI. Total comprehensive income		168,232,320.02	-83,468,956.06

Legal Representative: 

Chief Financial Officer: 

Chief Accountant: 



## Statement of Cash Flows

Prepared by Ninghai City Investment Group Ltd.

No. 3  
RMB

Item	Note	Jan.-Sep. 2020	Jan.-Sep. 2019
<b>I. Cash flows from operating activities:</b>			
Cash received from sales and services		570,789,197.40	868,050,164.11
Tax refunds			
Other cash receipts relating to operating activities		497,497,512.10	2,097,912,952.46
Sub-total cash inflows from operating activities		1,068,286,709.50	2,965,963,116.57
Cash paid for goods and services		276,797,258.02	602,623,915.20
Cash paid to and on behalf of employees		6,670,652.79	7,057,449.47
Payment of taxes and surcharges		3,237,602.81	3,987,159.87
Other cash payments relating to operating activities		1,771,285,690.40	5,622,408,881.80
Sub-total cash outflows from operating activities		2,057,991,204.02	6,236,077,406.34
Net cash flows from operating activities		-989,704,494.52	-3,270,114,289.77
<b>II. Cash flows from investing activities:</b>			
Cash receipts from withdraw of investments		70,000,000.00	
Cash received from investment income		47,642,000.00	
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other business units			166,500,000.00
Other cash receipts relating to investing activities			940,486.99
Sub-total cash inflows from investing activities		117,642,000.00	167,440,486.99
Cash paid for fixed assets, intangible assets and other long-term assets		200,102,768.78	66,193,945.10
Cash paid for investments			
Net cash paid for acquiring subsidiaries and other business units			6,447,567.48
Other cash payments relating to investing activities			761,801.30
Sub-total cash outflows from investing activities		200,102,768.78	73,403,313.88
Net cash flows from investing activities		-82,460,768.78	94,037,173.11
<b>III. Cash flows from financing activities:</b>			
Cash proceeds from investments by others			
Cash received from borrowings		4,169,200,000.00	1,913,600,000.00
Cash received from issuing bonds		3,376,015,241.28	4,100,000,000.00
Other cash receipts relating to financing activities		1,413,500,000.00	2,091,328,989.58
Sub-total cash inflows from financing activities		8,958,715,241.28	8,104,928,989.58
Cash repayments for debts		3,755,025,000.00	3,037,883,966.96
Cash payments for distribution of dividends, profit and interest expenses		918,277,678.09	749,576,418.93
Other cash payments relating to financing activities		1,808,847,961.69	1,141,169,459.96
Sub-total cash outflows from financing activities		6,482,150,639.78	4,928,629,845.85
Net cash flows from financing activities		2,476,564,601.50	3,176,299,143.73
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>			
<b>V. Net increase in cash and cash equivalents</b>			
		1,404,399,338.20	222,027.07
Add: Opening balance of cash and cash equivalents		414,167,284.47	455,395,561.78
<b>VI. Closing balance of cash and cash equivalents</b>			
		1,818,566,622.67	455,617,588.85

Legal Representative:

Chief Financial Officer:

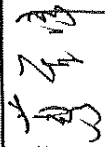
Chief Accountant:

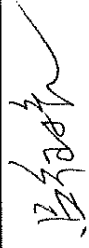



## Statement of Changes in Owners' Equity

No. 4  
RMB

	Jan.-Sep. 2020						
Item	Paid-in capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserve	Retained earnings	Total owners' equity
I. Balance at the end of the prior year	1,000,000,000.00	8,277,985,554.11		191,976,392.32	234,039,315.33	2,419,577,240.27	12,123,578,502.23
Add: Change in accounting policies							
Correction of errors in previous period							
Other							
II. Balance at the beginning of the current period	1,000,000,000.00	177,017,809.10		27,308,182.92	209,589,802.75	5,263,810.73	12,333,168,304.98
III. Increase/decrease during the current period ("-" means decrease)		8,455,003,363.21		219,284,575.44	234,039,315.33	2,424,841,051.00	168,232,320.02
(I) Total comprehensive income							
(I) Contributions and decrease of capital							
1. Capital contributed by owners							
2. Capital paid in by holders of other equity instruments							
3. Share-based payment							
4. Other							
(II) Profit distribution							
1. Surplus reserve accrued							
2. General risk reserve accrued							
3. Distribution to owners							
4. Other							
(IV) Transfer within owners' equity							
1. Capital reserve transferred to capital							
2. Surplus reserve transferred to capital							
3. Surplus reserve offsetting losses							
4. Retained earnings carried forward from changes in defined benefit plans							
5. Other							
(V) Special reserve							
1. Accrual for the current period							
2. Use for the current period							
(VI) Other							
IV. Closing balance	1,000,000,000.00	8,455,003,363.21		219,284,575.44	234,039,315.33	2,593,073,371.02	12,501,400,625.00

Legal Representative: 

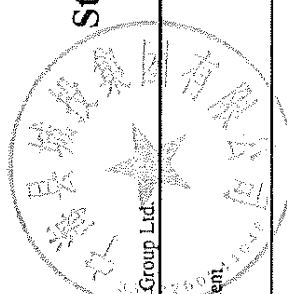
Chief Financial Officer: 

Chief Accountant: 

## Statement of Changes in Owners' Equity

No. 4  
RMB

	2019						
Item	Paid-in capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserve	Retained earnings	Total owners' equity
I. Balance at the end of the prior year	1,000,000,000.00	8,188,767,481.87		22,315,175.32	233,964,711.67	2,564,005,568.20	11,986,737,761.74
Add: Change in accounting policies					74,603.66	671,432.98	23,061,211.96
Correction of errors in previous period							
Other							
II. Balance at the beginning of the current period	1,000,000,000.00	8,188,767,481.87		22,315,175.32	234,039,315.33	2,564,677,001.18	12,009,798,973.70
III. Increase/decrease during the current period ("-" means decrease)		89,218,072.24		169,661,217.20		-145,099,760.91	113,779,528.53
(I) Total comprehensive income				169,661,217.20		-145,099,760.91	24,561,456.29
(II) Contributions and decrease of capital							
1. Capital contributed by owners							
2. Capital paid in by holders of other equity instruments							
3. Share-based payment							
4. Other							
(III) Profit distribution							
1. Surplus reserve accrued							
2. General risk reserve accrued							
3. Distribution to owners							
4. Other							
(IV) Transfer within owners' equity							
1. Capital reserve transferred to capital							
2. Surplus reserve transferred to capital							
3. Surplus reserve offsetting losses							
4. Retained earnings carried forward from changes in defined benefit plans							
5. Other							
(V) Special reserve							
1. Accrual for the current period							
2. Use for the current period							
(VI) Other							
IV. Closing balance	1,000,000,000.00	89,218,072.24 8,277,985,554.11		191,976,392.52	234,039,315.33	2,419,577,240.27	89,218,072.24 12,123,578,502.23



Prepared by Ninghai City Investment Group Ltd.

Legal Representative: 
Chief Financial Officer: 
Chief Accountant:

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# NOTES TO THE FINANCIAL STATEMENTS

For the period from January to September 2020

(All amounts in RMB unless otherwise stated)

**Important Notes:**

This report is prepared in Chinese and English. In the event of any discrepancy between two versions, the Chinese version shall prevail.

**I Company profile**

Ninghai City Investment Group Ltd. (hereinafter referred to as “the Company” or “Company”) was jointly funded by Ninghai Municipal Construction Bureau, Ninghai Municipal Old City Reconstruction Office (hereinafter referred to as “Ninghai OCRO”) and Ninghai Land Reserve Centre (hereinafter referred to as “Ninghai LRC”). It was established with the approval of Ninghai Branch of Ningbo Administration for Industry and Commerce on 8 May 2000. At the time of establishment, the registered capital was RMB 10 million, of which 40% were from Ninghai Municipal Urban and Rural Construction Committee (hereinafter referred to as “Ninghai URCC”), and 60% were from Ninghai OCRO.

In March 2002, the Company increased its capital by RMB 20 million. After the capital increase, the registered capital was changed to RMB 30 million, and the shareholding ratio of each shareholder remained unchanged.

In July 2003, the Company increased its capital by RMB 270 million. After the capital increase, the registered capital was changed to RMB 300 million, including RMB 12 million from Ninghai Municipal Construction Bureau, accounting for 4% of the registered capital; RMB 18 million from Ninghai OCRO, accounting for 6% of the registered capital; RMB 270 million from Ninghai LRC, accounting for 90% of the registered capital.

In June 2009, Ninghai Municipal Government transferred all the equity held by the shareholders of the Company to Ninghai Municipal State-owned Assets Supervision and Administration Bureau (hereinafter referred to as “Ninghai SASAB”) without compensation. The relevant procedures for industrial and commercial changes were completed on 26 June 2009.

In June 2009, with the approval of Ninghai Municipal Government, Ninghai SASAB transferred 100% equity of Ninghai Transportation Industrial Development Co., Ltd., 85% equity of Ninghai Science and Technology Park Development Co., Ltd., 80% equity of Ninghai Economic Development Zone

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Xinxing Industrial Park Co., Ltd., 100% equity of Ninghai Asset Management Co., Ltd., land and cash and cash equivalents to the Company for capital increase. After the capital increase, the registered capital of the Company was changed to RMB 500 million. The relevant procedures for industrial and commercial changes were completed on 30 June 2009.

In June 2018, the Company increased its capital by RMB 500 million. After the capital increase, the registered capital was changed to RMB 1,000 million, which was 100% owned by Ninghai SASAB.

In December 2019, Ninghai SASAB transferred 100% equity of the Company to Ninghai Qicheng Industry Co., Ltd. without compensation. The relevant procedures for industrial and commercial changes were completed on 30 December 2019.

1. Unified social credit code of the Company: 913302267204641104.
2. Business scope of the Company: Urban construction, investment, development, operation; Old city reconstruction and urban construction related project investment and equity participation; Land development and consolidation, building materials wholesale (excluding warehousing). (Projects that need to be approved according to the relevant law can only be operated after being approved by relevant departments)
3. Registered address of the Company: No.5, Nanfan Road, Taoyuan Street, Ninghai County, Ningbo City, Zhejiang Province.
4. Legal representative of the Company: Ge Junwei.

## **II Basis of preparation**

According to the actual events and transactions, the financial statements for the Company have been prepared on the basis of going concern and in accordance with the Accounting Standards for Business Enterprises - Basic Standard issued by the Ministry of Finance (issued by No. 33 Order from the Ministry of Finance and revised by No. 76 Order from the Ministry of Finance), 42 specific accounting standards, the guidelines for the application of enterprise accounting standards, the interpretation of enterprise accounting standards and other relevant regulations promulgated and amended on and after 15 February 2006 (hereinafter collectively referred to as “Accounting Standards for Business Enterprises”).

## **III Statement of compliance with the Accounting Standards for Business Enterprises**

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The financial statements are in accordance with the requirements of the Accounting Standards for Business Enterprises, which have truly and completely presented the financial position of the Company as at 30 September 2020, its operating results and cash flows from January to September 2020, and other relevant information.

#### **IV Significant accounting policies and accounting estimates**

##### 1. Accounting period

The Company's accounting year adopts the Gregorian calendar year which begins on 1 January and ends on 31 December every year.

##### 2. Functional currency

The Company adopts Renminbi (RMB) as the functional currency.

##### 3. Accounting basis and measurement principle

The Company takes accrual basis as the basis of accounting, when preparing the financial statements, except for some financial instruments, the historical cost shall be as the measurement principle. If the asset is impaired, the corresponding impairment provision shall be made in accordance with relevant regulations.

##### 4. Business combinations

Business combination refers to a transaction or event in which two or more separate enterprises are combined to form a reporting entity. Business combinations are divided into business combinations under common control and business combinations not under common control.

###### (1) Business combination under common control

A business combination under common control is a business combination in which the enterprises involved in the combination are ultimately controlled by the same party or parties before and after the combination, and the control is not temporary. For business combination under common control, the party that obtains control over the other enterprises in the combination on the combination date is the combining party, and the other enterprises in the combination are the combined party. Combination date refers to the date on which the combining party actually obtains control over the combined party.

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The assets and liabilities that acquired by the combining party in a business combination shall be measured at their book value in the combined party on the combination date. The difference between the book value of net assets acquired by the combining party and the book value of the consideration paid for the combination (or total par value of the shares issued) shall be adjusted to capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

The business combination costs that are directly attributable to the combination are recorded into the current profit and loss when they occur.

(2) Business combination not under common control

A business combination not under common control means that the enterprises involved in the combination are not ultimately controlled by the same party or parties before and after the combination. For business combination not under common control, the party that obtains control over the other enterprises in the combination on the acquisition date is the acquirer, and the other enterprises in the combination are the acquiree. Acquisition date refers to the date on which the acquirer actually obtains control over the acquiree.

For business combination not under common control, the cost of business combination is the aggregate of the fair value, on the acquisition date, of assets given, liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree. The audit fees, valuation and consulting fees, legal service fees and other administrative expenses incurred in the business combination shall be recognized in the current profit or loss when they occur. Commissions and other expenses incurred in the business combination for the issuance of equity or debt securities shall be included in the initial recognition amounts of equity or debt securities. Any contingent consideration involved shall be included in the combination cost according to its fair value on the acquisition date. If there is new or further evidence on the existing situation on the acquisition date emerging within 12 months after the acquisition date, the contingent consideration needs to be adjusted and the combination goodwill shall be adjusted accordingly. The combination cost incurred by the acquirer and the identifiable net assets obtained in the combination shall be measured at the fair value on the acquisition date. The difference between the combination costs and the fair value of the identifiable net assets obtained from the acquiree on the acquisition date shall be recognized as goodwill. If the combination costs are lower than the fair value of the identifiable net assets obtained from the acquiree,



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the acquirer shall review the measurement of the fair value of the identifiable assets, liabilities and contingent liabilities acquired as well as the combination costs; and if the combination cost is still lower than the fair value of the identifiable net assets of the acquiree obtained in the combination after the review, the difference shall be recorded into the current profit and loss.

For the deductible temporary difference of the acquiree that is being acquired and is not recognized on the acquisition date because the conditions for recognizing deferred income tax assets are not met, it shall be recognized as the relevant deferred income tax assets when the following conditions are met:

(1) New or further evidence is obtained within 12 months after the acquisition date indicating that the relevant situation on the acquisition date already exists; (2) The economic benefits brought by the deductible temporary difference of the acquiree on the acquisition date are expected to be realized. In the meanwhile, the goodwill shall be reduced. If the goodwill is insufficient to be offset, the difference shall be recognized as the current profit and loss. In addition to the aforementioned situations, the deferred income tax assets related to the business combination that are recognized shall be recorded into the current profit and loss.

For the business combination not under common control realized step by step through multiple transactions, it shall be determined whether the multiple transactions are identified as “package deal” in accordance with the “Notice on Issuing Interpretation of Accounting Standards for Enterprises No. 5 from the Ministry of Finance” (Cai Kuai [2012] No. 19) and the judgement criteria of “package deal” in the Article 51 of the “Accounting Standards for Business Enterprises No. 33 - Consolidated Financial Statements” (refers to Note IV 5 (2) “Preparation of consolidated financial statements”). If the multiple transactions are identified as “package deal”, the accounting treatment refers to the previous paragraphs of this part and Note IV 11 “Long-term equity investment”. If the multiple transactions are not identified as “package deal”, accounting treatment shall be carried out differently in individual and consolidated financial statements:

① In individual financial statements, the sum of the book value of equity investment in the acquiree held by the acquirer before the acquisition date and the increase in the cost of equity investment shall be recognized as the initial investment cost. If the equity investment in the acquiree before the acquisition date involves the other comprehensive income, when disposing the investment, the other comprehensive income related to the investment shall be accounted for on the same basis as that of the acquiree’s direct disposal of the relevant assets or liabilities (i.e., except for the corresponding share in

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the changes caused by the remeasurement of the net liabilities or net assets of the defined benefit plan by the acquiree in accordance with the equity method, the rest shall be transferred into the current investment income).

② In consolidated financial statements, equity investment in the acquiree held by the acquirer before the acquisition date shall be revalued at fair value on the acquisition date, and the difference between the fair value and the book value shall be recorded into the current investment income. If equity investment in the acquiree before the acquisition date involves other comprehensive income, the other comprehensive income related to the investment shall be accounted for on the same basis as that of the acquiree's direct disposal of the relevant assets or liabilities (i.e., except for the corresponding share in the changes caused by the remeasurement of the net liabilities or net assets of the defined benefit plan by the acquiree in accordance with the equity method, the rest shall be transferred into the investment income in the current period of the acquisition date).

## 5. Preparation of consolidated financial statements

### (1) The scope of consolidated financial statements

The scope of consolidated financial statements shall be determined on the basis of control, including the annual financial statement of the Company and all subsidiaries as of 30 September 2020. A subsidiary is an entity that is controlled by the Company (such as enterprises, deemed separate entities, and structured entities controlled by the enterprises). Control exists when the investor has all the following: power over the investee; exposure, or rights to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns.

### (2) Preparation of consolidated financial statements

The consolidated financial statements are prepared by the Company, based on the financial statements of the Company and its subsidiaries, according to other relevant information.

Considering the Group as one accounting entity, the Company prepares the consolidated financial statements to reflect the financial position, the operating results and the cash flows of the entire Group in accordance with the unified accounting policy, as well as the recognition, measurement and presentation requirements of the relevant accounting standards.

For any difference in accounting policies and accounting periods between the Company and its

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subsidiaries, necessary adjustments shall be made based on accounting policies and periods of the Company when preparing consolidated financial statements. Financial statements of subsidiaries shall be adjusted based on the fair value of identifiable net assets defined on the purchasing date for the subsidiaries acquired not under the common control.

(3) Presentation of minority interests and profits or losses

The portion of a subsidiary's equity that is not attributable to the parent is treated as minority interests and presented in the consolidated balance sheet within equity.

The portion of net profit or loss of subsidiaries for the period attributable to minority interests shall be presented in the consolidated income statement below the line item of net profit as the item of minority interests.

(4) Excess losses

When the amount of loss for the current period attributable to the minority shareholders' portion exceeds the opening balance of owners' equity of the subsidiary attributable to the minority shareholders' portion, the excess shall be allocated against the minority interests in the consolidated financial statements.

(5) Increase or decrease of the subsidiaries

For any subsidiary acquired during the reporting period by the Company through business combination under the common control, the opening balances of the consolidated balance sheet should be adjusted when compiling the consolidated financial statements; while any subsidiary acquired by the Company through business combination not under the common control, the Company makes no adjustment for the opening balances in the consolidated balance sheet. When disposing subsidiaries during the reporting period, no adjustment is made for the opening balances in the consolidated balance sheet.

For any subsidiary acquired by the Company through business combination under the common control, the sales revenue, expense and profit for the period from the beginning to the end of the reporting period are included in the consolidated income statement, and the cash flows of the subsidiary for the period from the beginning of the combination to the end of the reporting period are included in the consolidated statement of cash flows. While for any subsidiary acquired during the reporting period by the Company through business combination not under the common control, the sales revenue, expense and profit for the period from acquisition date to the end of the reporting period are included in the consolidated income statement, the cash flows of the subsidiary from the acquisition date to the end of

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the reporting period are included in the consolidated statement of cash flows. When disposing subsidiary during the reporting period, the sales revenue, expense and profit of the subsidiary from the beginning of the period to the disposal date are included in the consolidated income statement, and the cash flows of the subsidiary from the beginning of the period to the disposal date are included in the consolidated statement of cash flows.

When the Company loses control over a former subsidiary due to disposing part of equity investment or other reasons, the remaining part of the equity investment should be re-measured at fair value at the date when losing control over the investee; The cash received on disposal of the equity investment and the fair value of remaining part of the equity investment, deducting net assets proportion calculated by original share percentage since the acquisition date should be recorded into investment income for current period; other comprehensive income related to the equity investment in subsidiaries before disposal date shall be transferred to investment income for the current period when losing control over the investee.

The difference between the newly obtained long-term equity investment due to the Company's acquisition of minority interests and the Company's share of identifiable net assets in the subsidiary calculated by the newly increased shareholding, or the difference between the disposal income due to the Company's disposing part of equity investment in a subsidiary without losing the control over the subsidiary and the Company's share of net assets in the subsidiary calculated by the disposed long-term equity investment, should be adjusted to the stock premium under capital reserve in the consolidated balance sheet. If the stock premium under capital reserve is not sufficient to offset the difference, the retained earnings shall make up the balance.

(6) Disposing equity investment until losing control step by step

When various transactions to dispose the equity investment of a subsidiary by the parent company till losing control over the subsidiary are a package deal, they should be accounted for as one transaction for disposal of the equity investment which results in the loss of control. However, before the control is lost, the difference between each disposal income and the corresponding share of net assets of the subsidiary should be recognized as other comprehensive income in the consolidated financial statement, and then the difference should be accounted for in profit and loss when the control is lost. If the transaction is not a package deal, the accounting treatment shall be carried out before and when the control is lost, in accordance with the above-mentioned accounting policies for partial disposal of

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equity investment in subsidiary without losing control over the subsidiary and disposal of equity investment in subsidiary with losing control of the subsidiary respectively.

When the parent company disposes the equity investment of its subsidiary and the trade terms, conditions and economic impact satisfy one or more of the following conditions, multiple transactions should be accounted for as a package deal:

- a) These deals are concluded at the same time or under the conditions of considering the impact on each other;
- b) These transactions should be bundled as a whole to achieve a complete business result;
- c) The occurrence of a deal depends on at least one another transaction;
- d) A deal is not economically feasible on its own but economically feasible when combined with other deals.

As for individual financial statements, the transactions to dispose the equity investment step by step till losing control should be accounted for according to the accounting policies that applied for the transactions to dispose the long-term equity investment.

#### 6. Recognition of cash and cash equivalents

The Company's cash includes cash on hand and deposits that can be readily drawn on demand; Cash equivalents include the short-term (normally matured within three months after purchase date) and highly-liquid investments held by the Company which are readily convertible into known amounts of cash, subject to an insignificant risk of fluctuation in value.

#### 7. Foreign currency transactions and translation

The Company's business involving foreign currencies shall be converted into RMB for bookkeeping at the mid-rate of the foreign exchange market exchange rate on the day of occurrence. At the end of the reporting period, the balance of the monetary foreign currency account shall be adjusted to the amount converted into RMB according to the mid-rate of the foreign exchange market exchange rate at the end of the reporting period. The difference between the adjusted RMB balance and the original book balance shall be regarded as the exchange gain and loss, and shall be recorded into "Financial costs", "Construction in progress" and other items according to relevant regulations.

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## 8. Financial instruments

The Company recognizes a financial asset or financial liability on its balance sheet when the Company becomes a contractual party of financial instrument. The financial assets or financial liabilities are initially recognized at fair value. In the case of financial assets or financial liabilities at fair value through profit or loss, the related transaction costs are recognized in current profit and loss. For other financial assets or financial liabilities, the related transaction costs are included in the initial recognition amounts.

### (1) The method for determining the fair value of financial assets and financial liabilities

Fair value refers to the price that market participants can receive from the sale of an asset or pay for the transfer of a liability in the orderly transaction that occurs on the measurement date. The fair value of financial assets or financial liabilities with an active market is determined according to the quoted price in the active market. Quoted price in active market refers to the price easily obtained from exchanges, brokers, industry associations, pricing service agencies, etc. on a regular basis which represents the price of market transactions actually incurred in fair trading. The fair value of financial assets or financial liabilities with no active market is determined by use of valuation techniques (including with reference to the price incurred in the most recent transactions conducted by parties who are familiar with the situation and willing to trade, or the current fair value of other financial instruments that are substantially the same, or the discounted cash flow method and the option pricing model, etc.).

### (2) Classification and measurement of financial assets

When financial assets are bought and sold in a conventional way, accounting recognition and derecognition shall be carried out on the transaction date. The Company classifies the financial assets into financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets at initial recognition.

#### ① Financial assets at fair value through profit or loss (“FVTPL” financial assets)

“FVTPL” financial assets include trading financial assets and financial assets designated by the Company as at fair value through profit or loss.

Trading financial assets refer to the financial assets meeting one of the following conditions: (a) The purpose of acquiring the financial assets is to sell in the near future; (b) The assets belong to a part of identifiable combination of financial instruments for centralized management, and there is objective



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evidence that the enterprise has managed the portfolio by way of short-term profit in the near future; (c) The assets belong to the derivative, with exception of derivatives designated as effective hedging instruments, derivatives belonging to financial guarantee contracts, and derivatives are not quoted in an active market and the fair value cannot be reliably measured and must be settled by delivering the equity instrument.

Only the financial assets meeting any of the following requirements when they are initially recognized can be designated as “FVTPL” financial assets: (a) The designation is able to eliminate or significantly reduce the inconsistencies in recognition or measurement of related gains and losses due to the different financial instruments measurement basis; (b) Stated clearly in the formal written document of risk management or investment strategies by the Company that the portfolio of financial instruments shall be managed at fair value, evaluated and reported to the key management personnel.

“FVTPL” financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value and dividends and interest income related to the financial assets are included in the current profit and loss.

② Held-to-maturity investments are non-derivative financial assets that have fixed or determinable payments and fixed maturity dates and that the Company has the positive intention and ability to hold to maturity.

Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method. Gains and losses arising from derecognition, impairment or amortization are recognized in current profit and loss.

The effective interest method refers to the method of calculating the amortized cost and the interest income or expenditure of each period according to the effective interest rate of financial assets or financial liabilities (including a group of financial assets or financial liabilities). The effective interest rate refers to the interest rate used to discount the future cash flow of the financial asset or financial liability in the expected duration or an applicable shorter period into the current book value of the financial asset or financial liability.

When calculating the effective interest rate, the Company will estimate the future cash flow (regardless of future credit loss) on the basis of considering all contract terms of financial assets or financial liabilities, and also take into account of all charges, transaction fees, discounts or premiums paid or collected between the parties to the contract of financial assets or financial liabilities that are part of the

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effective interest rate.

③ Loans and receivables are non-derivative financial assets with fixed or determinable payments and are not quoted in an active market. The Company classifies the loans and receivables into notes receivables, accounts receivables, interest receivables, dividends receivables and other receivables.

Loans and receivables are subsequently measured at amortized cost using the effective interest method. Gains or losses arising from derecognition, impairment or amortization are recognized in current profit and loss.

④ Available-for-sale financial assets (AFS financial assets) are those non-derivative financial assets that are designated as available for sale and those financial assets other than those mentioned above.

The closing cost of the available-for-sale debt instrument investment is determined according to its amortized cost method, that is, the initial recognition amount deducts the principal repaid, plus or minus the accumulated amortization amount formed by amortization of the difference between the initial recognition amount and the amount on the maturity date by using the effective interest method, and deducts the amount after the impairment loss incurred. The closing cost of the available-for-sale equity instrument investment is its initial acquisition cost.

AFS financial assets are subsequently measured at fair value. Except the impairment loss and exchange differences related to the AFS financial assets in foreign currency and amortized costs are recognized as current profit and loss, the gains and losses arising from changes in fair value of AFS financial assets are recognized as other comprehensive income which shall be transferred to current profit and loss when the financial assets are derecognized. However, equity instrument investment with no quoted price in active markets and with no reliably measured fair value, and derivative financial assets for the equity instrument and settled by paying the equity instrument are subsequently measured at cost.

The interest income and cash dividends obtained from the investee by holding the AFS financial assets are recorded into the investment income.

### (3) Impairment of financial assets

The Company assesses the book value of the financial assets except for the financial asset at fair value through profit or loss on each balance sheet date. If there is any objective evidence that a financial asset is impaired, the Company shall recognize the impairment loss.

The Company conducts impairment tests individually for financial assets that are individually

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significant. The Company conducts impairment tests individually for financial assets that are not individually significant or conducts impairment tests by including them in a financial portfolio with similar characteristics of credit risks. Assets (with value individually significant and not significant) that are not impaired in the individual test will be included in the portfolio and tested again. Individual asset that is recognized of impairment loss will not be included in a portfolio for the test.

i. Held-to-maturity investments, loans and receivables

The book value of financial assets measured at costs or amortized costs will be written off to the present value of the expected future cash flow, and the written-off amount is recognized as impairment loss and recorded in the current profit and loss. After the impairment loss is incurred, if there is objective evidence showing that the value of financial assets has been recovered and that is objectively related to events after the loss, the previously recognized impairment losses shall be reversed, and the book value of the financial asset after the reversal of impairment loss does not exceed the amortized cost of the financial asset on the reversal date under the assumption that no provision for impairment is made.

ii. Available-for-sale financial assets

When the relevant factors are combined to determine whether the decline in the fair value of available-for-sale equity instrument investment is serious or non-temporary, it indicates that the available-for-sale equity instrument investment is impaired. Among them, “serious decline” refers to a cumulative decrease in fair value of more than 20%; “non-temporary decline” refers to a continuous decline in fair value for more than 12 months.

When the available-for-sale financial asset is impaired, the cumulative loss that is due to the decrease in fair value and that had been directly recognized in other comprehensive income shall be transferred to current profit and loss. The accumulated loss transferred out is the balance of the initial acquisition cost of the asset after deducting the recovered principal and amortized amount, the current fair value and the impairment loss originally included in the profit and loss.

After the Company recognizes the impairment loss of available-for-sale financial assets, if there is objective evidence showing that the value of financial assets has been recovered which is objectively related to events after the loss, the previously recognized impairment losses shall be reversed. The impairment loss reversed on the available-for-sale equity instrument shall be recognized as other comprehensive income, and the impairment loss reversed on the available-for-sale debt instrument

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shall be recognized as current profit and loss.

The impairment loss, which has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, shall not be reversed.

#### (4) Recognition and measurement of transfer of financial assets

The Company derecognizes financial assets when it meets one of the following conditions:

① The contractual right to receive the cash flow of the financial asset is terminated; ② The financial asset has been transferred and almost all the risks and rewards of the ownership of the financial asset have been transferred to the transferee; ③ The financial asset has been transferred. Although the enterprise has neither transferred nor retained almost all the risks and rewards of the ownership of the financial asset, it has given up the control over the financial asset.

If the Company has neither transferred nor retained almost all risks and rewards of the ownership of the financial assets, and the Company has not given up the control over the financial assets, the relevant financial assets shall be recognized according to the degree of continuous involvement in the transferred financial assets, and the relevant liabilities shall be recognized accordingly. The degree of continuous involvement in the transferred financial assets refers to the risk level faced by the enterprise due to the change of the value of the financial assets.

If the overall transfer of financial assets meets the conditions for derecognition, the difference between the book value of the transferred financial assets and the sum of the consideration received due to the transfer and the accumulated changes in fair value originally included in other comprehensive income shall be included in the current profit and loss.

If the partial transfer of financial assets meets the conditions for derecognition, the book value of the transferred financial assets shall be apportioned according to its relative fair value between the derecognized part and the non-derecognized part, and the difference between the aforesaid book value apportioned and the sum of the consideration received due to the transfer and the accumulated changes in fair value originally included in other comprehensive income that should be apportioned to the derecognized part shall be included in the current profit and loss.

The Company needs to determine whether almost all risks and rewards on the ownership of the financial assets have been transferred when it sells the financial assets with recourse or transfers the financial assets held by endorsement. If almost all the risks and rewards in the ownership of the

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financial asset have been transferred to the transferee, the financial asset shall be derecognized; if almost all the risks and rewards in the ownership of the financial asset have been retained, the financial asset shall not be derecognized; if almost all the risks and rewards in the ownership of the financial asset have not been transferred nor retained, it shall continue to judge whether the enterprise retains the control of the asset and the accounting treatment shall be performed in accordance with the principles described in the preceding paragraphs.

(5) Classification and measurement of financial liabilities

The Company's financial liabilities are classified as: financial liabilities at fair value through profit or loss (FVTPL) and other financial liabilities. Financial liabilities are initially measured at fair value. For the financial liability at fair value through profit or loss, relevant transaction costs are recognized as current profit and loss. For the other financial liabilities, relevant transaction costs are included in the initial recognition amounts.

① Financial liabilities at fair value through profit or loss

The conditions for classification as trading financial liabilities and financial liabilities designated by the Company as at fair value through profit or loss for the initial recognition are the same as those for classification as trading financial assets and financial assets designated by the Company as at fair value through profit or loss for the initial recognition.

Financial liabilities at fair value through profit or loss are subsequently recognized at fair value. A gain or loss resulted from changes in fair value and the interest and dividends related to the financial liabilities are recorded into the current profit and loss.

② Other financial liabilities

Derivative financial liabilities that are linked to equity instruments that have no quoted price in an active market and whose fair value cannot be reliably measured and must be settled by delivering such equity instruments shall be subsequently measured at cost. Other financial liabilities shall be subsequently measured at amortized cost by using the effective interest method, and the gains or losses arising from derecognition or amortization shall be included in the current profit and loss.

③ Financial guarantee contract

The financial guarantee contract, which does not belong to the financial liabilities designated by the Company as at fair value through profit or loss, shall be initially recognized at fair value, and the higher amount between the amount determined in accordance with the "Accounting Standards for

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Enterprises No. 13 - Contingencies” after the initial recognition and the balance of the initial recognition amount after deducting the accumulated amortization determined in accordance with the “Accounting Standards for Business Enterprises No. 14 - Revenue” shall be measured subsequently.

(6) Derecognition of financial liabilities

Only when the prevailing obligations of a financial liability are relieved in all or in part, the recognition of the financial liability can be terminated in all or partly. Where the Company enters into an agreement with a creditor so as to substitute the existing financial liabilities by assuming a new financial liability, and if the contractual stipulations regarding the new financial liability is substantially different from that of the existing financial liability, it shall terminate the recognition of the existing financial liability and recognize the new financial liability at the same time.

Where the recognition of a financial liability is totally or partially terminated, the Company shall record the difference between the book value which has been terminated from recognition and the consideration which has been paid (including the non-cash asset which has been transferred out and the new financial liability which has been assumed) into the current profit and loss.

(7) Derivatives and embedded derivatives

Derivatives are initially measured at fair value on the date of signing the relevant contract and subsequently measured at fair value. The changes in fair value of derivatives shall be included in the current profit and loss.

For hybrid instruments including embedded derivatives, such as financial assets or financial liabilities not designated to be measured at fair value through profit or loss, there is no close relationship between embedded derivatives and the main contract in terms of economic characteristics and risks, the conditions are the same as those of embedded derivatives, the separate instruments meet the definition of derivatives, the embedded derivatives shall be split from the hybrid instruments and treated as separate derivative financial instruments. If the embedded derivative cannot be measured separately on the acquisition date or the subsequent balance sheet date, the hybrid instrument as a whole shall be designated as a financial asset or financial liability measured at fair value through profit or loss.

(8) Offsetting of financial assets and financial liabilities

When the Company has legal rights to offset the recognized financial assets and financial liabilities, and this kind of legal rights is currently executable, and the Company plans to settle in net amount, or



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realize the financial assets and settle the financial liabilities at the same time, financial assets and financial liabilities are presented in the balance sheet at the amount after offsetting each other. Otherwise, financial assets and financial liabilities are presented separately in the balance sheet, not offsetting each other.

(9) Equity instrument

Equity instruments refer to contracts that can validate the remaining equity of the Company's assets after deducting all liabilities. The Company's issuance (including refinancing), repurchases, sale or cancellation of equity instruments shall be treated as changes in equity. Transaction costs related to equity transactions are deducted from equity.

The Company's various distributions (excluding share dividends) to the holders of equity instruments reduce owners' equity. The Company does not recognize changes in the fair value of equity instruments.

9. Receivables

Receivables include accounts receivable and other receivables.

(1) Accrual method for bad debt provisions

I. Bad debt provision for individually significant receivables:

The judgment basis or amount standards of individually significant receivables: The closing balance of receivables with the amount more than RMB 5 million (including RMB 5 million) shall be regarded as the individually significant receivables.

Method of provision for bad debts of the individually significant receivables: The impairment test is carried on individually for the individually significant receivables. If there is objective evidence that an individually significant receivable has been impaired, the bad debt provision shall be made according to the difference between the present value of future cash flow and its book value.

If an individually significant receivable is found not to be individually impaired, the bad debt provision shall be made according to the portfolios.

II. Receivables for which bad debt provisions are made based on the portfolios:

For individually significant receivables, the bad debt provisions shall be made together with individually significant receivables that have not been impaired after separate test according to the following credit risk portfolios:

Category	The judgment basis for determination of portfolios	Method to make bad debt provisions by portfolios
Portfolio 1	Receivables from security deposits, margins, related party transactions, petty cash, employee borrowings, government and the transactions of wholly-owned subsidiaries of Ninghai Municipal Government, which are not impaired after individual tests, the single amount is not significant, and the risk of the portfolio is not significant after combination according to the credit risk characteristics.	No bad debt provision
Portfolio 2	For receivables that are not impaired after individual tests, the single amount is not significant, and the risk of the portfolio is not significant after combination according to the credit risk characteristics, the receivables with different ageing have similar credit risk characteristics.	Balance percentage method

In portfolio 2, the proportion of bad debt provisions made by balance percentage method is as follows:

Name of portfolio	Provision proportion of accounts receivable (%)	Provision proportion of other receivables (%)
Portfolio 2	5	5

In case of any of the following circumstances, it shall be recognized as bad debt after approval according to the prescribed procedures, and the provision for bad debt shall be written off.

A. If the debtor is declared bankrupt or cancelled according to the law, the relevant materials such as the certificates of bankruptcy declaration, cancellation of industrial and commercial registration or revocation of license or the documents ordered to close down by the government department have been obtained, the receivables after deducting the part paid off by the debtor's liquidation property that are still uncollectible shall be regarded as bad debt losses;

B. If the debtor dies or is declared missing or dead according to the law, and its property or inheritance is insufficient to pay off and there is no successor, the receivables shall be regarded as bad debt loss after obtaining relevant legal documents;

C. The receivables involved in the lawsuit, which are judged or ruled to be lost by the effective judgment or order of the people's court, or the execution of the receivables involved in the lawsuit is deemed as bad debt loss if the case is won but the execution is terminated due to the inability to execute the case;

D. If the receivables overdue for 3 years have the records of legal collection and negotiation of the enterprise, and it can be confirmed that there is no business transaction within 3 years, the balance after deducting various amounts due to the debtor and the compensation of relevant responsible personnel

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shall be regarded as bad debt loss;

E. The debtor fails to pay its due debts for a long time, and there is sufficient evidence to show that it cannot be recovered or the possibility of recovery is tiny.

(2) Reversal of bad debt provisions

If there is objective evidence that the value of the receivables has been restored and is objectively related to the events occurred after the loss is recognized, the impairment loss originally recognized shall be reversed and included in the current profit and loss. However, the book value after the reversal does not exceed the amortized cost of the receivables on the date of reversal under the assumption that no provision for impairment is made.

10. Inventory

(1) Classification of inventory

The Company's inventories mainly include land development expenditures, development costs, development products, raw materials, low-value consumables and goods in stock, etc.

(2) Pricing method for inventories acquired and delivered

The inventories acquired by the Company are initially measured at cost, which include purchase costs, conversion costs and other costs. The cost of inventories used and delivered is determined by weighted average method.

(3) Determination of net realizable value and method of provision for impairment of inventories

The net realizable value refers to the amount of the estimated selling price of the inventory minus the estimated cost to be incurred at the time of completion, the estimated selling expenses and the relevant taxes in daily activities. When determining the net realizable value of the inventory, it shall be based on the conclusive evidence obtained, taking into account the purpose of holding the inventory and the impact of events after the balance sheet date.

On the balance sheet date, the inventory is measured at the lower of cost and net realizable value. When the net realizable value is lower than the cost, the impairment provision on the inventory shall be made. The impairment provision on the inventory is usually made according to the difference between the cost of a single inventory item and its net realizable value. For the inventory with large quantity and low unit price, the impairment provision on the inventory shall be made according to the category of inventory; for the inventory related to product series produced and sold in the same region,

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with the same or similar end use or purpose, and which is difficult to be measured separately from other items, the impairment provision on the inventory shall be made in combination.

After making the impairment provision on the inventory, if the factors that previously written down the value of the inventory have disappeared, resulting in the net realizable value of inventory higher than its book value, it shall be reversed within the amount of the original impairment provision on the inventory, and the reversed amount shall be included in the current profit and loss.

(4) The Company adopts perpetual inventory system for the inventory taking of inventories.

(5) Amortization method of low-value consumables:

Low-value consumables are amortized by the 50% amortization method.

#### 11. Long-term equity investment

Long-term equity investment refers to the long-term equity investment that the Company has control, joint control or significant influence on the investee. The long-term equity investment that the Company does not have control, joint control or significant influence on the investee shall be accounted for as an available-for-sale financial asset. The details of its accounting policy refer to Note IV 8 “Financial instruments”.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

##### (1) Initial measurement

If the long-term equity investment is obtained in business combination under common control, the initial cost of the investment is the book value of the share of the acquiree’s equity in the consolidated financial statements of the ultimate controller at the acquisition date. The difference between cash paid, the book value of the non-monetary asset exchanged and the acquiree’s liabilities assumed and the initial cost of the long-term equity investment should be adjusted to capital reserve. If the capital reserve is not sufficient for adjustment, retained earnings are adjusted respectively. If the acquirer issuing equity securities as consideration, the initial cost is the book value of the share of the acquiree’s equity in the consolidated financial statements of the ultimate controller at the acquisition date. Amount of share capital equal to the par value of the shares issued. The difference between initial

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cost of the long-term equity investment and the par value of shares issued shall be adjusted to capital reserve. If the capital reserve is not sufficient for adjustment, retained earnings are adjusted respectively. If the equity of the acquiree under common control is acquired step by step through multiple transactions, and the business combination under common control is ultimately formed, it shall be handled separately whether it is the “package deal”: if it is the “package deal”, each transaction shall be accounted for as a transaction obtaining the control; if it is not the “package deal”, the share of the book value of the acquiree’s equity in the consolidated financial statements of the ultimate controller on the date of combination shall be taken as the initial investment cost of the long-term equity investment. The difference between the initial investment cost of the long-term equity investment and the sum of the book value of the long-term equity investment before the combination plus the book value of the newly paid consideration for the shares on the combination date shall be adjusted to the capital reserve; if the capital reserve is insufficient to offset, the retained earnings shall be adjusted. For the equity investment held before the combination date, other comprehensive income accounted under equity method or recognized from available-for-sale financial assets shall not be accounted for temporarily.

For the long-term equity investment obtained from the business combination not under common control, the initial investment cost of the long-term equity investment shall be the combination cost on the acquisition date. The combination cost includes the sum of the assets paid by the acquirer, the liabilities incurred or undertaken, and the fair value of the issued equity securities. If the equity of the acquiree is acquired step by step through multiple transactions, and the business combination not under common control is ultimately formed, it shall be handled separately whether it is the “package deal”: if it is the “package deal”, each transaction shall be accounted as a transaction obtaining the control; if it is not the “package deal”, the sum of the book value of the equity investment originally held by the acquiree plus the newly increased investment cost shall be taken as the initial investment cost of the long-term equity investment measured at cost. If the originally held equity is accounted for under equity method, the relevant other comprehensive income shall not be accounted for temporarily. If the originally held equity investment is an available-for-sale financial asset, the difference between its fair value and book value, as well as the accumulated changes in fair value originally included in other comprehensive income, shall be transferred into the current profit and loss.

The business combination costs that are directly attributable to the combination, such as audit fees,

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valuation fees, legal service fees and other administrative expenses are recognized in the current profit and loss when they occur.

For long-term equity investment obtained in any method other than business combination, other equity investment shall be initially measured at cost. The cost shall be determined respectively according to the actual cash purchase price paid by the Company, the fair value of equity securities issued by the Company, the value agreed in the investment contract or agreement, the fair value or original book value of assets exchanged in the exchange transaction of non-monetary assets, and the fair value of the long-term equity investment, etc. based on the different ways of obtaining the long-term equity investment. Expenses, taxes and other necessary expenses directly related to the acquisition of long-term equity investment are also included in the investment cost. If the additional investment can have a significant influence on the investee or implement joint control but does not constitute control, the cost of long-term equity investment shall be the sum of the fair value of the original equity investment determined in accordance with the “Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments” plus the cost of newly increased investment.

#### (2) Subsequent measurement

The equity method is used when the Company has joint control (except for joint operation) or significant influence over the investee enterprise. The cost method is used when the Company has control over the investee.

##### a) Long-term equity investment under cost method

The long-term equity investment under cost method shall be priced in accordance with the initial investment cost. Additional investment or recovered investment shall be adjusted to the cost of long-term equity investment. Unless the price or consideration actually paid of obtaining the investment includes cash dividends or profits that are declared but not yet paid, the current investment income shall be recognized according to the cash dividends or profits declared and paid by the investee

##### b) Long-term equity investment under equity method

For the long-term equity investment under equity method, when the initial cost of long-term equity investments exceeds the Company’s interest in the fair value of identifiable net assets of the investee, the initial cost of the long-term equity investment shall not be adjusted; while the initial cost of long-term equity investments is less than the share of the fair value of identifiable net assets of the investee, the difference is charged to profit or loss for the current period and the cost of the long-term



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equity investment shall be adjusted accordingly.

After a long-term equity investment is acquired, the Company shall recognize its share of the investee's net profit or losses, as well as its share of the investee's other comprehensive income, as investment income or losses and other comprehensive income, and adjust the book value of the investment accordingly. The book value of long-term equity investment shall be reduced accordingly according to the profit or cash dividend declared to be distributed by the investee. If the investee's equity changes other than those arising from the investee's net profit or loss, other comprehensive income or profit distribution, the book value of the long-term equity investment shall be adjusted accordingly and recorded into capital reserve. When confirming the share of the net profit and loss of the investee, the net profit of the investee shall be recognized after adjustment on the basis of the fair value of all identifiable assets of the investee at the time of investment. When the accounting policies adopted by the investee are different from those adopted by the Company, the financial statements of the investee shall be adjusted and the investment income and other comprehensive income shall be recognized according to the Company's accounting policies. For transactions between the Company, associates and joint ventures, if the assets invested or sold do not constitute a business, the unrealized internal transaction profit and loss shall be offset according to the proportion attributable to the Company, and the investment profit and loss shall be recognized accordingly. However, if the unrealized internal transaction losses between the Company and the investee is classified as impairment loss of transferred assets, the loss shall not be offset. If the assets invested by the Company to a joint venture or an associate constitute a business, and the investor obtains long-term equity investment but does not obtain the control right, the fair value of the invested business shall be taken as the initial investment cost of the new long-term equity investment, and the difference between the initial investment cost and the book value of the invested business shall be included in the current profit and loss in full. If the assets sold by the Company to a joint venture or an associate constitute a business, the difference between the consideration obtained and the book value of the business shall be included in the current profit and loss in full. If the assets purchased by the Company from joint ventures or associates constitute a business, the accounting treatment shall be carried out in accordance with the "Accounting Standards for Business Enterprises No. 20 - Business Combination", and the gains or losses related to the transaction shall be recognized in full.

The net loss incurred by the investee shall be recognized based on the book value of the long-term

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investment and other investments essentially constituting the long-term equity of the investee till the book value is reduced to zero. In addition, if the Company has the obligation to undertake extra losses for the investee, it should recognize the accrued liabilities according to the expected obligations and record them in the current investment loss. Once the investee realizes net profit in the subsequent period, the Company starts recognizing its share of profits after the share of previously unrealized losses has been recovered.

c) Purchase of minority interests

In the preparation of consolidated financial statements, the difference between the newly increased long-term equity investment which is due to the purchase of minority equity and the share of net assets of the subsidiary calculated continuously from the acquisition date (or combination date) according to the newly increased shareholding ratio shall be adjusted to the capital reserve. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted.

d) Disposal of long-term equity investment

In the consolidated financial statements, the parent company disposes part of the long-term equity investment in the subsidiary without losing the control, and the difference between the disposal price and the amount of long-term equity investment in relation to its share of net asset in the subsidiary shall be included in the owners' equity; if the parent company disposes part of the long-term equity investment in the subsidiary, resulting in the loss of the control, it shall be treated in accordance with the relevant accounting policies described in Note IV 5 "Preparation of consolidated financial statements".

For the disposal of long-term equity investment under other circumstances, the difference between the book value of the disposed equity and the price actually obtained shall be included in the current profit and loss.

For long-term equity investment measured under equity method, if the remaining equity after disposal is still measured under equity method, the other comprehensive income originally included in the owners' equity shall be accounted on the same basis as the investee's direct disposal of relevant assets or liabilities according to the corresponding proportion. The owners' equity recognized due to changes in the owners' equity of the investee other than net profit and loss, other comprehensive income and profit distribution shall be carried forward to the current profit and loss in proportion.

For long-term equity investment measured under cost method, if the remaining equity is still measured

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under cost method after disposal, the other comprehensive income recognized by equity method or determined from the recognition and measurement standard of financial instrument before obtaining the control over the investee shall be accounted on the same basis as the investee's direct disposal of relevant assets or liabilities, and shall be carried forward to the current profit and loss in proportion; The owners' equity recognized due to changes in the owners' equity of the investee other than net profit and loss, other comprehensive income and profit distribution under equity method shall be carried forward to the current profit and loss in proportion.

If the Company loses control in a subsidiary due to partial disposal of equity investment but can still exercise joint control or exert significant influence on the investee, the measurement of long-term equity investment shall be changed from the cost method to the equity method in an individual financial statements, and the remaining equity shall be deemed to be adjusted by equity method when it is acquired. If the remaining equity after disposal cannot exercise joint control or exert significant influence on the investee, it shall be accounted according to the relevant provisions of recognition and measurement standards 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. Before the Company obtains the control over the investee, the other comprehensive income recognized by equity method or determined from the recognition and measurement standard of financial instrument shall be accounted on the same basis as the investee's direct disposal of relevant assets or liabilities when the control over the investee is lost. The owners' equity recognized due to changes in the owners' equity of the investee other than net profit and loss, other comprehensive income and profit distribution shall be carried forward to the current profit and loss when the control over the investee is lost. Among them, if the remaining equity after disposal is accounted by equity method, other comprehensive income and other owners' equity shall be carried forward in proportion; if the remaining equity after disposal is changed to be accounted according to the recognition and measurement standards of financial instruments, the other comprehensive income and other owners' equity shall be carried forward in full.

If the Company loses joint control or significant influence on the investee due to the disposal of part of equity investment, the remaining equity after disposal shall be accounted according to the recognition and measurement standards of financial instruments, and the difference between the fair value and book value on the date of losing joint control or significant influence shall be included in the current profit and loss. Other comprehensive income of the original equity investment recognized by the

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equity method shall be accounted on the same basis as the investee's direct disposal of relevant assets or liabilities when the equity method is ceased to be used. The owners' equity recognized by the investee due to changes in the owners' equity other than net profit and loss, other comprehensive income and profit distribution shall be fully transferred into the current investment income when the equity method is ceased to be used.

The Company disposes the equity investment in subsidiaries step by step through multiple transactions until the control is lost. If the above transactions are a package deal, each transaction shall be treated as a transaction to dispose the equity investment in subsidiaries and lose the control for accounting treatment. Before the loss of control, the difference between the price of each disposal and the book value of the long-term equity investment corresponding to the disposed equity shall be first recognized as other comprehensive income, and then transferred to the current profit and loss when the control is lost.

(3) Recognition standard and accrual method of impairment provision on long-term equity investment

Details of the recognition standard and accrual method of impairment provision on long-term equity investment refer to Note IV 18 "Impairment of long-term assets".

## 12. Investment property

The term "Investment Property" refers to the properties held for generating rent and/or capital appreciation or both. Including: a) A land use right that is leased out; b) A land use right held and ready to transfer after appreciation; c) A building that is leased out. In addition, for the vacant buildings held by the Company for operating lease, if the Board of Directors makes a written resolution to clearly indicate that they will be used for operating lease and the intention to hold will not change in the short term, they are also listed as investment property.

The Company shall use the fair value model for subsequent measurement of the investment property.

The Company does not accrue depreciation or amortization of the investment property, and adjusts its book value based on the fair value of the investment property on the balance sheet date. The difference between the fair value and the original book value is included in the current profit and loss.

When determining the fair value of the investment property, refer to the current market price of the same or similar real estate in an active market; if the current market price of the same or similar real estate cannot be obtained, refer to the latest transaction price of the same or similar real estate in an

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active market, and consider the transaction situation, transaction date, region and other factors, so as to make a reasonable estimate of the fair value of the investment property; or the fair value shall be determined on the basis of the present value of the expected future rental income and relevant cash flow.

When the self-use real estate or inventory is converted into investment property, it 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 recognized as other comprehensive income. When the investment property 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 investment property is disposed, or is permanently withdrawn from use, and it is expected that no economic benefits can be obtained from its disposal, the recognition of the investment property shall be terminated. The disposal income from the sale, transfer, scrap or damage of investment property after deducting its book value and relevant taxes and surcharges shall be included in the current profit and loss.

### 13. Fixed assets

#### (1) Recognition conditions of fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others or for administrative purposes with useful life more than one year. A fixed asset shall be initially recognized at cost when the following conditions are satisfied: a) It is probable that future economic benefits associated with the assets will flow to the Company; b) The cost of the assets can be measured reliably. Fixed assets are initially measured at cost and taking into account the impact of estimated abandonment costs.

#### (2) Depreciation method for fixed assets

The fixed assets shall be depreciated by using the straight-line method within the useful life from the next month when the fixed assets reach the expected usable state.

#### (3) Impairment test method and impairment provision method for fixed assets

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Details of the impairment test method and impairment provision method for fixed assets refer to Note IV 18 “Impairment of long-term assets”.

(4) Fixed assets acquired under finance lease

The Company identifies a lease of asset as finance lease when substantially all the risks and rewards incidental to legal ownership of the asset are transferred, and its ownership may or may not be transferred eventually. The depreciation method of fixed assets acquired under finance lease is consistent with that for depreciable assets owned by the Company. If the Company can reasonably confirm that it will obtain the ownership of leased asset at the end of lease term, the leased asset shall be depreciated during the useful life of the leased asset. If the Company cannot reasonably confirm that it will obtain the ownership of leased asset at the end of lease term, the leased asset shall be depreciated over shorter of the useful life of the leased asset and the lease term.

(5) Other information

Subsequent expenditure relating to a fixed asset, if the economic benefits related to the fixed asset are probable to flow in and their costs can be reliably measured, shall be included in the cost of the fixed asset and the book value of the replaced part shall be derecognized. Other subsequent expenditures shall be included in the current profit and loss when they occur.

When a fixed asset is in a disposal state or it is expected to produce no economic benefits through use or disposal, the recognition of the fixed asset shall be terminated. The difference 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.

The Company reviews the useful life, estimated residual value and depreciation method of a fixed asset at the end of each financial year. If there are changes in useful life, estimated residual value and depreciation method, they shall be treated as changes in accounting estimates.

14. Construction in progress

Construction in progress is recorded at actual costs incurred which include all project expenditures incurred during the construction period, capitalized borrowing costs before the project reaches the expected usable status and other related costs, etc. The Company transfers construction in progress to fixed assets when the project reaches the expected usable status.

Details of the impairment test method and impairment provision method for construction in progress



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refer to Note IV 18 “Impairment of long-term assets”.

#### 15. Borrowing costs

Borrowing costs include interest on borrowings, amortization of discounts or premiums, auxiliary costs and exchange differences arising from foreign currency borrowings, etc. When the borrowing costs incurred by the Company can be directly attributable to the acquisition and construction or production of assets which are eligible for capitalization, it shall be capitalized and recorded into the costs of relevant assets when the following requirements are simultaneously met: a) The asset disbursements have already incurred; b) The borrowing costs have already incurred; c) The acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started. When the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs shall be ceased. Other borrowing costs shall be recorded into the current profit and loss when they occur.

The amount of interest expenses actually incurred in the current period of a special borrowing after deducting the interest income from unused borrowing funds deposited in the bank or the investment income from temporary investment shall be capitalized. The capitalization amount of a general borrowing is the capitalization rate of the general borrowing used multiplied by the portion of the weighted average asset disbursement, which is calculated by deducting the special loan from the accumulative asset disbursements. The capitalization rate shall be calculated and determined based on the weighted average interest rate of the general borrowing.

During the period of capitalization, the foreign exchange differences on foreign currency specific borrowings shall be capitalized; exchange differences on foreign currency general borrowings shall be recorded into the current profit and loss.

Assets eligible for capitalization refer to assets such as fixed assets, investment property, inventories and other assets which need to go through the acquisition and construction or production activities for quite a long time to reach the intended use or status for sale.

Where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended, till the acquisition and construction or production of the asset restarts.

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## 16. Intangible assets

### (1) Recognition of intangible assets

Intangible assets are identifiable non-monetary asset that are owned or controlled by the Company and are without physical substance.

An intangible asset is measured initially at its cost. Subsequent expenditure relating to an intangible asset, if the economic benefits related to the intangible asset are probable to flow in and their costs can be reliably measured, shall be included in the cost of the intangible asset. Other subsequent expenditures shall be included in the current profit and loss when they occur.

The acquired land use right is usually accounted for as an intangible asset. For self-development and construction of buildings such as factories, etc., the related land use right expenditures and building construction costs are accounted for as intangible assets and fixed assets respectively. For houses and buildings purchased, the relevant price shall be allocated between the land use rights and the buildings. If it is difficult to allocate them reasonably, all of them are treated as fixed assets.

Intangible assets with limited useful life shall be averagely amortized by the straight-line method within the expected useful life of the original value minus the estimated net residual value and the accumulated amount of the impairment provision accrued from the time they are available for use.

Intangible assets with uncertain useful life shall not be amortized.

At the end of the reporting period, for an intangible asset with limited useful life, the useful life and amortization method shall be reviewed, if there is any change incurred, it shall be treated as an accounting estimation change. In addition, for an intangible asset with uncertain useful life, the useful life shall be reviewed, if there is any evidence indicated that the duration of bringing economic benefits to the Company from an intangible asset is foreseeable, then estimate its useful life and amortize it in accordance with the amortization policy of intangible assets with limited useful life.

### (2) Research and development expenses

The expenditure from the internal research and development project of the Company shall be classified as the expenditure in research stage and in development stage. Among them, research refers to original and planned investigations for acquiring and understanding new scientific or technical knowledge, such as activities that are intended to acquire knowledge; applied research, evaluation and final selection of research results or other knowledge; research on alternatives of materials, equipment, products, processes, systems or service; preparation, design, evaluation and final selection of possible

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alternatives of new or improved materials, equipment, products, processes, systems or service. Development refers to the application of research results or other knowledge to a plan or design to produce new or substantially improved materials, devices, products, etc. before commercial production or use, such as the design, construction and testing of prototypes and models before production or use; design, construction and operation of trial production facilities without commercial production economic scale.

The expenditures in research stage shall be recorded into the current profit and loss when they occur.

The expenditures in development stage shall be recognized as intangible assets that should meet all the conditions as follows, otherwise shall be recorded into the current profit and loss:

- ① It is technically feasible to finish intangible assets for use or sale;
- ② It is intended to finish and use or sell the intangible assets;
- ③ The usefulness of methods for intangible assets to generate economic benefits shall be proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets itself or the intangible assets will be used internally;
- ④ It is able to finish the development of the intangible assets, and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources;
- ⑤ The development expenditures of the intangible assets can be reliably measured.

If it is impossible to distinguish the expenditure from the research stage or development stage, all the R&D expenditures incurred shall be recorded into the current profit and loss.

### (3) Impairment test method and impairment provision method for intangible assets

Details of the impairment test method and impairment provision method for intangible assets refer to Note IV 18 “Impairment of long-term assets”.

## 17. Long-term deferred expenses

Long-term deferred expenses are defined as expenses incurred which should be recorded in the reporting period and subsequent periods with an amortization period of more than one year.

Long-term deferred expenses shall be recorded according to the actual expenditures, and shall be averagely amortized within the specified period. In addition to the purchase and construction of fixed assets, the expenses incurred during the preparation period are first collected in the long-term deferred

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expenses, and then included in the current profit and loss in the month of production and operation.

#### 18. Impairment of long-term assets

The Company assesses fixed assets, constructions in progress and intangible assets with limited useful life, investment property measured at cost model, long-term equity investment in subsidiaries, joint ventures and associates and other non-current non-financial assets for impairment at the balance sheet date. If there is any indication that an asset may be impaired, the Company should assess the asset for impairment and estimate the recoverable amount of the impaired asset. The Company shall conduct impairment tests each year on goodwill, intangible assets with uncertain useful life and intangible assets that not reach the usable status yet no matter whether indication that an asset may be impaired exists or not.

If the result of impairment test indicates that the book value of an asset is higher than its recoverable amount, impairment provision should be made and recorded into the impairment loss based on the difference. Recoverable amount is measured as the higher of an asset's fair value less disposal costs and the present value of estimated future cash flows. The fair value of the asset is determined according to the sales agreement price in the fair transaction; if there is no sales agreement but there is an active market for the asset, the fair value is determined according to the buyer's bid for the asset; if there is no sales agreement and an active market for the asset, the fair value of the asset is estimated based on the best information available. Disposal costs include legal expenses, relevant taxes and handling expenses related to the disposal of assets and direct expenses incurred to make the assets reach a saleable state. The present value of the expected future cash flow of the asset shall be determined according to the expected future cash flow generated in the process of continuous use and final disposal of the asset, and the appropriate discount rate shall be selected to discount the amount. If there is any indication that an asset may be impaired, the Company usually estimates its recoverable amount on an individual item basis. However, if it's not possible to estimate recoverable amount of the individual asset, the Company should determine the recoverable amount of the asset group to which the asset belongs. An asset group is the smallest group of assets that can independently generates cash inflows.

For the goodwill separately listed in the financial statements, during the impairment test, the book value of goodwill shall be allocated to the asset group or combination of asset groups expected to

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benefit from the synergistic effect of business combination. If the test results show that the recoverable amount of the asset group or asset group combination containing the allocated goodwill is lower than its book value, the corresponding impairment loss shall be recognized. The amount of impairment loss shall first offset the book value of goodwill allocated to the asset group or combination of asset groups, and then offset the book value of other assets in proportion according to the proportion of the book value of assets other than goodwill in the asset group or combination of asset groups.

Once impairment loss is recognized, it cannot be reversed in the subsequent financial periods.

#### 19. Employee benefits

Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

Short-term employee benefits include salary, bonus, allowance & subsidy, employee welfare, medical insurance, work-related injury insurance, maternity insurance, housing fund, union funds & employee education expenses and non-monetary welfares, etc. The actual short-term employee benefits shall be recognized as the debt during the accounting period when the employees provide service and included in the current profit and loss or the cost of relevant assets, and the non-monetary welfare shall be measured at fair value.

Post-employment benefits include defined contribution plans and defined benefit plans. Defined contribution plans mainly include basic endowment insurance, unemployment insurance and annuity, etc. The corresponding payable amount shall be included in the relevant asset cost or current profit and loss when it occurs.

To terminate the labor relationship with the employee before the expiration of the labor contract, or to propose compensation to encourage employees to voluntarily accept the layoff, the employees' compensation liabilities arising from the termination benefits are recognized and charged into the current profit and loss at the earlier date of the two following situations: (1) the Company is unable to unilaterally withdraw the termination benefits provided by terminating the labor relationships plans or the layoff proposals; (2) the Company recognize the costs or expenses in connection with the reorganization involving the termination benefits. However, if the termination benefits are not expected to be fully paid within 12 months after the end of the annual report period, they shall be treated as other long-term employee benefits.

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Employee internal retirement plans shall be handled according to the same principles as above for termination benefits. The salaries 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, when they meet the conditions for the recognition of accrued liabilities, shall be included in the current profit and loss (termination benefits).

If the other long-term employee benefits provided by the Company to employees are in accordance with the defined contribution plan, the accounting treatment shall be carried out in accordance with the defined contribution plan, and otherwise shall be accounted for in accordance with the defined benefit plan.

## 20. Bonds payable

The non-convertible corporate bonds issued by the Company are treated as liabilities according to the amount actually received (deducting relevant transaction costs); the difference between the amount actually received and the total par value of the bonds shall be treated as the premium or discount of the bonds, which shall be amortized during the duration of the bonds according to the effective interest rate when the interest is accrued, and shall be treated according to the treatment principle of borrowing costs.

The convertible corporate bonds issued by the Company are divided into the liability and equity components at initial recognition and treated separately. Firstly, the fair value of the liability component shall be recognized as its initial recognition amount. Secondly, the initial recognition amount of the equity component shall be determined according to the total issue price of the convertible corporate bonds (deducting relevant transaction costs) after deducting the initial recognition amount of the liability component.

## 21. Revenue

The Company's revenue consists of revenue from sale of goods, rendering services, construction contracts and the use by others of the Company's assets

### (1) Revenue from sale of goods

The Company recognizes revenue from sales of goods when all the following conditions have been satisfied: a) The Company has transferred to the buyer the significant risks and rewards of ownership



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of the goods; b) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; c) The amount of revenue can be measured reliably; d) The economic benefits associated with the transaction is probable to flow into the Company; and e) The relevant costs incurred or to be incurred can be measured reliably.

The collection of the contract or agreement price adopts the deferred method, and if it has the nature of financing in essence, the amount of revenue from sales of goods shall be determined according to the fair value of the contract or agreement price receivable.

#### (2) Revenue from rendering of services

If the labor services provided by the Company are completed within the reporting period, the revenue shall be recognized upon completion. If the beginning and completion of providing labor services are in different reporting periods, and the results of the transaction of providing labor services on the balance sheet date can be reliably estimated, the revenue from rendering of labor services shall be recognized by the percentage of completion method. The Company determines the completion progress of providing labor service transaction according to the measurement of completed work.

If the results of the labor service transaction provided by the Company on the balance sheet date cannot be reliably estimated, the following situations shall be handled respectively: ① If the labor cost incurred is expected to be compensated, the revenue from providing labor service shall be recognized according to the amount of labor cost incurred, and the labor cost shall be carried forward at the same amount; ② If the labor cost incurred is not expected to be compensated, the labor cost incurred shall be included in the current profit and loss, and the revenue from providing labor service shall not be recognized.

#### (3) Revenue from construction contracts

When the outcome of a construction contract can be estimated reliably on the balance sheet date, the revenue and costs of the construction contract is recognized under the percentage of completion method. The percentage of contract completion is recognized based on the ratio of the accumulative actual contract costs to the total estimated contract costs or the ratio of the completed contract work to the total estimated contract work or the actual measured completion progress.

The outcome of a construction contract can be estimated reliably when all the following conditions are satisfied: A. Total contract revenue can be measured reliably; B. It is probable that the economic benefits associated with the contract will flow to the entity; C. The actual contract costs attributable to

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the contract can be clearly identified and reliably measured; D. The percentage of contract completion of the contract and the costs needed to complete the contract can be measured reliably.

When the outcome of a construction contract cannot be estimated reliably but the contract costs are expected to be recovered, the contract revenue is recognized according to the actual contract costs that can be recovered and the contract costs shall be recognized as an expense in the period when they occur. If the contract costs cannot be recovered, it shall be recognized as an expense immediately when incurred and no revenue shall be recognized. If the uncertainties that make the outcome of the construction contract unreliable no longer exist, the revenue and expenses related to the construction contract shall be determined according to the percentage of completion method.

If the total estimated contract costs exceed the total contract revenue, an estimated loss should be recognized as a current expense.

#### (4) Revenue from the real estate development

① The sales revenue of the developed land and commercial housing (including the rental housing and revolving housing converted for sale) shall be recognized when the transfer procedures of the land and housing are completed, the invoices or bills are issued and submitted to the buyer for approval.

② Accept the entrustment to build houses or other projects for the other party, and recognize the sales revenue after the completion of the project acceptance and the handover procedures.

③ For renting a house, the rent payable by the lessee on the date of rent payment stipulated in the contract or agreement shall be recognized as rental income.

④ For the development products sold by installment, the sales revenue shall be recognized according to the price received in the current period or the receivable price in the current period as agreed in the contract.

#### (5) Revenue arising from the use by others of the Company's assets

The revenues arising from the use by others of the Company's assets are recognized in the following when i) the amount of revenue can be measured reliably; ii) the economic benefit associated with the transaction will flow to the Company.

## 22. Government grants

Government grant refers to the monetary assets and non-monetary assets obtained by the Company from the government free of charge, excluding the capital invested by the government as an investor to

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gain the corresponding owners' equity. Government grant is comprised of government grants related to income and government grants related to an asset. A government grant related to an asset is a grant obtained by the Company used for purchase or construction, or forming the long-term assets by other ways. Otherwise, the government grant is treated as a government grant related to income. If the government document does not specify the grantee, the subsidy is divided into government grants related to income and government grants related to assets in the following ways: (1) If the government document specifies the specific project targeted by the subsidy, it shall be divided according to the relative proportion of the expenditure amount of the assets formed in the budget of the specific project and the expenditure amount included in the expenses, and the division proportion shall be reviewed on each balance sheet date, and it can be changed if necessary; (2) The purpose of the subsidy in the government document is only a general statement, and there is no specific project, it shall be treated as the government grants related to income. If the government subsidies are monetary assets, they shall be measured according to the amount received or receivable. If the government subsidies are non-monetary assets, they shall be measured at fair value; if the fair value cannot be obtained reliably, they shall be measured at nominal amount. The government grants measured according to the nominal amount shall be directly included in the current profit and loss.

