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PUBLICATION OF OFFERING CIRCULAR

YANCHENG HIGH-TECH ZONE INVESTMENT GROUP CO., LTD. (鹽城高新區投資集團有限公司)

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

**U.S.\$100,000,000 2.0 per cent. Credit Enhanced Bonds due 2025 (the “Bonds”)
(Stock Code: 4313)**

**with the benefit of an irrevocable Standby Letter of Credit issued by
Bank of Shanghai Co., Ltd, Nanjing Branch**

Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners
Fosun Hani AMC Wanhai Securities BOSC International

Joint Lead Managers and Joint Bookrunners

**Shanghai Pudong Wilson Securities Industrial Bank Co., Ltd. China Credit International
Development Bank Hong Kong Branch Securities Co., Limited
Hong Kong Branch**

This announcement is issued pursuant to Rule 37.39A of the Listing Rules. Reference is made to the notice of the listing of the Bonds on The Stock Exchange of Hong Kong Limited dated 10 January 2022, the Bonds as described in the Offering Circular dated 5 January 2022 (appended herewith) are issued to professional investors (as defined in Chapter 37 of the Listing Rules) (the “Professional Investors”) only.

Notice to Hong Kong Investors: Yancheng High-tech Zone Investment Group Co., Ltd. (the “Issuer”) confirms that the Bonds are intended for purchase by Professional Investors only and have been listed on The Stock Exchange of Hong Kong Limited on that basis. Accordingly, the Issuer confirms that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

Hong Kong, 11 January 2022

As at the date of this announcement, the directors of Yancheng High-tech Zone Investment Group Co., Ltd. are Xu Jingen, Liu Liankuan, Qi Siming, Le Feng, Chen Xu, Guo Jing and Chen Chaorong.

IMPORTANT NOTICE

NOT FOR DISTRIBUTION DIRECTLY OR INDIRECTLY IN OR INTO THE UNITED STATES

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the offering circular (the “Offering Circular”) attached to this e-mail. You are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information as a result of such access. You acknowledge that the access to the Offering Circular is intended for use by you only and you agree you will not forward or otherwise provide access to any other person.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

THE BONDS (AS DEFINED IN THE OFFERING CIRCULAR) 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 STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE BONDS MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THIS OFFERING IS MADE SOLELY IN OFFSHORE TRANSACTIONS PURSUANT TO REGULATION S UNDER THE SECURITIES ACT.

THE OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON, ELECTRONICALLY OR OTHERWISE, AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY ADDRESS IN THE UNITED STATES. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of Your Representation: You have accessed the attached document on the basis that you have represented to the Issuer (as defined in the Offering Circular), Fosun Hani Securities Limited (“Fosun Hani”), AMC Wanhai Securities Limited (“AMC Wanhai”), BOSC International Company Limited (“BOSC International”), Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch (“Shanghai Pudong Development Bank Hong Kong Branch”), Wilson Securities Limited (“Wilson Securities”), Industrial Bank Co., Ltd. Hong Kong Branch (“Industrial Bank Co., Ltd. Hong Kong Branch”) and China Credit International Securities Co., Limited (“China Credit International Securities Co., Limited”, together with Fosun Hani, AMC Wanhai, BOSC International, Shanghai Pudong Development Bank Hong Kong Branch, Wilson Securities and Industrial Bank Co., Ltd. Hong Kong Branch, the “Joint Lead Managers”) that: (1) you and any customers you represent are not in the United States, (2) the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, (3) you consent to delivery of this document and any amendments or supplements by electronic transmission, and (4) to the extent you purchase the Bonds, you will be doing so in an offshore transaction as defined in regulations under the Securities Act in compliance with Regulation S thereunder.

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

The communication of the attached document and any other document or materials relating to the issue of the Bonds offered hereby is not being made, and such documents and/or materials have not been approved, by an authorised person for the purposes of section 21 of the United Kingdom’s Financial Services and Markets Act 2000, as amended. Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom falling within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Financial Promotion Order”), or within Article 49(2)(a) to (d) of the Financial Promotion Order, or to any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as “relevant persons”). In the United Kingdom, the Bonds offered hereby are only available to, and any investment or investment activity to which the attached document relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on the attached document or any of its contents.

The Offering Circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently neither the Issuer, the Joint Lead Managers, the Trustee (as defined herein), the Agents (as defined herein) nor any of their affiliates, directors, officers, employees, representatives, agents, advisers and each person who controls any of them accepts any liability or responsibility whatsoever in respect of any such alteration or change to the Offering Circular distributed to you in electronic format or any difference between the Offering Circular distributed to you in electronic format and the hard copy version.

Restrictions: The Offering Circular is being furnished in connection with an offering in offshore transactions outside the United States in compliance with Regulation S under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the Bonds.

Nothing in this electronic transmission constitutes, and may not be used in connection with, an offer or an invitation by or on behalf of any of the Issuer or the Joint Lead Managers to subscribe or purchase any of the Bonds, in any place where offers or solicitations are not permitted by law and access has been limited so that it shall not constitute in the United States or elsewhere directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and any Joint Lead Manager or any affiliate of a Joint Lead Manager is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Joint Lead Manager or such affiliate on behalf of the Issuer in such jurisdiction. Any Bonds to be issued in respect thereof will not be registered under the Securities Act and may not be offered or sold in the United States unless registered under the Securities Act or pursuant to an exemption from such registration. Access has been limited so that it shall not constitute a general solicitation in the United States or elsewhere. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the Bonds.

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

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

OFFERING CIRCULAR

YANCHENG HIGH-TECH ZONE INVESTMENT GROUP CO., LTD.

(鹽城高新區投資集團有限公司)

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

U.S.\$100,000,000 2.0 per cent. Credit Enhanced Bonds due 2025

with the benefit of an irrevocable Standby Letter of Credit
issued by Bank of Shanghai Co., Ltd, Nanjing Branch

Issue Price: 100.0 per cent.

The 2.0 per cent. credit enhanced bonds in the aggregate principal amount of U.S.\$100,000,000 (the "Bonds") will be issued by Yancheng High-tech Zone Investment Group Co., Ltd. (the "Issuer"), a company incorporated under the laws of the People's Republic of China.

The Bonds will bear interest on their outstanding principal amount from and including 10 January 2022 (the "Issue Date") at the rate of 2.0 per cent. per annum, and such interest will be payable semi-annually in arrear in equal instalments on 10 January and 10 July in each year (each an "Interest Payment Date"), commencing on 10 July 2022. Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 10 January 2025.

The Bonds will have the benefit of an irrevocable standby letter of credit (the "Standby Letter of Credit") denominated in USD and issued by Bank of Shanghai Co., Ltd, Nanjing Branch (the "LC Bank"). See "Appendix A — Form of Irrevocable Standby Letter of Credit" for the form of the Standby Letter of Credit.

The Bonds will constitute direct, unsubordinated, unconditional and (subject to Condition 5(f) of the terms and conditions of the Bonds (the "Terms and Conditions of the Bonds" and each a "Condition")) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable laws and regulations and subject to Condition 5(f) of the Terms and Conditions of the Bonds, at all times rank at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations.

All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without set-off, counterclaim, withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the People's Republic of China (the "PRC") or any political subdivision or any authority therein or thereof having power to tax, unless such set-off, counterclaim, withholding or deduction is required by law, to the extent described in "Terms and Conditions of the Bonds — Taxation".

The Issuer has made an application for the pre-issuance registration (the "Pre-Issuance Registration") in relation to the Bonds with the National Development and Reform Commission (the "NDRC") in accordance with the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Corporates (Fa Gai Wai Zi [2015] No. 2044) (the "NDRC Notice") (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) issued by the NDRC and effective as of 14 September 2015. The Issuer has received an Enterprise Foreign Debt Filing Registration Certificate dated 29 April 2021 from the NDRC in connection with the Pre-Issuance Registration. Pursuant to the requirements of the NDRC Notice, the Issuer will within 10 PRC Business Days (as defined in the Terms and Conditions of the Bonds) after the Issue Date be required to file or cause to be filed with the NDRC the requisite information and documents (the "NDRC Post-issuance Filing").

The Issuer shall (i) submit or cause to be submitted an application for the registration of the Bonds with the State Administration of Foreign Exchange of the PRC or its local branch ("SAFE") in accordance with, and within the time period prescribed by, the Administrative Measures for Foreign Debt Registration (《外債登記管理辦法》) and the Notice on Nationwide Implementation of the Macropudential Management Policy of Overall Cross-border Financing (《中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知》) issued by the People's Bank of China on 12 January 2017 and which came into effect on the same date (the "SAFE Registration"); and (ii) use its best endeavours to complete the SAFE Registration and obtain a registration record from SAFE on or before the Registration Deadline (as defined in the Terms and Conditions of the Bonds). The Issuer also undertakes that it will comply with all applicable PRC laws and regulations in relation to the Bonds.

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 10 January 2025 (the "Maturity Date"). The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, at 100 per cent. of their principal amount (together with any interest accrued up to (but not including) the date fixed for redemption) in the event of certain changes affecting taxes of the PRC. See "Terms and Conditions of the Bonds — Redemption and Purchase — Redemption for Taxation Reasons". Following the occurrence of a Change of Control or a No Registration Event (each as defined in the Terms and Conditions of the Bonds), the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all, but not some only, of such holder's Bonds on the Put Settlement Date (as defined in the Terms and Conditions of the Bonds) at 100 per cent. of their principal amount, together in each case with accrued interest up to (but excluding) the Put Settlement Date. See "Terms and Conditions of the Bonds — Redemption and Purchase — Redemption for a Relevant Event".

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

The Bonds will not be rated.

Investing in the Bonds involves risks. See "Risk Factors" beginning on page 20 for a discussion of certain factors to be considered in connection with an investment in the Bonds. Investors should be aware that the risks in relation to the bonds structure with a letter of credit supported by the LC Bank and that there are various other risks relating to the Bonds, the Issuer and its respective subsidiaries and the LC Bank, their business and their jurisdictions of operations which investors should familiarise themselves with before making an investment in the Bonds.

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

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

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

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

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

Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners

Fosun Hani

AMC Wanhai Securities

BOSC International

Joint Lead Managers and Joint Bookrunners

Shanghai Pudong

Wilson Securities

Industrial Bank Co., Ltd.

China Credit International

Development Bank

Hong Kong Branch

Securities Co., Limited

Hong Kong Branch

Offering Circular dated 5 January 2022

IMPORTANT NOTICE

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Hong Kong Exchanges and Clearing Limited and Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular. 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 Issuer or the Group or the Bonds or the quality of disclosure in this Offering Circular. Investors are advised to read and understand the contents of this Offering Circular. If in doubt, investors should consult their advisers before investing.

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 Group. The Issuer 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. The Issuer also confirms the following: (i) this Offering Circular contains all information with respect to the Issuer, the Group, the LC Bank, the Standby Letter of Credit and the Bonds which is material in the context of the issue and offering of the Bonds (including all information required by applicable laws and all information which, according to the particular nature of the Issuer, the Group, the LC Bank, the Standby Letter of Credit and of the Bonds, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the LC Bank and the Group and of the rights attaching to the Standby Letter of Credit and the Bonds); (ii) the statements contained in this Offering Circular are true and accurate in all material respects and not misleading in any material respect and there are no other facts in relation to the Issuer, the Group, the LC Bank, the Standby Letter of Credit and the Bonds the omission of which would in the context of the issue of the Bonds make any statement in this Offering Circular misleading in any material respect; (iii) the statements of intention, belief or expectation and opinion contained in this Offering Circular, with regard to the Issuer and the Group, are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements in this Offering Circular; (v) this

Offering Circular does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; (vi) the statistical, industry and market-related data and forward looking statements, as well as the statements relating to the LC Bank, each of which are included in this Offering Circular, are based on or derived or extracted from sources which the Issuer believes to be accurate and reliable in all material respect; and (vii) the information relating to the LC Bank included in this Offering Circular are derived accurately from or extracted from sources which the Issuer believes to be accurate and reliable in all material respects; the Issuer has exercised reasonable care in compiling and reproducing such information relating to the LC Bank, and has caused such information to be reviewed by the LC Bank.

This Offering Circular has been prepared by the Issuer solely for use in connection with the proposed offering of the Bonds and the giving of the Standby Letter of Credit described in this Offering Circular. The distribution of this Offering Circular, the offering of the Bonds and the giving of the Standby Letter of Credit in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, Fosun Hani Securities Limited (“**Fosun Hani**”), AMC Wanhai Securities Limited (“**AMC Wanhai**”), BOSC International Company Limited (“**BOSC International**”), Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch (“**Shanghai Pudong Development Bank Hong Kong Branch**”), Wilson Securities Limited (“**Wilson Securities**”), Industrial Bank Co., Ltd. Hong Kong Branch (“**Industrial Bank Co., Ltd. Hong Kong Branch**”) and China Credit International Securities Co., Limited (“**China Credit International Securities Co., Limited**”, together with Fosun Hani, AMC Wanhai, BOSC International, Shanghai Pudong Development Bank Hong Kong Branch, Wilson Securities and Industrial Bank Co., Ltd. Hong Kong Branch, the “**Joint Lead Managers**”) to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds and the giving of the Standby Letter of Credit or the possession or distribution of this Offering Circular or any offering or publicity material relating to the Bonds in any jurisdiction where such action is prohibited by law would be required for such purposes. There are restrictions on the offer and sale of the Bonds, the LC Bank giving the Standby Letter of Credit 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 PRC government (including the Municipal Government of Yancheng (as defined below)) 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. Any reference to government support in this Offering Circular shall not be read as indication that financial support will be given in respect of the Issuer’s obligations under the Bonds. See “*Risk Factors — Risks relating to the Bonds — the PRC government (including the Municipal Government of Yancheng) has no obligation to pay any amount under the Bonds.*”

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

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 Group, the Bonds or the Standby Letter of Credit, 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 Joint Lead Managers, the Trustee or the Agents (each as defined in the Terms and Conditions of the Bonds) or any of their respective affiliates, directors, officers, employees, agents, advisers, representatives or any person who controls any of them. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Group or the LC Bank 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 Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, advisers, representatives or any person who controls any of them to subscribe for or purchase any of the Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

This Offering Circular is being furnished by the Issuer 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. 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.

The communication of this Offering Circular and any other document or materials relating to the issue of the Bonds offered hereby is not being made, and such documents and/or materials have not been approved, by an authorised person for the purposes of section 21 of the United Kingdom’s Financial Services and Markets Act 2000, as amended. Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in

the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom falling within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “**Financial Promotion Order**”), or within Article 49(2)(a) to (d) of the Financial Promotion Order, or to any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as “**relevant persons**”). In the United Kingdom, the Bonds offered hereby are only available to, and any investment or investment activity to which this Offering Circular relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this Offering Circular or any of its contents.

No representation or warranty, express or implied, is made or given by the Joint Lead Managers, the LC Bank, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, advisers, representatives 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 Standby Letter of Credit 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 LC Bank, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, advisers, representatives or any person who controls any of them. The Joint Lead Managers, the LC Bank, the Trustee and the Agents and any of their respective affiliates, directors, officers, employees, agents, advisers, representatives 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. Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the LC Bank, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, advisers, representatives or any person who controls any of them in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Issuer and the Group and the merits and risks involved in investing in the Bonds. See “*Risk Factors*” for a discussion of certain factors to be considered in connection with an investment in the Bonds.

To the fullest extent permitted by law, none of the Joint Lead Managers, the LC Bank, the Trustee, the Agents or any of their respective affiliates, directors, officers, employees, agents, advisers, representatives 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 Group, the issue and offering of the Bonds or the giving of the Standby Letter of Credit. Each of the Joint Lead Managers, the LC Bank, the Trustee, the Agents and their respective affiliates, directors, officers, employees, agents, advisers, representatives 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 LC Bank, the Trustee, the Agents or any of their respective affiliates, directors, officers, employees, agents, advisers, representatives or any person who controls any of them, undertakes to review the

financial condition or affairs of the Issuer 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 the Joint Lead Managers, the LC Bank, the Trustee, or the Agents or their respective affiliates, directors, officers, employees, agents, advisers, representatives or any person who controls any of them.

This Offering Circular should not be considered as a recommendation by any of the Issuer, the LC Bank, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, advisers, representatives or any person who controls any of them that any recipient of this Offering Circular should purchase the Bonds. Each potential purchaser of the Bonds should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Bonds should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

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

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.

Listing of the Bonds on the Hong Kong Stock Exchange is not to be taken as an indication of the merits of the Issuer, the Group, the LC Bank or the Bonds. In making an investment decision, investors must rely on their own examination of the Issuer, the Group, the LC Bank and the terms of the offering of the Bonds, including the merits and risks involved. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Bonds. The Issuer, the Joint Lead Managers, the LC Bank, the Trustee and the Agents and their respective affiliates, directors, officers, advisers, employees, agents, representatives or any person who controls any of them 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 LC Bank, the Trustee, the Agents or any of their respective affiliates, directors, officers, advisers, employees, agents, representatives or any person who controls any of them in connection with its investigation of the accuracy of such information or its investment decision.

IN CONNECTION WITH THE ISSUE OF THE BONDS, ANY OF THE JOINT LEAD MANAGERS ACTING AS A STABILISATION COORDINATOR (the “STABILISATION COORDINATOR”) (OR PERSONS ACTING ON BEHALF OF A STABILISATION COORDINATOR) MAY OVER-ALLOT BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISATION COORDINATOR (OR PERSONS ACTING ON BEHALF OF A STABILISATION COORDINATOR) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISATION COORDINATOR (OR PERSONS ACTING ON BEHALF OF A STABILISATION COORDINATOR) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

INDUSTRY AND MARKET DATA

The contents of this Offering Circular have not been reviewed by any regulatory authority in any jurisdiction. 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.

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

PRESENTATION OF FINANCIAL INFORMATION AND OTHER DATA

This Offering Circular contains the audited consolidated financial information of the Issuer as at and for the years ended 2018, 2019 and 2020, which have derived from the Issuer's audited consolidated financial statements for the years ended 31 December 2019 and 2020 (the "**Audited Consolidated Financial Statements**"). The Audited Consolidated Financial Statements have been audited by Zhongxinghua Certified Public Accountants LLP ("**Zhongxinghua**"). The Audited Consolidated Financial Statements were prepared and presented in accordance with the Accounting Standards for Business Enterprises in China ("**PRC GAAP**").

The Issuer has not prepared its financial statements or consolidated financial statements, as the case may be, in accordance with International Financial Reporting Standards ("**IFRS**"). PRC GAAP differs in certain respects from IFRS. See "*Description of Certain Differences Between PRC GAAP and IFRS*".

The Audited Consolidated Financial Statements have been prepared in Chinese only and an English translation of such financial statements (collectively, the "**Financial Statements Translation**") has been prepared and included in this Offering Circular for reference only. None of the Joint Lead Managers or their respective affiliates, directors, officers, employees, advisers or representatives have 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.

FINANCIAL INFORMATION OF THE LC BANK

Copies of the published audited consolidated financial statements and unaudited but reviewed consolidated financial statements of Bank of Shanghai Co., Ltd (the "**Bank**"), as well as its public filings, can be downloaded free of charge from the websites of the Bank and the Shanghai Stock Exchange (the "**SSE**") at www.bosc.cn/en/AnnualReport/ and www.sse.com.cn, respectively. The audited consolidated financial statements and unaudited but reviewed consolidated financial statements of the Bank are not included in and do not form part of this Offering Circular. The information contained on the websites of the Bank and SSE is subject to change from time to time. No representation is made by the Issuer, the Joint Lead Managers, the Trustee, the Agents, the Bank, the LC Bank or any of their respective affiliates, directors, officers, employees, representatives, agents, advisers or any person who controls any of them and none of the Issuer, the Joint Lead Managers, the Trustee, the Agents, the Bank, the LC Bank or any of their respective affiliates, directors, officers, employees, representatives, agents, advisers or any person who controls any of them takes any responsibility for any information contained on websites of the Bank and SSE.

ROUNDING

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, figures shown as totals in certain table may not be an arithmetic aggregation of the figures which precede them. References to information in billions of units are to the equivalent of a thousand million units.

CERTAIN DEFINITIONS AND CONVENTIONS

Unless the context otherwise requires, references to “2018”, “2019” and “2020” in this Offering Circular means the Group’s financial years ended 31 December 2018, 2019 and 2020, respectively.

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

- “**China**” or the “**PRC**” refer to the People’s Republic of China, excluding, for purposes of this Offering Circular only, Taiwan, the Hong Kong Special Administrative Region of the People’s Republic of China and the Macau Special Administrative Region of the People’s Republic of China;
- “**CNY**”, “**RMB**” or “**Renminbi**” refer to the legal currency of the PRC;
- “**Hong Kong**” refer to Hong Kong Special Administrative Region of the People’s Republic of China;
- “**Issuer**” refer to Yancheng High-Tech Zone Investment Group Co., Ltd. (鹽城高新區投資集團有限公司);
- “**MOFCOM**” refer to the Ministry of Commerce of the People’s Republic of China;
- “**mu**” refer to a standard unit of area for land in China. 1 mu=0.6666 hectares or 0.1647 acres;
- “**Municipal Government of Yancheng**” refer the People’s Government of Yancheng Municipality (鹽城市人民政府);
- “**NDRC**” refer to the National Development and Reform Commission of the People’s Republic of China;
- “**PBOC**” refer to the People’s Bank of China, the central bank of the People’s Republic of China;

- “**PRC GAAP**” refer to the generally accepted accounting principles in the People’s Republic of China;
- the “**PRC government**” refer to the central government of China 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**” refer to the State Administration of Foreign Exchange of the People’s Republic of China or its competent local counterpart;
- “**SASAC**” refer to the State-owned Assets Supervision and Administration Commission of the People’s Republic of China;
- “**SAT**” refer to the State Administration of Taxation of the People’s Republic of China;
- “**SOE**” refer to state-owned enterprises;
- “**USD**”, “**US\$**”, “**U.S.\$**” or “**U.S. dollars**” refer to the legal currency of the United States.

The Issuer records and publishes its financial statements in Renminbi. Unless otherwise stated in this Offering Circular, all translations from Renminbi into U.S. dollars were made at the rate of RMB6.5250 to USD1.00, being the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on 31 December 2020. All such translations in this Offering Circular are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars, or vice versa, at any particular rate, or at all. For further information relating to the exchange rates, see “*Exchange Rate Information*”.

Unless specified otherwise, references in this Offering Circular to, and financial and other information presented with respect to, the Group are to such information of the Issuer compiled on a consolidated basis.

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.

FORWARD-LOOKING STATEMENTS

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

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

The factors that could cause the Group’s actual results, performance and achievements of to be materially different include, among others:

- the Group’s business and operating strategies;
- the Group’s capital commitment and development plans;
- the amount and nature of, and potential for, future development of the Group’s business;
- various business opportunities that the Group may pursue;
- the regulatory environment of the industries in which the Group operates;
- changes in political, economic, legal and social conditions, in particular in the PRC, including the specific policies of the PRC central and local governments affecting the regions where the Group operates;
- the prospective financial condition and performance regarding the Group’s businesses;

- availability and costs of financing;
- changes in competitive conditions and the Group's ability to compete under these conditions;
- the Group's ability to obtain additional capital on acceptable terms;
- reduction or discontinuance of the government subsidies and other government grants or the mismatch in terms of timing of the availability of the government fiscal support and that of the Group's cash flow requirement; and
- other risks identified in "*Risk Factors*" in this Offering Circular.

The Issuer undertakes no obligation to update or revise publicly any of the opinions or forward-looking statements expressed in this Offering Circular as a result of any new information, future events or otherwise.

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SUMMARY

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

OVERVIEW

The Group is a key infrastructure construction and state-owned capital operation platform within the Yancheng High-tech Zone, a national-level high-tech industry development zone with a total land area of approximately 173 sq. km. located within Yancheng City, Jiangsu Province, the PRC. Positioned north of the Yangtze River Delta and bordering the Yellow Sea, Yancheng City is the largest city in Jiangsu Province and has experienced rapid social and economic growth in recent years which in turn led to strong growth and development of the Yancheng High-tech Zone. Leveraging the development of the Yancheng High-tech Zone in recent years, the Group has established itself as a leading state-owned company in the Yancheng High-tech Zone and plays an important role in the development of Yancheng High-tech Zone.

The Group has a diversified business portfolio and is primarily engaged in various business operations in Yancheng City including infrastructure construction, primary land development, property leasing and management and material trading. In addition, the Group also carries out other operations including provision of guarantees and greening and landscape engineering.

The Group’s principal business segments are as follows:

- **Infrastructure Construction**

The Group engages in infrastructure construction operations and it is one of the primary businesses operated by the Group since its establishment. The Group is entrusted by the Administrative Committee to undertake constructions of municipal roads and bridges, water conservancy facilities and public and social welfare facilities within the Yancheng High-tech Zone. The Group also provides financing for constructions of municipal public facilities in Yancheng City. The Group undertakes infrastructure construction projects primarily through the Issuer and one of its subsidiaries, namely, Yancheng Yongheng Investment Development Co., Ltd. (鹽城詠恒投資發展有限公司) (“**Yancheng Yongheng Investment**”).

- **Primary Land Development**

The Group is commissioned by the Administrative Committee to conduct primary land development in Yancheng City. As at 31 December 2020, the Group has completed the development of 39 plots of land with a total area of approximately 8,203.2 mu. The Group conducts its primary land development business primarily through Yancheng Yongheng Investment.

- **Property Leasing and Management**

The Group engages in the construction, operation, management and leasing of office buildings, factories and other rental properties within the Yancheng High-tech Zone. Some of the primary sites that the Group operates for its property management and leasing businesses include the research and development building, the cultural industrial park, the wind power industrial park, the agricultural products processing park and the park for Korean-owned automobile parts. As at 31 December 2020, the Group operated and managed leasable properties with a total area of approximately 1.2 million square metres. The Group conducts its property leasing and management business primarily through the Issuer and one of its subsidiaries, namely, Yancheng Yongheng Property Management Co., Ltd. (鹽城詠恒物業管理有限公司) (“**Yancheng Yongheng Property**”).

- **Material Trading**

The Group has been gradually expanding its material trading operations in recent years in support of the rapid development and construction of the Yancheng High-tech Zone. The Group mainly procures materials such as coal, steel and metal from upstream suppliers and make sales of such materials to downstream companies and contractors. The Group’s material trading business is primarily operated by its subsidiaries, Yancheng Lizhiyong Trading Co., Ltd. (鹽城利之詠貿易有限公司) (“**Yancheng Lizhiyong Trading**”) and Yancheng Ruiyang Technology Co., Ltd. (鹽城瑞陽科技有限公司) (“**Yancheng Ruiyang Technology**”).

COMPETITIVE STRENGTHS

The Group believes that the following strengths are important to its success and future development:

- Strong growth potential benefiting from local economic growth;
- Leading market position in the Yancheng High-tech Zone;
- Strong support from the Municipal Government of Yancheng;
- Close cooperation ties with financial institutions;

- Prudent financial structure; and
- Experienced management team and extensive experience in infrastructure construction.

BUSINESS STRATEGIES

The Group intends to focus on the following strategies:

- Continue to focus on infrastructure construction and primary land development in Yancheng City;
- Continue to diversify the Group's businesses and to increase investment in businesses that synergies with the Group's core businesses;
- Strengthen management and internal control systems;
- Adhere to prudent financial policy with stringent risk control;
- Explore new and alternative financing channels; and
- Continue to build a professional management team.

RECENT DEVELOPMENT

Interim Financial Results of the Group for the Nine Months Ended 30 September 2021

On 29 October 2021, the Group published its financial statements as at and for the nine months ended 30 September 2021 (the “**2021 Q3 Interim Financial Statements**”) on the website of the Shanghai Clearing House. The 2021 Q3 Interim Financial Statements have not been audited or reviewed by the independent auditors of the Group, or any other independent accountants, and may be subject to adjustments if audited and reviewed. The financial information in the 2021 Q3 Interim Financial Statements may differ from future audited or reviewed information and the 2021 Q3 Interim Financial Statements 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 or review. The 2021 Q3 Interim Financial Statements should not be taken as an indication of the expected financial condition or results of operations of the Group for the full financial year ending 31 December 2021. The 2021 Q3 Interim Financial Statements have not been included in, and do not constitute part of, this Offering Circular.

As at 30 September 2021, as compared to the financial information as at 31 December 2020, the Group's notes receivable decreased primarily due to a decrease in the Group's notes business. The Group's other non-current assets decreased primarily due to a decrease in the balance amount of the Group's wealth management products. The Group's non-current liabilities maturing within one

year increased primarily due to an increase in the Group's outstanding debt maturing within one year. The Group's bonds payable increased primarily due to an increase in the bond issuance by the Group. The Group's long-term payables increased primarily due to the expansion of the Group's trust leasing business.

For the nine months ended 30 September 2021, as compared to the same period in the preceding year, the Group experienced increases in operating expenses and business taxes and surtaxes primarily due to the expansion of the Group's business. The Groups experienced decrease in interest income primarily due to a decrease in the Group's borrowings to other parties.

THE OFFERING

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

Issuer	Yancheng High-tech Zone Investment Group Co., Ltd. (鹽城高新區投資集團有限公司).
Legal Identification Code	3003006NFIDFWJUUOT29.
LC Bank	Bank of Shanghai Co., Ltd, Nanjing Branch.
The Bonds	U.S.\$100,000,000 2.0 per cent. credit enhanced Bonds due 2025.
Issue Price	The Bonds will be issued at 100.0 per cent. of their principal amount.
Form and Denomination	The Bonds will be issued in registered form in the specified denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.
Issue Date	10 January 2022.
Interest	The Bonds will bear interest on their outstanding principal amount from and including the Issue Date at the rate of 2.0 per cent. per annum, payable semi-annually in arrear in equal instalments of U.S.\$10.00 per Calculation Amount on 10 January and 10 July in each year commencing on 10 July 2022.
Maturity Date	10 January 2025.

Standby Letter of Credit The Bonds will have the benefit of the Standby Letter of Credit issued in favour of the Trustee, on behalf of itself and the holders of the Bonds, by the LC Bank. The Standby Letter of Credit shall be drawable by the Trustee as beneficiary under the Standby Letter of Credit on behalf of itself and the holders of the Bonds upon the presentation of a demand by authenticated SWIFT (or otherwise permitted under the Standby Letter of Credit) sent by or on behalf of the Trustee to the LC Bank in accordance with the Standby Letter of Credit (the “**Demand**”) stating that (i) the Issuer has failed to comply with Condition 4(b) (*Pre-funding*) in relation to pre-funding the amount that is required to be pre-funded under the Terms and Conditions of the Bonds and/or has failed to provide the Required Confirmations (as defined in Condition 4(b)(ii)) in accordance with Condition 4(b) (*Pre-funding*); or (ii) an Event of Default (as defined in Condition 10 (*Events of Default*)) has occurred and the Trustee has given notice to the Issuer that the Bonds are immediately due and payable in accordance with Condition 10 (*Events of Default*).

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

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

The LC Bank’s aggregate liability under the Standby Letter of Credit shall be expressed and payable in U.S. dollars and shall not in any circumstances exceed U.S.\$102,400,000. The Standby Letter of Credit takes effect from the Issue Date and expires at 5:00 p.m. (Hong Kong time) on 10 February 2025 (the “**Expiry Date**”).

See “*Terms and Conditions of the Bonds — Standby Letter of Credit — Standby Letter of Credit*”, and “*Appendix A — Form of Irrevocable Standby Letter of Credit*”.

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

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

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

- (A) as soon as reasonably practicable notify the LC Bank and the LC Proceeds Account Bank by facsimile or by SWIFT of the occurrence of the Pre-funding Failure; and
- (B) prior to 6:00 p.m. (Hong Kong time) on the second Business Day following the Pre-funding Date, (x) give notice substantially in the form set out in the Trust Deed (the “**Pre-funding Failure Notice**”) to the Bondholders of (I) the Pre-funding Failure and (II) the redemption of the Bonds in accordance with Condition 7(d) (*Mandatory Redemption upon Pre-funding Failure*) to occur as a result of the Pre-funding Failure; and (y) issue a Demand to the LC Bank for the principal amount in respect of all the Bonds then outstanding, together with interest accrued to but excluding the Mandatory Redemption Date (as defined in Condition 7(d) (*Mandatory Redemption upon Pre-funding Failure*)) and all fees, expenses and all other amounts payable by the Issuer under or in connection with the Bonds, the Trust Deed, the Agency Agreement, provided that, subject to and in accordance with the Standby Letter of Credit, the Trustee need not physically present the Demand under the Standby Letter of Credit to the LC Bank and shall be entitled to submit the Demand by authenticated SWIFT (or, in certain limited circumstances set out in the Standby Letter of Credit, by way of such other means as permitted under the Standby Letter of Credit) to the LC Bank.

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

See “*Terms and Conditions of the Bonds — Standby Letter of Credit — Pre-funding*” and “*Appendix A — Form of Irrevocable Standby Letter of Credit*”.

Status of the Bonds The Bonds will constitute direct, unconditional, unsubordinated and (subject to Condition 5(f) (*Negative Pledge*)) unsecured obligations of the Issuer and shall at all times rank pari passu and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable laws and regulations and subject to Condition 5(f) (*Negative Pledge*), at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

Use of Proceeds See “*Use of Proceeds*”.

Events of Default The Bonds will contain certain events of default as further described in Condition 10 (*Events of Default*).

Cross-Default The Bonds are subject to a cross-default provision in respect of present or future indebtedness for or in respect of moneys borrowed or any guarantee and/or indemnity thereof of the Issuer or of any of its Subsidiaries (as defined in the Terms and Conditions of the Bonds) in aggregate equals or exceeds U.S.\$15,000,000 or its equivalent in any other currency. See Condition 10(a)(iii) (*Cross-Default*).

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

Where such withholding or deduction is made by or within the PRC at a rate of up to and including the aggregate rate applicable on 5 January 2022 (the “**Applicable Rate**”), the Issuer will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

If the Issuer is required to make a deduction or withholding by or within the PRC in excess of the Applicable Rate, the Issuer shall pay such additional amounts (“**Additional Tax Amounts**”) as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Bond in the circumstances set out in Condition 9 (*Taxation*).

Final Redemption. Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Maturity Date.

Redemption for a Relevant Event . Following the occurrence of a Relevant Event, the Holder of any Bond will have the right, at such Bondholder’s option, to require the Issuer to redeem all, but not some only, of such Bondholder’s Bonds on the Put Settlement Date at 100 per cent. of their principal amount, together in each case with accrued interest up to (but excluding) the Put Settlement Date, as further described in Condition 7(c) (*Redemption for a Relevant Event*).

Redemption for Taxation Reasons. The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (which shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent, at 100 per cent. of their principal amount (together with any interest accrued to (but not including) the date fixed for redemption) if, immediately prior to the giving of such notice, the Issuer satisfies the Trustee that:

- (A) the Issuer has or will become obliged to pay Additional Tax Amounts as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of, or the stating of an official position with respect to, such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 5 January 2022; and
- (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due, as further described in Condition 7(b) (*Redemption for Taxation Reasons*).