The Company usually recognizes and measures the government subsidies according to the actual amount received when they are actually received. However, if there is conclusive evidence at the end of the period that the relevant conditions specified in the financial support policy can be met and the financial support fund is expected to be received, it shall be measured according to the amount receivable. The government subsidies measured according to the receivable amount shall meet the following conditions at the same time: (1) the amount of the receivable subsidies has been confirmed by the authorized government department, or can be calculated reasonably according to the relevant provisions of the officially issued financial fund management measures, and it is expected that there is no significant uncertainty in the amount; (2) it is based on the financial support projects and financial fund management measures officially released by the local financial department and proactively disclosed in accordance with the "Regulations on Government Information Disclosure", and those management measures shall be inclusive (any enterprise that meets the specified conditions can apply for it), rather than specially formulated for specific enterprises; (3) the relevant grant approval documents have clearly committed to the appropriation period, and the appropriation of the funds has

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the corresponding financial budget as the guarantee that it can be received within the specified period;  
(4) other relevant conditions (if any) to be met according to the specific situation of the Company and the subsidy.

The government subsidies pertinent to assets shall be recognized as deferred income and included in the current profit and loss within the useful lives of the relevant assets in a reasonable and systematic way or shall offset the book value of the related assets. The government subsidies pertinent to incomes shall be treated respectively in accordance with the circumstances as follows: 1) Those subsidies used for compensating the related future expenses or losses shall be recognized as deferred income and shall be included in the current profit and loss or offset the relevant costs during the period when the relevant costs or losses are recognized; 2) Those subsidies used for compensating the related expenses or losses incurred shall be directly included in the current profit and loss or offset the relevant costs.

The different parts of government subsidies that include both asset-related and income-related subsidies shall be distinguished for different accounting treatments. If the different parts of the government subsidies are difficult to be distinguished, they should be classified as income-related subsidies to as a whole.

The government grant which is related to daily activities of the Company shall be recognized as other income or offset the related costs according to the substance of the economic business; otherwise shall be recorded into non-operating income.

If it is necessary to refund any government subsidy which has been recognized, it shall be treated respectively in accordance with the circumstances as follows. If there is the deferred income concerned, the book balance of the deferred income shall be offset against, and the excessive part shall be included in the current profit and loss or adjust the book value of assets (for asset-related government grants that offset the book value of related assets at initial recognition). In other cases, it shall be directly included in the current profit and loss.

## 23. Income tax

The Company adopts the balance sheet liability method for corporate income taxes.

### (1) Deferred tax asset

a) Where there are deductible temporary differences between the book value of assets or liabilities in the balance sheet and their tax bases, a deferred tax asset shall be recognized for all those deductible

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temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. Deferred tax assets should be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

b) At the balance sheet date, where there is strong evidence showing that sufficient taxable profit will be available against which the deductible temporary difference can be utilized, the deferred tax asset unrecognized in prior period shall be recognized.

c) The Company assesses the book value of deferred tax asset at the balance sheet date. If it's probable that sufficient taxable profit will not be available against which the deductible temporary difference can be utilized, the Company shall write down the book value of deferred tax asset, or reverse the amount written down later when it's probable that sufficient taxable profit will be available.

#### (2) Deferred tax liability

A deferred tax liability shall be recognized for all taxable temporary differences, which are differences between the book value of an asset or liability in the balance sheet and its tax base, and measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

#### 24. Leases

A finance lease is a lease that substantially transfers all risks and rewards related to the ownership of assets. The ownership may or may not be transferred eventually. Leases other than finance leases are operating leases.

Leasing business that meets one or more of the following criteria is usually a financial lease: ① When the lease term expires, the ownership of the leased asset is transferred to the lessee. ② The lessee has the option to purchase the leased asset and the purchase price concluded is expected to be much lower than the fair value of the leased asset when the option is exercised. Therefore, it can be reasonably determined that the lessee will exercise the option on the inception of lease. ③ Even if the ownership of the asset is not transferred, the lease period accounts for the majority of the service life of the leased asset. ④ The present value of the lessee's minimum lease payments on the inception of lease is almost equal to the fair value of the leased asset on the inception of lease; the present value of the lessor's minimum lease receipts on the inception of lease is almost equal to the fair value of the leased asset on the inception of lease. ⑤ The nature of the leased assets is special. Only the lessee can

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use the leased assets without major transformation.

(1) Operating leases

The Company as the lessee in an operating lease shall treat the lease payment under an operating lease as a relevant asset cost or the current profit and loss on a straight-line basis over the lease term. The initial direct costs incurred shall be recognized as the current profit and loss. Contingent rents shall be recorded into the current profit and loss when they occur.

The Company as the lessor in an operating lease shall treat the lease income from operating leases as the current profit and loss on a straight-line basis over the lease term; initial direct costs with larger amounts shall be capitalized when they occur, and shall be included in the current profit and loss in installments according to the same basis as the confirmed lease income during the whole lease period; other initial direct costs with smaller amounts shall be included in the current profit and loss when they occur. Contingent rents shall be recorded into the current profit and loss when they occur.

(2) Finance leases

For the Company as the lessee, since the inception of lease, the entry value of the leased asset shall be valued at the lower of the fair value of the asset and the present value of the minimum lease payments, the minimum lease payments shall be treated as the entry value for long-term payables, and its difference shall be treated as unrecognized financial expenses. In addition, the initial direct costs incurred during the lease negotiation and signing of the lease contract that can be attributed to the leased item shall be also included in the value of the leased assets. The balance of the minimum lease payments after deducting the unrealized financial expenses shall be listed as long-term liabilities and long-term liabilities due within one year respectively.

The unrealized financial expense shall adopt the effective interest rate method to calculate and confirm the current financial expenses during the lease period. Contingent rents shall be recorded into the current profit and loss when they occur.

For the Company as the lessor, since the inception of lease, the entry value of the finance lease receivables shall be recorded as the sum of the minimum lease payments and initial direct costs, and the unguaranteed residual value shall also be recorded. The difference between the sum of minimum lease payments, initial direct costs and unguaranteed residual value and the sum of their present value shall be recognized as the unrealized financial income. The balance of finance lease receivables after deducting the unrealized financial income shall be listed as long-term claims and long-term claims due



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within one year respectively.

The unrealized financial income shall adopt the effective interest rate method to calculate and confirm the financial income during the current period. Contingent rents shall be recorded into the current profit and loss when they occur.

## 25. Fair value measurement

Fair value is the price that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Whether the fair value is observable or estimated by valuation techniques, the fair value measured and / or disclosed in the financial statements shall be determined on this basis.

### (1) Assets and liabilities measured at fair value

The assets of the Company measured at fair value at the end of the reporting period mainly include the other debt investments, derivative financial instruments, trading financial assets and equity instrument investments. The liabilities of the Company measured at fair value at the end of the reporting period mainly include trading financial liabilities and derivative financial liabilities, etc.

### (2) Valuation techniques

The Company adopts valuation techniques, which are applicable in the current circumstances and have sufficient available data and other information to support them, to measure the relevant assets or liabilities at fair value. The valuation techniques used mainly include the market method, the income method and the cost method. The Company uses one or more of its valuation techniques in a consistent manner to measure fair value, fully considers the rationality of each valuation result, and selects the amount that can best represent the fair value under current circumstances.

Based on the observability and the importance to the measurement as a whole, the input values used in fair value measurement of the Company are divided into three levels:

The first level of input values are the unadjusted quoted price of the same assets or liabilities that can be obtained on the measurement date in an active market. An active market refers to a market in which the transaction volume and transaction frequency of relevant assets or liabilities are sufficient to continuously provide pricing information. The second level of input values mainly include: ① Quotes for similar assets or liabilities in active markets; ② Quotes for the same or similar assets or liabilities in inactive markets; ③ Other observable input values other than quotation, including observable

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interest rate, yield curve, implied volatility, credit spread, etc. during the normal quotation interval; ④ The input values verified by the market. The third level of input values are the unobservable inputs. The Company only uses the third level of input values when there is no market activity or there is little market activity for the relevant assets or liabilities that makes the relevant observable input values unavailable or impracticable to obtain.

When the Company measures the assets and liabilities at fair value, the input values at the first level are used firstly, the input values at the second level are used secondly, and the input values at the third level are used last.

### (3) Accounting treatment

On each balance sheet date, the Company reassesses the assets and liabilities recognized in the financial statements that are continuously measured at fair value to determine whether there is a conversion between the levels of fair value measurement. For the issues such as the Company measures the relevant assets or liabilities at fair value, and the changes in fair value should be included in the current profit and loss or other comprehensive income, etc., the accounting treatment is regulated by other relevant accounting standards that require or allow the Company to measure or disclose at fair value and the relevant contents refer to Note IV.

## **V Changes in significant accounting policies and accounting estimates, and notes to other significant adjustments**

### 1. Changes in accounting policies

There were no changes in accounting policies for the reporting period.

### 2. Changes in accounting estimates

There were no changes in accounting estimates for the reporting period.

### 3. Significant prior adjustments

There were no significant prior adjustments for the reporting period.

## **VI Taxation**

The main taxable items and tax rates of the Company and its subsidiaries are listed as follows:

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## 1. Main tax categories and tax rates

(1) The value-added output tax rates are 3%, 5%, 6%, 9%, 10%, 13% and 16% respectively, which shall be paid after deducting the input tax.

According to the “Announcement on Policies Concerning Deepening of Reform of Value-added Tax” jointly issued by the Ministry of Finance, the General Administration of Taxation and the General Administration of Customs (No. 39 in 2019), for taxpayers have engaged in VAT taxable sales or imported goods, where the original applied tax rates of 16% and 10% shall be adjusted to 13% and 9% respectively from 1 April 2019.

(2) Urban maintenance & construction tax is 5% of turnover tax payable.

(3) Educational surcharge is 3% of turnover tax payable.

(4) Local educational surcharge is 2% of turnover tax payable.

(5) The corporate income tax rate is 25%.

## 2. Tax preference

There was no tax preference for the Company in the reporting period.

## VII Business combination and consolidate financial statements

### 1. The information for subsidiaries

#### (1) The information for the secondary subsidiaries included in the consolidation scope

No.	Name	Level	Category	Registration address	Main operation address	Nature of business	Paid-in capital (RMB' 0,000)	Shareholdings	Voting rights	Investment amount (RMB' 0,000)	Acquiring method
1	Ninghai New Times Urban Construction Investment Co., Ltd.	2	1	Ninghai	Ninghai	State-owned	17,000.00	100.00%	100.00%	17,000.00	1
2	Ninghai Hot Spring Investment Co., Ltd.	2	1	Ninghai	Ninghai	State-owned	3,300.00	60.00%	60.00%	1,980.00	1
3	Ninghai Landscaping Investment Development Co., Ltd.	2	1	Ninghai	Ninghai	State-owned	1,990.00	100.00%	100.00%	1,990.00	1
4	Ninghai She Pan Tu Ocean Development Co., Ltd.	2	1	Ninghai	Ninghai	State-owned	8,000.00	97.50%	97.50%	7,800.00	1
5	Ninghai Water Affairs Group Co., Ltd.	2	1	Ninghai	Ninghai	State-owned	6,000.00	100.00%	100.00%	6,000.00	1

No.	Name	Level	Category	Registration address	Main operation address	Nature of business	Paid-in capital (RMB', 0,000)	Shareholdings	Voting rights	Investment amount (RMB', 0,000)	Acquiring method
6	Ninghai Urban Construction Real Estate Development Co., Ltd.	2	1	Ninghai	Ninghai	State-owned	20,000.00	100.00%	100.00%	20,000.00	1
7	Ninghai Transportation Industrial Development Co., Ltd.	2	1	Ninghai	Ninghai	State-owned	10,000.00	100.00%	100.00%	10,000.00	1
8	Ninghai Xinsha Construction Investment Development Co., Ltd.	2	1	Ninghai	Ninghai	State-owned	2,000.00	100.00%	100.00%	2,000.00	1
9	Ninghai Investment Property Management Co., Ltd.	2	1	Ninghai	Ninghai	State-owned	1,000.00	100.00%	100.00%	1,000.00	1

Note: Category: 1. Domestic non-financial subsidiary; 2. Domestic financial subsidiary; 3. Overseas subsidiary; 4. State institution; 5. Infrastructure unit.

Acquiring method: 1. Set up; 2. Business combination under common control; 3. Business combination not under common control; 4. Others.

(2) The changes in subsidiaries which are below the third level (including the third level) refer to the notes to the financial statements of the subsidiaries at second level.

2. New entities included in the consolidation scope in the reporting period

There were no new entities included in the consolidation scope in the reporting period.

3. Original subsidiaries no longer included in the consolidation scope in the reporting period

Name	Registration address	Nature of business	Shareholdings (%)	Voting rights (%)	The reason for no longer as subsidiaries in the reporting period
Ninghai Asset Management Co., Ltd.	Ninghai	State-owned	100.00	100.00	In the current period, 51% of the equity was transferred, and the remaining equity was 49%, which resulted in the loss of control.
Ninghai Xidian Construction Investment Development Co., Ltd.	Ninghai	State-owned	100.00	100.00	In the current period, 100% of the equity was transferred, which resulted in the loss of control.

**VIII Notes to the consolidated financial statements**

(With respect to the following data disclosed in the Financial Statements, unless otherwise stated, “Closing balance” refers to the balance on 30 September 2020; “Opening balance” refers to the balance on 31 December 2019; All amounts are denominated in RMB unless otherwise stated.)

1. Cash and cash equivalents

Item	Closing balance	Opening balance
Cash on hand	8,068.01	9,638.52
Bank deposits	2,609,892,353.43	1,125,125,887.67



Item	Closing balance	Opening balance
Other cash and cash equivalents	1,081,894,402.55	1,434,461,084.34
Total	3,691,794,823.99	2,559,596,610.53

Note 1: The closing balance of other cash and cash equivalents was RMB 1,081,894,402.55, which was mainly composed of pledged time deposit certificates and security deposits of notes. The balance of the time deposit certificates used to pledge loans with maturity of more than 3 months in the current period was RMB 681,500,000.00, the balance of the time deposit certificates used to pledge loans with maturity of less than 3 months was RMB 50,000,000.00, the balance of guarantee deposits was RMB 350,330,000.00, and the balance of employee housing fund account was RMB 64,402.55.

Note 2: Details of pledges used in the balance of other cash and cash equivalents refer to Note XII “Other significant events”.

## 2. Accounts receivable

### (1) Accounts receivable disclosed by category

Category	Closing balance				
	Amount	Proportion (%)	Bad debt provision	Provision (%)	Net amount
Accounts receivable that are individually significant in amount and provided for bad debt separately					
Accounts receivable provided for bad debt according to the portfolio					
Including: Portfolio 1	5,729,869.90	10.86			5,729,869.90
Portfolio 2	47,026,026.84	89.14	2,351,301.35	5.00	44,674,725.49
Sub-total	52,755,896.74	100.00	2,351,301.35	4.46	50,404,595.39
Accounts receivable that are individually insignificant in amount but provided for bad debt separately					
Total	52,755,896.74	100.00	2,351,301.35	4.46	50,404,595.39

(Continued)

Category	Opening balance				
	Amount	Proportion (%)	Bad debt provision	Provision (%)	Net amount
Accounts receivable that are individually significant in amount and provided for bad debt separately					
Accounts receivable provided for bad debt according to the portfolio					
Including: Portfolio 1	7,064,685.90	10.44			7,064,685.90
Portfolio 2	60,611,211.39	89.56	3,030,560.57	5.00	57,580,650.82
Sub-total	67,675,897.29	100.00	3,030,560.57	4.48	64,645,336.72
Accounts receivable that are individually insignificant in amount but provided for bad debt separately					
Total	67,675,897.29	100.00	3,030,560.57	4.48	64,645,336.72

(2) Notes to accounts receivable

1) The top 5 of accounts receivable based on the closing balance

Name	Closing balance	Proportion in the total amount of accounts receivable
Total amount of top 5 of accounts receivable	16,404,954.80	32.55%

2) There were no accounts receivable due from shareholders with more than 5% (including 5%) voting rights of the Company in the reporting period.

3) Details for accounts receivable with significant amounts

Name	Amount	Ageing	Nature or content
Ninghai Water Supply Co., Ltd. Chengnan Business Office	9,145,610.80	Within 1 year	Water charges
Ninghai Ningdong New City Minerals Co., Ltd.	5,000,000.00	2-3 years	Pond dregs income
Ninghai Water Supply Co., Ltd. Qiaotouhu Business Office	920,544.00	Within 1 year	Water charges

Name	Amount	Ageing	Nature or content
Ninghai Municipal Government Urban Construction Committee Office	750,800.00	Within 1 year	Payment for goods
Ninghai Drainage Co., Ltd.	588,000.00	Within 1 year	Payment for goods
Total	16,404,954.80		

### 3. Prepayment

Ageing	Closing balance	Opening balance
Within 1 year (including 1 year)	47,752,595.22	52,475,929.54
1-2 years (including 2 years)	53,432,873.61	142,418,400.33
2-3 years (including 3 years)	31,818,810.00	480,785,239.70
Over 3 years	503,853,544.06	101,291,089.37
Total	636,857,822.89	776,970,658.94

Note 1: The prepayment with ageing over one year was mainly due to the unsettled project funds.

Note 2: There were no prepayments due from shareholders with more than 5% (including 5%) voting rights of the Company in the reporting period.

### 4. Other receivables

Item	Closing balance	Opening balance
Interests receivable		
Dividends receivable		
Other receivables	7,662,798,432.95	7,009,136,887.17
Total	7,662,798,432.95	7,009,136,887.17

#### (1) Other receivables disclosed by category

Category	Closing balance				Net amount
	Amount	Proportion (%)	Bad debt provision	Provision (%)	
Other receivables that are individually significant in amount and provided for bad debt separately					

Category	Closing balance				
	Amount	Proportion (%)	Bad debt provision	Provision (%)	Net amount
Other receivables provided for bad debt according to the portfolio					
Including: Portfolio 1	7,527,877,453.44	98.15			7,527,877,453.44
Portfolio 2	142,022,083.71	1.85	7,101,104.20	5.00	134,920,979.51
Sub-total	7,669,899,537.15	100.00	7,101,104.20	0.09	7,662,798,432.95
Other receivables that are individually insignificant in amount but provided for bad debt separately					
Total	7,669,899,537.15	100.00	7,101,104.20	0.09	7,662,798,432.95

(Continued)

Category	Opening balance				
	Amount	Proportion (%)	Bad debt provision	Provision (%)	Net amount
Other receivables that are individually significant in amount and provided for bad debt separately					
Other receivables provided for bad debt according to the portfolio					
Including: Portfolio 1	6,824,001,124.05	97.22			6,824,001,124.05
Portfolio 2	194,879,750.66	2.78	9,743,987.54	5.00	185,135,763.12
Sub-total	7,018,880,874.71	100.00	9,743,987.54	0.14	7,009,136,887.17
Other receivables that are individually insignificant in amount but provided for bad debt separately					
Total	7,018,880,874.71	100.00	9,743,987.54	0.14	7,009,136,887.17

(2) Notes to other receivables

1) The top 5 of other receivables based on the closing balance

Name	Closing balance	Proportion in the total amount of other receivables
Total amount of top 5 of other receivables	3,891,064,749.64	50.75%

2) There were no other receivables due from shareholders with more than 5% (including 5%) voting rights of the Company in the reporting period.

3) Details for other receivables with significant amounts

Name	Amount	Ageing	Nature or content
Ninghai Municipal State-owned Assets Supervision and Administration Center (formerly known as “Ninghai SASAB”)	1,148,450,607.89	Within 2 years	Incomings and outgoings
Ninghai Jingyuan Water Treatment Investment Co., Ltd.	735,000,000.00	Within 1 year	Incomings and outgoings
Ninghai Goudong Enterprise Resettlement Zone Construction Investment Co., Ltd.	685,870,251.69	Within 2 years	Incomings and outgoings
Ninghai Housing and Urban-Rural Development Bureau	674,816,429.56	Within 4 years	Incomings and outgoings, special property maintenance fund
Ninghai Yuelong Weimin New Countryside Construction Co., Ltd.	646,927,460.50	Within 4 years	Incomings and outgoings
Total	3,891,064,749.64		

5. Inventory

(1) Details of inventory

Category	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Land development expenditures	15,983,288,016.10		15,983,288,016.10	15,531,648,496.92		15,531,648,496.92

Category	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Real estate development costs	1,427,679,492.11		1,427,679,492.11	1,364,884,561.81		1,364,884,561.81
Development products	4,472,886,691.60		4,472,886,691.60	5,078,282,298.68		5,078,282,298.68
Consumptive biological assets	1,788,563.99		1,788,563.99	1,809,893.04		1,809,893.04
Raw materials	3,773,799.48		3,773,799.48	2,394,934.77		2,394,934.77
Low-value consumables	166,211.50		166,211.50	166,211.50		166,211.50
Total	21,889,582,774.78		21,889,582,774.78	21,979,186,396.72		21,979,186,396.72

Note: The capitalized interest amount of inventory was RMB 636,343,225.45 in the current period.

(2) Land development expenditures

Item	Closing balance	Opening balance
Taoyuan North Road plot	1,022,763,582.38	1,022,763,582.38
Wangjia Qianzhang Village and Wangjia Houzhang Village	2,618,141,023.60	2,462,927,983.17
Tanshutou Village	585,186,667.51	550,700,614.42
Tang'an Li Village	604,669,662.31	568,561,587.79
Huashan Village	919,115,464.59	863,973,829.92
Shuangshui Village	133,098,593.55	125,099,579.89
Plot of Ningbo Zhiqing Industrial Co., Ltd.	100,375,969.13	100,262,411.41
Zhaojia Village	64,348,788.55	60,556,604.17
Qian'ao Village	121,712,485.32	114,398,783.58
Shanheling, Yuelong Street, Ninghai County	16,377,970.43	16,377,970.43
Xuepo Village	127,903,326.38	107,971,826.74
Yangjia Village	856,093,837.61	972,531,827.25
Qiaoxia Pan Village	899,951,345.63	846,655,272.22
Shengli Village	385,360,783.73	362,650,812.39
Zhuxi Village plot	92,865,320.94	87,391,832.02
No. 10 Jinshan 5 <sup>th</sup> Road	35,150,702.62	35,150,702.62

Item	Closing balance	Opening balance
Plot of vocational high school in the TV and Radio University	69,980,491.36	69,980,491.36
Dawu Village plot	407,646,041.38	383,563,862.88
Xiayangwu Village plot	1,597,968,713.56	1,667,042,832.19
Land around Chenghuang Temple	1,673,578,550.10	1,644,719,696.85
Simulated demolition plot	194,453,778.15	194,341,351.67
Dongwang Road plot in eastern suburb	149,170,215.24	148,900,013.40
Plot around Hongfeng Market	516,916,836.15	505,610,933.86
Chemical Fertilizer Plant plot (phase II) reconstruction project	90,093,715.72	90,005,112.72
Passenger Transportation Center plot (Ningbo Changzhong Mould Co., Ltd.)	84,510,775.46	84,503,172.46
The plots of Chongqing Beer Group Ningbo Daliang Mountain Co., Ltd. (Xinling) and Ninghai County Ninghua Malt Co., Ltd.	28,457,606.55	101,428,232.96
Ninghai County Motor Vehicle Trading Market plot	97,328,552.28	73,364,253.73
Eight plots around Renmin Road, Transportation Bureau	47,268,029.31	47,139,989.31
Fertilizer Plant plot	48,092,646.36	48,092,646.36
Zhongshan West Road Roundabout Node plot	2,617,932.42	2,617,932.42
Shanheling 6# plot	46,145,221.56	46,145,221.56
Renovation of 9 dilapidated houses in Chongsi Mountain	19,922,726.53	19,909,356.03
Farm Market plot	516,867,648.35	478,247,856.30
The Second Hospital demolition project plot	83,466,170.79	83,466,170.79
Phase I plots around Yuelong Mountain	38,433,812.00	37,928,996.00
Plot of Huaxing Textile Material Co., Ltd.	142,334,634.17	142,306,037.74
Plot of Ninghai Hualian Textile Co., Ltd. (Industrial Zone)	428,910,065.56	424,049,466.56
Renmin Road reconstruction project plot	106,700,554.60	68,804,915.00
Lujia Village	26,173,191.98	
Fenghuang Mountain plot	2,014,532.11	



Item	Closing balance	Opening balance
Other	981,120,050.13	871,504,734.37
Total	15,983,288,016.10	15,531,648,496.92

(3) Real estate development costs

Item	Closing balance	Opening balance
Demolition and resettlement housing	110,554,715.16	104,331,477.09
Yangjia Village resettlement community project	718,962,647.65	697,842,941.31
Downhill resettlement community	284,490,442.58	284,490,442.58
Commercial building of C12 plot in Qixiang North Road	56,570,123.72	51,592,961.17
Other project development costs	257,101,563.00	226,626,739.66
Total	1,427,679,492.11	1,364,884,561.81

(4) Development products

Item	Closing balance	Opening balance
Five projects including Zhaohui Home, etc.	51,241,587.80	51,798,696.66
Hongfeng Apartment	288,303.00	288,303.00
Fengjing Garden project	2,446,242.80	2,446,242.80
Dongjing Garden	8,299,298.27	8,708,817.76
Zhaolangchang price-limited housing community project	93,367,032.54	93,367,032.54
Haijingyuan	43,804,819.48	43,759,540.60
Fengheyuan parking space and garage	351,101.35	351,101.35
Yangguang Mingyuan community project	344,375.58	344,375.58
Taoyuan Street Zhukou Third Village resettlement housing project	2,740,378,460.63	2,867,069,592.89
Demolition and resettlement housing	148,118,392.74	167,826,681.18
Tianming Garden	54,076,142.88	54,076,142.88
Zixi Mingyuan		47,319,724.11
Taoyuan Jiayuan	64,169,289.36	258,233,570.98
Xizi International Plaza	496,527.48	496,527.48

Item	Closing balance	Opening balance
Summer View Garden	91,630,647.01	111,413,502.29
Spring View Garden	28,798,520.36	37,723,901.50
Xuefu Home	91,036,592.72	108,310,754.93
Chenyuan	68,391,787.09	92,309,115.19
Haiwan Garden	70,197,609.11	82,960,599.00
Huxi Garden	47,193,680.95	152,749,740.00
Hudong Garden	200,747,561.58	204,753,490.63
Daming Garden	165,449,541.37	219,222,727.80
Huashanju	449,760,572.58	449,760,572.58
Ningxingfu	33,825,770.65	
Other	18,472,834.27	22,991,544.95
Total	4,472,886,691.60	5,078,282,298.68

Note: Details of mortgages used in the closing balance of inventory refer to Note XII “Other significant events”.

#### 6. Other current assets

Item	Closing balance	Opening balance
Prepaid tax	115,260,854.77	113,011,716.66
Total	115,260,854.77	113,011,716.66

#### 7. Available-for-sale financial assets

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Available-for-sale equity instruments	8,817,325.00		8,817,325.00	18,955,736.76	538,411.76	18,417,325.00
Including: Equity instruments measured at cost	8,817,325.00		8,817,325.00	18,955,736.76	538,411.76	18,417,325.00
Other	100,000,000.00		100,000,000.00	170,000,000.00		170,000,000.00
Total	108,817,325.00		108,817,325.00	188,955,736.76	538,411.76	188,417,325.00

(1) Equity instruments measured at cost

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Ningbo Dahongying Pharmaceutical Co., Ltd.				538,411.76	538,411.76	
Ninghai County Electric Power Development Co., Ltd.	1,000,000.00		1,000,000.00	1,000,000.00		1,000,000.00
Ningbo Wanghai Tea Development Co., Ltd.	100,000.00		100,000.00	150,000.00		150,000.00
Ningbo Haida Dingxing Venture Capital Co., Ltd.	7,717,325.00		7,717,325.00	7,717,325.00		7,717,325.00
Ninghai Wanteng Public Transportation Co., Ltd.				50,000.00		50,000.00
Ninghai BOC Fullerton Rural Bank Co., Ltd.				9,500,000.00		9,500,000.00
Total	8,817,325.00		8,817,325.00	18,955,736.76	538,411.76	18,417,325.00

8. Long-term equity investment

(1) The category of long-term equity investment

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
I. Joint ventures						
II. Associates	1,674,463,027.75		1,674,463,027.75	1,406,080,633.65		1,406,080,633.65
Total	1,674,463,027.75		1,674,463,027.75	1,406,080,633.65		1,406,080,633.65

(2) Details of long-term equity investment

Investee	Opening balance	Changes in the current period					Closing balance
		Increase of investment	Decrease of investment	Investment income / loss under equity method	Other changes in equity	Declared distribution of cash dividend or profit	
I. Joint ventures							
Sub-total							
II. Associates							
Ninghai Science and Technology Industrial Park Development Co., Ltd.	1,322,589,256.09			-6,880,805.57			1,315,708,450.52

Investee	Opening balance	Changes in the current period						Closing balance
		Increase of investment	Decrease of investment	Investment income / loss under equity method	Other changes in equity	Declared distribution of cash dividend or profit	Other	
Ninghai Goudong Enterprise Resettlement Zone Construction Investment Co., Ltd.	17,481,592.69			-10,439,931.27				7,041,661.42
Ninghai Natural Gas Co., Ltd.	15,340,885.29			722,858.14			-5,235,842.27	10,827,901.16
Ninghai Food Co., Ltd.	1,167,157.45						-1,167,157.45	
Ninghai Xintan Urban Construction Investment Development Co., Ltd.	5,332,140.97							5,332,140.97
Ninghai Zheneng Oil & Gas Development Co., Ltd.	4,239,721.85						-4,239,721.85	
Ningbo Tiehan Municipal Construction Co., Ltd.	39,929,879.31							39,929,879.31
Ninghai Asset Management Co., Ltd.				11,850,323.26			279,171,939.94	291,022,263.20
Ninghai Property Rights Exchange Center Co., Ltd.				589,713.10			4,011,018.07	4,600,731.17

Investee	Opening balance	Changes in the current period						Closing balance
		Increase of investment	Decrease of investment	Investment income / loss under equity method	Other changes in equity	Declared distribution of cash dividend or profit	Other	
Sub-total	1,406,080,633.65			-4,157,842.34			272,540,236.44	1,674,463,027.75
Total	1,406,080,633.65			-4,157,842.34			272,540,236.44	1,674,463,027.75

Note 1: Ninghai Asset Management Co., Ltd. was originally a 100% holding subsidiary of the Company. In May 2020, the Company transferred its 51% equity of Ninghai Asset Management Co., Ltd. to Ninghai Municipal State-owned Assets Supervision and Administration Center under an agreement. Both parties completed the industrial and commercial change on 29 May 2020. After the equity transfer, the equity of Ninghai Asset Management Co., Ltd. held by the Company was changed to 49%, which resulted in the loss of control, but the Company still had a significant impact on its operation. According to the “Accounting Standards for Business Enterprises No. 2 - Long-term Equity Investment” (Cai Kuai [2014] No. 14 of the Ministry of Finance), the Company adopts the equity method for accounting of Ninghai Asset Management Co., Ltd., and has made retrospective adjustments;

Note 2: Ninghai Property Rights Exchange Center Co., Ltd. was originally a 100% holding subsidiary of the Company (including 40% equity directly held by the Company, and 60% equity held by Ninghai Asset Management Co., Ltd.). Since the Company has lost control of Ninghai Asset Management Co., Ltd. in the current period, in accordance with the “Accounting Standards for Business Enterprises No. 2 - Long-term Equity Investment” (Cai Kuai [2014] No. 14 of the Ministry of Finance), the Company adopts the equity method for accounting of Ninghai Property Rights Exchange Center Co., Ltd., and has made retrospective adjustments;

Note 3: At the beginning of the reporting period, the Company held 49% equity of Ninghai Natural Gas Co., Ltd. (including 19% equity directly held by the Company and 30% held by Ninghai Asset Management Co., Ltd.), 22.35% equity of Ninghai Food Co., Ltd. (22.35% equity held by Ninghai Asset Management Co., Ltd.), and 30% equity of Ninghai Zheneng Oil & Gas Development Co., Ltd. (30.00% equity held by Ninghai Asset Management Co., Ltd.). Since Ninghai Asset

Management Co., Ltd. was no longer as a subsidiary of the Company at the end of the reporting period, the above-mentioned equity indirectly held by the Company through Ninghai Asset Management Co., Ltd. shall be adjusted to 0.

9. Investment property				Total		
Item	Houses and buildings	Land assets				
I. Opening balance	2,174,810,539.98	8,212,600.00		2,183,023,139.98		
II. Changes in the reporting period	-270,994,539.98	-8,212,600.00		-279,207,139.98		
Add: (1) Purchase						
(2) Inventory, fixed assets and construction in progress transferred-in						
(3) Business combination						
Less: (1) Disposal						
(2) Other transferred-out	270,994,539.98	8,212,600.00		279,207,139.98		
Changes in fair value						
III. Closing balance	1,903,816,000.00			1,903,816,000.00		
10. Fixed assets						
Item	Houses and buildings	Machinery equipment	Transportation equipment	Special equipment	Other equipment	Total



Item	Houses and buildings	Machinery equipment	Transportation equipment	Special equipment	Other equipment	Total
I. Original value						
1. Opening balance	1,222,388,989.86	150,558,562.74	10,758,710.31	678,152,433.58	24,365,523.86	2,086,224,220.35
2. Increase	237,031.00	2,239,413.93	1,790,784.42	441,286.41	597,334.20	5,305,849.96
(1) Purchase	237,031.00	2,239,413.93	1,790,784.42	441,286.41	597,334.20	5,305,849.96
(2) Construction in progress transferred-in						
3. Decrease	99,948,774.45	7,082,251.69	1,597,359.59		273,695.00	108,902,080.73
(1) Disposal or scrap		106,998.00	484,586.00		183,245.00	774,829.00
(2) Other	99,948,774.45	6,975,253.69	1,112,773.59		90,450.00	108,127,251.73
4. Closing balance	1,122,677,246.41	145,715,724.98	10,952,135.14	678,593,719.99	24,689,163.06	1,982,627,989.58
II. Accumulated depreciation:						
1. Opening balance	710,689,450.56	85,082,011.54	7,469,747.84	171,198,428.95	18,115,923.99	992,555,562.88
2. Increase	27,920,906.79	2,824,985.10	624,818.14	19,237,379.82	1,612,871.14	52,220,960.99
(1) Accrual or amortization	27,920,906.79	2,824,985.10	624,818.14	19,237,379.82	1,612,871.14	52,220,960.99
(2) Other						
3. Decrease	46,746,676.24	6,386,501.27	1,417,169.94		264,152.59	54,814,500.04
(1) Disposal or scrap		87,707.80	463,236.70		175,124.81	726,069.31

Item	Houses and buildings	Machinery equipment	Transportation equipment	Special equipment	Other equipment	Total
(2) Other	46,746,676.24	6,298,793.47	953,933.24		89,027.78	54,088,430.73
4. Closing balance	691,863,681.11	81,520,495.37	6,677,396.04	190,435,808.77	19,464,642.54	989,962,023.83
III. Impairment provision						
1. Opening balance						
2. Increase						
(1) Accrual						
3. Decrease						
(1) Disposal or scrap						
4. Closing balance						
IV. Book value						
1. Closing balance	430,813,565.30	64,195,229.61	4,274,739.10	488,157,911.22	5,224,520.52	992,665,965.75
2. Opening balance	511,699,539.30	65,476,551.20	3,288,962.47	506,954,004.63	6,249,599.87	1,093,668,657.47

11. Construction in progress

Item	Closing balance	Opening balance
Construction in progress	1,859,151,708.05	1,634,026,319.12
Engineering materials	3,522,506.05	3,924,317.65
Total	1,862,674,214.10	1,637,950,636.77

(1) Construction in progress

① Information of construction in progress

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Construction in progress	1,859,151,708.05		1,859,151,708.05	1,634,026,319.12		1,634,026,319.12

② Changes in significant construction in progress

Item	Opening balance	Increase	Transferred to fixed assets or other non-current assets	Other decrease	Closing balance
Huangtan Water Plant project	48,910,727.84	983,361.73			49,894,089.57
Comprehensive equipment investment and sewage treatment	341,717,704.65	54,741,514.69		47,997,890.33	348,461,329.01
Infrastructure supporting project of Sanmenwan Modern Fishery Park	219,679,049.40	14,356,639.67			234,035,689.07
Dazhuang Valley Hot Spring project	50,710,444.68	7,678,498.59		300,000.00	58,088,943.27
Total	661,017,926.57	77,760,014.68		48,297,890.33	690,480,050.92

Note 1: The capitalized interest amount of construction in progress was RMB 12,043,683.80 in the current period.

Note 2: There was no sign of impairment of construction in progress at the end of the reporting period, so no provision for impairment of construction in progress was made.

(2) Engineering materials

Item	Closing balance	Opening balance
Special-purpose materials	3,522,506.05	3,924,317.65
Total	3,522,506.05	3,924,317.65

## 12. Intangible assets

### (1) Details of intangible assets

Item	Opening balance	Increase	Decrease	Closing balance
I. Total original value	36,746,891.87		10,044,801.74	26,702,090.13
Including: Land use right	27,091,192.96		3,664,345.83	23,426,847.13
Software	8,655,698.91		6,380,455.91	2,275,243.00
Trademark use right	1,000,000.00			1,000,000.00
II. Accumulated amortization	8,977,905.15	613,947.28	858,421.44	8,733,430.99
Including: Land use right	5,961,828.68	394,124.05	431,493.45	5,924,459.28
Software	2,216,076.47	219,823.23	426,927.99	2,008,971.71
Trademark use right	800,000.00			800,000.00
III. Total book value	27,768,986.72			17,968,659.14
Including: Land use right	21,129,364.28			17,502,387.85
Software	6,439,622.44			266,271.29
Trademark use right	200,000.00			200,000.00

### (2) Impairment provision on intangible assets

There was no sign of impairment of intangible assets at the end of the reporting period, so no provision for impairment of intangible assets was made.

## 13. Long-term deferred expenses

Item	Opening balance	Increase	Amortization	Other decrease	Closing balance
Lease fee of Lingang Reservoir	416,741.86		39,800.20		376,941.66
Decoration fee	3,834,986.14	1,299,525.30	711,474.93	1,078,416.60	3,344,619.91

Item	Opening balance	Increase	Amortization	Other decrease	Closing balance
Sewage system	3,229,199.77		1,447,500.03		1,781,699.74
Total	7,480,927.77	1,299,525.30	2,198,775.16	1,078,416.60	5,503,261.31

(Continued)

Item	Original amount incurred	Accumulated amortization	Remaining amortization period
Lease fee of Lingang Reservoir	1,500,000.00	1,123,058.34	15.8 years
Decoration fee	29,197,882.00	25,853,262.09	0-3 years
Sewage system	14,262,116.64	12,480,416.90	1 year
Total	44,959,998.64	39,456,737.33	

#### 14. Deferred tax assets & Deferred tax liabilities

##### (1) Deferred tax assets recognized

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Impairment provision on assets	9,452,405.56	2,363,101.43	12,774,548.32	3,193,637.08
Total	9,452,405.56	2,363,101.43	12,774,548.32	3,193,637.08

##### (2) Deferred tax liabilities recognized

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
The difference between the book value of investment property and its tax base	206,745,149.85	51,686,287.46	244,585,388.80	61,146,347.20
Total	206,745,149.85	51,686,287.46	244,585,388.80	61,146,347.20

#### 15. Other non-current assets

Item	Closing balance	Opening balance	Note
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Item	Closing balance	Opening balance	Note
Public facilities	2,882,708,731.73	2,792,782,700.47	Public facilities are mainly the municipal public facilities undertaken by the Company, mainly including highways, municipal roads, park plazas and supporting public facilities, etc.
Reconstruction of Xiayangtu's assets	1,254,072,476.15	1,254,072,476.15	
Total	4,136,781,207.88	4,046,855,176.62	

#### 16. Short-term borrowings

Category	Closing balance	Opening balance
Credit loan	300,000,000.00	444,500,000.00
Guaranteed loan	2,092,000,000.00	1,407,500,000.00
Mortgage loan	500,000,000.00	579,200,000.00
Pledge loan	445,750,000.00	655,125,000.00
Guaranteed mortgage loan	450,000,000.00	28,000,000.00
Total	3,787,750,000.00	3,114,325,000.00

Note 1: Details of mortgages used for borrowings refer to Note XII "Other significant events".

Note 2: There were no short-term borrowings which had been overdue but not repaid at the end of the reporting period.

#### 17. Notes payable

Category	Closing balance	Opening balance
Commercial acceptance bill	348,670,000.00	160,000,000.00
Bank acceptance bill	299,380,000.00	
Total	648,050,000.00	160,000,000.00

#### 18. Accounts payable

Item	Closing balance	Opening balance
Within 1 year (including 1 year)	66,087,110.43	96,917,740.65

Item	Closing balance	Opening balance
1-2 years (including 2 years)	8,380,273.21	90,560,767.60
2-3 years (including 3 years)	90,212,924.04	14,104,351.01
Over 3 years	176,153,897.45	191,895,965.32
Total	340,834,205.13	393,478,824.58

19. Advance from customers

Item	Closing balance	Opening balance
Within 1 year (including 1 year)	223,867,974.69	148,503,011.26
Over 1 year	392,994,387.48	514,306,103.63
Total	616,862,362.17	662,809,114.89

Note 1: There were no advance from customers due to shareholders with more than 5% (including 5%) voting rights of the Company in the reporting period.

Note 2: The closing balance of advance from customers with ageing over one year was RMB 392,994,387.48, which was mainly due to the unsettled housing of Xinxia Construction Investment Development Co., Ltd.

20. Payroll payable

(1) The classification of payroll payable

Item	Opening balance	Increase	Decrease	Closing balance
1. Short-term employee benefits	12,493,746.68	44,223,832.08	53,981,455.55	2,736,123.21
2. Post-employment benefits-defined contribution plans	51,770.90	1,242,335.76	1,253,625.16	40,481.50
3. Termination benefits		8,760.00	8,760.00	
Total	12,545,517.58	45,474,927.84	55,243,840.71	2,776,604.71

(2) Short-term employee benefits

Item	Opening balance	Increase	Decrease	Closing balance
1. Salary, bonus, allowance, and subsidy	12,241,634.42	34,316,907.85	44,118,200.58	2,440,341.69



Item	Opening balance	Increase	Decrease	Closing balance
2. Employee welfare fees	42,406.30	2,978,579.17	2,978,579.17	42,406.30
3. Social insurance premiums	75,384.41	1,635,929.10	1,695,468.09	15,845.42
Including: Medical insurance premiums	47,662.11	1,570,317.00	1,602,133.69	15,845.42
Work-related injury insurance premiums	389.30	55,074.30	55,463.60	
Maternity insurance premiums	27,333.00	10,537.80	37,870.80	
4. Housing fund	50,451.00	3,986,640.80	3,999,975.80	37,116.00
5. Union funds and employee education expenses	83,870.55	701,293.28	584,750.03	200,413.80
6. Non-monetary welfares		563,866.88	563,866.88	
7. Other		40,615.00	40,615.00	
Total	12,493,746.68	44,223,832.08	53,981,455.55	2,736,123.21

(3) Defined contribution plans

Item	Opening balance	Increase	Decrease	Closing balance
Post-employment benefits	51,770.90	1,116,335.76	1,127,625.16	40,481.50
Including: 1. Basic endowment insurance premiums	49,585.60	1,097,115.76	1,108,015.86	38,685.50
2. Unemployment insurance premiums	2,185.30	19,220.00	19,609.30	1,796.00
3. Enterprise annuity fees				
Other long-term employee benefits		126,000.00	126,000.00	
Including: 1. Expenditure on retirees				
Total	51,770.90	1,242,335.76	1,253,625.16	40,481.50

Note: The Company had no outstanding employee salaries at the end of the reporting period, and the balance of payroll payable is expected to be paid in 2020.

21. Taxes and surcharges payable

Item	Closing balance	Opening balance
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Item	Closing balance	Opening balance
Value-added tax	20,366,479.66	20,510,081.85
Urban maintenance & construction tax	277,540.69	373,615.46
Property tax	2,418,380.30	6,465,244.04
Land use tax	672,137.64	2,044,346.20
Individual income tax	118,431.55	15,337.10
Corporate income tax	159,492,296.37	184,404,981.69
Land value-added tax	620,534.77	620,534.94
Educational surcharge	576,450.55	638,562.50
Water conservancy fund	2,449,112.94	2,456,474.64
Local educational surcharge	152,039.29	185,791.30
Security fund for the disabled		11,904.00
Other	203,068.81	616,568.94
<b>Total</b>	<b>187,346,472.57</b>	<b>218,343,442.66</b>

## 22. Other payables

Item	Closing balance	Opening balance
Interests payable	313,971,063.04	343,712,595.44
Dividends payable		
Other payables	7,478,761,506.49	9,215,164,038.91
<b>Total</b>	<b>7,792,732,569.53</b>	<b>9,558,876,634.35</b>

(1) Details of other payables with significant amounts are as follows:

Name	Amount	Nature or content
Ninghai Transportation Group Co., Ltd.	767,719,303.19	Incomings and outgoings
Ninghai Jingyuan Water Treatment Investment Co., Ltd.	749,408,816.27	Incomings and outgoings
Ninghai Fangda City Construction Investment Co., Ltd.	630,000,000.00	Incomings and outgoings
Ninghai Yuelong Weimin New Countryside Construction Co., Ltd.	587,971,657.12	Incomings and outgoings
Ninghai Hengsheng Construction Co., Ltd.	531,352,775.80	Incomings and outgoings

Note: There were no other payables due to shareholders with more than 5% (including 5%) voting

rights of the Company in the reporting period.

23. Non-current liabilities due within one year

Item	Closing balance	Opening balance
Long-term borrowings due within one year	714,980,000.00	1,626,350,000.00
Bonds payable due within one year	1,078,052,873.18	777,814,068.62
Long-term payables due within one year	767,740,390.35	742,280,591.13
Total	2,560,773,263.53	3,146,444,659.75

24. Long-term borrowings

Category	Closing balance	Opening balance
Credit loan	350,000,000.00	294,700,000.00
Guaranteed loan	2,818,900,000.00	1,712,250,000.00
Mortgage loan	47,000,000.00	819,900,000.00
Pledge loan	23,700,000.00	153,868,800.00
Mortgaged guaranteed loan	77,000,000.00	330,000,000.00
Pledged guaranteed loan	149,000,000.00	229,000,000.00
Sub-total	3,465,600,000.00	3,539,718,800.00
Less: The part due within one year (Note VIII 23)	714,980,000.00	1,626,350,000.00
Total	2,750,620,000.00	1,913,368,800.00

Note: Details of mortgages used for borrowings refer to Note XII “Other significant events”.

25. Bonds payable

(1) Details of bonds payable

Category	Duration	Issue date	Total par value	Premium and discount amount	Total interests accrued	Closing balance
19 Ninghai City Investment PPN001	3 years	Apr. 2019	600,000,000.00	-5,400,000.00	8,194,128.76	597,205,871.24

Category	Duration	Issue date	Total par value	Premium and discount amount	Total interests accrued	Closing balance
19 Ninghai City Investment PPN003	3 years	Sep. 2019	700,000,000.00	-6,300,000.00	10,486,077.38	695,813,922.62
19 Ninghai City Investment PPN004	3 years	Nov. 2019	500,000,000.00	-4,500,000.00	7,772,645.98	496,727,354.02
19 Ninghai City Investment Bond 01	5 years	Jan. 2019	1,500,000,000.00	-11,250,000.00	19,206,298.63	1,492,043,701.37
19 Ninghai City Investment Bond 02	5 years	Apr. 2019	1,000,000,000.00	-15,000,000.00	26,215,672.93	988,784,327.07
19 Ninghai City Investment Bond 03	5 years	Nov. 2019	1,000,000,000.00	-14,150,943.40	26,125,603.74	988,025,339.66
20 Ninghai City Investment Bond 01	5 years	Jan. 2020	1,000,000,000.00	-14,150,943.40	26,434,486.08	987,716,457.32
20 Ninghai City Investment PPN001	3 years	Apr. 2020	1,000,000,000.00	-8,490,566.04	15,746,462.78	992,744,103.26
20 Zhe Ninghai City Investment ZR001	3 years	Aug. 2020	400,000,000.00	-4,560,000.00	8,985,829.35	395,574,170.65
20 Ninghai City Investment Bond 02	5 years	Sep. 2020	1,000,000,000.00	-14,150,943.45	28,221,923.99	985,929,019.46
Total			8,700,000,000.00	-97,953,396.29	177,389,129.62	8,620,564,266.67

Note 1: In the current period, the Company repaid RMB 200,000,000.00 and RMB 500,000,000.00 for the principals of 13 City Investment Bond 02 and 2018 (Ninghai) Ding Rong No. 0001 respectively;

Note 2: In January 2020, the Company issued 20 Ninghai City Investment Bond 01 with the par value

of RMB 1,000,000,000.00 and a coupon rate of 4.47%. The duration is from 20 January 2020 to 20 January 2025;

Note 3: In April 2020, the Company issued 20 Ninghai City Investment PPN001 with the par value of RMB 1,000,000,000.00 and a coupon rate of 3.90%. The duration is from 17 April 2020 to 17 April 2023;

Note 4: In August 2020, the Company issued 20 Zhe Ninghai City Investment ZR001 with the par value of RMB 400,000,000.00 and a coupon rate of 5.00%. The duration is from 27 August 2020 to 27 August 2023;

Note 5: In September 2020, the Company issued 20 Ninghai City Investment Bond 02 with the par value of RMB 1,000,000,000.00 and a coupon rate of 4.60%. The duration is from 18 September 2020 to 18 September 2025.

#### 26. Long-term payables

Item	Closing balance	Opening balance
Long-term payables	2,117,171,599.10	2,348,132,426.68
Special payables		
Total	2,117,171,599.10	2,348,132,426.68

##### (1) Long-term payables

Item	Closing balance	Opening balance
Ninghai Transportation Service Management Co., Ltd.	400,298,166.66	396,557,833.33
Payables for finance lease	1,716,873,432.44	1,951,574,593.35
Total	2,117,171,599.10	2,348,132,426.68

Note 1: In 2016, Ninghai Transportation Industrial Development Co., Ltd. signed a loan agreement with Ninghai Transportation Service Management Co., Ltd., and the amount of the loan is RMB 450 million with the long term from the starting date of 28 November 2016. The interest of the loan is calculated at the annual interest rate of 4.90% and paid to Ninghai Transportation Service Management Co., Ltd. quarterly. As of 30 September 2020, the principal balance was RMB 390 million, and the interest was RMB 10,298,166.66.

Note 2: On 15 August 2017, the Company signed a “Finance Lease Contract” with AB Leasing Co.,

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Ltd., which agreed that the Company would sell the middle section of Ping'an Avenue to AB Leasing Co., Ltd. in the form of sale and leaseback. The original book value of the above equipment is 202,536,000.00, and the financing principal is RMB 200 million, which shall be paid in 12 instalments over 5 years. The leaseback rent shall be 225,397,900.00, and the lease term is from 21 August 2017 to 21 August 2022;

On 15 August 2017, the Company signed a "Finance Lease Contract" with AB Leasing Co., Ltd., which agreed that the Company would sell the middle section of Ping'an Avenue to AB Leasing Co., Ltd. in the form of sale and leaseback. The original book value of the above equipment is RMB 151,566,700.00, and the financing principal is RMB 150 million, which shall be paid in 12 instalments over 5 years. The leaseback rent shall be RMB 169,048,400.00, and the lease term is from 27 September 2017 to 27 September 2022;

On 15 September 2017, the Company signed a "Finance Lease Contract" with AB Leasing Co., Ltd., which agreed that the Company would sell the middle section of Ping'an Avenue to AB Leasing Co., Ltd. in the form of sale and leaseback. The original book value of the above equipment is RMB 174,590,000.00, and the financing principal is RMB 150 million, which shall be paid in 12 instalments over 5 years. The leaseback rent shall be RMB 169,048,400.00, and the lease term is from 29 September 2017 to 29 September 2022;

On 1 August 2017, the Company signed a "Finance Lease Contract" with AVIC International Leasing Co., Ltd., which agreed that the Company would sell the pipe network to AVIC International Leasing Co., Ltd. in the form of sale and leaseback. The original book value of the above equipment is RMB 324,127,800.00, and the financing principal is RMB 300 million, which shall be paid in 10 instalments over 5 years. The leaseback rent shall be RMB 341,596,500.00, and the lease term is from 4 August 2017 to 4 August 2022;

On 8 December 2017, the Company signed a "Sale and Leaseback Contract" with Ping An International Financial Leasing (Tianjin) Co., Ltd., which agreed that the Company would sell the pavement assets and ancillary facilities of Jinbei North Road extension section and Jinshui Road to Ping An International Financial Leasing (Tianjin) Co., Ltd. in the form of sale and leaseback. The original book value of the above equipment is RMB 349,081,600.00, and the financing principal is RMB 320 million, which shall be paid in 12 instalments over 6 years. The leaseback rent shall be RMB 356,412,400.00, and the lease term is from 5 January 2018 to 5 January 2024;

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On 25 December 2018, the Company signed a “Finance Lease Contract” with Huishang Bank Financial Leasing Co., Ltd., which agreed that the Company would sell the road rainwater, sewage and water supply pipe network to Huishang Bank Financial Leasing Co., Ltd. in the form of sale and leaseback. The above-mentioned equipment has an appraisal value of RMB 157,954,900.00, and the financing principal is RMB 100 million, which shall be paid in 20 instalments over 5 years. The leaseback rent shall be RMB 115,052,800.00, and the lease term is from 25 December 2018 to 25 December 2023;

On 29 January 2019, the Company signed a “Finance Lease Contract” with Huaxia Financial Leasing Co., Ltd., which agreed that the Company would sell the drainage network / sewage pipe network / rainwater collection pipe network on Waihuan East Road (Taoyuan Road to Xinghai Road) to Huaxia Financial Leasing Co., Ltd. in the form of sale and leaseback. The financing principal is RMB 300 million, which shall be paid in 10 instalments over 5 years. The leaseback rent shall be RMB 356,765,000.00, and the lease term is from 28 January 2019 to 28 January 2024;

On 7 March 2019, the Company signed a “Finance Lease Contract” with CQRC Financial Leasing Co., Ltd., which agreed that the Company would sell some assets such as 3-1 of Block 2 of Taoyuan Building to CQRC Financial Leasing Co., Ltd. in the form of sale and leaseback. The financing principal is RMB 250 million, which shall be paid in 10 instalments over 5 years. The leaseback rent shall be RMB 296,309,900.00, and the lease term is from 10 March 2019 to 10 March 2024;

On 30 July 2019, the Company signed a “Finance Lease Contract” with Huarong Financial Leasing Co., Ltd., which agreed that the Company would sell assets such as water supply pipelines on Xuxiake Avenue (No. 214 Provincial Highway to Roushi South Road) in Ninghai County to Huarong Financial Leasing Co., Ltd. in the form of sale and leaseback. The financing principal is RMB 465 million, which shall be paid in 14 instalments over 4 years. The leaseback rent shall be RMB 533,509,900.00, and the lease term is from 30 July 2019 to 20 January 2023;

On 1 August 2019, the Company signed a “Finance Lease Contract” with Huawei Financial Leasing Co., Ltd., which agreed that the Company would sell water supply and drainage network on Fuquan Road to Huawei Financial Leasing Co., Ltd. in the form of sale and leaseback. The financing principal is RMB 8 million, which shall be paid in 1 instalment over 6 months. The leaseback rent shall be RMB 8,260,900.00, and the lease term is from 7 August 2019 to 7 February 2020;

On 21 October 2019, the Company signed a “Finance Lease Contract” with Everbright Financial



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Leasing Co., Ltd., which agreed that the Company would sell Ninghai Exhibition Center curtain wall and other assets to Everbright Financial Leasing Co., Ltd. in the form of sale and leaseback. The financing principal is RMB 350 million, which shall be paid in 8 instalments over 4 years. The leaseback rent shall be RMB 395,001,300.00, and the lease term is from 23 October 2019 to 23 October 2023;

On 18 November 2019, the Company signed a “Finance Lease Contract” with Zhejiang Chouzhou Financial Leasing Co., Ltd., which agreed that the Company would sell water supply network of Chengling Line and Chengsong Line to Zhejiang Chouzhou Financial Leasing Co., Ltd. in the form of sale and leaseback. The financing principal is RMB 200 million, which shall be paid in 10 instalments over 5 years. The leaseback rent shall be RMB 239,272,200.00, and the lease term is from 20 November 2019 to 20 November 2024;

On 10 December 2019, the Company signed a “Finance Lease Contract” with Shanghai Yuansheng Financial Leasing Co., Ltd., which agreed that the Company would sell HDPE polyethylene winding reinforced pipe (type B pipe wall) and other assets to Shanghai Yuansheng Financial Leasing Co., Ltd. in the form of sale and leaseback. The financing principal is RMB 100 million, which shall be paid in 6 instalments over 3 years. The leaseback rent shall be RMB 110,402,800.00, and the lease term is from 13 December 2019 to 16 December 2022;

On 10 December 2019, the Company signed a “Finance Lease Contract” with Shanghai Yuansheng Financial Leasing Co., Ltd., which agreed that the Company would sell GRP sandy pipe and other assets to Shanghai Yuansheng Financial Leasing Co., Ltd. in the form of sale and leaseback. The financing principal is RMB 100 million, which shall be paid in 6 instalments over 3 years. The leaseback rent shall be RMB 110,402,800.00, and the lease term is from 13 December 2019 to 16 December 2022;

On 14 January 2020, the Company signed a “Finance Lease Contract” with BQD Financial Leasing Co., Ltd., which agreed that the Company would sell the sewage pipe network of Huancheng East Road and the sewage pipe network of Zhongda Street to BQD Financial Leasing Co., Ltd. in the form of sale and leaseback. The financing principal is RMB 100 million, which shall be paid in 16 instalments over 4 years. The leaseback rent shall be RMB 110,998,800.00, and the lease term is from 15 January 2020 to 15 January 2024;

On 28 May 2020, the Company signed a “Finance Lease Contract” with BQD Financial Leasing Co.,

Ltd., which agreed that the Company would sell the underground parking lot and ancillary facilities and other assets of Block 1 of Taoyuan Building to BQD Financial Leasing Co., Ltd. in the form of sale and leaseback. The financing principal is RMB 300 million, which shall be paid in 4 instalments over 2 years. The leaseback rent shall be RMB 336,198,800.00, and the lease term is from 29 May 2020 to 29 May 2022.

#### 27. Deferred income

Item	Opening balance	Increase	Decrease	Closing balance
Government grants	77,159,400.00			77,159,400.00
Total	77,159,400.00			77,159,400.00

##### (1) Details of government grants

Content of government grants	Amount of government grants	Amount recorded into the current profit and loss	Amount returned in current period	Reason for return in current period
Infrastructure supporting project of Sanmenwan Modern Fishery Park	77,159,400.00			
Total	77,159,400.00			

#### 28. Paid-in capital

Name of investor	Opening balance		Increase	Decrease	Closing balance	
	Investment amount	Proportion (%)			Investment amount	Proportion (%)
Ninghai Qicheng Industry Co., Ltd.	1,000,000,000.00	100.00			1,000,000,000.00	100.00
Total	1,000,000,000.00	100.00			1,000,000,000.00	100.00

#### 29. Capital reserve

Item	Opening balance	Increase	Decrease	Closing balance
Capital premium	2,378,273,370.19			2,378,273,370.19
Other capital reserve	8,229,526,371.29	31,950,000.00	361,260,834.90	7,900,215,536.39

Item	Opening balance	Increase	Decrease	Closing balance
Total	10,607,799,741.48	31,950,000.00	361,260,834.90	10,278,488,906.58

Note 1: The decrease of capital reserve in the current period was mainly due to the transfer of 51% equity of Ninghai Asset Management Co., Ltd. originally held by the Company, which resulted that the capital reserve recognized at the consolidated level with the amount of RMB 361,260,834.90 was transferred out;

Note 2: The increase of capital reserve in the current period was mainly due to the fact that the subsidiary Ninghai New Times Urban Construction Investment Co., Ltd. was allocated RMB 31,950,000.00 for the construction of supporting infrastructure for the transformation of shanty towns.

### 30. Surplus reserve

Item	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserve	234,039,315.33			234,039,315.33
Total	234,039,315.33			234,039,315.33

### 31. Retained earnings

Item	Jan.-Sep. 2020	2019
Opening balance of retained earnings before adjustments	2,794,795,470.70	2,549,044,315.35
Add: Changes in accounting policies		-27,000,093.04
Opening balance of retained earnings after adjustments	2,794,795,470.70	2,522,044,222.31
Increase for the current period	456,891,323.88	272,751,248.39
Including: Transferred-in from the net profit	456,891,323.88	272,751,248.39
Decrease for the current period		
Including: Accrual of surplus reserve for the current period		
Other decreases		
Closing balance of retained earnings	3,251,686,794.58	2,794,795,470.70

### 32. Operating revenue & Operating costs

Item	Jan.-Sep. 2020		Jan.-Sep. 2019	
	Revenue	Cost	Revenue	Cost
1. Sub-total of main business	1,415,329,300.69	1,131,497,807.27	1,655,244,578.98	1,147,193,709.11
Leasing income	26,222,229.08	12,752,013.68	59,098,361.83	12,463,057.83
Income from water and sewage treatment fees	145,256,660.45	102,916,871.38	157,745,537.97	99,903,488.43
Land development income	630,000,000.00	408,309,884.48	808,051,244.00	417,248,184.22
Sales revenue from demolition and resettlement housing	556,118,470.46	552,329,189.00	565,370,712.58	559,126,620.97
Sales revenue from limited-price housing	50,517,046.72	51,134,804.44	62,582,369.69	58,251,726.43
Other	7,214,893.98	4,055,044.29	2,396,352.91	200,631.23
2. Sub-total of other business	137,943,236.86	53,300,484.88	64,855,243.28	30,296,354.14
Pipeline installation business	46,085,480.73	33,313,333.81	42,111,660.93	29,884,457.53
Rental	17,773,465.04	353,422.72	22,579,073.00	207,811.50
Compensation for demolition of investment property	74,040,327.00	19,618,300.85		
Other	43,964.09	15,427.50	164,509.35	204,085.11
Total	1,553,272,537.55	1,184,798,292.15	1,720,099,822.26	1,177,490,063.25

### 33. Taxes and surcharges

Item	Jan.-Sep. 2020	Jan.-Sep. 2019
Urban maintenance & construction tax	838,899.82	1,989,390.33
Educational surcharge	1,164,075.83	1,987,843.64
Property tax	2,418,380.30	2,858,487.93
Land use tax	617,234.60	569,916.82

Item	Jan.-Sep. 2020	Jan.-Sep. 2019
Land value-added tax		60,002.13
Stamp duty	671,623.73	935,999.95
Employment security fund for the disabled	76,708.00	97,952.00
Total	5,786,922.28	8,499,592.80

#### 34. Financial costs

Item	Jan.-Sep. 2020	Jan.-Sep. 2019
Interest income (indicated with "-")	-31,452,016.38	-28,978,647.40
Interest expense	364,976,591.71	385,037,737.91
Service charge and others	1,371,212.43	843,941.32
Total	334,895,787.76	356,903,031.83

#### 35. Other income

##### (1) Category of other income

Item	Jan.-Sep. 2020	Jan.-Sep. 2019
Government grants	3,865,982.85	2,890,300.00
Total	3,865,982.85	2,890,300.00

##### (2) Government grants recorded into the current profit and loss

Item	Jan.-Sep. 2020	Jan.-Sep. 2019
Financial subsidy for Trusted Farmers Markets		180,000.00
Financial subsidy for Star-level Markets		180,000.00
Ecological forest land rent and maintenance fee subsidy	2,330,000.00	
Water conservancy project management and maintenance funds	50,000.00	224,000.00
Subsidy funds for agricultural industrialization		40,000.00
Award for Ninghai zero direct sewage discharge zone in 2017-2018		2,266,300.00

Item	Jan.-Sep. 2020	Jan.-Sep. 2019
Value-added tax refund upon collection	397,214.70	
Other	1,034,848.15	
Total	3,865,982.85	2,890,300.00

36. Investment income

Category	Jan.-Sep. 2020	Jan.-Sep. 2019
Long-term equity investment income under equity method	-4,157,842.34	21,563,189.00
Gain from disposal of long-term equity investments	485,981,444.47	622,337,020.12
Gain from disposal of available-for-sale financial assets	47,642,000.00	
Other	3,689,417.85	
Total	533,155,019.98	643,900,209.12

37. Gains from changes in fair value

Category	Jan.-Sep. 2020	Jan.-Sep. 2019
Investment property measured at fair value		-249,753,138.11
Total		-249,753,138.11

38. Impairment loss on assets

Item	Jan.-Sep. 2020	Jan.-Sep. 2019
Bad debts losses	3,066,859.98	10,027,430.01
Total	3,066,859.98	10,027,430.01

39. Gains from disposal of assets

Item	Jan.-Sep. 2020	Jan.-Sep. 2019
Gains from disposal of non-current assets (Loss: "-")	-14,576.19	-6,487.89

Item	Jan.-Sep. 2020	Jan.-Sep. 2019
Total	-14,576.19	-6,487.89

#### 40. Non-operating income

Item	Jan.-Sep. 2020	Jan.-Sep. 2019
Government grants		91,661.50
Penalties and compensations		22,000.00
Payments not required		190,297.38
Stall deposit confiscated	370,075.00	348,100.00
Liquidated damages and overdue fines	212,153.44	316,254.50
Other	566,012.41	496,520.77
Total	1,148,240.85	1,464,834.15

#### (1) Details of government grants

Item	Jan.-Sep. 2020	Jan.-Sep. 2019	Related to asset or income
Reconstruction of public toilets in Xidian Town Management Office		91,661.50	Income
Total		91,661.50	

#### 41. Non-operating expenses

Item	Jan.-Sep. 2020	Jan.-Sep. 2019
Penalty expenses	299,450.00	21,195.00
Tax overdue fine expenditures		377,605.81
Loss due to damage and scrap of non-current assets	21,760.25	159,073.32
Public welfare donation expenditures	2,095,400.00	1,538,800.00
Other	5,129,110.93	105,226.58
Total	7,545,721.18	2,201,900.71

#### 42. Income tax expenses

Item	Jan.-Sep. 2020	Jan.-Sep. 2019
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Item	Jan.-Sep. 2020	Jan.-Sep. 2019
Current income tax	2,458,171.05	4,757,547.46
Adjustments of deferred income tax	633,325.87	-52,300,395.36
Total	3,091,496.92	-47,542,847.90

43. Notes to relevant matters of the consolidated statement of cash flows

(1) Reconciliation between net profits and net cash flow generated from operations

Item	Jan.-Sep. 2020	Jan.-Sep. 2019
1. Reconciliation between net profit and net cash flows generated from operations:		
Net profit	459,689,570.87	509,595,560.93
Add: Impairment provision on assets	-3,066,859.98	-10,027,430.01
Depreciation of fixed assets, depletion of oil & gas assets and depreciation of bearer biological assets	52,220,960.99	65,492,530.63
Amortization of intangible assets	613,947.28	909,637.61
Amortization of long-term deferred expense	2,198,775.16	1,624,033.85
Loss from disposals of fixed assets, intangible asset and other long-term assets (gain: "-")	14,576.19	6,487.89
Loss from scrapping of fixed assets (gain: "-")	21,760.25	166,991.77
Loss from changes in fair value (gain: "-")		249,753,138.11
Financial cost (income: "-")	364,976,591.71	385,037,737.91
Investment loss (gain: "-")	-533,155,019.98	-643,900,209.12
Decrease in deferred tax assets (increase: "-")	769,873.09	3,156,502.83
Increase in deferred tax liabilities (decrease: "-")	439,127.27	-55,457,393.19
Decrease in inventory (increase: "-")	678,901,376.04	167,843,646.48
Decrease in receivables from operating activities (increase: "-")	-2,615,447,354.09	-278,072,325.10
Increase in payables from operating activities (decrease: "-")	1,698,168,794.47	-2,598,251,762.56
Other		
Net cash flows generated from operating activities	106,346,119.27	-2,202,122,851.97
2. Significant investing and financing activities without involvement of cash receipts and payments		

Item	Jan.-Sep. 2020	Jan.-Sep. 2019
Debts converted to capital		
Convertible debts mature within one year		
Fixed assets acquired under finance leases		
3. Change of cash and cash equivalents:		
Closing balance of cash	2,609,900,421.44	1,230,937,169.97
Less: Opening balance of cash	1,125,135,526.19	1,123,649,071.50
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
The net increase in cash and cash equivalents	1,484,764,895.25	107,288,098.47

(2) Composition of cash and cash equivalents

Item	Jan.-Sep. 2020	Jan.-Sep. 2019
I. Cash	2,609,900,421.44	1,230,937,169.97
Including: Cash on hand	8,068.01	30,796.86
Bank deposits available for immediate payments	2,609,892,353.43	1,230,906,373.11
Other monetary funds available for immediate payments		
II. Cash equivalents		
Including: Bonds investment due within three months		
III. Closing balance of cash and cash equivalents	2,609,900,421.44	1,230,937,169.97
Including: Restricted cash and cash equivalents from the parent company or subsidiaries in the Group		

(3) Other cash receipts relating to operating activities

Item	Jan.-Sep. 2020
Other cash receipts relating to operating activities	2,860,131,425.80
Including: Items with significant amounts	
Ninghai Hengsheng Construction Co., Ltd.	676,718,568.23
Ninghai Yuelong Weimin New Countryside Construction Co., Ltd.	387,066,362.94
Ninghai Construction Investment Group Co., Ltd.	379,707,064.72
Ninghai Transportation Group Co., Ltd.	362,644,534.21

Item	Jan.-Sep. 2020
Ninghai Technology Innovation Group Co., Ltd.	200,000,000.00
Ninghai Economic Development Zone Xinxing Industrial Park Co., Ltd.	153,900,000.00
Ninghai Jingyuan Water Treatment Investment Co., Ltd.	153,749,595.70
Ninghai County Xidian New City Construction Headquarters	130,000,000.00
Ninghai Xiayangtu Agricultural Development Co., Ltd.	92,000,000.00
Ninghai Pengkai Construction Co., Ltd.	91,338,720.00
Ninghai Goubei Mining Co., Ltd.	68,000,000.00
Shanghai Everbright Securities Asset Management Co., Ltd.	60,706,280.00
Ninghai Shenzhen Longgong Tourism Development Co., Ltd.	54,300,300.00
Ninghai State-owned Assets Investment Holding Group Co., Ltd.	50,000,000.00

(Continued)

Item	Jan.-Sep. 2019
Other cash receipts relating to operating activities	3,297,411,828.97
Including: Items with significant amounts	
Ninghai Housing and Urban-Rural Development Bureau	1,713,937,470.51
Ninghai Hengsheng Construction Co., Ltd.	394,296,266.53
Ninghai Xidian Park Construction Co., Ltd.	272,103,635.39
Ninghai Municipal State-owned Assets Supervision and Administration Center	175,821,686.26
Ninghai Construction Investment Group Co., Ltd.	164,572,770.28
Ninghai Shenzhen Asset Management Co., Ltd.	160,000,000.00
Ninghai Logistics Center Co., Ltd.	130,000,000.00
Ninghai Pengkai Construction Co., Ltd.	100,000,000.00
Ninghai Shuangpantu Aquaculture Co., Ltd.	70,000,000.00
Ninghai Shenzhen Longgong Tourism Development Co., Ltd.	63,680,000.00
Ninghai Xidian New City Development Investment Co., Ltd.	53,000,000.00

(4) Other cash payments relating to operating activities

Item	Jan.-Sep. 2020
Other cash payments relating to operating activities	4,013,075,371.15
Including: Items with significant amounts	

Item	Jan.-Sep. 2020
Ninghai Pengkai Construction Co., Ltd.	825,290,422.82
Ninghai Jingyuan Water Treatment Investment Co., Ltd.	675,000,000.00
Ninghai Qidi Construction Co., Ltd.	564,320,600.00
Ninghai Goudong Enterprise Resettlement Zone Construction Investment Co., Ltd.	557,784,333.33
Ninghai Yuelong Weimin New Countryside Construction Co., Ltd.	256,977,610.00
Ninghai Construction Investment Group Co., Ltd.	289,167,070.48
Ninghai Xidian Park Construction Co., Ltd.	231,698,017.61
Ninghai Logistics Park Development Investment Co., Ltd.	153,900,000.00
Ninghai Transportation Service Management Co., Ltd.	121,286,699.10
Ninghai Drainage Co., Ltd.	119,550,617.81
Ninghai Hot Spring Tourism Development Co., Ltd.	84,100,000.00
Ninghai Water Conservancy Investment Co., Ltd.	80,000,000.00
Ninghai Shuangpantu Aquaculture Co., Ltd.	54,000,000.00

(Continued)

Item	Jan.-Sep. 2019
Other cash payments relating to operating activities	5,621,018,152.28
Including: Items with significant amounts	
Ninghai Pengkai Construction Co., Ltd.	1,723,538,230.57
Ninghai Yuelong Weimin New Countryside Construction Co., Ltd.	1,316,590,265.23
Ninghai Goudong Enterprise Resettlement Zone Construction Investment Co., Ltd.	1,007,998,073.74
Ninghai Hengsheng Construction Co., Ltd.	779,921,376.42
Ninghai Hot Spring Tourism Development Co., Ltd.	205,030,000.00
Ninghai Municipal State-owned Assets Supervision and Administration Center	186,600,000.00
Ninghai Construction Investment Group Co., Ltd.	137,466,829.28
Ninghai Xidian Park Construction Co., Ltd.	103,873,377.04
Ninghai Jingyuan Water Treatment Investment Co., Ltd.	100,000,000.00
Ninghai Fangda City Construction Investment Co., Ltd.	60,000,000.00

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(5) Other cash receipts relating to investing activities

Item	Jan.-Sep. 2020	Jan.-Sep. 2019
Other cash receipts relating to investing activities		940,486.99
Including: Project performance bond		940,486.99

(6) Other cash payments relating to investing activities

Item	Jan.-Sep. 2020	Jan.-Sep. 2019
Other cash payments relating to investing activities	231,490,648.63	761,801.30
Including: Project performance bond		761,801.30
Other	231,490,648.63	

Note: "Other" refers to the negative amounts of net cash received from the disposal of subsidiaries in the current period, which shall be reclassified to other cash payments relating to investing activities.