Mandatory Redemption upon Pre-funding Failure

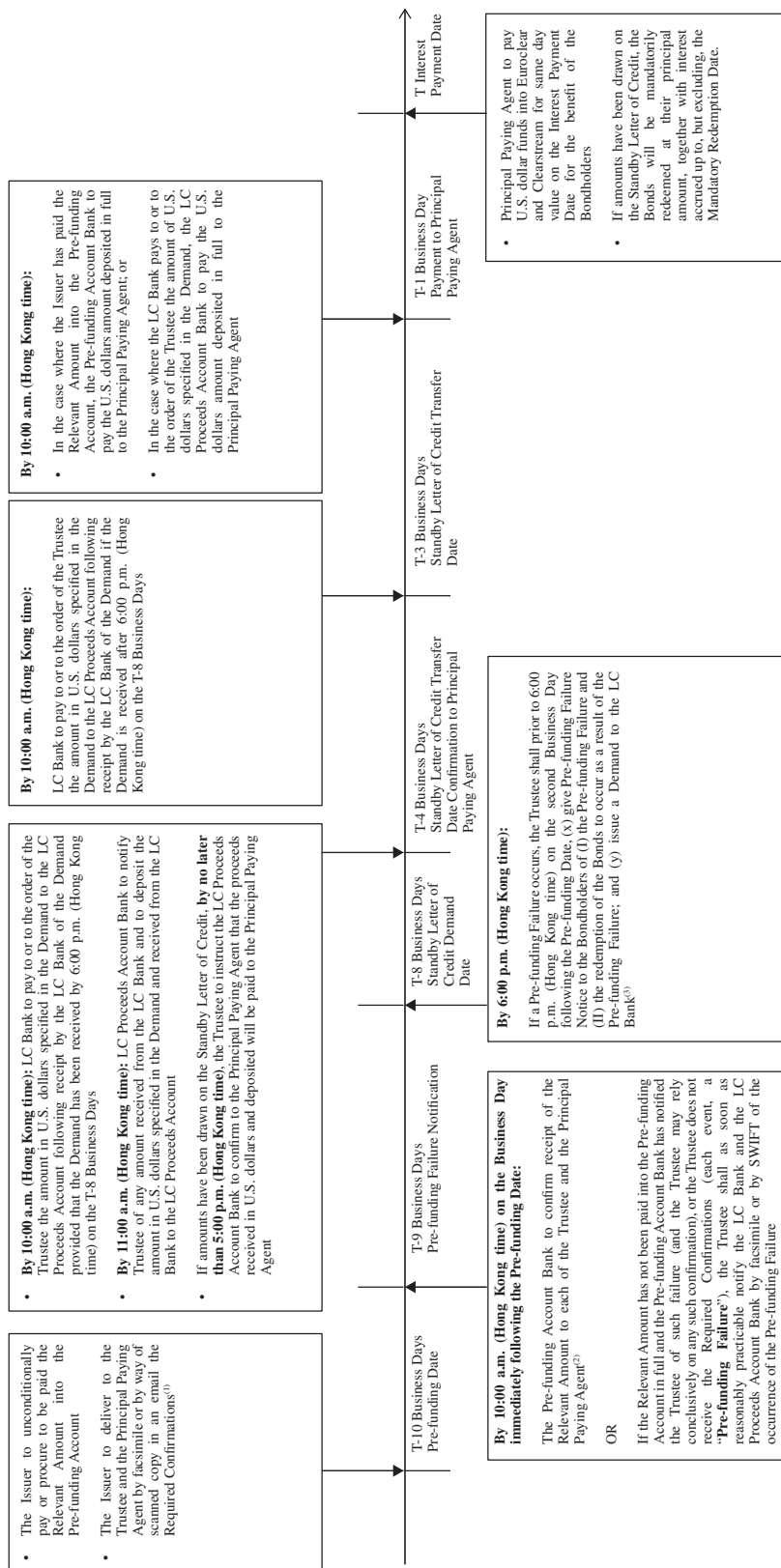
The Bonds shall be redeemed at their principal amount on the Interest Payment Date immediately falling after the date the Pre-funding Failure Notice is given to the Bondholders in accordance with Condition 4(b) (*Pre-funding*) (the “**Mandatory Redemption Date**”), together with interest accrued up to, but excluding, the Mandatory Redemption Date, as further described in Condition 7(d) (*Mandatory Redemption upon Pre-funding Failure*).

Further Issues	The Issuer will be at liberty from time to time without the consent of the Bondholders and in accordance with the Trust Deed to create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects save for the first payment of interest on them and the timing for complying with the Registration Conditions) and so that the same shall be consolidated and form a single series with the outstanding Bonds. However, such further securities may only be issued if a further or supplemental or replacement standby letter of credit is issued by the LC Bank (or an amendment is made to the Standby Letter of Credit) on terms that are substantially similar to the Standby Letter of Credit (including that the stated amount of such further or supplemental standby letter of credit represents an increase at least equal to the principal of and interest payment due on such further bonds and any fees, costs, expenses, indemnity payments and all other amounts in connection with such issue (subject to a cap (if any) as agreed between the Issuer and the Trustee)); and such supplemental documents are executed and further opinions are obtained as the Trustee may require, as further set out in the Trust Deed. See “ <i>Terms and Conditions of the Bonds — Further Issues</i> ”.
Trustee	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司).
Registrar, Principal Paying Agent and Transfer Agent.	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司).
LC Proceeds Account Bank and Pre-funding Account Bank.	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司).

Clearing Systems	The Bonds will be represented initially by beneficial interests in the Global Certificate, which will be registered in the name of a nominee of, and deposited on the Issue Date with, a common depository for Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described in this Information Memorandum, certificates for the Bonds will not be issued in exchange for beneficial interests in the Global Certificate.
Clearance and Settlement	The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code 242350391 and the International Securities Identification Number (“ ISIN ”) for the Bonds is XS2423503916.
Notices and Payment	So long as the Bonds are evidenced by the Global Certificate and the Global Certificate is held on behalf of Euroclear and Clearstream, any notice to the holders of the Bonds 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 the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.
Governing Law	English law.
Listing	Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds on the Hong Kong Stock Exchange by way of debt issues to Professional Investors only and it is expected that dealing in, and listing of, the Bonds on the Hong Kong Stock Exchange will commence on 11 January 2022.

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

The following diagram sets forth a summary of the pre-funding arrangements under the Bonds and the drawing arrangements in respect of the Standby Letter of Credit on each scheduled due date under the Bonds. The following diagram is not intended to be comprehensive. This diagram should be read in conjunction with Terms and Conditions of the Bonds, the Trust Deed, the Agency Agreement and “Appendix A — Form of Irrevocable Standby Letter of Credit”. Words and expressions defined in the Terms and Conditions of the Bonds shall have the same meaning in this summary.



Notes:

- (1) The Required Confirmations consist of: (x) a Payment and Solvency Certificate signed by any Authorised Signatory; and (y) a copy of the irrevocable payment instruction from the Issuer to the Pre-funding Account Bank requesting the Pre-funding Account Bank to pay the Relevant Amount which was paid into the Pre-funding Account on the Pre-funding Date in full to the Principal Paying Agent by no later than 10:00 a.m. (Hong Kong time) on the Business Day immediately preceding the due date for such payment.
- (2) The confirmation from the Pre-funding Account Bank to each of the Trustee and the Principal Paying Agent shall be by way of authenticated SWIFT or such other means of communication as the Principal Paying Agent or the Trustee may in its discretion agree with the Pre-funding Account Bank.
- (3) The Trustee need not physically present the Demand under the Standby Letter of Credit to the LC Bank and shall be entitled to submit the Demand by authenticated SWIFT (or, in certain limited circumstances set out in the Standby Letter of Credit, by way of such other means as permitted under the Standby Letter of Credit) to the LC Bank.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

The summary audited consolidated financial information of the Issuer as at and for the years ended 31 December 2018, 2019 and 2020, as set out below, has been derived from and should be read in conjunction with the Audited Consolidated Financial Statements. The Audited Consolidated Financial Statements were prepared and presented in accordance with PRC GAAP and have been audited by Zhongxinghua.

The Audited Consolidated Financial Statements have been prepared in Chinese only and the Financial Statements Translation has been prepared and included in this Offering Circular for reference only. None of the Joint Lead Managers or their respective affiliates, directors, employees and advisers has 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.

PRC GAAP differs in certain respects from IFRS. See “Description of Certain Differences between PRC GAAP and IFRS”.

SUMMARY CONSOLIDATED BALANCE SHEET DATA

	As at 31 December			
	2018	2019	2020	
	(RMB)	(RMB)	(RMB)	(US\$)
				(unaudited)
	(in millions)			
Current asset:				
Currency funds	12,752.6	10,463.3	14,553.5	2,230.4
Financial assets at fair value through profit or loss	40.0	—	71.0	10.9
Notes receivable	22.2	57.5	403.5	61.8
Accounts receivable	1,006.1	394.9	427.0	65.4
Prepayments	1,569.2	978.6	1,523.4	233.5
Other receivables	9,337.8	12,014.1	11,674.1	1,789.1
Inventories	13,759.1	16,535.2	22,359.0	3,426.7
Other current assets	574.3	2,699.0	2,168.7	332.4
Total current assets	39,061.3	43,142.7	53,180.0	8,150.2

	As at 31 December			
	2018	2019	2020	
	(RMB)	(RMB)	(RMB)	(US\$)
				(unaudited)
	(in millions)			
Non-current assets:				
Available-for-sale financial assets	1,678.4	1,129.0	2,322.3	355.9
Long-term receivables	—	—	1,628.4	249.6
Long-term equity investments	696.6	783.9	1,113.0	170.6
Investment properties	5,648.5	5,742.5	7,056.7	1,081.5
Fixed assets	224.5	754.6	819.0	125.5
Construction in progress	1,164.0	2,008.4	2,270.3	347.9
Intangible assets	150.3	160.9	105.9	16.2
Long-term prepaid expenses	5.9	7.0	7.0	1.1
Deferred tax assets	12.6	24.5	30.9	4.7
Other non-current assets	268.0	148.0	580.3	88.9
Total non-current assets	9,848.8	10,758.8	15,933.8	2,442.0
Total assets	48,910.1	53,901.6	69,113.9	10,592.2
Current liabilities:				
Short-term borrowings	1,358.0	2,126.3	4,455.0	682.8
Notes payable	1,298.0	1,262.4	1,060.1	162.5
Accounts payable	1,603.7	746.7	465.6	71.4
Advances from customers	58.4	13.9	34.7	5.3
Employee benefits payable	0.2	0.0	0.0	0.0
Taxes and dues payable	408.8	579.6	729.2	111.8
Other payables	805.7	745.7	1,028.6	157.6
Non-current liabilities maturing within one year	6,260.1	8,293.2	8,771.4	1,344.3
Other current liabilities	1,374.7	1,099.5	—	—
Total current liabilities	13,167.6	14,867.3	16,544.6	2,535.6
Non-current liabilities:				
Long-term borrowings	12,394.1	10,801.4	14,912.6	2,285.5
Bonds payable	3,100.0	7,242.4	12,292.6	1,883.9
Long-term payables	3,442.3	2,902.7	3,012.1	461.6
Deferred income	—	—	3.1	0.5
Deferred tax liabilities	345.5	352.7	602.8	92.4
Total non-current liabilities	19,282.0	21,299.1	30,823.2	4,723.9
Total liabilities	32,449.6	36,166.5	47,367.8	7,259.4

	As at 31 December			
	2018	2019	2020	
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>	<i>(US\$)</i> (unaudited)
	(in millions)			
Owners' equity				
Paid-in capital	2,680.0	2,680.0	2,680.0	410.7
Capital reserves	7,634.6	8,590.7	9,911.6	1,519.0
Other comprehensive income	776.3	776.3	1,480.8	226.9
Surplus reserves	4.9	9.1	22.6	3.5
Undistributed profits	1,810.6	2,201.7	2,659.9	407.6
Total owner's equity attributable to				
the parent company	12,906.4	14,257.8	16,754.9	2,567.8
Minority interests	3,554.2	3,477.3	4,991.3	764.9
Total owners' equity	16,460.6	17,735.1	21,746.1	3,332.7
Total liabilities and owners' equity . .	48,910.1	53,901.6	69,113.9	10,592.2

SUMMARY CONSOLIDATED INCOME STATEMENT DATA

	For the year ended 31 December			
	2018	2019	2020	
	(RMB)	(RMB)	(RMB)	(US\$)
	(in millions)			
	(unaudited)			
Total operating revenue	1,500.7	2,082.5	2,386.2	365.7
Revenue from main operations	1,500.7	2,082.5	2,386.2	365.7
Total operating costs	(1,300.1)	(1,848.2)	(2,084.8)	(319.5)
Operating expenses	(1,101.9)	(1,518.4)	(1,726.8)	(264.6)
Business taxes and surtaxes	(58.7)	(70.7)	(60.1)	(9.2)
Selling expenses	—	(1.7)	(1.6)	(0.2)
General and administrative expenses . .	(97.9)	(114.1)	(143.3)	(22.0)
Financial expenses	(57.6)	(97.7)	(153.0)	(23.5)
Including: Interest expenses	(136.8)	(203.6)	(184.4)	(28.3)
Interest income	113.0	143.6	100.8	15.4
Asset impairment losses	16.1	(45.6)	(25.5)	(3.9)
Other income	163.0	254.6	266.0	40.8
Investment income	31.2	47.4	28.4	4.4
Including: Income from investments in associates and joint ventures	29.6	27.8	25.3	3.9
Gains from changes in fair value	21.7	28.8	60.9	9.3
Gains from disposal of assets	(0.6)	(1.9)	15.4	2.4
Operating profits	415.9	563.2	646.5	99.1
Non-operating income	1.1	2.7	6.8	1.0
Non-operating expenses	(6.2)	(28.7)	(12.7)	(1.9)
Total profits	410.8	537.1	640.7	98.2
Income tax expenses	(87.9)	(140.3)	(169.3)	(25.9)
Net profits	322.9	396.8	471.4	72.2
Minority shareholders' gains/losses . . .	(0.1)	1.5	(0.3)	0.0
Net profits attributable to owners of the parent company	323.0	395.3	471.6	72.3
Total comprehensive income	840.5	396.8	1,175.8	180.2
Total comprehensive income attributable to owners of the parent company	840.6	395.3	1,176.1	180.2
Total comprehensive income attributable to minority shareholders	(0.1)	1.5	(0.3)	0.0

SUMMARY CASH FLOW STATEMENT DATA

	For the year ended 31 December			
	2018	2019	2020	
	(RMB)	(RMB)	(RMB)	(US\$)
	(in millions)			
	(unaudited)			
Net cash flows from operating activities	1,499.7	(1,810.0)	(518.9)	(79.5)
Net cash flows from investing activities	(1,887.4)	(2,710.3)	(5,702.7)	(874.0)
Net cash provided by financing activities	1,912.8	1,479.0	7,255.7	1,112.0
Effect of foreign exchange rate changes on cash and cash equivalents.	—	—	—	—
Net increase in cash and cash equivalents	1,525.1	(3,041.3)	1,034.0	158.5
Beginning balance of cash and cash equivalents.	5,946.8	7,471.9	4,430.6	679.0
Ending balance of cash and cash equivalents	7,471.9	4,430.6	5,464.7	837.5

RISK FACTORS

Prior to making any investment decision, prospective investors should consider carefully all of the information contained in this Offering Circular, including the risks and uncertainties described below. The business, financial condition or results of operations of the Group could be materially and adversely affected by any of these risks. The Issuer believes that the risk factors described below represent the principal risks inherent in investing in the Bonds, but the ability of the Issuer to pay interests, principal or other amounts on or in connection with any Bonds may be affected by some factors that may not be considered as significant risks by the Issuer or the Group on information currently available to them or which they are currently unable to anticipate. Additional risks and uncertainties not presently known to the Group or which the Group currently deems immaterial may also have an adverse effect on an investment in the Bonds. All of these factors are contingencies which may or may not occur and the Group is not in a position to express a view on the likelihood of any such contingency occurring.

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

RISKS RELATING TO THE GROUP'S BUSINESS

The Group's business, financial condition, results of operations and prospects are heavily dependent on the level of economic development in Yancheng City, Jiangsu Province and the PRC.

The Group's business and assets are highly concentrated in Yancheng City, Jiangsu Province, focusing mainly on infrastructure construction, primary land development, property leasing and management and material trading businesses. Therefore, its business, financial condition, results of operations and prospects have been and will continue to be heavily dependent on the level of economic development in Yancheng City and the PRC in general. The PRC's economy has experienced rapid growth in the past 40 years; however, there has been a slowdown in the growth rate since the second half of 2013. According to the National Statistics Bureau of the PRC, the annual growth rate of the PRC's GDP slowed down from 12.3 per cent. in 2013 to 2.3 per cent. in 2020. During the same period, the annual growth rate of GDP in Yancheng City slowed down from 3.9 per cent. to 3.5 per cent. In particular, the outbreak of the novel coronavirus disease ("COVID-19") has adversely affected, and may continue to adversely affect, the level of economic development in Yancheng City and the PRC. See also "*— The Group's business may be affected by natural disasters, epidemics and other acts of God, including the recent COVID-19 pandemic*".

There is no assurance that the level of economic development in Yancheng City will continue to grow at the rates seen in previous years. Any further slowdown in the economic development in Yancheng City may affect their development plans, which may in turn decrease the demand for the Group's business and adversely affect the Group's business, financial condition, results of operations and prospects, given that the Group's business and prospects depend, to a large extent, upon the public spending on urban development and construction in Yancheng City.

The Issuer is a state-owned enterprise wholly owned by the Yancheng Municipal People's Government (鹽城市人民政府) (the "**Municipal Government of Yancheng**"). The Group is tasked to implement infrastructure construction plans of the Yancheng High-tech Zone Administrative Committee (鹽城市高新區管理委員會) ("**Administrative Committee**"), which is an organ of the Municipal Government of Yancheng, in the Yancheng High-tech Zone. The Group's business and prospects are affected by the budget and spending of the Administrative Committee on such projects. For example, the infrastructure construction business conducted by the Group is generally relating to infrastructure construction projects commissioned by the Administrative Committee and other government agencies in Yancheng, where construction services are provided according to the agreements between the Group and the Administrative Committee or the relevant government agencies, with the commissions being subject to the approval by the relevant government agency. There are many factors affecting the amount, timing and priority of the budget and spending of the Municipal Government of Yancheng on infrastructure construction projects, such as national and regional policies on the development of different industries as well as fiscal and monetary policies. Government budget and spending are also affected by government revenue, which in turn is affected by the general economic conditions. Any slowdown in the economic growth in the PRC or, in particular, Yancheng City may adversely affect the fiscal condition and revenue of the Administrative Committee, which may in turn cause the Administrative Committee to reduce its budget and spending on infrastructure construction projects. In such case, the Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

PRC regulations on the administration of local government debt may have a material adverse effect on the Group's financing and business models.