(7) Other cash receipts relating to financing activities

Item	Jan.-Sep. 2020	Jan.-Sep. 2019
Other cash receipts relating to financing activities	2,893,542,516.67	3,466,875,509.58
Including: Pledged certificates of deposit	809,232,516.67	634,302,964.44
Security deposits	163,110,000.00	
Structured deposits	303,700,000.00	121,618,000.00
Finance lease loans	503,500,000.00	1,058,000,000.00
Current accounts of loans	1,114,000,000.00	1,652,954,545.14

(8) Other cash payments relating to financing activities

Item	Jan.-Sep. 2020	Jan.-Sep. 2019
Other cash payments relating to financing activities	3,964,110,478.36	2,445,900,424.40
Including: Pledged certificates of deposit	743,932,516.67	725,002,964.44
Security deposits	299,830,000.00	197,347,000.00
Finance lease loans	609,241,361.69	422,103,470.38
Structured deposits		104,618,000.00
Current accounts of loans	2,311,106,600.00	996,828,989.58

## IX Contingencies

### 1. Guarantees

Guarantor	Guaranteed party (borrower)	Balance of guaranteed loans	Current status of the guaranteed party
I. Credit guarantees between companies within the scope of consolidation			
The Company	Ninghai Water Affairs Group Co., Ltd.	990,465,765.43	Normal operation
The Company	Ninghai Landscaping Investment Development Co., Ltd.	1,041,900,000.00	Normal operation
Ninghai Water Affairs Group Co., Ltd.	Ninghai Water Supply Co., Ltd.	120,000,000.00	Normal operation
Ninghai Water Affairs Group Co., Ltd.	The Company	430,000,000.00	Normal operation
II. Mortgage guarantees between companies within the scope of consolidation			
The Company	Ninghai Water Affairs Group Co., Ltd.	77,000,000.00	Normal operation
III. Guarantees for other companies outside the scope of consolidation			
The Company	Ningbo Southern Coastal Development Zone Urban Construction Investment Co., Ltd.	710,000,000.00	Normal operation
The Company	Ninghai Pengkai Construction Co., Ltd.	1,562,076,700.00	Normal operation
The Company	Ninghai Yuelong Weimin New Countryside Construction Co., Ltd.	2,866,193,400.00	Normal operation
The Company	Ninghai Hengsheng Construction Co., Ltd.	1,870,200,000.00	Normal operation
The Company	Ninghai Taoyuan Zhuhai New Countryside Construction Co., Ltd.	360,000,000.00	Normal operation
The Company	Ninghai Xidian Park Construction Co., Ltd.	509,969,000.00	Normal operation

Guarantor	Guaranteed party (borrower)	Balance of guaranteed loans	Current status of the guaranteed party
The Company	Ninghai Ningdong New City Development Investment Co., Ltd.	590,633,400.00	Normal operation
The Company	Ninghai Science and Technology Industrial Park Development Co., Ltd.	388,977,600.00	Normal operation
The Company	Ninghai Transportation Group Co., Ltd.	756,209,400.00	Normal operation
The Company	Ninghai Goudong Enterprise Resettlement Zone Construction Investment Co., Ltd.	444,250,000.00	Normal operation
The Company	Ninghai Nanxi Hot Spring Investment Development Co., Ltd.	80,000,000.00	Normal operation
The Company	Ninghai Cultural Tourism Group Co., Ltd.	408,000,000.00	Normal operation
The Company	Ninghai Jianlong Urban Development and Construction Investment Co., Ltd.	53,000,000.00	Normal operation
The Company	Ninghai Chalu Tourism Development Co., Ltd.	20,000,000.00	Normal operation
The Company	Ninghai Logistics Center Co., Ltd.	200,000,000.00	Normal operation
Ninghai Urban Construction Real Estate Development Co., Ltd.	Ninghai Hengsheng Construction Co., Ltd.	256,000,000.00	Normal operation
Ninghai Transportation Industrial Development Co., Ltd.	Ninghai Transportation Service Management Co., Ltd.	570,650,000.00	Normal operation
Ninghai Transportation Industrial Development Co., Ltd.	Ninghai Transportation Group Co., Ltd.	189,000,000.00	Normal operation
Ninghai Transportation Industrial Development Co., Ltd.	Ninghai Public Transportation Co., Ltd.	49,800,000.00	Normal operation
Ninghai Transportation Industrial Development Co., Ltd.	Ninghai Hu Chen Dongshan Tourism Development Co., Ltd.	20,000,000.00	Normal operation



Guarantor	Guaranteed party (borrower)	Balance of guaranteed loans	Current status of the guaranteed party
Ninghai Transportation Industrial Development Co., Ltd.	Ningbo Bohui Highway Maintenance Engineering Co., Ltd.	17,700,000.00	Normal operation
Ninghai New Times Urban Construction Investment Co., Ltd.	Ninghai Taoyuan Zhuhai New Countryside Construction Co., Ltd.	220,000,000.00	Normal operation
Ninghai Landscaping Investment Development Co., Ltd.	Ninghai Hengsheng Construction Co., Ltd.	118,000,000.00	Normal operation
Ninghai Water Affairs Group Co., Ltd.	Ninghai Xidian New City Development Investment Co., Ltd.	60,000,000.00	Normal operation
Ninghai Water Affairs Group Co., Ltd.	Ninghai Drainage Co., Ltd.	50,000,000.00	Normal operation
Ninghai Water Affairs Group Co., Ltd.	Ninghai Xinghai Sewage Treatment Co., Ltd.	28,000,000.00	Normal operation
Ninghai Water Affairs Group Co., Ltd. and the Company	Ninghai Drainage Co., Ltd.	68,751,700.00	Normal operation
Ninghai Water Affairs Group Co., Ltd.	Ninghai Jingyuan Water Treatment Investment Co., Ltd.	395,000,000.00	Normal operation
Ninghai Water Affairs Group Co., Ltd.	Ninghai Goubai Mining Co., Ltd.	80,000,000.00	Normal operation
Ninghai Water Affairs Group Co., Ltd.	Ninghai Commercial Trading Group Co., Ltd.	203,330,000.00	Normal operation

### **X Commitments**

As of 30 September 2020, there were no significant commitments that need to be disclosed.

### **XI Non-adjusted events after the balance sheet date**

As of 30 September 2020, there were no non-adjusted events after the balance sheet date that need to be disclosed.

### **XII Other significant events**

#### 1. Details of asset pledges and mortgages

(1) Details of pledges of bank deposit certificates or other rights used by the Company for bank

borrowings are as follows:

Pledgor	Usage of loan	Guaranteed loan amount (RMB)	Pledge	Net book value of pledge (RMB)
Ninghai New Times Urban Construction Investment Co., Ltd.	Working capital loan	13,300,000.00	Certificate of deposit	14,000,000.00
Ninghai New Times Urban Construction Investment Co., Ltd.	Working capital loan	47,500,000.00	Certificate of deposit	50,000,000.00
Ninghai New Times Urban Construction Investment Co., Ltd.	Working capital loan	38,000,000.00	Certificate of deposit	40,000,000.00
Ninghai New Times Urban Construction Investment Co., Ltd.	Working capital loan	30,000,000.00	Certificate of deposit	30,000,000.00
Ninghai New Times Urban Construction Investment Co., Ltd.	Working capital loan	18,500,000.00	Certificate of deposit	19,500,000.00
Ninghai Landscaping Investment Development Co., Ltd.	Discount of commercial bills	98,270,000.00	Security deposit	98,270,000.00
Ninghai Landscaping Investment Development Co., Ltd.	Discount of commercial bills	41,390,000.00	Security deposit	41,390,000.00
Ninghai Landscaping Investment Development Co., Ltd.	Discount of commercial bills	46,890,000.00	Security deposit	46,890,000.00
Ninghai Landscaping Investment Development Co., Ltd.	Discount of commercial bills	45,000,000.00	Security deposit	45,000,000.00
Ninghai Landscaping Investment Development Co., Ltd.	Discount of commercial bills	95,880,000.00	Security deposit	68,280,000.00
Ninghai Landscaping Investment Development Co., Ltd.	Working capital loan	171,000,000.00	Certificate of deposit	180,000,000.00
Ninghai Landscaping Investment Development Co., Ltd.	Working capital loan	57,000,000.00	Certificate of deposit	60,000,000.00

Pledgor	Usage of loan	Guaranteed loan amount (RMB)	Pledge	Net book value of pledge (RMB)
Ltd.				
Ninghai Landscaping Investment Development Co., Ltd.	Discount of commercial bills	90,000,000.00	Certificate of deposit	90,000,000.00
Ninghai Urban Construction Real Estate Development Co., Ltd.	Working capital loan	66,500,000.00	Certificate of deposit	70,000,000.00
Ninghai Urban Construction Real Estate Development Co., Ltd.	Working capital loan	44,000,000.00	Certificate of deposit	44,000,000.00
Ninghai Urban Construction Real Estate Development Co., Ltd.	Working capital loan	22,800,000.00	Certificate of deposit	24,000,000.00
Ninghai Transportation Industrial Development Co., Ltd.	Turnover of working capital	20,000,000.00	Certificate of deposit	20,000,000.00
The Company	Loan for fixed assets	50,000,000.00	Certificate of deposit	50,000,000.00
The Company	Daily production and operation turnover	41,200,000.00	Security deposit	43,000,000.00
The Company	Working capital loan	149,000,000.00	Security deposit	6,500,000.00
The Company	Working capital loan	23,700,000.00	Certificate of deposit	25,000,000.00
Ninghai Water Affairs Group Co., Ltd.	Performance bond for wages of migrant workers	N/A	Security deposit	1,000,000.00
Ninghai Water Affairs Group Co., Ltd.	Working capital loan	14,250,000.00	Certificate of deposit	15,000,000.00
Total		1,224,180,000.00		1,081,830,000.00

(2) Details of mortgages of inventory (land assets and attachments), fixed assets and other non-current assets are as follows:

Borrower	Usage of loan	Guaranteed amount (RMB)	Mortgage
The Company	Required to	450,000,000.00	Zhe (2018) Ninghai Real Estate Right

Borrower	Usage of loan	Guaranteed amount (RMB)	Mortgage
The Company	supplement working capital Working capital loan	0.00	No. 0013175 Zhe (2018) Ninghai Real Estate Right No. 0016019 Zhe (2018) Ninghai Real Estate Right No. 0014204
The Company	Purchase of stone stripes and cement, etc.	100,000,000.00	Ning Real Estate Right Certificate Ninghai Zi No. X0123483 Ning Guo Yong (2015) No. 05756 Ning Real Estate Right Certificate Ninghai Zi No. X0123482 Ning Guo Yong (2015) No. 05755
The Company	Working capital loan	400,000,000.00	151 real estates including Zhe (2018) Ninghai Real Estate Right No. 0005901, etc.
The Company	Working capital loan	170,917,737.97	17 real estates including Zhe (2018) Ninghai Real Estate Right No. 0017620, etc.
Ninghai Water Affairs Group Co., Ltd.	Working capital loan	77,000,000.00	Ning Real Estate Right Certificate Ninghai Zi No. X0123003 Ning Guo Yong (2015) No. 05595 Ning Real Estate Right Certificate Ninghai Zi No. X0123002 Ning Guo Yong (2015) No. 05593 Ning Real Estate Right Certificate Ninghai Zi No. X0123004 Ning Guo Yong (2015) No. 05594 Ning Real Estate Right Certificate Ninghai Zi No. X0123001 Ning Guo Yong (2015) No. 05596 Ning Real Estate Right Certificate Ninghai Zi No. X0123005 Ning Guo Yong (2015) No. 05598 Ning Guo Yong (2015) No. 05599
Ninghai Urban Construction Real Estate Development Co., Ltd.	Loan for fixed assets	47,000,000.00	10 real estates in Financial Center including Ning Real Estate Right Certificate Ninghai Zi No. X0099491, Ning Guo Yong (2015) No. 04668, etc.

Borrower	Usage of loan	Guaranteed amount (RMB)	Mortgage
Ninghai Yuelong Weimin New Countryside Construction Co., Ltd.	Working capital loan	50,400,000.00	Ning Real Estate Right Certificate Ninghai Zi No. X0075586 Ning Guo Yong (2010) No. 01898 Ning Real Estate Right Certificate Ninghai Zi No. X0096925 Ning Guo Yong (2010) No. 04519

### XIII Related party relationships and transactions

#### 1. The parent company of the Company

Name of the parent company	Type of enterprise	Registration address	Nature of business	Contributed capital (RMB'0,000)	The parent company's shareholding	The parent company's voting right
Ninghai Qicheng Industry Co., Ltd.	Limited liability company (wholly state-owned)	Ninghai	State-owned asset management, urban construction and development	100,000.00	100.00%	100.00%

Note: The ultimate controller of the Company is Ninghai Municipal State-owned Assets Supervision and Administration Center.

2. Information of secondary subsidiaries of the Company

Name	Registration address	Unified social credit code	Nature of business	Registered capital (RMB'0,000)	The Company's total shareholding ratio	The Company's total voting rights ratio
Ninghai New Times Urban Construction Investment Co., Ltd.	Ninghai	913302266810744423	Urban construction investment and development, old village demolition and reconstruction and property management services	17,000.00	100.00%	100.00%
Ninghai Hot Spring Investment Co., Ltd.	Ninghai	91330226577531201G	Investment in the development of tourist attractions and industrial investment	3,300.00	60.00%	60.00%
Ninghai Landscaping Investment Development Co., Ltd.	Ninghai	91330226736994984G	Investment, equity participation; flower, tree planting, landscaping project construction and green space maintenance	1,990.00	100.00%	100.00%
Ninghai She Pan Tu Ocean Development Co., Ltd.	Ninghai	913302267532806257	Tidal flat reclamation, agricultural development and mariculture	8,000.00	97.50%	97.50%
Ninghai Water Affairs Group Co., Ltd.	Ninghai	91330226761488725H	Investment, equity participation, operation and management, technical consultation and technical service of water production, water supply, drainage and sewage treatment facilities; centralized water supply	6,000.00	100.00%	100.00%
Ninghai Urban Construction Real Estate Development Co., Ltd.	Ninghai	91330226684253454B	Real estate development and operation, industrial investment and property management	20,000.00	100.00%	100.00%

Name	Registration address	Unified social credit code	Nature of business	Registered capital (RMB'0,000)	The Company's total shareholding ratio	The Company's total voting rights ratio
Ninghai Transportation Industrial Development Co., Ltd.	Ninghai	91330226704894348H	Investment, development and construction of roads, bridges, tunnels and other transportation infrastructure	10,000.00	100.00%	100.00%
Ninghai Xinsha Construction Investment Development Co., Ltd.	Ninghai	91330226691391388P	Investment, development and operation of construction projects, investment and equity participation in old village reconstruction and urban construction related projects	2,000.00	100.00%	100.00%
Ninghai Investment Property Management Co., Ltd.	Ninghai	91330226MA282GM456	Entrusted operation and management of state-owned assets of the Company	1,000.00	100.00%	100.00%



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### 3. Information about the Company's joint ventures and associates

Information about the Company's joint ventures and associates refer to Note VIII 8.

### 4. The nature of related party relationships that do not have a controlling relationship

There were no related party relationships that do not have a controlling relationship in the reporting period.

### 5. Other related parties

Name	Relationship with the Company
Ninghai Technology Innovation Group Co., Ltd.	Controlled by the same party
Ninghai Science and Technology Industrial Park Development Co., Ltd.	Controlled by the same party
Ninghai Economic Development Zone Xinxing Industrial Park Co., Ltd.	Controlled by the same party
Ninghai Lingang Economic Development Co., Ltd.	Controlled by the same party
Ninghai Ninghaiwan Tourism Development Co., Ltd.	Controlled by the same party
Ninghai Tourism Group Co., Ltd.	Controlled by the same party
Ninghai Cultural Tourism Group Co., Ltd.	Controlled by the same party
Ningbo Bohui Highway Maintenance Engineering Co., Ltd.	Controlled by the same party

### 6. Related party transactions

#### ① Sales of goods or rendering of services

There were no significant sales of goods or rendering of services to related parties in the reporting period.

#### ② Purchase of goods or services

There were no significant purchases of goods or services from related parties in the reporting period.

#### ③ Unsettled project funds

There were no significant unsettled project funds in the reporting period.

### 7. Current accounts with related parties

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(1) Balance of receivables or payables due from / to related parties

Item	Closing balance	Opening balance
Other receivables:		
Ninghai Municipal State-owned Assets Supervision and Administration Center	1,148,450,607.89	917,883,894.89
Ninghai Goudong Enterprise Resettlement Zone Construction Investment Co., Ltd.	685,870,251.69	128,085,918.36
Ninghai Technology Innovation Group Co., Ltd.	337,003,058.90	373,954,838.74
Ninghai Science and Technology Industrial Park Development Co., Ltd.	134,012,000.00	30,000,000.00
Ninghai Asset Management Co., Ltd.	10,000,000.00	
Ninghai Economic Development Zone Xinxing Industrial Park Co., Ltd.	160,000.00	19,490,000.00
Ninghai Lingang Economic Development Co., Ltd.	178,384.10	40,000,000.00
Ninghai Qicheng Industry Co., Ltd.	400.00	
Ninghai Ninghaiwan Tourism Development Co., Ltd.		85,000,000.00
Ninghai Tourism Group Co., Ltd.		80,000,000.00
Other payables:		
Ninghai Technology Innovation Group Co., Ltd.	200,000,000.00	
Ninghai Cultural Tourism Group Co., Ltd.	83,393,400.00	
Ninghai Economic Development Zone Xinxing Industrial Park Co., Ltd.	34,000,000.00	27,000,000.00
Ninghai Lingang Economic Development Co., Ltd.	40,000,000.00	
Ninghai Asset Management Co., Ltd.	2,000,000.00	
Ningbo Bohui Highway Maintenance Engineering Co., Ltd.		124,002.00

**XIV Notes to the financial statements of the parent company**

1. Other receivables

Item	Closing balance	Opening balance
Interests receivable		
Dividends receivables		
Other receivables	5,376,632,493.15	2,990,133,843.23
Total	5,376,632,493.15	2,990,133,843.23

(1) Other receivables disclosed by category

Category	Closing balance				
	Amount	Proportion (%)	Bad debt provision	Provision (%)	Net amount
Other receivables that are individually significant in amount and provided for bad debt separately					
Other receivables provided for bad debt according to the portfolio					
Including: Portfolio 1	5,290,646,426.10	98.32			5,290,646,426.10
Portfolio 2	90,511,649.53	1.68	4,525,582.48	5.00	85,986,067.05
Sub-total	5,381,158,075.63	100.00	4,525,582.48	0.08	5,376,632,493.15
Other receivables that are individually insignificant in amount but provided for bad debt separately					
Total	5,381,158,075.63	100.00	4,525,582.48	0.08	5,376,632,493.15

(Continued)

Category	Opening balance				
	Amount	Proportion (%)	Bad debt provision	Provision (%)	Net amount

Category	Opening balance				
	Amount	Proportion (%)	Bad debt provision	Provision (%)	Net amount
Other receivables that are individually significant in amount and provided for bad debt separately					
Other receivables provided for bad debt according to the portfolio					
Including: Portfolio 1	2,885,810,514.97	96.33			2,885,810,514.97
Portfolio 2	109,814,029.75	3.67	5,490,701.49	5.00	104,323,328.26
Sub-total	2,995,624,544.72	100.00	5,490,701.49	0.18	2,990,133,843.23
Other receivables that are individually insignificant in amount but provided for bad debt separately					
Total	2,995,624,544.72	100.00	5,490,701.49	0.18	2,990,133,843.23

2. Long-term equity investment

(1) The category of long-term equity investment

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
I. Subsidiaries	785,971,116.71		785,971,116.71	934,079,596.82		934,079,596.82
II. Associates	1,674,463,027.75		1,674,463,027.75	1,395,437,912.09		1,395,437,912.09
Total	2,460,434,144.46		2,460,434,144.46	2,329,517,508.91		2,329,517,508.91

(2) Details of long-term equity investment

Investee	Opening balance	Changes in the current period				Closing balance
		Increase of investment	Decrease of investment	Investment income / loss under equity method	Other changes in equity	
I. Subsidiaries						
Ninghai Urban Construction Real Estate Development Co., Ltd.	200,000,000.00					200,000,000.00
Ninghai Landscaping Investment Development Co., Ltd.	19,900,000.00					19,900,000.00
Ninghai Investment Property	10,000,000.00					10,000,000.00

Investee	Opening balance	Changes in the current period					Closing balance
		Increase of investment	Decrease of investment	Investment income / loss under equity method	Other changes in equity	Other	
Management Co., Ltd.	209,241,496.81						209,241,496.81
Ninghai Transportation Industrial Development Co., Ltd.	59,029,619.90						59,029,619.90
Ninghai Water Affairs Group Co., Ltd.	146,108,480.11		74,515,324.86			-71,593,155.25	
Ninghai Asset Management Co., Ltd.	170,000,000.00						170,000,000.00
Ninghai New Times Urban Construction Investment Co., Ltd.	78,000,000.00						78,000,000.00
Ninghai She Pan Tu Ocean Development Co., Ltd.	2,000,000.00					-2,000,000.00	
Ninghai Property Rights Exchange Center Co., Ltd.	20,000,000.00						20,000,000.00
Ninghai Xinsha Construction Investment Development Co., Ltd.	19,800,000.00						19,800,000.00
Sub-total	934,079,596.82		74,515,324.86			-73,593,155.25	785,971,116.71

Investee	Opening balance	Changes in the current period					Closing balance
		Increase of investment	Decrease of investment	Investment income / loss under equity method	Other changes in equity	Other	
II. Associates							
Ninghai Science and Technology Industrial Park Development Co., Ltd.	1,322,589,256.09			-6,880,805.57			1,315,708,450.52
Ninghai Goudong Enterprise Resettlement Zone Construction Investment Co., Ltd.	17,481,592.69			-10,439,931.27			7,041,661.42
Ninghai Xintan Urban Construction Investment Development Co., Ltd.	5,332,140.97						5,332,140.97
Ninghai Natural Gas Co., Ltd.	10,105,043.03			722,858.14			10,827,901.17
Ningbo Tiehan Municipal Construction Co., Ltd.	39,929,879.31						39,929,879.31
Ninghai Asset Management Co., Ltd.				11,850,323.26		279,171,939.94	291,022,263.20
Ninghai Property Rights Exchange Center Co., Ltd.				589,713.10		4,011,018.06	4,600,731.16
Sub-total	1,395,437,912.09			-4,157,842.34		283,182,958.00	1,674,463,027.75
Total	2,329,517,508.91		74,515,324.86	-4,157,842.34		209,589,802.75	2,460,434,144.46



Note: “Other” in the “Changes in the current period” was mainly due to the adjustment of the cost method to the equity method for accounting of Ninghai Asset Management Co., Ltd. and Ninghai Property Rights Exchange Center Co., Ltd. after the Company transferred part of the equity of Ninghai Asset Management Co., Ltd., and details refer to Note VIII 8 “Long-term equity investment”.

### 3. Operating revenue & Operating costs

Item	Jan.-Sep. 2020		Jan.-Sep. 2019	
	Revenue	Cost	Revenue	Cost
Sub-total of main business	586,104,043.94	479,359,691.32	752,100,475.57	641,270,111.61
Sales revenue from demolition and resettlement housing	205,586,997.22	229,915,002.40	185,017,461.88	185,705,110.34
Revenue from land development	330,000,000.00	198,309,884.48	504,500,644.00	397,313,274.84
Sales revenue from price-limited housing			62,582,369.69	58,251,726.43
Other	50,517,046.72	51,134,804.44		
Sub-total of other business	88,754,169.94	19,736,840.85	17,889,876.57	207,811.50
Housing rent	14,713,842.94	118,540.00	17,889,876.57	207,811.50
Compensation for demolition of investment property	74,040,327.00	19,618,300.85		
Total	674,858,213.88	499,096,532.17	769,990,352.14	641,477,923.11

### 4. Investment income

Category	Jan.-Sep. 2020	Jan.-Sep. 2019
Long-term equity investment income under equity method	-4,157,842.34	21,563,189.00
Gain from disposal of long-term equity investments	216,051,388.14	156,500,000.00
Gain from disposal of available-for-sale financial assets	47,642,000.00	

Category	Jan.-Sep. 2020	Jan.-Sep. 2019
Total	259,535,545.80	178,063,189.00

5. Schedule of statement of cash flows

Item	Jan.-Sep. 2020	Jan.-Sep. 2019
1. Reconciliation between net profit and net cash flows generated from operating activities:		
Net profit	168,232,320.02	-83,468,956.06
Add: Impairment provision on assets	-2,082,327.11	-6,450,744.42
Depreciation of fixed assets, depletion of oil & gas assets and depreciation of bearer biological assets	1,280,700.32	1,252,367.73
Amortization of intangible assets		40,668.64
Amortization of long-term deferred expense	138,788.80	
Loss from disposals of fixed assets, intangible asset and other long-term assets (gain: "-")		
Loss from scrapping of fixed assets (gain: "-")		133,040.75
Loss from changes in fair value (gain: "-")		249,744,840.47
Financial cost (income: "-")	259,171,176.31	188,857,068.27
Investment loss (gain: "-")	-259,535,545.80	-178,063,189.00
Decrease in deferred tax assets (increase: "-")	520,581.78	1,612,686.11
Increase in deferred tax liabilities (decrease: "-")		-56,228,149.11
Decrease in inventory (increase: "-")	310,996,263.69	101,208,577.08
Decrease in receivables from operating activities (increase: "-")	-1,904,268,212.56	-1,117,670,915.77
Increase in payables from operating activities (decrease: "-")	435,841,760.03	-2,371,081,584.46
Other		
Net cash flows generated from operating activities	-989,704,494.52	-3,270,114,289.77
2. Significant investing and financing activities without involvement of cash receipts and payments		
Debts converted to capital		
Convertible debts mature within one year		

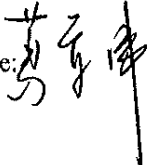


Item	Jan.-Sep. 2020	Jan.-Sep. 2019
3. Change of cash and cash equivalents:		
Closing balance of cash	1,818,566,622.67	455,617,588.85
Less: Opening balance of cash	414,167,284.47	455,395,561.78
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
The net increase in cash and cash equivalents	1,404,399,338.20	222,027.07

(2) Composition of cash and cash equivalents

Item	Jan.-Sep. 2020	Jan.-Sep. 2019
I. Cash	1,818,566,622.67	455,617,588.85
Including: Cash on hand	20.66	21.26
Bank deposits available for immediate payments	1,818,566,602.01	455,617,567.59
Other monetary funds available for immediate payments		
II. Cash equivalents		
Including: Bonds investment due within three months		
III. Closing balance of cash and cash equivalents	1,818,566,622.67	455,617,588.85
Including: Restricted cash and cash equivalents		

XV Other significant events that need to be explained

As of 30 September 2020, there were no other significant events that need to be explained.

Legal Representative:  Chief Financial Officer:  Chief Accountant: 

中审众环会计师事务所（特殊普通合伙）

Mazars Certified Public Accountants LLP

**NINGHAI CITY INVESTMENT  
GROUP LTD.**

**AUDITORS' REPORT**

**31 December 2019**



M A Z A R S  
中 审 众 环

中审众环会计师事务所(特殊普通合伙)  
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电话 Tel: 027-86791215  
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## AUDITORS' REPORT

ZHSZ (2020) No. 011422

To shareholders of Ninghai City Investment Group Ltd.:

### Opinion

We have audited the accompanying financial statements of Ninghai City Investment Group Ltd. (hereinafter refer to as "the Company"), which comprise the consolidated and parent company balance sheets as at 31 December 2019, and the consolidated and parent company income statements, the consolidated and parent company statements of cash flows and changes in owners' equity for the year then ended, and notes to the financial statements.

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

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



## Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose to expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we concluded that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



M A Z A R S  
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- 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 representation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Mazars Certified Public Accountants LLP



Wuhan, the People's Republic of China

Certified Public Accountant

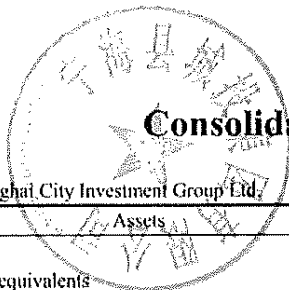


Certified Public Accountant



27 April 2020





## Consolidated Balance Sheet (Assets)

Consol. No. 1

Prepared by Ninghai City Investment Group Ltd.

RMB

Assets	Note	31 Dec. 2019	31 Dec. 2018
<b>Current assets:</b>			
Cash and cash equivalents	VIII 1	2,559,596,610.53	2,308,299,919.06
Financial assets at fair value through profit or loss			
Notes receivable			
Accounts receivable	VIII 2	64,645,336.72	248,655,472.88
Prepayment	VIII 3	776,970,658.94	898,657,347.23
Other receivables	VIII 4	7,009,136,887.17	6,884,545,301.16
Inventory	VIII 5	21,979,186,396.72	22,105,827,474.65
Held-for-sale assets			
Non-current assets due within one year			
Other current assets	VIII 6	113,011,716.66	109,233,901.10
Total current assets		32,502,547,606.74	32,555,219,416.08
<b>Non-current assets:</b>			
Available-for-sale financial assets	VIII 7	188,417,325.00	188,367,325.00
Held-to-maturity investment			
Long-term receivables			
Long-term equity investment	VIII 8	1,406,080,633.65	1,347,385,032.43
Investment property	VIII 9	2,183,023,139.98	523,431,314.50
Fixed assets	VIII 10	1,093,668,657.47	1,579,748,487.41
Construction in progress	VIII 11	1,637,950,636.77	953,084,779.84
Bearer biological assets			
Oil and gas assets			
Intangible assets	VIII 12	27,768,986.72	39,181,599.89
Development expenditure			
Goodwill			
Long-term deferred expenses	VIII 13	7,480,927.77	10,065,477.06
Deferred tax assets	VIII 14	3,193,637.08	5,131,542.01
Other non-current assets	VIII 15	4,046,855,176.62	5,850,914,807.79
Total non-current assets		10,594,439,121.06	10,497,310,365.93
Total assets		43,096,986,727.80	43,052,529,782.01

Legal Representative:

Chief Financial Officer:

Chief Accountant:

## Consolidated Balance Sheet (Liabilities and Owners' Equity)

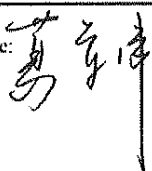
Consol. No. 1

Prepared by Ninghai City Investment Group Ltd.

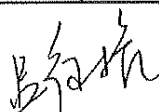
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Liabilities and owners' equity	Note	31 Dec. 2019	31 Dec. 2018
Current liabilities:			
Short-term borrowings	VIII 16	3,114,325,000.00	2,002,530,000.00
Financial liabilities at fair value through profit or loss			
Notes payable	VIII 17	160,000,000.00	475,020,000.00
Accounts payable	VIII 18	393,478,824.58	456,649,013.55
Advance from customers	VIII 19	662,809,114.89	652,907,787.13
Payroll payable	VIII 20	12,545,517.58	12,412,772.14
Taxes and surcharges payable	VIII 21	218,343,442.66	205,349,063.06
Other payables	VIII 22	9,558,876,634.35	13,686,648,169.42
Held-for-sale liabilities			
Non-current liabilities due within one year	VIII 23	3,146,444,659.75	4,811,894,021.93
Other current liabilities			
Total current liabilities		17,266,823,193.81	22,303,410,827.23
Non-current liabilities:			
Long-term borrowings	VIII 24	1,913,368,800.00	2,433,950,000.00
Bonds payable	VIII 25	6,244,787,829.95	1,551,779,779.39
Long-term payables	VIII 26	2,348,132,426.68	1,515,733,430.68
Accrued liabilities			
Deferred income	VIII 27	77,159,400.00	69,217,400.00
Deferred tax liabilities	VIII 14	61,146,347.20	32,689,982.04
Other non-current liabilities			
Total non-current liabilities		10,644,594,803.83	5,603,370,592.11
Total liabilities		27,911,417,997.64	27,906,781,419.34
Owners' equity:			
Paid-in capital	VIII 28	1,000,000,000.00	1,000,000,000.00
Capital reserve	VIII 29	10,607,799,741.48	11,068,316,023.20
Less: Treasury shares			
Other comprehensive income		329,728,680.99	108,172,330.92
Surplus reserve	VIII 30	234,039,315.33	234,039,315.33
Retained earnings	VIII 31	2,794,795,470.70	2,522,044,222.31
Total equity attributable to owners of the parent company		14,966,363,208.50	14,932,571,891.76
Minority interests		219,205,521.66	213,176,470.91
Total owners' equity		15,185,568,730.16	15,145,748,362.67
Total liabilities & owners' equity		43,096,986,727.80	43,052,529,782.01

Legal Representative:

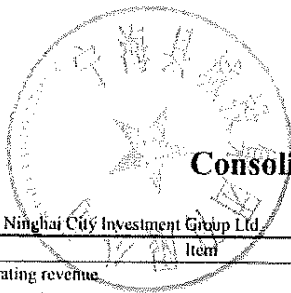


Chief Financial Officer:



Chief Accountant:



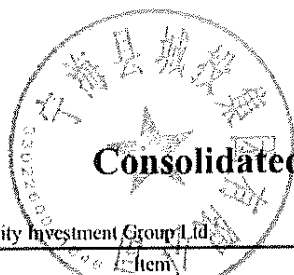


## Consolidated Income Statement

Prepared by Ninghai City Investment Group Ltd. Consol. No. 2  
RMB

Item	Note	2019	2018
I. Total operating revenue		2,137,468,885.31	2,388,986,903.84
Including: Operating revenue	VIII 32	2,137,468,885.31	2,388,986,903.84
II. Total operating costs		2,317,928,741.81	2,140,787,242.31
Including: Operating costs	VIII 32	1,672,143,442.14	1,686,914,757.49
Taxes and surcharges	VIII 33	16,200,232.14	20,960,838.49
Selling expenses		33,235,928.00	38,834,930.02
Administrative expenses		136,827,477.64	184,018,228.90
R&D expenses			
Financial costs	VIII 34	459,521,661.89	210,058,487.41
Including: Interest expenses		491,218,313.61	224,468,634.47
Interest income		32,564,738.42	23,228,190.26
Add: Other income	VIII 35	3,402,990.00	30,204,447.06
Investment income ("-" means loss)	VIII 36	654,375,700.43	-4,286,498.78
Including: Income from investment in associates and joint ventures		32,038,680.31	-3,674,050.65
Gains from changes in fair value ("-" means loss)	VIII 37	-227,990,438.74	23,982,720.19
Impairment loss on assets ("-" means loss)	VIII 38	3,465,578.58	8,122,409.83
Gains from disposal of assets ("-" means loss)	VIII 39	48,083.78	-78,221.19
III. Operating profit ("-" means loss)		252,842,057.55	306,141,518.64
Add: Non-operating income	VIII 40	1,859,479.28	4,404,426.67
Less: Non-operating expenses	VIII 41	2,587,609.85	1,378,401.01
IV. Total profit ("-" means loss)		252,113,926.98	309,167,544.30
Less: Income tax expenses	VIII 42	-28,277,372.16	36,374,647.72
V. Net profit ("-" means net loss)		280,391,299.14	272,792,896.58
Including: Net profit of the combined party before business combination under common control			
(I) Classification in accordance with going concern			
1. Net profit from continuing operations ("-" means net loss)		280,391,299.14	272,792,896.58
2. Net profit from discontinued operations ("-" means net loss)			
(II) Classification in accordance with attribution			
1. Attributable to owners of the parent company ("-" means net loss)		272,751,248.39	274,367,668.29
2. Minority interest ("-" means net loss)		7,640,050.75	-1,574,771.71
VI. Other comprehensive income after tax		221,556,350.07	11,114,467.23
(I) Attributable to owners of the parent company		221,556,350.07	11,114,467.23
A. Not reclassified subsequently to profit or loss			
B. Reclassified subsequently to profit or loss		221,556,350.07	11,114,467.23
Including: 1. Reclassified subsequently to profit or loss for the invested entity under the equity method			
2. Gains or losses from changes in fair value of available-for-sale financial assets			
3. The amount of which fair value exceeds book value on the transfer date when the self-used property or inventory is transferred to be the investment property measured at fair value		221,556,350.07	11,114,467.23
(II) Attributable to minority shareholders			
VII. Total comprehensive income		501,947,649.21	283,907,363.81
(I) Attributable to owners of the parent company		494,307,598.46	285,482,135.52
(II) Attributable to minority shareholders		7,640,050.75	-1,574,771.71

Legal Representative: Chief Financial Officer: Chief Accountant:



## Consolidated Statement of Cash Flows

Consol. No. 3

Prepared by Ninghai City Investment Group Ltd.

RMB

	Note	2019	2018
<b>I. Cash flows from operating activities:</b>			
Cash received from sales and services		2,506,581,960.85	2,317,044,107.61
Tax refunds			
Other cash receipts relating to operating activities	VIII 43	4,307,413,260.98	6,500,273,683.37
Sub-total cash inflows from operating activities		6,813,995,221.83	8,817,317,790.98
Cash paid for goods and services		2,032,127,109.34	1,725,746,623.84
Cash paid to and on behalf of employees		84,145,585.85	92,626,842.43
Payment of taxes and surcharges		27,424,236.00	102,264,822.10
Other cash payments relating to operating activities	VIII 43	8,306,366,185.86	8,016,121,403.69
Sub-total cash outflows from operating activities		10,450,063,117.05	9,936,759,692.06
Net cash flows from operating activities		-3,636,067,895.22	-1,119,441,901.08
<b>II. Cash flows from investing activities:</b>			
Cash receipts from withdraw of investments		720,000.00	
Cash received from investment income			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		149,749.00	6,724,854.38
Net cash received from disposal of subsidiaries and other business units		538,379,800.08	274,932,607.84
Other cash receipts relating to investing activities	VIII 43	1,274,787.64	125,866,227.90
Sub-total cash inflows from investing activities		540,524,336.72	407,523,690.12
Cash paid for fixed assets, intangible assets and other long-term assets		352,618,782.42	679,005,852.45
Cash paid for investments		50,000.00	107,225,104.36
Net cash paid for acquiring subsidiaries and other business units		6,447,567.48	
Other cash payments relating to investing activities	VIII 43	1,602,950.15	747,467.75
Sub-total cash outflows from investing activities		360,719,300.05	786,978,424.56
Net cash flows from investing activities		179,805,036.67	-379,454,734.44
<b>III. Cash flows from financing activities:</b>			
Cash proceeds from investments by others including cash received by subsidiaries from minority shareholders		1,350,000.00	500,000,000.00
		1,350,000.00	900,000.00
Cash received from borrowings		4,965,643,800.00	5,284,662,560.00
Cash received from issuing bonds		5,600,000,000.00	2,860,000,000.00
Other cash receipts relating to financing activities	VIII 43	4,632,538,265.14	3,365,990,000.00
Sub-total cash inflows from financing activities		15,199,532,065.14	12,010,652,560.00
Cash repayments for debts		7,353,123,067.33	6,681,401,461.89
Cash payments for distribution of dividends, profit and interest expenses including: Dividends or profit paid by subsidiaries to minority shareholders		1,140,824,847.37	1,049,758,602.15
		2,961,000.00	2,961,000.00
Other cash payments relating to financing activities	VIII 43	3,247,834,837.20	3,069,178,089.26
Sub-total cash outflows from financing activities		11,741,782,751.90	10,800,338,153.30
Net cash flows from financing activities		3,457,749,313.24	1,210,314,406.70
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>			
<b>V. Net increase in cash and cash equivalents</b>		1,486,454.69	-288,582,228.82
Add: Opening balance of cash and cash equivalents		1,123,649,071.50	1,412,231,300.32
<b>VI. Closing balance of cash and cash equivalents</b>		1,125,135,526.19	1,123,649,071.50

Legal Representative:

Chief Financial Officer:

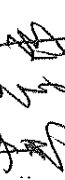


Chief Accountant:

# Consolidated Statement of Changes in Owners' Equity

2019

Consol. No. 4  
RMB

Item	Equity attributable to the parent company							Total owners' equity
	Paid-in capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserve	Retained earnings	Minority interests	
I. Balance at the end of the previous year	1,000,000,000.00	11,068,316,023.20		108,172,330.92	233,964,711.67	2,549,044,315.35	196,353,366.83	15,047,678,417.05
Add: Change in accounting policies					74,603.66	-27,000,093.04	16,823,104.08	98,069,945.62
Correction of errors in previous period								
Other								
II. Balance at the beginning of the current year	1,000,000,000.00	11,068,316,023.20		108,172,330.92	234,039,315.33	2,522,044,222.31	213,176,470.91	15,145,748,362.67
III. Increase/decrease during the current year ("-" means decrease)		-460,516,281.72		221,556,350.07		272,751,248.39	6,029,050.75	39,820,367.49
(I) Total comprehensive income				221,556,350.07		272,751,248.39	7,640,050.75	501,947,649.21
(II) Contributions and decrease of capital							1,350,000.00	1,350,000.00
1. Capital contributed by owners							1,350,000.00	1,350,000.00
2. Capital paid in by holders of other equity instruments								
3. Share-based payment								
4. Other								
(III) Profit distribution							-2,961,000.00	-2,961,000.00
1. Surplus reserve accrued								
2. General risk reserve accrued								
3. Distribution to owners								
4. Other								
(IV) Transfer within owners' equity								
1. Capital reserve transferred to capital								
2. Surplus reserve transferred to capital								
3. Surplus reserve offsetting losses								
4. Retained earnings carried forward from changes in defined benefit plans								
5. Other								
(V) Special reserve								
1. Accrual for the current year								
2. Use for the current year								
(VI) Other								
IV. Closing balance	1,000,000,000.00	10,607,799,741.48		329,728,680.99	234,039,315.33	2,794,795,470.70	219,205,521.66	15,185,568,730.16

Legal Representative:  Chief Financial Officer:  Chief Accountant: 

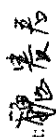
# Consolidated Statement of Changes in Owners' Equity

Consol. No. 4  
RMB

Prepared by Ninghai City Investment Group Ltd.

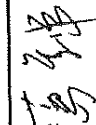
2018

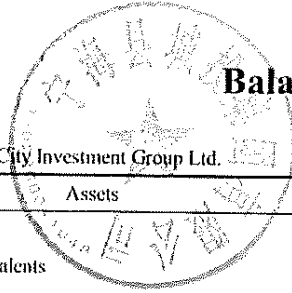
Item	Equity attributable to the parent company						Minority interests	Total owners' equity
	Paid-in capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserve	Retained earnings		
I. Balance at the end of the previous year	500,000,000.00	10,793,449,127.09		97,057,863.69	206,424,774.54	2,335,553,088.82	1,016,441,943.09	14,851,870,933.54
Add: Change in accounting policies						-57,120,682.33	16,229,779.55	56,166,960.71
Correction of errors in previous period								
Other								
II. Balance at the beginning of the current year	500,000,000.00	10,793,449,127.09		97,057,863.69	206,424,774.54	2,278,434,406.49	1,032,671,722.44	14,908,037,894.25
III. Increase/decrease during the current year ("-" means decrease)	500,000,000.00	274,866,896.11		11,114,467.23	27,614,540.79	243,609,815.82	-819,495,251.53	237,710,468.42
(I) Total comprehensive income				11,114,467.23		274,367,668.29	-1,574,771.71	283,907,363.81
(II) Contributions and decrease of capital	500,000,000.00						900,000.00	500,900,000.00
1. Capital contributed by owners	500,000,000.00						900,000.00	500,900,000.00
2. Capital paid in by holders of other equity instruments								
3. Share-based payment								
4. Other								
(III) Profit distribution								
1. Surplus reserve accrued					27,614,540.79	-30,757,852.47	-2,961,000.00	-6,104,311.68
2. General risk reserve accrued						-27,614,540.79		
3. Distribution to owners								
4. Other								
(IV) Transfer within owners' equity								
1. Capital reserve transferred to capital								
2. Surplus reserve transferred to capital								
3. Surplus reserve offsetting losses								
4. Retained earnings carried forward from changes in defined benefit plans								
5. Other								
(V) Special reserve								
1. Accrual for the current year								
2. Use for the current year								
(VI) Other								
IV. Closing balance	1,000,000,000.00	11,068,316,023.20		108,172,330.92	234,039,315.33	2,522,044,222.31	-815,859,479.82	15,145,748,362.67

Chief Accountant: 



Chief Financial Officer:

Legal Representative: 



## Balance Sheet (Assets)

Prepared by Ninghai City Investment Group Ltd.

No. 1  
RMB

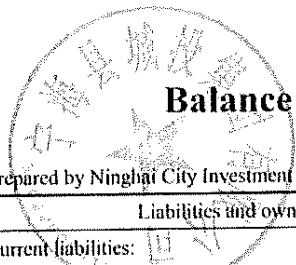
Assets	Note	31 Dec. 2019	31 Dec. 2018
<b>Current assets:</b>			
Cash and cash equivalents		993,667,284.47	905,395,561.78
Financial assets at fair value through profit or loss			
Notes receivable			
Accounts receivable		43,074,759.06	143,233,273.52
Prepayment		287,484,427.67	239,727,044.20
Other receivables	XIV 1	2,990,133,843.23	3,004,373,218.02
Inventory		17,911,626,997.22	17,562,708,648.67
Held-for-sale assets			
Non-current assets due within one year			
Other current assets		18,208,074.40	46,390,474.71
Total current assets		22,244,195,386.05	21,901,828,220.90
<b>Non-current assets:</b>			
Available-for-sale financial assets		178,817,325.00	178,817,325.00
Held-to-maturity investment			
Long-term receivables			
Long-term equity investment	XIV 2	2,329,517,508.91	2,221,548,518.02
Investment property		1,531,896,800.00	54,878,800.00
Fixed assets		48,404,660.14	12,918,357.63
Construction in progress		972,872,423.55	
Bearer biological assets			
Oil and gas assets			
Intangible assets		200,000.00	340,666.84
Development expenditure			
Goodwill			
Long-term deferred expenses		2,178,474.00	2,178,474.00
Deferred tax assets		2,380,038.59	2,428,486.46
Other non-current assets		1,648,047,379.65	3,570,732,198.23
Total non-current assets		6,714,314,609.84	6,043,842,826.18
Total assets		28,958,509,995.89	27,945,671,047.08

Legal Representative:

Chief Financial Officer:

Chief Accountant:





## Balance Sheet (Liabilities and Owners' Equity)

No. 1

Prepared by Ninghai City Investment Group Ltd.

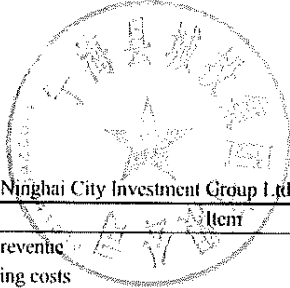
RMB

Liabilities and owners' equity	Note	31 Dec. 2019	31 Dec. 2018
<b>Current liabilities:</b>			
Short-term borrowings		1,506,025,000.00	936,000,000.00
Financial liabilities at fair value through profit or loss			
Notes payable			
Accounts payable		264,822,289.20	240,245,672.16
Advance from customers		82,306,767.64	68,689,907.92
Payroll payable			
Taxes and surcharges payable		170,518,585.82	167,644,072.66
Other payables		3,090,272,421.98	7,639,157,685.76
Held-for-sale liabilities			
Non-current liabilities due within one year		2,756,094,659.75	3,030,633,088.16
Other current liabilities			
Total current liabilities		7,870,039,724.39	12,082,370,426.66
<b>Non-current liabilities:</b>			
Long-term borrowings		751,400,000.00	1,234,300,000.00
Bonds payable		6,244,787,829.95	1,551,779,779.39
Long-term payables		1,951,574,593.35	1,059,734,796.68
Accrued liabilities			
Deferred income			
Deferred tax liabilities		17,129,345.97	7,687,070.65
Other non-current liabilities			
Total non-current liabilities		8,964,891,769.27	3,853,501,646.72
Total liabilities		16,834,931,493.66	15,935,872,073.38
<b>Owners' equity:</b>			
Paid-in capital		1,000,000,000.00	1,000,000,000.00
Capital reserve		8,277,985,554.11	8,188,767,481.87
Less: Treasury shares			
Other comprehensive income		191,976,392.52	22,315,175.32
Surplus reserve		234,039,315.33	234,039,315.33
Retained earnings		2,419,577,240.27	2,564,677,001.18
Total owners' equity		12,123,578,502.23	12,009,798,973.70
Total liabilities & owners' equity		28,958,509,995.89	27,945,671,047.08

Legal Representative:

Chief Financial Officer:

Chief Accountant:



## Income Statement

Prepared by Ninghai City Investment Group Ltd.

No. 2  
RMB

Item	Note	2019	2018
I. Operating revenue	XIV 3	806,830,160.82	1,018,285,200.28
Less: Operating costs	XIV 3	674,600,858.23	583,198,682.77
Taxes and surcharges		6,829,414.37	6,001,102.25
Selling expenses		1,740,874.40	2,325,113.00
Administrative expenses		23,141,777.02	22,956,435.11
R&D expenses			
Financial costs		257,044,013.51	156,546,941.93
Including: Interest expenses		271,583,797.10	153,573,582.88
Interest income		14,589,710.71	5,793,115.85
Add: Other income			20,520,667.00
Investment income ("-" means loss)	XIV 4	185,250,918.65	6,393,266.44
Including: Income from investment in associates and joint ventures		28,750,918.65	-7,408,262.99
Gains from changes in fair value ("-" means loss)		-221,150,240.47	-570,600.00
Impairment loss on assets ("-" means loss)		193,791.49	3,966,855.16
Gains from disposal of assets ("-" means loss)			
II. Operating profit ("-" means loss)		-192,232,307.04	277,567,113.82
Add: Non-operating income		208,520.47	86,704.05
Less: Non-operating expenses		138,990.08	9,630.49
IV. Total profit ("-" means loss)		-192,162,776.65	277,644,187.38
Less: Income tax expenses		-47,063,015.74	1,498,779.41
IV. Net profit ("-" means net loss)		-145,099,760.91	276,145,407.97
(I) Net profit from continuing operations ("-" means net loss)		-145,099,760.91	276,145,407.97
(II) Net profit from discontinued operations ("-" means net loss)			
V. Other comprehensive income after tax		169,661,217.20	
A. Not reclassified subsequently to profit or loss			
B. Reclassified subsequently to profit or loss		169,661,217.20	
Including: 1. Reclassified subsequently to profit or loss for the invested entity under the equity method			
2. Gains or losses from changes in fair value of available-for-sale financial assets			
3. The amount of which fair value exceeds book value on the transfer date when the self-used property or inventory is transferred to be the investment property measured at fair value		169,661,217.20	
VI. Total comprehensive income		24,561,456.29	276,145,407.97

Legal Representative:

Chief Financial Officer:

Chief Accountant:



## Statement of Cash Flows

No. 3  
RMB

Prepared by Ninghai City Investment Group Ltd.

Item	Note	2019	2018
<b>I. Cash flows from operating activities:</b>			
Cash received from sales and services		982,351,866.57	1,051,714,267.69
Tax refunds			
Other cash receipts relating to operating activities		2,716,502,371.11	4,540,985,749.69
Sub-total cash inflows from operating activities		3,698,854,237.68	5,592,700,017.38
Cash paid for goods and services		1,156,674,369.44	1,190,371,956.91
Cash paid to and on behalf of employees		8,851,678.83	10,914,279.55
Payment of taxes and surcharges		5,095,239.81	38,745,987.98
Other cash payments relating to operating activities		7,350,815,715.06	5,755,760,215.53
Sub-total cash outflows from operating activities		8,521,437,003.14	6,995,792,439.97
Net cash flows from operating activities		-4,822,582,765.46	-1,403,092,422.59
<b>II. Cash flows from investing activities:</b>			
Cash receipts from withdraw of investments			337,131,516.38
Cash received from investment income			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			500.00
Net cash received from disposal of subsidiaries and other business units		166,500,000.00	
Other cash receipts relating to investing activities		1,274,787.64	125,000,000.00
Sub-total cash inflows from investing activities		167,774,787.64	462,132,016.38
Cash paid for fixed assets, intangible assets and other long-term assets		116,984,165.20	77,382,965.58
Cash paid for investments			20,000,000.00
Net cash paid for acquiring subsidiaries and other business units		6,447,567.48	
Other cash payments relating to investing activities		1,030,961.30	
Sub-total cash outflows from investing activities		124,462,693.98	97,382,965.58
Net cash flows from investing activities		43,312,093.66	364,749,050.80
<b>III. Cash flows from financing activities:</b>			
Cash proceeds from investments by others			500,000,000.00
Cash received from borrowings		2,972,425,000.00	2,235,300,000.00
Cash received from issuing bonds		5,600,000,000.00	2,860,000,000.00
Other cash receipts relating to financing activities		3,226,302,709.58	2,323,700,000.00
Sub-total cash inflows from financing activities		11,798,727,709.58	7,919,000,000.00
Cash repayments for debts		4,473,082,133.56	4,046,000,000.00
Cash payments for distribution of dividends, profit and interest expenses		795,188,344.33	614,221,019.21
Other cash payments relating to financing activities		1,792,414,837.20	2,011,097,853.68
Sub-total cash outflows from financing activities		7,060,685,315.09	6,671,318,872.89
Net cash flows from financing activities		4,738,042,394.49	1,247,681,127.11
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>			
<b>V. Net increase in cash and cash equivalents</b>			
Add: Opening balance of cash and cash equivalents		455,395,561.78	246,057,806.46
<b>VI. Closing balance of cash and cash equivalents</b>			
		414,167,284.47	455,395,561.78

Legal Representative:

Chief Financial Officer:


Chief Accountant:

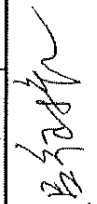
# Statement of Changes in Owners' Equity

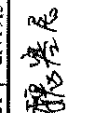
No. 4  
RMB

Prepared by Ninghai City Investment Group Ltd.

Item	2019						Total owners' equity
	Paid-in capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserve	Retained earnings	
I. Balance at the end of the previous year	1,000,000,000.00	8,188,767,481.87		22,315,175.32	233,964,711.67	2,564,005,568.20	11,986,737,761.74
Add: Change in accounting policies					74,603.66	671,432.98	23,061,211.96
Correction of errors in previous period							
Other							
II. Balance at the beginning of the current year	1,000,000,000.00	8,188,767,481.87		22,315,175.32	234,039,315.33	2,564,677,001.18	12,009,798,973.70
III. Increase/decrease during the current year ("-" means decrease)		89,218,072.24		169,661,217.20	-145,099,760.91	-145,099,760.91	113,779,528.55
(I) Total comprehensive income				169,661,217.20		-145,099,760.91	24,561,456.29
(II) Contributions and decrease of capital							
1. Capital contributed by owners							
2. Capital paid in by holders of other equity instruments							
3. Share-based payment							
4. Other							
(III) Profit distribution							
1. Surplus reserve accrued							
2. General risk reserve accrued							
3. Distribution to owners							
4. Other							
(IV) Transfer within owners' equity							
1. Capital reserve transferred to capital							
2. Surplus reserve transferred to capital							
3. Surplus reserve offsetting losses							
4. Retained earnings carried forward from changes in defined benefit plans							
5. Other							
(V) Special reserve							
1. Accrual for the current year							
2. Use for the current year							
(VI) Other							
IV. Closing balance	1,000,000,000.00	89,218,072.24		191,976,392.52	234,039,315.33	2,419,577,240.27	12,123,578,502.23

Legal Representative: 

Chief Financial Officer: 

Chief Accountant: 

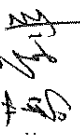
# Statement of Changes in Owners' Equity


No. 4  
RMB

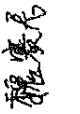
Prepared by Ninghai City Investment Group Ltd

2018

Item	Paid-in capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserve	Retained earnings	Total owners' equity
I. Balance at the end of the previous year	500,000,000.00	8,043,360,067.61		22,315,175.32	206,424,774.54	2,316,146,134.00	11,065,930,976.15
Add: Change in accounting policies							22,315,175.32
Correction of errors in previous period							
Other							
II. Balance at the beginning of the current year	500,000,000.00	8,043,360,067.61		22,315,175.32	206,424,774.54	2,316,146,134.00	11,088,246,151.47
III. Increase/decrease during the current year ("-" means decrease)	500,000,000.00	145,407,414.26			27,614,540.79	248,530,867.18	921,552,822.23
(I) Total comprehensive income						276,145,407.97	276,145,407.97
(II) Contributions and decrease of capital	500,000,000.00	7,582,052.42					507,582,052.42
1. Capital contributed by owners	500,000,000.00	7,582,052.42					507,582,052.42
2. Capital paid in by holders of other equity instruments							
3. Share-based payment							
4. Other							
(III) Profit distribution					27,614,540.79	-27,614,540.79	
1. Surplus reserve accrued					27,614,540.79	-27,614,540.79	
2. General risk reserve accrued							
3. Distribution to owners							
4. Other							
(IV) Transfer within owners' equity							
1. Capital reserve transferred to capital							
2. Surplus reserve transferred to capital							
3. Surplus reserve offsetting losses							
4. Retained earnings carried forward from changes in defined benefit plans							
5. Other							
(V) Special reserve							
1. Accrual for the current year							
2. Use for the current year							
(VI) Other							
IV. Closing balance	1,000,000,000.00	137,825,361.84		22,315,175.32	234,039,315.33	2,564,677,001.18	137,825,361.84
		8,188,767,481.87					12,009,798,973.70

Legal Representative: 

Chief Financial Officer: 

Chief Accountant: 

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# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in RMB unless otherwise stated)

**Important Notes:**

This report is prepared in Chinese and English. In the event of any discrepancy between two versions, the Chinese version shall prevail.

**I Company profile**

Ninghai City Investment Group Ltd. (hereinafter referred to as “the Company” or “Company”) was jointly funded by Ninghai Municipal Construction Bureau, Ninghai Municipal Old City Reconstruction Office (hereinafter referred to as “Ninghai OCRO”) and Ninghai Land Reserve Centre (hereinafter referred to as “Ninghai LRC”). It was established with the approval of Ninghai Branch of Ningbo Administration for Industry and Commerce on 8 May 2000. At the time of establishment, the registered capital was RMB 10 million, of which 40% were from Ninghai Municipal Urban and Rural Construction Committee (hereinafter referred to as “Ninghai URCC”), and 60% were from Ninghai OCRO.

In March 2002, the Company increased its capital by RMB 20 million. After the capital increase, the registered capital was changed to RMB 30 million, and the shareholding ratio of each shareholder remained unchanged.

In July 2003, the Company increased its capital by RMB 270 million. After the capital increase, the registered capital was changed to RMB 300 million, including RMB 12 million from Ninghai Municipal Construction Bureau, accounting for 4% of the registered capital; RMB 18 million from Ninghai OCRO, accounting for 6% of the registered capital; RMB 270 million from Ninghai LRC, accounting for 90% of the registered capital.

In June 2009, Ninghai Municipal Government transferred all the equity held by the shareholders of the Company to Ninghai Municipal State-owned Assets Supervision and Administration Bureau (hereinafter referred to as “Ninghai SASAB”) without compensation. The relevant procedures for industrial and commercial changes were completed on 26 June 2009.

In June 2009, with the approval of Ninghai Municipal Government, Ninghai SASAB transferred 100% equity of Ninghai Transportation Industrial Development Co., Ltd., 85% equity of Ninghai Science and Technology Park Development Co., Ltd., 80% equity of Ninghai Economic Development Zone

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Xinxing Industrial Park Co., Ltd., 100% equity of Ninghai Asset Management Co., Ltd., land and cash and cash equivalents to the Company for capital increase. After the capital increase, the registered capital of the Company was changed to RMB 500 million. The relevant procedures for industrial and commercial changes were completed on 30 June 2009.

In June 2018, the Company increased its capital by RMB 500 million. After the capital increase, the registered capital was changed to RMB 1,000 million, which was 100% owned by Ninghai SASAB.

In December 2019, Ninghai SASAB transferred 100% equity of the Company to Ninghai Qicheng Industry Co., Ltd. without compensation. The relevant procedures for industrial and commercial changes were completed on 30 December 2019.

1. Unified social credit code of the Company: 913302267204641104.
2. Business scope of the Company: Urban construction, investment, development, operation; Old city reconstruction and urban construction related project investment and equity participation; Land development and consolidation, building materials wholesale (excluding warehousing). (Projects that need to be approved according to the relevant law can only be operated after being approved by relevant departments)
3. Registered address of the Company: No.5, Nanfan Road, Taoyuan Street, Ninghai County, Ningbo City, Zhejiang Province.
4. Legal representative of the Company: Ge Junwei.

## **II Basis of preparation**

According to the actual events and transactions, the financial statements for the Company have been prepared on the basis of going concern and in accordance with the Accounting Standards for Business Enterprises - Basic Standard issued by the Ministry of Finance (issued by No. 33 Order from the Ministry of Finance and revised by No. 76 Order from the Ministry of Finance), 42 specific accounting standards, the guidelines for the application of enterprise accounting standards, the interpretation of enterprise accounting standards and other relevant regulations promulgated and amended on and after 15 February 2006 (hereinafter collectively referred to as “Accounting Standards for Business Enterprises”).

## **III Statement of compliance with the Accounting Standards for Business Enterprises**



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The financial statements are in accordance with the requirements of the Accounting Standards for Business Enterprises, which have truly and completely presented the financial position of the Company as at 31 December 2019, its operating results and cash flows for the year then ended, and other relevant information.

#### **IV Significant accounting policies and accounting estimates**

##### 1. Accounting period

The Company's accounting year adopts the Gregorian calendar year which begins on 1 January and ends on 31 December every year.

##### 2. Functional currency

The Company adopts Renminbi (RMB) as the functional currency.

##### 3. Accounting basis and measurement principle

The Company takes accrual basis as the basis of accounting, when preparing the financial statements, except for some financial instruments, the historical cost shall be as the measurement principle. If the asset is impaired, the corresponding impairment provision shall be made in accordance with relevant regulations.

##### 4. Business combinations

Business combination refers to a transaction or event in which two or more separate enterprises are combined to form a reporting entity. Business combinations are divided into business combinations under common control and business combinations not under common control.

###### (1) Business combination under common control

A business combination under common control is a business combination in which the enterprises involved in the combination are ultimately controlled by the same party or parties before and after the combination, and the control is not temporary. For business combination under common control, the party that obtains control over the other enterprises in the combination on the combination date is the combining party, and the other enterprises in the combination are the combined party. Combination date refers to the date on which the combining party actually obtains control over the combined party.

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The assets and liabilities that acquired by the combining party in a business combination shall be measured at their book value in the combined party on the combination date. The difference between the book value of net assets acquired by the combining party and the book value of the consideration paid for the combination (or total par value of the shares issued) shall be adjusted to capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

The business combination costs that are directly attributable to the combination are recorded into the current profit and loss when they occur.

(2) Business combination not under common control

A business combination not under common control means that the enterprises involved in the combination are not ultimately controlled by the same party or parties before and after the combination. For business combination not under common control, the party that obtains control over the other enterprises in the combination on the acquisition date is the acquirer, and the other enterprises in the combination are the acquiree. Acquisition date refers to the date on which the acquirer actually obtains control over the acquiree.

For business combination not under common control, the cost of business combination is the aggregate of the fair value, on the acquisition date, of assets given, liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree. The audit fees, valuation and consulting fees, legal service fees and other administrative expenses incurred in the business combination shall be recognized in the current profit or loss when they occur. Commissions and other expenses incurred in the business combination for the issuance of equity or debt securities shall be included in the initial recognition amounts of equity or debt securities. Any contingent consideration involved shall be included in the combination cost according to its fair value on the acquisition date. If there is new or further evidence on the existing situation on the acquisition date emerging within 12 months after the acquisition date, the contingent consideration needs to be adjusted and the combination goodwill shall be adjusted accordingly. The combination cost incurred by the acquirer and the identifiable net assets obtained in the combination shall be measured at the fair value on the acquisition date. The difference between the combination costs and the fair value of the identifiable net assets obtained from the acquiree on the acquisition date shall be recognized as goodwill. If the combination costs are lower than the fair value of the identifiable net assets obtained from the acquiree,

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the acquirer shall review the measurement of the fair value of the identifiable assets, liabilities and contingent liabilities acquired as well as the combination costs; and if the combination cost is still lower than the fair value of the identifiable net assets of the acquiree obtained in the combination after the review, the difference shall be recorded into the current profit and loss.

For the deductible temporary difference of the acquiree that is being acquired and is not recognized on the acquisition date because the conditions for recognizing deferred income tax assets are not met, it shall be recognized as the relevant deferred income tax assets when the following conditions are met:

(1) New or further evidence is obtained within 12 months after the acquisition date indicating that the relevant situation on the acquisition date already exists; (2) The economic benefits brought by the deductible temporary difference of the acquiree on the acquisition date are expected to be realized. In the meanwhile, the goodwill shall be reduced. If the goodwill is insufficient to be offset, the difference shall be recognized as the current profit and loss. In addition to the aforementioned situations, the deferred income tax assets related to the business combination that are recognized shall be recorded into the current profit and loss.

For the business combination not under common control realized step by step through multiple transactions, it shall be determined whether the multiple transactions are identified as “package deal” in accordance with the “Notice on Issuing Interpretation of Accounting Standards for Enterprises No. 5 from the Ministry of Finance” (Cai Kuai [2012] No. 19) and the judgement criteria of “package deal” in the Article 51 of the “Accounting Standards for Business Enterprises No. 33 - Consolidated Financial Statements” (refers to Note IV 5 (2) “Preparation of consolidated financial statements”). If the multiple transactions are identified as “package deal”, the accounting treatment refers to the previous paragraphs of this part and Note IV 11 “Long-term equity investment”. If the multiple transactions are not identified as “package deal”, accounting treatment shall be carried out differently in individual and consolidated financial statements:

① In individual financial statements, the sum of the book value of equity investment in the acquiree held by the acquirer before the acquisition date and the increase in the cost of equity investment shall be recognized as the initial investment cost. If the equity investment in the acquiree before the acquisition date involves the other comprehensive income, when disposing the investment, the other comprehensive income related to the investment shall be accounted for on the same basis as that of the acquiree’s direct disposal of the relevant assets or liabilities (i.e., except for the corresponding share in

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the changes caused by the remeasurement of the net liabilities or net assets of the defined benefit plan by the acquiree in accordance with the equity method, the rest shall be transferred into the current investment income).

② In consolidated financial statements, equity investment in the acquiree held by the acquirer before the acquisition date shall be revalued at fair value on the acquisition date, and the difference between the fair value and the book value shall be recorded into the current investment income. If equity investment in the acquiree before the acquisition date involves other comprehensive income, the other comprehensive income related to the investment shall be accounted for on the same basis as that of the acquiree's direct disposal of the relevant assets or liabilities (i.e., except for the corresponding share in the changes caused by the remeasurement of the net liabilities or net assets of the defined benefit plan by the acquiree in accordance with the equity method, the rest shall be transferred into the investment income in the current period of the acquisition date).

## 5. Preparation of consolidated financial statements

### (1) The scope of consolidated financial statements

The scope of consolidated financial statements shall be determined on the basis of control, including the annual financial statement of the Company and all subsidiaries as of 31 December 2019. A subsidiary is an entity that is controlled by the Company (such as enterprises, deemed separate entities, and structured entities controlled by the enterprises). Control exists when the investor has all the following: power over the investee; exposure, or rights to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns.

### (2) Preparation of consolidated financial statements

The consolidated financial statements are prepared by the Company, based on the financial statements of the Company and its subsidiaries, according to other relevant information.

Considering the Group as one accounting entity, the Company prepares the consolidated financial statements to reflect the financial position, the operating results and the cash flows of the entire Group in accordance with the unified accounting policy, as well as the recognition, measurement and presentation requirements of the relevant accounting standards.

For any difference in accounting policies and accounting periods between the Company and its

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subsidiaries, necessary adjustments shall be made based on accounting policies and periods of the Company when preparing consolidated financial statements. Financial statements of subsidiaries shall be adjusted based on the fair value of identifiable net assets defined on the purchasing date for the subsidiaries acquired not under the common control.

(3) Presentation of minority interests and profits or losses

The portion of a subsidiary's equity that is not attributable to the parent is treated as minority interests and presented in the consolidated balance sheet within equity.

The portion of net profit or loss of subsidiaries for the period attributable to minority interests shall be presented in the consolidated income statement below the line item of net profit as the item of minority interests.

(4) Excess losses

When the amount of loss for the current period attributable to the minority shareholders' portion exceeds the opening balance of owners' equity of the subsidiary attributable to the minority shareholders' portion, the excess shall be allocated against the minority interests in the consolidated financial statements.

(5) Increase or decrease of the subsidiaries

For any subsidiary acquired during the reporting period by the Company through business combination under the common control, the opening balances of the consolidated balance sheet should be adjusted when compiling the consolidated financial statements; while any subsidiary acquired by the Company through business combination not under the common control, the Company makes no adjustment for the opening balances in the consolidated balance sheet. When disposing subsidiaries during the reporting period, no adjustment is made for the opening balances in the consolidated balance sheet.

For any subsidiary acquired by the Company through business combination under the common control, the sales revenue, expense and profit for the period from the beginning to the end of the reporting period are included in the consolidated income statement, and the cash flows of the subsidiary for the period from the beginning of the combination to the end of the reporting period are included in the consolidated statement of cash flows. While for any subsidiary acquired during the reporting period by the Company through business combination not under the common control, the sales revenue, expense and profit for the period from acquisition date to the end of the reporting period are included in the consolidated income statement, the cash flows of the subsidiary from the acquisition date to the end of

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the reporting period are included in the consolidated statement of cash flows. When disposing subsidiary during the reporting period, the sales revenue, expense and profit of the subsidiary from the beginning of the period to the disposal date are included in the consolidated income statement, and the cash flows of the subsidiary from the beginning of the period to the disposal date are included in the consolidated statement of cash flows.

When the Company loses control over a former subsidiary due to disposing part of equity investment or other reasons, the remaining part of the equity investment should be re-measured at fair value at the date when losing control over the investee; The cash received on disposal of the equity investment and the fair value of remaining part of the equity investment, deducting net assets proportion calculated by original share percentage since the acquisition date should be recorded into investment income for current period; other comprehensive income related to the equity investment in subsidiaries before disposal date shall be transferred to investment income for the current period when losing control over the investee.

The difference between the newly obtained long-term equity investment due to the Company's acquisition of minority interests and the Company's share of identifiable net assets in the subsidiary calculated by the newly increased shareholding, or the difference between the disposal income due to the Company's disposing part of equity investment in a subsidiary without losing the control over the subsidiary and the Company's share of net assets in the subsidiary calculated by the disposed long-term equity investment, should be adjusted to the stock premium under capital reserve in the consolidated balance sheet. If the stock premium under capital reserve is not sufficient to offset the difference, the retained earnings shall make up the balance.

(6) Disposing equity investment until losing control step by step

When various transactions to dispose the equity investment of a subsidiary by the parent company till losing control over the subsidiary are a package deal, they should be accounted for as one transaction for disposal of the equity investment which results in the loss of control. However, before the control is lost, the difference between each disposal income and the corresponding share of net assets of the subsidiary should be recognized as other comprehensive income in the consolidated financial statement, and then the difference should be accounted for in profit and loss when the control is lost. If the transaction is not a package deal, the accounting treatment shall be carried out before and when the control is lost, in accordance with the above-mentioned accounting policies for partial disposal of

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equity investment in subsidiary without losing control over the subsidiary and disposal of equity investment in subsidiary with losing control of the subsidiary respectively.

When the parent company disposes the equity investment of its subsidiary and the trade terms, conditions and economic impact satisfy one or more of the following conditions, multiple transactions should be accounted for as a package deal:

- a) These deals are concluded at the same time or under the conditions of considering the impact on each other;
- b) These transactions should be bundled as a whole to achieve a complete business result;
- c) The occurrence of a deal depends on at least one another transaction;
- d) A deal is not economically feasible on its own but economically feasible when combined with other deals.

As for individual financial statements, the transactions to dispose the equity investment step by step till losing control should be accounted for according to the accounting policies that applied for the transactions to dispose the long-term equity investment.

#### 6. Recognition of cash and cash equivalents

The Company's cash includes cash on hand and deposits that can be readily drawn on demand; Cash equivalents include the short-term (normally matured within three months after purchase date) and highly-liquid investments held by the Company which are readily convertible into known amounts of cash, subject to an insignificant risk of fluctuation in value.

#### 7. Foreign currency transactions and translation

The Company's business involving foreign currencies shall be converted into RMB for bookkeeping at the mid-rate of the foreign exchange market exchange rate on the day of occurrence. At the end of the reporting period, the balance of the monetary foreign currency account shall be adjusted to the amount converted into RMB according to the mid-rate of the foreign exchange market exchange rate at the end of the reporting period. The difference between the adjusted RMB balance and the original book balance shall be regarded as the exchange gain and loss, and shall be recorded into "Financial costs", "Construction in progress" and other items according to relevant regulations.



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## 8. Financial instruments

The Company recognizes a financial asset or financial liability on its balance sheet when the Company becomes a contractual party of financial instrument. The financial assets or financial liabilities are initially recognized at fair value. In the case of financial assets or financial liabilities at fair value through profit or loss, the related transaction costs are recognized in current profit and loss. For other financial assets or financial liabilities, the related transaction costs are included in the initial recognition amounts.

### (1) The method for determining the fair value of financial assets and financial liabilities

Fair value refers to the price that market participants can receive from the sale of an asset or pay for the transfer of a liability in the orderly transaction that occurs on the measurement date. The fair value of financial assets or financial liabilities with an active market is determined according to the quoted price in the active market. Quoted price in active market refers to the price easily obtained from exchanges, brokers, industry associations, pricing service agencies, etc. on a regular basis which represents the price of market transactions actually incurred in fair trading. The fair value of financial assets or financial liabilities with no active market is determined by use of valuation techniques (including with reference to the price incurred in the most recent transactions conducted by parties who are familiar with the situation and willing to trade, or the current fair value of other financial instruments that are substantially the same, or the discounted cash flow method and the option pricing model, etc.).

### (2) Classification and measurement of financial assets

When financial assets are bought and sold in a conventional way, accounting recognition and derecognition shall be carried out on the transaction date. The Company classifies the financial assets into financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets at initial recognition.

#### ① Financial assets at fair value through profit or loss (“FVTPL” financial assets)

“FVTPL” financial assets include trading financial assets and financial assets designated by the Company as at fair value through profit or loss.

Trading financial assets refer to the financial assets meeting one of the following conditions: (a) The purpose of acquiring the financial assets is to sell in the near future; (b) The assets belong to a part of identifiable combination of financial instruments for centralized management, and there is objective

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evidence that the enterprise has managed the portfolio by way of short-term profit in the near future; (c) The assets belong to the derivative, with exception of derivatives designated as effective hedging instruments, derivatives belonging to financial guarantee contracts, and derivatives are not quoted in an active market and the fair value cannot be reliably measured and must be settled by delivering the equity instrument.

Only the financial assets meeting any of the following requirements when they are initially recognized can be designated as “FVTPL” financial assets: (a) The designation is able to eliminate or significantly reduce the inconsistencies in recognition or measurement of related gains and losses due to the different financial instruments measurement basis; (b) Stated clearly in the formal written document of risk management or investment strategies by the Company that the portfolio of financial instruments shall be managed at fair value, evaluated and reported to the key management personnel.

“FVTPL” financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value and dividends and interest income related to the financial assets are included in the current profit and loss.

② Held-to-maturity investments are non-derivative financial assets that have fixed or determinable payments and fixed maturity dates and that the Company has the positive intention and ability to hold to maturity.

Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method. Gains and losses arising from derecognition, impairment or amortization are recognized in current profit and loss.

The effective interest method refers to the method of calculating the amortized cost and the interest income or expenditure of each period according to the effective interest rate of financial assets or financial liabilities (including a group of financial assets or financial liabilities). The effective interest rate refers to the interest rate used to discount the future cash flow of the financial asset or financial liability in the expected duration or an applicable shorter period into the current book value of the financial asset or financial liability.

When calculating the effective interest rate, the Company will estimate the future cash flow (regardless of future credit loss) on the basis of considering all contract terms of financial assets or financial liabilities, and also take into account of all charges, transaction fees, discounts or premiums paid or collected between the parties to the contract of financial assets or financial liabilities that are part of the

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effective interest rate.

③ Loans and receivables are non-derivative financial assets with fixed or determinable payments and are not quoted in an active market. The Company classifies the loans and receivables into notes receivables, accounts receivables, interest receivables, dividends receivables and other receivables.

Loans and receivables are subsequently measured at amortized cost using the effective interest method. Gains or losses arising from derecognition, impairment or amortization are recognized in current profit and loss.

④ Available-for-sale financial assets (AFS financial assets) are those non-derivative financial assets that are designated as available for sale and those financial assets other than those mentioned above.

The closing cost of the available-for-sale debt instrument investment is determined according to its amortized cost method, that is, the initial recognition amount deducts the principal repaid, plus or minus the accumulated amortization amount formed by amortization of the difference between the initial recognition amount and the amount on the maturity date by using the effective interest method, and deducts the amount after the impairment loss incurred. The closing cost of the available-for-sale equity instrument investment is its initial acquisition cost.

AFS financial assets are subsequently measured at fair value. Except the impairment loss and exchange differences related to the AFS financial assets in foreign currency and amortized costs are recognized as current profit and loss, the gains and losses arising from changes in fair value of AFS financial assets are recognized as other comprehensive income which shall be transferred to current profit and loss when the financial assets are derecognized. However, equity instrument investment with no quoted price in active markets and with no reliably measured fair value, and derivative financial assets for the equity instrument and settled by paying the equity instrument are subsequently measured at cost.

The interest income and cash dividends obtained from the investee by holding the AFS financial assets are recorded into the investment income.

### (3) Impairment of financial assets

The Company assesses the book value of the financial assets except for the financial asset at fair value through profit or loss on each balance sheet date. If there is any objective evidence that a financial asset is impaired, the Company shall recognize the impairment loss.

The Company conducts impairment tests individually for financial assets that are individually

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significant. The Company conducts impairment tests individually for financial assets that are not individually significant or conducts impairment tests by including them in a financial portfolio with similar characteristics of credit risks. Assets (with value individually significant and not significant) that are not impaired in the individual test will be included in the portfolio and tested again. Individual asset that is recognized of impairment loss will not be included in a portfolio for the test.

i. Held-to-maturity investments, loans and receivables

The book value of financial assets measured at costs or amortized costs will be written off to the present value of the expected future cash flow, and the written-off amount is recognized as impairment loss and recorded in the current profit and loss. After the impairment loss is incurred, if there is objective evidence showing that the value of financial assets has been recovered and that is objectively related to events after the loss, the previously recognized impairment losses shall be reversed, and the book value of the financial asset after the reversal of impairment loss does not exceed the amortized cost of the financial asset on the reversal date under the assumption that no provision for impairment is made.

ii. Available-for-sale financial assets

When the relevant factors are combined to determine whether the decline in the fair value of available-for-sale equity instrument investment is serious or non-temporary, it indicates that the available-for-sale equity instrument investment is impaired. Among them, “serious decline” refers to a cumulative decrease in fair value of more than 20%; “non-temporary decline” refers to a continuous decline in fair value for more than 12 months.

When the available-for-sale financial asset is impaired, the cumulative loss that is due to the decrease in fair value and that had been directly recognized in other comprehensive income shall be transferred to current profit and loss. The accumulated loss transferred out is the balance of the initial acquisition cost of the asset after deducting the recovered principal and amortized amount, the current fair value and the impairment loss originally included in the profit and loss.

After the Company recognizes the impairment loss of available-for-sale financial assets, if there is objective evidence showing that the value of financial assets has been recovered which is objectively related to events after the loss, the previously recognized impairment losses shall be reversed. The impairment loss reversed on the available-for-sale equity instrument shall be recognized as other comprehensive income, and the impairment loss reversed on the available-for-sale debt instrument

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shall be recognized as current profit and loss.

The impairment loss, which has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, shall not be reversed.

#### (4) Recognition and measurement of transfer of financial assets

The Company derecognizes financial assets when it meets one of the following conditions:

① The contractual right to receive the cash flow of the financial asset is terminated; ② The financial asset has been transferred and almost all the risks and rewards of the ownership of the financial asset have been transferred to the transferee; ③ The financial asset has been transferred. Although the enterprise has neither transferred nor retained almost all the risks and rewards of the ownership of the financial asset, it has given up the control over the financial asset.

If the Company has neither transferred nor retained almost all risks and rewards of the ownership of the financial assets, and the Company has not given up the control over the financial assets, the relevant financial assets shall be recognized according to the degree of continuous involvement in the transferred financial assets, and the relevant liabilities shall be recognized accordingly. The degree of continuous involvement in the transferred financial assets refers to the risk level faced by the enterprise due to the change of the value of the financial assets.

If the overall transfer of financial assets meets the conditions for derecognition, the difference between the book value of the transferred financial assets and the sum of the consideration received due to the transfer and the accumulated changes in fair value originally included in other comprehensive income shall be included in the current profit and loss.

If the partial transfer of financial assets meets the conditions for derecognition, the book value of the transferred financial assets shall be apportioned according to its relative fair value between the derecognized part and the non-derecognized part, and the difference between the aforesaid book value apportioned and the sum of the consideration received due to the transfer and the accumulated changes in fair value originally included in other comprehensive income that should be apportioned to the derecognized part shall be included in the current profit and loss.

The Company needs to determine whether almost all risks and rewards on the ownership of the financial assets have been transferred when it sells the financial assets with recourse or transfers the financial assets held by endorsement. If almost all the risks and rewards in the ownership of the

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financial asset have been transferred to the transferee, the financial asset shall be derecognized; if almost all the risks and rewards in the ownership of the financial asset have been retained, the financial asset shall not be derecognized; if almost all the risks and rewards in the ownership of the financial asset have not been transferred nor retained, it shall continue to judge whether the enterprise retains the control of the asset and the accounting treatment shall be performed in accordance with the principles described in the preceding paragraphs.

(5) Classification and measurement of financial liabilities

The Company's financial liabilities are classified as: financial liabilities at fair value through profit or loss (FVTPL) and other financial liabilities. Financial liabilities are initially measured at fair value. For the financial liability at fair value through profit or loss, relevant transaction costs are recognized as current profit and loss. For the other financial liabilities, relevant transaction costs are included in the initial recognition amounts.

① Financial liabilities at fair value through profit or loss

The conditions for classification as trading financial liabilities and financial liabilities designated by the Company as at fair value through profit or loss for the initial recognition are the same as those for classification as trading financial assets and financial assets designated by the Company as at fair value through profit or loss for the initial recognition.

Financial liabilities at fair value through profit or loss are subsequently recognized at fair value. A gain or loss resulted from changes in fair value and the interest and dividends related to the financial liabilities are recorded into the current profit and loss.

② Other financial liabilities

Derivative financial liabilities that are linked to equity instruments that have no quoted price in an active market and whose fair value cannot be reliably measured and must be settled by delivering such equity instruments shall be subsequently measured at cost. Other financial liabilities shall be subsequently measured at amortized cost by using the effective interest method, and the gains or losses arising from derecognition or amortization shall be included in the current profit and loss.

③ Financial guarantee contract

The financial guarantee contract, which does not belong to the financial liabilities designated by the Company as at fair value through profit or loss, shall be initially recognized at fair value, and the higher amount between the amount determined in accordance with the "Accounting Standards for

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Enterprises No. 13 - Contingencies” after the initial recognition and the balance of the initial recognition amount after deducting the accumulated amortization determined in accordance with the “Accounting Standards for Business Enterprises No. 14 - Revenue” shall be measured subsequently.

(6) Derecognition of financial liabilities

Only when the prevailing obligations of a financial liability are relieved in all or in part, the recognition of the financial liability can be terminated in all or partly. Where the Company enters into an agreement with a creditor so as to substitute the existing financial liabilities by assuming a new financial liability, and if the contractual stipulations regarding the new financial liability is substantially different from that of the existing financial liability, it shall terminate the recognition of the existing financial liability and recognize the new financial liability at the same time.

Where the recognition of a financial liability is totally or partially terminated, the Company shall record the difference between the book value which has been terminated from recognition and the consideration which has been paid (including the non-cash asset which has been transferred out and the new financial liability which has been assumed) into the current profit and loss.

(7) Derivatives and embedded derivatives

Derivatives are initially measured at fair value on the date of signing the relevant contract and subsequently measured at fair value. The changes in fair value of derivatives shall be included in the current profit and loss.

For hybrid instruments including embedded derivatives, such as financial assets or financial liabilities not designated to be measured at fair value through profit or loss, there is no close relationship between embedded derivatives and the main contract in terms of economic characteristics and risks, the conditions are the same as those of embedded derivatives, the separate instruments meet the definition of derivatives, the embedded derivatives shall be split from the hybrid instruments and treated as separate derivative financial instruments. If the embedded derivative cannot be measured separately on the acquisition date or the subsequent balance sheet date, the hybrid instrument as a whole shall be designated as a financial asset or financial liability measured at fair value through profit or loss.

(8) Offsetting of financial assets and financial liabilities

When the Company has legal rights to offset the recognized financial assets and financial liabilities, and this kind of legal rights is currently executable, and the Company plans to settle in net amount, or



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realize the financial assets and settle the financial liabilities at the same time, financial assets and financial liabilities are presented in the balance sheet at the amount after offsetting each other. Otherwise, financial assets and financial liabilities are presented separately in the balance sheet, not offsetting each other.

#### (9) Equity instrument

Equity instruments refer to contracts that can validate the remaining equity of the Company's assets after deducting all liabilities. The Company's issuance (including refinancing), repurchases, sale or cancellation of equity instruments shall be treated as changes in equity. Transaction costs related to equity transactions are deducted from equity.

The Company's various distributions (excluding share dividends) to the holders of equity instruments reduce owners' equity. The Company does not recognize changes in the fair value of equity instruments.

### 9. Receivables

Receivables include accounts receivable and other receivables.

#### (1) Accrual method for bad debt provisions

##### I. Bad debt provision for individually significant receivables:

The judgment basis or amount standards of individually significant receivables: The closing balance of receivables with the amount more than RMB 5 million (including RMB 5 million) shall be regarded as the individually significant receivables.

Method of provision for bad debts of the individually significant receivables: The impairment test is carried on individually for the individually significant receivables. If there is objective evidence that an individually significant receivable has been impaired, the bad debt provision shall be made according to the difference between the present value of future cash flow and its book value.

If an individually significant receivable is found not to be individually impaired, the bad debt provision shall be made according to the portfolios.

##### II. Receivables for which bad debt provisions are made based on the portfolios:

For individually significant receivables, the bad debt provisions shall be made together with individually significant receivables that have not been impaired after separate test according to the following credit risk portfolios:

Category	The judgment basis for determination of portfolios	Method to make bad debt provisions by portfolios
Portfolio 1	Receivables from security deposits, margins, related party transactions, petty cash, employee borrowings, government and the transactions of wholly-owned subsidiaries of Ninghai Municipal Government, which are not impaired after individual tests, the single amount is not significant, and the risk of the portfolio is not significant after combination according to the credit risk characteristics.	No bad debt provision
Portfolio 2	For receivables that are not impaired after individual tests, the single amount is not significant, and the risk of the portfolio is not significant after combination according to the credit risk characteristics, the receivables with different ageing have similar credit risk characteristics.	Balance percentage method

In portfolio 2, the proportion of bad debt provisions made by balance percentage method is as follows:

Name of portfolio	Provision proportion of accounts receivable (%)	Provision proportion of other receivables (%)
Portfolio 2	5	5

In case of any of the following circumstances, it shall be recognized as bad debt after approval according to the prescribed procedures, and the provision for bad debt shall be written off.

A. If the debtor is declared bankrupt or cancelled according to the law, the relevant materials such as the certificates of bankruptcy declaration, cancellation of industrial and commercial registration or revocation of license or the documents ordered to close down by the government department have been obtained, the receivables after deducting the part paid off by the debtor's liquidation property that are still uncollectible shall be regarded as bad debt losses;

B. If the debtor dies or is declared missing or dead according to the law, and its property or inheritance is insufficient to pay off and there is no successor, the receivables shall be regarded as bad debt loss after obtaining relevant legal documents;

C. The receivables involved in the lawsuit, which are judged or ruled to be lost by the effective judgment or order of the people's court, or the execution of the receivables involved in the lawsuit is deemed as bad debt loss if the case is won but the execution is terminated due to the inability to execute the case;

D. If the receivables overdue for 3 years have the records of legal collection and negotiation of the enterprise, and it can be confirmed that there is no business transaction within 3 years, the balance after deducting various amounts due to the debtor and the compensation of relevant responsible personnel

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shall be regarded as bad debt loss;

E. The debtor fails to pay its due debts for a long time, and there is sufficient evidence to show that it cannot be recovered or the possibility of recovery is tiny.

(2) Reversal of bad debt provisions

If there is objective evidence that the value of the receivables has been restored and is objectively related to the events occurred after the loss is recognized, the impairment loss originally recognized shall be reversed and included in the current profit and loss. However, the book value after the reversal does not exceed the amortized cost of the receivables on the date of reversal under the assumption that no provision for impairment is made.

10. Inventory

(1) Classification of inventory

The Company's inventories mainly include land development expenditures, development costs, development products, raw materials, low-value consumables and goods in stock, etc.

(2) Pricing method for inventories acquired and delivered

The inventories acquired by the Company are initially measured at cost, which include purchase costs, conversion costs and other costs. The cost of inventories used and delivered is determined by weighted average method.

(3) Determination of net realizable value and method of provision for impairment of inventories

The net realizable value refers to the amount of the estimated selling price of the inventory minus the estimated cost to be incurred at the time of completion, the estimated selling expenses and the relevant taxes in daily activities. When determining the net realizable value of the inventory, it shall be based on the conclusive evidence obtained, taking into account the purpose of holding the inventory and the impact of events after the balance sheet date.

On the balance sheet date, the inventory is measured at the lower of cost and net realizable value. When the net realizable value is lower than the cost, the impairment provision on the inventory shall be made. The impairment provision on the inventory is usually made according to the difference between the cost of a single inventory item and its net realizable value. For the inventory with large quantity and low unit price, the impairment provision on the inventory shall be made according to the category of inventory; for the inventory related to product series produced and sold in the same region,

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with the same or similar end use or purpose, and which is difficult to be measured separately from other items, the impairment provision on the inventory shall be made in combination.

After making the impairment provision on the inventory, if the factors that previously written down the value of the inventory have disappeared, resulting in the net realizable value of inventory higher than its book value, it shall be reversed within the amount of the original impairment provision on the inventory, and the reversed amount shall be included in the current profit and loss.

(4) The Company adopts perpetual inventory system for the inventory taking of inventories.

(5) Amortization method of low-value consumables:

Low-value consumables are amortized by the 50% amortization method.

#### 11. Long-term equity investment

Long-term equity investment refers to the long-term equity investment that the Company has control, joint control or significant influence on the investee. The long-term equity investment that the Company does not have control, joint control or significant influence on the investee shall be accounted for as an available-for-sale financial asset. The details of its accounting policy refer to Note IV 8 “Financial instruments”.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

##### (1) Initial measurement

If the long-term equity investment is obtained in business combination under common control, the initial cost of the investment is the book value of the share of the acquiree’s equity in the consolidated financial statements of the ultimate controller at the acquisition date. The difference between cash paid, the book value of the non-monetary asset exchanged and the acquiree’s liabilities assumed and the initial cost of the long-term equity investment should be adjusted to capital reserve. If the capital reserve is not sufficient for adjustment, retained earnings are adjusted respectively. If the acquirer issuing equity securities as consideration, the initial cost is the book value of the share of the acquiree’s equity in the consolidated financial statements of the ultimate controller at the acquisition date. Amount of share capital equal to the par value of the shares issued. The difference between initial

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cost of the long-term equity investment and the par value of shares issued shall be adjusted to capital reserve. If the capital reserve is not sufficient for adjustment, retained earnings are adjusted respectively. If the equity of the acquiree under common control is acquired step by step through multiple transactions, and the business combination under common control is ultimately formed, it shall be handled separately whether it is the “package deal”: if it is the “package deal”, each transaction shall be accounted for as a transaction obtaining the control; if it is not the “package deal”, the share of the book value of the acquiree’s equity in the consolidated financial statements of the ultimate controller on the date of combination shall be taken as the initial investment cost of the long-term equity investment. The difference between the initial investment cost of the long-term equity investment and the sum of the book value of the long-term equity investment before the combination plus the book value of the newly paid consideration for the shares on the combination date shall be adjusted to the capital reserve; if the capital reserve is insufficient to offset, the retained earnings shall be adjusted. For the equity investment held before the combination date, other comprehensive income accounted under equity method or recognized from available-for-sale financial assets shall not be accounted for temporarily.

For the long-term equity investment obtained from the business combination not under common control, the initial investment cost of the long-term equity investment shall be the combination cost on the acquisition date. The combination cost includes the sum of the assets paid by the acquirer, the liabilities incurred or undertaken, and the fair value of the issued equity securities. If the equity of the acquiree is acquired step by step through multiple transactions, and the business combination not under common control is ultimately formed, it shall be handled separately whether it is the “package deal”: if it is the “package deal”, each transaction shall be accounted as a transaction obtaining the control; if it is not the “package deal”, the sum of the book value of the equity investment originally held by the acquiree plus the newly increased investment cost shall be taken as the initial investment cost of the long-term equity investment measured at cost. If the originally held equity is accounted for under equity method, the relevant other comprehensive income shall not be accounted for temporarily. If the originally held equity investment is an available-for-sale financial asset, the difference between its fair value and book value, as well as the accumulated changes in fair value originally included in other comprehensive income, shall be transferred into the current profit and loss.

The business combination costs that are directly attributable to the combination, such as audit fees,

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valuation fees, legal service fees and other administrative expenses are recognized in the current profit and loss when they occur.

For long-term equity investment obtained in any method other than business combination, other equity investment shall be initially measured at cost. The cost shall be determined respectively according to the actual cash purchase price paid by the Company, the fair value of equity securities issued by the Company, the value agreed in the investment contract or agreement, the fair value or original book value of assets exchanged in the exchange transaction of non-monetary assets, and the fair value of the long-term equity investment, etc. based on the different ways of obtaining the long-term equity investment. Expenses, taxes and other necessary expenses directly related to the acquisition of long-term equity investment are also included in the investment cost. If the additional investment can have a significant influence on the investee or implement joint control but does not constitute control, the cost of long-term equity investment shall be the sum of the fair value of the original equity investment determined in accordance with the “Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments” plus the cost of newly increased investment.

#### (2) Subsequent measurement

The equity method is used when the Company has joint control (except for joint operation) or significant influence over the investee enterprise. The cost method is used when the Company has control over the investee.

##### a) Long-term equity investment under cost method

The long-term equity investment under cost method shall be priced in accordance with the initial investment cost. Additional investment or recovered investment shall be adjusted to the cost of long-term equity investment. Unless the price or consideration actually paid of obtaining the investment includes cash dividends or profits that are declared but not yet paid, the current investment income shall be recognized according to the cash dividends or profits declared and paid by the investee

##### b) Long-term equity investment under equity method

For the long-term equity investment under equity method, when the initial cost of long-term equity investments exceeds the Company’s interest in the fair value of identifiable net assets of the investee, the initial cost of the long-term equity investment shall not be adjusted; while the initial cost of long-term equity investments is less than the share of the fair value of identifiable net assets of the investee, the difference is charged to profit or loss for the current period and the cost of the long-term

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equity investment shall be adjusted accordingly.

After a long-term equity investment is acquired, the Company shall recognize its share of the investee's net profit or losses, as well as its share of the investee's other comprehensive income, as investment income or losses and other comprehensive income, and adjust the book value of the investment accordingly. The book value of long-term equity investment shall be reduced accordingly according to the profit or cash dividend declared to be distributed by the investee. If the investee's equity changes other than those arising from the investee's net profit or loss, other comprehensive income or profit distribution, the book value of the long-term equity investment shall be adjusted accordingly and recorded into capital reserve. When confirming the share of the net profit and loss of the investee, the net profit of the investee shall be recognized after adjustment on the basis of the fair value of all identifiable assets of the investee at the time of investment. When the accounting policies adopted by the investee are different from those adopted by the Company, the financial statements of the investee shall be adjusted and the investment income and other comprehensive income shall be recognized according to the Company's accounting policies. For transactions between the Company, associates and joint ventures, if the assets invested or sold do not constitute a business, the unrealized internal transaction profit and loss shall be offset according to the proportion attributable to the Company, and the investment profit and loss shall be recognized accordingly. However, if the unrealized internal transaction losses between the Company and the investee is classified as impairment loss of transferred assets, the loss shall not be offset. If the assets invested by the Company to a joint venture or an associate constitute a business, and the investor obtains long-term equity investment but does not obtain the control right, the fair value of the invested business shall be taken as the initial investment cost of the new long-term equity investment, and the difference between the initial investment cost and the book value of the invested business shall be included in the current profit and loss in full. If the assets sold by the Company to a joint venture or an associate constitute a business, the difference between the consideration obtained and the book value of the business shall be included in the current profit and loss in full. If the assets purchased by the Company from joint ventures or associates constitute a business, the accounting treatment shall be carried out in accordance with the "Accounting Standards for Business Enterprises No. 20 - Business Combination", and the gains or losses related to the transaction shall be recognized in full.

The net loss incurred by the investee shall be recognized based on the book value of the long-term



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investment and other investments essentially constituting the long-term equity of the investee till the book value is reduced to zero. In addition, if the Company has the obligation to undertake extra losses for the investee, it should recognize the accrued liabilities according to the expected obligations and record them in the current investment loss. Once the investee realizes net profit in the subsequent period, the Company starts recognizing its share of profits after the share of previously unrealized losses has been recovered.

c) Purchase of minority interests

In the preparation of consolidated financial statements, the difference between the newly increased long-term equity investment which is due to the purchase of minority equity and the share of net assets of the subsidiary calculated continuously from the acquisition date (or combination date) according to the newly increased shareholding ratio shall be adjusted to the capital reserve. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted.

d) Disposal of long-term equity investment

In the consolidated financial statements, the parent company disposes part of the long-term equity investment in the subsidiary without losing the control, and the difference between the disposal price and the amount of long-term equity investment in relation to its share of net asset in the subsidiary shall be included in the owners' equity; if the parent company disposes part of the long-term equity investment in the subsidiary, resulting in the loss of the control, it shall be treated in accordance with the relevant accounting policies described in Note IV 5 "Preparation of consolidated financial statements".

For the disposal of long-term equity investment under other circumstances, the difference between the book value of the disposed equity and the price actually obtained shall be included in the current profit and loss.

For long-term equity investment measured under equity method, if the remaining equity after disposal is still measured under equity method, the other comprehensive income originally included in the owners' equity shall be accounted on the same basis as the investee's direct disposal of relevant assets or liabilities according to the corresponding proportion. The owners' equity recognized due to changes in the owners' equity of the investee other than net profit and loss, other comprehensive income and profit distribution shall be carried forward to the current profit and loss in proportion.

For long-term equity investment measured under cost method, if the remaining equity is still measured

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under cost method after disposal, the other comprehensive income recognized by equity method or determined from the recognition and measurement standard of financial instrument before obtaining the control over the investee shall be accounted on the same basis as the investee's direct disposal of relevant assets or liabilities, and shall be carried forward to the current profit and loss in proportion; The owners' equity recognized due to changes in the owners' equity of the investee other than net profit and loss, other comprehensive income and profit distribution under equity method shall be carried forward to the current profit and loss in proportion.

If the Company loses control in a subsidiary due to partial disposal of equity investment but can still exercise joint control or exert significant influence on the investee, the measurement of long-term equity investment shall be changed from the cost method to the equity method in an individual financial statements, and the remaining equity shall be deemed to be adjusted by equity method when it is acquired. If the remaining equity after disposal cannot exercise joint control or exert significant influence on the investee, it shall be accounted according to the relevant provisions of recognition and measurement standards 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. Before the Company obtains the control over the investee, the other comprehensive income recognized by equity method or determined from the recognition and measurement standard of financial instrument shall be accounted on the same basis as the investee's direct disposal of relevant assets or liabilities when the control over the investee is lost. The owners' equity recognized due to changes in the owners' equity of the investee other than net profit and loss, other comprehensive income and profit distribution shall be carried forward to the current profit and loss when the control over the investee is lost. Among them, if the remaining equity after disposal is accounted by equity method, other comprehensive income and other owners' equity shall be carried forward in proportion; if the remaining equity after disposal is changed to be accounted according to the recognition and measurement standards of financial instruments, the other comprehensive income and other owners' equity shall be carried forward in full.

If the Company loses joint control or significant influence on the investee due to the disposal of part of equity investment, the remaining equity after disposal shall be accounted according to the recognition and measurement standards of financial instruments, and the difference between the fair value and book value on the date of losing joint control or significant influence shall be included in the current profit and loss. Other comprehensive income of the original equity investment recognized by the

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equity method shall be accounted on the same basis as the investee's direct disposal of relevant assets or liabilities when the equity method is ceased to be used. The owners' equity recognized by the investee due to changes in the owners' equity other than net profit and loss, other comprehensive income and profit distribution shall be fully transferred into the current investment income when the equity method is ceased to be used.

The Company disposes the equity investment in subsidiaries step by step through multiple transactions until the control is lost. If the above transactions are a package deal, each transaction shall be treated as a transaction to dispose the equity investment in subsidiaries and lose the control for accounting treatment. Before the loss of control, the difference between the price of each disposal and the book value of the long-term equity investment corresponding to the disposed equity shall be first recognized as other comprehensive income, and then transferred to the current profit and loss when the control is lost.

(3) Recognition standard and accrual method of impairment provision on long-term equity investment

Details of the recognition standard and accrual method of impairment provision on long-term equity investment refer to Note IV 18 "Impairment of long-term assets".

## 12. Investment property

The term "Investment Property" refers to the properties held for generating rent and/or capital appreciation or both. Including: a) A land use right that is leased out; b) A land use right held and ready to transfer after appreciation; c) A building that is leased out. In addition, for the vacant buildings held by the Company for operating lease, if the Board of Directors makes a written resolution to clearly indicate that they will be used for operating lease and the intention to hold will not change in the short term, they are also listed as investment property.

The Company shall use the fair value model for subsequent measurement of the investment property.

The Company does not accrue depreciation or amortization of the investment property, and adjusts its book value based on the fair value of the investment property on the balance sheet date. The difference between the fair value and the original book value is included in the current profit and loss.

When determining the fair value of the investment property, refer to the current market price of the same or similar real estate in an active market; if the current market price of the same or similar real estate cannot be obtained, refer to the latest transaction price of the same or similar real estate in an

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active market, and consider the transaction situation, transaction date, region and other factors, so as to make a reasonable estimate of the fair value of the investment property; or the fair value shall be determined on the basis of the present value of the expected future rental income and relevant cash flow.

When the self-use real estate or inventory is converted into investment property, it 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 recognized as other comprehensive income. When the investment property 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 investment property is disposed, or is permanently withdrawn from use, and it is expected that no economic benefits can be obtained from its disposal, the recognition of the investment property shall be terminated. The disposal income from the sale, transfer, scrap or damage of investment property after deducting its book value and relevant taxes and surcharges shall be included in the current profit and loss.

### 13. Fixed assets

#### (1) Recognition conditions of fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others or for administrative purposes with useful life more than one year. A fixed asset shall be initially recognized at cost when the following conditions are satisfied: a) It is probable that future economic benefits associated with the assets will flow to the Company; b) The cost of the assets can be measured reliably. Fixed assets are initially measured at cost and taking into account the impact of estimated abandonment costs.

#### (2) Depreciation method for fixed assets

The fixed assets shall be depreciated by using the straight-line method within the useful life from the next month when the fixed assets reach the expected usable state.

#### (3) Impairment test method and impairment provision method for fixed assets

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Details of the impairment test method and impairment provision method for fixed assets refer to Note IV 18 “Impairment of long-term assets”.

(4) Fixed assets acquired under finance lease

The Company identifies a lease of asset as finance lease when substantially all the risks and rewards incidental to legal ownership of the asset are transferred, and its ownership may or may not be transferred eventually. The depreciation method of fixed assets acquired under finance lease is consistent with that for depreciable assets owned by the Company. If the Company can reasonably confirm that it will obtain the ownership of leased asset at the end of lease term, the leased asset shall be depreciated during the useful life of the leased asset. If the Company cannot reasonably confirm that it will obtain the ownership of leased asset at the end of lease term, the leased asset shall be depreciated over shorter of the useful life of the leased asset and the lease term.

(5) Other information

Subsequent expenditure relating to a fixed asset, if the economic benefits related to the fixed asset are probable to flow in and their costs can be reliably measured, shall be included in the cost of the fixed asset and the book value of the replaced part shall be derecognized. Other subsequent expenditures shall be included in the current profit and loss when they occur.

When a fixed asset is in a disposal state or it is expected to produce no economic benefits through use or disposal, the recognition of the fixed asset shall be terminated. The difference 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.

The Company reviews the useful life, estimated residual value and depreciation method of a fixed asset at the end of each financial year. If there are changes in useful life, estimated residual value and depreciation method, they shall be treated as changes in accounting estimates.

14. Construction in progress

Construction in progress is recorded at actual costs incurred which include all project expenditures incurred during the construction period, capitalized borrowing costs before the project reaches the expected usable status and other related costs, etc. The Company transfers construction in progress to fixed assets when the project reaches the expected usable status.

Details of the impairment test method and impairment provision method for construction in progress

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refer to Note IV 18 “Impairment of long-term assets”.

#### 15. Borrowing costs

Borrowing costs include interest on borrowings, amortization of discounts or premiums, auxiliary costs and exchange differences arising from foreign currency borrowings, etc. When the borrowing costs incurred by the Company can be directly attributable to the acquisition and construction or production of assets which are eligible for capitalization, it shall be capitalized and recorded into the costs of relevant assets when the following requirements are simultaneously met: a) The asset disbursements have already incurred; b) The borrowing costs have already incurred; c) The acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started. When the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs shall be ceased. Other borrowing costs shall be recorded into the current profit and loss when they occur.

The amount of interest expenses actually incurred in the current period of a special borrowing after deducting the interest income from unused borrowing funds deposited in the bank or the investment income from temporary investment shall be capitalized. The capitalization amount of a general borrowing is the capitalization rate of the general borrowing used multiplied by the portion of the weighted average asset disbursement, which is calculated by deducting the special loan from the accumulative asset disbursements. The capitalization rate shall be calculated and determined based on the weighted average interest rate of the general borrowing.

During the period of capitalization, the foreign exchange differences on foreign currency specific borrowings shall be capitalized; exchange differences on foreign currency general borrowings shall be recorded into the current profit and loss.

Assets eligible for capitalization refer to assets such as fixed assets, investment property, inventories and other assets which need to go through the acquisition and construction or production activities for quite a long time to reach the intended use or status for sale.

Where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended, till the acquisition and construction or production of the asset restarts.

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## 16. Intangible assets

### (1) Recognition of intangible assets

Intangible assets are identifiable non-monetary asset that are owned or controlled by the Company and are without physical substance.

An intangible asset is measured initially at its cost. Subsequent expenditure relating to an intangible asset, if the economic benefits related to the intangible asset are probable to flow in and their costs can be reliably measured, shall be included in the cost of the intangible asset. Other subsequent expenditures shall be included in the current profit and loss when they occur.

The acquired land use right is usually accounted for as an intangible asset. For self-development and construction of buildings such as factories, etc., the related land use right expenditures and building construction costs are accounted for as intangible assets and fixed assets respectively. For houses and buildings purchased, the relevant price shall be allocated between the land use rights and the buildings. If it is difficult to allocate them reasonably, all of them are treated as fixed assets.

Intangible assets with limited useful life shall be averagely amortized by the straight-line method within the expected useful life of the original value minus the estimated net residual value and the accumulated amount of the impairment provision accrued from the time they are available for use. Intangible assets with uncertain useful life shall not be amortized.

At the end of the reporting period, for an intangible asset with limited useful life, the useful life and amortization method shall be reviewed, if there is any change incurred, it shall be treated as an accounting estimation change. In addition, for an intangible asset with uncertain useful life, the useful life shall be reviewed, if there is any evidence indicated that the duration of bringing economic benefits to the Company from an intangible asset is foreseeable, then estimate its useful life and amortize it in accordance with the amortization policy of intangible assets with limited useful life.

### (2) Research and development expenses

The expenditure from the internal research and development project of the Company shall be classified as the expenditure in research stage and in development stage. Among them, research refers to original and planned investigations for acquiring and understanding new scientific or technical knowledge, such as activities that are intended to acquire knowledge; applied research, evaluation and final selection of research results or other knowledge; research on alternatives of materials, equipment, products, processes, systems or service; preparation, design, evaluation and final selection of possible



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alternatives of new or improved materials, equipment, products, processes, systems or service. Development refers to the application of research results or other knowledge to a plan or design to produce new or substantially improved materials, devices, products, etc. before commercial production or use, such as the design, construction and testing of prototypes and models before production or use; design, construction and operation of trial production facilities without commercial production economic scale.

The expenditures in research stage shall be recorded into the current profit and loss when they occur.

The expenditures in development stage shall be recognized as intangible assets that should meet all the conditions as follows, otherwise shall be recorded into the current profit and loss:

- ① It is technically feasible to finish intangible assets for use or sale;
- ② It is intended to finish and use or sell the intangible assets;
- ③ The usefulness of methods for intangible assets to generate economic benefits shall be proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets itself or the intangible assets will be used internally;
- ④ It is able to finish the development of the intangible assets, and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources;
- ⑤ The development expenditures of the intangible assets can be reliably measured.

If it is impossible to distinguish the expenditure from the research stage or development stage, all the R&D expenditures incurred shall be recorded into the current profit and loss.

### (3) Impairment test method and impairment provision method for intangible assets

Details of the impairment test method and impairment provision method for intangible assets refer to Note IV 18 “Impairment of long-term assets”.

## 17. Long-term deferred expenses

Long-term deferred expenses are defined as expenses incurred which should be recorded in the reporting period and subsequent periods with an amortization period of more than one year.

Long-term deferred expenses shall be recorded according to the actual expenditures, and shall be averagely amortized within the specified period. In addition to the purchase and construction of fixed assets, the expenses incurred during the preparation period are first collected in the long-term deferred

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expenses, and then included in the current profit and loss in the month of production and operation.

#### 18. Impairment of long-term assets

The Company assesses fixed assets, constructions in progress and intangible assets with limited useful life, investment property measured at cost model, long-term equity investment in subsidiaries, joint ventures and associates and other non-current non-financial assets for impairment at the balance sheet date. If there is any indication that an asset may be impaired, the Company should assess the asset for impairment and estimate the recoverable amount of the impaired asset. The Company shall conduct impairment tests each year on goodwill, intangible assets with uncertain useful life and intangible assets that not reach the usable status yet no matter whether indication that an asset may be impaired exists or not.

If the result of impairment test indicates that the book value of an asset is higher than its recoverable amount, impairment provision should be made and recorded into the impairment loss based on the difference. Recoverable amount is measured as the higher of an asset's fair value less disposal costs and the present value of estimated future cash flows. The fair value of the asset is determined according to the sales agreement price in the fair transaction; if there is no sales agreement but there is an active market for the asset, the fair value is determined according to the buyer's bid for the asset; if there is no sales agreement and an active market for the asset, the fair value of the asset is estimated based on the best information available. Disposal costs include legal expenses, relevant taxes and handling expenses related to the disposal of assets and direct expenses incurred to make the assets reach a saleable state. The present value of the expected future cash flow of the asset shall be determined according to the expected future cash flow generated in the process of continuous use and final disposal of the asset, and the appropriate discount rate shall be selected to discount the amount. If there is any indication that an asset may be impaired, the Company usually estimates its recoverable amount on an individual item basis. However, if it's not possible to estimate recoverable amount of the individual asset, the Company should determine the recoverable amount of the asset group to which the asset belongs. An asset group is the smallest group of assets that can independently generates cash inflows.

For the goodwill separately listed in the financial statements, during the impairment test, the book value of goodwill shall be allocated to the asset group or combination of asset groups expected to

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benefit from the synergistic effect of business combination. If the test results show that the recoverable amount of the asset group or asset group combination containing the allocated goodwill is lower than its book value, the corresponding impairment loss shall be recognized. The amount of impairment loss shall first offset the book value of goodwill allocated to the asset group or combination of asset groups, and then offset the book value of other assets in proportion according to the proportion of the book value of assets other than goodwill in the asset group or combination of asset groups.

Once impairment loss is recognized, it cannot be reversed in the subsequent financial periods.

#### 19. Employee benefits

Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

Short-term employee benefits include salary, bonus, allowance & subsidy, employee welfare, medical insurance, work-related injury insurance, maternity insurance, housing fund, union funds & employee education expenses and non-monetary welfares, etc. The actual short-term employee benefits shall be recognized as the debt during the accounting period when the employees provide service and included in the current profit and loss or the cost of relevant assets, and the non-monetary welfare shall be measured at fair value.

Post-employment benefits include defined contribution plans and defined benefit plans. Defined contribution plans mainly include basic endowment insurance, unemployment insurance and annuity, etc. The corresponding payable amount shall be included in the relevant asset cost or current profit and loss when it occurs.

To terminate the labor relationship with the employee before the expiration of the labor contract, or to propose compensation to encourage employees to voluntarily accept the layoff, the employees' compensation liabilities arising from the termination benefits are recognized and charged into the current profit and loss at the earlier date of the two following situations: (1) the Company is unable to unilaterally withdraw the termination benefits provided by terminating the labor relationships plans or the layoff proposals; (2) the Company recognize the costs or expenses in connection with the reorganization involving the termination benefits. However, if the termination benefits are not expected to be fully paid within 12 months after the end of the annual report period, they shall be treated as other long-term employee benefits.

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Employee internal retirement plans shall be handled according to the same principles as above for termination benefits. The salaries 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, when they meet the conditions for the recognition of accrued liabilities, shall be included in the current profit and loss (termination benefits).

If the other long-term employee benefits provided by the Company to employees are in accordance with the defined contribution plan, the accounting treatment shall be carried out in accordance with the defined contribution plan, and otherwise shall be accounted for in accordance with the defined benefit plan.

## 20. Bonds payable

The non-convertible corporate bonds issued by the Company are treated as liabilities according to the amount actually received (deducting relevant transaction costs); the difference between the amount actually received and the total par value of the bonds shall be treated as the premium or discount of the bonds, which shall be amortized during the duration of the bonds according to the effective interest rate when the interest is accrued, and shall be treated according to the treatment principle of borrowing costs.

The convertible corporate bonds issued by the Company are divided into the liability and equity components at initial recognition and treated separately. Firstly, the fair value of the liability component shall be recognized as its initial recognition amount. Secondly, the initial recognition amount of the equity component shall be determined according to the total issue price of the convertible corporate bonds (deducting relevant transaction costs) after deducting the initial recognition amount of the liability component.

## 21. Revenue

The Company's revenue consists of revenue from sale of goods, rendering services, construction contracts and the use by others of the Company's assets

### (1) Revenue from sale of goods

The Company recognizes revenue from sales of goods when all the following conditions have been satisfied: a) The Company has transferred to the buyer the significant risks and rewards of ownership

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of the goods; b) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; c) The amount of revenue can be measured reliably; d) The economic benefits associated with the transaction is probable to flow into the Company; and e) The relevant costs incurred or to be incurred can be measured reliably.

The collection of the contract or agreement price adopts the deferred method, and if it has the nature of financing in essence, the amount of revenue from sales of goods shall be determined according to the fair value of the contract or agreement price receivable.

### (2) Revenue from rendering of services

If the labor services provided by the Company are completed within the reporting period, the revenue shall be recognized upon completion. If the beginning and completion of providing labor services are in different reporting periods, and the results of the transaction of providing labor services on the balance sheet date can be reliably estimated, the revenue from rendering of labor services shall be recognized by the percentage of completion method. The Company determines the completion progress of providing labor service transaction according to the measurement of completed work.

If the results of the labor service transaction provided by the Company on the balance sheet date cannot be reliably estimated, the following situations shall be handled respectively: ① If the labor cost incurred is expected to be compensated, the revenue from providing labor service shall be recognized according to the amount of labor cost incurred, and the labor cost shall be carried forward at the same amount; ② If the labor cost incurred is not expected to be compensated, the labor cost incurred shall be included in the current profit and loss, and the revenue from providing labor service shall not be recognized.

### (3) Revenue from construction contracts

When the outcome of a construction contract can be estimated reliably on the balance sheet date, the revenue and costs of the construction contract is recognized under the percentage of completion method. The percentage of contract completion is recognized based on the ratio of the accumulative actual contract costs to the total estimated contract costs or the ratio of the completed contract work to the total estimated contract work or the actual measured completion progress.

The outcome of a construction contract can be estimated reliably when all the following conditions are satisfied: A. Total contract revenue can be measured reliably; B. It is probable that the economic benefits associated with the contract will flow to the entity; C. The actual contract costs attributable to

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the contract can be clearly identified and reliably measured; D. The percentage of contract completion of the contract and the costs needed to complete the contract can be measured reliably.

When the outcome of a construction contract cannot be estimated reliably but the contract costs are expected to be recovered, the contract revenue is recognized according to the actual contract costs that can be recovered and the contract costs shall be recognized as an expense in the period when they occur. If the contract costs cannot be recovered, it shall be recognized as an expense immediately when incurred and no revenue shall be recognized. If the uncertainties that make the outcome of the construction contract unreliable no longer exist, the revenue and expenses related to the construction contract shall be determined according to the percentage of completion method.

If the total estimated contract costs exceed the total contract revenue, an estimated loss should be recognized as a current expense.

(4) Revenue from the real estate development

① The sales revenue of the developed land and commercial housing (including the rental housing and revolving housing converted for sale) shall be recognized when the transfer procedures of the land and housing are completed, the invoices or bills are issued and submitted to the buyer for approval.

② Accept the entrustment to build houses or other projects for the other party, and recognize the sales revenue after the completion of the project acceptance and the handover procedures.

③ For renting a house, the rent payable by the lessee on the date of rent payment stipulated in the contract or agreement shall be recognized as rental income.

④ For the development products sold by installment, the sales revenue shall be recognized according to the price received in the current period or the receivable price in the current period as agreed in the contract.

(5) Revenue arising from the use by others of the Company's assets

The revenues arising from the use by others of the Company's assets are recognized in the following when i) the amount of revenue can be measured reliably; ii) the economic benefit associated with the transaction will flow to the Company.

22. Government grants

Government grant refers to the monetary assets and non-monetary assets obtained by the Company from the government free of charge, excluding the capital invested by the government as an investor to

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gain the corresponding owners' equity. Government grant is comprised of government grants related to income and government grants related to an asset. A government grant related to an asset is a grant obtained by the Company used for purchase or construction, or forming the long-term assets by other ways. Otherwise, the government grant is treated as a government grant related to income. If the government document does not specify the grantee, the subsidy is divided into government grants related to income and government grants related to assets in the following ways: (1) If the government document specifies the specific project targeted by the subsidy, it shall be divided according to the relative proportion of the expenditure amount of the assets formed in the budget of the specific project and the expenditure amount included in the expenses, and the division proportion shall be reviewed on each balance sheet date, and it can be changed if necessary; (2) The purpose of the subsidy in the government document is only a general statement, and there is no specific project, it shall be treated as the government grants related to income. If the government subsidies are monetary assets, they shall be measured according to the amount received or receivable. If the government subsidies are non-monetary assets, they shall be measured at fair value; if the fair value cannot be obtained reliably, they shall be measured at nominal amount. The government grants measured according to the nominal amount shall be directly included in the current profit and loss.

The Company usually recognizes and measures the government subsidies according to the actual amount received when they are actually received. However, if there is conclusive evidence at the end of the period that the relevant conditions specified in the financial support policy can be met and the financial support fund is expected to be received, it shall be measured according to the amount receivable. The government subsidies measured according to the receivable amount shall meet the following conditions at the same time: (1) the amount of the receivable subsidies has been confirmed by the authorized government department, or can be calculated reasonably according to the relevant provisions of the officially issued financial fund management measures, and it is expected that there is no significant uncertainty in the amount; (2) it is based on the financial support projects and financial fund management measures officially released by the local financial department and proactively disclosed in accordance with the "Regulations on Government Information Disclosure", and those management measures shall be inclusive (any enterprise that meets the specified conditions can apply for it), rather than specially formulated for specific enterprises; (3) the relevant grant approval documents have clearly committed to the appropriation period, and the appropriation of the funds has



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the corresponding financial budget as the guarantee that it can be received within the specified period;  
(4) other relevant conditions (if any) to be met according to the specific situation of the Company and the subsidy.

The government subsidies pertinent to assets shall be recognized as deferred income and included in the current profit and loss within the useful lives of the relevant assets in a reasonable and systematic way or shall offset the book value of the related assets. The government subsidies pertinent to incomes shall be treated respectively in accordance with the circumstances as follows: 1) Those subsidies used for compensating the related future expenses or losses shall be recognized as deferred income and shall be included in the current profit and loss or offset the relevant costs during the period when the relevant costs or losses are recognized; 2) Those subsidies used for compensating the related expenses or losses incurred shall be directly included in the current profit and loss or offset the relevant costs.

The different parts of government subsidies that include both asset-related and income-related subsidies shall be distinguished for different accounting treatments. If the different parts of the government subsidies are difficult to be distinguished, they should be classified as income-related subsidies to as a whole.

The government grant which is related to daily activities of the Company shall be recognized as other income or offset the related costs according to the substance of the economic business; otherwise shall be recorded into non-operating income.

If it is necessary to refund any government subsidy which has been recognized, it shall be treated respectively in accordance with the circumstances as follows. If there is the deferred income concerned, the book balance of the deferred income shall be offset against, and the excessive part shall be included in the current profit and loss or adjust the book value of assets (for asset-related government grants that offset the book value of related assets at initial recognition). In other cases, it shall be directly included in the current profit and loss.

## 23. Income tax

The Company adopts the balance sheet liability method for corporate income taxes.

### (1) Deferred tax asset

a) Where there are deductible temporary differences between the book value of assets or liabilities in the balance sheet and their tax bases, a deferred tax asset shall be recognized for all those deductible

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temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. Deferred tax assets should be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

b) At the balance sheet date, where there is strong evidence showing that sufficient taxable profit will be available against which the deductible temporary difference can be utilized, the deferred tax asset unrecognized in prior period shall be recognized.

c) The Company assesses the book value of deferred tax asset at the balance sheet date. If it's probable that sufficient taxable profit will not be available against which the deductible temporary difference can be utilized, the Company shall write down the book value of deferred tax asset, or reverse the amount written down later when it's probable that sufficient taxable profit will be available.

#### (2) Deferred tax liability

A deferred tax liability shall be recognized for all taxable temporary differences, which are differences between the book value of an asset or liability in the balance sheet and its tax base, and measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

#### 24. Leases

A finance lease is a lease that substantially transfers all risks and rewards related to the ownership of assets. The ownership may or may not be transferred eventually. Leases other than finance leases are operating leases.

Leasing business that meets one or more of the following criteria is usually a financial lease: ① When the lease term expires, the ownership of the leased asset is transferred to the lessee. ② The lessee has the option to purchase the leased asset and the purchase price concluded is expected to be much lower than the fair value of the leased asset when the option is exercised. Therefore, it can be reasonably determined that the lessee will exercise the option on the inception of lease. ③ Even if the ownership of the asset is not transferred, the lease period accounts for the majority of the service life of the leased asset. ④ The present value of the lessee's minimum lease payments on the inception of lease is almost equal to the fair value of the leased asset on the inception of lease; the present value of the lessor's minimum lease receipts on the inception of lease is almost equal to the fair value of the leased asset on the inception of lease. ⑤ The nature of the leased assets is special. Only the lessee can

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use the leased assets without major transformation.

(1) Operating leases

The Company as the lessee in an operating lease shall treat the lease payment under an operating lease as a relevant asset cost or the current profit and loss on a straight-line basis over the lease term. The initial direct costs incurred shall be recognized as the current profit and loss. Contingent rents shall be recorded into the current profit and loss when they occur.

The Company as the lessor in an operating lease shall treat the lease income from operating leases as the current profit and loss on a straight-line basis over the lease term; initial direct costs with larger amounts shall be capitalized when they occur, and shall be included in the current profit and loss in installments according to the same basis as the confirmed lease income during the whole lease period; other initial direct costs with smaller amounts shall be included in the current profit and loss when they occur. Contingent rents shall be recorded into the current profit and loss when they occur.

(2) Finance leases

For the Company as the lessee, since the inception of lease, the entry value of the leased asset shall be valued at the lower of the fair value of the asset and the present value of the minimum lease payments, the minimum lease payments shall be treated as the entry value for long-term payables, and its difference shall be treated as unrecognized financial expenses. In addition, the initial direct costs incurred during the lease negotiation and signing of the lease contract that can be attributed to the leased item shall be also included in the value of the leased assets. The balance of the minimum lease payments after deducting the unrealized financial expenses shall be listed as long-term liabilities and long-term liabilities due within one year respectively.

The unrealized financial expense shall adopt the effective interest rate method to calculate and confirm the current financial expenses during the lease period. Contingent rents shall be recorded into the current profit and loss when they occur.

For the Company as the lessor, since the inception of lease, the entry value of the finance lease receivables shall be recorded as the sum of the minimum lease payments and initial direct costs, and the unguaranteed residual value shall also be recorded. The difference between the sum of minimum lease payments, initial direct costs and unguaranteed residual value and the sum of their present value shall be recognized as the unrealized financial income. The balance of finance lease receivables after deducting the unrealized financial income shall be listed as long-term claims and long-term claims due

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within one year respectively.

The unrealized financial income shall adopt the effective interest rate method to calculate and confirm the financial income during the current period. Contingent rents shall be recorded into the current profit and loss when they occur.

## 25. Fair value measurement

Fair value is the price that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Whether the fair value is observable or estimated by valuation techniques, the fair value measured and / or disclosed in the financial statements shall be determined on this basis.

### (1) Assets and liabilities measured at fair value

The assets of the Company measured at fair value at the end of the reporting period mainly include the other debt investments, derivative financial instruments, trading financial assets and equity instrument investments. The liabilities of the Company measured at fair value at the end of the reporting period mainly include trading financial liabilities and derivative financial liabilities, etc.

### (2) Valuation techniques

The Company adopts valuation techniques, which are applicable in the current circumstances and have sufficient available data and other information to support them, to measure the relevant assets or liabilities at fair value. The valuation techniques used mainly include the market method, the income method and the cost method. The Company uses one or more of its valuation techniques in a consistent manner to measure fair value, fully considers the rationality of each valuation result, and selects the amount that can best represent the fair value under current circumstances.

Based on the observability and the importance to the measurement as a whole, the input values used in fair value measurement of the Company are divided into three levels:

The first level of input values are the unadjusted quoted price of the same assets or liabilities that can be obtained on the measurement date in an active market. An active market refers to a market in which the transaction volume and transaction frequency of relevant assets or liabilities are sufficient to continuously provide pricing information. The second level of input values mainly include: ① Quotes for similar assets or liabilities in active markets; ② Quotes for the same or similar assets or liabilities in inactive markets; ③ Other observable input values other than quotation, including observable

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interest rate, yield curve, implied volatility, credit spread, etc. during the normal quotation interval; ④ The input values verified by the market. The third level of input values are the unobservable inputs. The Company only uses the third level of input values when there is no market activity or there is little market activity for the relevant assets or liabilities that makes the relevant observable input values unavailable or impracticable to obtain.

When the Company measures the assets and liabilities at fair value, the input values at the first level are used firstly, the input values at the second level are used secondly, and the input values at the third level are used last.

### (3) Accounting treatment

On each balance sheet date, the Company reassesses the assets and liabilities recognized in the financial statements that are continuously measured at fair value to determine whether there is a conversion between the levels of fair value measurement. For the issues such as the Company measures the relevant assets or liabilities at fair value, and the changes in fair value should be included in the current profit and loss or other comprehensive income, etc., the accounting treatment is regulated by other relevant accounting standards that require or allow the Company to measure or disclose at fair value and the relevant contents refer to Note IV.

## **V Changes in significant accounting policies and accounting estimates, and notes to other significant adjustments**

### 1. Changes in significant accounting policies

#### (1) Changes in the format of financial statements

According to the “Notice on Revising and Issuing the Format of Financial Statements for General Enterprises of 2019” (Cai Kuai [2019] No. 6) issued by the Ministry of Finance in April 2019, it has revised the format of general corporate financial statements and integrated the relevant provisions of the interpretation issued by the Ministry of Finance. The Company has prepared the financial statements in accordance with the general format of financial statements (which is applicable to enterprises that have not yet implemented the new financial instrument standard, new revenue standard and new leasing standard).

The significant changes in the financial statements of the Company are as follows: 1) The original item of “Notes receivable & Accounts receivable” is separated into the items of “Notes receivable” and

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“Accounts receivable”; The original item of “Notes payable & Accounts payable” is separated into the items of “Notes payable” and “Accounts payable”; 2) It is made clear that the amortization period for the item of “Deferred income” is only one year or less, or the part expected to be amortized within one year (including one year) shall not be classified as current liabilities, which are still listed in “Deferred income”, and shall not be transferred to “Non-current liabilities due within one year”; 3) Move the item of “Impairment loss on assets” from the front of the item of “Other income”, to the back of the item of “Gains from changes in fair value”.

The Company has retrospectively restated its comparative financial statements in accordance with the above reporting requirements. As a result of the above requirements, some items in the financial statements are presented differently in the current and comparative periods, but they have no effects on the net profit and the equity of the Company for the current and comparative periods.

(2) Accounting standards of exchange of non-monetary assets and debt restructuring

In May 2019, the Ministry of Finance issued the “Notice on Printing and Issuing the Revised [Accounting Standards for Business Enterprises No. 7 - Exchange of Non-monetary Assets]”. The main contents of the revised standards are as follows: 1) clarify the scope of application of the standard; 2) maintain the internal coordination of the standard system, that is, add the standard for the confirmation time point of the exchange of non-monetary assets; 3) add the requirement to disclose whether the exchange of non-monetary assets has commercial substance and its reasons. The standard of exchange of non-monetary assets shall be applicable from 1 January 2019 and the retrospective adjustment shall not be required.

In May 2019, the Ministry of Finance issued the “Notice on Printing and Issuing the Revised [Accounting Standards for Business Enterprises No. 12 - Debt Restructuring]”. The main contents of the revised standards are as follows: 1) the definition of debt restructuring is revised, and the preconditions of “Debtor’s financial difficulties” and “Creditor’s concession” are removed, and the restructured creditor’s rights and debts are not treated differently from other financial instruments; 2) maintain the internal coordination of the standards system: index the accounting treatment provisions of the restructured claims and debts to the financial instrument standards, delete the provisions on the contingent receivables and payables following the rules of contingent events, and determine the initial measurement and restructuring gain and loss of the transferred assets (excluding financial assets) on the basis of the fair value of the waiver of claims. The standard of debt restructuring shall be applicable

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from 1 January 2019 and the retrospective adjustment shall not be required.