The PRC Government has in recent years issued multiple regulations intended to restrict the ability of local governments to use state-owned enterprises to incur debt that should be directly incurred by government bodies. These regulations include the Opinion of the State Council on Enhancing the Administration of Fiscal Debts of Local Governments (Guo Fa [2014] No. 43) (國務院關於加強地方政府性債務管理的意見(國發[2014]43號)) ("**Circular 43**") released on 21 September 2014, the Circular on Further Regulating the Debt Financing Activities of Local Governments (Cai Yu [2017] No. 50) (關於進一步規範地方政府舉債融資行為的通知(財預[2017]50號)) ("**Circular 50**") jointly issued by the MOF, the NDRC, the Ministry of Justice of the PRC, the PBOC, the China Banking Regulatory Commission (subsequently reorganised into the China Banking and Insurance Regulatory Commission) and the China Securities Regulatory Commission on 26 April 2017, the Circular on Firmly Curbing Local Governments' Illegal Financing Activities in the Name of Government Procurement of Services (Cai Yu [2017] No. 87) (關於堅決制止地方以政府購買服務

名義違法違規融資的通知(財預[2017]87號)) (“**Circular 87**”) issued by the MOF on 28 May 2017, the Notice on the Investment and Financing Activities Conducted by Financial Institutions for Local Governments and State-owned Enterprises (Cai Jin [2018] No. 23) (關於規範金融企業對地方政府和國有企業投融資行為有關問題的通知(財金 [2018]23號)) (“**Circular 23**”) issued by the MOF on 28 March 2018, the Circular of the National Development and Reform Commission and the Ministry of Finance on the Improvement of Market Regulatory Regime and Strict Prevention of Risks Relating to Foreign Debt and Local Government Indebtedness (Fa Gai Wai Zi [2018] No. 706) (國家發展改革委財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知(發改外資[2018]706號)) (“**Circular 706**”) jointly issued by the NDRC and the MOF on 11 May 2018, the Guiding Opinion on Strengthening the Asset and Liability Constraints of State-Owned Enterprises (中共中央辦公廳、國務院辦公廳《關於加強國有企業資產負債約束的指導意見》) (the “**Joint Opinion**”) jointly issued by the General Office of the Central Committee of the Communist Party of China and the State Council on 13 September 2018, and the Circular on Filing Requirements with respect to Application for Foreign Debt Issuance by Local State-owned Enterprises (Fa Gai Ban Wai Zi [2019] No. 666) (國家發展改革委辦公廳關於對地方國有企業發行外債申請備案登記有關要求的通知(發改辦外資[2019]666號)) (“**Circular 666**”) issued by the General Office of NDRC on 6 June 2019 and the Guidelines for Banking and Insurance Institutions to Further Prevent and Defuse the Risks of Implicit Local Government Debt (Yin Bao Jian Fa [2021] No. 15) (銀行保險機構進一步做好地方政府隱性債務風險防範化解工作的指導意見(銀保監發[2021]15號)) issued by the China Banking and Insurance Regulatory Commission (“**Circular 15**”) (together with Circular 43, Circular 50, Circular 87, Circular 23, Circular 706, the Joint Opinion, Circular 666 and Circular 15, the “**Debt Control Circulars**”).

Circular 50 reaffirmed the Circular 43 policy that local governments are not permitted to use any means other than local government bonds for debt financing and are prohibited from requesting or ordering enterprises to issue debt on behalf of local governments. Circular 87 required that local governments and their departments shall not take advantage of, or fabricate contracts for, government procurement of services in such a manner that conceals an underlying objective of raising funds for construction projects. Circular 23 and Circular 706 established policies for foreign debt issuance, including the prohibition against public assets being included as enterprise assets and restrictions on making disclosure in offering circulars that imply government endorsement on the relevant debt or any association of the enterprise issuer with the government’s credit. The Joint Opinion, consistent with Circular 43 and Circular 50, bans local governments from engaging in “disguised” borrowing by using state-owned enterprises to issue corporate debt on their behalf. In July 2021, the China Banking and Insurance Regulatory Commission issued the Circular 15, which provides that the banks and insurance institutions shall not increase any new local government implicit debt in any form. Circular 15 also provides that, the financing provided by banks and insurance institutions shall meet the following requirements: (i) it is not allowed to provide financing which actually will be repaid by government fiscal funds, or guaranteed by the government; (ii) the banks and insurance institutions shall not require or accept guarantee documents issued by local government or their departments; (iii) the banks and insurance institutions shall not require or accept any guarantee using the state-owned assets of local government, public institution or social organisation as guaranty; (iv) the banks and insurance

institutions shall not require or accept any guarantee with government reserve land or expected land sale income as guaranty; (v) in PPP projects or government investment fund projects, the banks and insurance institutions shall not stipulate or require local government to repurchase the investment principal, bear the loss of the investment principal or guarantee the minimum return; (vi) financing services provided by banks and insurance institutions shall not be included in government purchase services; (vii) existing local government financing shall be rectified in accordance with relevant regulations; (viii) it is not allowed to increase any implicit local government debt in any form.

The Group believes that the PRC Government will continue to implement the Debt Control Circulars to control local government debts. Accordingly, the Group should rely on the cash flow generated from its operations and external borrowings to finance its operations and to satisfy its liquidity needs. Pursuant to the terms of the Bonds and as required by the Debt Control Circulars, neither the Administrative Committee, the Municipal Government of Yancheng nor any other PRC governmental entity has any obligation to repay any amount under the Bonds and will not provide a guarantee of any kind for the Bonds. The Bonds are solely to be repaid by the Issuer, and the obligations of the Issuer under the Bonds or the Trust Deed shall solely be fulfilled by the Issuer as an independent legal person. The liability of the Municipal Government of Yancheng to the Issuer's indebtedness is limited to its equity contribution to the Issuer. If the Issuer does not fulfil its obligations under the Bonds or the Trust Deed, the Bondholders will only have recourse against the Issuer and not the Municipal Government of Yancheng or any other PRC governmental entity.

The PRC Government may continue to release new policies or amend existing regulations to control the incurrence of local governmental debt. There is no assurance that the Group's financing and business model and its indebtedness will not be materially affected by future changes in the regulatory regime concerning the local state-owned enterprises in response to such regulations.

The Municipal Government of Yancheng can exert significant influence over the Group, and may not act in the best interests of the Group.

The Issuer is wholly owned and controlled by the Municipal Government of Yancheng. The Municipal Government of Yancheng participates in and closely monitors the Group's decision-making process for key projects, reviews the Group's development strategies and investment plans, and appoints, and conducts annual appraisals on, the directors and supervisors of the Issuer. Because of the involvement of the Municipal Government of Yancheng in the affairs of the Group, the Group may not be able to make decisions, take actions or invest or operate its businesses in manners that are always in its best interests or that aim to maximise its profits.

In addition, the Municipal Government of Yancheng may also exert significant influence on the Group's major business decisions and strategies, including the scope of their operations, investment decisions and dividend policies. There is no assurance that the Municipal Government of Yancheng would always make decisions in the Group's best interests or with the aim of maximising the Group's profits. For example, the Municipal Government of Yancheng may

influence the Group's business and strategies in a manner beneficial to Yancheng as a whole but not necessarily in the Group's best interests. The Municipal Government of Yancheng could also change its policies, plans, preferences, views, expectations, projections, forecasts and opinions, as a result of changes in the PRC's economic, political and social environment and its projections of population and employment growth. Any such change may have a material adverse effect on the Group's business, financial conditions, results of operations and prospects.

A reduction or discontinuance of government support could materially and adversely affect the Group's business, financial condition, results of operations and prospects.

As a state-owned enterprise wholly owned by the Municipal Government of Yancheng, the Group regularly receives financial supports and preferential treatments from the Municipal Government of Yancheng. These supports may come in various forms, such as favourable policies, government grants and subsidies, asset transfers and capital injections. For the year ended 31 December 2018, 2019 and 2020, the governmental fiscal subsidies received by the Group amounted to RMB163.0 million, RMB254.6 million and RMB266.0 million, respectively. There is no assurance that the Municipal Government of Yancheng will continue to provide such supports and preferential treatments to the Group or that the existing government supports will not be adjusted or terminated, any of which may materially and adversely affect the Group's business, financial condition, results of operations and prospects.

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 and proceeds from bond issuances to satisfy a portion of its capital requirements and the Group has a significant amount of outstanding indebtedness. As at 31 December 2020, the Group's total indebtedness (comprising short-term borrowings, non-current liabilities due within one year, long-term borrowings, long-term payables, bonds payable and other non-current liabilities) amounted to RMB43,443.7 million, representing 62.9 per cent. of the Group's total assets as at the same date. In addition, as at 31 December 2020, the total current liabilities of the Group amounted to RMB16,544.6 million, accounting for 34.9 per cent. of the Group's total liabilities, and the Group's liability-to-asset ratio was 68.5 per cent.

Significant indebtedness may pose negative effects on the liquidity and financial condition of the Group in the long run. If the Group cannot obtain sufficient funding in commercially acceptable terms in the future, it may encounter liquidity distress, which may negatively affect the operations of the Group.

In addition, substantial indebtedness could impact the Group's businesses in a number of ways, including:

- requiring the Group to dedicate part of its operating cash flow to the service of its indebtedness;

- 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 business 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.

As the Group relies on bank loans and proceeds from bond issuances to satisfy a portion of its capital requirements, it is subject to relatively high financing cost and repayment pressure of principal and interests. Such financing cost and repayment pressure may continue to increase in the future. If the Group cannot make sufficient profits, such high financing costs and repayment pressure may negatively affect the business, financial condition and results of operations of the Group.

The Group’s borrowings may be secured. Third-party security rights may limit the Group’s use of the underlying collateral assets and adversely affect its operational efficiency. As at 31 December 2020, the Group’s restricted assets amounted to RMB15,648.0 million, representing 22.6 per cent. of its total assets. If the Issuer and its subsidiaries are unable to service their secured debt on a timely basis, the assets provided as security for such debt may be subject to foreclosure, which may adversely affect the Group’s business, prospects and financial condition.

The Group’s business may be affected by natural disasters, epidemics and other acts of God, including the recent COVID-19 pandemic.

The Group’s business is subject to general economic and social conditions in the PRC, which may be adversely affected by natural disasters, epidemics, pandemics and other acts of God which are beyond the Group’s control. The occurrences of pandemics and epidemics, such as the recent outbreak of COVID-19 or the past occurrence of Middle East Respiratory Syndrome (MERS), Severe Acute Respiratory Syndrome (SARS), H5N1 avian flu, human swine flu (also known as Influenza A or H1N1) or H7N9 avian flu, depending on their scale, have caused and may continue to cause different degrees of damage to the national and local economies in the PRC.

In particular, the recent outbreak of COVID-19 caused delays in the resumption of local business in the PRC after the 2020 Chinese New Year holiday and, as the outbreak extended, several countries introduced new restrictions on travel to and from China. The COVID-19 has spread all over the world and was declared a pandemic on 11 March 2020 by the World Health Organisation. The global outbreak of COVID-19 may further create negative economic impact and increase volatility in the PRC and global market, which can have a material adverse effect on the Group. See also “— *Risks Relating to the PRC — China has experienced a slowdown in its economic development and the future performance of China’s economy is uncertain.*”

In addition, the administrative actions taken by local governments in the PRC to control the spread of COVID-19 have caused adverse impacts on the businesses of the Group. For example, the Group's infrastructure construction projects were temporarily suspended during the pandemic. Moreover, supply of raw materials may be adversely affected due to the temporary shut-down of the operations of the Group's suppliers and the disrupted logistics operations. As a result, the completion of the Group's projects was delayed during the pandemic period, which had in turn result in substantial increases in the Group's costs for constructing or developing its projects and/or otherwise adversely affect profitability and cash flows of the Group. Furthermore, the Group's operations are highly focused in Yancheng City, and any labour shortages, or slowdown in the growth of domestic consumption in Yancheng City or the PRC in general could materially and adversely affect the business, results of operations, financial condition and prospects of the Group.

As of the date of this Offering Circular, the business operations of the Group has resumed, as the COVID-19 pandemic has been largely contained in China. However, given the high uncertainties associated with the COVID-19 pandemic, regional resurgence of COVID-19 may occur in the future, and it is difficult to predict the extent to which the Group may be affected. Should the Group's operations be disrupted again by any resurgence of COVID-19 and such disruption becomes extended, it may materially and adversely affect the Group's results of operations and financial condition. In addition, any further disruption to the Group's business activities may negatively affect its liquidity and access to capital.

Moreover, the PRC experienced natural disasters such as earthquakes, floods and droughts in the past few years. For example, in May 2008 and April 2010, the PRC experienced earthquakes in Sichuan Province and Qinghai Province, respectively, resulting in the death of tens of thousands of people. In 2010, there were severe droughts in south-western China, resulting in significant economic losses in these areas. Any future occurrence of severe natural disasters in the PRC may adversely affect its economy and in turn the Group's business.

Failure to obtain sufficient capital on acceptable terms or in a timely manner may adversely affect the Group's business and growth prospects.

The Group's business requires and will continue to require substantial capital expenditure. For the years ended 31 December 2018, 2019 and 2020, the Group made capital expenditures of RMB0.02 million, RMB25.6 million and RMB15.4 million, respectively. The Group has historically satisfied its capital requirements with cash flows generated from its operating activities, bank loans and other borrowings and equity contributions from its shareholder.

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 its business development plans, changes in general market conditions, the regulatory environment, governmental policies and the competition in the industries in which the Group operates. Any material adverse change in these factors may cause the Group to experience a capital shortage. For the years ended 31 December 2019 and 2020, the Group experienced net cash outflow from operating activities, and there is no

assurance whether this will occur again in the future, and whether the Group's operations are or will be able to generate sufficient cash flow to satisfy its cash need at all times, if at all. See also "*— The Group has historically experienced net cash outflow from operating activities*".

Insufficient cash flow generated from the Group's operating activities will increase the Group's reliance on external financing. As at 31 December 2020, the Group had total credit facilities of approximately RMB27.4 billion, of which approximately RMB10.1 billion had not been utilised. The Group's ability to access and raise sufficient capital through different sources depends upon a number of factors, such as the PRC's economic condition, relationships with key commercial banks, prevailing conditions in capital markets, regulatory requirements and the Group's financial condition. Some of these factors are beyond the Group's control and there is no assurance that the Group will be able to raise sufficient funds in a timely manner or to obtain external financing on commercially acceptable terms, or at all. The Group may not be able to fund the capital expenditure necessary to implement its business development plans and strategies, which may in turn have a material and adverse effect on its business, financial condition, results of operations and prospects.

The Group has historically experienced net cash outflow from operating activities.

For the years ended 31 December 2019 and 2020, the Group recorded net cash outflow from operating activities with the amounts of approximately RMB1,810.0 million and RMB518.9 million, respectively. The Group's net cash outflow from operating activities was largely attributable to the mismatch in the construction and development projects between the development timetable, which dictates the Group's expenditures, and the time when it receives funds for the relevant projects from the relevant government agencies. There is no assurance whether the Group will not record net cash outflows from operating activities again in the future, and any such cash outflows may have a material and adverse effect on the Group's liquidity, financial condition, results of operations and prospects.

Most of the Group's businesses are operated in a single geographical region.

Substantially all of the Group's current and anticipated businesses are operated in the Yancheng High-tech Zone, Yancheng City. Any material region-wide adverse event may negatively impact the demand for projects conducted or services provided by the Group in Yancheng City, which would in turn affect the revenue and profitability of the Group. Such adverse events include, but are not limited to, changes in the economic conditions and regulatory environment, changes in the government's urban development plans and policies, any slowdown in the infrastructure construction sector, decrease in investor confidence within the region, significant natural disasters and other incidents. Due to the limited geographical coverage of its operations, the Group may not be able to effectively manage any potential losses arising from these region-wide adverse events, which may materially and adversely affect the Group's business, financial condition, results of operations and prospects.

The Group faces risks associated with contracting with public bodies.

As an entity engaging in primary land development, infrastructure construction and material trading businesses in Yancheng City, a substantial part of the Group's business activities are conducted with various governmental authorities and their controlled entities in Yancheng City. A large portion of the Group's cash flow is generated from payments by relevant governmental authorities, such as the Yancheng Finance Bureau. As such, the Group is exposed to certain inherent risks relating to dealing with public bodies. The local government's ability to meet its payment obligations for the projects that the Group undertakes largely depends on the fiscal revenue of local government, the policies and regulations promulgated by higher level governments or authorities as well as many other factors which are generally beyond the Group's control.

Any failure by relevant governmental authorities to fulfil their contractual obligations or any adverse change to their financial or fiscal conditions or policies may require the Group to change its business plans and could materially affect the Group's business, financial condition and operating results. If there is any material disagreement between the Group and relevant governmental authorities, there is no assurance that the Group will successfully resolve them in a timely manner, or at all. Any dispute or legal proceeding with or against relevant governmental authorities may last for a long period of time and cost considerable financial and managerial resources, which could materially affect the Group's business, financial condition and operating results. Additionally, any of these may severely damage the relationships between the Group and relevant governmental authorities and their controlled entities, which may in turn materially and adversely affect the Group's business and prospects.

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

As at 31 December 2018, 2019 and 2020, the Group's other receivables amounted to RMB9,337.8 million, RMB12,014.1 million and RMB11,674.1 million, respectively, representing 19.1 per cent., 22.3 per cent. and 16.7 per cent., respectively, of the Group's total assets. These other receivables are mainly outstanding amounts owed to the Group by operating enterprises within the Yancheng High-tech Zone. In accordance with the Group's accounting policies, the Group makes provisions for overdue receivables as a reserve against the future recognition of certain such receivable as bad debt. As at 31 December 2020, the Group's provisions for its other receivables amounted to RMB116.1 million.

There are inherent risks associated with ability and willingness of the Group's counterparties with respect to these other receivables to make timely payments, and their failure to make timely payments could materially and adversely affect the Group's liquidity and in turn affect its business, financial condition or results of operations.

The Group's operating income and results of operations may fluctuate significantly from period to period.

The Group's operating income and results of operations have fluctuated and may continue to fluctuate from period to period as a result of a number of factors, such as general economic conditions, local market conditions and demand, government policies and incentive measures in business areas where the Group operates, adjustment of the Group's primary business activities, the Group's ability to develop and complete projects on time, as well as its accounting policies for revenue recognition. As a result, the Group's operating income and results of operations may fluctuate significantly from period to period. For example, operating income generated from the Group's infrastructure construction business was RMB1,276.4 million in 2020, representing an increase as compare to RMB1,117.9 million in 2019 and RMB880.8 million in 2018, and this was primarily due to increasing number of infrastructure construction projects completed and transferred each year. The Group's operating income and results of operations for any period may not be directly comparable with other periods and therefore the historical performance of the Group may not be a useful indicator of its future performance.