The above revised non-monetary assets exchange standard and debt restructuring standard have no significant impacts on the financial position and operating results of the Company.

(3) Other changes in accounting policies

In January 2020, according to the resolution of the Board of Directors of the Company, the subsequent measurement method of investment property was changed from cost measurement to fair value measurement. The date of change in accounting policy was 1 January 2020.

The investment property held by the Company has an active real estate renting and trading market in the place where the assets are located, and the fair value can be obtained continuously and reliably. The Company can obtain the market price and other relevant information of the same or similar real estate from the real estate market, so as to make a scientific and reasonable estimation of the fair value of the investment property. The subsequent measurement method of the Company's investment property conforms to the measurement requirements of fair value method stipulated in the Accounting Standards for Business Enterprises. The Company's investment property is mainly located in the urban area of Ninghai County, and the real estate transactions are active in the region. The subsequent measurement of the investment property under fair value method can reflect the Company's value more truly and objectively. The Company's investment property is mainly used for renting. Adopting the fair value method for subsequent measurement is a current international mature method, which helps the majority of investors understand the Company's operations and assets more comprehensively, and reflect the Company's financial position and operating results more fairly and appropriately. Therefore, the fair value method adopted for the subsequent measurement can provide more reliable and relevant accounting information.

According to the requirements of Article 12 in Accounting Standards for Business Enterprises No. 3: "Once the measurement method of investment property is confirmed, it shall not be changed at will". If the cost method is converted to the fair value method, it shall be treated as a change in accounting policies and shall be handled in accordance with the "Accounting Standards for Business Enterprises No. 28 - Changes in Accounting Policies, Accounting Estimates and Correction of Prior Errors".

The Company has retroactively adjusted the comparative data. The adjustments are as follows:

Consolidated financial statements		Parent company's financial statements	
Reporting items affected	Amount affected	Reporting items affected	Amount affected

Consolidated financial statements		Parent company's financial statements	
Reporting items affected	Amount affected	Reporting items affected	Amount affected
I. Balance sheet:		I. Balance sheet:	
Investment property	130,759,927.66	Investment property	30,748,282.61
Deferred tax liabilities	32,689,982.04	Deferred tax liabilities	7,687,070.65
Other comprehensive income	108,172,330.92	Other comprehensive income	22,315,175.32
Surplus reserve	74,603.66	Surplus reserve	74,603.66
Retained earnings	-27,000,093.04	Retained earnings	671,432.98
Minority interests	16,823,104.08		
II. Income statement		II. Income statement	
Operating costs	-17,068,636.72	Operating costs	-1,565,315.52
Gains from changes in fair value	23,982,720.19	Gains from changes in fair value	-570,600.00
Income tax expenses	10,262,839.23	Income tax expenses	248,678.88
Minority interests	593,324.73		
Other comprehensive income after tax:			
(ii) Reclassified subsequently to profit or loss:			
3. The amount of which fair value exceeds book value on the transfer date when the self-used property or inventory is transferred to be the investment property measured at fair value	11,114,467.23		

## 2. Changes in accounting estimates

There were no changes in the accounting estimates for the reporting period.

## 3. Significant prior adjustments

There were no significant prior adjustments for the reporting period.

## VI Taxation



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The main taxable items and tax rates of the Company and its subsidiaries are listed as follows:

1. Main tax categories and tax rates

(1) The value-added output tax rates are 3%, 5%, 6%, 9%, 10%, 13% and 16% respectively, which shall be paid after deducting the input tax.

According to the “Announcement on Policies Concerning Deepening of Reform of Value-added Tax” jointly issued by the Ministry of Finance, the General Administration of Taxation and the General Administration of Customs (No. 39 in 2019), for taxpayers have engaged in VAT taxable sales or imported goods, where the original applied tax rates of 16% and 10% shall be adjusted to 13% and 9% respectively from 1 April 2019.

(2) Urban maintenance & construction tax is 5% of turnover tax payable.

(3) Educational surcharge is 3% of turnover tax payable.

(4) Local educational surcharge is 2% of turnover tax payable.

(5) The corporate income tax rate is 25%.

2. Tax preference

There was no tax preference for the Company in the reporting period.

## VII Business combination and consolidate financial statements

### 1. The information for subsidiaries

#### (1) The information for the secondary subsidiaries included in the consolidation scope

No.	Name	Level	Category	Registration address	Main operation address	Nature of business	Paid-in capital (RMB' 0,000)	Shareholding	Voting rights	Investment amount (RMB' 0,000)	Acquiring method
1	Ninghai New Times Urban Construction Investment Co., Ltd.	2	1	Ninghai	Ninghai	State-owned	17,000.00	100.00%	100.00%	17,000.00	1
2	Ninghai Hot Spring Investment Co., Ltd.	2	1	Ninghai	Ninghai	State-owned	3,300.00	60.00%	60.00%	1,980.00	1
3	Ninghai Landscaping Investment Development Co., Ltd.	2	1	Ninghai	Ninghai	State-owned	1,990.00	100.00%	100.00%	1,990.00	1
4	Ninghai She Pan Tu Ocean Development Co., Ltd.	2	1	Ninghai	Ninghai	State-owned	8,000.00	97.50%	97.50%	7,800.00	1
5	Ninghai Water Affairs Group Co., Ltd.	2	1	Ninghai	Ninghai	State-owned	6,000.00	100.00%	100.00%	6,000.00	1
6	Ninghai Urban	2	1	Ninghai	Ninghai	State-owned	20,000.00	100.00%	100.00%	20,000.00	1

No.	Name	Level	Category	Registration address	Main operation address	Nature of business	Paid-in capital (RMB' 0,000)	Shareholding	Voting rights	Investment amount (RMB' 0,000)	Acquiring method
	Construction Real Estate Development Co., Ltd.										
7	Ninghai Asset Management Co., Ltd.	2	1	Ninghai	Ninghai	State-owned	3,500.00	100.00%	100.00%	3,500.00	1
8	Ninghai Xidian Construction Investment Development Co., Ltd.	2	1	Ninghai	Ninghai	State-owned	10,000.00	100.00%	100.00%	10,000.00	1
9	Ninghai Transportation Industrial Development Co., Ltd.	2	1	Ninghai	Ninghai	State-owned	10,000.00	100.00%	100.00%	10,000.00	1
10	Ninghai Xinsha Construction Investment Development Co., Ltd.	2	1	Ninghai	Ninghai	State-owned	2,000.00	100.00%	100.00%	2,000.00	1
11	Ninghai Investment Property Management Co., Ltd.	2	1	Ninghai	Ninghai	State-owned	1,000.00	100.00%	100.00%	1,000.00	1

Note: Category: 1. Domestic non-financial subsidiary; 2. Domestic financial subsidiary; 3. Overseas subsidiary; 4. State institution; 5. Infrastructure unit.

Acquiring method: 1. Set up; 2. Business combination under common control; 3. Business combination not under common control; 4. Others.

(2) The changes in subsidiaries which are below the third level (including the third level) refer to the notes to the financial statements of the subsidiaries at second level.

2. Newly established entities and entities no longer included in the consolidation scope in the reporting period

There were no newly established entities and entities no longer included in the consolidation scope in the reporting period.

#### **VIII Notes to the consolidated financial statements**

(With respect to the following data disclosed in the Financial Statements, unless otherwise stated, “Closing balance” refers to the balance on 31 December 2019; “Opening balance” refers to the balance on 31 December 2018; All amounts are denominated in RMB unless otherwise stated.)

##### 1. Cash and cash equivalents

Item	Closing balance	Opening balance
Cash on hand	9,638.52	9,537.39
Bank deposits	1,125,125,887.67	1,003,639,534.11
Other cash and cash equivalents	1,434,461,084.34	1,304,650,847.56
Total	2,559,596,610.53	2,308,299,919.06

Note 1: The closing balance of other cash and cash equivalents was RMB 1,434,461,084.34, which was mainly composed of pledged time deposit certificates and security deposits of notes. The balance of the time deposit certificates used to pledge loans with maturity of more than 3 months in the current period was RMB 694,500,000.00, the balance of the time deposit certificates used to pledge loans with maturity of less than 3 months was RMB 526,000,000.00, the balance of guarantee deposits was RMB 213,610,000.00, and the balance of employee housing fund account was RMB 351,084.34.

Note 2: Details of pledges used in the balance of other cash and cash equivalents refer to Note XII “Other significant events”.

2. Accounts receivable

(1) Accounts receivable disclosed by category

Category	Closing balance				
	Amount	Proportion (%)	Bad debt provision	Provision (%)	Net amount
Accounts receivable that are individually significant in amount and provided for bad debt separately					
Accounts receivable provided for bad debt according to the portfolio					
Including: Portfolio 1	7,064,685.90	10.44			7,064,685.90
Portfolio 2	60,611,211.39	89.56	3,030,560.57	5.00	57,580,650.82
Sub-total	67,675,897.29	100.00	3,030,560.57	4.48	64,645,336.72
Accounts receivable that are individually insignificant in amount but provided for bad debt separately					
<b>Total</b>	<b>67,675,897.29</b>	<b>100.00</b>	<b>3,030,560.57</b>	<b>4.48</b>	<b>64,645,336.72</b>

(Continued)

Category	Opening balance				
	Amount	Proportion (%)	Bad debt provision	Provision (%)	Net amount
Accounts receivable that are individually significant in amount and provided for bad debt separately					
Accounts receivable provided for bad debt according to the portfolio					
Including: Portfolio 1	82,634,491.20	32.10			82,634,491.20

Category	Opening balance				
	Amount	Proportion (%)	Bad debt provision	Provision (%)	Net amount
Portfolio 2	174,758,928.08	67.90	8,737,946.40	5.00	166,020,981.68
Sub-total	257,393,419.28	100.00	8,737,946.40	3.39	248,655,472.88
Accounts receivable that are individually insignificant in amount but provided for bad debt separately					
Total	257,393,419.28	100.00	8,737,946.40	3.39	248,655,472.88

(2) Notes to accounts receivable

1) The top 5 of accounts receivable based on the closing balance

Name	Closing balance	Proportion in the total amount of accounts receivable
Total amount of top 5 of accounts receivable	8,294,936.05	12.83%

2) There were no accounts receivable due from shareholders with more than 5% (including 5%) voting rights of the Company in the reporting period.

3) Details for accounts receivable with significant amounts

Name	Amount	Ageing	Nature or content
Ninghai Ningdong New City Minerals Co., Ltd.	5,000,000.00	1-2 years	Pond dregs income
Ninghai Comprehensive Administrative Law Enforcement Bureau	2,000,000.00	Within 1 year	Sewage charges
Wu Qiuping	545,732.63	1-2 years	Amount of house purchase
Zhou Baoli and Wu Qiaoli	447,942.10	1-2 years	Amount of house purchase
Yang Fenglin	301,261.32	1-2 years	Amount of house purchase
Total	8,294,936.05		

3. Prepayment

Ageing	Closing balance	Opening balance
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Ageing	Closing balance	Opening balance
Within 1 year (including 1 year)	52,475,929.54	143,814,121.46
1-2 years (including 2 years)	142,418,400.33	653,552,136.40
2-3 years (including 3 years)	480,785,239.70	5,003,766.77
Over 3 years	101,291,089.37	96,287,322.60
Total	776,970,658.94	898,657,347.23

Note 1: The prepayment with ageing over one year was mainly due to the unsettled project funds.

Note 2: There were no prepayments due from shareholders with more than 5% (including 5%) voting rights of the Company in the reporting period.

#### 4. Other receivables

Item	Closing balance	Opening balance
Interests receivable		
Dividends receivable		
Other receivables	7,009,136,887.17	6,884,545,301.16
Total	7,009,136,887.17	6,884,545,301.16

##### (1) Other receivables disclosed by category

Category	Closing balance				
	Amount	Proportion (%)	Bad debt provision	Provision (%)	Net amount
Other receivables that are individually significant in amount and provided for bad debt separately					
Other receivables provided for bad debt according to the portfolio					
Including: Portfolio 1	6,824,001,124.05	97.22			6,824,001,124.05
Portfolio 2	194,879,750.66	2.78	9,743,987.54	5.00	185,135,763.12
Sub-total	7,018,880,874.71	100.00	9,743,987.54	0.14	7,009,136,887.17

Category	Closing balance				
	Amount	Proportion (%)	Bad debt provision	Provision (%)	Net amount
Other receivables that are individually insignificant in amount but provided for bad debt separately					
Total	7,018,880,874.71	100.00	9,743,987.54	0.14	7,009,136,887.17

(Continued)

Category	Opening balance				
	Amount	Proportion (%)	Bad debt provision	Provision (%)	Net amount
Other receivables that are individually significant in amount and provided for bad debt separately					
Other receivables provided for bad debt according to the portfolio					
Including: Portfolio 1	6,741,994,375.01	97.82			6,741,994,375.01
Portfolio 2	150,053,606.47	2.18	7,502,680.32	5.00	142,550,926.15
Sub-total	6,892,047,981.48	100.00	7,502,680.32	0.11	6,884,545,301.16
Other receivables that are individually insignificant in amount but provided for bad debt separately					
Total	6,892,047,981.48	100.00	7,502,680.32	0.11	6,884,545,301.16

(2) Notes to other receivables

1) The top 5 of other receivables based on the closing balance

Name	Closing balance	Proportion in the total amount of other receivables
Total amount of top 5 of other receivables	3,750,041,541.43	53.50%



2) There were no other receivables due from shareholders with more than 5% (including 5%) voting rights of the Company in the reporting period.

3) Details for other receivables with significant amounts

Name	Amount	Ageing	Nature or content
Ninghai Yuelong Weimin New Countryside Construction Co., Ltd.	1,082,221,686.26	Within 1 year and over 3 years	Incomings and outgoings
Ninghai SASAB	917,883,894.89	Within 1 year	Incomings and outgoings
Ninghai Xidian New City Development Investment Co., Ltd.	698,490,000.00	0-3 years	Incomings and outgoings
Ninghai Housing and Urban-Rural Development Bureau	671,738,895.56	0-2 years	Incomings and outgoings, special property maintenance fund
Ninghai Guorong Industrial Investment Development Co., Ltd.	379,707,064.72	0-2 years	Incomings and outgoings
Total	3,750,041,541.43		

## 5. Inventory

(1) Details of inventory

Category	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Land development expenditures	15,531,648,496.92		15,531,648,496.92	14,739,635,084.99		14,739,635,084.99
Real estate development costs	1,364,884,561.81		1,364,884,561.81	1,616,475,037.13		1,616,475,037.13
Development products	5,078,282,298.68		5,078,282,298.68	5,744,748,524.95		5,744,748,524.95
Consumptive biological assets	1,809,893.04		1,809,893.04	2,733,273.73		2,733,273.73
Raw materials	2,394,934.77		2,394,934.77	2,069,342.35		2,069,342.35
Low-value consumables	166,211.50		166,211.50	166,211.50		166,211.50
Total	21,979,186,396.72		21,979,186,396.72	22,105,827,474.65		22,105,827,474.65

Note: The capitalized interest amount of inventory was RMB 710,480,702.44 in the current period.

(2) Land development expenditures

Item	Closing balance	Opening balance
Taoyuan North Road plot	1,022,763,582.38	1,022,763,582.38
Wangjia Qianzhang Village and Wangjia Houzhang Village	2,462,927,983.17	2,295,926,583.61
Tanshutou Village	550,700,614.42	510,876,832.18
Tang'an Li Village	568,561,587.79	529,965,992.11
Huashan Village	863,973,829.92	738,337,885.58
Shuangshui Village	125,099,579.89	115,549,617.95
Plot of Ningbo Zhiqing Industrial Co., Ltd.	100,262,411.41	100,194,839.41
Zhaojia Village	60,556,604.17	96,653,538.84
Qian'ao Village	114,398,783.58	105,484,651.89
Plot of Ningbo Aoda Sanitary Ware Company		12,830,915.28
Plot of Ningbo Huadong Electromechanical Manufacturing Co., Ltd		80,509,919.81
Shanheling, Yuelong Street, Ninghai County	16,377,970.43	14,670,819.43
Xuepo Village	107,971,826.74	96,637,336.70
Yangjia Village	972,531,827.25	658,783,798.33
Qiaoxia Pan Village	846,655,272.22	823,403,727.73
Plot of Ningbo Topu Company		54,726,560.32
Shengli Village	362,650,812.39	322,486,576.13
Zhuxi Village plot	87,391,832.02	91,367,012.49
No. 10 Jinshan 5 <sup>th</sup> Road	35,150,702.62	35,197,683.26
Plot of vocational high school in the TV and Radio University	69,980,491.36	69,980,491.36
Dawu Village plot	383,563,862.88	352,576,206.64
Xiayangwu Village plot	1,667,042,832.19	1,538,596,271.04
Land around Chenghuang Temple	1,644,719,696.85	1,631,424,109.94
Simulated demolition plot	194,341,351.67	191,347,766.42

Item	Closing balance	Opening balance
Dongwang Road plot in eastern suburb	148,900,013.40	144,746,197.88
Plot around Hongfeng Market	505,610,933.86	407,086,869.40
Plot along the street of Qixiang Road		113,481,024.00
New Century plot D		112,388,903.98
Chemical Fertilizer Plant plot (phase II) reconstruction project	90,005,112.72	88,979,392.86
Passenger Transportation Center plot (Ningbo Changzhong Mould Co., Ltd.)	84,503,172.46	84,499,209.46
The plots of Chongqing Beer Group Ningbo Daliang Mountain Co., Ltd. (Xinling) and Ninghai County Ninghua Malt Co., Ltd.	101,428,232.96	161,930,714.30
Ninghai County Motor Vehicle Trading Market plot	73,364,253.73	73,259,240.73
Eight plots around Renmin Road, Transportation Bureau	47,139,989.31	41,355,253.54
Fertilizer Plant plot	48,092,646.36	43,861,160.10
Zhongshan West Road Roundabout Node plot	2,617,932.42	2,617,932.42
Shanheling 6# plot	46,145,221.56	46,022,172.56
Chengguan Oil Depot plot		16,687,559.38
Renovation of 9 dilapidated houses in Chongsi Mountain	19,909,356.03	19,909,356.03
Qiaotouhu Aquatic City plot		50,143,848.42
Farm Market plot	478,247,856.30	476,777,032.80
The Second Hospital demolition project plot	83,466,170.79	40,964,140.14
Phase I plots around Yuelong Mountain	37,928,996.00	16,777,214.00
Plot of Huaxing Textile Material Co., Ltd.	142,306,037.74	141,920,379.00
Plot of Ninghai Hualian Textile Co., Ltd. (Industrial Zone)	424,049,466.56	
Renmin Road reconstruction project plot	68,804,915.00	
Other	871,504,734.37	1,165,934,765.16

Item	Closing balance	Opening balance
Total	15,531,648,496.92	14,739,635,084.99

(3) Real estate development costs

Item	Closing balance	Opening balance
Demolition and resettlement housing	104,331,477.09	112,777,878.22
Yangjia Village resettlement community project	697,842,941.31	469,174,029.17
Reconstruction of old Huashan Village		422,743,286.35
Downhill resettlement community	284,490,442.58	279,578,153.70
Commercial building of C12 plot in Qixiang North Road	51,592,961.17	
Other project development costs	226,626,739.66	332,201,689.69
Total	1,364,884,561.81	1,616,475,037.13

(4) Development products

Item	Closing balance	Opening balance
Five projects including Zhaohui Home, etc.	51,798,696.66	104,673,406.15
Hongfeng Apartment	288,303.00	587,047.00
Fengjing Garden project	2,446,242.80	3,032,492.00
Dongjing Garden	8,708,817.76	10,525,201.17
Zhaolangchang price-limited housing community project	93,367,032.54	94,924,451.32
Haijingyuan	43,759,540.60	27,167,770.40
Fengheyuan parking space and garage	351,101.35	9,418,617.13
Yangguang Mingyuan community project	344,375.58	344,375.58
Taoyuan Street Zhukou Third Village resettlement housing project	2,867,069,592.89	2,910,980,104.65
Demolition and resettlement housing	167,826,681.18	188,257,053.50
Tianming Garden	54,076,142.88	7,468,398.60
Zixi Mingyuan	47,319,724.11	42,333,899.01
Financial Center		115,386,343.15

Item	Closing balance	Opening balance
Taoyuan Jiayuan	258,233,570.98	347,585,343.69
Xizi International Plaza	496,527.48	3,051,312.20
Summer View Garden	111,413,502.29	183,970,633.24
Spring View Garden	37,723,901.50	86,048,217.19
Xuefu Home	108,310,754.93	164,906,769.14
Chenyuan	92,309,115.19	420,540,652.41
Haiwan Garden	82,960,599.00	238,880,266.69
Huxi Garden	152,749,740.00	184,878,050.00
Hudong Garden	204,753,490.63	287,898,009.15
Daming Garden	219,222,727.80	296,809,910.52
Huashanju	449,760,572.58	
Other	22,991,544.95	15,080,201.06
<b>Total</b>	<b>5,078,282,298.68</b>	<b>5,744,748,524.95</b>

Note: Details of mortgages used in the closing balance of inventory refer to Note XII “Other significant events”.

#### 6. Other current assets

Item	Closing balance	Opening balance
Prepaid tax	113,011,716.66	109,196,901.10
Other deferred expenses		37,000.00
<b>Total</b>	<b>113,011,716.66</b>	<b>109,233,901.10</b>

#### 7. Available-for-sale financial assets

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Available-for-sale equity instruments	18,955,736.76	538,411.76	18,417,325.00	18,905,736.76	538,411.76	18,367,325.00
Including: Equity instruments measured at cost	18,955,736.76	538,411.76	18,417,325.00	18,905,736.76	538,411.76	18,367,325.00

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Other	170,000,000.00		170,000,000.00	170,000,000.00		170,000,000.00
Total	188,955,736.76	538,411.76	188,417,325.00	188,905,736.76	538,411.76	188,367,325.00

(1) Equity instruments measured at cost

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Ningbo Dahongying Pharmaceutical Co., Ltd.	538,411.76	538,411.76		538,411.76	538,411.76	
Ninghai County Electric Power Development Co., Ltd.	1,000,000.00		1,000,000.00	1,000,000.00		1,000,000.00
Ningbo Wanghai Tea Development Co., Ltd.	150,000.00		150,000.00	150,000.00		150,000.00
Ningbo Haida Dingxing Venture Capital Co., Ltd.	7,717,325.00		7,717,325.00	7,717,325.00		7,717,325.00
Ninghai Wanteng Public Transportation Co., Ltd.	50,000.00		50,000.00			
Ninghai BOC Fullerton Rural Bank Co., Ltd.	9,500,000.00		9,500,000.00	9,500,000.00		9,500,000.00
Total	18,955,736.76	538,411.76	18,417,325.00	18,905,736.76	538,411.76	18,367,325.00

8. Long-term equity investment

(1) The category of long-term equity investment

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
I. Joint ventures						
II. Associates	1,406,080,633.65		1,406,080,633.65	1,347,385,032.43		1,347,385,032.43
Total	1,406,080,633.65		1,406,080,633.65	1,347,385,032.43		1,347,385,032.43

(2) Details of long-term equity investment

Investee	Opening balance	Changes in the current period					Closing balance
		Increase of investment	Decrease of investment	Investment income / loss under equity method	Other changes in equity	Declared distribution of cash dividend or profit	
I. Joint ventures							
Sub-total							
II. Associates							
Ninghai Science and Technology Industrial Park Development Co., Ltd.	1,218,389,565.52			14,981,618.33	89,218,072.24		1,322,589,256.09

Investee	Opening balance	Changes in the current period						Closing balance
		Increase of investment	Decrease of investment	Investment income / loss under equity method	Other changes in equity	Declared distribution of cash dividend or profit	Other	
Ninghai Goudong Enterprise Resettlement Zone Construction Investment Co., Ltd.	5,024,503.31			12,457,089.38				17,481,592.69
Ninghai Natural Gas Co., Ltd.	11,156,642.71			3,812,693.04	371,549.54			15,340,885.29
Ninghai Xinghai Sewage Treatment Co., Ltd.	62,135,401.49		62,135,401.49					
Ninghai Food Co., Ltd.	1,219,277.30			708,031.26	-40,151.11	-720,000.00		1,167,157.45
Ninghai Xintan Urban Construction Investment Development Co., Ltd.	5,347,524.21			-15,383.24				5,332,140.97
Ninghai Zheneng Oil & Gas Development Co., Ltd.	4,031,441.58			245,428.54	-37,148.27			4,239,721.85
Ningbo Tiejian Municipal Construction Co., Ltd.	40,080,676.31			-150,797.00				39,929,879.31
Sub-total	1,347,385,032.43		62,135,401.49	32,038,680.31	89,512,322.40	-720,000.00		1,406,080,633.65



Investee	Opening balance	Changes in the current period					Closing balance
		Increase of investment	Decrease of investment	Investment income / loss under equity method	Other changes in equity	Declared distribution of cash dividend or profit	
Total	1,347,385,032.43		62,135,401.49	32,038,680.31	89,512,322.40	-720,000.00	1,406,080,633.65

9. Investment property

Item	Houses and buildings		Land assets		Total
I. Opening balance		515,542,614.50		7,888,700.00	523,431,314.50
II. Changes in the reporting period		1,659,267,925.48		323,900.00	1,659,591,825.48
Add: (1) Purchase					
(2) Inventory, fixed assets and construction in progress transferred-in		1,648,179,700.00			1,648,179,700.00
(3) Business combination					
Less: (1) Disposal					
(2) Other transferred-out					
Changes in fair value		11,088,225.48		323,900.00	11,412,125.48
III. Closing balance		2,174,810,539.98		8,212,600.00	2,183,023,139.98

10. Fixed assets						
Item	Houses and buildings	Machinery equipment	Transportation equipment	Special equipment	Other equipment	Total
<b>I. Original value</b>						
1. Opening balance	1,745,105,592.92	159,847,342.17	11,664,876.81	715,028,762.83	31,392,794.11	2,663,039,368.84
2. Increase	37,198,465.89	3,332,380.02	2,265,801.27	13,729,226.01	934,180.77	57,460,053.96
(1) Purchase	34,530.00	765,408.02	2,265,801.27	3,647,250.02	934,180.77	7,647,170.08
(2) Construction in progress transferred-in	37,163,935.89	2,566,972.00		10,081,975.99		49,812,883.88
3. Decrease	559,915,068.95	12,621,159.45	3,171,967.77	50,605,555.26	7,961,451.02	634,275,202.45
(1) Disposal or scrap		128,436.00	2,786,089.77		2,139,286.00	5,053,811.77
(2) Other	559,915,068.95	12,492,723.45	385,878.00	50,605,555.26	5,822,165.02	629,221,390.68
4. Closing balance	1,222,388,989.86	150,558,562.74	10,758,710.31	678,152,433.58	24,365,523.86	2,086,224,220.35
<b>II. Accumulated depreciation:</b>						
1. Opening balance	798,469,603.37	83,741,290.84	9,678,379.21	172,121,390.39	19,280,217.62	1,083,290,881.43
2. Increase	48,938,985.11	5,375,158.55	756,735.38	27,059,457.97	2,777,291.87	84,907,628.88
(1) Accrual or amortization	48,938,985.11	5,375,158.55	756,735.38	27,059,457.97	2,777,291.87	84,907,628.88
(2) Other						
3. Decrease	136,719,137.92	4,034,437.85	2,965,366.75	27,982,419.41	3,941,585.50	175,642,947.43

Item	Houses and buildings	Machinery equipment	Transportation equipment	Special equipment	Other equipment	Total
(1) Disposal or scrap		193,120.89	2,628,499.77		1,973,855.46	4,795,476.12
(2) Other	136,719,137.92	3,841,316.96	336,866.98	27,982,419.41	1,967,730.04	170,847,471.31
4. Closing balance	710,689,450.56	85,082,011.54	7,469,747.84	171,198,428.95	18,115,923.99	992,555,562.88
<b>III. Impairment provision</b>						
1. Opening balance						
2. Increase						
(1) Accrual						
3. Decrease						
(1) Disposal or scrap						
4. Closing balance						
<b>IV. Book value</b>						
1. Closing balance	511,699,539.30	65,476,551.20	3,288,962.47	506,954,004.63	6,249,599.87	1,093,668,657.47
2. Opening balance	946,635,989.55	76,106,051.33	1,986,497.6	542,907,372.44	12,112,576.49	1,579,748,487.41

11. Construction in progress

Item	Closing balance	Opening balance
Construction in progress	1,634,026,319.12	948,758,995.40
Engineering materials	3,924,317.65	4,325,784.44
Total	1,637,950,636.77	953,084,779.84

(1) Construction in progress

① Information of construction in progress

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Construction in progress	1,634,026,319.12		1,634,026,319.12	948,758,995.40		948,758,995.40

② Changes in significant construction in progress

Item	Opening balance	Increase	Transferred to fixed assets or other non-current assets	Other decrease	Closing balance
Huangtan Water Plant project	48,872,071.48	38,656.36			48,910,727.84
Comprehensive equipment investment and sewage treatment	658,862,950.62	61,133,098.36	12,648,947.99	365,629,396.34	341,717,704.65
Infrastructure supporting project of Sanmenwan Modern Fishery Park	191,506,857.05	28,172,192.35			219,679,049.40
Total	899,241,879.15	89,343,947.07	12,648,947.99	365,629,396.34	610,307,481.89

Note 1: The capitalized interest amount of construction in progress was RMB 11,266,918.77 in the current period.

Note 2: There was no sign of impairment of construction in progress at the end of the reporting period, so no provision for impairment of construction in progress was made.

(2) Engineering materials

Item	Closing balance	Opening balance
Special-purpose materials	3,924,317.65	4,325,784.44

Item	Closing balance	Opening balance
Total	3,924,317.65	4,325,784.44

## 12. Intangible assets

### (1) Details of intangible assets

Item	Opening balance	Increase	Decrease	Closing balance
I. Total original value	51,194,685.87	12,980.00	14,460,774.00	36,746,891.87
Including: Land use right	41,551,966.96		14,460,774.00	27,091,192.96
Software	8,642,718.91	12,980.00		8,655,698.91
Trademark use right	1,000,000.00			1,000,000.00
II. Accumulated amortization	12,013,085.98	1,170,839.46	4,206,020.29	8,977,905.15
Including: Land use right	9,432,001.24	735,847.73	4,206,020.29	5,961,828.68
Software	1,881,084.74	334,991.73		2,216,076.47
Trademark use right	700,000.00	100,000.00		800,000.00
III. Total book value	39,181,599.89			27,768,986.72
Including: Land use right	32,119,965.72			21,129,364.28
Software	6,761,634.17			6,439,622.44
Trademark use right	300,000.00			200,000.00

### (2) Impairment provision on intangible assets

There was no sign of impairment of intangible assets at the end of the reporting period, so no provision for impairment of intangible assets was made.

## 13. Long-term deferred expenses

Item	Opening balance	Increase	Amortization	Other decrease	Closing balance
Lease fee of Lingang Reservoir	466,739.86		49,998.00		416,741.86
Decoration fee	4,435,033.39	827,807.02	1,427,854.27		3,834,986.14
Sewage system	5,159,199.81		1,930,000.04		3,229,199.77

Item	Opening balance	Increase	Amortization	Other decrease	Closing balance
Other	4,504.00	3,901.70	8,405.70		
Total	10,065,477.06	831,708.72	3,416,258.01		7,480,927.77

(Continued)

Item	Original amount incurred	Accumulated amortization	Remaining amortization period
Lease fee of Lingang Reservoir	1,500,000.00	1,083,258.14	16.5 years
Decoration fee	29,197,882.00	25,362,895.86	0-3 years
Sewage system	14,262,116.64	11,032,916.87	1 year
Other	126,138.70	126,138.70	1 year
Total	45,086,137.34	37,605,209.57	

#### 14. Deferred tax assets & Deferred tax liabilities

##### (1) Deferred tax assets recognized

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Impairment provision on assets	12,774,548.32	3,193,637.08	16,240,626.72	4,060,156.69
Other			4,285,541.24	1,071,385.32
Total	12,774,548.32	3,193,637.08	20,526,167.96	5,131,542.01

##### (2) Deferred tax liabilities recognized

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
The difference between the book value of investment property and its tax base	244,585,388.80	61,146,347.20	130,759,928.16	32,689,982.04
Total	244,585,388.80	61,146,347.20	130,759,928.16	32,689,982.04

15. Other non-current assets

Item	Closing balance	Opening balance	Note
Public facilities	2,792,782,700.47	4,596,842,331.64	Public facilities are mainly the municipal public facilities undertaken by the Company, mainly including highways, municipal roads, park plazas and supporting public facilities, etc.
Reconstruction of Xiayangtu's assets	1,254,072,476.15	1,254,072,476.15	
Total	4,046,855,176.62	5,850,914,807.79	

16. Short-term borrowings

Category	Closing balance	Opening balance
Credit loan	444,500,000.00	104,000,000.00
Guaranteed loan	1,407,500,000.00	925,500,000.00
Mortgage loan	579,200,000.00	350,000,000.00
Pledge loan	655,125,000.00	623,030,000.00
Guaranteed mortgage loan	28,000,000.00	
Total	3,114,325,000.00	2,002,530,000.00

Note 1: Details of mortgages used for borrowings refer to Note XII "Other significant events".

Note 2: There were no short-term borrowings which had been overdue but not repaid at the end of the reporting period.

17. Notes payable

Category	Closing balance	Opening balance
Commercial acceptance bill	160,000,000.00	475,020,000.00
Total	160,000,000.00	475,020,000.00

18. Accounts payable

Item	Closing balance	Opening balance
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Item	Closing balance	Opening balance
Within 1 year (including 1 year)	96,917,740.65	214,327,422.79
1-2 years (including 2 years)	90,560,767.60	17,130,133.03
2-3 years (including 3 years)	14,104,351.01	87,584,416.61
Over 3 years	191,895,965.32	137,607,041.12
Total	393,478,824.58	456,649,013.55

19. Advance from customers

Item	Closing balance	Opening balance
Within 1 year (including 1 year)	148,503,011.26	160,508,648.93
Over 1 year	514,306,103.63	492,399,138.20
Total	662,809,114.89	652,907,787.13

Note 1: There were no advance from customers due to shareholders with more than 5% (including 5%) voting rights of the Company in the reporting period.

Note 2: The closing balance of advance from customers with ageing over one year was RMB 514,306,103.63, which was mainly due to the unsettled housing of Xinxia Construction Investment Development Co., Ltd.

20. Payroll payable

(1) The classification of payroll payable

Item	Opening balance	Increase	Decrease	Closing balance
1. Short-term employee benefits	12,375,483.94	76,706,630.70	76,588,367.96	12,493,746.68
2. Post-employment benefits-defined contribution plans	37,288.20	7,564,400.59	7,549,917.89	51,770.90
3. Termination benefits		7,300.00	7,300.00	
Total	12,412,772.14	84,278,331.29	84,145,585.85	12,545,517.58

(2) Short-term employee benefits

Item	Opening balance	Increase	Decrease	Closing balance
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Item	Opening balance	Increase	Decrease	Closing balance
1. Salary, bonus, allowance, and subsidy	12,121,295.26	60,291,486.15	60,171,146.99	12,241,634.42
2. Employee welfare fees	42,406.30	5,376,713.96	5,376,713.96	42,406.30
3. Social insurance premiums	72,820.91	3,613,675.72	3,611,112.22	75,384.41
Including: Medical insurance premiums	44,799.31	3,214,757.82	3,211,895.02	47,662.11
Work-related injury insurance premiums	459.10	245,126.70	245,196.50	389.30
Maternity insurance premiums	27,562.50	153,791.20	154,020.70	27,333.00
4. Housing fund	50,451.00	4,781,759.00	4,781,759.00	50,451.00
5. Union funds and employee education expenses	88,510.47	1,410,892.07	1,415,531.99	83,870.55
6. Non-monetary welfares		1,160,403.80	1,160,403.80	
7. Other		71,700.00	71,700.00	
Total	12,375,483.94	76,706,630.70	76,588,367.96	12,493,746.68

(3) Defined contribution plans

Item	Opening balance	Increase	Decrease	Closing balance
Post-employment benefits	37,288.20	7,123,079.37	7,108,596.67	51,770.90
Including: 1. Basic endowment insurance premiums	35,842.00	5,495,420.03	5,481,676.43	49,585.60
2. Unemployment insurance premiums	1,446.20	1,462,767.84	1,462,028.74	2,185.30
3. Enterprise annuity fees		164,891.50	164,891.50	
Other long-term employee benefits		441,321.22	441,321.22	
Including: 1. Expenditure on retirees		441,321.22	441,321.22	
Total	37,288.20	7,564,400.59	7,549,917.89	51,770.90

Note: The Company had no outstanding employee salaries at the end of the reporting period, and the balance of payroll payable is expected to be paid in 2020.

21. Taxes and surcharges payable

Item	Closing balance	Opening balance
Value-added tax	20,510,081.85	20,047,419.51
Urban maintenance & construction tax	373,615.46	351,963.51
Property tax	6,465,244.04	3,143,814.36
Land use tax	2,044,346.20	1,164,311.42
Individual income tax	15,337.10	5,362.94
Corporate income tax	184,404,981.69	176,357,831.80
Land value-added tax	620,534.94	644,723.07
Educational surcharge	638,562.50	612,757.66
Water conservancy fund	2,456,474.64	2,461,594.64
Local educational surcharge	185,791.30	182,241.41
Security fund for the disabled	11,904.00	6,092.00
Other	616,568.94	370,950.74
Total	218,343,442.66	205,349,063.06

## 22. Other payables

Item	Closing balance	Opening balance
Interests payable	343,712,595.44	260,639,960.18
Dividends payable		
Other payables	9,215,164,038.91	13,426,008,209.24
Total	9,558,876,634.35	13,686,648,169.42

(1) Details of other payables with significant amounts are as follows:

Name	Amount	Nature or content
Ninghai Taoyuan Zhuhai New Countryside Construction Co., Ltd.	1,943,198,151.02	Incomings and outgoings
Ninghai Xidian Park Construction Co., Ltd.	781,001,762.38	Incomings and outgoings
Ninghai Transportation Group Co., Ltd.	705,074,768.98	Incomings and outgoings
Ninghai Pengkai Construction Co., Ltd.	697,000,000.00	Incomings and outgoings
Ninghai Fangda City Construction Investment Co., Ltd.	630,000,000.00	Incomings and outgoings

Note: There were no other payables due to shareholders with more than 5% (including 5%) voting

rights of the Company in the reporting period.

23. Non-current liabilities due within one year

Item	Closing balance	Opening balance
Long-term borrowings due within one year	1,626,350,000.00	1,421,700,000.00
Bonds payable due within one year	777,814,068.62	3,054,165,186.51
Long-term payables due within one year	742,280,591.13	336,028,835.42
Total	3,146,444,659.75	4,811,894,021.93

24. Long-term borrowings

Category	Closing balance	Opening balance
Credit loan	294,700,000.00	177,000,000.00
Guaranteed loan	1,712,250,000.00	1,605,870,000.00
Mortgage loan	819,900,000.00	835,300,000.00
Pledge loan	153,868,800.00	787,480,000.00
Mortgaged guaranteed loan	330,000,000.00	450,000,000.00
Pledged guaranteed loan	229,000,000.00	
Sub-total	3,539,718,800.00	3,855,650,000.00
Less: The part due within one year (Note VIII 23)	1,626,350,000.00	1,421,700,000.00
Total	1,913,368,800.00	2,433,950,000.00

Note: Details of mortgages used for borrowings refer to Note XII “Other significant events”.

25. Bonds payable

(1) Details of bonds payable

Category	Duration	Issue date	Total par value	Premium and discount amount	Total interests accrued	Closing balance
13 City Investment Bond 02	7 years	Apr. 2014	200,000,000.00	-10,500,000.00	10,483,282.45	199,983,282.45
18 Ninghai	3 years	Apr. 2018	500,000,000.00	-1,500,000.00	805,636.74	499,305,636.74

Category	Duration	Issue date	Total par value	Premium and discount amount	Total interests accrued	Closing balance
City Investment PPN001						
2019 (Ninghai) Ding Rong No. 0001	18 months	Aug. 2019	300,000,000.00	-4,500,000.00	931,731.71	296,431,731.71
19 Ninghai City Investment PPN001	3 years	Apr. 2019	600,000,000.00	-5,400,000.00	1,185,938.68	595,785,938.68
19 Ninghai City Investment PPN003	3 years	Sep. 2019	700,000,000.00	-6,300,000.00	529,562.89	694,229,562.89
19 Ninghai City Investment PPN004	3 years	Nov. 2019	500,000,000.00	-4,500,000.00	159,247.20	495,659,247.20
19 Ninghai City Investment Bond 01	5 years	Jan. 2019	1,500,000,000.00	-11,250,000.00	1,765,891.17	1,490,515,891.17
19 Ninghai City Investment Bond 02	5 years	Apr. 2019	1,000,000,000.00	-15,000,000.00	1,763,097.19	986,763,097.19
19 Ninghai City Investment Bond 03	5 years	Nov. 2019	1,000,000,000.00	-14,150,943.40	264,385.32	986,113,441.92
Total			6,300,000,000.00	-73,100,943.40	17,888,773.35	6,244,787,829.95

Note 1: In 2018, the Company repaid RMB 80,000,000.00, RMB 200,000,000.00, RMB 820,000,000.00, RMB 500,000,000.00 and RMB 540,000,000.00 for the principals of 13 City Investment Bond 01, 13 City Investment Bond 02, 18 Ninghai City Investment PPN002, 18 Ninghai City Investment PPN003 and 18 Ninghai City Investment PPN004 respectively;

Note 2: In January 2019, the Company issued 19 Ninghai City Investment Bond 01 with the par value of RMB 1,500,000,000.00 and a coupon rate of 7.50%. The duration is from 31 January 2019 to 31 January 2024;

Note 3: In April 2019, the Company issued 19 Ninghai City Investment PPN001 with the par value of

RMB 600,000,000.00 and a coupon rate of 6.39%. The duration is from 18 April 2019 to 18 April 2022;

Note 4: In April 2019, the Company issued 19 Ninghai City Investment Bond 02 with the par value of RMB 1,000,000,000.00 and a coupon rate of 6.28%. The duration is from 29 April 2019 to 29 April 2024;

Note 5: In August 2019, the Company issued 2019 (Ninghai) Ding Rong No. 0001 with the par value of RMB 300,000,000.00 and a coupon rate of 6.34%. The duration is from 31 August 2019 to 28 February 2021;

Note 6: In September 2019, the Company issued 19 Ninghai City Investment PPN003 with the par value of RMB 700,000,000.00 and a coupon rate of 4.96%. The duration is from 25 September 2019 to 25 September 2022;

Note 7: In November 2019, the Company issued 19 Ninghai City Investment PPN004 with the par value of RMB 500,000,000.00 and a coupon rate of 5.35%. The duration is from 20 November 2019 to 20 November 2022;

Note 8: In November 2019, the Company issued 19 Ninghai City Investment Bond 03 with the par value of RMB 1,000,000,000.00 and a coupon rate of 5.10%. The duration is from 22 November 2019 to 22 November 2024.

## 26. Long-term payables

Item	Closing balance	Opening balance
Long-term payables	2,348,132,426.68	1,515,369,796.68
Special payables		363,634.00
Total	2,348,132,426.68	1,515,733,430.68

### (1) Long-term payables

Item	Closing balance	Opening balance
Ninghai Transportation Service Management Co., Ltd.	396,557,833.33	455,635,000.00
Payables for finance lease	1,951,574,593.35	1,059,734,796.68
Total	2,348,132,426.68	1,515,369,796.68

Note 1: In 2016, Ninghai Transportation Industrial Development Co., Ltd. signed a loan agreement

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with Ninghai Transportation Service Management Co., Ltd., and the amount of the loan is RMB 450 million with the long term from the starting date of 28 November 2016. The interest of the loan is calculated at the annual interest rate of 4.90% and paid to Party B quarterly. As of 31 December 2019, the principal balance was RMB 390 million, and the interest was RMB 6,557,833.33.

Note 2: On 15 August 2017, the Company signed a “Finance Lease Contract” with AB Leasing Co., Ltd., which agreed that the Company would sell the middle section of Ping’an Avenue to AB Leasing Co., Ltd. in the form of sale and leaseback. The original book value of the above equipment is 202,536,000.00, and the financing principal is RMB 200 million, which shall be paid in 12 instalments over 5 years. The leaseback rent shall be 225,397,900.00, and the lease term is from 21 August 2017 to 21 August 2022;

On 15 August 2017, the Company signed a “Finance Lease Contract” with AB Leasing Co., Ltd., which agreed that the Company would sell the middle section of Ping’an Avenue to AB Leasing Co., Ltd. in the form of sale and leaseback. The original book value of the above equipment is RMB 151,566,700.00, and the financing principal is RMB 150 million, which shall be paid in 12 instalments over 5 years. The leaseback rent shall be RMB 169,048,400.00, and the lease term is from 27 September 2017 to 27 September 2022;

On 15 September 2017, the Company signed a “Finance Lease Contract” with AB Leasing Co., Ltd., which agreed that the Company would sell the middle section of Ping’an Avenue to AB Leasing Co., Ltd. in the form of sale and leaseback. The original book value of the above equipment is RMB 174,590,000.00, and the financing principal is RMB 150 million, which shall be paid in 12 instalments over 5 years. The leaseback rent shall be RMB 169,048,400.00, and the lease term is from 29 September 2017 to 29 September 2022;

On 1 August 2017, the Company signed a “Finance Lease Contract” with AVIC International Leasing Co., Ltd., which agreed that the Company would sell the pipe network to AVIC International Leasing Co., Ltd. in the form of sale and leaseback. The original book value of the above equipment is RMB 324,127,800.00, and the financing principal is RMB 300 million, which shall be paid in 10 instalments over 5 years. The leaseback rent shall be RMB 341,596,500.00, and the lease term is from 4 August 2017 to 4 August 2022;

On 8 December 2017, the Company signed a “Sale and Leaseback Contract” with Ping An International Financial Leasing (Tianjin) Co., Ltd., which agreed that the Company would sell the

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pavement assets and ancillary facilities of Jinbei North Road extension section and Jinshui Road to Ping An International Financial Leasing (Tianjin) Co., Ltd. in the form of sale and leaseback. The original book value of the above equipment is RMB 349,081,600.00, and the financing principal is RMB 320 million, which shall be paid in 12 instalments over 6 years. The leaseback rent shall be RMB 356,412,400.00, and the lease term is from 5 January 2018 to 5 January 2024;

On 25 December 2018, the Company signed a “Finance Lease Contract” with Huishang Bank Financial Leasing Co., Ltd., which agreed that the Company would sell the road rainwater, sewage and water supply pipe network to Huishang Bank Financial Leasing Co., Ltd. in the form of sale and leaseback. The above-mentioned equipment has an appraisal value of RMB 157,954,900.00, and the financing principal is RMB 100 million, which shall be paid in 20 instalments over 5 years. The leaseback rent shall be RMB 115,052,800.00, and the lease term is from 25 December 2018 to 25 December 2023;

On 29 January 2019, the Company signed a “Finance Lease Contract” with Huaxia Financial Leasing Co., Ltd., which agreed that the Company would sell the drainage network / sewage pipe network / rainwater collection pipe network on Waihuan East Road (Taoyuan Road to Xinghai Road) to Huaxia Financial Leasing Co., Ltd. in the form of sale and leaseback. The financing principal is RMB 300 million, which shall be paid in 10 instalments over 5 years. The leaseback rent shall be RMB 356,765,000.00, and the lease term is from 28 January 2019 to 28 January 2024;

On 7 March 2019, the Company signed a “Finance Lease Contract” with CQRC Financial Leasing Co., Ltd., which agreed that the Company would sell some assets such as 3-1 of Block 2 of Taoyuan Building to CQRC Financial Leasing Co., Ltd. in the form of sale and leaseback. The financing principal is RMB 250 million, which shall be paid in 10 instalments over 5 years. The leaseback rent shall be RMB 296,309,900.00, and the lease term is from 10 March 2019 to 10 March 2024;

On 30 July 2019, the Company signed a “Finance Lease Contract” with Huarong Financial Leasing Co., Ltd., which agreed that the Company would sell assets such as water supply pipelines on Xuxiake Avenue (No. 214 Provincial Highway to Roushi South Road) in Ninghai County to Huarong Financial Leasing Co., Ltd. in the form of sale and leaseback. The financing principal is RMB 465 million, which shall be paid in 14 instalments over 4 years. The leaseback rent shall be RMB 533,509,900.00, and the lease term is from 30 July 2019 to 20 January 2023;

On 1 August 2019, the Company signed a “Finance Lease Contract” with Huawei Financial Leasing

Co., Ltd., which agreed that the Company would sell water supply and drainage network on Fuquan Road to Huawei Financial Leasing Co., Ltd. in the form of sale and leaseback. The financing principal is RMB 8 million, which shall be paid in 1 instalment over 6 months. The leaseback rent shall be RMB 8,260,900.00, and the lease term is from 7 August 2019 to 7 February 2020;

On 21 October 2019, the Company signed a “Finance Lease Contract” with Everbright Financial Leasing Co., Ltd., which agreed that the Company would sell Ninghai Exhibition Center curtain wall and other assets to Everbright Financial Leasing Co., Ltd. in the form of sale and leaseback. The financing principal is RMB 350 million, which shall be paid in 8 instalments over 4 years. The leaseback rent shall be RMB 395,001,300.00, and the lease term is from 23 October 2019 to 23 October 2023;

On 18 November 2019, the Company signed a “Finance Lease Contract” with Zhejiang Chouzhou Financial Leasing Co., Ltd., which agreed that the Company would sell water supply network of Chengling Line and Chengsong Line to Zhejiang Chouzhou Financial Leasing Co., Ltd. in the form of sale and leaseback. The financing principal is RMB 200 million, which shall be paid in 10 instalments over 5 years. The leaseback rent shall be RMB 239,272,200.00, and the lease term is from 20 November 2019 to 20 November 2024;

On 10 December 2019, the Company signed a “Finance Lease Contract” with Shanghai Yuansheng Financial Leasing Co., Ltd., which agreed that the Company would sell HDPE polyethylene winding reinforced pipe (type B pipe wall) and other assets to Shanghai Yuansheng Financial Leasing Co., Ltd. in the form of sale and leaseback. The financing principal is RMB 100 million, which shall be paid in 6 instalments over 3 years. The leaseback rent shall be RMB 110,402,800.00, and the lease term is from 13 December 2019 to 16 December 2022;

On 10 December 2019, the Company signed a “Finance Lease Contract” with Shanghai Yuansheng Financial Leasing Co., Ltd., which agreed that the Company would sell GRP sandy pipe and other assets to Shanghai Yuansheng Financial Leasing Co., Ltd. in the form of sale and leaseback. The financing principal is RMB 100 million, which shall be paid in 6 instalments over 3 years. The leaseback rent shall be RMB 110,402,800.00, and the lease term is from 13 December 2019 to 16 December 2022.

(2) Special payables

Name	Closing balance	Opening balance	Nature or content
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Name	Closing balance	Opening balance	Nature or content
Subsidy funds of treasury bonds		363,634.00	Allocation for sewage treatment project
Total		363,634.00	

27. Deferred income

Item	Opening balance	Increase	Decrease	Closing balance
Government grants	69,217,400.00	7,942,000.00		77,159,400.00
Total	69,217,400.00	7,942,000.00		77,159,400.00

(1) Details of government grants

Content of government grants	Amount of government grants	Amount recorded into the current profit and loss	Amount returned in current period	Reason for return in current period
Infrastructure supporting project of Sanmenwan Modern Fishery Park	77,159,400.00			
Total	77,159,400.00			

28. Paid-in capital

Name of investor	Opening balance		Increase	Decrease	Closing balance	
	Investment amount	Proportion (%)			Investment amount	Proportion (%)
Ninghai SASAB	1,000,000,000.00	100.00		1,000,000,000.00		
Ninghai Qicheng Industry Co., Ltd.			1,000,000,000.00		1,000,000,000.00	100.00
Total	1,000,000,000.00	100.00	1,000,000,000.00	1,000,000,000.00	1,000,000,000.00	100.00

29. Capital reserve

Item	Opening balance	Increase	Decrease	Closing balance
Capital premium	2,378,273,370.19			2,378,273,370.19
Other capital reserve	8,690,042,653.01	89,589,621.78	550,105,903.50	8,229,526,371.29

Item	Opening balance	Increase	Decrease	Closing balance
Total	11,068,316,023.20	89,589,621.78	550,105,903.50	10,607,799,741.48

Note 1: The increase of capital reserve in the current period was mainly due to the corresponding increase of capital reserve with the amount of RMB 89,218,072.24 recognized from the measurement of the associate, Ninghai Science and Technology Industrial Park Development Co., Ltd. under equity method in accordance with the shareholding ratio; The decrease of capital reserve in the current period was mainly due to the transfer of 100% equity of Ninghai Xixi Reservoir Development Co., Ltd. originally held by the Company to Ninghai Water Conservancy Investment Co., Ltd. and the transfer of 100% equity of Ninghai Drainage Co., Ltd. to Ninghai SASAB, which resulted that the total capital reserve recognized at the consolidated level with the amount of RMB 550,028,604.12 was transferred to the current profit and loss.

### 30. Surplus reserve

Item	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserve	234,039,315.33			234,039,315.33
Total	234,039,315.33			234,039,315.33

### 31. Retained earnings

Item	2019	2018
Opening balance of retained earnings before adjustments	2,549,044,315.35	2,335,555,088.82
Add: Changes in accounting policies	-27,000,093.04	-57,120,682.33
Opening balance of retained earnings after adjustments	2,522,044,222.31	2,278,434,406.49
Increase for the current period	272,751,248.39	274,367,668.29
Including: Transferred-in from the net profit	272,751,248.39	274,367,668.29
Decrease for the current period		30,757,852.47
Including: Accrual of surplus reserve for the current period		27,614,540.79
Other decreases		3,143,311.68

Item	2019	2018
Closing balance of retained earnings	2,794,795,470.70	2,522,044,222.31

### 32. Operating revenue & Operating costs

Item	2019		2018	
	Revenue	Cost	Revenue	Cost
1. Sub-total of main business	2,028,120,074.81	1,619,903,549.53	2,188,549,114.38	1,609,362,170.94
Leasing income	78,337,589.90	27,200,541.21	78,539,034.65	11,672,421.28
Income from water and sewage treatment fees	225,372,037.03	151,502,273.59	193,035,652.68	133,747,477.37
Land development income	902,063,744.00	642,656,325.95	1,037,388,045.00	694,293,824.10
Sales revenue from demolition and resettlement housing	753,133,403.12	736,935,421.28	775,912,015.09	667,380,953.92
Sales revenue from limited-price housing	62,582,369.69	58,251,726.43	95,545,664.48	101,426,479.81
Other	6,630,931.07	3,357,261.07	8,128,702.48	841,014.46
2. Sub-total of other business	109,348,810.50	52,239,892.61	200,437,789.46	77,552,586.55
Pipeline installation business	71,937,083.24	48,829,386.44	53,207,650.58	38,960,475.08
Rental	33,595,039.11	207,811.50	39,668,096.94	11,165,597.43
Compensation for demolition of investment property			101,604,776.32	26,672,805.59
Other	3,816,688.15	3,202,694.67	5,957,265.62	753,708.45
Total	2,137,468,885.31	1,672,143,442.14	2,388,986,903.84	1,686,914,757.49

### 33. Taxes and surcharges

Item	2019	2018
Urban maintenance & construction tax	2,531,499.70	3,833,899.03

Item	2019	2018
Educational surcharge	2,528,538.58	3,657,016.40
Property tax	6,711,919.05	7,166,599.86
Land use tax	2,497,732.98	3,974,337.86
Water conservancy construction fund		260.09
Land value-added tax	60,002.13	24,188.30
Stamp duty	1,741,399.70	2,107,276.35
Employment security fund for the disabled	129,140.00	136,752.00
Other		60,508.60
<b>Total</b>	<b>16,200,232.14</b>	<b>20,960,838.49</b>

#### 34. Financial costs

Item	2019	2018
Interest income (indicated with “-”)	-32,564,738.42	-23,228,190.26
Interest expense	491,218,313.61	224,468,634.47
Service charge and others	868,086.70	8,818,043.20
<b>Total</b>	<b>459,521,661.89</b>	<b>210,058,487.41</b>

#### 35. Other income

##### (1) Category of other income

Item	2019	2018
Government grants	3,402,990.00	30,201,447.06
<b>Total</b>	<b>3,402,990.00</b>	<b>30,201,447.06</b>

##### (2) Government grants recorded into the current profit and loss

Item	2019	2018
Financial subsidy for Trusted Farmers Markets	180,000.00	180,000.00
Financial subsidy for Star-level Markets	180,000.00	

Item	2019	2018
Ecological forest land rent and maintenance fee subsidy allocated by Ninghai Housing and Urban-Rural Development Bureau	2,266,300.00	2,205,000.00
Market transformation subsidy		2,911,200.00
Subsidies for food testing instruments	6,000.00	
Working capital subsidy		20,520,667.00
Water conservancy project management and maintenance funds	324,000.00	
Subsidy funds for agricultural industrialization	40,000.00	
Seawall management funds	40,000.00	130,000.00
Sewage subsidy		1,000,000.00
Subsidy fund for demonstration project of renewable energy building application in resettlement housing project		714,500.00
Traceability system node operation management reward subsidy	366,690.00	358,470.06
Award for Ninghai zero direct sewage discharge zone in 2017-2018		2,000,000.00
Subsidy for online monitoring system		155,000.00
Other		26,610.00
<b>Total</b>	<b>3,402,990.00</b>	<b>30,201,447.06</b>

### 36. Investment income

Category	2019	2018
Long-term equity investment income under equity method	32,038,680.31	-3,674,050.65
Gain from disposal of long-term equity investments	622,337,020.12	-52,448.13
Other		-560,000.00
<b>Total</b>	<b>654,375,700.43</b>	<b>-4,286,498.78</b>

### 37. Gains from changes in fair value

Category	2019	2018
Financial liabilities at fair value through profit or loss		
Investment property measured at fair value	-227,990,438.74	23,982,720.19
Total	-227,990,438.74	23,982,720.19

Note 1: The gains from changes in fair value in the current period were mainly due to the assessed impairment of the investment property measured at fair value on the conversion date (the inventory transferred to the investment property) and the changes in fair value during the period of 2019. Among them, the amount of assessed impairment included in the gains from changes in fair value on the conversion date was RMB -239,402,564.22, and the amount of gains from changes in fair value during the year of 2019 was RMB 11,412,125.48.

#### 38. Impairment loss on assets

Item	2019	2018
Bad debts losses	3,465,578.58	8,122,409.83
Total	3,465,578.58	8,122,409.83

#### 39. Gains from disposal of assets

Item	2019	2018
Gains from disposal of non-current assets (Loss: "-")	48,083.78	-78,221.19
Total	48,083.78	-78,221.19

#### 40. Non-operating income

Item	2019	2018
Government grants	91,661.50	1,245,558.50
Penalties and compensations	18,000.00	231,329.85
Payments not required	190,292.94	1,600,000.00
Stall deposit confiscated	486,501.21	450,841.00
Liquidated damages and overdue fines	442,217.97	250,944.75

Item	2019	2018
Other	630,805.66	625,752.57
Total	1,859,479.28	4,404,426.67

(1) Details of government grants

Item	2019	2018	Related to asset or income
Rural operation and maintenance appropriation		1,125,939.00	Income
Travel subsidies		77,000.00	Income
Media promotion awards		40,500.00	Income
Other		2,119.50	Income
Reconstruction of public toilets in Xidian Town Management Office	91,661.50		Income
Total	91,661.50	1,245,558.50	

41. Non-operating expenses

Item	2019	2018
Sponsorship expenses		62,120.40
Penalty expenses	26,195.00	51,000.00
Tax overdue fine expenditures	377,605.81	57,292.29
Loss due to damage and scrap of non-current assets	176,611.30	57,177.16
Public welfare donation expenditures	1,878,800.00	885,697.50
Other	128,397.74	265,113.66
Total	2,587,609.85	1,378,401.01

42. Income tax expenses

Item	2019	2018
Current income tax	15,180,599.12	23,678,254.35
Adjustments of deferred income tax	-43,457,971.28	12,696,393.37
Total	-28,277,372.16	36,374,647.72

43. Notes to relevant matters of the consolidated statement of cash flows

(1) Reconciliation between net profits and net cash flow generated from operations

Item	2019	2018
1. Reconciliation between net profit and net cash flows generated from operations:		
Net profit	280,391,299.14	272,792,896.58
Add: Impairment provision on assets	-3,465,578.58	-8,122,409.83
Depreciation of fixed assets, depletion of oil & gas assets and depreciation of bearer biological assets	84,907,628.88	114,716,193.21
Amortization of intangible assets	1,170,839.46	7,008,579.01
Amortization of long-term deferred expense	3,416,258.01	4,513,630.44
Loss from disposals of fixed assets, intangible asset and other long-term assets (gain: “-”)	-48,083.78	-79,859,204.85
Loss from scrapping of fixed assets (gain: “-”)	176,611.30	57,177.16
Loss from changes in fair value (gain: “-”)	227,990,438.74	-23,982,720.19
Financial cost (income: “-”)	491,218,313.61	224,468,634.47
Investment loss (gain: “-”)	-654,375,700.43	4,286,498.78
Decrease in deferred tax assets (increase: “-”)	1,937,779.93	2,433,554.14
Increase in deferred tax liabilities (decrease: “-”)	-45,395,751.21	10,262,839.23
Decrease in inventory (increase: “-”)	263,509,203.01	-602,433,161.56
Decrease in receivables from operating activities (increase: “-”)	1,672,344,114.89	-2,130,029,046.89
Increase in payables from operating activities (decrease: “-”)	-5,959,845,268.19	1,084,444,639.22
Other		
Net cash flows generated from operating activities	-3,636,067,895.22	-1,119,441,901.08
2. Significant investing and financing activities without involvement of cash receipts and payments		
Debts converted to capital		
Convertible debts mature within one year		
Fixed assets acquired under finance leases		



Item	2019	2018
3. Change of cash and cash equivalents:		
Closing balance of cash	1,125,135,526.19	1,123,649,071.50
Less: Opening balance of cash	1,123,649,071.50	1,412,231,300.32
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
The net increase in cash and cash equivalents	1,486,454.69	-288,582,228.82

(2) Composition of cash and cash equivalents

Item	2019	2018
I. Cash	1,125,135,526.19	1,123,649,071.50
Including: Cash on hand	9,638.52	9,537.39
Bank deposits available for immediate payments	1,125,125,887.67	1,003,639,534.11
Other monetary funds available for immediate payments		120,000,000.00
II. Cash equivalents		
Including: Bonds investment due within three months		
III. Closing balance of cash and cash equivalents	1,125,135,526.19	1,123,649,071.50
Including: Restricted cash and cash equivalents from the parent company or subsidiaries in the Group		

(3) Other cash receipts relating to operating activities

Item	2019
Other cash receipts relating to operating activities	4,308,763,260.98
Including: Items with significant amounts	
Ninghai Housing and Urban-Rural Development Bureau	1,716,203,770.51
Ninghai Xidian Park Construction Co., Ltd.	498,695,554.51
Ninghai Hot Spring Tourism Development Co., Ltd.	306,450,000.00
Ninghai Guorong Industrial Investment Development Co., Ltd.	188,317,005.28
Ninghai Yonglin Construction Investment Co., Ltd.	159,955,226.00
Ninghai Logistics Center Co., Ltd.	130,000,000.00

Item	2019
Ninghai Nanxi Hot Spring Investment Development Co., Ltd.	123,500,000.00
Ninghai Ninghaiwan Tourism Development Co., Ltd.	85,000,000.00
Ninghai Hengsheng Construction Co., Ltd.	76,199,460.97
Ninghai SASAB	60,821,686.26

(Continued)

Item	2018
Other cash receipts relating to operating activities	6,500,273,683.37
Including: Items with significant amounts	
Ninghai Hengsheng Construction Co., Ltd.	3,392,378,059.26
Ninghai Goudong Enterprise Resettlement Zone Construction Investment Co., Ltd.	815,480,165.17
Ninghai Transportation Group Co., Ltd.	464,000,000.00
Ninghai Fangda City Construction Investment Co., Ltd.	210,000,000.00
Finance Office of Taoyuan Sub-district, Ninghai County	77,000,000.00
Ninghai Haichuang Investment Construction Co., Ltd.	227,034,550.83
Ninghai Xidian Park Construction Co., Ltd.	120,000,000.00
Ninghai Electronic Commerce Co., Ltd.	102,000,000.00
Ninghai Economic Development Zone Science and Technology Park Management Committee	146,291,653.00
Ninghai SASAB	50,000,000.00
Ninghai Xingjian Biological Technology Co., Ltd.	40,000,000.00

(4) Other cash payments relating to operating activities

Item	2019
Other cash payments relating to operating activities	8,306,366,185.86
Including: Items with significant amounts	
Ninghai Pengkai Construction Co., Ltd.	2,630,293,345.04
Ninghai Yuelong Weimin New Countryside Construction Co., Ltd.	2,165,783,908.26
Ninghai Goudong Enterprise Resettlement Zone Construction Investment Co., Ltd.	857,527,578.71
Ninghai Hengsheng Construction Co., Ltd.	455,288,532.27

Item	2019
Ninghai Xiayangtu Agricultural Development Co., Ltd.	302,000,000.00
Ninghai Guorong Industrial Investment Development Co., Ltd.	235,317,005.28
Ninghai Xidian New City Development Investment Co., Ltd.	189,000,000.00
Ninghai SASAB	186,600,000.00
Ninghai Shenzhen Asset Management Co., Ltd.	174,000,000.00
Ninghai Hot Spring Tourism Development Co., Ltd.	138,770,000.00
Ninghai Jingyuan Water Treatment Investment Co., Ltd.	112,521,175.13
Ninghai Shenzhen Longgong Tourism Development Co., Ltd.	106,251,833.33
Ninghai Ninghaiwan Tourism Development Co., Ltd.	85,000,000.00
Ninghai Nanxi Hot Spring Investment Development Co., Ltd.	84,500,000.00
Ninghai Fangda City Construction Investment Co., Ltd.	50,000,000.00

(Continued)

Item	2018
Other cash payments relating to operating activities	8,016,121,403.69
Including: Items with significant amounts	
Ninghai Yuelong Weimin New Countryside Construction Co., Ltd.	4,283,059,592.92
Ninghai Fangda City Construction Investment Co., Ltd.	1,051,415,591.43
Ninghai Municipal Government House Expropriation Office Collection and Compensation Fund Special Account	523,932,120.35
Ninghai Urban House Demolition Co., Ltd.	371,704,362.00
Ninghai Shunda Urban Construction Development Co., Ltd.	300,000,000.00
Ninghai Yuelong Pengcheng Urban Development and Construction Investment Co., Ltd.	200,000,000.00
Ninghai Commercial Trading Group Co., Ltd.	163,000,000.00
Ninghai Shuangpantu Aquaculture Co., Ltd.	120,000,000.00
Ninghai County Xingning SME Development Promotion Center	200,000,000.00
Ninghai Ninghaiwan Leisure Health Co., Ltd.	148,570,000.00

(5) Other cash receipts relating to investing activities

Item	2019	2018
Other cash receipts relating to investing	1,274,787.64	125,866,227.90

Item	2019	2018
activities		
Including: Special government subsidy for infrastructure supporting projects of Sanmenwan Modern Fishery Park		
Ninghai Rural Housing Construction Investment Co., Ltd.		70,000,000.00
Ninghai Xidian Park Construction Co., Ltd.		55,000,000.00
Project performance bond	1,274,787.64	866,227.90

(6) Other cash payments relating to investing activities

Item	2019	2018
Other cash payments relating to investing activities	1,602,950.15	747,467.75
Including: Project performance bond	1,602,950.15	747,467.75

(7) Other cash receipts relating to financing activities

Item	2019	2018
Other cash receipts relating to financing activities	4,632,538,265.14	3,365,990,000.00
Including: Pledged certificates of deposit	772,000,000.00	945,800,000.00
Security deposits	230,903,720.00	96,670,000.00
Finance lease loans	1,808,000,000.00	1,020,000,000.00
Current accounts of loans	1,821,634,545.14	1,303,520,000.00

(8) Other cash payments relating to financing activities

Item	2019	2018
Other cash payments relating to financing activities	3,247,834,837.20	3,069,178,089.26
Including: Pledged certificates of deposit	1,088,420,000.00	1,478,500,000.00
Security deposits	136,284,000.00	108,500,000.00
Finance lease loans	509,908,447.62	1,126,780,000.00
Current accounts of loans	1,513,222,389.58	355,398,089.26

## IX Contingencies

### 1. Guarantees

Guarantor	Guaranteed party (borrower)	Balance of guaranteed loans	Current status of the guaranteed party
I. Credit guarantees between companies within the scope of consolidation			
The Company	Ninghai Water Affairs Group Co., Ltd.	1,023,966,597.89	Normal operation
The Company	Ninghai Landscaping Investment Development Co., Ltd.	1,062,500,000.00	Normal operation
The Company	Ninghai Water Supply Co., Ltd.	105,000,000.00	Normal operation
Ninghai Water Affairs Group Co., Ltd.	Ninghai Water Supply Co., Ltd.	80,000,000.00	Normal operation
Ninghai Water Affairs Group Co., Ltd.	The Company	330,000,000.00	Normal operation
Ninghai Asset Management Co., Ltd.	Ninghai Water Supply Co., Ltd.	105,000,000.00	Normal operation
II. Mortgage guarantees between companies within the scope of consolidation			
The Company	Ninghai Water Affairs Group Co., Ltd.	106,000,000.00	Normal operation
III. Guarantees for other companies outside the scope of consolidation			
Ninghai Water Affairs Group Co., Ltd.	Ninghai Jingyuan Water Treatment Investment Co., Ltd.	290,000,000.00	Normal operation
The Company	Ningbo Southern Coastal Development Zone Urban Construction Investment Co., Ltd.	960,000,000.00	Normal operation
The Company	Ninghai Pengkai Construction Co., Ltd.	1,616,623,134.32	Normal operation
The Company	Ninghai Yuelong Weimin New Countryside Construction Co., Ltd.	4,216,696,561.76	Normal operation
The Company	Ningbo Fubang Infrastructure Investment Co., Ltd.	178,000,000.00	Normal operation
The Company	Ninghai Hengsheng Construction Co., Ltd.	1,769,150,000.00	Normal operation

Guarantor	Guaranteed party (borrower)	Balance of guaranteed loans	Current status of the guaranteed party
The Company	Ninghai Taoyuan Zhuhai New Countryside Construction Co., Ltd.	380,000,000.00	Normal operation
The Company	Ninghai Xidian Park Construction Co., Ltd.	493,978,100.00	Normal operation
The Company	Ninghai Ningdong New City Development Investment Co., Ltd.	402,356,400.00	Normal operation
The Company	Ninghai Science and Technology Industrial Park Development Co., Ltd.	552,793,900.00	Normal operation
The Company	Ninghai Transportation Group Co., Ltd.	1,073,004,534.79	Normal operation
The Company	Ninghai Goudong Enterprise Resettlement Zone Construction Investment Co., Ltd.	764,950,000.00	Normal operation
The Company	Ninghai Nanxi Hot Spring Investment Development Co., Ltd.	80,000,000.00	Normal operation
The Company	Ninghai Cultural Tourism Group Co., Ltd.	307,786,800.00	Normal operation
The Company	Ninghai Jianlong Urban Development and Construction Investment Co., Ltd.	55,000,000.00	Normal operation
The Company	Ninghai Chalu Tourism Development Co., Ltd.	20,000,000.00	Normal operation
The Company	Ninghai Logistics Center Co., Ltd.	200,000,000.00	Normal operation
Ninghai Urban Construction Real Estate Development Co., Ltd.	Ninghai Goudong Enterprise Resettlement Zone Construction Investment Co., Ltd.	52,500,000.00	Normal operation
Ninghai Urban Construction Real Estate Development Co., Ltd.	Ninghai Hengsheng Construction Co., Ltd.	333,250,000.00	Normal operation
Ninghai Transportation Industrial Development Co., Ltd.	Ninghai Transportation Service Management Co., Ltd.	681,650,000.00	Normal operation
Ninghai Transportation Industrial Development Co., Ltd.	Ninghai Transportation Group Co., Ltd.	370,000,000.00	Normal operation

Guarantor	Guaranteed party (borrower)	Balance of guaranteed loans	Current status of the guaranteed party
Ninghai Transportation Industrial Development Co., Ltd.	Ninghai Public Transportation Co., Ltd.	250,587,304.41	Normal operation
Ninghai Transportation Industrial Development Co., Ltd.	Ninghai Communications State-owned Assets Management Co., Ltd.	90,000,000.00	Normal operation
Ninghai New Times Urban Construction Investment Co., Ltd.	Ninghai Taoyuan Zhuhai New Countryside Construction Co., Ltd.	73,600,000.00	Normal operation
Ninghai Landscaping Investment Development Co., Ltd.	Ninghai Hengsheng Construction Co., Ltd.	213,000,000.00	Normal operation
Ninghai Water Affairs Group Co., Ltd.	Ninghai Xidian New City Development Investment Co., Ltd.	45,000,000.00	Normal operation
Ninghai Asset Management Co., Ltd.	Ninghai Transportation Group Co., Ltd.	138,000,000.00	Normal operation
Ninghai Asset Management Co., Ltd.	Ninghai Qiantong Ancient Town Tourism Development Co., Ltd.	25,000,000.00	Normal operation
Ninghai Asset Management Co., Ltd.	Ningbo Ninghai International Trading Co., Ltd.	130,000,000.00	Normal operation
Ninghai Xidian Construction Investment Development Co., Ltd.	Ninghai Water Conservancy Investment Co., Ltd.	20,000,000.00	Normal operation
Ninghai Xidian Construction Investment Development Co., Ltd.	Ninghai Xidian Park Construction Co., Ltd.	30,000,000.00	Normal operation
Ninghai Xidian Zixi Real Estate Development Co., Ltd.	Ninghai Xidian Park Construction Co., Ltd.	192,003,000.00	Normal operation
Ninghai Water Affairs Group Co., Ltd. and the Company	Ninghai Drainage Co., Ltd.	82,595,194.36	Normal operation
Ninghai Water Affairs Group Co., Ltd.	Ninghai Commercial Trading Group Co., Ltd.	80,000,000.00	Normal operation

### X Commitments

As of 31 December 2019, there were no significant commitments that need to be disclosed.