The Group's business operations may be negatively affected by the guarantees it provides to third parties.

The Group provides guarantees to third parties from time to time during its business operations. As at 31 December 2020, the Group's outstanding guarantees to third-parties amounted to RMB12.7 billion, primarily including guarantees provided in favour of state-owned companies in Yancheng County. If any of these third parties benefiting from the guarantees provided by the Group defaults on the borrowings guaranteed by the Group, the lender may enforce such guarantees and demand payment from the Group. In any such case, the Group's business, financial condition and results of operations may be materially and adversely affected.

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

Certain financing contracts entered into by members of the Group may contain operational and financial covenants that prohibit the borrower from incurring additional indebtedness unless it is able to satisfy certain financial ratios, restrict the borrower from creating security over its assets or granting guarantees, or prohibit the borrower from changing its business and corporate structure, without the lenders' prior consent. The ability of the Issuer and its subsidiaries (as borrower) to comply with such covenants may be affected by events beyond their control. Such restrictive covenants may also adversely affect the Group's ability to respond to changes in market conditions, take advantage of business opportunities the Group believes to be desirable, obtain

future financing, fund capital expenditures, or withstand a continuing or future downturn in its business. Any of these factors could materially and adversely affect the Issuer's ability to satisfy its obligations under the Bonds and other debt.

If the Issuer or any of its relevant subsidiaries is unable to comply with the restrictive covenants in its current or future debt, a default under such debt may occur. In such event, the creditors may terminate their credit extended to the Issuer or its subsidiaries, accelerate the outstanding debt and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Some of the financing contracts entered into by the Issuer or its subsidiaries may contain cross-acceleration or cross-default provisions. As a result, a default by the Issuer or any of its subsidiaries under any of other debt may cause the acceleration of not only the defaulted debt but also those debt containing cross-acceleration or cross-default provisions, including the Bonds, or result in a default under these debt. If any of these events occurs, there is no assurance that the Issuer or its subsidiaries will be able to obtain the lenders' waiver in a timely manner or at all, or that the assets and cash flow of the Issuer or its subsidiaries would be sufficient to repay all of their respective debts in full as they become due or accelerated, or that the Issuer or its subsidiaries would be able to secure alternative financing on terms that are acceptable to the Issuer or its subsidiaries, or at all.

Furthermore, the Group's borrowings may be secured. Security rights may limit the Group's use of the underlying collateral assets and adversely affect their operational efficiency. If the Group is unable to service its secured debt on a timely basis, the assets provided as security for such secured debt may be subject to foreclosure, which may adversely affect the Group's business, prospects and financial conditions.

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

As at 31 December 2018, 2019 and 2020, the Group's inventories amounted to RMB13.8 billion, RMB16.5 billion, and RMB22.4 billion, respectively, representing 28.1 per cent., 30.7 per cent. and 32.4 per cent. of the Group's total assets, respectively. The Group's inventories comprise primarily of development costs, constructions, raw materials, low value consumables, commodity inventories. Any decrease in the market demand and the corresponding drop in the sales of projects that the Group developed could cause the Group's inventories to accumulate and depreciate in value, which may adversely affect the Group's businesses, financial condition, results of operations and prospects. In addition, costs for on-going infrastructure construction projects, which are recognised as inventories on the Group's consolidated balance sheet are illiquid assets and might not be sold for cash in an efficient manner. This may limit the Group's ability to respond to changing economic, financial and investment conditions. The Group's ability to sell these inventories to a large extent relies on the market demand for the projects it develops. These factors may in turn be affected by the controlling measures of the PRC Government on urban development and real property investment and the PRC Government's macroeconomic and monetary policies, which are beyond the Group's control. Any failure to effectively manage the Group's inventory level will have a material impact on the Group's cash flow and adversely affect its ability to carry

on ordinary business activities and to serve its outstanding debt, such as the bonds, which in turn could materially and adversely affect the Group's business, financial condition, results of operations and prospects.

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

The Issuer has a number of subsidiaries operating in different industries. Through these subsidiaries, the Group engages in infrastructure construction, primary land development, property leasing and management and material trading businesses. As such, the Group is exposed to risks associated with conducting multiple businesses and operating through a large number of subsidiaries.

For example, the Group is exposed to business, market and regulatory risks relating to different industries and markets, and may from time to time expand its businesses to new industries and markets in which it has limited operating experience. It needs to devote substantial resources to become familiar with, and monitor changes in, different operating environments so that it can succeed in its businesses. Furthermore, given the Issuer's reliance on its subsidiaries, it is critical to ensure that the Issuer's subsidiaries have sufficient working capital for their operations. The capital contributions by the Issuer or other members of the Group to some major subsidiaries of the Issuer may be made in non-cash forms, such as land use rights, intellectual properties and equipment, the fair value of which might not have been accurately assessed or were even overpriced at the time such capital contribution was made. This may result in such subsidiaries receiving assets that worth less than their registered capital, and as a result adversely and materially affect the ability of such subsidiaries to carry out business operations or to meet their obligations under financing agreements.

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

The Issuer provides direct funding, guarantees and other support to certain of its subsidiaries. If the Issuer's subsidiary defaults on any borrowings lent or guaranteed by the Issuer, the Issuer will not receive the repayment as planned or the relevant lender may exercise its right under the guarantee to demand repayment from the Issuer. The occurrence of either of these events may result in a funding shortage at the Issuer level and may materially and adversely affect the Issuer's ability to provide financial support to its other subsidiaries. If the Issuer's financial or non-financial support ceases or diminishes for any reason, the operations of the relevant subsidiaries may be materially and adversely affected, which in turn may have a material and adverse impact on the Group's business, financial condition 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 or approvals for its operations may adversely affect the Group.

Certain business activities of the Group, such as primary land development and infrastructure construction, are extensively regulated in the PRC. The operation of these business activities requires a number of approvals, licences and permits from different governmental authorities. It may take considerable time and resources to obtain and maintain all of these approvals and certificates. Governmental authorities in the PRC have broad discretion in implementing and enforcing applicable laws and regulations and in granting the approvals, licences, permits and certificates necessary for the Group to conduct its business. As at the date of this Offering Circular, the Group is in the process of obtaining certain approvals, licences, permits and certificates from the relevant PRC governmental authorities for some of the projects under construction. Failure to obtain in a timely manner or maintain the necessary approvals, licences or permits could result in delay or suspension of the Group’s business operations, and may subject the relevant members of the Group to regulatory or administrative penalties.

In addition, the PRC governmental authorities may amend existing regulations or promulgate new regulations from time to time. The Group may encounter problems in obtaining, maintaining or renewing the permits, licences, certificates and government authorisations necessary to conduct its business and may be unable to comply with new laws, regulations or policies. In addition, to ensure the restrictions and conditions of relevant business permits, licences and certificates are fulfilled, governmental authorities also conduct regular and special inspections, investigations and inquiries. If any significant non-compliance is found by the governmental authorities during such investigations or inquiries, the Group’s permits, licences and certificates may be suspended or revoked, and the Group may become subject to fines or other forms of penalties, which could have a material adverse effect on the Group’s business, financial condition, results of operations and prospects.

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

The Group has substantial indebtedness outstanding. As at 31 December 2020, the Group’s total indebtedness (comprising short-term borrowings, non-current liabilities due within one year, long-term borrowings, long-term payables, bonds payable and other current liabilities) was RMB43,443.7 million. The PRC government has historically adjusted interest rates from time to time as implementation of the PRC government’s economic and monetary policies. Starting August 2019, the National Interbank Funding Center (全國銀行間同業拆借中心) is authorised by PBOC to publish loan prime rates (the “LPR”) on a monthly basis based on the prime rate offered by a panel of commercial banks, and Chinese banks are required to use the LPR as the reference rate for the pricing of its loans extended after 1 January 2020. As of the date of this Offering Circular, most of the Group’s bank borrowings bear interest at floating interest rates linked to the LPR. Any

material fluctuation in the LPR may have a material impact on the Group's interest expenses under its bank loans and debt securities issued and in turn affect its results of operations. Although the Group's business and financial condition may benefit from the currently low prevailing interest rates in the market, there is no assurance that this low-interest environment will continue.

The Group may not successfully expand its businesses and implement its growth strategies.

The Group may from time to time expand its businesses to new industries or markets in which it has limited operating experience. For instance, the Group started its material trading business in September 2014. Such expansion may require the Group to devote substantial resources to become familiar with, and monitor changes in, different operating environments so that it may succeed in such new business. The Group's ability to successfully grow its new business and implement its expansion strategy depends on a variety of factors, including its ability to identify attractive projects, obtain required approvals from relevant regulatory authorities, obtain sufficient capital on acceptable terms in a timely manner and maintain working relationships with various governmental authorities and agencies, some of which may be out of the Group's control. There is no assurance that the Group will be able to successfully grow its businesses, implement its expansion strategies, manage or integrate any newly-acquired operations with the Group's existing operations. Failure by the Group to grow new businesses or implement its expansion strategies could have a material adverse effect on its business, financial condition, results of operations and prospects.

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 and cement, constitutes a significant portion of the Group's costs for its infrastructure construction business. Construction material costs have fluctuated significantly, and may fluctuate significantly in the future. Any increase in the cost of construction materials may result in an increase in the costs for the Group's infrastructure construction business, which may pose an adverse effect on the financial performance of the Group.

Delays or defaults in payments to the Group may affect its working capital and cash flow.

The payments for the Group's infrastructure construction projects are usually made in instalments over a period of time after projects are completed. However, the Group incurs costs, such as labour costs, from the beginning of the project and before achieving any milestones warranting payment from its customers, and thus bears the risk of pre-paying costs and expenditures for each project it constructs. As such, any delay or default in the payments to the Group may increase the Group's liquidity pressure, which will in turn increase its financial vulnerability and adversely affect its financial condition and results of operations. As at the date of this Offering Circular, the Group has not experienced any significant delay in payments by local governments in accordance with

the agreed payment terms in relation to the infrastructure construction business. However, there is no assurance that all payments will continue to be made in a timely manner, or that no events of default will occur in the future.

The Group may be adversely affected by the performance of third-party contractors.

The Group engages third-party contractors in its operating activities, such as primary land development and infrastructure construction businesses. The Group generally selects independent contractors through public bidding and tendering processes. However, there is no assurance that the services rendered by any of the contractors selected by the Group or subcontractors selected by the Group's contractors will always be satisfactory or meet the Group's quality and safety standards. If the performance of any contractor or subcontractor is not satisfactory or does not meet the Group's quality and safety standards, the Group may need to replace such contractor or take other actions to remedy the situation, which could adversely affect the cost and progress of its projects. In addition, the Group may be requested on short notice to undertake additional construction or development projects, and there may be a shortage of contractors that meet the Group's quality requirements under such short notices. Contractors may also undertake projects for other companies and developers, engage in risky or unsound practices or encounter financial or other difficulties, which may affect their ability to complete their work for the Group on time and budget. Any of these factors could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group may face delays and cost overruns with the construction projects, which may adversely affect its results of operations.

There are a number of risks associated with the Group's infrastructure construction projects with respect to their construction, financing and/or operation. The Group's construction projects typically require substantial capital expenditures during the construction or development phase and can take a substantial period of time to complete. The time taken and the costs involved in completing these projects can be adversely affected by many factors, including shortages of materials, equipment and labour costs, adverse weather conditions, natural disasters, terrorism, labour disputes, disputes with sub-contractors, accidents, changes in governmental priorities and other unforeseen circumstances, many of which are out of the Group's control. Any of these could give rise to delays in the completion of the Group's projects. The Group's cost to complete its projects is also be affected by changes in the price of labour and raw materials, which is often beyond the Group's control. In addition, the Group may also be required to take extra precautionary safety and health measures, such as those required by the PRC Government to contain the COVID-19 outbreak, and thus incur additional cost for the construction and development of its projects. Under such circumstances, the Group may be required to make additional investment, incur additional expenditures, or experience liabilities, reduced efficiency and lower financial returns, which may in turn materially and adversely affect the Group's business, financial condition, results of operations and prospects.

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

The Group relies on its quality control systems to ensure the safety and quality of its projects. Therefore it needs to maintain an effective quality control system. 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 availability of related training programmes as well as its ability to ensure that the Group's and the contractors' employees adhere to its quality control policies and guidelines. There is no assurance that the quality of the Group's projects 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 have any merit, 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 is no assurance that failures in its quality control systems will not occur in the future, and any such failure could have an adverse effect on the Group's business and operations.

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

Under applicable PRC laws and regulations, if the Group does not commence development for more than one year after the date specified in the relevant land use rights grant contract, or the Group commences development on an area which is less than one-third of the area granted, or the capital invested in the development is less than one-fourth of the total investment approved for the development and the development is suspended for more than one year without governmental approval, the PRC Government may impose an idle land fee equal to 20 per cent. of the land premium or allocation fees. The PRC Government may revoke the land use rights certificate without compensation if the Group does not commence development for more than two years after the date specified in the relevant land use rights grant contract without compelling causes. The State Council issued the Notice on Promoting the Saving and Intensification of Use of Land (國務院關於促進節約集約用地的通知) which states, among other things, that the Ministry of Land and Resources of the PRC ("MLR") and other authorities are required to research and commence the drafting of implementation rules concerning the levy of land appreciation fees on idle land. Furthermore, MLR issued the Notice on Restricting the Administration of Construction Land and Promoting the Utilisation of Approved Land (國土資源部關於嚴格建設用地管理促進批而未用土地利用的通知) on 11 August 2009 which reiterates its policy on idle land. Idle Land Disposal Measures (閑置土地處置辦法) became effective on 28 April 1999 and was amended on 1 July 2012, providing the procedures for disposal of idle land. Any fines or penalties imposed, or any cancellation of land use rights with respect to idle lands may materially and adversely affect the Group's business, financial condition and results of operations. As at the date of this Offering Circular, the Group does not possess any land for which it has not commenced development within

the time stipulated in the relevant land use rights grant contracts. However, the Group may have idle land issue in the future and the imposition of fines and penalties in relation to any idle land could have a material and adverse effect on the Group's business, financial condition, results of operations and prospects.

Changes in government policies on zoning and urban planning and in the land use right granting plans in Yancheng City may adversely affect the Group's primary land development business.

Government authorities may, without prior notice to the Group, implement changes to the existing policies on zoning and urban planning in Yancheng City, or delay or change its plans to grant land use rights with respect to any land parcels therein, which may adversely affect the Group's primary land development business.

The Group primarily conducts its primary land development business on the land parcels designated by the Administrative Committee in accordance with its urban development plans, and the Group generates operating income by receiving land development fees upon the completion and successful granting of the land use rights by the Yancheng Bureau of Natural Resources and Planning (鹽城市自然資源和規劃局). Any adjustment in zoning or urban planning may affect the value of the land parcels that the Group develops, and in turn affect the land use right premium upon granting. As the land development fees to be received by the Group has historically been determined as a fixed percentage of the relevant land use right premium received by the Administrative Committee, such zoning and urban changes may reduce the primary land development fees payable to the Group. Furthermore, changes in the land use right granting plans in Yancheng City, including in the timing of the granting, the number of the land parcels put up for granting and the land parcels to be prioritised for granting, may affect the timing when the Group receives payment from the Administrative Committee. Any delay in the granting of land use rights with respect to the land parcels developed by the Group may result in a delay for the Group to generate revenue from such land parcels. In any such cases, the Group's primary land development business and the revenue generated therefrom may be adversely affected.

The Group is exposed to fluctuations in commodity prices.

Operating income generated from the Group's material trading business is affected by changes in commodity prices, which are in turn affected by a number of factors beyond the Group's control, including the supply and demand for commodities, speculative activities by market participants, global political and economic conditions, related industry cycles, and production costs in major producing countries. Fluctuations in the price of materials traded by the Group could materially impact the performance and profitability of the Group's material trading business.

In addition, a significant downturn in commodity prices could result in a devaluation or impairment of the Group's inventories. Although the impact of downturns in commodity prices on the Group's material trading business has historically been very limited, as the Group determines

its procurement amount strictly based on actual purchase orders from its customers and therefore holds limited inventories under its material trading business, there is no assurance that the Group will not be materially affected by fluctuations in commodity prices in the future. The Group has not historically engaged in any hedging against fluctuations in commodity prices and, as a result, may be exposed to the risk arising from fluctuations in commodity prices.

Any failure by the Group to maintain relationships with its key suppliers would have an adverse effect on the Group's material trading business.

The Group's material trading business relies on a relatively small number of key suppliers. For the year ended 31 December 2020, purchases made by the Group from its five largest suppliers under its material trading business in aggregate amounted to approximately RMB68.2 million, respectively, representing 16.1 per cent. of the Group's total purchases under its material trading business.

The Group's ability to retain and grow its trades with these and other suppliers, and to acquire new suppliers, is important to the sustainability of its material trading business. However, the Group's ability to further grow its business with key suppliers may be limited because the suppliers typically allocate their supplies and orders to more than one counterparty to minimise their own concentration risk. Furthermore, the loss of one or more of key suppliers due to the termination of product lines, shifting of their business to other companies, financial difficulties or reduced supply or demand of relevant goods or otherwise, could have a material adverse effect on the Group's material trading business.

The Group's material trading business has historically recorded low gross profit margins.

For the years ended 31 December 2018, 2019 and 2020, the gross profit margin of the Group's material trading business was 2.6 per cent., 4.7 per cent. and 9.9 per cent., respectively. The selling price and purchase cost for each transaction vary according to a combination of factors including, but not limited to, the Group's bargaining power with its supplier and customer, the pricing method, demand and supply in the market and the historical and expected trend for the market price. Some of these factors are beyond control of the Group. There is no assurance that the profit margin for the Group's material trading business will improve, if not worsen, in the future.

Property leasing and management service is highly labour intensive and the Group relies on a stable supply of labour to provide its service; however, overestimation of the necessary manpower for new contracts may also adversely affect the Group's business, results of operations and financial condition.