### XI Non-adjusted events after the balance sheet date

## 1. Evaluation of the impact of COVID-19

Since the outbreak of COVID-19 in China from January 2020, the prevention and control of COVID-19 has been carried out nationwide. According to the documents including “Guiding Opinions of Ningbo Municipal Government on the Implementation of Eighteen Opinions on Winning the Epidemic Prevention and Control Sniper War and Helping Small and Medium-sized Enterprises to Overcome Difficulties” (Yong Guo Zi Fa [2020] No. 5) issued by the State-owned Assets Supervision and Administration Commission of Ningbo Municipal Government, and “Ninghai SASAB’s Implementation Opinions on Rent Reduction and Exemption During the Period of Epidemic Prevention and Control” (Ning Guo Zi Fa [2020] No. 2) issued by Ninghai SASAB, etc., the Company has implemented the rent reduction and exemption policy for small and medium-sized enterprises and individual businesses that meet the conditions of rent reduction and exemption. The period of rent reduction and exemption shall be from 1 February 2020 to 31 March 2020. After the implementation of the above policies, it is expected that the rental income of the Group in 2020 will be reduced by about RMB 11,221,200.00.

The above matters have no impacts on the financial statements in 2019.

## XII Other significant events

### 1. Details of asset pledges and mortgages

(1) Details of pledges of bank deposit certificates or other rights used by the Company for bank borrowings are as follows:

Pledgor	Usage of loan	Guaranteed loan amount (RMB)	Pledge	Net book value of pledge (RMB)
Ninghai New Times Urban Construction Investment Co., Ltd.	Working capital loan	27,000,000.00	Certificate of deposit	30,000,000.00
Ninghai New Times Urban Construction Investment Co., Ltd.	Working capital loan	22,300,000.00	Certificate of deposit	23,500,000.00
Ninghai Landscaping Investment Development	Working capital loan	28,800,000.00	Certificate of deposit	32,000,000.00



Pledgor	Usage of loan	Guaranteed loan amount (RMB)	Pledge	Net book value of pledge (RMB)
Co., Ltd.				
Ninghai Landscaping Investment Development Co., Ltd.	Discount of commercial bills	134,500,000.00	Security deposit	134,500,000.00
Ninghai Landscaping Investment Development Co., Ltd.	Discount of commercial bills	24,110,000.00	Security deposit	24,110,000.00
Ninghai Landscaping Investment Development Co., Ltd.	Working capital loan	95,000,000.00	Structured deposits	100,000,000.00
Ninghai Landscaping Investment Development Co., Ltd.	Discount of commercial bills	60,000,000.00	Certificate of deposit	60,000,000.00
Ninghai Landscaping Investment Development Co., Ltd.	Discount of commercial bills	100,000,000.00	Certificate of deposit	100,000,000.00
Ninghai Urban Construction Real Estate Development Co., Ltd.	Working capital loan	33,250,000.00	Certificate of deposit	35,000,000.00
Ninghai Xidian Zixi Real Estate Development Co., Ltd.	Turnover of working capital	42,003,000.00	Certificate of deposit	45,000,000.00
Ninghai Xidian Construction Investment Development Co., Ltd.	Turnover of working capital	33,000,000.00	Certificate of deposit	60,000,000.00
Ninghai Xidian Construction Investment Development Co., Ltd.	Turnover of working capital	52,000,000.00	Certificate of deposit	55,000,000.00
Ninghai Xidian	Turnover of	60,000,000.00	Certificate of deposit	60,000,000.00

Pledgor	Usage of loan	Guaranteed loan amount (RMB)	Pledge	Net book value of pledge (RMB)
Construction Investment Development Co., Ltd.	working capital			
Ninghai Transportation Industrial Development Co., Ltd.	Turnover of working capital	20,000,000.00	Certificate of deposit	20,000,000.00
Ninghai Transportation Industrial Development Co., Ltd.	Turnover of working capital	66,000,000.00	Certificate of deposit	70,000,000.00
The Company	Daily production and operation turnover	64,000,000.00	Accounts receivable of resettlement housing sales	1,778,440,000.00
The Company	Loans for fixed assets	50,000,000.00	Certificate of deposit	50,000,000.00
The Company	Purchase of goods	62,700,000.00	Certificate of deposit	66,000,000.00
The Company	Purchase of goods	60,800,000.00	Certificate of deposit	64,000,000.00
The Company	Daily operation turnover	195,500,000.00	Structured deposits	200,000,000.00
The Company	Payment for goods	146,625,000.00	Certificate of deposit	150,000,000.00
The Company	Daily production and operation turnover	41,200,000.00	Security deposit	43,000,000.00
The Company	Working capital loan	150,000,000.00	Security deposit	6,500,000.00
Ninghai Water Affairs Group Co., Ltd.	Water supply network project in downtown	1,000,000.00	Accounts receivable: it points out all the rights and benefits under the "Agreement on the Entrusted Agent Construction of Water Supply Pipeline Project in Downtown of Ninghai" legally enjoyed by the pledgor	11,000,000.00
Total		1,569,788,000.00		3,218,050,000.00

(2) Details of mortgages of inventory (land assets and attachments), fixed assets and other non-current assets are as follows:

Borrower	Usage of loan	Guaranteed amount (RMB)	Mortgage
The Company	Required to supplement working capital	600,000,000.00	Zhe (2018) Ninghai Real Estate Right No. 0013175
The Company	Working capital loan	250,000,000.00	Zhe (2018) Ninghai Real Estate Right No. 0016019
The Company	Working capital loan	330,000,000.00	23 real estates in Taoyuan Building including Zhe (2018) Ninghai Real Estate Right No. 0017619, etc.
The Company	Working capital loan	100,000,000.00	Ning Real Estate Right Certificate Ninghai Zi No. X0123483 Ning Guo Yong (2015) No. 05756 Ning Real Estate Right Certificate Ninghai Zi No. X0123482 Ning Guo Yong (2015) No. 05755
The Company	Working capital loan	250,000,000.00	151 real estates including Zhe (2018) Ninghai Real Estate Right No. 0005901, etc.
The Company	Working capital loan	39,200,000.00	8 real estates including Zhe (2019) Ninghai Real Estate Right No. 0008844, etc.
The Company	Working capital loan	218,639,701.69	16 real estates including Zhe (2018) Ninghai Real Estate Right No. 0017620, etc.
Ninghai Asset Management Co., Ltd.	Working capital loan	42,900,000.00	Zhe Ning Real Estate Right Certificate Ning Fang Hao No. X0011990 Ning Guo Yong 2002 Zi No. 0028293
Ningbo Ninghai International Trading Co., Ltd.	Working capital loan	248,980,000.00	Ning Real Estate Right Certificate Ninghai No. X0071131 Ning Guo Yong (2004) No. 004056-0045057
Ninghai Water Affairs Group Co., Ltd.	Working capital loan	106,000,000.00	Ning Real Estate Right Certificate Ninghai Zi No. X0123003 Ning Guo Yong (2015) No. 05595 Ning Real Estate Right Certificate Ninghai Zi No. X0123002 Ning Guo Yong (2015) No. 05593

Borrower	Usage of loan	Guaranteed amount (RMB)	Mortgage
Ninghai Urban Construction Real Estate Development Co., Ltd.	Working capital loan	48,000,000.00	Ning Real Estate Right Certificate Ninghai Zi No. X0123004 Ning Guo Yong (2015) No. 05594 Ning Real Estate Right Certificate Ninghai Zi No. X0123001 Ning Guo Yong (2015) No. 05596 Ning Real Estate Right Certificate Ninghai Zi No. X0123005 Ning Guo Yong (2015) No. 05598 Ning Guo Yong (2015) No. 05599
			10 real estates in Financial Center including Ning Real Estate Right Certificate Ninghai Zi No. X0099491, Ning Guo Yong (2015) No. 04668, etc.
Ninghai Yuelong Weimin New Countryside Construction Co., Ltd.	Working capital loan	88,000,000.00	Ning Real Estate Right Certificate Ninghai Zi No. X0075586 Ning Guo Yong (2010) No. 01898 Ning Real Estate Right Certificate Ninghai Zi No. X0096925 Ning Guo Yong (2010) No. 04519

### XIII Related party relationships and transactions

#### 1. The parent company of the Company

Name of the parent company	Type of enterprise	Registration address	Nature of business	Contributed capital (RMB'0,000)	The parent company's shareholding	The parent company's voting right
Ninghai Qicheng Industry Co., Ltd.	Limited liability company (wholly state-owned)	Ninghai	State-owned asset management, urban construction and development	100,000.00	100.00%	100.00%

Note: The ultimate controller of the Company is Ninghai SASAB.

2. Information of secondary subsidiaries of the Company

Name	Registration address	Unified social credit code	Nature of business	Registered capital (RMB'0,000)	The Company's total shareholding ratio	The Company's total voting rights ratio
Ninghai New Times Urban Construction Investment Co., Ltd.	Ninghai	913302266810744423	Urban construction investment and development, old village demolition and reconstruction and property management services	17,000.00	100.00%	100.00%
Ninghai Hot Spring Investment Co., Ltd.	Ninghai	91330226577531201G	Investment in the development of tourist attractions and industrial investment	3,300.00	60.00%	60.00%
Ninghai Landscaping Investment Development Co., Ltd.	Ninghai	91330226736994984G	Investment, equity participation; flower, tree planting, landscaping project construction and green space maintenance	1,990.00	100.00%	100.00%
Ninghai She Pan Tu Ocean Development Co., Ltd.	Ninghai	913302267532806257	Tidal flat reclamation, agricultural development and mariculture	8,000.00	97.50%	97.50%
Ninghai Water Affairs Group Co., Ltd.	Ninghai	91330226761488725H	Investment, equity participation, operation and management, technical consultation and technical service of water production, water supply, drainage and sewage treatment facilities; centralized water supply	6,000.00	100.00%	100.00%
Ninghai Urban Construction Real Estate Development Co., Ltd.	Ninghai	91330226684253454B	Real estate development and operation, industrial investment and property management	20,000.00	100.00%	100.00%

Name	Registration address	Unified social credit code	Nature of business	Registered capital (RMB'0,000)	The Company's total shareholding ratio	The Company's total voting rights ratio
Ninghai Asset Management Co., Ltd.	Ninghai	91330226704831371T	State-owned assets operation, management and investment	3,500.00	100.00%	100.00%
Ninghai Xidian Construction Investment Development Co., Ltd.	Ninghai	913302265705271039	Urban construction project investment, real estate development, operation, etc.	10,000.00	100.00%	100.00%
Ninghai Transportation Industrial Development Co., Ltd.	Ninghai	91330226704894348H	Investment, development and construction of roads, bridges, tunnels and other transportation infrastructure	10,000.00	100.00%	100.00%
Ninghai Xinsha Construction Investment Development Co., Ltd.	Ninghai	91330226691391388P	Investment, development and operation of construction projects, investment and equity participation in old village reconstruction and urban construction related projects	2,000.00	100.00%	100.00%
Ninghai Investment Property Management Co., Ltd.	Ninghai	91330226MA282GM456	Entrusted operation and management of state-owned assets of the Company	1,000.00	100.00%	100.00%

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### 3. Information about the Company's joint ventures and associates

Information about the Company's joint ventures and associates refer to Note VIII 8.

### 4. The nature of related party relationships that do not have a controlling relationship

Name	Relationship with the Company
Ninghai Chengguan Asset Management Co., Ltd.	Entrusted management
Ninghai County Chengguan Town Industrial Corporation	Entrusted management

Note: In 2003, in accordance with "Notice on Printing and Distributing Opinions on the Division of Assets, Liabilities and Equity after Adjustment of Administrative Division of Chengguan Town" (Ning Zheng Fa [2003] No. 36) issued by Ninghai Municipal Government, all assets of Ninghai Chengguan Asset Management Co., Ltd. and Ninghai County Chengguan Town Industrial Corporation were entrusted to be managed and supervised by the subsidiary of the Company, Ninghai Asset Management Co., Ltd., which did not obtain the usufruct.

### 5. Other related parties

Name	Relationship with the Company
Ninghai Technology Innovation Group Co., Ltd.	Controlled by the same party
Ninghai Cultural Tourism Group Co., Ltd.	Controlled by the same party
Ninghai Transportation Group Co., Ltd.	Controlled by the same party
Ningbo Bohui Highway Maintenance Engineering Co., Ltd.	Controlled by the same party
Ninghai Economic Development Zone Xinxing Industrial Park Co., Ltd.	Controlled by the same party
Ninghai Lingang Economic Development Co., Ltd.	Controlled by the same party
Ninghai Ninghaiwan Tourism Development Co., Ltd.	Controlled by the same party

### 6. Related party transactions

#### ① Sales of goods or rendering of services

There were no significant sales of goods or rendering of services to related parties in the reporting period.

#### ② Purchase of goods or services

There were no significant purchases of goods or services from related parties in the reporting period.

③ Unsettled project funds

There were no significant unsettled project funds in the reporting period.

7. Current accounts with related parties

(1) Balance of receivables or payables due from / to related parties

Item	Closing balance	Opening balance
Other receivables:		
Ninghai SASAB	917,883,894.89	1,291,221,686.26
Ninghai Goudong Enterprise Resettlement Zone Construction Investment Co., Ltd.	128,085,918.36	50,776,805.56
Ninghai Science and Technology Industrial Park Development Co., Ltd.	30,000,000.00	5,000,000.00
Ninghai Economic Development Zone Xinxing Industrial Park Co., Ltd.	19,490,000.00	
Ninghai Technology Innovation Group Co., Ltd.	373,954,838.74	
Ninghai Tourism Group Co., Ltd.	80,000,000.00	
Ninghai Lingang Economic Development Co., Ltd.	40,000,000.00	
Ninghai Ninghaiwan Tourism Development Co., Ltd.	85,000,000.00	
Other payables:		
Ninghai Goudong Enterprise Resettlement Zone Construction Investment Co., Ltd.		704,051,660.35
Ninghai Science and Technology Industrial Park Development Co., Ltd.		6,447,567.48
Ninghai Chengguan Asset Management Co., Ltd.	2,000,000.00	2,000,000.00
Ninghai Economic Development Zone Xinxing Industrial Park Co., Ltd.	27,000,000.00	
Ninghai Transportation Group Co., Ltd.	705,074,768.98	
Ningbo Bohui Highway Maintenance Engineering Co., Ltd.	124,002.00	

**XIV Notes to the financial statements of the parent company**

1. Other receivables



Item	Closing balance	Opening balance
Interests receivable		
Dividends receivables		
Other receivables	2,990,133,843.23	3,004,373,218.02
Total	2,990,133,843.23	3,004,373,218.02

(1) Other receivables disclosed by category

Category	Closing balance				
	Amount	Proportion (%)	Bad debt provision	Provision (%)	Net amount
Other receivables that are individually significant in amount and provided for bad debt separately					
Other receivables provided for bad debt according to the portfolio					
Including:					
Portfolio 1	2,885,810,514.97	96.33			2,885,810,514.97
Portfolio 2	109,814,029.75	3.67	5,490,701.49	5.00	104,323,328.26
Sub-total	2,995,624,544.72	100.00	5,490,701.49	0.18	2,990,133,843.23
Other receivables that are individually insignificant in amount but provided for bad debt separately					
Total	2,995,624,544.72	100.00	5,490,701.49	0.18	2,990,133,843.23

(Continued)

Category	Opening balance				
	Amount	Proportion (%)	Bad debt provision	Provision (%)	Net amount

Category	Opening balance				
	Amount	Proportion (%)	Bad debt provision	Provision (%)	Net amount
Other receivables that are individually significant in amount and provided for bad debt separately					
Other receivables provided for bad debt according to the portfolio					
Including: Portfolio 1	2,880,491,520.76	95.67			2,880,491,520.76
Portfolio 2	130,401,786.59	4.33	6,520,089.33	5.00	123,881,697.26
Sub-total	3,010,893,307.35	100.00	6,520,089.33	0.22	3,004,373,218.02
Other receivables that are individually insignificant in amount but provided for bad debt separately					
Total	3,010,893,307.35	100.00	6,520,089.33	0.22	3,004,373,218.02

2. Long-term equity investment

(1) The category of long-term equity investment

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
I. Subsidiaries	934,079,596.82		934,079,596.82	944,079,596.82		944,079,596.82
II. Associates	1,395,437,912.09		1,395,437,912.09	1,277,468,921.20		1,277,468,921.20
Total	2,329,517,508.91		2,329,517,508.91	2,221,548,518.02		2,221,548,518.02

(2) Details of long-term equity investment

Investee	Opening balance	Changes in the current period				Closing balance
		Increase of investment	Decrease of investment	Investment income / loss under equity method	Other changes in equity	
I. Subsidiaries						
Ninghai Urban Construction Real Estate Development Co., Ltd.	200,000,000.00					200,000,000.00
Ninghai Landscaping Investment Development Co., Ltd.	19,900,000.00					19,900,000.00
Ninghai Investment Property Management Co., Ltd.	10,000,000.00					10,000,000.00

Investee	Opening balance	Changes in the current period				Closing balance
		Increase of investment	Decrease of investment	Investment income / loss under equity method	Other changes in equity	
Ninghai Transportation Industrial Development Co., Ltd.	209,241,496.81					209,241,496.81
Ninghai Water Affairs Group Co., Ltd.	59,029,619.90					59,029,619.90
Ninghai Asset Management Co., Ltd.	146,108,480.11					146,108,480.11
Ninghai New Times Urban Construction Investment Co., Ltd.	170,000,000.00					170,000,000.00
Ninghai Xixi Reservoir Development Co., Ltd.	10,000,000.00		10,000,000.00			
Ninghai She Pan Tu Ocean Development Co., Ltd.	78,000,000.00					78,000,000.00
Ninghai Property Rights Exchange Center Co., Ltd.	2,000,000.00					2,000,000.00
Ninghai Xinsha Construction Investment Development Co., Ltd.	20,000,000.00					20,000,000.00
Ninghai Hot Spring Investment Co., Ltd.	19,800,000.00					19,800,000.00
Sub-total	944,079,596.82		10,000,000.00			934,079,596.82

Investee	Opening balance	Changes in the current period				Closing balance
		Increase of investment	Decrease of investment	Investment income / loss under equity method	Other changes in equity	
II. Associates						
Ninghai Science and Technology Industrial Park Development Co., Ltd.	1,218,389,565.52			14,981,618.33	89,218,072.24	1,322,589,256.09
Ninghai Goudong Enterprise Resettlement Zone Construction Investment Co., Ltd.	5,024,503.31			12,457,089.38		17,481,592.69
Ninghai Xintan Urban Construction Investment Development Co., Ltd.	5,347,524.21			-15,383.24		5,332,140.97
Ninghai Natural Gas Co., Ltd.	8,626,651.85			1,478,391.18		10,105,043.03
Ningbo Tiehan Municipal Construction Co., Ltd.	40,080,676.31			-150,797.00		39,929,879.31
Sub-total	1,277,468,921.20			28,750,918.65	89,218,072.24	1,395,437,912.09
Total	2,221,548,518.02		10,000,000.00	28,750,918.65	89,218,072.24	2,329,517,508.91

### 3. Operating revenue & Operating costs

Item	2019		2018	
	Revenue	Cost	Revenue	Cost
Sub-total of main business	780,219,561.01	674,392,286.73	998,746,182.02	583,198,682.77
Sales revenue from demolition and resettlement housing	278,971,687.01	277,849,522.24	219,503,959.02	146,970,310.50
Revenue from land development	498,513,144.00	393,465,784.95	779,242,223.00	436,228,372.27
Other	2,734,730.00	3,076,979.54		
Sub-total of other business	26,610,599.81	208,571.50	19,539,018.26	
Housing rent	26,610,599.81	207,811.50	14,377,946.82	
Other		760.00	5,161,071.44	
Total	806,830,160.82	674,600,858.23	1,018,285,200.28	583,198,682.77

### 4. Investment income

Category	2019	2018
Long-term equity investment income under equity method	28,750,918.65	-7,408,262.99
Gain from disposal of long-term equity investments	156,500,000.00	14,361,529.43
Other		-560,000.00
Total	185,250,918.65	6,393,266.44

### 5. Schedule of statement of cash flows

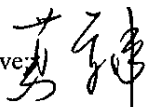

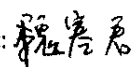
Item	2019	2018
1. Reconciliation between net profit and net cash flows generated from operating activities:		
Net profit	-145,099,760.91	276,145,407.97
Add: Impairment provision on assets	-193,791.49	-3,966,855.16
Depreciation of fixed assets, depletion of oil & gas assets and depreciation of bearer biological	1,666,977.24	890,164.71

Item	2019	2018
assets		
Amortization of intangible assets	140,666.84	268,474.96
Amortization of long-term deferred expense		
Loss from disposals of fixed assets, intangible asset and other long-term assets (gain: “-”)		
Loss from scrapping of fixed assets (gain: “-”)	133,990.08	6,630.49
Loss from changes in fair value (gain: “-”)	221,150,240.47	570,600.00
Financial cost (income: “-”)	271,583,797.10	153,573,582.88
Investment loss (gain: “-”)	-185,250,918.65	-6,393,266.44
Decrease in deferred tax assets (increase: “-”)	48,447.87	1,250,100.53
Increase in deferred tax liabilities (decrease: “-”)	-47,111,463.61	248,678.88
Decrease in inventory (increase: “-”)	-102,002,103.76	-984,600,723.44
Decrease in receivables from operating activities (increase: “-”)	43,522,132.62	-1,118,800,416.53
Increase in payables from operating activities (decrease: “-”)	-4,881,170,979.26	277,715,198.56
Other		
Net cash flows generated from operating activities	-4,822,582,765.46	-1,403,092,422.59
2. Significant investing and financing activities without involvement of cash receipts and payments		
Debts converted to capital		
Convertible debts mature within one year		
3. Change of cash and cash equivalents:		
Closing balance of cash	414,167,284.47	455,395,561.78
Less: Opening balance of cash	455,395,561.78	246,057,806.46
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
The net increase in cash and cash equivalents	-41,228,277.31	209,337,755.32
(2) Composition of cash and cash equivalents		
Item	2019	2018

Item	2019	2018
I. Cash	414,167,284.47	455,395,561.78
Including: Cash on hand	20.66	225.06
Bank deposits available for immediate payments	414,167,263.81	455,395,336.72
Other monetary funds available for immediate payments		
II. Cash equivalents		
Including: Bonds investment due within three months		
III. Closing balance of cash and cash equivalents	414,167,284.47	455,395,561.78
Including: Restricted cash and cash equivalents		

**XV Other significant events that need to be explained**

As of 31 December 2019, there were no other significant events that need to be explained.

Legal Representative:  Chief Financial Officer:  Chief Accountant: 



中审众环会计师事务所（特殊普通合伙）

Mazars Certified Public Accountants LLP

**NINGHAI CITY INVESTMENT  
GROUP LTD.**

**AUDITORS' REPORT**

**31 December 2018**

## AUDITORS' REPORT

ZHSZ (2019) No. 011866

To shareholders of Ninghai City Investment Group Ltd.:

### Opinion

We have audited the accompanying financial statements of Ninghai City Investment Group Ltd. (hereinafter refer to as "the Company"), which comprise the consolidated and parent company balance sheets as at 31 December 2018, and the consolidated and parent company income statements, the consolidated and parent company statements of cash flows and changes in owners' equity for the year then ended, and notes to the financial statements.

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

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



## Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose to expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we concluded that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



M A Z A R S  
中 审 众 环

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邮政编码: 430077

Mazars Certified Public Accountants LLP  
Zongshunzhonghuan Building  
No. 169 Donghu Road, Wuchang District  
Wuhan 430077

电话 Tel: 027-86791215  
传真 Fax: 027-85424329

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

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

Mazars Certified Public Accountants LLP

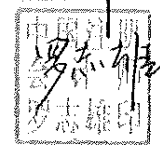


Wuhan, the People's Republic of China

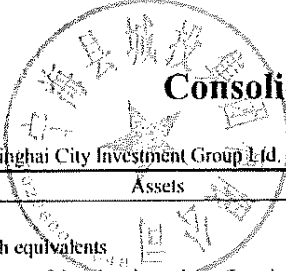
Certified Public Accountant



Certified Public Accountant



22 April 2019



## Consolidated Balance Sheet (Assets)

Consol. No. 1  
RMB

Prepared by Ninghai City Investment Group Ltd.

Assets	Note	31 Dec. 2018	31 Dec. 2017
<b>Current assets:</b>			
Cash and cash equivalents	IX 1	2,308,299,919.06	2,480,347,617.66
Financial assets at fair value through profit or loss			
Notes receivable & Accounts receivable	IX 2	248,655,472.88	1,025,055,640.53
Prepayment	IX 3	898,657,347.23	1,923,043,389.08
Other receivables	IX 4	6,884,545,301.16	6,350,303,314.55
Inventory	IX 5	22,105,827,474.65	22,160,838,068.35
Held-for-sale assets			
Non-current assets due within one year			
Other current assets	IX 6	109,233,901.10	48,242,293.83
Total current assets		32,555,219,416.08	33,987,830,324.00
<b>Non-current assets:</b>			
Available-for-sale financial assets	IX 7	188,367,325.00	229,550,000.00
Held-to-maturity investment			
Long-term receivables			
Long-term equity investment	IX 8	1,347,385,032.43	199,368,504.59
Investment property	IX 9	392,671,386.84	462,902,084.93
Fixed assets	IX 10	1,579,748,487.41	1,713,484,254.16
Construction in progress	IX 11	953,084,779.84	6,211,971,380.67
Bearer biological assets			
Oil and gas assets			
Intangible assets	IX 12	39,181,599.89	204,953,004.46
Development expenditure			
Goodwill			
Long-term deferred expenses	IX 13	10,065,477.06	13,219,348.35
Deferred tax assets	IX 14	5,131,542.01	10,239,028.82
Other non-current assets	IX 15	5,850,914,807.79	3,459,298,803.53
Total non-current assets		10,366,550,438.27	12,504,986,409.51
Total assets		42,921,769,854.35	46,492,816,733.51

Legal Representative:

Chief Financial Officer:

Chief Accountant:



## Consolidated Balance Sheet (Liabilities and Owners' Equity)

Prepared by Ninghai City Investment Group Ltd.

Consol. No. 1

RMB

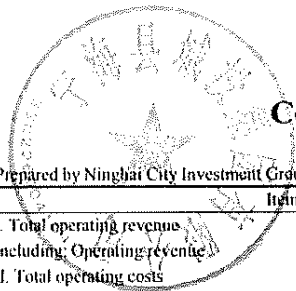
Liabilities and owners' equity	Note	31 Dec. 2018	31 Dec. 2017
<b>Current liabilities:</b>			
Short-term borrowings	IX 16	2,002,530,000.00	2,634,850,000.00
Financial liabilities at fair value through profit or loss			
Notes payable & Accounts payable	IX 17	931,669,013.55	442,795,916.09
Advance from customers	IX 18	652,907,787.13	767,528,813.07
Payroll payable	IX 19	12,412,772.14	8,691,457.15
Taxes and surcharges payable	IX 20	205,349,063.06	359,423,773.75
Other payables	IX 21	13,686,648,169.42	14,968,427,413.91
Held-for-sale liabilities			
Non-current liabilities due within one year	IX 22	4,811,894,021.93	2,303,857,686.59
Other current liabilities			
Total current liabilities		22,303,410,827.23	21,485,575,060.56
<b>Non-current liabilities:</b>			
Long-term borrowings	IX 23	2,433,950,000.00	7,269,105,642.17
Bonds payable	IX 24	1,551,779,779.39	1,829,423,325.28
Long-term payables	IX 25	1,515,733,430.68	977,097,790.96
Long-term payroll payable			
Accrued liabilities			
Deferred income	IX 26	69,217,400.00	79,743,981.00
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		5,570,680,610.07	10,155,370,739.41
Total liabilities		27,874,091,437.30	31,640,945,799.97
<b>Owners' equity:</b>			
Paid-in capital	IX 27	1,000,000,000.00	500,000,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve	IX 28	11,068,316,023.20	10,793,449,127.09
Less: Treasury shares			
Other comprehensive income			
Special reserve			
Surplus reserve	IX 29	233,964,711.67	206,424,774.54
General risk reserve			
Retained earnings	IX 30	2,549,044,315.35	2,335,555,088.82
Total equity attributable to owners of the parent company		14,851,325,050.22	13,835,428,990.45
Minority interests		196,353,366.83	1,016,441,943.09
Total owners' equity		15,047,678,417.05	14,851,870,933.54
Total liabilities & owners' equity		42,921,769,854.35	46,492,816,733.51

Legal Representative:

Chief Financial Officer:

Chief Accountant:





## Consolidated Income Statement

Consol. No. 2

Prepared by Ninghai City Investment Group Ltd.

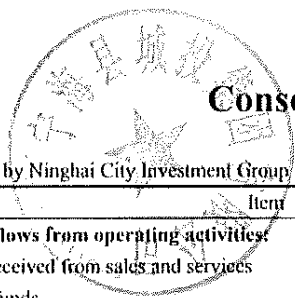
RMB

Item	Note	2018	2017
I. Total operating revenue		2,388,986,903.84	1,620,208,405.85
Including: Operating revenue	IX 31	2,388,986,903.84	1,620,208,405.85
II. Total operating costs		2,149,733,469.20	1,587,424,626.95
Including: Operating costs	IX 31	1,703,983,394.21	1,046,500,357.91
Taxes and surcharges	IX 32	20,960,838.49	19,696,067.14
Selling expenses		38,834,930.02	36,266,178.60
Administrative expenses		184,018,228.90	178,494,027.34
R&D expenses			
Financial costs	IX 33	210,058,487.41	295,566,553.55
Including: Interest expenses	IX 33	224,468,634.47	320,923,227.51
Interest income	IX 33	23,228,190.26	47,513,641.65
Impairment loss on assets	IX 34	-8,122,409.83	10,901,442.41
Add: Other income	IX 35	30,201,447.06	256,959,689.48
Investment income ("-" means loss)	IX 36	-4,286,498.78	23,267,145.32
Including: Income from investment in associates and joint ventures		-3,674,050.65	-12,750,056.49
Gains from changes in fair value ("-" means loss)			
Gains from disposal of assets ("-" means loss)	IX 37	-78,221.19	
III. Operating profit ("-" means loss)		265,090,161.73	313,010,613.70
Add: Non-operating income	IX 38	4,404,426.67	2,198,715.50
Less: Non-operating expenses	IX 39	1,378,401.01	2,798,370.66
IV. Total profit ("-" means loss)		268,116,187.39	312,410,958.54
Less: Income tax expenses	IX 40	26,111,808.49	86,100,787.73
V. Net profit ("-" means net loss)		242,004,378.90	226,310,170.81
Including: Net profit of the combined party before business combination under common control			
(I) Classification in accordance with attribution			
1. Attributable to owners of the parent company ("-" means net loss)		244,172,475.34	140,644,595.93
2. Minority interest ("-" means net loss)		-2,168,096.44	85,665,574.88
(II) Classification in accordance with going concern			
1. Net profit from continuing operations ("-" means net loss)		242,004,378.90	226,310,170.81
2. Net profit from discontinued operations ("-" means net loss)			
VI. Other comprehensive income after tax			
(I) Attributable to owners of the parent company			
A. Not reclassified subsequently to profit or loss			
Including: 1. Changes from the remeasurement of defined benefit plans			
2. Not reclassified to profit or loss for the invested entity under the equity method			
B. Reclassified subsequently to profit or loss			
Including: 1. Reclassified subsequently to profit or loss for the invested entity under the equity method			
2. Gains or losses from changes in fair value of available-for-sale financial assets			
3. Profit or loss from reclassification of held-to-maturity investment to available-for-sale financial assets			
4. Translation difference from foreign currency financial statements			
5. Other			
(II) Attributable to minority shareholders			
VII. Total comprehensive income		242,004,378.90	226,310,170.81
(I) Attributable to owners of the parent company		244,172,475.34	140,644,595.93
(II) Attributable to minority shareholders		-2,168,096.44	85,665,574.88

Legal Representative:

Chief Financial Officer:

Chief Accountant:



## Consolidated Statement of Cash Flows

Prepared by Ninghai City Investment Group Ltd.

Consol. No. 3

RMB

Item	Note	2018	2017
<b>I. Cash flows from operating activities:</b>			
Cash received from sales and services		2,317,044,107.61	1,331,461,137.13
Tax refunds			406,885.06
Other cash receipts relating to operating activities		6,500,273,683.37	7,153,704,581.72
Sub-total cash inflows from operating activities		8,817,317,790.98	8,485,572,603.91
Cash paid for goods and services		1,725,746,623.84	1,656,815,510.58
Cash paid to and on behalf of employees		92,626,842.43	92,903,087.42
Payment of taxes and surcharges		102,264,822.10	77,873,870.36
Other cash payments relating to operating activities		8,016,121,403.69	8,126,768,017.55
Sub-total cash outflows from operating activities		9,936,759,692.06	9,954,360,485.91
Net cash flows from operating activities	IX 41	-1,119,441,901.08	-1,468,787,882.00
<b>II. Cash flows from investing activities:</b>			
Cash receipts from withdraw of investments			2,057,119.41
Cash received from investment income			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		6,724,854.38	12,236,829.35
Net cash received from disposal of subsidiaries and other business units		274,932,607.84	88,133,051.03
Other cash receipts relating to investing activities		125,866,227.90	12,996,400.00
Sub-total cash inflows from investing activities		407,523,690.12	115,423,399.79
Cash paid for fixed assets, intangible assets and other long-term assets		679,005,852.45	489,212,968.46
Cash paid for investments		107,225,104.36	236,790,000.00
Net cash paid for acquiring subsidiaries and other business units			
Other cash payments relating to investing activities		747,467.75	308,358,529.27
Sub-total cash outflows from investing activities		786,978,424.56	1,034,361,497.73
Net cash flows from investing activities		-379,454,734.44	-918,938,097.94
<b>III. Cash flows from financing activities:</b>			
Cash proceeds from investments by others <small>including: Cash received by subsidiaries from minority shareholders</small>		500,000,000.00	
		900,000.00	
Cash received from borrowings		8,144,662,560.00	8,047,887,374.07
Other cash receipts relating to financing activities		3,365,990,000.00	2,224,447,414.82
Sub-total cash inflows from financing activities		12,010,652,560.00	10,272,334,788.89
Cash repayments for debts		6,681,401,461.89	5,969,780,894.36
Cash payments for distribution of dividends, profit and interest expenses		1,049,758,602.15	1,055,790,146.40
Including: Dividends or profit paid by subsidiaries to minority shareholders		2,961,000.00	2,632,000.00
Other cash payments relating to financing activities		3,069,178,089.26	1,105,336,035.67
Sub-total cash outflows from financing activities		10,800,338,153.30	8,130,907,076.43
Net cash flows from financing activities		1,210,314,406.70	2,141,427,712.46
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>			
<b>V. Net increase in cash and cash equivalents</b>			
		-288,582,228.82	-246,298,267.48
Add: Opening balance of cash and cash equivalents		1,412,231,300.32	1,658,529,567.80
<b>VI. Closing balance of cash and cash equivalents</b>			
		1,123,649,071.50	1,412,231,300.32

Legal Representative:

Chief Financial Officer:

Chief Accountant:

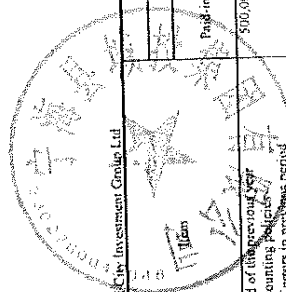




## Consolidated Statement of Changes in Owners' Equity

Canton, No. 4  
RMB

	2017											
	Equity attributable to the parent company											
	Paid-in capital	Other equity instruments	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Other	Subtotal	Minority interests	Total owners' equity
I. Balance at the end of the previous year	500,000,000.00		9,240,796,376.78				183,814,871.86	2,220,411,184.05		12,144,822,362.69	753,394,986.03	12,898,217,348.72
II. Changes in accounting policies and correction of errors in previous periods												
III. Balance at the beginning of the current year (- means decrease)	500,000,000.00		9,240,796,376.78				183,814,871.86	2,220,411,184.05		12,144,822,362.69	753,394,986.03	12,898,217,348.72
(II) Total comprehensive income												
(III) Contributions and decrease of capital												
1. Capital contributed by owners							22,809,902.68	115,143,904.77		1,690,696,627.76	263,046,857.06	1,853,653,584.82
2. Capital paid to holders of other equity instruments												
3. Share-based payment												
4. Other												
(III) Special reserve												
1. Accrual for the current year												
2. Use for the current year												
(IV) Profit distribution												
1. Surplus reserve accrued												
Including: Statutory surplus reserve												
Discretionary surplus reserve												
Reserve fund												
Enterprise development fund												
Capital redemption												
2. General risk reserve accrued												
3. Distribution to owners												
4. Other												
(V) Transfer within owners' equity												
1. Capital reserve transferred to capital												
2. Surplus reserve transferred to capital												
3. Surplus reserve offsetting losses												
4. Other												
(VI) Other												
IV. Closing balance	500,000,000.00		10,793,440,137.09				206,624,774.54	2,335,553,088.82		13,835,428,990.45	1,016,441,043.06	14,851,870,033.51
			1,552,652,820.31							1,552,652,820.31		1,552,652,820.31
			10,793,440,137.09							13,835,428,990.45		14,851,870,033.51



Chief Accountant

[Signature]

Chief Financial Officer

[Signature]

Legal Representative

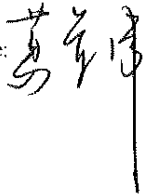
## Balance Sheet (Assets)

No. 1


Prepared by Ninghai City Investment Group Ltd.

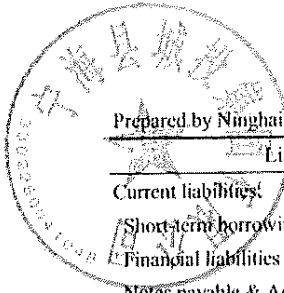
RMB

Assets	Note	31 Dec. 2018	31 Dec. 2017
<b>Current assets:</b>			
Cash and cash equivalents		905,395,561.78	296,057,806.46
Financial assets at fair value through profit or loss			
Notes receivable & Accounts receivable		143,233,273.52	87,437,679.00
Prepayment		239,727,044.20	650,810,154.80
Other receivables	XVI 1	3,004,373,218.02	1,450,971,009.50
Inventory		17,562,708,648.67	16,135,440,050.91
Held-for-sale assets			
Non-current assets due within one year			
Other current assets		46,390,474.71	499,728.57
Total current assets		21,901,828,220.90	18,621,216,429.24
<b>Non-current assets:</b>			
Available-for-sale financial assets		178,817,325.00	193,600,000.00
Held-to-maturity investment			
Long-term receivables			
Long-term equity investment	XVI 2	2,221,548,518.02	2,541,004,099.45
Investment property		24,130,517.39	25,695,832.91
Fixed assets		12,918,357.63	13,473,927.66
Construction in progress			1,254,072,476.15
Bearer biological assets			
Oil and gas assets			
Intangible assets		340,666.84	609,141.80
Development expenditure			
Goodwill			
Long-term deferred expenses		2,178,474.00	2,172,474.00
Deferred tax assets		2,428,486.46	3,678,586.99
Other non-current assets		3,570,732,198.23	2,199,687,678.46
Total non-current assets		6,013,094,543.57	6,233,994,217.42
Total assets		27,914,922,764.47	24,855,210,646.66

Legal Representative: 

Chief Financial Officer: 

Chief Accountant: 



## Balance Sheet (Liabilities and Owners' Equity)

No. 1

Prepared by Ninghai City Investment Group Ltd.

RMB

	Note	31 Dec. 2018	31 Dec. 2017
<b>Liabilities and owners' equity</b>			
<b>Current liabilities:</b>			
Short-term borrowings		936,000,000.00	1,700,000,000.00
Financial liabilities at fair value through profit or loss			
Notes payable & Accounts payable		240,245,672.16	228,367,901.54
Advance from customers		68,689,907.92	12,094,848.10
Payroll payable			
Taxes and surcharges payable		167,644,072.66	167,404,379.55
Other payables		7,639,157,685.76	7,282,867,023.41
Held-for-sale liabilities			
Non-current liabilities due within one year		3,030,633,088.16	1,797,377,686.59
Other current liabilities			
Total current liabilities		12,082,370,426.66	11,188,111,839.19
<b>Non-current liabilities:</b>			
Long-term borrowings		1,234,300,000.00	1,273,000,000.00
Bonds payable		1,551,779,779.39	837,092,613.01
Long-term payables		1,059,734,796.68	491,075,218.31
Long-term payroll payable			
Accrued liabilities			
Deferred income			
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		3,845,814,576.07	2,601,167,831.32
Total liabilities		15,928,185,002.73	13,789,279,670.51
<b>Owners' equity:</b>			
Paid-in capital		1,000,000,000.00	500,000,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve		8,188,767,481.87	8,043,360,067.61
Less: Treasury shares			
Other comprehensive income			
Special reserve			
Surplus reserve		233,964,711.67	206,424,774.54
General risk reserve			
Retained earnings		2,564,005,568.20	2,316,146,134.00
Total owners' equity		11,986,737,761.74	11,065,930,976.15
Total liabilities & owners' equity		27,914,922,764.47	24,855,210,646.66

Legal Representative:

Chief Financial Officer:

Chief Accountant:

## Income Statement

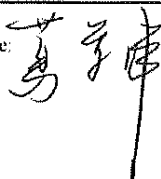
No. 2

Prepared by Ninghai City Investment Group Ltd.

RMB

Item	Note	2018	2017
I. Operating revenue	XVI 3	1,018,285,200.28	587,510,711.39
Less: Operating costs	XVI 3	584,763,998.29	524,735,536.42
Taxes and surcharges		6,001,102.25	8,366,333.22
Selling expenses		2,325,113.00	5,088,114.18
Administrative expenses		22,956,435.11	20,371,079.45
R&D expenses			
Financial costs		156,546,941.93	77,086,030.60
Including: Interest expenses		153,573,582.88	95,108,698.43
Interest income		5,793,115.85	36,975,731.18
Impairment loss on assets		-3,966,855.16	11,651,934.73
Add: Other income		20,520,667.00	240,000,000.00
Investment income ("-" means loss)	XVI 4	6,393,266.44	44,983,161.73
Including: Income from investment in associates and joint ventures		-7,408,262.99	49,245,798.24
Gains from changes in fair value ("-" means loss)			
Gains from disposal of assets ("-" means loss)			
II. Operating profit ("-" means loss)		276,572,398.30	225,194,844.52
Add: Non-operating income		86,704.05	5,040.70
Less: Non-operating expenses		9,630.49	13,842.08
III. Total profit ("-" means loss)		276,649,471.86	225,186,043.14
Less: Income tax expenses		1,250,100.53	-2,912,983.68
IV. Net profit ("-" means net loss)		275,399,371.33	228,099,026.82
(I) Net profit from continuing operations ("-" means net loss)		275,399,371.33	228,099,026.82
(II) Net profit from discontinued operations ("-" means net loss)			
V. Other comprehensive income after tax			
A. Not reclassified subsequently to profit or loss			
Including: 1. Changes from the remeasurement of defined benefit plans			
2. Not reclassified to profit or loss for the invested entity under the equity method			
B. Reclassified subsequently to profit or loss			
Including: 1. Reclassified subsequently to profit or loss for the invested entity under the equity method			
2. Gains or losses from changes in fair value of available-for-sale financial assets			
3. Profit or loss from reclassification of held-to-maturity investment to available-for-sale financial assets			
4. Other			
VI. Total comprehensive income		275,399,371.33	228,099,026.82

Legal Representative:



Chief Financial Officer:



Chief Accountant:





## Statement of Cash Flows

Prepared by Ninghai City Investment Group Ltd.

No. 3  
RMB

Item	Note	2018	2017
<b>I. Cash flows from operating activities:</b>			
Cash received from sales and services		1,051,714,267.69	615,580,548.54
Tax refunds			
Other cash receipts relating to operating activities		4,540,985,749.69	4,347,590,838.54
Sub-total cash inflows from operating activities		5,592,700,017.38	4,963,171,387.08
Cash paid for goods and services		1,190,371,956.91	1,007,981,848.43
Cash paid to and on behalf of employees		10,914,279.55	9,091,595.60
Payment of taxes and surcharges		38,745,987.98	20,554,989.41
Other cash payments relating to operating activities		5,755,760,215.53	5,212,152,412.65
Sub-total cash outflows from operating activities		6,995,792,439.97	6,249,780,846.09
Net cash flows from operating activities	XVI 4	-1,403,092,422.59	-1,286,609,459.01
<b>II. Cash flows from investing activities:</b>			
Cash receipts from withdraw of investments		337,131,516.38	
Cash received from investment income			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		500.00	
Net cash received from disposal of subsidiaries and other business units			
Other cash receipts relating to investing activities		125,000,000.00	
Sub-total cash inflows from investing activities		462,132,016.38	
Cash paid for fixed assets, intangible assets and other long-term assets		77,382,965.58	173,486,666.32
Cash paid for investments		20,000,000.00	190,000,000.00
Net cash paid for acquiring subsidiaries and other business units			
Other cash payments relating to investing activities			308,358,529.27
Sub-total cash outflows from investing activities		97,382,965.58	671,845,195.59
Net cash flows from investing activities		364,749,050.80	-671,845,195.59
<b>III. Cash flows from financing activities:</b>			
Cash proceeds from investments by others including cash received by subsidiaries from minority shareholders		500,000,000.00	
Cash received from borrowings		5,095,300,000.00	4,536,618,940.57
Other cash receipts relating to financing activities		2,323,700,000.00	876,328,002.00
Sub-total cash inflows from financing activities		7,919,000,000.00	5,412,946,942.57
Cash repayments for debts		4,046,000,000.00	3,028,709,893.58
Cash payments for distribution of dividends, profit and interest expenses including: Dividends or profit paid by subsidiaries to minority shareholders		614,221,019.21	449,447,330.55
Other cash payments relating to financing activities		2,011,097,853.68	98,566,035.67
Sub-total cash outflows from financing activities		6,671,318,872.89	3,576,723,259.80
Net cash flows from financing activities		1,247,681,127.11	1,836,223,682.77
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>			
<b>V. Net increase in cash and cash equivalents</b>			
Add: Opening balance of cash and cash equivalents		209,337,755.32	-122,230,971.83
<b>VI. Closing balance of cash and cash equivalents</b>			
		246,057,806.46	368,288,778.29
		455,395,561.78	246,057,806.46

Legal Representative:

Chief Financial Officer:

Chief Accountant:

## Statement of Changes in Owners' Equity

No. 4  
RMB

	2018									
Item	Paid-in capital	Other equity instruments	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserve	Retained earnings	Other	Total owners' equity
I. Balance at the end of the previous year	500,000,000.00		8,043,360,067.61				206,424,774.54	2,316,146,154.00		11,065,930,976.15
Add: Change in accounting policies										
Correction of errors in previous period										
Other										
II. Balance at the beginning of the current year	500,000,000.00		8,043,360,067.61				206,424,774.54	2,316,146,154.00		11,065,930,976.15
III. Increase/decrease during the current year ("-" means decrease)	500,000,000.00		145,407,414.26				27,539,937.13	247,859,434.20		920,806,785.59
(I) Total comprehensive income										
(II) Contributions and decrease of capital	500,000,000.00		7,582,052.42							507,582,052.42
1. Capital contributed by owners	500,000,000.00		7,582,052.42							507,582,052.42
2. Capital paid in by holders of other equity instruments										
3. Share-based payment										
4. Other										
(III) Special reserve										
1. Accrual for the current year										
2. Use for the current year										
(IV) Profit distribution										
1. Surplus reserve accrued										
Including: Statutory surplus reserve										
Discretionary surplus reserve										
Reserve fund										
Enterprise development fund										
Capital redemption										
2. General risk reserve accrued										
3. Distribution to owners										
4. Other										
(V) Transfer within owners' equity										
1. Capital reserve transferred to capital										
2. Surplus reserve transferred to capital										
3. Surplus reserve offsetting losses										
4. Other										
(VI) Other										
IV. Closing balance	1,000,000,000.00		8,188,767,481.87				233,964,711.67	2,564,005,588.20		31,986,737,761.74



Prepared by Ninghai City Investment Group Co., Ltd.

Item

Legal Representative: Chief Financial Officer: Chief Accountant:



## Statement of Changes in Owners' Equity

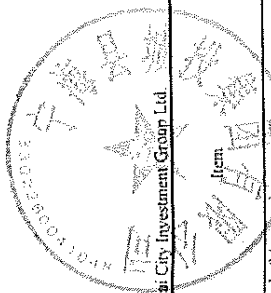
No. 4  
RMB

	2017									
Item	Paid-in capital	Other equity instruments	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserve	Retained earnings	Other	Total owners' equity
I. Balance at the end of the previous year	500,000,000.00		8,043,360,067.61				183,614,871.86	2,110,857,009.86		10,857,831,949.53
Audit Change in accounting policies										
Correction of errors in previous period										
Other										
II. Balance at the beginning of the current year	500,000,000.00		8,043,360,067.61				183,614,871.86	2,110,857,009.86		10,857,831,949.53
III. Increase/decrease during the current year ("-" means decrease)										
(I) Total comprehensive income										
(II) Contributions and decrease of capital										
1. Capital contributed by owners										
2. Capital paid in by holders of other equity instruments										
3. Share-based payment										
4. Other										
(III) Special reserve										
1. Accrual for the current year										
2. Use for the current year										
(IV) Profit distribution										
1. Surplus reserve accrued										
Including: Statutory surplus reserve										
Discretionary surplus reserve										
Reserve fund										
Enterprise development fund										
Capital redemption										
2. General risk reserve accrued										
3. Distribution to owners										
4. Other										
(V) Transfer within owners' equity										
1. Capital reserve transferred to capital										
2. Surplus reserve transferred to capital										
3. Surplus reserve offsetting losses										
4. Other										
(VI) Other										
IV. Closing balance	500,000,000.00		8,043,360,067.61				206,424,774.54	2,316,146,134.00		11,065,930,976.15

Chief Accountant:

Chief Financial Officer:

Legal Representative:





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# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB unless otherwise stated)

**Important Notes:**

This report is prepared in Chinese and English. In the event of any discrepancy between two versions, the Chinese version shall prevail.

**I Company profile**

Ninghai City Investment Group Ltd. (hereinafter referred to as “the Company” or “Company”) was jointly funded by Ninghai Municipal Construction Bureau, Ninghai Municipal Old City Reconstruction Office (hereinafter referred to as “Ninghai OCRO”) and Ninghai Land Reserve Centre (hereinafter referred to as “Ninghai LRC”). It was established with the approval of Ninghai Branch of Ningbo Administration for Industry and Commerce on 8 May 2000. At the time of establishment, the registered capital was RMB 10 million, of which 40% were from Ninghai Municipal Urban and Rural Construction Committee (hereinafter referred to as “Ninghai URCC”), and 60% were from Ninghai OCRO.

In March 2002, the Company increased its capital by RMB 20 million. After the capital increase, the registered capital was changed to RMB 30 million, and the shareholding ratio of each shareholder remained unchanged.

In July 2003, the Company increased its capital by RMB 270 million. After the capital increase, the registered capital was changed to RMB 300 million, including RMB 12 million from Ninghai Municipal Construction Bureau, accounting for 4% of the registered capital; RMB 18 million from Ninghai OCRO, accounting for 6% of the registered capital; RMB 270 million from Ninghai LRC, accounting for 90% of the registered capital.

In June 2009, Ninghai Municipal Government transferred all the equity held by the shareholders of the Company to Ninghai Municipal State-owned Assets Supervision and Administration Bureau (hereinafter referred to as “Ninghai SASAB”) without compensation. The relevant procedures for industrial and commercial changes were completed on 26 June 2009.

In June 2009, with the approval of Ninghai Municipal Government, Ninghai SASAB transferred 100% equity of Ninghai Transportation Industrial Development Co., Ltd., 85% equity of Ninghai Science and Technology Park Development Co., Ltd., 80% equity of Ninghai Economic Development Zone

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Xinxing Industrial Park Co., Ltd., 100% equity of Ninghai Asset Management Co., Ltd., land and monetary funds to the Company for capital increase. After the capital increase, the registered capital of the Company was changed to RMB 500 million. The relevant procedures for industrial and commercial changes were completed on 30 June 2009.

In June 2018, the Company increased its capital by RMB 500 million. After the capital increase, the registered capital was changed to RMB 1,000 million, which was 100% owned by Ninghai SASAB.

1. Unified social credit code of the Company: 913302267204641104.

2. Business scope of the Company: Urban construction, investment, development, operation; Old city reconstruction and urban construction related project investment and equity participation; Land development and consolidation, building materials wholesale (excluding warehousing). (Projects that need to be approved according to the relevant law can only be operated after being approved by relevant departments)

3. Registered address of the Company: No.5, Nanfan Road, Taoyuan Street, Ninghai County, Ningbo City, Zhejiang Province.

4. Legal representative of the Company: Ge Junwei.

## **II The consolidation scope and its changes for the reporting period**

As of the end of the reporting period, there were 11 secondary subsidiaries included in the consolidated financial statements. Please refer to Note VIII “Business combination and consolidated financial statements” for details of the secondary subsidiaries included in the consolidation scope, the entities newly included in the consolidation scope and the entities no longer included in the consolidation scope in the reporting period.

## **III Basis of preparation**

The financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance and their application guidelines, interpretations and other relevant requirements from 15 February 2006 (collectively, “Accounting Standards for Business Enterprises”).

The financial statements have been prepared based on the going concern.

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#### **IV Statement of compliance with the Accounting Standards for Business Enterprises**

The financial statements for the year ended 31 December 2018 of the Company are in accordance with the requirements of the Accounting Standards for Business Enterprises, which have truly and completely presented the financial position of the Company and its operating results and cash flows and other relevant information.

#### **V Significant accounting policies and accounting estimates**

##### 1. Accounting period

The Company's accounting year adopts the Gregorian calendar year which begins on 1 January and ends on 31 December every year.

##### 2. Functional currency

The Company adopts Renminbi (RMB) as the functional currency.

##### 3. Accounting treatment for business combinations involving entities under common control and not under common control

###### (1) Business combination under the common control

The Company adopts the pooling of interests method for business combination under the common control. The assets and liabilities that the combining party obtained in a business combination shall be measured at their book value in the combined party on the combining date. The difference between the book value of net assets acquired by the combining party and the book value of the consideration paid for the combination (or total par value of the shares issued) shall be adjusted to capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings. The business combination costs that are directly attributable to the combination, such as audit fees, valuation fees, and legal service fees are recognized in profit or loss during the current period when they occurred. The bonds issued for a business combination or the handling fees, commissions and other expenses for bearing other liabilities shall be recorded in the amount of initial measurement of the bonds or other debts. The handling fees, commissions and other expenses 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 not sufficient, the retained earnings shall be offset. Where a

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relationship between a parent company and a subsidiary company is formed due to a business combination, the parent company shall, on the combining date, prepare consolidated financial statements according to the accounting policy of the Company. The date of the adjustment for comparatives of the consolidated financial statements shall be the later of obtaining date and when the combining party and the combined party are under common ultimate control.

(2) Business combination not under the common control

The Company adopts acquisition method for business combination not under the common control. The acquirer shall recognize the initial cost of combination under the following principles:

a) When business combination is realized through a single exchange transaction, the cost of a business combination is the aggregate of the fair value, on the acquisition date, of assets given, liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree;

b) For the business combination involved more than one exchange transaction, the accounting treatment for equity investment in acquiree held by acquirer before the acquisition date shall be carried out differently in individual and consolidated financial statements:

① In individual financial statements, the sum of the book value of equity investment in acquiree held by acquirer before the acquisition date and the increase in the cost of equity investment shall be recognized as the initial investment cost that is accounted for using the cost method; When the previously-held equity investment is accounted for under the equity method, any other comprehensive income previously recognized shall be accounted for on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities. For the previously-held equity investment which was accounted for in accordance with “Accounting Standard for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments”, the accumulated changes in fair value included in other comprehensive income shall be transferred to profit or loss for the current period upon commencement of the cost method.

② In consolidated financial statements, equity investment in acquiree held by acquirer before the acquisition date, shall be revalued at fair value on the acquisition date, and the difference between fair value and book value shall be included in investment income in the current period; if equity investment in acquiree held by acquirer before the acquisition date involves other comprehensive income calculated under equity method, the related other comprehensive income shall be recognized as the

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investment income for the period to which the acquisition date belongs. Moreover, the Company shall disclose the fair value of this equity investment on the acquisition date and related profit or loss recognized from the revaluation in the notes.

c) The audit fees, valuation fees, legal service fees and other administrative expenses incurred in the business combination shall be recognized in the profit or loss for the current period when incurred; commissions and other expenses incurred in the business combination for the issuance of equity or debt securities, shall be included in the initial recognition amounts of equity or debt securities.

d) When a business combination contract or agreement provides for a future event which may adjust the cost of combination, the Company shall include the amount of the adjustment in the cost of the combination on the acquisition date if the future event leading to the adjustment is probable and the amount of the adjustment can be measured reliably.

The Company shall, on the acquisition date, measure the assets given and liabilities incurred or assumed as the consideration for a business combination at the fair value, and shall record the difference between the fair value and their book value into the profits and losses at the current period.

The Company shall allocate the combination costs on the acquisition date, and shall recognize all identifiable assets, liabilities and contingent liabilities obtained from the acquiree in accordance with the regulations: (a) the acquirer shall recognize the difference that the combination costs are over the fair value of the identifiable net assets obtained from acquiree as goodwill; (b) if the combination costs are less than the fair value of the identifiable net assets obtained from acquiree, the acquirer shall review the measurement of the fair value of the identifiable assets, liabilities and contingent liabilities acquired as well as the combination costs; and then after the re-examination, the combination cost is still less than the fair value of the identifiable net assets of the acquiree obtained in the merger, the difference shall be recorded into the profit and loss of the current period.

When a relationship between a parent company and a subsidiary company is formed due to a business combination, the parent company shall prepare a memorandum book to record the fair value of the identifiable assets, liabilities and contingent liabilities obtained from the subsidiary company on the acquisition date. When preparing consolidated financial statements, it shall adjust the financial statements of the subsidiary company on the basis of the fair value of the identifiable assets, liabilities and contingent liabilities determined on the acquisition date according to the Company's accounting policy of "Consolidated financial statements".

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#### 4. Preparation of consolidated financial statements

##### (1) The scope of consolidated financial statements

The scope of consolidated financial statements shall be determined on the basis of control, including the annual financial statement of the Company and all subsidiaries as of 31 December 2018. A subsidiary is an entity that is controlled by the Company (such as enterprises, deemed separate entities, and structured entities controlled by the enterprises). Control exists when the investor has all the following: power over the investee; exposure, or rights to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns.

##### (2) Preparation of consolidated financial statements

The consolidated financial statements are prepared by the Company, based on the financial statements of the Company and its subsidiaries, according to other relevant information.

Considering the Group as one accounting entity, the Company prepares the consolidated financial statements to reflect the financial position, the operating results and the cash flows of the entire Group in accordance with the unified accounting policy, as well as the recognition, measurement and presentation requirements of the relevant accounting standards.

For any difference in accounting policies and accounting periods between the Company and its subsidiaries, necessary adjustments shall be made based on accounting policies and periods of the Company when preparing consolidated financial statements. Financial statements of subsidiaries shall be adjusted based on the fair value of identifiable net assets defined on the purchasing date for the subsidiaries acquired not under the common control.

##### (3) Presentation of minority interests and profits or losses

The portion of a subsidiary's equity that is not attributable to the parent is treated as minority interests and presented in the consolidated balance sheet within equity.

The portion of net profit or loss of subsidiaries for the period attributable to minority interests shall be presented in the consolidated income statement below the line item of net profit as the item of minority interests.

##### (4) Excess losses

When the amount of loss for the current period attributable to the minority shareholders' portion

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exceeds the opening balance of owners' equity of the subsidiary attributable to the minority shareholders' portion, the excess shall be allocated against the minority interests in the consolidated financial statements.

(5) Increase or decrease of the subsidiaries

For any subsidiary acquired during the reporting period by the Company through business combination under the common control, the opening balances of the consolidated balance sheet should be adjusted when compiling the consolidated financial statements; while any subsidiary acquired by the Company through business combination not under the common control, the Company makes no adjustment for the opening balances in the consolidated balance sheet. When disposing subsidiaries during the reporting period, no adjustment is made for the opening balances in the consolidated balance sheet.

For any subsidiary acquired by the Company through business combination under the common control, the sales revenue, expense and profit for the period from the beginning to the end of the reporting period are included in the consolidated income statement, and the cash flows of the subsidiary for the period from the beginning of the combination to the end of the reporting period are included in the consolidated statement of cash flows. While for any subsidiary acquired during the reporting period by the Company through business combination not under the common control, the sales revenue, expense and profit for the period from acquisition date to the end of the reporting period are included in the consolidated income statement, the cash flows of the subsidiary from the acquisition date to the end of the reporting period are included in the consolidated statement of cash flows. When disposing subsidiary during the reporting period, the sales revenue, expense and profit of the subsidiary from the beginning of the period to the disposal date are included in the consolidated income statement, and the cash flows of the subsidiary from the beginning of the period to the disposal date are included in the consolidated statement of cash flows.

When the Company loses control over a former subsidiary due to disposing part of equity investment or other reasons, the remaining part of the equity investment should be re-measured at fair value at the date when losing control over the investee; The cash received on disposal of the equity investment and the fair value of remaining part of the equity investment, deducting net assets proportion calculated by original share percentage since the acquisition date should be recorded into investment income for current period; other comprehensive income related to the equity investment in subsidiaries before disposal date shall be transferred to investment income for the current period when losing control over

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the investee.

The difference between the newly obtained long-term equity investment due to the Company's acquisition of minority interests and the Company's share of identifiable net assets in the subsidiary calculated by the newly increased shareholding, or the difference between the disposal income due to the Company's disposing part of equity investment in a subsidiary without losing the control over the subsidiary and the Company's share of net assets in the subsidiary calculated by the disposed long-term equity investment, should be adjusted to the stock premium under capital reserve in the consolidated balance sheet. If the stock premium under capital reserve is not sufficient to offset the difference, the retained earnings shall make up the balance.

(6) Disposing equity investment until losing control step by step

When various transactions to dispose the equity investment of a subsidiary by the parent company till losing control over the subsidiary are a package deal, they should be accounted for as one transaction for disposal of the equity investment which results in the loss of control. However, before the control is lost, the difference between each disposal income and the corresponding share of net assets of the subsidiary should be recognized as other comprehensive income in the consolidated financial statement, and then the difference should be accounted for in profit and loss when the control is lost. If the transaction is not a package deal, the accounting treatment shall be carried out before and when the control is lost, in accordance with the above-mentioned accounting policies for partial disposal of equity investment in subsidiary without losing control over the subsidiary and disposal of equity investment in subsidiary with losing control of the subsidiary respectively.