The Group's property leasing and management business operation is labour intensive and it relies heavily on human resources for providing property leasing and management services. The Group cannot ensure that there will be a stable supply of labour in the future. If there is a shortage of

labour in the property leasing and management services industry, particularly of personnel with specialised qualifications, the Group's business operations may be negatively affected. In addition, the Group's property leasing and management services contracts are mainly provided under fixed-term contracts. Therefore, if the Group is unable to retain existing employees and/or recruit sufficient employees to meet the demands of its existing contracts at the current wage level, the Group may have to pay a premium to attract employees. If the Group experiences any labour shortage, it may be unable to deliver satisfactory services to its clients or otherwise meet its contractual obligations, or it may face penalties for such shortage. Furthermore, certain business conducted by the Group may require the employees with requisite qualifications or experience, and if the Group cannot recruit such employees in a timely manner, it may be unable to enter into new contracts with prospective or existing clients and/or deliver satisfactory services to them due to insufficient manpower. In such cases, the Group's business, financial condition and results of operations may be adversely affected.

However, an overestimation of the necessary manpower for new contracts may also adversely affect the Group's business, results of operations and financial condition. The Group may not be able to estimate the manpower necessary for new contracts accurately. If there is a significant overestimation, the Group may have to incur substantial cost to terminate the employment with the redundant staff, which could have a material adverse effect on the Group's business, results of operations and financial condition. Even if the Group terminates employment in accordance with the employment contracts and all relevant laws and regulations, such termination may still expose the Group to negative media coverage, where, as a result, the relationships with the Group's clients may be adversely affected and it may fail to secure future contracts. Any such negative media coverage may have a material adverse effect on the Group's reputation, business, financial position and results of operations.

The Group is exposed to risks in relation to work safety and occurrences of accidents.

There are inherent risks of work injuries or accidents occurring in the course of the Group's business operations due to the nature of the services being performed, particularly in the provision of infrastructure construction services and property leasing and management services, as the Group's employees may be required to work in dangerous environments. The Group's employees may be required to undertake certain tasks including, but not limited to the following: (i) working at height or on slippery surfaces or in the dark; (ii) operation of electrical appliances in undertaking minor maintenance works; (iii) lifting heavy objects; (iv) working in new and unfamiliar environments; (v) defending and protecting individuals against aggressors; (vi) handling disputes amongst residents or tenants in the properties and parking lots the Group manages and/or operates; and (vii) maintaining order in crowded events.

The Group's involvement in major accidents or incidents in the course of its operations, particularly if reported by the media, may adversely affect the Group's reputation and its client's perception of the quality of its services. The Group cannot ensure that any incidents or accidents, which could result in property damage, personal injury or even death to the third parties including

residents and aggressors, property owners or the Group's employees, will not occur again in the future. Accidents resulting in personal injury or loss or damage to property may also arise if the Group's employees fail to follow its work safety measures and procedures. However, accidents may occur in the ordinary course of the Group's business. The Group cannot ensure that its employees will fully comply with the safety measures and plans it implements during their execution of the above tasks or any other tasks. In such events, the Group may be held liable for the losses or be subject to prosecution. The Group may also be exposed to claims of negligent or reckless behaviour on the part of its employees. The Group may also experience interruptions to its business operations and may be required by government authorities to change the manner in which it operates following any incidents or accidents. Any of the foregoing could materially and adversely affect the Group's reputation, business, financial position and results of operations.

The Group may not be able to generate adequate returns on its properties held for lease and retain quality tenants

Property leasing is subject to various degrees of risk. The lease returns available from property leasing business depend, to a large extent, on the amount of capital appreciation generated, revenue earned from the rental of the relevant properties as well as the expenses incurred. Maximising yields from properties held for lease also depends to a large extent on active ongoing management and maintenance of the properties. The ability to eventually dispose of properties for lease will also depend on market conditions and levels of liquidity, which may be limited or subject to significant fluctuation in the case of certain types of commercial properties. The operating income derived from property leasing may be adversely affected by a number of factors, including but not limited to changes in market rates for comparable rentals, the inability to collect rent due to bankruptcy or insolvency of tenants and the costs resulting from periodic maintenance, repair and re-letting.

The Group's commercial operation also competes for tenants with other properties based on, among other things, location, quality, maintenance, property management, rent levels and other lease terms. The Group cannot ensure that existing or prospective tenants will not choose other properties. Any future increase in the supply of properties which competes with the Group's would increase the competition for tenants and as a result the Group may have to reduce rent or incur additional costs to make its properties more attractive. If the Group is not able to retain its existing tenants or attract new tenants to replace those that leave or to lease its new properties, the Group's rental occupancy rates may decline and thus materially and adversely affect its business, financial condition and results of operations.

Labour shortages, labour disputes or increases in labour costs of any third-party contractors engaged for the Group's projects as well as implementation of PRC employment regulations could materially and adversely affect the Group's business, financial condition, results of operations and prospects.

Many of the Group's businesses are labour intensive. The Group also relies on third-party contractors to carry out primary land development and infrastructure construction business operations. Increasing awareness of labour protection as well as increasing minimum wages is likely to increase the labour costs of PRC enterprises in general, including the Group or the contractors participating in the Group's projects.

The PRC Labour Contract Law (中華人民共和國勞動合同法) became effective on 1 January 2008 and was amended on 28 December 2012. It imposes more stringent requirements on employers in relation to entry into fixed-term employment contracts and dismissal of employees. Pursuant to the PRC Labour Contract Law, the employer is required to make compensation payment to a fixed-term contract employee when the term of their employment contract expires, unless the employee does not agree to renew the contract even though the conditions offered by the employer for renewal are the same as or better than those stipulated in the current employment contract. In general, the amount of compensation payment is equal to the average monthly wage of the employee 12 months before the termination of the employment contract multiplied by the number of full years that the employee has worked for the employer. A minimum wage requirement has also been incorporated into the PRC Labour Contract Law.

In addition, unless otherwise prohibited by the PRC Labour Contract Law or objected to by the employees themselves, the employer is also required to enter into non-fixed-term employment contracts with employees who have previously entered into fixed-term employment contracts for two consecutive terms. In addition, under the Regulations on Paid Annual Leave for Employees (職工帶薪年休假條例), which became effective on 1 January 2008, employees who have worked continuously for more than one year are entitled to paid annual leave ranging from five to fifteen days, depending on the length of the employees' working experience. Employees who consent to waive such vacation at the request of employers shall be compensated an amount equal to three times their normal daily salaries for each vacation day being waived.

Further, under the PRC Labour Contract Law, when an employer terminates its PRC employees' employment, the employer may be required to compensate them for such amount which is determined based on their length of service with the employer, and the employer may not be able to efficiently terminate non-fixed-term employment contracts under the PRC Labour Contract Law without cause. In the event the Group decides to significantly change or decrease the Group's workforce, the PRC Labour Contract Law could adversely affect its ability to effect these changes in a cost-effective manner or in the manner that the Group desires.

As such, labour shortages, labour disputes or increases in labour costs of the Group or third-party contractors 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 which could materially and adversely affect the Group's business, financial condition, results of operations and prospects.

The insurance coverage of the Group may not adequately protect it against all operational risks or any potential liabilities or losses.

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

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

The Group maintains limited insurance policies, but usually requires contractors for its construction projects to maintain the insurance coverage for the projects, which the Group believes to be consistent with the industry and business practice in the PRC. However, some of the above-mentioned operational risks may not be covered by the insurance policies maintained by the contractors of the Group, and, even if covered, claims under these insurance policies may not be honoured fully or on time, or the insurance coverage may not be sufficient to cover the costs incurred in the Group's operations related 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 by nature or not economically insurable. To the extent that the Group suffers loss or damage that is not covered by insurance or exceeds the limit of the insurance coverage, the Group's results of operations and cash flow may be materially and adversely affected.

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 licences 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 licences 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 experienced any significant non-compliance with applicable safety regulations or requirements. In addition, PRC laws and regulations are constantly evolving. There is no assurance that the PRC Government will not impose additional or stricter laws or regulations, which may increase compliance costs of the Group. Any failure to comply with the current or future environmental, safety and health regulations may materially and adversely affect the Group's business, financial condition and results of operations.

The relocation of local residents and local businesses on the sites where the Group's projects are located may result in delays in its development and/or increase its development costs.

Certain of the Group's businesses, such as primary land development and infrastructure construction businesses, may from time to time involve relocation of local residents and local businesses when it develops projects. The Group develops and provides substitute properties in some cases to relocated residents as compensation for their resettlement. If any local resident or business is dissatisfied with the relocation compensation and refuses to be relocated, the relevant entity of the local governments will seek to resolve the dispute by negotiating with the relevant resident or business to reach a mutually acceptable relocation compensation arrangement, or apply to the relevant land authority for its determination on whether the relocation compensation and relocation timetable is compliant with PRC law. The relevant land authority will then make a decision as to the proper relocation compensation and timetable. There can be no assurance that the relocation of local residents or businesses will proceed smoothly or that they will agree to the compensation. In addition, the amount of compensation to be paid is subject to PRC governmental regulation and can be changed at any time. Accordingly, any delays in effecting such relocations of these local residents or businesses may result in delays in the Group's development schedules and/or increase its development costs, any of which could have a material adverse effect on its business, financial condition and results of operations.

The Group's success depends on the continuing service of its management team and qualified employees and any failure to attract and retain competent personnel may adversely affect the Group's business.

The success of the Group's business has been, and will continue to be, heavily dependent upon the continuing service of the Issuer's directors and senior management. If the Issuer loses the services of any of its key executives and cannot replace them in a timely manner, the Group's business may be materially and adversely affected.

In addition, the Group's success depends 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 experienced finance professionals, project development and management personnel, and other operation personnel. Competition for attracting and retaining these individuals is intensive. Such competition may require the Group to offer higher compensation and other benefits in order to attract and retain qualified professionals, which could materially and adversely affect the Group's financial condition, results of operations and prospects. 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 business expansion. Furthermore, as the Group expands its business and hires new employees, such new employees may take time to get accustomed to any new standard procedures and consequently may not comply with the standard procedures of such new business in an accurate and timely manner. The occurrence of any of these events could lead to unexpected losses to the Group and adversely affect its revenue and financial condition.

The Group may not effectively implement risk management and internal control policies and procedures to manage its financial risks.

Financial risks are inherent in the Group's businesses. Although policies and procedures are in place to identify and report on a timely basis the liquidity, interest rate and credit risks arising from the activities of its businesses, there is no assurance that these systems and procedures will prevent any loss that affects the Group's financial conditions. In addition, many of the Group's current financial risk management systems have a significant manual component. There are additional risks inherent in any manual risk management system, including human error. The reliability of the Group's risk management systems and the information generated therefrom depends on, inter alia, the configuration and design of the systems, the built-in system control features and the internal control measures surrounding them. Any failure of internal control could have a material adverse effect on the Group's businesses, results of operations 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 could affect 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 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 but 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 and have a material adverse effect on its reputation and business.

The Group may be involved in disputes, legal and other proceedings arising out of its operations from time to time and may face significant liabilities as a result.

The Group may from time to time be involved in disputes with various parties involved in its business, including contractors, tenants, suppliers and purchasers. Such disputes may lead to legal or other proceedings and they may damage the Group's reputation, increase the Group's costs of operations and divert the Group's management's attention from daily business operations. In addition, where regulatory bodies or governmental authorities disagree with the Group's conduct in respect of its operations, the Group may be subject to administrative proceedings and unfavourable decrees that could result in liabilities and delays to its projects. There is no assurance that the Group will not be so involved in any major legal or other proceedings in the future, which may subject the Group to significant liabilities and materially and adversely affect the Group's business, financial condition, results of operations and prospects.

Historical 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 competitive landscape of the industries in which the Group operates its business. Furthermore, the future results of operations of the Group may also fluctuate or change materially due to changes in the Group's business model and/or the accounting treatments applied thereto. In addition, there is no assurance that the Group will not record an operating loss in the future, which may have an adverse effect on the Issuer's ability to pay its debt, including the Bonds.

In addition, the Group's independent auditors, Zhongxinghua, is registered members of the Chinese Institute of Certified Public Accountants. Although the Group's auditor has significant audit experience in the PRC, they have limited international capital markets experience. Prospective investors should consider this factor prior to making any investment decision.

The Group's consolidated financial statements have been prepared and presented in accordance with PRC GAAP, which is different from IFRS in certain respects.

The Group's consolidated financial statements included in this Offering Circular have been prepared and presented in accordance with PRC GAAP. PRC GAAP is substantially in line with IFRS, except for certain modifications which reflect the PRC's unique circumstances and environment. See also "*Summary of Certain Differences between PRC GAAP and IFRS*" for details. Each investor should consult its 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.

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

Auditors who audited the Issuer's financial statements as at and for the years ended 31 December 2018, 2019 and 2020 have previously been subject to administrative measures imposed by and/or received warning letters from relevant regulatory authorities.

Zhongxinghua, the independent auditors of the Issuer appointed to audit the Issuer's financial statements as at and for the years ended 31 December 2019 and 2020 included elsewhere in this Offering Circular, has previously received warning letters from the China Securities Regulatory Commission ("CSRC") and its local branches in relation to its audit of certain companies unrelated to the Group. However, Zhongxinghua has confirmed that none of the individual auditors involved in the above-mentioned administrative measures and/or warnings is involved in the current transaction, and it has completed all rectifications as requested and settled all forfeitures and/or fines imposed by the CSRC, and none of the CSRC or any other relevant regulatory authorities has made any further adverse decision or imposed any penalty or forfeiture on it. As at the date of this Offering Circular, none Zhongxinghua, the Issuer, or the Group is aware of any fact or event which causes it to believe that individual auditors who participated in the audit of the Issuer's financial statements are or would become subject to any censure, investigation or other similar legal or regulatory proceedings. Notwithstanding, the above mentioned administrative measures and/or warnings may adversely affect investors' confidence in companies and financial statements audited by Zhongxinghua. There can be no assurance that further negative news about Zhongxinghua would not have a material and adverse effect on the Group or the work performed by Zhongxinghua for the Issuer is not deficient.

Public corporate disclosure about the Issuer may be limited.

As the Issuer's equity securities are not listed on any stock exchange, there may be less information about it publicly available than is regularly made available by listed companies.

RISKS RELATING TO THE PRC

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

The economy of the PRC experienced rapid growth in the past 30 years. There has been a slowdown in the growth of the PRC's GDP since the second half of 2013 and this has raised market concerns that the historic rapid growth of the economy of the PRC may not be sustainable. According to the National Statistics Bureau of the PRC, the annual growth rate of China's GDP in 2019 slowed down to 6.0 per cent. on a year-on-year basis compared to 6.7 per cent. in 2018, and it further decreased to 2.3 per cent. in 2020 on a year-on-year basis. 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. On 24 May 2017, Moody's downgraded China's long-term local currency and foreign currency issuer ratings to A1 from Aa3 and changed the outlook to stable from negative. On 21 September 2017, S&P's rating services downgraded China's credit rating by one notch from AA-to A+. Any slow-down in the PRC economy may create a credit-tightening environment, increase the Group's financing costs, or reduce government subsidies to the Group, resulting in a material adverse effect on its business, results of operations and financial condition.

The future performance of the PRC's economy is not only affected by the economic and monetary policies of the PRC Government, but it is also exposed to material changes in global economic and political environments as well as the performance of certain major developed economies in the world. For example, the international trade environment and various governments' trade and economic policies, particularly the recent trade conflicts between the PRC and the United States, may cause uncertainties to the PRC's economy and financial, foreign exchange and capital markets. In addition, the United Kingdom's exit from the European Union took place on 31 January 2020, where the United Kingdom legally revoked its membership in the European Union. There is substantial uncertainty relating to the impact of the United Kingdom's withdrawal from the European Union on the economic conditions of other part of the world, such as the PRC's, including but not limited to further decreases in global stock exchange indices, increased foreign exchange volatility (in particular a further weakening of the pound sterling and euro against other leading currencies) and a possible economic recession involving more countries and areas.

On 11 March 2020, the World Health Organisation declared COVID-19 as a global pandemic. The COVID-19 pandemic has resulted in a number of countries declaring a state of emergency and a number of countries, including the PRC, Japan, the United States, members of the European Union and the United Kingdom, imposing extensive business and travel restrictions with a view to containing the pandemic. Widespread reductions in consumption, industrial production and business activities arising from the COVID-19 pandemic will significantly disrupt the global economy and global markets and is likely to result in a global economic recession. In addition, COVID-19 has led to significant volatility in the global markets across all asset classes, including stocks, bonds, oil and other commodities and this volatility may persist for some time.

As such, there continues to be uncertainty for the overall prospects for the global and the PRC economies this year and beyond. Any material change in the financial markets, the PRC economy or regional economies as a result of these events or developments may materially and adversely affect the Group's business, financial condition and results of operations. See also "*— Risks Relating to the Group and its Business — The Group's business, financial condition, results of operations and prospects are heavily dependent on the level of economic development in Yancheng City, Jiangsu Province and the PRC.*"

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

Substantially all of the Group's assets are located in the PRC and most of the Group's revenue is sourced from the PRC. Accordingly, the Group's business, financial condition, results of operations and prospects are subject, to a significant degree, to economic, political and legal developments in the PRC. The economy of the PRC differs from the economies of most developed countries in many respects, including, with respect to government involvement, level of development, economic growth rate, foreign exchange control and allocation of resources. The economy of the PRC has been transitioning from a planned economy to a more market-oriented economy. In recent years, the PRC Government has implemented a series of measures emphasising market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises.

However, a large portion of productive assets in the PRC remain state-owned. The PRC Government continues to play a significant role in regulating industrial development, the allocation of resources, production, pricing and management and the economy in general through policy measures, and there can be no assurance that the PRC Government will continue to pursue the existing economic reforms. 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 operations and financial results could also be affected by changes in political, economic and social conditions or the relevant policies of the PRC Government, such as changes in laws and regulations (or the interpretation thereof). In addition, the growth of infrastructure construction demand in the PRC depends heavily on economic growth. If the PRC's economic growth slows down or if the economy of the PRC experiences a recession, the growth of infrastructure construction demand may also slow down, and the Group's business prospects may be materially and adversely affected. The Group's operations and financial results, as well as its ability to satisfy its obligations under the Bonds, could also be materially and adversely affected by changes to or introduction of measures to control changes in the rate or method of taxation, the imposition of additional restrictions on currency conversion, a reduction in tariff protection and the imposition of other import restrictions.

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

Economic growth in the PRC has historically been accompanied by periods of high inflation. Increasing inflation rates were caused by many factors beyond the Group's control, such as rising production and labour costs, high lending levels, changes in national and foreign governmental 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 price 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 adverse effect on the Group's business, financial condition or results of operations.

Recently, concerns have arisen over deflationary pressures in the PRC as a result of weak domestic demand and a slowing economy. 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 adversely affect the Group's business, financial condition 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. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, past court judgments in the PRC have limited precedential value and may be cited only for reference. Furthermore, PRC written statutes often require detailed interpretations by courts and enforcement bodies for their application and enforcement. Since 1979, the PRC Government has been committed to developing and refining its legal system and has achieved significant progress in the development of its laws and regulations governing business and commercial matters, such as in foreign investment, company organisation and management, commercial transactions, tax and trade. However, China has not developed a fully integrated legal system and the recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in the PRC. In particular, as these laws and regulations are still evolving, in view of how the PRC's financial industry is still developing, and because of the limited number and non-binding nature of published cases, there exist uncertainties about their interpretation and enforcement, and such uncertainties may have a negative impact on the Group's business.

In addition, the PRC legal system is based, in part, on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, the Group may not be aware of the Group's violation of these policies and rules until sometime after the violation. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management's attention.

Furthermore, the administration of PRC laws and regulations may 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 other more developed jurisdictions. In addition, it may be difficult to obtain a swift and equitable enforcement of laws in the PRC, or the enforcement of judgments by a court of another jurisdiction. These uncertainties relating to the interpretation and implementation of PRC laws and regulations may adversely affect the legal protections and remedies that are available to the Group in its operations and to Bondholders.

As a result of these uncertainties with respect to the PRC legal system, lack of uniform interpretation and effective enforcement, the Group may be subject to uncertainties in its operations. These uncertainties can also affect the legal remedies and protections available to investors, and can adversely affect the value of their investment.

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

Substantially all members of the Group are established in the PRC and are subject to PRC regulations governing PRC companies. These regulations contain certain provisions that are required to be included in the articles of association and all other major operational agreements of these PRC companies and are intended to regulate the internal affairs of these companies. These regulations in general, and the provisions for protection of shareholders' rights and access to information in particular, are less developed than those applicable to companies incorporated in Hong Kong, the United States, the United Kingdom and other developed countries or regions.

It may be difficult to effect service of process upon, or to enforce against, the Issuer or its directors or members of the Issuer's senior management who reside in the PRC in connection with judgments obtained in non PRC courts. Substantially all of the Group's assets and the Group's members are located in the PRC. In addition, substantially all of the assets of the Issuer's directors and the members of its senior management may be located within the PRC. Therefore, it may be difficult for investors to effect service of process upon the Issuer or its directors or members of its senior management inside the PRC. The PRC has not entered into treaties or arrangements providing for the recognition of judgment made by courts of most other jurisdictions. On 14 July 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "**Choice of Court Arrangement**"), pursuant to which a party with an enforceable 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 an enforceable final court judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a "choice of court" agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A "choice of court" agreement in writing is

defined as any agreement in writing entered into between parties after the effective date of the Choice of Court Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute do not enter into a “choice of court” agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against the Issuer or the Issuer’s directors or members of its senior management in 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 seeks to establish a bilateral legal mechanism with greater clarity and certainty for recognition and enforcement of judgments in a wider range of civil and commercial matters between the courts of Hong Kong and the PRC. The 2019 Arrangement will be implemented by local legislation in Hong Kong and will take effect after both Hong Kong and the PRC have completed the necessary procedures to enable implementation and shall apply to judgments made by the courts of Hong Kong and the PRC on or after the date of the commencement of the 2019 Arrangement. Upon commencement of the 2019 Arrangement, the Choice of Court Arrangement shall be terminated, except for “choice of court” agreements in writing made between parties before the commencement of the 2019 Arrangement, in which case the Choice of Court Arrangement shall continue to apply. However, the recognition and enforcement of judgments rendered by a Hong Kong court in the PRC are subject to the provisions, limits, procedures and other terms and requirements of the 2019 Arrangement. There can be no assurance that investors can successfully effect service of process against the Issuer or the Issuer’s directors or members of its senior management in the PRC and/or to seek recognition and enforcement for judgments rendered by a Hong Kong court 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, United Kingdom, or some 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.

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

The Group receives substantially all of its revenues in Renminbi, which currently is not a freely convertible currency. A portion of these revenues must be converted into other currencies to allow it to make payments on obligations denominated in currencies other than the Renminbi. However, the PRC Government may restrict future access to foreign currencies for current account transactions at its discretion. If this were to occur, the Group might not be able to pay dividends to the Bondholders in foreign currencies. On the other hand, foreign exchange transactions under capital account in the PRC continue to be not freely convertible and require the approval of the SAFE. These limitations could affect the Group’s ability to obtain foreign currencies through equity financing, or to obtain foreign currencies for capital expenditures.

The value of the Renminbi against the U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in China's political and economic conditions. On 21 July 2005, the PRC Government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. Since then, the PRC Government has made, and may in the future make, further adjustments to the exchange rate system. The PBOC announces in August 2015 the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity for the trading against the Renminbi on the following working day. Following such announcement of the PBOC, in August 2015, the Renminbi was thrice devaluated, and its daily mid-point trading price was lowered significantly against the U.S. dollar. Following the gradual appreciation of Renminbi in 2017, Renminbi experienced a depreciation in value against U.S. dollar following a fluctuation in 2018 followed by a significant depreciation in the second half of 2019, and may remain fluctuating given the trade tensions between China and the U.S. escalates. For more details, see "Exchange Rate Information". Renminbi may further appreciate or depreciate significantly in value against the U.S. dollar or other foreign currencies in the long-term. Any significant appreciation of the Renminbi against the U.S. dollar or other foreign currencies may result in the decrease in the value of the Group's foreign currency-denominated assets. Conversely, any significant depreciation of the Renminbi against U.S. dollar or other foreign currencies may adversely affect the Group's ability to repay its foreign currency-denominated debt, including the Bonds. In addition, there are limited instruments available for the Issuer to reduce its foreign currency risk exposure at reasonable costs. All of these factors could materially and adversely affect the Issuer's businesses, financial conditions and results of operations of the Group.

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

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 before distributing the net profit for the current financial year. These statutory reserves are not available for distribution as cash dividends. Since the availability of funds to fund the Issuer's operations and to service its indebtedness depends upon dividends received from these subsidiaries, any legal restrictions on the availability and usage of dividend payments from the Issuer's subsidiaries may impact the Issuer's ability to fund its operations and to service its indebtedness.

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, forecasts and other statistics in this Offering Circular relating to the PRC, its economy or the relevant industry in which the Group operates have been directly or indirectly derived from official government publications and certain other public industry sources and although the Group

believes such facts and statistics are accurate and reliable, it cannot guarantee the quality or the reliability of such source materials. They have not been prepared or independently verified by the Issuer, the Trustee, the Agents or any of its or their respective affiliates, employees, directors, officers, agents, advisors, representatives or any person who controls any of them, and, therefore, the Issuer, the Trustee, the Agents or any of its or their respective affiliates, employees, directors, officers, agents, advisors, representatives or any person who controls any of them 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.

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 revenue is 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 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 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 Bondholders 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 the U.S. dollar 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 adversely affect the Group's ability to service the Bonds.

The Issuer is subject to audits and inspections by PRC governmental authorities from time to time. The Group cannot predict the effect of the outcome of these audits and inspections on its businesses and financial conditions or its reputation.

PRC governmental authorities from time to time carry out audits, inspections, inquiries or similar actions on state-owned enterprises such as the Issuer. The Group cannot predict the outcome of such governmental audits and inspections. If the Issuer is found to have material misstatements or omissions in its financial reports or material noncompliance with laws or other irregularities in its operations, it may be subject to fines and other disciplinary actions imposed by such governmental authorities, and its reputation, business and financial condition may be materially and adversely affected.

RISKS RELATING TO THE BONDS AND THE STANDBY LETTER OF CREDIT

The PRC government (including the Municipal Government of Yancheng) has no obligation to pay any amount under the Bonds.

The PRC government (including the Municipal Government of Yancheng) is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Bonds. This position has been reinforced by the Circular of the Ministry of Finance on Issues relevant to the Regulation on the Financing Activities Conducted by Financial Institutions for Local Governments and State-owned Enterprises (《財政部關於規範金融企業對地方政府和國有企業融資行為有關問題的通知》(財金[2018]23號)) (the “**MOF Circular**”) which was promulgated on 28 March 2018 and took effect on the same day, and the Circular of the National Development and Reform Commission and the Ministry of Finance on Improvement of Market Regulatory Regime and Strict Prevention of Foreign Debt Risks and Local Government Indebtedness Risks (《國家發展改革委財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知》) (the “**Joint Circular**”) which was promulgated on 11 May 2018 and took effect on the same day. In addition, the Issuer confirms that the bonds are not and will not be deemed as implicit government debt as prohibited by the Circular 15.

The PRC government and the Municipal Government of Yancheng have no obligation to pay any amount under the Bonds. Investments in the Bonds are relying solely on the credit risk of the Issuer. In the event the Issuer does not fulfil its obligations under the Bonds, investors will only be able to claim as an unsecured creditor against the Issuer and its assets, and not any other person including the PRC government, the Municipal Government of Yancheng or any other local or municipal government. The controlling relationship between the Issuer and its ultimate controller, namely the Municipal Government of Yancheng does not necessarily correlate to, or provide any assurance to the Issuer’s financial conditions. The repayment obligation under the Bonds remain the sole obligation of the Issuer. As the MOF Circular and the Joint Circular are relatively new and given the limited volume of published decisions related to these circulars, the interpretation and enforcement of these laws and regulations involve uncertainties.

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

In accordance with the Administrative Measures for Foreign Debt Registration (外債登記管理辦法) (the “**Foreign Debt Registration Measures**”) issued by SAFE on 28 April 2013, which came into effect on 13 May 2013, an issuer of foreign debts shall complete the foreign debt registration in respect of its issue of foreign debts with the local branch of SAFE in accordance with applicable laws and regulations. According to the Operation Guidelines for Administration of Foreign Debt Registration (外債登記管理操作指引) promulgated together with the Foreign Debt Registration Measures, the Issuer is required to register its foreign debt issue within fifteen working days after the execution of the financing documents and to complete such registration in accordance with the Foreign Debt Registration Measures. In the unlikely event that having exercised its best endeavours, the Issuer is unable to complete such registration within the abovementioned time period, investors will have the right to require the Issuer to redeem their holding of Bonds. However, notwithstanding such right, the Issuer may have difficulty in remitting funds offshore to service payments in respect of the Bonds and investors may encounter difficulties in enforcing judgments obtained in the Hong Kong courts with respect to the Bonds and the Trust Deed in the PRC. In such circumstances, the value and secondary market price of the Bonds may also be materially and adversely affected. The Issuer has already consulted with local SAFE in connection with the registration procedures and documentary requirements. The Issuer does not foresee any obstacle in completing the registration within the abovementioned period.

In addition, on 29 April 2016, PBOC issued the Circular of the PBOC on Implementing Overall Macro Prudential Management System for Nationwide Cross-border Financing (中國人民銀行關於在全國範圍內實施全口徑跨境融資宏觀審慎管理的通知), which came into effect on 3 May 2016. This circular has since been replaced by the Circular of the PBOC on Issues Concerning the Overall Macro Prudential Management System for Cross-border Financing (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知) issued by the PBOC on 12 January 2017 and which came into effect on the same date (the “**Cross Border Financing Circular**”). The Issuer is also required to file the issue of the Bonds with SAFE in accordance with the Cross Border Financing Circular. However, neither the PBOC nor SAFE has promulgated implementation rules of the Cross Border Financing Circular as at the date of this Offering Circular. The filing process and the interpretation and enforcement of the Cross Border Financing Circular thus involve substantial uncertainties due to its recent promulgation and publication.

The interpretation of the NDRC Notice may involve significant uncertainty, which may adversely affect the enforceability and/or effective performance of the Bonds.

According to the NDRC Notice, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities or medium to long term loans issued or incurred outside the PRC with the NDRC prior to the issue of the securities or drawings under the loans,

and notify the particulars of the relevant issues or drawings within 10 business days after the issuance of the Bonds. The Issuer has received an Enterprise Foreign Debt Filing Registration Certificate dated 29 April 2021 from the NDRC in connection with the Pre-Issuance Registration.

The interpretation of the NDRC Notice may involve significant uncertainty, which may adversely affect the enforceability and/or effective performance of the Bonds. The NDRC Notice is silent on the legal consequences of non-compliance with the pre-issue and post-issue registration requirements, but according to the NDRC Notice, if there are major discrepancies between the actual circumstances of the Bonds and the circumstances indicated in the certification of filing and registration by the NDRC which was obtained on 29 April 2021, an explanation shall be given when submitting the information in relation to the issuance of the Bonds to the NDRC. If an enterprise maliciously and falsely reports the circumstances of its foreign debts for filing and registration into the national credit information platform, the NDRC shall enter such event into the credit records of such enterprise. In addition, the administration of the NDRC Notice may be subject to a certain degree of executive and policy discretion by the NDRC. There is also a risk that the registration approval with the NDRC may be revoked or amended in the future or that future changes in PRC laws and regulations may have a negative impact on the performance or validity and enforceability of the Bonds in the PRC. Potential investors of the Bonds are advised to exercise due caution when making their investment decisions.

The Bonds are unsecured obligations.

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

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

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

An active trading market for the Bonds may not develop.

The Bonds are a new issue of securities for which there is currently no trading market. There can be no assurance as to the liquidity of the Bonds or that an active trading market will develop or as to liquidity or sustainability of any such market, the ability of holders to sell their Bonds or the price at which holders will be able to sell their Bonds. If the Bonds are allocated to a limited group of investors, and a limited number of investors hold a significant proportion of the Bonds, liquidity will be restricted and the development of a liquid trading market for the Bonds will be

affected. If a market does develop, it may not be liquid and the Bonds could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Group's operations and the market for similar securities. The Joint Lead Managers are not obligated 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. Therefore, investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. In addition, Bondholders should be aware of the prevailing and widely reported global credit market conditions (which continue at the date of this Offering Circular), whereby there is a general lack of liquidity in the secondary market for instruments similar to the Bonds. Such lack of liquidity may result in investors suffering losses on the Bonds in secondary resales even if there is no decline in the performance of the assets of the Group. It is not possible to predict which of these circumstances will change and whether, if and when they do change, there will be a more liquid market for the Bonds and instruments similar to the Bonds at that time. Although application will be made for the listing of the Bonds on the Hong Kong Stock Exchange, no assurance can be given as to the liquidity of, or trading market for, the Bonds. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, investors will only be able to resell their Bonds in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act.

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

If an active trading market for the Bonds were to develop, the price and trading volume of the Bonds may be highly volatile. Factors such as variations in the revenues, earnings and cash flows of the Group, proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies, changes in the industry that the Group operates and competition and general economic conditions could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the volume and price at which the Bonds will trade. There can be no assurance that these developments will not occur in the future.

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

The Bonds are denominated and payable in U.S. dollars. An investor who measures investment returns by reference to a currency other than the U.S. dollar would be subject to foreign exchange risks by virtue of an investment in the Bonds, due to, among other things, economic, political and other factors over which the Issuer has no control. Depreciation of the U.S. dollar against such currency could cause a decrease in the effective yield of the Bonds below their stated coupon rates and could result in a loss when the return on the Bonds is translated into such currency. In addition, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in the Bonds.

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

The market price of the Bonds may be adversely affected by declines in the international financial markets and world economic conditions. The market for the Bonds is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including China. Since the global financial crisis in 2008 and 2009, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Bonds could be adversely affected.

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

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

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Offering Circular;
- 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, 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 indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) Bonds are legal investments for it,

(b) Bonds can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Bonds under any applicable risk-based capital or similar rules.

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

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

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

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

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

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

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

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

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

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

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

Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by the Clearing System(s) to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Certificate will not have a direct right under the Global Certificate to take enforcement action against the Issuer in the event of a default under the Bonds but will have to rely upon their rights under the Trust Deed.

The Issuer may issue additional bonds which affect the price of the Bonds.

The Issuer may raise additional capital through the issue of other bonds or other means. Other than certain restrictions on issuing certain secured indebtedness as set out in Condition 5(f) (*Negative Pledge*) of the Terms and Conditions of the Bonds, there is no restriction, contractual or otherwise, on the amount or type of securities or other liabilities which the Issuer may issue or incur and which rank senior to, or *pari passu* with, the Bonds. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Bondholders on a winding-up of the Issuer. The issue of any such securities or the incurrence of any such other liabilities might also have an adverse impact on the trading price of the Bonds and/or the ability of Bondholders to sell their Bonds.

Changes in market interest rates may adversely affect the value of the Bonds and the Standby Letter of Credit.

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.

The PRC government has gradually liberalised its regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. In addition, the interest rate for Renminbi in markets outside the PRC may significantly deviate from the interest rate for Renminbi in the PRC as a result of foreign exchange controls imposed by PRC laws and regulations and prevailing market conditions.

As the Bonds will carry a fixed interest rate. Consequently, investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds and the Standby Letter of Credit. If the Bondholders propose to sell their Bonds before their maturity, they may receive an offer lower than the amount they have invested.

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

The Issuer may redeem the Bonds at its option, in whole but not in part, at a redemption price equal to their principal amount, together with interest accrued to the date fixed for redemption if, subject to certain conditions, as a result of a change in tax law, the Issuer has or will become obliged to pay Additional Tax Amounts (as defined in the Terms and Conditions of the Bonds), as further described in Condition 7(b) (*Redemption for Taxation Reasons*) of the Terms and Conditions of the Bonds.

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

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

The Issuer may, on the occurrence of a Relevant Event (as defined under the Terms and Conditions of the Bonds), and at maturity will, be required to redeem part or all of the Bonds. If such an event were to occur, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to 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 or redeem tendered Bonds by the Issuer would constitute an event of default under the Bonds, which may also constitute a default under the terms of the Group's other indebtedness.