When the parent company disposes the equity investment of its subsidiary and the trade terms, conditions and economic impact satisfy one or more of the following conditions, multiple transactions should be accounted for as a package deal:

- a) These deals are concluded at the same time or under the conditions of considering the impact on each other;
- b) These transactions should be bundled as a whole to achieve a complete business result;
- c) The occurrence of a deal depends on at least one another transaction;
- d) A deal is not economically feasible on its own but economically feasible when combined with other deals.

As for individual financial statements, the transactions to dispose the equity investment step by step till



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losing control should be accounted for according to the accounting policies that applied for the transactions to dispose the long-term equity investment.

#### 5. Recognition of cash and cash equivalents

The Company's cash includes cash on hand and deposits that can be readily drawn on demand; Cash equivalents include the short-term (normally matured within three months after purchase date) and highly-liquid investments held by the Company which are readily convertible into known amounts of cash, subject to an insignificant risk of fluctuation in value.

#### 6. Foreign currency transactions and translation

The Company's business involving foreign currencies shall be converted into RMB for bookkeeping at the mid-rate of the foreign exchange market exchange rate on the day of occurrence. At the end of the reporting period, the balance of the monetary foreign currency account shall be adjusted to the amount converted into RMB according to the mid-rate of the foreign exchange market exchange rate at the end of the reporting period. The difference between the adjusted RMB balance and the original book balance shall be regarded as the exchange gain and loss, and shall be recorded into "Financial costs", "Construction in progress" and other items according to relevant regulations.

#### 7. Financial instruments

##### (1) Recognition of financial instruments

The Company recognizes a financial asset or financial liability on its balance sheet when, and only when, the Company becomes a contractual party of financial instrument.

##### (2) Classification and measurement of financial assets

a) For the purpose of risks management, investment strategies and objective of holding the financial assets and for other reasons, the Company classifies the financial assets into the following four categories: i) financial assets at fair value through profit or loss; ii) held-to-maturity investments; iii) loans and receivables; and iv) available-for-sale financial assets.

① Financial asset at fair value through profit or loss ("FVTPL" financial assets) includes financial assets held for trading and financial assets designated by the Company as at fair value through profit or loss. Trading financial assets refer to the financial assets meeting one of the following conditions: the

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purpose of acquiring the financial assets is to sell in the near future; belonging to a part of identifiable combination of financial instruments for centralized management, and there is objective evidence that the enterprise has managed the portfolio by way of short-term profit in the near future. Belonging to the derivative, with exception of derivatives designated as effective hedging instruments, derivatives belonging to financial guarantee contracts, and derivatives are not quoted in an active market and the fair value cannot be reliably measured and settled by delivering the equity instrument.

Only the financial assets meeting any of the following requirements when they are initially recognized can be designated as financial assets measured at fair value and changes are recorded into the current profit and loss: The designation is able to eliminate or significantly reduce the inconsistencies in recognition or measurement of related gains and losses due to the different financial instruments measurement basis; Stated clearly in the formal written document of risk management or investment strategies that the portfolio of financial instruments shall be managed at fair value, evaluated and reported to the key management personnel; Including combined instruments which consist of one or various embedded derivatives, unless embedded derivatives have no major impact on cash flow of combined instruments or it is obvious that embedded derivatives should not be separated from related combined instrument; Including combined instruments which consist of embedded derivatives, which need to separated but unable to be measured individually at the acquiring date or subsequent balance sheet date.

Equity investment instruments not quoted in an active market and the fair value cannot be reliably measured shall not be designated as financial assets at fair value through profit or loss (“FVTPL” financial assets).

② Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intention and ability to hold to maturity.

③ Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

④ Available-for-sale financial assets (AFS financial assets) are those non-derivative financial assets that are designated as available for sale and those financial assets other than those mentioned above.

Once the initial recognition of a certain financial asset has been classified as (“FVTPL” financial assets) by the Company, it shall not be re-classified as other financial assets; other financial assets could not

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be re-classified as “FVTPL” financial assets.

b) The financial assets are initially recognized at fair value. In the case of financial assets at fair value through profit or loss (“FVTPL” financial assets), the related transaction costs are recognized in profit or loss for the current period. For other financial assets, transaction costs that are attributable to the acquisition of the financial assets are included in the initial recognition amounts.

c) Subsequent measurement

① Financial assets at fair value through profit or loss are subsequently measured at fair value, all realized and unrealized gains and losses arising from a change in the fair value of a financial asset are recognized in profit or loss for the current period.

② Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method; gains and losses arising from de-recognition, impairment or amortization is recognized in profit or loss for the current period.

③ Loans and receivables are subsequently measured at amortized cost using the effective interest method. Gains or losses arising from de-recognition, impairment or amortization are recognized in profit or loss for the current period.

④ Available-for-sale (AFS) financial assets are subsequently measured at fair value. The gains and losses arising from changes in fair value of AFS financial assets are recognized as other comprehensive income, until the financial assets are derecognized, are transferred to profit or loss for the current period. Interest income and dividends related to the AFS financial assets are recognized as profit or loss for the current period.

Equity instrument investment with no quoted price in active markets and with not reliably measured fair value, and derivative financial assets for the equity instrument and settled by paying the equity instrument are measured at cost.

d) Impairment of financial assets

① The Company assesses the book value of the financial assets except the financial asset at fair value through profit or loss at each balance sheet date, if there is any objective evidence that a financial asset or group of financial assets is impaired, the Company shall recognize impairment loss.

② The objective evidences that the Company uses to determine the impairment are as follows.

i. Significant financial difficulty of the issuer or obligor;

ii. A breach of contract, such as a default or delinquency in interest or principal payments;

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- iii. The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
  - iv. It becoming probable that the borrower will enter bankruptcy or other financial reorganization;
  - v. The disappearance of an active market for that financial asset because of financial difficulties;
  - vi. Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot be identified with the individual financial assets in the group, including: (i) adverse changes in the payment status of borrowers in the group or (ii) an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, or adverse changes in industry conditions that affect the borrowers.
  - vii. Significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the borrower operates, and indicates that the cost of the investment in the equity instrument may not be recovered;
  - viii. A significant or non-temporary decrease in fair value of equity investment instruments;
  - ix. Other objective evidences showing the impairment of the financial assets.

③ Measurement of impairment loss of financial assets

i. Held-to-maturity investments, loans and receivables

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's book value and the present value of estimated future cash flows. The amount of the loss is recognized in profit or loss of the current period.

The Company assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

Once the Company recognizes the impairment loss of financial assets measured at the amortized cost, if there is objective evidence that the value of financial assets has been recovered which is objectively

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related to events after the loss, the previously recognized impairment losses shall be reversed and charged in the current profit and loss.

ii. Available-for-sale financial assets

The Company takes the individual investment of impairment test for available-for-sale financial assets. On the balance sheet date, it could judge whether the fair value of available-for-sale financial assets is seriously or non-temporary decline. The impairment loss shall be recognized at the amount of the difference between cost and fair value if the fair value of individual available-for-sale financial asset decreases more than 30% of the cost, or continually decreases more than one year. The closing cost of available-for-sale financial assets shall be initially measured at investment cost when assets are acquired and amortized cost by using weighted average method when assets are sold.

When the fair value of an available-for-sale financial asset has declined non-temporarily, the cumulative loss that had been recognized directly recognized in other comprehensive income is transferred to profit or loss even though the financial asset has not been derecognized.

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the book value of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are recognized in the profit or loss of the current period.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed, with the amount of the reversal recognized in profit or loss of the current period.

Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss. For impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the impairment loss is not reversed through profit or loss.

(3) Classification and measurement of financial liabilities

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a) The Company's financial liabilities are classified as: financial liabilities at fair value through profit or loss (FVTPL) or other financial liabilities.

Financial liabilities at FVTPL include trading financial liabilities and financial liabilities designated as at fair value through profit or loss in the initial recognition.

Trading financial liabilities refer to the financial liabilities meeting one of the following conditions: the purpose of undertaking the financial liabilities is to repurchase in the near future; belonging to a part of identifiable combination of financial instruments for centralized management, and there is objective evidence that the enterprise has managed the portfolio by way of short-term profit in the near future; belonging to the derivative, with exception of derivatives designated as effective hedging instruments, derivatives belonging to financial guarantee contracts, and derivative financial liabilities which are linked to equity instrument that is not quoted in an active market and its fair value cannot be reliably measured and settled by delivering the equity instrument.

Only the financial liabilities meeting any of the following requirements when they are initially recognized can be designated as at financial liabilities measured at fair value and changes are recorded into the current profit and loss: The designation is able to eliminate or significantly reduce the inconsistencies in recognition and measurement of related gains and losses due to the different financial instruments measurement basis; Stated clearly in the formal written document of risk management or investment strategies that the portfolio of financial instruments shall be managed and evaluated at fair value, and reported to the key management personnel; Hybrid instruments contain one or more embedded derivatives, unless the embedded derivatives results no significant change in the cash flow of hybrid instruments, or the embedded derivatives obviously should not be split from the relevant hybrid instruments; Including the hybrid instruments containing the embedded derivatives which need to be split but cannot measured separately at the date of acquisition or follow-up balance sheet date.

Once the initial recognition of a certain financial liability has been classified as FVTPL by the Company, it shall not be re-classified as other financial liabilities; other financial liabilities could not be re-classified as FVTPL.

b) Financial liabilities are initially measured at fair value. For the financial liability at fair value through profit or loss, relevant transaction costs are recognized as expense when it incurred. For the other financial liabilities, relevant transaction costs are recognized as costs.

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c) Subsequent measurement of financial liabilities

① Financial liabilities at fair value through profit or loss are subsequently recognized at fair value through profit or loss. A gain or loss of change in fair value is recognized into the profit or loss of the current period.

② Other financial liabilities are measured by amortized cost using effective interest rate.

(4) Transfer of financial assets

The Company derecognizes financial assets when the Company transfers substantially all the risks and rewards of ownership of the financial assets. On de-recognition of a financial asset in its entirety, the difference between the follows is recognized in profit or loss of the current period.

a) The book value of transferring financial assets;

b) The sum of the consideration received and any cumulative gain or loss that had been recognized directly in other comprehensive income (including financial assets transferred to available for sale category).

If the transferred asset is part of a financial asset and the part transferred qualifies for de-recognition in its entirety, the previous book value of the financial asset is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts on the date of the transfer. The difference between the follows is recognized in profit or loss of the current period.

a) The book value allocated to the part derecognized;

b) The sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized directly in equity (including financial assets transferred to available for sale category).

A cumulative gain or loss that had been recognized in equity is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts.

If a transfer does not qualify for de-recognition, the Company continues to recognize the transferred asset in its entirety and shall recognize a financial asset for the consideration received.

When the Company continues to recognize a financial asset to the extent of its continuing involvement, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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(5) Termination of recognition of financial liabilities

Only when the prevailing obligations of a financial liability are relieved in all or in part may the recognition of the financial liability be terminated in all or partly. Where the Company enters into an agreement with a creditor so as to substitute the existing financial liabilities by way of any new financial liability, and if the contractual stipulations regarding the new financial liability is substantially different from that regarding the existing financial liability, it shall terminate the recognition of the existing financial liability, and shall at the same time recognize the new financial liability.

Where the recognition of a financial liability is totally or partially terminated, the Company shall record the difference between the book value which has been terminated from recognition and the consideration which has been paid (including the non-cash asset which has been transferred out and the new financial liability which has been assumed) into the current profit and loss.

(6) Offset between financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the balance sheet, not offsetting each other. But if the following conditions are satisfied at the same time, the net balance after offsetting each other shall be presented within the balance sheet: The Company has legal rights to offset the recognized amount, and this kind of legal rights is currently executable; the Company plans to settle in net amount, or realize the financial assets and settle the financial liabilities. If the financial asset transfer does not satisfy the conditions, the transferor shall not offset the transferred financial assets and related liabilities.

8. Recognition and accrual of bad debt provision for receivables

Receivables include accounts receivable and other receivables.

(1) Bad debt provision for individually significant receivables:

The judgment basis or amount standards of individually significant receivables: The closing balance of receivables with the amount more than RMB 5 million (including RMB 5 million) shall be regarded as the individually significant receivables.

Method of provision for bad debts of the individually significant receivables: The impairment test is carried on individually for the individually significant receivables. If there is objective evidence that an individually significant receivable has been impaired, the bad debt provision shall be made according



to the difference between the present value of future cash flow and its book value.

If an individually significant receivable is found not to be individually impaired, the bad debt provision shall be made according to the portfolios.

(2) Receivables for which bad debt provisions are made based on the portfolios:

For individually significant receivables, the bad debt provisions shall be made together with individually significant receivables that have not been impaired after separate test according to the following credit risk portfolios:

Category	The judgment basis for determination of portfolios	Method to make bad debt provisions by portfolios
Portfolio 1	Receivables from security deposits, margins, related party transactions, petty cash, employee borrowings, government and the transactions of wholly-owned subsidiaries of Ninghai Municipal Government, which are not impaired after individual tests, the single amount is not significant, and the risk of the portfolio is not significant after combination according to the credit risk characteristics.	No bad debt provision
Portfolio 2	For receivables that are not impaired after individual tests, the single amount is not significant, and the risk of the portfolio is not significant after combination according to the credit risk characteristics, the receivables with different ageing have similar credit risk characteristics.	Balance percentage method

In portfolio 2, the proportion of bad debt provisions made by balance percentage method is as follows:

Name of portfolio	Provision proportion of accounts receivable (%)	Provision proportion of other receivables (%)
Portfolio 2	5	5

In case of any of the following circumstances, it shall be recognized as bad debt after approval according to the prescribed procedures, and the provision for bad debt shall be written off.

A. If the debtor is declared bankrupt or cancelled according to the law, the relevant materials such as the certificates of bankruptcy declaration, cancellation of industrial and commercial registration or revocation of license or the documents ordered to close down by the government department have been obtained, the receivables after deducting the part paid off by the debtor's liquidation property that are still uncollectible shall be regarded as bad debt losses;

B. If the debtor dies or is declared missing or dead according to the law, and its property or inheritance is insufficient to pay off and there is no successor, the receivables shall be regarded as bad debt loss

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after obtaining relevant legal documents;

C. The receivables involved in the lawsuit, which are judged or ruled to be lost by the effective judgment or order of the people's court, or the execution of the receivables involved in the lawsuit is deemed as bad debt loss if the case is won but the execution is terminated due to the inability to execute the case;

D. If the receivables overdue for 3 years have the records of legal collection and negotiation of the enterprise, and it can be confirmed that there is no business transaction within 3 years, the balance after deducting various amounts due to the debtor and the compensation of relevant responsible personnel shall be regarded as bad debt loss;

E. The debtor fails to pay its due debts for a long time, and there is sufficient evidence to show that it cannot be recovered or the possibility of recovery is tiny.

## 9. Inventory

### (1) Classification of inventory:

The Company's inventories include finished goods or products that are held-for-sale in the ordinary course of business, products in progress, and goods that will be used or consumed in the production of goods or rendering of service. They mainly include land development expenditures, development costs, development products, raw materials, low-value consumables and goods in stock.

### (2) Recognition of inventory:

The Company recognizes inventories when the following conditions are satisfied:

a) It is probable that future economic benefits associated with the inventories will flow to the Company;

b) The cost of the inventories can be measured reliably.

### (3) Pricing method for inventories acquired and delivered:

The inventories acquired by the Company are initially measured at cost and the actual cost of inventories delivered is determined by weighted average method.

### (4) Amortization method of low-value consumables:

Low-value consumables are amortized by the 50% amortization method.

### (5) Inventories shall be measured at the lower of cost and net realizable value at the balance sheet date.

Where the net realizable value is lower than the cost, the difference shall be recognized as provision

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for impairment of inventories and charged to the current profit or loss.

a) Determination of net realizable value

The Company shall determine the net realizable value of inventories based on solid evidence obtained and take into consideration the purpose for which the inventory is held and the impact of the events after balance sheet date.

Materials and other supplies held for production are measured at cost when the net realizable value of the finished goods produced by them is higher than the cost. However, when a decline in the price of materials indicates that the cost of the finished products will exceed their net realizable value, the materials are measured at net realizable value.

The net realizable value of inventories held for execution of sales or service contracts is based on the contract price.

If the quantity specified in sales contracts is less than the inventory quantities held by the Company, the net realizable value of the excess shall be calculated on the basis of the normal selling price.

b) The Company generally provides for impairment of inventory individually.

For inventories with large quantities and low unit price, provisions for inventory devaluation are made according to the inventory categories.

Impairment provisions for inventory shall be combined for inventories related to the production and the sales in the same region, with the same or similar end-use or purpose and difficult to be measured separately from other items.

(6) The Company adopts perpetual inventory system for the inventory taking of inventories.

## 10. Long-term equity investment

The long-term equity investment of the Company mainly includes the investments in the subsidiaries, joint ventures and associates.

(1) Initial measurement

The Company initially measures long-term equity investments under two conditions:

a) For long-term equity investment arising from business combination, the initial cost is recognized under the following principles.

① If the business combination is under the common control and the acquirer obtains long-term equity investment in the consideration of cash, non-monetary asset exchange or bearing acquiree's

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liabilities, the initial cost is the book value of the proportion of the acquiree's owners' equity at the acquisition date. The difference between cash paid, the book value of the non-monetary asset exchanged and the acquiree's liabilities assumed and the initial cost of the long-term equity investment should be adjusted to capital reserve. If the capital reserve is not sufficient for adjustment, retained earnings are adjusted respectively. The business combination costs that are directly attributable to the combination, such as audit fees, valuation fees, and legal service fees and so on are recognized in profit or loss during the current period when they occurred.

If the acquirer issues equity securities as consideration, the initial cost is the book value of the proportion of the acquiree's owners' equity at the acquisition date. Amount of share capital equal to the par value of the shares issued. The difference between initial cost of the long-term equity investment and the par value of shares issued is adjusted to capital reserve. If the capital reserve is not sufficient for adjustment, retained earnings are adjusted respectively. The costs of issuing equity securities occurred in business combination such as charges of security issuing and commissions are deducted from the premium of equity securities. If the premium is not sufficient for deducting, retained earnings are adjusted respectively.

② If the business combination is not under the common control, the acquirer recognizes the initial cost of combination under the following principles.

I. When business combination is achieved through a single exchange transaction, the cost of a business combination is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree;

II. For the business combination involved more than one exchange transaction, the cost of the combination is the sum of the book value of the equity investment originally held by the acquiree plus the newly increased investment cost shall be taken as the initial investment cost of the long-term equity investment;

III. The business combination costs that are directly attributable to the combination, such as audit fees, valuation fees, legal service fees and so on are recognized in profit or loss during the current period when they occurred; commissions and other expenses for the issuance of equity or debt securities for the business combination, shall be recognized as the initial recognition amounts of equity or debt securities.

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IV. Where a business combination contract or agreement provides for a future event which may adjust the cost of combination, the Company shall include the amount of the adjustment in the cost of the combination at the acquisition date if the future event leading to the adjustment is probable and the amount of the adjustment can be measured reliably.

b) For long-term equity investment obtained in any method other than business combination, the initial cost is recognized under the following principles.

① If the long-term equity investment is acquired in cash consideration, the initial cost is the actual payment which includes direct expenses paid to acquire the long-term equity investment, taxes and other necessary expense.

② If the long-term equity investment is acquired by issuing equity securities, the initial cost is the fair value of the equity securities issued. However, cash dividends or profits that are declared but unpaid shall not be included in the initial cost. Direct costs attributed to the issuance of equity securities such as handling charges and commissions paid to securities underwriting agencies are deducted from the equity.

③ For the long-term equity investment acquired through non-monetary asset exchange, the initial cost is recognized according to “Accounting Standards for Business Enterprises No. 7 - Exchange of Non-monetary Assets”.

④ For the long-term equity investment acquired through debt restructuring, the initial cost is recognized according to “Accounting Standards for Business Enterprises No. 12 - Debt Restructuring”.

c) If there are cash dividends or profits that are declared but unpaid included in the consideration paid, the cash dividends or profits declared but unpaid shall be recognized as receivables separately rather than as part of initial cost of long-term equity investment no matter through which method the long-term equity investment is acquired.

(2) Subsequent measurement

The equity method is used when the Company has joint control or significant influence over the investee enterprise. The cost method is used when the Company has control over the investee enterprise.

a) The long-term equity investment under cost method shall be priced in accordance with the initial investment cost. Additional investment or recovered investment shall be adjusted to the cost of long-term equity investment. The declared cash dividends or profits are recognized as investment

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income for the current period when it incurred.

b) For the long-term equity investment under the equity method ,when the initial cost of long term equity investments exceeds the Company's interest in the fair value of identifiable net assets of the investee, the initial cost of the long-term equity investment shall not be adjusted; when the initial cost of long term equity investments is less than the share of the fair value of identifiable net assets of the investee, the difference is charged to profit or loss for the current period and the cost of the long-term equity investment shall be adjusted accordingly.

After a long-term equity investment is acquired, the Company shall recognize its share of the investee's net profit or losses, as well as its share of the investee's other comprehensive income, as investment income or loss and other comprehensive income, and adjust the book value of the investment accordingly. The book value of long-term equity investment shall be reduced accordingly according to the profit or cash dividend declared to be distributed by the investee. The investee's shareholders' equity changes other than those arising from the investee's net profit or loss, other comprehensive income or profit distribution, shall be recognized in the Company's equity, and the book value of the long-term equity investment shall be adjusted accordingly. The share of the investee's net profit or loss for the current period is recognized after adjusting the investee's net profit in accordance with the Company's accounting policies and accounting period based on the fair value of the identifiable assets at investment date. When the accounting policies adopted by the investee are different from those adopted by the Company, the financial statements of the investee shall be adjusted and the investment income and other comprehensive income shall be recognized according to the Company's accounting policies. The net loss incurred by the investee shall be recognized based on the book value of the long-term investment and other investments essentially constituting the long-term equity of the investee till the book value is reduced to zero, except the Company has the obligation to undertake extra losses. Once the investee realizes net profit, the Company starts recognizing its share of profits after the share of previously unrealized losses has been recovered.

In calculating the Company's share of net profit or loss in the investee, the investment income in proportion attributable to the Company shall be recognized after offsetting the unrealized profit and loss of internal transactions between joint ventures and associated enterprises. When the unrealized loss of inter-company transactions between the Company and the investee is an asset impairment loss, it shall be fully recognized.

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c) When the Company disposes of long-term equity investment, the difference between its book value and the actual price obtained shall be included in the current profit and loss. For the long-term equity investment measured under equity method, when the investment is disposed, the part originally included in other comprehensive income shall be accounted according to the corresponding proportion on the same basis as the direct disposal of relevant assets or liabilities by the investee.

d) If the shareholding of the Company in a subsidiary decreases due to the capital increase by other investment parties to its subsidiaries, which results in the loss of control, but the Company can exercise joint control or exert significant influence, the measurement of long-term equity investment shall be changed from the cost method to the equity method in an individual financial statement. First of all, the share of the increase in net assets due to the capital increase and share increase of the original subsidiary, which is attributable to the Company, based on the new shareholding ratio shall be confirmed. The difference between the share of the increase and the original book value of the long-term equity investment corresponding to the decline in the proportion of shares that should be carried forward shall be recorded in the current profit and loss. Then, the investment shall be adjusted under the equity method according to the new shareholding ratio from the moment it is acquired.

(3) Basis for recognition of joint control or significant influence over an investee

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities refer to those have significant influence on the return of an arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

(4) Impairment test and method of provision for impairment loss

The impairment test shall be conducted and impairment provision shall be made in accordance with the accounting policy “Impairment of assets” of the Company.

## 11. Recognition and measurement of investment property

(1) The term “Investment Property” refers to the properties held for generating rent and/or capital appreciation or both. Including:

- a) A land use right that is leased out;
- b) A land use right held and ready to transfer after appreciation;

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- c) A building that is leased out.
  - (2) An investment property shall be initially recognized when the following conditions are satisfied:
    - a) It is probable that future economic benefits associated with the assets will flow into the enterprise;
    - b) The cost of the assets can be measured reliably.

(3) Initial measurement

The initial measurement of the investment property shall be made at its cost.

- a) The cost of an investment property by acquisition consists of the acquisition price, relevant taxes, and other expenses directly relegated to the asset.
- b) The cost of a self-constructed investment property composes of the necessary expenses for constructing the property to the usable condition.
- c) The cost of an investment property obtained by other means shall be recognized in accordance with the relevant accounting standards.

(4) Subsequent measurement

The Company shall use the cost model for subsequent measurement of the investment property, which shall be depreciated or amortized according to the straight-line method within its useful life as follows:

Category	Estimated useful life (years)	Residual value rate (%)	Annual depreciation rate (%)
Houses and buildings	10-40	5	2.38-9.50

When the use of investment property is converted to the self-use, the investment property shall be converted into fixed assets or intangible assets from the date of change. When the purpose of self-use property is changed to earn rent or capital appreciation, the fixed assets or intangible assets shall be converted into investment property from the date of change. In case of conversion, the book value before conversion shall be regarded as the entry value after conversion.

The useful life, net residual value and depreciation (amortization) method of investment property shall be reviewed and appropriately adjusted at the end of each year.

When the investment property is disposed of or permanently withdrawn from use and it is expected that no economic benefits can be obtained from the disposal, the recognition of the investment property shall be terminated. The disposal income from the sale, transfer, scrapping or damage of investment property shall be included in the current profit and loss after deducting its book value and relevant taxes.



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(5) Impairment of investment property refers to the accounting policy “Impairment of assets” of the Company.

## 12. Recognition and measurement of fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and have useful life more than one year.

(1) A fixed asset shall be initially recognized at cost when the following conditions are satisfied:

- a) It is probable that future economic benefits associated with the assets will flow to the Company;
- b) The cost of the assets can be measured reliably.

(2) Depreciation

Subsequent expenditure relating to a fixed asset shall be added to the book value of the asset when the expenditure qualifies for capitalization. Subsequent expenditure that does not qualify for capitalization shall be recognized as an expense for the current period.

The depreciation method adopted by the Company is straight-line method.

The Company reviews the useful life, estimated residual value and depreciation method of a fixed asset at the end of each financial year. If the expected useful life is significantly different from the previous estimate, the useful life shall be revised accordingly. If the expected residual value is significantly different from the previous estimate, the estimated residual value also shall be revised accordingly. If there has been a significant change in the expected realization pattern of economic benefits from those assets, the depreciation method shall be changed accordingly. The changes in useful life, estimated residual value and depreciation method shall be treated as change in accounting estimates.

(3) Impairment of fixed asset refers to the accounting policy “Impairment of assets” of the Company.

## 13. Construction in progress

(1) Construction in progress is recorded at actual costs incurred. It also includes borrowing costs eligible for capitalization and gain or loss of exchange difference.

(2) The Company transfers construction in progress to fixed assets when the project is available for use. For the construction in progress which is capable of operating in the manner intended by management without the final account for completed project, an estimated value is recognized as fixed assets and

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the depreciation amount is based on the estimated value. When the final account for completed project is obtained, cost of the asset should be adjusted to the actual cost. However, there is no need to adjust depreciation of the asset in prior period.

(3) Impairment of construction in progress refers to the accounting policy “Impairment of assets” of the Company.

#### 14. Borrowing costs

##### (1) Recognition principle and period of capitalization of borrowing costs

When the borrowing costs incurred by the Company can be directly attributable to the acquisition and construction or production of assets which are eligible for capitalization, it shall be capitalized and recorded into the costs of relevant assets when the following requirements are simultaneously met:

- a) The asset disbursements have already incurred;
- b) The borrowing costs have already incurred;
- c) The acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started.

Other borrowing costs shall be recognized as expenses on the basis of the actual amount incurred, and shall be recorded into the current profit and loss.

Where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended. The borrowing costs incurred during such period shall be recognized as expenses, and shall be recorded into the profits and losses of the current period, till the acquisition and construction or production of the asset restarts. If the interruption is a necessary step for making the qualified asset under acquisition and construction or production ready for the intended use or sale, the capitalization of the borrowing costs shall continue.

When the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs shall be ceased. The borrowing costs incurred after that shall be recognized as expenses.

Assets eligible for capitalization refer to assets such as fixed assets, investment real estate, inventories and other assets which need to go through the acquisition and construction or production activities for quite a long time to reach the intended use or status for sale.

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(2) Calculation method of capitalized amount of borrowing costs

As for loans specifically drawn for the acquisition and construction or production of assets which are eligible for capitalization, the to-be-capitalized amount of interests shall be determined by deducting the interest or investment income from the unused borrowing funds deposited in the bank or invested temporarily from the actual cost incurred in the current period when the loans are drawn.

Where a general borrowing is used for the acquisition and construction or production of assets eligible for capitalization, the enterprise shall calculate and determine the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement, which is calculated by deducting the special loan from the accumulative asset disbursements, and the capitalization rate of the general borrowing used. The capitalization rate shall be calculated and determined based on the weighted average interest rate of the general borrowing.

During the period of capitalization, the foreign exchange differences on foreign currency specific borrowings shall be capitalized; exchange differences on foreign currency general borrowings shall be recorded in the current profit and loss.

15. Recognition and measurement of intangible assets

Intangible assets are identifiable non-monetary asset that are owned or controlled by the Company and are without physical substance.

(1) Recognition of intangible assets

The Company recognizes an intangible asset when that intangible asset fulfills both of the following conditions: a) It is probable that the economic benefits associated with that asset will flow to the Company; b) The cost of that asset can be measured reliably.

(2) Measurement of intangible assets

a) An intangible asset is measured initially at its cost.

b) Subsequent measurement of intangible assets

① For an intangible asset with finite useful life, the Company estimates its useful life at the time of acquisition and amortizes it during its useful life in a reasonable and systematic way. The amount of amortization is allocated to relevant costs and expenses according to the nature of beneficial items. The Company does not amortize intangible asset with infinite useful life.

At the end of the reporting period, for an intangible asset with finite useful life, the useful life and

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amortization method shall be reviewed, if there is any change occurred, it shall be treated as an accounting estimation change. In addition, for an intangible asset with infinite useful life, the useful life shall be reviewed, if there is any evidence indicated that the duration of bringing economic benefits to the Company from an intangible asset is foreseeable, then estimate its useful life and amortize in accordance with the amortization policy of intangible assets with finite useful life.

② Impairment of intangible assets refers to accounting policy “Impairment of assets” of the Company.

(3) Research and development (R&D) expenses

The expenditure from the internal research and development project of the Company shall be classified as the expenditure in research stage and in development stage. Among them, research refers to original and planned investigations for acquiring and understanding new scientific or technical knowledge, such as activities that are intended to acquire knowledge; applied research, evaluation and final selection of research results or other knowledge; research on alternatives of materials, equipment, products, processes, systems or service; preparation, design, evaluation and final selection of possible alternatives of new or improved materials, equipment, products, processes, systems or service. Development refers to the application of research results or other knowledge to a plan or design to produce new or substantially improved materials, devices, products, etc. before commercial production or use, such as the design, construction and testing of prototypes and models before production or use; design, construction and operation of trial production facilities without commercial production economic scale.

The expenditures in research stage shall be recorded into the current profit and loss when they occur.

The expenditures in development stage shall be recognized as intangible assets that should meet all the conditions as follows, otherwise shall be recorded into the current profit and loss:

- ① It is technically feasible to finish intangible assets for use or sale;
- ② It is intended to finish and use or sell the intangible assets;
- ③ The usefulness of methods for intangible assets to generate economic benefits shall be proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets itself or the intangible assets will be used internally;
- ④ It is able to finish the development of the intangible assets, and able to use or sell the intangible

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assets, with the support of sufficient technologies, financial resources and other resources;

⑤ The development expenditures of the intangible assets can be reliably measured.

If it is impossible to distinguish the expenditure from the research stage or development stage, all the R&D expenditures incurred shall be recorded into the current profit and loss.

#### 16. Measurement of long-term deferred expenses

Long-term deferred expenses shall be recorded according to the actual expenditures, and shall be averagely amortized within the specified period. In addition to the purchase and construction of fixed assets, the expenses incurred during the preparation period are first collected in the long-term deferred expenses, and then included in the current profit and loss in the month of production and operation.

#### 17. Impairment of long-term assets

It suggests that an asset may be impaired if there is any of the following indication:

- (1) During the period, an asset's market value has declined significantly more than it would be expected as a result of the passage of time or normal use during the current period;
- (2) Significant changes with an adverse effect on the Company have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Company operates or in the market to which an asset is dedicated;
- (3) Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's present value of expected future cash flows and decrease the asset's recoverable amount materially;
- (4) Evidence is available of obsolescence or damage of an asset;
- (5) The asset becomes idle, or the Company plans to discontinue or to dispose of an asset before the previously expected date;
- (6) Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected, for example, the net cash flow generated from assets or the operating profit (or loss) realized by assets is lower (higher) than the expected amount, etc.; and
- (7) Other evidence indicates that assets may be impaired.

The Company assesses long-term equity investment, fixed assets, construction materials, constructions in progress and intangible assets (except for those with uncertain useful life) that apply "Accounting

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Standard for Business Enterprises No. 8 - Impairment of Assets” at the balance sheet date. If there is any indication that an asset may be impaired, the Company should assess the asset for impairment and estimate the recoverable amount of the impaired asset.

Recoverable amount is measured as the higher of an asset’s fair value less costs to sell and the present value of estimated future cash flows from continuing use of the asset. If the book value of an asset is higher than its recoverable amount, the book value of this asset should be written down to its recoverable amount with the difference recognized as impairment loss and charged to profit or loss accordingly. Simultaneously a provision for impairment loss should be made.

If there is any indication that an asset may be impaired, the Company usually estimates its recoverable amount on an individual item basis. However, if it’s not possible to estimate recoverable amount of the individual asset, the Company should determine the recoverable amount of the cash-generating unit to which the asset belongs.

An asset’s cash-generating unit is the smallest group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Identification of cash-generating unit is based on whether the cash inflows generated by the cash-generating unit are largely independent of the cash inflows from other assets or groups of assets.

The Company assesses goodwill acquired in a business combination and intangible assets with uncertain useful life for impairment each year no matter whether indication that an asset may be impaired exists or not. Impairment assessment of goodwill is carried together with the impairment assessment of related cash-generating unit or group of cash-generating units.

Once impairment loss is recognized, it cannot be reversed in the subsequent financial period.

#### 18. Employee benefits

Employee benefits refer to all forms of consideration or compensation given by the Company in exchange for service rendered by employees or for the termination of employment relationship. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits. Benefits provided to the employees’ spouse, children, dependents, family members of deceased employees, or other beneficiaries are also employee benefits

##### (1) Short-term employee benefits

The actual short-term employee benefits shall be recognized as the debt during the accounting period

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when the employees provide service and recorded into the current profit and loss, except when other accounting principles require or allow them to be included in costs of related assets.

(2) Post-employment benefits

Post-employment benefits plan includes defined contribution plans and defined benefit plans. Post-employment benefit refers to the agreement regarding the post-employment benefits between the Company and employees, or the regulations or rules on post-employment benefits stipulated by the Company. Defined contribution plans are post-employment benefit plans under which an enterprise pays fixed contributions into a separate fund and will have no obligation to pay further contributions. Defined benefit plans are post-employment benefit plans other than defined contribution plans.

① Defined contribution plans

During the accounting period in which employees provide services, the Company shall recognize the amount of the deposits payable calculated based on the defined contribution plan as liabilities and shall be recorded into the current profit and loss or costs of related assets.

② Defined benefit plans

The Company has not performed defined benefit plans or other long-term employee benefits which meet the requirements of defined benefit plans.

(3) Termination benefits

When termination benefits provided by the Company to the employees satisfied the conditions that which one earlier recognized the payroll payable generated from the termination in the following two situations: (1) the Company is unable to unilaterally withdraw the termination benefits provided by terminating the labor relationships plans and the layoff proposals; (2) the Company recognize the costs or expenses relating to the payments for termination benefits by restructuring, and then recorded into the current profit and loss.

(4) Other long-term employee benefits

When other long-term employee benefits provided by the Company to the employees satisfied the conditions for classifying as a defined contribution plan, those benefits shall be accounted for in accordance with the above requirements relating to defined contribution plan. But beyond that, the net liabilities or net assets of other long-term employee benefits shall be recognized and measured in accordance with the accounting policies of the above defined benefit plan.

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## 19. Measurement of bonds payable

(1) Bonds payable shall be treated as liabilities according to the actual total issuance price. The difference between the total issuance price of bonds and the total face value of bonds shall be regarded as the bond premium or discount.

(2) The premium or discount of the bond shall be amortized at the time of accrual of interests according to the straight-line method within the duration of the bond, and shall be treated according to the principle of handling borrowing costs.

## 20. Revenue

The Company's revenue consists of revenue from sale of goods, rendering services, construction contracts and the use by others of the Company's assets

### (1) Revenue from sale of goods

The Company recognizes revenue from sales of goods when all the following conditions have been satisfied: a) The Company has transferred to the buyer the significant risks and rewards of ownership of the goods; b) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; c) The amount of revenue can be measured reliably; d) The economic benefits associated with the transaction is probable to flow into the Company; and e) The relevant costs incurred or to be incurred can be measured reliably.

The collection of the contract or agreement price adopts the deferred method, and if it has the nature of financing in essence, the amount of revenue from sales of goods shall be determined according to the fair value of the contract or agreement price receivable.

### (2) Revenue from rendering of services

If the labor services provided by the Company are completed within the reporting period, the revenue shall be recognized upon completion. If the beginning and completion of providing labor services are in different reporting periods, and the results of the transaction of providing labor services on the balance sheet date can be reliably estimated, the revenue from rendering of labor services shall be recognized by the percentage of completion method. The Company determines the completion progress of providing labor service transaction according to the measurement of completed work.

If the results of the labor service transaction provided by the Company on the balance sheet date cannot be reliably estimated, the following situations shall be handled respectively: ① If the labor



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cost incurred is expected to be compensated, the revenue from providing labor service shall be recognized according to the amount of labor cost incurred, and the labor cost shall be carried forward at the same amount; ② If the labor cost incurred is not expected to be compensated, the labor cost incurred shall be included in the current profit and loss, and the revenue from providing labor service shall not be recognized.

### (3) Revenue from construction contracts

When the outcome of a construction contract can be estimated reliably on the balance sheet date, the revenue and costs of the construction contract is recognized under the percentage of completion method. The percentage of contract completion is recognized based on the ratio of the accumulative actual contract costs to the total estimated contract costs or the ratio of the completed contract work to the total estimated contract work or the actual measured completion progress.

The outcome of a construction contract can be estimated reliably when all the following conditions are satisfied: A. Total contract revenue can be measured reliably; B. It is probable that the economic benefits associated with the contract will flow to the entity; C. The actual contract costs attributable to the contract can be clearly identified and reliably measured; D. The percentage of contract completion of the contract and the costs needed to complete the contract can be measured reliably.

When the outcome of a construction contract cannot be estimated reliably but the contract costs are expected to be recovered, the contract revenue is recognized according to the actual contract costs that can be recovered and the contract costs shall be recognized as an expense in the period when they occur. If the contract costs cannot be recovered, it shall be recognized as an expense immediately when incurred and no revenue shall be recognized. If the uncertainties that make the outcome of the construction contract unreliable no longer exist, the revenue and expenses related to the construction contract shall be determined according to the percentage of completion method.

If the total estimated contract costs exceed the total contract revenue, an estimated loss should be recognized as a current expense.

### (4) Revenue from the real estate development

① The sales revenue of the developed land and commercial housing (including the rental housing and revolving housing converted for sale) shall be recognized when the transfer procedures of the land and housing are completed, the invoices or bills are issued and submitted to the buyer for approval.

② Accept the entrustment to build houses or other projects for the other party, and recognize the sales

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revenue after the completion of the project acceptance and the handover procedures.

③ For renting a house, the rent payable by the lessee on the date of rent payment stipulated in the contract or agreement shall be recognized as rental income.

④ For the development products sold by installment, the sales revenue shall be recognized according to the price received in the current period or the receivable price in the current period as agreed in the contract.

(5) Revenue arising from the use by others of the Company's assets

The revenues arising from the use by others of the Company's assets are recognized in the following when i) the amount of revenue can be measured reliably; ii) the economic benefit associated with the transaction will flow to the Company.

## 21. Government grants

Government grants comprise government grants related to income and government grants related to an asset. A government grant related to an asset is a grant obtained by the Company used for purchase or construction, or forming the long-term assets by other ways. Otherwise, the government grant is treated as a government grant related to income. If the government grant document does not specify the grantee, judgement should be made based on whether the fundamental requirements to receive the grant are satisfied. If constructing or forming the long-term asset through other means comprises the fundamental requirement to receive the grant, the grant is classified as government grant related to an asset. Otherwise, the government grant is treated as a government grant related to income.

### (1) Recognition of government grants

A government grant is recognized only when the following conditions are met simultaneously:

- a) The Company is able to meet the requirements for the government subsidies; and
- b) The Company can receive the government subsidies.

### (2) Measurement of government grants

- a) If a government subsidy is a monetary asset, it shall be measured in the light of the received or receivable amount; if a government subsidy is a non-monetary asset, it shall be measured at its fair value. If the fair value cannot be obtained in a reliable way, it shall be measured at its nominal amount.
- b) If a government subsidy is related to assets, it shall offset the book value of relevant assets when obtained.

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The government subsidies pertinent to income shall be treated respectively in accordance with the circumstances as follows: 1) Those subsidies used for compensating the related future expenses or losses of the enterprise shall be recognized as deferred income and shall include in the current profit and loss during the period when the relevant expenses are recognized; Or 2) Those subsidies used for compensating the related expenses or losses incurred to the enterprise shall be directly included in the current profit and loss.

The government subsidy which is related to daily activities shall be recognized as other income; otherwise shall be recorded into non-operating income.

## 22. Income tax

The Company adopts the balance sheet liability method for corporate income taxes.

### (1) Deferred tax asset

a) Where there are deductible temporary differences between the book value of assets or liabilities in the balance sheet and their tax bases, a deferred tax asset shall be recognized for all those deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. Deferred tax assets should be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

b) At the balance sheet date, where there is strong evidence showing that sufficient taxable profit will be available against which the deductible temporary difference can be utilized, the deferred tax asset unrecognized in prior period shall be recognized.

c) The Company assesses the book value of deferred tax asset at the balance sheet date. If it's probable that sufficient taxable profit will not be available against which the deductible temporary difference can be utilized, the Company shall write down the book value of deferred tax asset, or reverse the amount written down later when it's probable that sufficient taxable profit will be available.

### (2) Deferred tax liability

A deferred tax liability shall be recognized for all taxable temporary differences, which are differences between the book value of an asset or liability in the balance sheet and its tax base, and measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

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### 23. Operating leases

The Company as the lessee in an operating lease shall treat the lease payment under an operating lease as a relevant asset cost or the current profit or loss on a straight-line basis over the lease term. The initial direct costs incurred shall be recognized as the current profit or loss; Contingent rents shall be charged as expenses in the periods in which they are incurred.

The Company as the lessor in an operating lease shall present the assets subject to operating leases in the relevant items of their balance sheet according to the nature of the asset. Lease income from operating leases shall be recognized as the current profit or loss on a straight-line basis over the lease term; Initial direct costs incurred by lessors shall be recognized as the current profit or loss; Lessors shall apply the depreciation policy for the similar assets to depreciate the fixed assets in the operating lease; For other assets in the operating lease, lessors shall adopt a reasonable systematical method to amortize them; Contingent rents shall be charged as expenses in the periods in which they are incurred.

### 24. Fair value measurement

Fair value is the price that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Relevant assets or liabilities are measured at fair value with consideration of the characteristics of the assets or liabilities. It is assumed that the market participants sell assets or transfer liabilities on the measurement date is an orderly transaction under the prevailing market conditions; it is assumed that the orderly sale of assets or transfer of liabilities takes place in the principal market of the relevant asset or liability; If there is no such major market, it is assumed that the transaction is carried out in the most profitable market of the underlying asset or liability. The Company adopts assumptions that market participants use to maximize their economic benefits when pricing the asset or liability.

The Company determines whether the fair value at the initial recognition equals the transaction price according to the nature of transactions and the characteristics of related assets or liabilities; if the transaction price is not equal to the fair value, the relative gains or losses shall be accounted for into the current profit and loss, except otherwise specified in the relevant accounting standards.

The Company adopts valuation techniques that are applicable in the current circumstances and have sufficient available data and other information to support them. The valuation techniques used mainly include the market method, the income method and the cost method. In the application of valuation

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techniques, the relevant observable inputs are prioritized, and unobservable inputs can only be used if the relevant observable inputs are not available or feasible.

The input values used in fair value measurement of the Company are divided into three levels, and the input values at the first level are used firstly, the input values at the second level are used secondly, and the input values at the third level are used last. The first level of input values are the unadjusted quoted price of the same assets or liabilities that can be obtained on the measurement date in an active market. The second level of input values are the direct or indirect observable inputs of the relevant assets or liabilities other than the first level of input values; the third level of input values are the unobservable inputs of the underlying asset or liability.

Non-financial assets within the Company are measured at fair value, given the capability of the market participants to generate economic benefits from the best use of the assets, or to sell the assets to other market participants who can generate economic benefits from the best use of the assets. The measurement of a liability at fair value is based on the assumptions that the liability will be transferred to other market participants on the measurement date, the liability continues after the transfer and is performed by the market participant as the transferee. Equity instruments of the Company are measured at the fair value on the assumptions that the equity instruments are transferred to other market participants on the measurement date, the instruments continue to exist after transfer, and the market participants who are the transferees shall obtain the relevant right and undertake the corresponding obligations.

25. Changes in significant accounting policies and accounting estimates, and notes to other significant adjustments

(1) Changes in significant accounting policies

There were no changes in the significant accounting policies for the reporting period.

(2) Changes in accounting estimates

There were no changes in the accounting estimates for the reporting period.

(3) Significant prior adjustments

There were no significant prior adjustments for the reporting period.

## **VI Changes in the format of financial statements**

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According to the “Notice on Revising and Issuing the Format of Financial Statements for General Enterprises of 2018” (Cai Kuai [2018] No. 15) issued by the Ministry of Finance in June 2018, the Company prepares the financial statements in accordance with the format of financial statements for general enterprises (applicable to enterprises that have not yet implemented the new financial instrument standard and new revenue standard) as follows: 1) The original items of “Notes receivable” and “Accounts receivable” are combined into the item of “Notes receivable & Accounts receivable”; 2) The original items of “Interests receivable” and “Dividends receivable” are incorporated into the item of “Other receivables”; 3) The original item of “Disposal of fixed assets” is incorporated into the item of “Fixed assets”; 4) The original item of “Construction materials” is incorporated into the item of “Construction in progress”; 5) The original items of “Notes payable” and “Accounts payable” are combined into the item of “Notes payable & Accounts payable”; 6) The original items of “Interests payable” and “Dividends payable” are incorporated into the item of “Other payables”; 7) The original item of “Special payables” is incorporated into the item of “Long-term payables”; 8) The expenditure incurred in the process of research and development is presented in the item of “R&D expenses” rather than the item of “Administration expenses”.

The Company has retrospectively restated its comparative financial statements in accordance with the above reporting requirements. As a result of the above requirements, some items in the financial statements are presented differently in the current and comparative periods, but they have no effects on the consolidated and parent company’s net profit and equity for the current and comparative periods.

## **VII Taxation**

The main taxable items and tax rates of the company and its subsidiaries are listed as follows:

1. Value-added tax: 17%, 16%, 11%, 10%, 6%, 5% and 3%;
2. Urban maintenance & construction tax: 5%;
3. Educational surcharge: 3%;
4. Local educational surcharge: 2%;
5. Corporate income tax: 25%;
6. Property tax: 12% and 1.2%.

### VIII Business combination and consolidate financial statements

#### 1. The information for subsidiaries

(1) The information for the secondary subsidiaries included in the consolidation scope

No.	Name	Level	Category	Registration address	Main operation address	Nature of business	Paid-in capital (RMB' 0,000)	Shareholding	Voting rights	Investment amount (RMB' 0,000)	Acquiring method
1	Ninghai New Times Urban Construction Investment Co., Ltd.	2	1	Ninghai	Ninghai	State-owned	17,000.00	100.00%	100.00%	17,000.00	1
2	Ninghai Hot Spring Investment Co., Ltd.	2	1	Ninghai	Ninghai	State-owned	3,300.00	60.00%	60.00%	1,980.00	1
3	Ninghai Landscaping Investment Development Co., Ltd.	2	1	Ninghai	Ninghai	State-owned	1,990.00	100.00%	100.00%	1,990.00	1
4	Ninghai She Pan Tu Ocean Development Co., Ltd.	2	1	Ninghai	Ninghai	State-owned	8,000.00	97.50%	97.50%	7,800.00	1
5	Ninghai Water Affairs Group Co., Ltd.	2	1	Ninghai	Ninghai	State-owned	6,000.00	100.00%	100.00%	6,000.00	1
6	Ninghai Urban	2	1	Ninghai	Ninghai	State-owned	20,000.00	100.00%	100.00%	20,000.00	1

No.	Name	Level	Category	Registration address	Main operation address	Nature of business	Paid-in capital (RMB' 0,000)	Shareholding	Voting rights	Investment amount (RMB' 0,000)	Acquiring method
7	Construction Real Estate Development Co., Ltd. Ninghai Asset Management Co., Ltd.	2	1	Ninghai	Ninghai	State-owned	3,500.00	100.00%	100.00%	3,500.00	1
8	Ninghai Xidian Construction Investment Development Co., Ltd.	2	1	Ninghai	Ninghai	State-owned	10,000.00	100.00%	100.00%	10,000.00	1
9	Ninghai Transportation Industrial Development Co., Ltd.	2	1	Ninghai	Ninghai	State-owned	10,000.00	100.00%	100.00%	10,000.00	1
10	Ninghai Xinsha Construction Investment Development Co., Ltd.	2	1	Ninghai	Ninghai	State-owned	2,000.00	100.00%	100.00%	2,000.00	1
11	Ninghai Investment Property Management Co., Ltd.	2	1	Ninghai	Ninghai	State-owned	1,000.00	100.00%	100.00%	1,000.00	1



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Note: Category: 1. Domestic non-financial subsidiary; 2. Domestic financial subsidiary; 3. Overseas subsidiary; 4. State institution; 5. Infrastructure unit.

Acquiring method: 1. Set up; 2. Business combination under common control; 3. Business combination not under common control; 4. Others.

(2) The changes in subsidiaries which are below the third level (including the third level) refer to the notes to the financial statements of the subsidiaries at second level.

2. Newly established entities and entities no longer included in the consolidation scope in the reporting period

Name	Whether to be consolidated in the prior year	Reason of change	Date of change
Ninghai Science and Technology Industrial Park Development Co., Ltd.	Yes	Loss of control	26 December 2018
Ninghai Yuelong Economic Development Co., Ltd.	Yes	Loss of control	25 December 2018

Note 1: In the current period, the Company signed an equity transfer agreement with Ninghai Technology Innovation Group Co., Ltd., which agreed to purchase 21.75% equity of Ninghai Science and Technology Industrial Park Development Co., Ltd. held by the Company at a price of RMB 490,061,714.33. After the transfer, the remaining shareholding ratio of Ninghai Science and Technology Industrial Park Development Co., Ltd. held by the Company is 48.25%, and the Company has a significant influence on it. The registration of equity change was handled on 26 December 2018.

Note 2: In the current period, the Company signed an equity transfer agreement with Ninghai Technology Innovation Group Co., Ltd., which agreed to purchase 30.88% equity of Ninghai Yuelong Economic Development Co., Ltd. held by the Company at a price of RMB 8,202,115.28. At the same time, due to the loss of control over Ninghai Science and Technology Industrial Park Development Co., Ltd., the Company no longer indirectly held 43.18% equity of Ninghai Yuelong Economic Development Co., Ltd. After the transfer, the Company has no longer held the equity of Ninghai Yuelong Economic Development Co., Ltd., and the registration of equity change was handled on 25 December 2018.

## IX Notes to the consolidated financial statements

(With respect to the following data disclosed in the Financial Statements, unless otherwise stated, “Closing balance” refers to the balance on 31 December 2018; “Opening balance” refers to the balance on 31 December 2017; All amounts are denominated in RMB unless otherwise stated.)

### 1. Cash and cash equivalents

Item	Closing balance	Opening balance
Cash on hand	9,537.39	13,777.13
Bank deposits	1,003,639,534.11	1,143,217,523.19
Other cash and cash equivalents	1,304,650,847.56	1,337,116,317.34
Total	2,308,299,919.06	2,480,347,617.66

Note 1: The closing balance of other cash and cash equivalents was RMB 1,304,650,847.56, which was mainly composed of pledged time deposit certificates, pledged structural deposits and security deposits of notes. The balance of the time deposit certificates used to pledge loans with maturity of more than 3 months in the current period was RMB 1,007,800,000.00, the balance of structural deposits used to pledge loans with maturity of more than 3 months was RMB 100,000,000.00, the balance of guarantee deposits was RMB 76,500,000.00, and the balance of employee housing fund account was RMB 350,847.56.

Note 2: Details of pledges used in the balance of other cash and cash equivalents refer to Note XIII “Other significant events”.

### 2. Notes receivable & Accounts receivable

Item	Closing balance	Opening balance
Notes receivable		
Accounts receivable	248,655,472.88	1,025,055,640.53
Total	248,655,472.88	1,025,055,640.53

#### (1) Accounts receivable disclosed by category

Category	Closing balance				Net amount
	Amount	Proportion (%)	Bad debt provision	Provision (%)	

Category	Closing balance				
	Amount	Proportion (%)	Bad debt provision	Provision (%)	Net amount
Accounts receivable that are individually significant in amount and provided for bad debt separately					
Accounts receivable provided for bad debt according to the portfolio					
Including: Portfolio 1	82,634,491.20	32.10			82,634,491.20
Portfolio 2	174,758,928.08	67.90	8,737,946.40	5.00	166,020,981.68
Sub-total	257,393,419.28	100.00	8,737,946.40	3.39	248,655,472.88
Accounts receivable that are individually insignificant in amount but provided for bad debt separately					
Total	257,393,419.28	100.00	8,737,946.40	3.39	248,655,472.88

(Continued)

Category	Opening balance				
	Amount	Proportion (%)	Bad debt provision	Provision (%)	Net amount
Accounts receivable that are individually significant in amount and provided for bad debt separately					
Accounts receivable provided for bad debt according to the portfolio					
Including: Portfolio 1	995,435,991.13	96.96			995,435,991.13
Portfolio 2	31,178,577.25	3.04	1,558,927.85	5.00	29,619,649.40
Sub-total	1,026,614,568.38	100.00	1,558,927.85	0.15	1,025,055,640.53

Category	Opening balance				
	Amount	Proportion (%)	Bad debt provision	Provision (%)	Net amount
Accounts receivable that are individually insignificant in amount but provided for bad debt separately					
Total	1,026,614,568.38	100.00	1,558,927.85	0.15	1,025,055,640.53

(2) Notes to accounts receivable

1) The top 5 of accounts receivable based on the closing balance

Name	Closing balance	Proportion in the total amount of accounts receivable
Total amount of top 5 of accounts receivable	175,824,625.00	68.31%

2) There were no accounts receivable due from shareholders with more than 5% (including 5%) voting rights of the Company in the reporting period.

3) Details for accounts receivable with significant amounts

Name	Amount	Ageing	Nature or content
Ninghai Urban House Demolition Co., Ltd.	87,571,625.00	Within 1 year	Resettlement housing funds
Ninghai Finance Bureau	82,550,000.00	3-4 years	Land transfer payment
Ninghai Ningdong New City Minerals Co., Ltd.	5,000,000.00	Within 1 year	Pond dregs income
People's Government of Chalu Town, Ninghai County	603,000.00	1-2 years	Sewage pipe network project funds
Ninghai URCC Office	100,000.00	3-4 years	Sewage pipeline removal costs
Total	175,824,625.00		

3. Prepayment

Ageing	Closing balance	Opening balance
Within 1 year (including 1 year)	143,814,121.46	1,622,221,450.71
1-2 years (including 2 years)	653,552,136.40	115,443,600.77

Ageing	Closing balance	Opening balance
2-3 years (including 3 years)	5,003,766.77	36,190,285.00
Over 3 years	96,287,322.60	149,188,052.60
Total	898,657,347.23	1,923,043,389.08

Note 1: The closing balance of prepayment decreased by 53.27% compared with the opening balance, which was mainly due to the prepayment for the delivery of Chenyuan of Deli Real Estate Co., Ltd. and Huxi Garden of Ninghai Hexing Real Estate Development Co., Ltd.

Note 2: The prepayment with ageing over one year was mainly due to that the project funds were not settled.

Note 3: There were no prepayments due from shareholders with more than 5% (including 5%) voting rights of the Company in the reporting period.

#### 4. Other receivables

Item	Closing balance	Opening balance
Interests receivable		
Dividends receivable		
Other receivables	6,884,545,301.16	6,350,303,314.55
Total	6,884,545,301.16	6,350,303,314.55

##### (1) Other receivables disclosed by category

Category	Closing balance				Net amount
	Amount	Proportion (%)	Bad debt provision	Provision (%)	
Other receivables that are individually significant in amount and provided for bad debt separately					
Other receivables provided for bad debt according to the portfolio					
Including: Portfolio 1	6,741,994,375.01	97.82			6,741,994,375.01
Portfolio 2	150,053,606.47	2.18	7,502,680.32	5.00	142,550,926.15

Category	Closing balance				
	Amount	Proportion (%)	Bad debt provision	Provision (%)	Net amount
Sub-total	6,892,047,981.48	100.00	7,502,680.32	0.11	6,884,545,301.16
Other receivables that are individually insignificant in amount but provided for bad debt separately					
Total	6,892,047,981.48	100.00	7,502,680.32	0.11	6,884,545,301.16

(Continued)

Category	Opening balance				
	Amount	Proportion (%)	Bad debt provision	Provision (%)	Net amount
Other receivables that are individually significant in amount and provided for bad debt separately	5,989,629.37	0.09	5,989,629.37	100.00	
Other receivables provided for bad debt according to the portfolio					
Including: Portfolio 1	5,834,007,316.14	91.38			5,834,007,316.14
Portfolio 2	543,469,468.62	8.51	27,173,470.21	5.00	516,295,998.41
Sub-total	6,377,476,784.76	99.89	27,173,470.21	0.43	6,350,303,314.55
Other receivables that are individually insignificant in amount but provided for bad debt separately	1,455,900.00	0.02	1,455,900.00	100.00	
Total	6,384,922,314.13	100.00	34,618,999.58	0.54	6,350,303,314.55

(2) Notes to other receivables

1) The top 5 of other receivables based on the closing balance

Name	Closing balance	Proportion in the total amount of other receivables
Total amount of top 5 of other receivables	4,452,244,665.91	64.60%

2) The details for other receivables due from shareholders with more than 5% (including 5%) voting rights of the Company in the reporting period are as follows:

Name	Amount	Ageing	Nature or content
Ninghai SASAB	1,291,221,686.26	1-6 years	Incomings and outgoings

3) Details for other receivables with significant amounts

Name	Amount	Ageing	Nature or content
Ninghai Housing and Urban-Rural Development Bureau	1,719,554,070.91	1-3 years	Incomings and outgoings, special property maintenance fund
Ninghai SASAB	1,291,221,686.26	1-6 years	Incomings and outgoings
Ninghai Guorong Industrial Investment Development Co., Ltd.	558,024,070.00	Within 1 year	Security deposits, borrowings
Ninghai Xidian New City Development Investment Co., Ltd.	509,490,000.00	1-3 years	Incomings and outgoings
Ninghai Technology Innovation Group Co., Ltd.	373,954,838.74	1-2 years	Equity transfer funds
Total	4,452,244,665.91		

## 5. Inventory

(1) Details of inventory

Category	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Land development expenditures	14,739,635,084.99		14,739,635,084.99	12,827,164,090.20		12,827,164,090.20
Real estate development costs	1,616,475,037.13		1,616,475,037.13	4,925,797,243.77		4,925,797,243.77
Development products	5,744,748,524.95		5,744,748,524.95	4,401,951,593.27		4,401,951,593.27

Category	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Consumptive biological assets	2,733,273.73		2,733,273.73	2,580,581.07		2,580,581.07
Raw materials	2,069,342.35		2,069,342.35	3,178,348.54		3,178,348.54
Low-value consumables	166,211.50		166,211.50	166,211.50		166,211.50
Total	22,105,827,474.65		22,105,827,474.65	22,160,838,068.35		22,160,838,068.35

Note: The capitalized interest amount of inventory was RMB 493,255,648.06 in the current period.

(2) Land development expenditures

Item	Closing balance	Opening balance
Taoyuan North Road plot	1,022,763,582.38	1,022,763,582.38
Qianzhang village and Houzhang Village		2,153,727,374.41
Wangjia Qianzhang Village and Wangjia Houzhang Village	2,295,926,583.61	
Tanshutou Village	510,876,832.18	504,610,039.87
Tang'an Li Village	529,965,992.11	672,676,307.54
Huashan Village	738,337,885.58	854,598,434.22
Shuangshui Village	115,549,617.95	112,515,170.75
Plot of Ningbo Zhiqing Industrial Co., Ltd.	100,194,839.41	100,076,839.41
Zhaojia Village	96,653,538.84	98,869,281.61
Qian'ao Village	105,484,651.89	108,352,528.52
Plot of Ningbo Aoda Sanitary Ware Company	12,830,915.28	11,509,429.95
Plot of Ningbo Huadong Electromechanical Manufacturing Co., Ltd	80,509,919.81	80,238,630.81
Shanheling, Yuelong Street, Ninghai County	14,670,819.43	99,859,243.73
Xuepo Village	96,637,336.70	53,480,409.00
Yangjia Village	658,783,798.33	54,168,661.17
Qiaoxia Pan Village	823,403,727.73	683,089,715.86
Plot of Ningbo Topu Company	54,726,560.32	54,726,560.32
Shengli Village	322,486,576.13	206,203,445.19
126.47 acres of land in Dongzhen Village		39,787,631.92



Item	Closing balance	Opening balance
Zhuxi Village plot	91,367,012.49	110,082,081.43
Land in Ninghai Science and Technology Park		113,607,087.53
Land in Lingang Economic Development Zone		993,425,291.03
Land in Ninghai Xinxing Industrial Park		15,322,238.08
No. 10 Jinshan 5 <sup>th</sup> Road	35,197,683.26	35,145,970.62
Plot of vocational high school in the TV and Radio University	69,980,491.36	69,980,491.36
Dawu Village plot	352,576,206.64	384,010,138.87
Xiayangwu Village plot	1,538,596,271.04	84,033,823.03
Land around Chenghuang Temple	1,631,424,109.94	1,427,868,696.29
Simulated demolition plot	191,347,766.42	190,176,728.41
Dongwang Road plot in eastern suburb	144,746,197.88	135,947,757.08
Plot around Hongfeng Market	407,086,869.40	127,769,730.45
Plot along the street of Qixiang Road	113,481,024.00	113,430,240.00
66#-70# plot demolition projects in Chengdong Area		144,580,043.66
New Century plot D	112,388,903.98	100,635,990.99
Chemical Fertilizer Plant plot (phase II) reconstruction project	88,979,392.86	86,264,594.38
Passenger Transportation Center plot (Ningbo Changzhong Mould Co., Ltd.)	84,499,209.46	81,660,082.46
The plots of Chongqing Beer Group Ningbo Daliang Mountain Co., Ltd. (Xinling) and Ninghai County Ninghua Malt Co., Ltd.	161,930,714.30	154,168,731.50
Ninghai County Motor Vehicle Trading Market plot	73,259,240.73	72,619,126.73
Eight plots around Renmin Road, Transportation Bureau	41,355,253.54	41,219,785.54
Fertilizer Plant plot	43,861,160.10	41,337,290.94
Zhongsan West Road Roundabout Node plot	2,617,932.42	2,617,932.42
Shanheling 6# plot	46,022,172.56	42,604,776.71
Chengguan Oil Depot plot	16,687,559.38	16,687,559.38
Renovation of 9 dilapidated houses in	19,909,356.03	19,506,326.31

Item	Closing balance	Opening balance
Chongsi Mountain		
Qiaotouhu Aquatic City plot	50,143,848.42	38,535,466.00
Farm Market plot	476,777,032.80	
The Second Hospital demolition project plot	40,964,140.14	
Phase I plots around Yuelong Mountain	16,777,214.00	
Plot of Huaxing Textile Material Co., Ltd.	141,920,379.00	
Other	1,165,934,765.16	1,272,672,822.34
Total	14,739,635,084.99	12,827,164,090.20

(3) Real estate development costs

Item	Closing balance	Opening balance
Demolition and resettlement housing	112,777,878.22	246,686,237.32
Aquatic City resettlement housing		596,976,542.33
Yangjia Village resettlement community project	469,174,029.17	906,620,315.44
Xiayangwu resettlement community project		1,813,798,982.95
66#-70# plot projects in Chengdong Area		20,459,480.39
Reconstruction of old Huashan Village	422,743,286.35	380,565,810.81
Downhill resettlement community	279,578,153.70	279,267,488.70
Demolition and resettlement community of Dawu Village	14,859,310.58	255,619,321.37
Other project development costs	317,342,379.11	425,803,064.46
Total	1,616,475,037.13	4,925,797,243.77

(4) Development products

Item	Closing balance	Opening balance
Five projects including Zhaohui Home, etc.	104,673,406.15	102,759,895.44
Hongfeng Apartment	587,047.00	587,047.00
Fengjing Garden project	3,032,492.00	3,032,492.00
Dongjing Garden	10,525,201.17	12,406,425.57
Zhaolangchang price-limited housing community project	94,924,451.32	103,984,152.72
Haijingyuan	27,167,770.40	29,507,857.13

Item	Closing balance	Opening balance
Fengheyuan parking space and garage	9,418,617.13	9,418,617.13
Yangguang Mingyuan community project	344,375.58	344,375.58
Taoyuan Street Zhukou Third Village resettlement housing project	2,910,980,104.65	2,709,593,564.94
Demolition and resettlement housing	188,257,053.50	292,289,500.55
Tianming Garden	7,468,398.60	101,945,049.09
Zixi Mingyuan	42,333,899.01	90,035,646.41
Financial Center	115,386,343.15	146,358,396.68
Taoyuan Jiayuan	347,585,343.69	393,266,707.91
Xizi International Plaza	3,051,312.20	12,234,510.07
Summer View Garden	183,970,633.24	214,106,430.67
Spring View Garden	86,048,217.19	167,113,626.47
Xuefu Home	164,906,769.14	
Chenyuan	420,540,652.41	
Haiwan Garden	238,880,266.69	
Huxi Garden	184,878,050.00	
Hudong Garden	287,898,009.15	
Daming Garden	296,809,910.52	
Other	15,080,201.06	12,967,297.91
<b>Total</b>	<b>5,744,748,524.95</b>	<b>4,401,951,593.27</b>

Note: Details of mortgages used in the closing balance of inventory refer to Note XIII “Other significant events”.

#### 6. Other current assets

Item	Closing balance	Opening balance
Prepaid tax	109,196,901.10	47,819,766.63
Other deferred expenses	37,000.00	422,527.20
<b>Total</b>	<b>109,233,901.10</b>	<b>48,242,293.83</b>

7. Available-for-sale financial assets

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Available-for-sale equity instruments	18,905,736.76	538,411.76	18,367,325.00	60,088,411.76	538,411.76	59,550,000.00
Including: Equity instruments measured at cost	18,905,736.76	538,411.76	18,367,325.00	60,088,411.76	538,411.76	59,550,000.00
Other	170,000,000.00		170,000,000.00	170,000,000.00		170,000,000.00
Total	188,905,736.76	538,411.76	188,367,325.00	230,088,411.76	538,411.76	229,550,000.00

(1) Equity instruments measured at cost

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Ningbo Dahongying Pharmaceutical Co., Ltd.	538,411.76	538,411.76		538,411.76	538,411.76	
Ninghai County SME Credit Guarantee Center				20,000,000.00		20,000,000.00
Ninghai County Electric Power Development Co., Ltd.	1,000,000.00		1,000,000.00	1,000,000.00		1,000,000.00
Ninghai Angel Venture Capital Partnership (Limited Partnership)				5,000,000.00		5,000,000.00
Ningbo Wanghai Tea Development Co., Ltd.	150,000.00		150,000.00	150,000.00		150,000.00
Ningbo Haida Dingxing Venture Capital Co., Ltd.	7,717,325.00		7,717,325.00	22,500,000.00		22,500,000.00
Ninghai Tourism Development Co., Ltd.				1,400,000.00		1,400,000.00
Ningbo Ninghai Jianxin Rural Bank Co., Ltd.	9,500,000.00		9,500,000.00	9,500,000.00		9,500,000.00
Total	18,905,736.76	538,411.76	18,367,325.00	60,088,411.76	538,411.76	59,550,000.00

8. Long-term equity investment

(1) The category of long-term equity investment

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
I. Joint ventures						
II. Associates	1,347,385,032.43		1,347,385,032.43	199,368,504.59		199,368,504.59
Total	1,347,385,032.43		1,347,385,032.43	199,368,504.59		199,368,504.59

(2) Details of long-term equity investment

Investee	Opening balance	Changes in the current period					Closing balance
		Increase of investment	Decrease of investment	Investment income / loss under equity method	Other changes in equity	Declared distribution of cash dividend or profit	
I. Joint ventures							
Sub-total							
II. Associates							
Ninghai Science and Technology Industrial Park Development Co., Ltd.				-6,184,197.08	137,425,361.84		1,087,148,400.76
							1,218,389,565.52

Investee	Opening balance	Changes in the current period						Closing balance
		Increase of investment	Decrease of investment	Investment income / loss under equity method	Other changes in equity	Declared distribution of cash dividend or profit	Other	
Ninghai Goudong Enterprise Resettlement Zone Construction Investment Co., Ltd.	6,433,830.50			-1,409,327.19				5,024,503.31
Ninghai Natural Gas Co., Ltd.	8,606,472.21			2,412,265.47	137,905.03			11,156,642.71
Ninghai Xinghai Sewage Treatment Co., Ltd.	60,686,969.07			1,448,432.42				62,135,401.49
Ninghai Food Co., Ltd.	1,049,842.83			169,433.97	0.50			1,219,277.30
Ninghai Xintan Urban Construction Investment Development Co., Ltd.	4,860,096.52			87,427.69	400,000.00			5,347,524.21
Ninghai Donghai Yunding Tourism Development Co., Ltd.	323,707.26						-323,707.26	

Investee	Opening balance	Changes in the current period						Closing balance
		Increase of investment	Decrease of investment	Investment income / loss under equity method	Other changes in equity	Declared distribution of cash dividend or profit	Other	
Ninghai Zheneng Oil & Gas Development Co., Ltd.	4,280,217.72			-275,739.88	26,963.74			4,031,441.58
Ningbo Tiehan Municipal Construction Co., Ltd.	20,003,022.36	20,000,000.00		77,653.95				40,080,676.31
Ningbo Shengshi Hedong Venture Capital Center (Limited Partnership)	31,893,941.14		1,489,393.72				-30,404,547.42	
Ningbo Shengshi Leili Venture Capital Center (Limited Partnership)	14,540,065.13						-14,540,065.13	
Ninghai Ningkun Construction Co., Ltd.	46,690,339.85	86,940,000.00					-133,630,339.85	
Sub-total	199,368,504.59	106,940,000.00	1,489,393.72	-3,674,050.65	137,990,231.11		908,249,741.10	1,347,385,032.43
Total	199,368,504.59	106,940,000.00	1,489,393.72	-3,674,050.65	137,990,231.11		908,249,741.10	1,347,385,032.43

9. Investment property

Item	Houses and buildings	Land assets	Total
<b>I. Original value</b>			
1. Opening balance	688,826,412.42	38,521,508.27	727,347,920.69
2. Increase	30,098,555.51		30,098,555.51
(1) Purchase			
(2) Inventory, fixed assets and construction in progress transferred-in	30,098,555.51		30,098,555.51
3. Decrease	144,785,066.10	4,669,191.22	149,454,257.32
(1) Disposal or scrap	40,633,896.80		40,633,896.80
(2) Other transferred-out	104,151,169.30	4,669,191.22	108,820,360.52
4. Closing balance	574,139,901.83	33,852,317.05	607,992,218.88
<b>II. Accumulated depreciation and amortization</b>			
1. Opening balance	252,661,007.87	11,784,827.89	264,445,835.76
2. Increase	19,908,052.61	161,629.73	20,069,682.34
(1) Accrual or amortization	19,908,052.61	161,629.73	20,069,682.34
3. Decrease	67,676,325.16	1,518,360.90	69,194,686.06
(1) Disposal or scrap	20,618,051.17		20,618,051.17



Item	Houses and buildings	Land assets	Total
(2) Other	47,058,273.99	1,518,360.90	48,576,634.89
4. Closing balance	204,892,735.32	10,428,096.72	215,320,832.04
<b>III. Impairment provision</b>			
1. Opening balance			
2. Increase			
(1) Accrual			
3. Decrease			
(1) Disposal or scrap			
4. Closing balance			
<b>IV. Book value</b>			
1. Closing balance	369,247,166.51	23,424,220.33	392,671,386.84
2. Opening balance	436,165,404.55	26,736,680.38	462,902,084.93

Item	Houses and buildings	Machinery equipment	Transportation equipment	Special equipment	Other equipment	Total
<b>10. Fixed assets</b>						

Item	Houses and buildings	Machinery equipment	Transportation equipment	Special equipment	Other equipment	Total
<b>I. Original value</b>						
1. Opening balance	1,833,156,141.19	162,275,231.82	18,842,701.37	672,573,698.20	52,257,903.09	2,739,105,675.67
2. Increase	2,405,746.33	1,712,990.00	859,227.78	51,693,299.63	2,362,172.68	59,033,436.42
(1) Purchase	289,771.00	1,712,990.00	859,227.78	1,013,980.00	1,453,509.68	5,329,478.46
(2) Construction in progress transferred-in	2,115,975.33			50,679,319.63	908,663.00	53,703,957.96
3. Decrease	90,456,294.60	4,140,879.65	8,037,052.34	9,238,235.00	23,227,281.66	135,099,743.25
(1) Disposal or scrap		278,516.00	637,651.53		467,946.00	1,384,113.53
(2) Other	90,456,294.60	3,862,363.65	7,399,400.81	9,238,235.00	22,759,335.66	133,715,629.72
4. Closing balance	1,745,105,592.92	159,847,342.17	11,664,876.81	715,028,762.83	31,392,794.11	2,663,039,368.84
<b>II. Accumulated depreciation:</b>						
1. Opening balance	756,279,883.49	81,017,072.70	11,465,208.20	148,408,794.98	28,450,462.14	1,025,621,421.51
2. Increase	71,078,482.79	6,550,080.52	1,162,451.20	27,515,388.27	5,408,744.81	111,715,147.59
(1) Accrual or amortization	71,078,482.79	6,550,080.52	1,162,451.20	27,515,388.27	5,408,744.81	111,715,147.59
(2) Other						
3. Decrease	28,888,762.91	3,825,862.38	2,949,280.19	3,802,792.86	14,578,989.33	54,045,687.67
(1) Disposal or scrap		267,169.75	607,528.46		446,291.16	1,320,989.37

Item	Houses and buildings	Machinery equipment	Transportation equipment	Special equipment	Other equipment	Total
(2) Other	28,888,762.91	3,558,692.63	2,341,751.73	3,802,792.86	14,132,698.17	52,724,698.30
4. Closing balance	798,469,603.37	83,741,290.84	9,678,379.21	172,121,390.39	19,280,217.62	1,083,290,881.43
III. Impairment provision						
1. Opening balance						
2. Increase						
(1) Accrual						
3. Decrease						
(1) Disposal or scrap						
4. Closing balance						
IV. Book value						
1. Closing balance	946,635,989.55	76,106,051.33	1,986,497.6	542,907,372.44	12,112,576.49	1,579,748,487.41
2. Opening balance	1,076,876,257.70	81,258,159.12	7,377,493.17	524,164,903.22	23,807,440.95	1,713,484,254.16

11. Construction in progress

Item	Closing balance	Opening balance
Construction in progress	948,758,995.40	6,204,028,241.72
Engineering materials	4,325,784.44	7,943,138.95
<b>Total</b>	<b>953,084,779.84</b>	<b>6,211,971,380.67</b>

(1) Construction in progress

① Information of construction in progress

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Construction in progress	948,758,995.40		948,758,995.40	6,204,028,241.72		6,204,028,241.72

② Changes in significant construction in progress

Item	Opening balance	Increase	Transferred to fixed assets or other non-current assets	Other decrease	Closing balance
Ninghai section highway project of Yong-Lin line	1,489,654,664.92	381,548,908.80	1,871,203,573.72		
Huangtan Water Plant project	43,507,646.24	5,364,425.24			48,872,071.48
Comprehensive equipment investment and sewage treatment	547,328,122.67	147,711,263.72	36,176,435.77		658,862,950.62
Yacht Club and Tourist Terminal	168,918,918.78			168,918,918.78	
Infrastructure supporting project of Sanmenwan Modern Fishery Park	154,166,192.99	37,340,664.06			191,506,857.05
Taoyuan Plaza project	446,276,670.25			446,276,670.25	
Xinxing Industrial Park Merchants Building	825,694,271.69			825,694,271.69	
Reconstruction of Xiayangtu Assets	1,254,072,476.15			1,254,072,476.15	

Item	Opening balance	Increase	Transferred to fixed assets or other non-current assets	Other decrease	Closing balance
Total	4,929,618,963.69	571,965,261.82	1,907,380,009.49	2,694,962,336.87	899,241,879.15

Note 1: The capitalized interest amount of construction in progress was RMB 9,764,132.31 in the current period.

Note 2: Details of mortgages and guarantees for bank borrowings used in the closing balance of construction in progress refer to Note XIII “Other significant events”.

Note 3: There was no sign of impairment of construction in progress at the end of the reporting period, so no provision for impairment of construction in progress was made.

(2) Engineering materials

Item	Closing balance	Opening balance
Special-purpose materials	4,325,784.44	7,943,138.95
Total	4,325,784.44	7,943,138.95

12. Intangible assets

(1) Details of intangible assets

Item	Opening balance	Increase	Decrease	Closing balance
I. Total original value	246,577,983.19	418,700.00	195,801,997.32	51,194,685.87
Including: Land use right	234,658,356.76		193,106,389.80	41,551,966.96
Sea area use right	1,260,369.00		1,260,369.00	
Software	9,659,257.43	418,700.00	1,435,238.52	8,642,718.91
Trademark use right	1,000,000.00			1,000,000.00
II. Accumulated amortization	41,624,978.73	7,008,579.01	36,620,471.76	12,013,085.98
Including: Land use right	38,958,780.66	6,355,158.89	35,881,938.31	9,432,001.24
Sea area use right	173,300.78	31,509.24	204,810.02	
Software	1,892,897.29	521,910.88	533,723.43	1,881,084.74
Trademark use right	600,000.00	100,000.00		700,000.00
III. Total book value	204,953,004.46			39,181,599.89
Including: Land use right	195,699,576.1			32,119,965.72

Item	Opening balance	Increase	Decrease	Closing balance
Sea area use right	1,087,068.22			
Software	7,766,360.14			6,761,634.17
Trademark use right	400,000.00			300,000.00

Note: Details of mortgages and guarantees for bank borrowings used in the closing balance of intangible assets refer to Note XIII “Other significant events”.

(2) Impairment provision on intangible assets

There was no sign of impairment of intangible assets at the end of the reporting period, so no provision for impairment of intangible assets was made.

13. Long-term deferred expenses

Item	Opening balance	Increase	Amortization	Other decrease	Closing balance
Lease fee of Lingang Reservoir	523,722.54		49,998.00	6,984.68	466,739.86
Decoration fee	5,441,271.07	1,444,184.90	2,415,899.40	34,523.18	4,435,033.39
Sewage system	7,089,199.85		1,930,000.04		5,159,199.81
Other	165,154.89	122,237.00	117,733.00	165,154.89	4,504.00
Total	13,219,348.35	1,566,421.90	4,513,630.44	206,662.75	10,065,477.06

(Continued)

Item	Original amount incurred	Accumulated amortization	Remaining amortization period
Lease fee of Lingang Reservoir	1,500,000.00	1,033,260.14	6 months and 17 years
Decoration fee	28,370,074.98	23,935,041.59	0-3 years
Sewage system	14,262,116.64	9,102,916.83	1 year
Other	122,237.00	117,733.00	1 year
Total	44,254,428.62	34,188,951.56	

14. Deferred tax assets

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
I. Deferred tax assets:				
Impairment provision on assets	16,240,626.72	4,060,156.69	36,177,927.43	9,044,481.85
Other	4,285,541.24	1,071,385.32	4,778,187.87	1,194,546.97
Total	20,526,167.96	5,131,542.01	40,956,115.30	10,239,028.82

15. Other non-current assets

Item	Closing balance	Opening balance	Note
Public facilities	4,596,842,331.64	3,457,018,707.92	Public facilities are mainly the municipal public facilities undertaken by the Company, mainly including highways, municipal roads, park plazas and supporting public facilities.
Reconstruction of Xiayangtu's assets	1,254,072,476.15		
Prepayment for long-term assets		2,280,095.61	
Total	5,850,914,807.79	3,459,298,803.53	

16. Short-term borrowings

Category	Closing balance	Opening balance
Credit loan	104,000,000.00	335,000,000.00
Guaranteed loan	925,500,000.00	1,950,000,000.00
Mortgage loan	350,000,000.00	
Pledge loan	623,030,000.00	349,850,000.00
Total	2,002,530,000.00	2,634,850,000.00

Note 1: Details of mortgages used for borrowings refer to Note XIII "Other significant events".

Note 2: There were no short-term borrowings which had been overdue but not repaid at the end of the reporting period.

17. Notes payable & Accounts payable

Category	Closing balance	Opening balance
Notes payable	475,020,000.00	136,770,000.00
Accounts payable	456,649,013.55	306,025,916.09
Total	931,669,013.55	442,795,916.09

(1) Notes payable

Category	Closing balance	Opening balance
Commercial acceptance bill	475,020,000.00	136,770,000.00
Total	475,020,000.00	136,770,000.00

(2) Accounts payable

Item	Closing balance	Opening balance
Within 1 year (including 1 year)	214,327,422.79	51,675,862.00
1-2 years (including 2 years)	17,130,133.03	91,415,275.83
2-3 years (including 3 years)	87,584,416.61	54,459,318.90
Over 3 years	137,607,041.12	108,475,459.36
Total	456,649,013.55	306,025,916.09

18. Advance from customers

Item	Closing balance	Opening balance
Within 1 year (including 1 year)	160,508,648.93	265,628,727.81
Over 1 year	492,399,138.20	501,900,085.26
Total	652,907,787.13	767,528,813.07

Note 1: There were no advance from customers due to shareholders with more than 5% (including 5%) voting rights of the Company in the reporting period.

Note 2: The closing balance of advance from customers with ageing over one year was RMB 492,399,138.20, which was mainly due to the unsettled housing of Xinxia Construction Investment Development Co., Ltd.

19. Payroll payable



## (1) The classification of payroll payable

Item	Opening balance	Increase	Decrease	Closing balance
1. Short-term employee benefits	8,665,259.29	87,426,512.41	83,716,287.76	12,375,483.94
2. Post-employment benefits-defined contribution plans	26,197.86	8,870,736.29	8,859,645.95	37,288.20
3. Termination benefits		50,908.72	50,908.72	
Total	8,691,457.15	96,348,157.42	92,626,842.43	12,412,772.14

## (2) Short-term employee benefits

Item	Opening balance	Increase	Decrease	Closing balance
1. Salary, bonus, allowance, and subsidy	8,440,793.17	69,361,458.36	65,680,956.27	12,121,295.26
2. Employee welfare fees	42,406.30	4,801,434.13	4,801,434.13	42,406.30
3. Social insurance premiums	71,305.33	3,606,509.65	3,604,994.07	72,820.91
Including: Medical insurance premiums	43,941.53	3,152,813.65	3,151,955.87	44,799.31
Work-related injury insurance premiums	15.40	297,777.80	297,334.10	459.10
Maternity insurance premiums	27,348.40	155,918.20	155,704.10	27,562.50
4. Housing fund	53,179.00	6,222,497.00	6,225,225.00	50,451.00
5. Union funds and employee education expenses	57,575.49	1,780,811.15	1,749,876.17	88,510.47
6. Non-monetary welfares		1,421,826.02	1,421,826.02	
7. Other		231,976.10	231,976.10	
Total	8,665,259.29	87,426,512.41	83,716,287.76	12,375,483.94

## (3) Defined contribution plans

Item	Opening balance	Increase	Decrease	Closing balance
1. Basic endowment insurance premiums	25,305.38	7,045,552.79	7,035,016.17	35,842.00
2. Unemployment insurance premiums	892.48	176,552.50	175,998.78	1,446.20
3. Expenditure on retirees		1,648,631.00	1,648,631.00	

Item	Opening balance	Increase	Decrease	Closing balance
Total	26,197.86	8,870,736.29	8,859,645.95	37,288.20

Note: The Company had no outstanding employee salaries at the end of the reporting period, and the balance of payroll payable is expected to be paid in 2019.

#### 20. Taxes and surcharges payable

Item	Closing balance	Opening balance
Value-added tax	20,047,419.51	45,042,230.38
Urban maintenance & construction tax	351,963.51	1,497,365.48
Property tax	3,143,814.36	2,700,474.37
Land use tax	1,164,311.42	1,302,786.98
Individual income tax	5,362.94	49,808.51
Corporate income tax	176,357,831.80	303,044,006.77
Land value-added tax	644,723.07	620,534.77
Educational surcharge	612,757.66	1,398,773.10
Water conservancy fund	2,461,594.64	2,466,308.85
Local educational surcharge	182,241.41	638,304.76
Security fund for the disabled	6,092.00	4,948.20
Other	370,950.74	658,231.58
Total	205,349,063.06	359,423,773.75

#### 21. Other payables

Item	Closing balance	Opening balance
Interests payable	260,639,960.18	263,283,934.24
Dividends payable		
Other payables	13,426,008,209.24	14,705,143,479.67
Total	13,686,648,169.42	14,968,427,413.91

(1) Details of other payables with significant amounts are as follows:

Name	Amount	Nature or content
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Name	Amount	Nature or content
Ninghai Yuelong Weimin New Countryside Construction Co., Ltd.	2,032,367,516.18	Incomings and outgoings
Ninghai Taoyuan Zhuhai New Countryside Construction Co., Ltd.	1,846,072,595.46	Incomings and outgoings
Ninghai Pengkai Construction Co., Ltd.	1,083,606,512.42	Incomings and outgoings
Ninghai LRC	872,545,109.37	Incomings and outgoings
Ninghai Fangda City Construction Investment Co., Ltd.	740,000,000.00	Incomings and outgoings

Note: There were no other payables due to shareholders with more than 5% (including 5%) voting rights of the Company in the reporting period.

#### 22. Non-current liabilities due within one year

Item	Closing balance	Opening balance
Long-term borrowings due within one year	1,421,700,000.00	1,233,480,000.00
Bonds payable due within one year	3,054,165,186.51	836,618,940.57
Long-term payables due within one year	336,028,835.42	233,758,746.02
Total	4,811,894,021.93	2,303,857,686.59

#### 23. Long-term borrowings

Category	Closing balance	Opening balance
Credit loan	100,000,000.00	59,965,614.08
Guaranteed loan	1,169,850,000.00	3,754,344,258.00
Mortgage loan	785,300,000.00	826,000,000.00
Pledge loan	120,800,000.00	1,133,100,000.00
Mortgaged guaranteed loan	258,000,000.00	1,495,695,770.09
Total	2,433,950,000.00	7,269,105,642.17

Note: Details of mortgages used for borrowings refer to Note XIII “Other significant events”.

#### 24. Bonds payable

## (1) Details of bonds payable

Category	Duration	Issue date	Total par value	Premium and discount amount	Total interests accrued	Closing balance
13 City Investment Bond 01	7 years	Jan. 2014	160,000,000.00	-4,200,000.00	3,620,020.15	159,420,020.15
13 City Investment Bond 02	7 years	Apr. 2014	400,000,000.00	-10,500,000.00	9,829,188.90	399,329,188.90
18 Ninghai City Investment PPN001	3 years	Apr. 2018	500,000,000.00	-1,500,000.00	316,815.58	498,816,815.58
2018 (Ninghai) Ding Rong No. 0001	18 months	Aug. 2018	500,000,000.00	-7,200,000.00	1,413,754.76	494,213,754.76
Total			1,560,000,000.00	-23,400,000.00	15,179,779.39	1,551,779,779.39

Note 1: In 2018, the Company repaid RMB 640,000,000.00, RMB 80,000,000.00 and RMB 200,000,000.00 for the principals of 17 Ninghai City Investment PPN001, 13 City Investment Bond 01 and 13 City Investment Bond 02 respectively.

Note 2: In April 2018, the Company issued 18 Ninghai City Investment PPN001 with the par value of RMB 500,000,000.00 and a coupon rate of 7.00%. The duration is from 27 April 2018 to 27 April 2021.

Note 3: In August 2018, the Company issued 2018 (Ninghai) Ding Rong No. 0001 with the par value of RMB 500,000,000.00 and a coupon rate of 6.94%. The duration is from 31 August 2018 to 28 February 2020.

## 25. Long-term payables

Item	Closing balance	Opening balance
Long-term payables	1,515,369,796.68	963,206,884.96
Special payables	363,634.00	13,890,906.00
Total	1,515,733,430.68	977,097,790.96

## (1) Long-term payables

Item	Closing balance	Opening balance
Ninghai Transportation Service Management	455,635,000.00	472,131,666.65

Item	Closing balance	Opening balance
Co., Ltd.		
Payables for finance lease	1,059,734,796.68	491,075,218.31
Total	1,515,369,796.68	963,206,884.96

Note 1: In 2016, Ninghai Transportation Industrial Development Co., Ltd. signed a loan agreement with Ninghai Transportation Service Management Co., Ltd., and the amount of the loan is RMB 450 million with the long term from the starting date of 28 November 2016. The interest of the loan is calculated at the annual interest rate of 4.90% and paid to Party B quarterly. As of 31 December 2018, the principal balance was RMB 450 million, and the interest was RMB 5,635,000.00.

Note 2: On 15 August 2017, the Company signed a “Finance Lease Contract” with AB Leasing Co., Ltd., which agreed that the Company would sell the middle section of Ping’an Avenue to AB Leasing Co., Ltd. in the form of sale and leaseback. The original book value of the above equipment is 202,536,000.00, and the financing principal is RMB 200 million, which shall be paid in 12 instalments over 5 years. The leaseback rent shall be 225,397,900.00, and the lease term is from 21 August 2017 to 21 August 2022;

On 15 August 2017, the Company signed a “Finance Lease Contract” with AB Leasing Co., Ltd., which agreed that the Company would sell the middle section of Ping’an Avenue to AB Leasing Co., Ltd. in the form of sale and leaseback. The original book value of the above equipment is RMB 151,566,700.00, and the financing principal is RMB 150 million, which shall be paid in 12 instalments over 5 years. The leaseback rent shall be RMB 169,048,400.00, and the lease term is from 27 September 2017 to 27 September 2022;

On 15 September 2017, the Company signed a “Finance Lease Contract” with AB Leasing Co., Ltd., which agreed that the Company would sell the middle section of Ping’an Avenue to AB Leasing Co., Ltd. in the form of sale and leaseback. The original book value of the above equipment is RMB 174,590,000.00, and the financing principal is RMB 150 million, which shall be paid in 12 instalments over 5 years. The leaseback rent shall be RMB 169,048,400.00, and the lease term is from 29 September 2017 to 29 September 2022;

On 1 August 2017, the Company signed a “Finance Lease Contract” with AVIC International Leasing Co., Ltd., which agreed that the Company would sell the pipe network to AVIC International Leasing Co., Ltd. in the form of sale and leaseback. The original book value of the above equipment is RMB

324,127,800.00, and the financing principal is RMB 300 million, which shall be paid in 10 instalments over 5 years. The leaseback rent shall be RMB 341,596,500.00, and the lease term is from 4 August 2017 to 4 August 2022;

On 8 December 2017, the Company signed a “Sale and Leaseback Contract” with Ping An International Financial Leasing (Tianjin) Co., Ltd., which agreed that the Company would sell the pavement assets and ancillary facilities of Jinbei North Road extension section and Jinshui Road to Ping An International Financial Leasing (Tianjin) Co., Ltd. in the form of sale and leaseback. The original book value of the above equipment is RMB 349,081,600.00, and the financing principal is RMB 320 million, which shall be paid in 12 instalments over 6 years. The leaseback rent shall be RMB 356,412,400.00, and the lease term is from 5 January 2018 to 5 January 2024;

On 25 December 2018, the Company signed a “Finance Lease Contract” with Huishang Bank Financial Leasing Co., Ltd., which agreed that the Company would sell the road rainwater, sewage and water supply pipe network to Huishang Bank Financial Leasing Co., Ltd. in the form of sale and leaseback. The above-mentioned equipment has an appraisal value of RMB 157,954,900.00, and the financing principal is RMB 100 million, which shall be paid in 20 instalments over 5 years. The leaseback rent shall be RMB 115,052,800.00, and the lease term is from 25 December 2018 to 25 December 2023.

(2) Special payables

Name	Closing balance	Opening balance	Nature or content
Subsidy funds of treasury bonds	363,634.00	1,090,906.00	Allocation for sewage treatment project
Ningbo Finance Bureau		6,800,000.00	Allocation for membrane treatment project
Ninghai Economic Development Zone Science and Technology Park Management Center		6,000,000.00	Allocation for infrastructure projects
Total	363,634.00	13,890,906.00	

26. Deferred income

Item	Opening balance	Increase	Decrease	Closing balance
Government grants	79,743,981.00		10,526,581.00	69,217,400.00

Item	Opening balance	Increase	Decrease	Closing balance
Total	79,743,981.00		10,526,581.00	69,217,400.00

(1) Details of government grants

Content of government grants	Amount of government grants	Amount recorded into the current profit and loss	Amount returned in current period	Reason for return in current period
Infrastructure supporting project of Sanmenwan Modern Fishery Park	69,217,400.00			
Total	69,217,400.00			

27. Paid-in capital

Name of investor	Opening balance		Increase	Decrease	Closing balance	
	Investment amount	Proportion (%)			Investment amount	Proportion (%)
Ninghai SASAB	500,000,000.00	100.00	500,000,000.00		1,000,000,000.00	100.00
Total	500,000,000.00	100.00	500,000,000.00		1,000,000,000.00	100.00

28. Capital reserve

Item	Opening balance	Increase	Decrease	Closing balance
Capital premium	2,378,273,370.19			2,378,273,370.19
Other capital reserve	8,415,175,756.90	274,866,896.11		8,690,042,653.01
Total	10,793,449,127.09	274,866,896.11		11,068,316,023.20

Note 1: The increase of capital reserve in the current period was mainly due to the corresponding increase of capital reserve with the amount of RMB 140,302,026.84 recognized from the measurement of the associate, Ninghai Science and Technology Industrial Park Development Co., Ltd. under equity method in accordance with the shareholding ratio.

Note 2: Ninghai Xixi Reservoir Development Co., Ltd. transferred the financial appropriations over the years to the capital reserve with the amount of RMB 134,000,000.00.

29. Surplus reserve

Item	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserve	206,424,774.54	27,539,937.13		233,964,711.67
Total	206,424,774.54	27,539,937.13		233,964,711.67

Note: The increase of surplus reserve was mainly due to the accrual of statutory surplus reserve for the current period.

### 30. Retained earnings

Item	2018	2017
Opening balance of retained earnings	2,335,555,088.82	2,220,411,184.05
Increase for the current period	244,172,475.34	140,644,595.93
Including: Transferred-in from the net profit	244,172,475.34	140,644,595.93
Decrease for the current period	30,683,248.81	25,500,691.16
Including: Accrual of surplus reserve for the current period	27,539,937.13	22,809,902.68
Other decreases	3,143,311.68	2,690,788.48
Closing balance of retained earnings	2,549,044,315.35	2,335,555,088.82

### 31. Operating revenue & Operating costs

Item	2018		2017	
	Revenue	Cost	Revenue	Cost
1. Sub-total of main business	2,188,549,114.38	1,621,423,521.21	1,519,936,336.05	994,534,485.48
Leasing income	78,539,034.65	23,733,771.55	81,044,147.43	28,093,635.80
Income from water and sewage treatment fees	193,035,652.68	133,747,477.37	180,675,404.64	120,663,124.36
Land development income	1,037,388,045.00	694,293,824.10	531,897,870.99	153,581,413.44
Sales revenue from demolition and resettlement housing	775,912,015.09	667,380,953.92	471,777,579.63	470,652,076.88
Sales revenue from limited-price housing	95,545,664.48	101,426,479.81	5,705,194.80	7,081,065.19



Item	2018		2017	
	Revenue	Cost	Revenue	Cost
Transfer of public facilities			243,294,008.44	212,882,257.39
Other	8,128,702.48	841,014.46	5,542,130.12	1,580,912.42
2. Sub-total of other business	200,437,789.46	82,559,873.00	100,272,069.80	51,965,872.43
Pipeline installation business	53,207,650.58	38,960,475.08	62,121,901.51	38,453,812.07
Rental	39,668,096.94	16,172,883.88	25,713,981.33	12,404,630.66
Compensation for demolition of investment property	101,604,776.32	26,672,805.59	12,030,253.00	909,757.10
Other	5,957,265.62	753,708.45	405,933.96	197,672.60
Total	2,388,986,903.84	1,703,983,394.21	1,620,208,405.85	1,046,500,357.91

### 32. Taxes and surcharges

Item	2018	2017
Business tax		324,547.88
Urban maintenance & construction tax	3,833,899.03	2,154,917.97
Educational surcharge	3,657,016.40	2,287,956.80
Property tax	7,166,599.86	5,654,273.74
Land use tax	3,974,337.86	3,327,570.71
Water conservancy construction fund	260.09	10,030.14
Land value-added tax	24,188.30	193,128.24
Stamp duty	2,107,276.35	1,913,648.99
Employment security fund for the disabled	136,752.00	64,520.00
Resource tax		3,760,000.00
Other	60,508.60	5,472.67
Total	20,960,838.49	19,696,067.14

33. Financial costs

Item	2018	2017
Interest income (indicated with “-”)	-23,228,190.26	-47,513,641.65
Interest expense	224,468,634.47	320,923,227.51
Service charge and others	8,818,043.20	22,156,967.69
Total	210,058,487.41	295,566,553.55

34. Impairment loss on assets

Item	2018	2017
Bad debts losses	-8,122,409.83	10,901,442.41
Total	-8,122,409.83	10,901,442.41

35. Other income

(1) Category of other income

Item	2018	2017
Government grants	30,201,447.06	256,959,689.48
Total	30,201,447.06	256,959,689.48

(2) Government grants recorded into the current profit and loss

Item	2018	2017
Affordable housing project		10,000,000.00
Subsidy for the third batch of urban demonstration projects of renewable energy construction application		710,000.00
Ecological forest land rent and maintenance fee subsidy allocated by Ninghai Housing and Urban-Rural Development Bureau	2,205,000.00	2,674,000.00
Market transformation subsidy	2,911,200.00	1,290,000.00
Tax refund		406,885.06
Working capital subsidy	20,520,667.00	240,000,000.00
Special fund subsidy for steady increase and promotion of adjustment		172,800.00

Item	2018	2017
Advanced incentive fund for investment promotion in 2016		50,000.00
Ecological reward fund from Environmental Protection Bureau		50,000.00
Seawall management funds	130,000.00	203,500.00
Market creation and construction subsidy		1,309,470.00
Sewage subsidy	1,000,000.00	
Subsidy fund for demonstration project of renewable energy building application in resettlement housing project	714,500.00	
Traceability system node operation management reward subsidy	358,470.06	
Special fund subsidy income of Provincial Trusted Farmers Market in 2017	180,000.00	
Award for Ninghai zero direct sewage discharge zone in 2017-2018	2,000,000.00	
Subsidy for online monitoring system	155,000.00	
Other	26,610.00	93,034.42
Total	30,201,447.06	256,959,689.48

36. Investment income

Category	2018	2017
Long-term equity investment income under equity method	-3,674,050.65	-12,750,056.49
Gain from disposal of long-term equity investments	-52,448.13	36,137,201.81
Other	-560,000.00	-120,000.00
Total	-4,286,498.78	23,267,145.32

37. Gains from disposal of assets

Item	2018	2017
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Item	2018	2017
Gains from disposal of non-current assets (Loss: “-”)	-78,221.19	
Total	-78,221.19	

38. Non-operating income

Item	2018	2017
Government grants	1,245,558.50	
Penalties and compensations	231,329.85	777,006.00
Payments not required	1,600,000.00	
Stall deposit confiscated	450,841.00	660,862.04
Liquidated damages and overdue fines	250,944.75	
Other	625,752.57	760,847.46
Total	4,404,426.67	2,198,715.50

(1) Details of government grants

Item	2018	2017	Related to asset or income
Rural operation and maintenance appropriation	1,125,939.00		Income
Travel subsidies	77,000.00		Income
Media promotion awards	40,500.00		Income
Other	2,119.50		Income
Total	1,245,558.50		

39. Non-operating expenses

Item	2018	2017
Sponsorship expenses	62,120.40	555,776.40
Penalty expenses	51,000.00	580,794.78
Tax overdue fine expenditures	57,292.29	246,381.12
Loss due to damage and scrap of non-current assets	57,177.16	499,980.78

Item	2018	2017
Inventory-taking loss		14,275.82
Public welfare donation expenditures	885,697.50	
Other	265,113.66	901,161.76
Total	1,378,401.01	2,798,370.66

40. Income tax expenses

Item	2018	2017
Current income tax	23,678,254.35	88,685,335.50
Adjustments of deferred income tax	2,433,554.14	-2,584,547.77
Total	26,111,808.49	86,100,787.73

41. Notes to relevant matters of the consolidated statement of cash flows

(1) Reconciliation between net profits and net cash flow generated from operations

Item	2018	2017
1. Reconciliation between net profit and net cash flows generated from operating activities:		
Net profit	242,004,378.90	226,310,170.81
Add: Impairment provision on assets	-8,122,409.83	10,901,442.41
Depreciation of fixed assets, depletion of oil & gas assets and depreciation of bearer biological assets	131,784,829.93	125,471,485.23
Amortization of intangible assets	7,008,579.01	6,013,766.72
Amortization of long-term deferred expense	4,513,630.44	4,157,591.33
Loss from disposals of fixed assets, intangible asset and other long-term assets (gain: “-”)	-79,859,204.85	-11,106,220.08
Loss from scrapping of fixed assets (gain: “-”)	57,177.16	355,970.83
Loss from changes in fair value (gain: “-”)		
Financial cost (income: “-”)	224,468,634.47	331,923,227.51
Investment loss (gain: “-”)	4,286,498.78	-23,267,145.32
Decrease in deferred tax assets (increase: “-”)	2,433,554.14	-2,584,547.77
Increase in deferred tax liabilities (decrease: “-”)		
Decrease in inventory (increase: “-”)	-602,433,161.56	-582,104,468.66

Item	2018	2017
Decrease in receivables from operating activities (increase: “-”)	-2,130,029,046.89	986,692,655.80
Increase in payables from operating activities (decrease: “-”)	1,084,444,639.22	-2,541,551,810.81
Other		
Net cash flows generated from operating activities	-1,119,441,901.08	-1,468,787,882.00
2. Significant investing and financing activities without involvement of cash receipts and payments		
Debts converted to capital		
Convertible debts mature within one year		
Fixed assets acquired under finance leases		
3. Change of cash and cash equivalents:		
Closing balance of cash	1,123,649,071.50	1,412,231,300.32
Less: Opening balance of cash	1,412,231,300.32	1,658,529,567.80
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
The net increase in cash and cash equivalents	-288,582,228.82	-246,298,267.48

(2) Composition of cash and cash equivalents

Item	Closing balance	Opening balance
I. Cash	1,123,649,071.50	1,412,231,300.32
Including: Cash on hand	9,537.39	13,777.13
Bank deposits available for immediate payments	1,003,639,534.11	1,143,217,523.19
Other monetary funds available for immediate payments	120,000,000.00	269,000,000.00
II. Cash equivalents		
Including: Bonds investment due within three months		
III. Closing balance of cash and cash equivalents	1,123,649,071.50	1,412,231,300.32
Including: Restricted cash and cash equivalents from the parent company or subsidiaries in the Group		

42. Other cash receipts relating to operating activities

Item	2018
Other cash receipts relating to operating activities	6,500,273,683.37
Including: Items with significant amounts	
Ninghai Hengsheng Construction Co., Ltd.	3,392,378,059.26
Ninghai Goudong Enterprise Resettlement Zone Construction Investment Co., Ltd.	815,480,165.17
Ninghai Transportation Group Co., Ltd.	464,000,000.00
Ninghai Fangda City Construction Investment Co., Ltd.	210,000,000.00
Finance Office of Taoyuan Sub-district, Ninghai County	77,000,000.00
Ninghai Haichuang Investment Construction Co., Ltd.	227,034,550.83
Ninghai Xidian Park Construction Co., Ltd.	120,000,000.00
Ninghai Electronic Commerce Co., Ltd.	102,000,000.00
Ninghai Economic Development Zone Science and Technology Park Management Committee	146,291,653.00
Ninghai SASAB	50,000,000.00
Ninghai Xingjian Biological Technology Co., Ltd.	40,000,000.00

(Continued)

Item	2017
Other cash receipts relating to operating activities	7,153,704,581.72
Including: Items with significant amounts	
Ninghai Hengsheng Construction Co., Ltd.	4,306,256,515.00
Ninghai Goudong Enterprise Resettlement Zone Construction Investment Co., Ltd.	1,770,840,000.00
Ninghai Municipal Government House Expropriation Office	11,925,533.01
Ninghai Ninghaiwan Leisure Health Co., Ltd.	80,132,582.20
Ninghai Xingjian Biological Technology Co., Ltd.	20,000,000.00
Ninghai Economic Development Zone Science and Technology Park Management Committee	33,500,000.00
Ninghai Fangda City Construction Investment Co., Ltd.	70,000,000.00
Ninghai Ningxi Ecological Industrial Park Development Co., Ltd.	70,000,000.00
Ninghai Economic Development Zone Science and Technology Park Management Center	30,435,909.64

Item	2017
Ninghai Xidian New City Development Investment Co., Ltd.	118,000,000.00
Ninghai Sanmenwan Modern Agricultural Development and Construction Investment Co., Ltd.	50,000,000.00
Ninghai Guorong Industrial Investment Development Co., Ltd.	98,000,000.00
Government grants received	16,959,689.48

43. Other cash payments relating to operating activities

Item	2018
Other cash payments relating to operating activities	8,016,121,403.69
Including: Items with significant amounts	
Ninghai Yuelong Weimin New Countryside Construction Co., Ltd.	4,283,059,592.92
Ninghai Fangda City Construction Investment Co., Ltd.	1,051,415,591.43
Ninghai Municipal Government House Expropriation Office Collection and Compensation Fund Special Account	523,932,120.35
Ninghai Urban House Demolition Co., Ltd.	371,704,362.00
Ninghai Shunda Urban Construction Development Co., Ltd.	300,000,000.00
Ninghai Yuelong Pengcheng Urban Development and Construction Investment Co., Ltd.	200,000,000.00
Ninghai Commercial Trading Group Co., Ltd.	163,000,000.00
Ninghai Shuangpantu Aquaculture Co., Ltd.	120,000,000.00
Ninghai County Xingning SME Development Promotion Center	200,000,000.00
Ninghai Ninghaiwan Leisure Health Co., Ltd.	148,570,000.00

(Continued)

Item	2017
Other cash payments relating to operating activities	8,126,768,017.55
Including: Items with significant amounts	
Ninghai Yuelong Weimin New Countryside Construction Co., Ltd.	3,667,609,602.64
Ninghai Fangda City Construction Investment Co., Ltd.	200,000,000.00
Ninghai SASAB	1,464,900,000.00
Ninghai County Xingning SME Development Promotion Center	400,000,000.00



Item	2017
Demolition Office of Science and Technology Park in Ninghai Economic Development Zone	16,841,143.00
Ninghai Haichuang Investment Construction Co., Ltd.	369,200,000.00
Ninghai Ninghaiwan Leisure Health Co., Ltd.	88,806,077.58
Ninghai Shuangpantu Aquaculture Co., Ltd.	50,000,000.00
Ninghai Xidian New City Development Investment Co., Ltd.	114,000,000.00
Ninghai Xidian Park Construction Co., Ltd.	50,857,397.14
Ninghai Xidian New City Development Investment Co., Ltd.	22,000,000.00
Ninghai LRC	330,000,000.00
Ninghai County Ningtai Asset Management Center	100,000,000.00
Ninghai Xidian New City Development Investment Co., Ltd.	405,000,000.00
Ninghai Rural Housing Construction Investment Co., Ltd.	90,000,000.00

44. Other cash receipts relating to investing activities

Item	2018	2017
Other cash receipts relating to investing activities	125,866,227.90	12,996,400.00
Including: Special government subsidy for infrastructure supporting projects of Sanmenwan Modern Fishery Park		12,996,400.00
Ninghai Rural Housing Construction Investment Co., Ltd.	70,000,000.00	
Ninghai Xidian Park Construction Co., Ltd.	55,000,000.00	
Project performance bond	866,227.90	

45. Other cash payments relating to investing activities

Item	2018	2017
Other cash payments relating to investing activities	747,467.75	308,358,529.27
Including: Ninghai Housing and Urban-Rural Development Bureau		308,358,529.27
Project performance bond	747,467.75	

46. Other cash receipts relating to financing activities

Item	2018	2017
Other cash receipts relating to financing activities	3,365,990,000.00	2,224,447,414.82
Including: Pledged certificates of deposit	945,800,000.00	1,448,496,000.00
Security deposits	96,670,000.00	13,551,414.82
Finance lease loans	1,020,000,000.00	762,400,000.00
Current accounts of loans	1,303,520,000.00	

47. Other cash payments relating to financing activities

Item	2018	2017
Other cash payments relating to financing activities	3,069,178,089.26	1,105,336,035.67
Including: Pledged certificates of deposit	1,478,500,000.00	751,000,000.00
Security deposits	108,500,000.00	316,770,000.00
Finance lease loans	1,126,780,000.00	37,566,035.67
Current accounts of loans	355,398,089.26	

**X Contingencies**

1. Guarantees

Guarantor	Guaranteed party (borrower)	Balance of guaranteed loans	Current status of the guaranteed party
I. Credit guarantees between companies within the scope of consolidation			
The Company	Ninghai Landscaping Investment Development Co., Ltd.	865,850,000.00	Normal operation
The Company	Ninghai Water Affairs Group Co., Ltd.	776,000,000.00	Normal operation
The Company, Ninghai Water Affairs Group Co., Ltd.	Ninghai Drainage Co., Ltd.	100,000,000.00	Normal operation

Guarantor	Guaranteed party (borrower)	Balance of guaranteed loans	Current status of the guaranteed party
Ninghai Water Affairs Group Co., Ltd.	Ninghai Water Supply Co., Ltd.	30,000,000.00	Normal operation
Ninghai Water Affairs Group Co., Ltd.	The Company	330,000,000.00	Normal operation
Ninghai Asset Management Co., Ltd.	Ninghai Water Supply Co., Ltd.	150,000,000.00	Normal operation
II. Mortgage guarantees between companies within the scope of consolidation			
The Company	Ninghai Water Affairs Group Co., Ltd.	80,000,000.00	Normal operation
III. Guarantees for other companies outside the scope of consolidation			
The Company	Ningbo Southern Coastal Development Zone Urban Construction Investment Co., Ltd.	2,000,000,000.00	Normal operation
The Company	Ninghai Pengkai Construction Co., Ltd.	3,671,000,000.00	Normal operation
The Company	Ninghai Yuelong Weimin New Countryside Construction Co., Ltd.	3,530,000,000.00	Normal operation
The Company	Ningbo Fubang Infrastructure Investment Co., Ltd.	500,000,000.00	Normal operation
The Company	Ninghai Hengsheng Construction Co., Ltd.	1,576,000,000.00	Normal operation
The Company	Ninghai Taoyuan Zhuhai New Countryside Construction Co., Ltd.	380,000,000.00	Normal operation
The Company	Ninghai Xidian Park Construction Co., Ltd.	871,426,800.00	Normal operation
The Company	Ninghai Science and Technology Industrial Park Development Co., Ltd.	612,650,600.00	Normal operation
The Company	Ninghai Ningdong New City Minerals Co., Ltd.	365,000,000.00	Normal operation
The Company	Ninghai Transportation Group Co., Ltd.	250,000,000.00	Normal operation

Guarantor	Guaranteed party (borrower)	Balance of guaranteed loans	Current status of the guaranteed party
The Company	Ninghai Goudong Enterprise Resettlement Zone Construction Investment Co., Ltd.	774,000,000.00	Normal operation
The Company	Ninghai Nanxi Hot Spring Investment Development Co., Ltd.	200,000,000.00	Normal operation
The Company	Ninghai Tourism Group Co., Ltd.	400,000,000.00	Normal operation
The Company	Ninghai Jianlong Urban Development and Construction Investment Co., Ltd.	60,000,000.00	Normal operation
The Company	Ninghai Changjie Asset Management Investment Co., Ltd.	50,000,000.00	Normal operation
The Company	Ninghai Xintan Urban Construction Investment Development Co., Ltd.	75,000,000.00	Normal operation
The Company	Ninghai Lingang Economic Development Co., Ltd.	40,000,000.00	Normal operation
Ninghai Urban Construction Real Estate Development Co., Ltd.	Ninghai Goudong Enterprise Resettlement Zone Construction Investment Co., Ltd.	60,000,000.00	Normal operation
Ninghai Urban Construction Real Estate Development Co., Ltd.	Ninghai Hengsheng Construction Co., Ltd.	400,000,000.00	Normal operation
Ninghai Transportation Industrial Development Co., Ltd.	Ningbo Bohui Highway Maintenance Engineering Co., Ltd.	17,700,000.00	Normal operation
Ninghai Transportation Industrial Development Co., Ltd.	Ninghai Transportation Service Management Co., Ltd.	735,000,000.00	Normal operation
Ninghai Transportation Industrial Development Co., Ltd.	Ninghai Transportation Group Co., Ltd.	182,000,000.00	Normal operation
Ninghai Hot Spring Investment Co., Ltd.	Ninghai Nanxi Hot Spring Investment Development Co., Ltd.	30,000,000.00	Normal operation
Ninghai Hot Spring Investment Co., Ltd.	Ninghai Hot Spring Tourism Development Co., Ltd.	42,000,000.00	Normal operation

Guarantor	Guaranteed party (borrower)	Balance of guaranteed loans	Current status of the guaranteed party
Ninghai New Times Urban Construction Investment Co., Ltd.	Ninghai Taoyuan Zhuhai New Countryside Construction Co., Ltd.	120,000,000.00	Normal operation
Ninghai Landscaping Investment Development Co., Ltd.	Ninghai Hengsheng Construction Co., Ltd.	348,800,000.00	Normal operation
Ninghai Xidian Zixi Real Estate Development Co., Ltd.	Ninghai Xidian Park Construction Co., Ltd.	100,000,000.00	Normal operation
Ninghai Water Affairs Group Co., Ltd.	Ninghai Jingyuan Water Treatment Investment Co., Ltd.	507,000,000.00	Normal operation
Ninghai Water Affairs Group Co., Ltd.	Ninghai Xidian New City Development Investment Co., Ltd.	45,000,000.00	Normal operation
Ninghai Drainage Co., Ltd.	Ninghai Jingyuan Water Treatment Investment Co., Ltd.	390,000,000.00	Normal operation
Ninghai Asset Management Co., Ltd.	Ninghai County Transportation Construction Investment Corporation	200,000,000.00	Normal operation
Ninghai Asset Management Co., Ltd.	Ninghai Logistics Center Co., Ltd.	300,000,000.00	Normal operation
Ninghai Asset Management Co., Ltd.	Ninghai Qiantong Ancient Town Tourism Development Co., Ltd.	50,000,000.00	Normal operation

## **XI Commitments**

As of 31 December 2018, there were no significant commitments that need to be disclosed.

## **XII Non-adjusted events after the balance sheet date**

There were no non-adjusted events after the balance sheet date that need to be disclosed in the reporting period.

## **XIII Other significant events**

### 1. Details of asset pledges and mortgages

(1) Details of pledges of bank deposit certificates or other rights used by the Company for bank borrowings are as follows:

Pledgor	Usage of loan	Guaranteed loan amount (RMB)	Pledge	Net book value of pledge (RMB)
Ninghai New Times Urban Construction Investment Co., Ltd.	Working capital loan	27,000,000.00	Certificate of deposit	30,000,000.00
Ninghai Landscaping Investment Development Co., Ltd.	Working capital loan	80,000,000.00	Certificate of deposit	80,000,000.00
Ninghai Landscaping Investment Development Co., Ltd.	Working capital loan	100,000,000.00	Certificate of deposit	100,000,000.00
Ninghai Landscaping Investment Development Co., Ltd.	Working capital loan	46,580,000.00	Certificate of deposit	48,800,000.00
Ninghai Landscaping Investment Development Co., Ltd.	Purchase of raw materials and other business turnover	95,000,000.00	Structured deposits	100,000,000.00
Ninghai Landscaping Investment Development Co., Ltd.	Working capital loan	28,800,000.00	Certificate of deposit	32,000,000.00
Ninghai Landscaping Investment Development Co., Ltd.	Purchase of building materials	61,500,000.00	Security deposit	65,500,000.00
Ninghai Landscaping Investment Development Co., Ltd.	Purchase of goods	16,150,000.00	Certificate of deposit	17,000,000.00
Ninghai Xidian Zixi Real Estate Development Co., Ltd.	Turnover of working capital	55,000,000.00	Certificate of deposit	55,000,000.00
Ninghai Xidian Zixi Real Estate Development Co., Ltd.	Turnover of working capital	45,000,000.00	Certificate of deposit	45,000,000.00

Pledgor	Usage of loan	Guaranteed loan amount (RMB)	Pledge	Net book value of pledge (RMB)
Ltd.				
Ninghai Xidian Construction Investment Development Co., Ltd.	Turnover of working capital	118,000,000.00	Certificate of deposit	120,000,000.00
Ninghai Xidian Construction Investment Development Co., Ltd.	Turnover of working capital	30,000,000.00	Certificate of deposit	33,000,000.00
Ninghai Transportation Industrial Development Co., Ltd.	Turnover of working capital	20,000,000.00	Certificate of deposit	20,000,000.00
Ninghai Urban Construction Real Estate Development Co., Ltd.	Turnover of working capital	76,000,000.00	Certificate of deposit	77,000,000.00
The Company	Daily production and operation turnover	523,000,000.00	Accounts receivable of resettlement housing sales	1,778,440,000.00
The Company	Short-term loans	195,500,000.00	Certificate of deposit	200,000,000.00
The Company	Loans for fixed assets	50,000,000.00	Certificate of deposit	50,000,000.00
The Company	Short-term working capital loan (payments for goods)	195,500,000.00	Certificate of deposit	200,000,000.00
Ninghai Water Supply Co., Ltd.	Turnover of working capital	19,000,000.00	Certificate of deposit	20,000,000.00
Ninghai Xinghai Water Construction Co., Ltd.	Discount of commercial bills	11,000,000.00	Security deposit	11,000,000.00
Ninghai Water Affairs Group Co., Ltd.	Water supply network project in downtown	21,000,000.00	Accounts receivable: it points out all the rights and benefits under the "Agreement on the Entrusted Agent Construction of Water Supply Pipeline"	21,000,000.00

Pledgor	Usage of loan	Guaranteed loan amount (RMB)	Pledge	Net book value of pledge (RMB)
			Project in the Downtown of Ninghai” legally enjoyed by the pledgor	
Total		1,814,030,000.00		3,103,740,000.00

(2) Details of mortgages of inventory (land assets and attachments), fixed assets and other non-current assets are as follows:

Borrower	Usage of loan	Guaranteed amount (RMB)	Mortgage
The Company	Required to supplement working capital	600,000,000.00	Zhe (2018) Ninghai Real Estate Right No. 0013175
The Company	Working capital loan	250,000,000.00	Zhe (2018) Ninghai Real Estate Right No. 0016019
The Company	Working capital loan	320,300,000.00	23 real estates in Taoyuan Building
The Company	Working capital loan	100,000,000.00	Ning Real Estate Right Certificate Ninghai Zi No. X0123483 Ning Guo Yong (2015) No. 05756 Ning Real Estate Right Certificate Ninghai Zi No. X0123482 Ning Guo Yong (2015) No. 05755
Ninghai Asset Management Co., Ltd.	Ninghai Asset Management Co., Ltd.	45,000,000.00	Zhe Ning Real Estate Right Certificate Ning Fang Hao No. X0011990 Ning Guo Yong 2002 Zi No. 0028293
Ninghai Logistics Co., Ltd.	Working capital loan	300,000,000.00	Ning Real Estate Right Certificate Ninghai Zi No. X0071131 Ning Guo Yong (2004) No. 0045056 Ning Guo Yong (2004) No. 0045057
Ninghai Water Affairs Group Co., Ltd.	Working capital loan	80,000,000.00	Ning Real Estate Right Certificate Ninghai Zi No. X0123003 Ning Guo Yong (2015) No. 05595 Ning Real Estate Right Certificate Ninghai Zi No. X0123002 Ning Guo Yong (2015) No. 05593



Borrower	Usage of loan	Guaranteed amount (RMB)	Mortgage
Ninghai She Pan Tu Ocean Development Co., Ltd.	Infrastructure supporting project of Sanmenwan Modern Fishery Park	40,000,000.00	Ning Real Estate Right Certificate Ninghai Zi No. X0123004 Ning Guo Yong (2015) No. 05594 Ning Real Estate Right Certificate Ninghai Zi No. X0123001 Ning Guo Yong (2015) No. 05596 Ning Real Estate Right Certificate Ninghai Zi No. X0123005 Ning Guo Yong (2015) No. 05598 Ning Guo Yong (2015) No. 05599 Right to use the sea area of the She Pan Tu Culture Pond Breeding Base
Ninghai She Pan Tu Ocean Development Co., Ltd.	Project construction	50,000,000.00	Guo Hai Certificate No. 033300550 Use Right of the Sea Area

#### XVI Related party relationships and transactions

##### 1. The parent company of the Company

Name of the parent company	Type of enterprise	Registration address	Nature of business	Contributed capital (RMB'0,000)	The parent company's shareholding	The parent company's voting right
Ninghai SASAB	Administrative unit	Ninghai	Urban construction, investment and development	100,000.00	100.00%	100.00%

2. Information of secondary subsidiaries of the Company

Name	Registration address	Unified social credit code	Nature of business	Registered capital (RMB'0,000)	The Company's total shareholding ratio	The Company's total voting rights ratio
Ninghai New Times Urban Construction Investment Co., Ltd.	Ninghai	913302266810744423	Urban construction investment and development, old village demolition and reconstruction and property management services	17,000.00	100.00%	100.00%
Ninghai Hot Spring Investment Co., Ltd.	Ninghai	91330226577531201G	Investment in the development of tourist attractions and industrial investment	3,300.00	60.00%	60.00%
Ninghai Landscaping Investment Development Co., Ltd.	Ninghai	91330226736994984G	Investment, equity participation; flower, tree planting, landscaping project construction and green space maintenance	1,990.00	100.00%	100.00%
Ninghai She Pan Tu Ocean Development Co., Ltd.	Ninghai	913302267532806257	Tidal flat reclamation, agricultural development and mariculture	8,000.00	97.50%	97.50%
Ninghai Water Affairs Group Co., Ltd.	Ninghai	91330226761488725H	Investment, equity participation, operation and management, technical consultation and technical service of water production, water supply, drainage and sewage treatment facilities; centralized water supply	6,000.00	100.00%	100.00%
Ninghai Urban Construction Real Estate Development Co., Ltd.	Ninghai	91330226684253454B	Real estate development and operation, industrial investment and property management	20,000.00	100.00%	100.00%

Name	Registration address	Unified social credit code	Nature of business	Registered capital (RMB'0,000)	The Company's total shareholding ratio	The Company's total voting rights ratio
Ninghai Asset Management Co., Ltd.	Ninghai	91330226704831371T	State-owned assets operation, management and investment	3,500.00	100.00%	100.00%
Ninghai Xidian Construction Investment Development Co., Ltd.	Ninghai	913302265705271039	Urban construction project investment, real estate development, operation, etc.	10,000.00	100.00%	100.00%
Ninghai Transportation Industrial Development Co., Ltd.	Ninghai	91330226704894348H	Investment, development and construction of roads, bridges, tunnels and other transportation infrastructure	10,000.00	100.00%	100.00%
Ninghai Xinsha Construction Investment Development Co., Ltd.	Ninghai	91330226691391388P	Investment, development and operation of construction projects, investment and equity participation in old village reconstruction and urban construction related projects	2,000.00	100.00%	100.00%
Ninghai Investment Property Management Co., Ltd.	Ninghai	91330226MA282GM456	Entrusted operation and management of state-owned assets of the Company	1,000.00	100.00%	100.00%

### 3. Information about the Company's joint ventures and associates

Information about the Company's joint ventures and associates refer to Note IX 8.

### 4. The nature of related party relationships that do not have a controlling relationship

Name	Relationship with the Company
Ninghai Chengguan Asset Management Co., Ltd.	Entrusted management
Ninghai County Chengguan Town Industrial Corporation	Entrusted management

Note: In 2003, in accordance with "Notice on Printing and Distributing Opinions on the Division of Assets, Liabilities and Equity after Adjustment of Administrative Division of Chengguan Town" (Ning Zheng Fa [2003] No. 36) issued by Ninghai Municipal Government, all assets of Ninghai Chengguan Asset Management Co., Ltd. and Ninghai County Chengguan Town Industrial Corporation were entrusted to be managed and supervised by the subsidiary of the Company, Ninghai Asset Management Co., Ltd., which did not obtain the usufruct.

### 5. Related party transactions

#### ① Sales of goods or rendering of services

There were no significant sales of goods or rendering of services to related parties in the reporting period.

#### ② Purchase of goods or services

There were no significant purchases of goods or services from related parties in the reporting period.

#### ③ Unsettled project funds

There were no significant unsettled project funds in the reporting period.

### 6. Current accounts with related parties

#### (1) Balance of receivables or payables due from / to related parties

Item	Closing balance	Opening balance
Other receivables:		
Ninghai SASAB	1,291,221,686.26	1,255,221,686.26
Ninghai Goudong Enterprise Resettlement Zone Construction Investment Co., Ltd.	50,776,805.56	95,386,805.56

Item	Closing balance	Opening balance
Ninghai Science and Technology Industrial Park Development Co., Ltd.	5,000,000.00	
Other payables:		
Ninghai Goudong Enterprise Resettlement Zone Construction Investment Co., Ltd.	704,051,660.35	939,987,086.61
Ninghai Science and Technology Industrial Park Development Co., Ltd.	6,447,567.48	
Ninghai Chengguan Asset Management Co., Ltd.	2,000,000.00	2,000,000.00

#### XV Explanation of non-monetary asset exchange and debt restructuring

There were no significant non-monetary asset exchange and debt restructuring in the reporting period.

#### XVI Notes to the financial statements of the parent company

##### 1. Other receivables

Item	Closing balance	Opening balance
Interests receivable		
Dividends receivables		
Other receivables	3,004,373,218.02	1,450,971,009.50
Total	3,004,373,218.02	1,450,971,009.50

##### (1) Other receivables disclosed by category

Category	Closing balance				Net amount
	Amount	Proportion (%)	Bad debt provision	Provision (%)	
Other receivables that are individually significant in amount and provided for bad debt separately					
Other receivables provided for bad debt according to the portfolio					

Category	Closing balance				
	Amount	Proportion (%)	Bad debt provision	Provision (%)	Net amount
Including: Portfolio 1	2,880,491,520.76	95.67			2,880,491,520.76
Portfolio 2	130,401,786.59	4.33	6,520,089.33	5.00	123,881,697.26
Sub-total	3,010,893,307.35	100.00	6,520,089.33	0.22	3,004,373,218.02
Other receivables that are individually insignificant in amount but provided for bad debt separately					
Total	3,010,893,307.35	100.00	6,520,089.33	0.22	3,004,373,218.02

(Continued)

Category	Opening balance				
	Amount	Proportion (%)	Bad debt provision	Provision (%)	Net amount
Other receivables that are individually significant in amount and provided for bad debt separately					
Other receivables provided for bad debt according to the portfolio					
Including: Portfolio 1	1,175,442,623.77	80.21			1,175,442,623.77
Portfolio 2	290,029,879.72	19.79	14,501,493.99	5.00	275,528,385.73
Sub-total	1,465,472,503.49	100.00	14,501,493.99	0.99	1,450,971,009.50
Other receivables that are individually insignificant in amount but provided for bad debt separately					
Total	1,465,472,503.49	100.00	14,501,493.99	0.99	1,450,971,009.50

2. Long-term equity investment

(1) The category of long-term equity investment

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
I. Subsidiaries	944,079,596.82		944,079,596.82	939,371,542.27		939,371,542.27
II. Associates	1,277,468,921.20		1,277,468,921.20	1,601,632,557.18		1,601,632,557.18
Total	2,221,548,518.02		2,221,548,518.02	2,541,004,099.45		2,541,004,099.45

(2) Details of long-term equity investment

Investee	Opening balance	Changes in the current period				Closing balance
		Increase of investment	Decrease of investment	Investment income / loss under equity method	Other changes in equity	
I. Subsidiaries						
Ninghai Urban Construction Real Estate Development Co., Ltd.	200,000,000.00					200,000,000.00
Ninghai Landscaping Investment Development Co., Ltd.	19,900,000.00					19,900,000.00
Ninghai Investment Property Management Co., Ltd.	10,000,000.00					10,000,000.00

Investee	Opening balance	Changes in the current period				Closing balance
		Increase of investment	Decrease of investment	Investment income / loss under equity method	Other changes in equity	
Ninghai Transportation Industrial Development Co., Ltd.	209,241,496.81					209,241,496.81
Ninghai Water Affairs Group Co., Ltd.	45,000,000.00	14,029,619.90				59,029,619.90
Ninghai Asset Management Co., Ltd.	146,108,480.11					146,108,480.11
Ninghai New Times Urban Construction Investment Co., Ltd.	170,000,000.00					170,000,000.00
Ninghai Xixi Reservoir Development Co., Ltd.	10,000,000.00					10,000,000.00
Ninghai She Pan Tu Ocean Development Co., Ltd.	78,000,000.00					78,000,000.00
Ninghai Property Rights Exchange Center Co., Ltd.	2,000,000.00					2,000,000.00
Ninghai Xinsha Construction Investment Development Co., Ltd.	20,000,000.00					20,000,000.00
Ningbo Yuelong Economic Development Co., Ltd.	9,321,565.35		9,321,565.35			0.00
Ninghai Hot Spring Investment	19,800,000.00					19,800,000.00



Investee	Opening balance	Changes in the current period				Closing balance
		Increase of investment	Decrease of investment	Investment income / loss under equity method	Other changes in equity	
Co., Ltd.	939,371,542.27	14,029,619.90	9,321,565.35			944,079,596.82
Sub-total	1,561,729,135.59		474,580,734.83	-6,184,197.08	137,425,361.84	1,218,389,565.52
II. Associates						
Ninghai Science and Technology Industrial Park Development Co., Ltd.	6,433,830.50			-1,409,327.19		5,024,503.31
Ninghai Goudong Enterprise Resettlement Zone Construction Investment Co., Ltd.	4,860,096.52			87,427.69	400,000.00	5,347,524.21
Ninghai Natural Gas Co., Ltd.	8,606,472.21			20,179.64		8,626,651.85
Ningbo Tiejhan Municipal Construction Co., Ltd.	20,003,022.36	20,000,000.00		77,653.95		40,080,676.31
Sub-total	1,601,632,557.18	20,000,000.00	474,580,734.83	-7,408,262.99	137,825,361.84	1,277,468,921.20
Total	2,541,004,099.45	34,029,619.90	483,902,300.18	-7,408,262.99	137,825,361.84	2,221,548,518.02

### 3. Operating revenue & Operating costs

Item	2018		2017	
	Revenue	Cost	Revenue	Cost
Sub-total of main business	998,746,182.02	583,198,682.77	576,790,270.86	523,170,220.90
Sales revenue from demolition and resettlement housing	219,503,959.02	146,970,310.50	376,750,270.86	384,482,163.57
Revenue from land transfer	779,242,223.00	436,228,372.27	200,040,000.00	138,688,057.33
Sub-total of other business	19,539,018.26	1,565,315.52	10,720,440.53	1,565,315.52
Housing rent	14,377,946.82	1,565,315.52	10,720,440.53	1,565,315.52
Other	5,161,071.44			
Total	1,018,285,200.28	584,763,998.29	587,510,711.39	524,735,536.42

### 4. Investment income

Category	2018	2017
Long-term equity investment income under equity method	-7,408,262.99	49,245,798.24
Gain from disposal of long-term equity investments	14,361,529.43	-4,142,636.51
Other	-560,000.00	-120,000.00
Total	6,393,266.44	44,983,161.73

### 5. Schedule of statement of cash flows

Item	2018	2017
1. Reconciliation between net profit and net cash flows generated from operating activities:		
Net profit	275,399,371.33	166,672,557.26
Add: Impairment provision on assets	-3,966,855.16	11,651,934.73
Depreciation of fixed assets, depletion of oil & gas assets and depreciation of bearer	2,455,480.23	2,468,854.64

Item	2018	2017
biological assets		
Amortization of intangible assets	268,474.96	278,449.87
Amortization of long-term deferred expense		
Loss from disposals of fixed assets, intangible asset and other long-term assets (gain: “-”)	6,630.49	10,842.08
Loss from scrapping of fixed assets (gain: “-”)		
Loss from changes in fair value (gain: “-”)		
Financial cost (income: “-”)	153,573,582.88	106,108,698.43
Investment loss (gain: “-”)	-6,393,266.44	16,443,307.83
Decrease in deferred tax assets (increase: “-”)	1,250,100.53	-2,912,983.68
Increase in deferred tax liabilities (decrease: “-”)		
Decrease in inventory (increase: “-”)	-984,600,723.44	-219,322,347.56
Decrease in receivables from operating activities (increase: “-”)	-1,118,800,416.53	3,251,205,543.47
Increase in payables from operating activities (decrease: “-”)	277,715,198.56	-4,619,214,316.08
Other		
Net cash flows generated from operating activities	-1,403,092,422.59	-1,286,609,459.01
2. Significant investing and financing activities without involvement of cash receipts and payments		
Debts converted to capital		
Convertible debts mature within one year		
3. Change of cash and cash equivalent:		
Closing balance of cash	455,395,561.78	246,057,806.46
Less: Opening balance of cash	246,057,806.46	368,288,778.29
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
The net increase in cash and cash equivalents	209,337,755.32	-122,230,971.83

(2) Composition of cash and cash equivalents

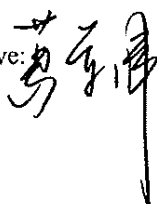
Item	Closing balance	Opening balance
I. Cash	455,395,561.78	246,057,806.46
Including: Cash on hand	225.06	237.10
Bank deposits available for immediate payments	455,395,336.72	246,057,569.36
Other monetary funds available for immediate payments		
II. Cash equivalents		
Including: Bonds investment due within three months		
III. Closing balance of cash and cash equivalents	455,395,561.78	246,057,806.46
Including: Restricted cash and cash equivalents		


#### XIV Other significant events that need to be explained


In the current period, Ninghai Technology Innovation Group Co., Ltd. signed an equity transfer agreement with the Company, which agreed to purchase 21.75% equity of Ninghai Science and Technology Industrial Park Development Co., Ltd. held by the Company at a price of RMB 490,061,714.33. After the transfer, the remaining shareholding ratio of Ninghai Science and Technology Industrial Park Development Co., Ltd. held by the Company is 48.25%, and the Company has significant influence on it. The registration of equity change was handled on 26 December 2018. The specific effects of the comparative financial statements are as follows:

Reason for effects	Reporting items affected of the parent company's financial statements for the comparative period	Cumulative affected amounts	Reporting items affected of the consolidated financial statements for the comparative period	Cumulative affected amounts
Where the investor loses control over the investee due to the disposal of part of the equity investment or other reasons, and when preparing individual financial statements, if the remaining equity after	① Investment income	61,426,469.56		
	② Long-term equity investment	34,342,862.56		
	③ Capital reserve	-361,792,154.86		
	④ Surplus reserve	6,142,646.95	① Surplus reserve	6,142,646.95

Reason for effects	Reporting items affected of the parent company's financial statements for the comparative period	Cumulative affected amounts	Reporting items affected of the consolidated financial statements for the comparative period	Cumulative affected amounts
disposal can exercise joint control or exert significant influence on the investee, it shall be measured under equity method instead. The remaining equity shall be deemed to be measured under equity method as acquired.	⑤ Retained earnings	389,992,370.47	② Retained earnings	-6,142,646.95

Legal Representative: 

Chief Financial Officer: 

Chief Accountant: 

## ISSUER

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