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

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

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

Under the Enterprise Income Tax Law of the PRC (the "EIT Law") which took effect on 1 January 2008 and was last revised on 29 December 2018 and its implementation rules, any gains realised on the transfer of the Bonds by holders who are deemed under the EIT Law as non-resident

enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. Under the EIT Law, a “non-resident enterprise” means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. There remains uncertainty as to whether the gains realised on the transfer of the Bonds by enterprise holders would be treated as incomes derived from sources within the PRC and be subject to PRC enterprise income tax. In addition, there is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income which was promulgated on 21 August 2006, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds if such capital gains are not connected with an office or establishment that the Bondholders have in the PRC and all the other relevant conditions are satisfied.

Pursuant to the EIT Law, the PRC Individual Income Tax Law (the “**IIT Law**”) which last amended on 31 August 2018, and the implementation regulations in relation to both the EIT Law and IIT Law, PRC income tax at a rate of 10 per cent. or 20 per cent. is normally applicable to PRC-source income derived by non-resident enterprises or individuals respectively, subject to adjustment by applicable treaty. As the Issuer is a PRC resident enterprise for tax purposes, interest paid to non-resident Bondholders may be regarded as PRC-sourced, and therefore be subject to PRC income tax at a rate of 10 per cent. for non-resident enterprise Bondholders and at a rate of 20 per cent. for non-resident individual Bondholders (or a lower treaty rate, if any).

On 23 March 2016, the Ministry of Finance and the State Administration of Taxation issued the Circular of Full Implementation of Replacing Business Tax with Value-Added Tax Reform (關於全面推開營業稅改徵增值稅試點的通知) (“**Circular 36**”), which introduced a new value-added tax (“**VAT**”) from 1 May 2016. VAT is applicable where entities or individuals provide services within the PRC. The Issuer will be obligated to withhold VAT of 6% and certain surcharges as described below on payments of interest and certain other amounts on the Bonds paid by the Issuer to Bondholders that are non-resident enterprises or individuals. Pursuant to the Interim Regulation of the PRC on City Maintenance and Construction Tax (中華人民共和國城市維護建設稅暫行條例(2011修訂)), the Interim Provisions on the Collection of Educational Surcharges (徵收教育附加費的規定(2011修訂)) and the Notice of the Ministry of Finance on the Relevant Matters regarding Unifying the Policies on Local Education Surcharges (財政部關於同意地方教育附加政策有關問

題的通知), a city maintenance and construction tax of 7 per cent., an educational surcharge of 3 per cent. and a local educational surcharge of 2 per cent. will be applicable when entities and individuals are obliged to pay VAT (for an aggregate of 12 per cent. surcharge on any VAT payable).

VAT is unlikely to be applicable to any transfer of Bonds between entities or individuals located outside of the PRC and therefore unlikely to be applicable to gains realised upon such transfers of Bonds, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC. Circular 36 together with other laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties.

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

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

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

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, giving of notice to the Issuer pursuant to Condition 10 (*Events of Default*) of the Terms and Conditions of the Bonds and taking enforcement steps pursuant to Condition 14 (*Enforcement*) of the Terms and Conditions of the Bonds, the Trustee may (but is not obliged to), 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 the 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, the Agency Agreement, the Standby Letter of Credit 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 law or regulations, it will be for the holders of the Bonds to take such actions directly.

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 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 the individual Bondholders.

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

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

Additional procedures may be required to be taken to bring English law governed matters or disputes to the Hong Kong courts and the holders of the Bonds would need to be subject to the exclusive jurisdiction of the Hong Kong courts. There is also no assurance that the PRC courts will recognise and enforce judgments of the Hong Kong courts in respect of English law governed matters or disputes.

The Terms and Conditions of the Bonds, the Trust Deed and the Agency Agreement are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes, the Hong Kong courts may require certain additional procedures to be taken. Under the Choice of Court Arrangement, judgments of Hong Kong courts are likely to be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgments have agreed to submit to the exclusive jurisdiction of Hong Kong courts.

However, recognition and enforcement of a Hong Kong court judgment could be refused if the PRC courts consider that the enforcement of such judgment is contrary to the social and public interest of the PRC or meets other circumstances specified by the Choice of Court Arrangement. While it is expected that the PRC courts will recognise and enforce a judgment given by the Hong Kong courts in respect of a dispute governed by English law, there can be no assurance that the

PRC courts will do so for all such judgments as there is no established practice in this area. Compared to other similar debt securities issuances in the international capital markets where the relevant holders of the debt securities would not typically be required to submit to an exclusive jurisdiction, the holders of the Bonds will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the holders' ability to initiate a claim outside of Hong Kong will be limited.

Only a single drawing is permitted under the Standby Letter of Credit and the Bonds will be mandatorily redeemed upon a pre-funding failure.

The Bonds will have the benefit of the Standby Letter of Credit issued by the LC Bank in favour of the Trustee on behalf of itself and the Bondholders. The Standby Letter of Credit shall be drawable by the Trustee in certain circumstances as detailed under the Terms and Conditions of the Bonds. Only a single drawing is permitted under the Standby Letter of Credit. The Terms and Conditions of the Bonds provide for a Demand to be made under the Standby Letter of Credit in the event that (i) the Issuer has failed to comply with Condition 4(b) (*Pre-funding*) in relation to pre-funding the amount that is required to be pre-funded under the Terms and Conditions of the Bonds and/or failed to provide the Required Confirmations (as defined in Condition 4(b)(ii)) in accordance with Condition 4(b) (*Pre-funding*); or (ii) an Event of Default (as defined in Condition 10 (*Events of Default*)) has occurred and the Trustee has given notice to the Issuer that the Bonds are immediately due and payable in accordance with Condition 10 (*Events of Default*). Such Demand will be made in respect of the full amount of the outstanding principal due and interest accrued on the Bonds (together with all fees, expenses and all other amounts payable by the Issuer under or in connection with the Bonds, the Trust Deed, the Agency Agreement), and thereafter the Bonds will be mandatorily redeemed in accordance with Condition 7(d) (*Mandatory Redemption upon Pre-Funding Failure*). Bondholders will not be able to hold their Bonds to maturity should such mandatory redemption occur.

The Standby Letter of Credit expires on a date one month after the Maturity Date.

The Standby Letter of Credit will expire at 5:00 p.m. (Hong Kong time) on 10 February 2025. In the event that the Trustee does not make a Demand under the Standby Letter of Credit by this expiration date, Bondholders will not be able to benefit from the credit protection provided by the LC Bank.

The LC Bank's ability to perform its obligations under the Standby Letter of Credit is subject to the financial condition of Bank of Shanghai Co., Ltd (the "Bank").

The LC Bank is not a separate and independent legal person but has capacity to carry on its activities within its scope of the authorisation given by the Bank, and if the assets of the LC Bank are not sufficient to meet the obligations of the LC Bank under the Standby Letter of Credit, the Bank would have an obligation to satisfy the balance of the obligations under the Standby Letter

of Credit. Therefore, the ability of the LC Bank to make payments under the Standby Letter of Credit will depend on the financial condition of the Bank, which could be materially and adversely affected by a number of factors, including, but not limited to, the following:

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

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

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

TERMS AND CONDITIONS OF THE BONDS

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

The U.S.\$100,000,000 in aggregate principal amount of 2.0 per cent. credit enhanced bonds due 2025 (the “**Bonds**”, which expression, unless the context requires otherwise, includes any further securities issued pursuant to Condition 16 and to be consolidated and forming a single series therewith) of Yancheng High-tech Zone Investment Group Co., Ltd. (鹽城高新區投資集團有限公司) (the “**Issuer**”) are constituted by a trust deed (as amended and/or supplemented from time to time, the “**Trust Deed**”) dated 10 January 2022 (the “**Issue Date**”) made between the Issuer and China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) (the “**Trustee**”, which expression shall include its successor(s)) as trustee for the holders of the Bonds.

The issue of the Bonds was authorised by resolutions of the board of directors of the Issuer dated 4 January 2022 and by the approval from the State-owned Assets Supervision and Administration Commission of the People’s Government of Yancheng dated 4 April 2019.

The Bonds are the subject of an agency agreement dated 10 January 2022 (as amended and/or supplemented from time to time, the “**Agency Agreement**”) made between the Issuer, the Trustee, China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as principal paying agent (the “**Principal Paying Agent**”, which expression shall include any successor thereof), as registrar (the “**Registrar**”, which expression shall include any successor thereof), as transfer agent (the “**Transfer Agent**”, which expression shall include any successor thereof) and any other agents appointed thereunder, China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as the account bank (the “**Pre-funding Account Bank**”, which expression shall include any successor thereof) with which the Pre-funding Account (as defined below) is held and China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as the account bank (the “**LC Proceeds Account Bank**”, which expression shall include any successor thereof) with which the LC Proceeds Account (as defined below) is held. References herein to “**Paying Agents**” include the Principal Paying Agent, and “**Agents**” means the Principal Paying Agent, the Registrar, the Transfer Agent, and the other agent or agents and their successor(s) appointed from time to time under the Agency Agreement with respect to the Bonds. The Bonds will have the benefit of an irrevocable standby letter of credit (the “**Standby Letter of Credit**”) dated 10 January 2022 issued by Bank of Shanghai Co., Ltd, Nanjing Branch (the “**LC Bank**”).

Copies of the Trust Deed, the Agency Agreement and the Standby Letter of Credit are available for inspection by Bondholders (as defined below) 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 of the Trustee (being at the Issue Date at 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong) following prior written

request and proof of holding and identity satisfactory to the Trustee. Certain provisions of these terms and conditions (these “**Conditions**”) are summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed, the Agency Agreement and the Standby Letter of Credit. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Standby Letter of Credit and those provisions of the Agency Agreement applicable to them.

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

1. FORM, AUTHORISED DENOMINATION AND TITLE

(a) Form and Authorised Denomination

The Bonds are issued in the specified denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof (each an “**Authorised Denomination**”). The Bonds are evidenced by registered certificates (the “**Certificates**”) and, save as provided in Condition 3(b), each Certificate shall evidence the entire holding of Bonds by the same Holder.

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

(b) Title

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

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

2. STATUS

The Bonds constitute direct, unconditional, unsubordinated and (subject to Condition 5(f)) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable laws and regulations and subject to Condition 5(f), at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

3. TRANSFERS OF BONDS AND ISSUE OF CERTIFICATES

(a) Register

The Issuer will cause a register (the “**Register**”) to be kept at the specified office of the Registrar and in accordance with the terms of the Agency Agreement, on which shall be entered the names and addresses and details of the registered account (as defined in Condition 8(a)) of the Holders of the Bonds and the particulars of the Bonds held by them and of all transfers of the Bonds. Each Holder shall be entitled to receive only one Certificate in respect of its entire holding of Bonds.

(b) Transfer

Subject to the Agency Agreement and Conditions 3(e) and 3(f), a Bond may be transferred (in whole or in part but in any case in an Authorised Denomination) by surrendering the Certificate issued in respect of that Bond, with the form of transfer on the back of the Certificate duly completed and signed, and any other evidence as the Registrar or such Transfer Agent may require to prove the title of the transferor and the authority of the individuals who have executed such form of transfer at the specified office of the Registrar or any Transfer Agent.

In the case of a transfer of only part of a holding of Bonds evidenced by one Certificate (which shall be an Authorised Denomination), a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred (which shall also be an Authorised Denomination) shall be issued to the transferor. In the case of a transfer of the Bonds to a person who is already a Holder of the Bonds, a new Certificate evidencing the enlarged holding shall only be issued against surrender of the Certificate evidencing the existing holding. No transfer of title to a Bond will be valid unless and until entered on the Register.

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

(c) Delivery of New Certificates

Each new Certificate to be issued upon transfer of Bonds pursuant to Condition 3(b) shall be made available for delivery within seven business days of receipt by the Registrar or, as the case may be, any Transfer Agent of a duly completed form of transfer, surrender of the existing Certificate(s) and provision of any other evidence required by any such Transfer Agent or the Registrar pursuant to Condition 3(b). Delivery of the new Certificate(s) shall be made at the specified office of any Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer and Certificate shall have been made or, at the option of the Bondholder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the Bondholder entitled to the new Certificate to such address as may be so specified, unless such Bondholder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 3(c), “**business day**” means a day, other than a Saturday, Sunday or public holiday, on which commercial banks are generally open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

Except in the limited circumstances described in the Global Certificate, owners of interest in the Bonds will not be entitled to receive physical delivery of definitive Certificates.

(d) Formalities Free of Charge

Registration of a transfer of Bonds and issuance of new 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 relevant holder (or the giving by the relevant holder of such indemnity and/or security and/or pre-funding as the Issuer, the Registrar and (if applicable) the relevant Transfer Agent may require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer; (ii) the Registrar and (if applicable) the relevant Transfer Agent being satisfied in its absolute discretion with the documents of title or identity of the person making the application and (iii) the Registrar and (if applicable) the relevant Transfer Agent being satisfied that the Regulations (as defined in Condition 3(f)) have been complied with.

(e) Closed Periods

No Holder may require the transfer of a Bond to be registered (i) during the period of seven days ending on (but excluding) the due date for any payment of principal (or premium) in respect of that Bond; or (ii) during the period of seven days ending on (and including) any Record Date (as defined in Condition 8(a)); or (iii) during the period of seven days prior to

(and including) any date on which Bonds may be called for redemption by the Issuer pursuant to Condition 7(b); or (iv) after a Put Exercise Notice is deposited in respect of such Bond in accordance with Condition 7(c).

(f) Regulations

All transfers of Bonds and entries on the Register will be made subject to the detailed regulations (the “**Regulations**”) concerning transfer of Bonds, the initial form of which is scheduled to the Agency Agreement. The Regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee or by the Registrar, with the prior written approval of the Trustee. A copy of the current Regulations will be made available for inspection by the Registrar to any Holder upon prior written request and satisfactory proof of holding.

4. STANDBY LETTER OF CREDIT

(a) Standby Letter of Credit

The Bonds will have the benefit of the Standby Letter of Credit issued in favour of the Trustee, on behalf of itself and the holders of the Bonds, by the LC Bank. The Standby Letter of Credit shall be drawable by the Trustee as beneficiary under the Standby Letter of Credit on behalf of itself and the holders of the Bonds upon the presentation of a demand by authenticated SWIFT (or as otherwise permitted under the Standby Letter of Credit) sent by or on behalf of the Trustee to the LC Bank in accordance with the Standby Letter of Credit (the “**Demand**”) stating that (i) the Issuer has failed to comply with Condition 4(b) in relation to pre-funding the amount that is required to be pre-funded under these Conditions and/or has failed to provide the Required Confirmations (as defined below) in accordance with Condition 4(b); or (ii) an Event of Default (as defined in Condition 10) has occurred and the Trustee has given notice to the Issuer that the Bonds are immediately due and payable in accordance with Condition 10.

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

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

The LC Bank's aggregate liability under the Standby Letter of Credit shall be expressed and payable in U.S. dollars and shall not in any circumstances exceed U.S.\$102,400,000, which includes an amount representing the aggregate principal amount of U.S.\$100,000,000 of the Bonds plus interest payable for one Interest Period (as defined below) in accordance with these Conditions plus any fees, expenses and all other amounts payable to the Trustee in connection with the Bonds, the Trust Deed and the Agency Agreement. The Standby Letter of Credit takes effect from the Issue Date and expires at 5:00 p.m. (Hong Kong time) on 10 February 2025 (the "**Expiry Date**").

(b) Pre-funding

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

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

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

- (A) as soon as reasonably practicable notify the LC Bank and the LC Proceeds Account Bank by facsimile or by SWIFT of the occurrence of the Pre-funding Failure; and

(B) prior to 6:00 p.m. (Hong Kong time) on the second Business Day following the Pre-funding Date (x) give notice substantially in the form set out in the Trust Deed (the “**Pre-funding Failure Notice**”) to the Bondholders of (I) the Pre-funding Failure and (II) the redemption of the Bonds in accordance with Condition 7(d) to occur as a result of the Pre-funding Failure and (y) issue a Demand to the LC Bank for the principal amount in respect of all the Bonds then outstanding, together with interest accrued to but excluding the Mandatory Redemption Date (as defined in Condition 7(d)) and all fees, expenses and all other amounts payable by the Issuer under or in connection with the Bonds, the Trust Deed, the Agency Agreement, provided that, subject to and in accordance with the Standby Letter of Credit, the Trustee need not physically present the Demand under the Standby Letter of Credit to the LC Bank and shall be entitled to submit the Demand by authenticated SWIFT (or, in certain limited circumstances set out in the Standby Letter of Credit, by way of such other means as permitted under the Standby Letter of Credit) to the LC Bank.

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

For the purposes of these Conditions:

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

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

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

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

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

5. COVENANTS

(a) Financial Information

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

- (i) a Compliance Certificate (on which the Trustee may rely conclusively as to such compliance) and a copy of the Audited Financial Reports within 150 days of the end of each Relevant Period prepared in accordance with the Accounting Standards for Business Enterprises in China (“**PRC GAAP**”) (audited by a nationally or internationally recognised firm of independent accountants) and if such statements shall be in the Chinese language, together with an English language translation of the same translated by (A) a nationally or internationally recognised firm of independent accountants or (B) a professional translation service provider and checked by a nationally or internationally recognised firm of independent accountants, together with a certificate in English signed by an Authorised Signatory certifying that such translation is complete and accurate;
- (ii) a copy of the Unaudited Financial Reports within 90 days of the end of each Relevant Period prepared on a basis consistent with the Audited Financial Reports and if such statements shall be in the Chinese language, together with an English language translation of the same and translated by (A) a nationally or internationally recognised firm of independent accountants or (B) a professional translation service provider and checked by a nationally or internationally recognised firm of independent accountants, together with a certificate in English signed by an Authorised Signatory certifying that such translation is complete and accurate; and
- (iii) a Compliance Certificate (on which the Trustee may rely conclusively as to such compliance) within 14 days of any request therefor from the Trustee.

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

(b) Undertakings Relating to Compliance of Laws and Regulations

The Issuer undertakes that it will comply with all applicable PRC laws and regulations in relation to the Bonds, including but not limited to the Notice regarding Further Regulation on the Debt Financing Activities of Local Governments (《進一步規範地方政府舉債融資行為的通知》) (財預 [2017] 50 號) issued by the Ministry of Finance of the PRC, the National Development and Reform Commission, the People's Bank of China, the China Banking Regulatory Commission, the China Securities Regulatory Commission and the Ministry of Justice on 26 April 2017, the Notice of the General Office of the National Development Reform Commission and General Office of the Ministry of Finance on Further Strengthening the Corporate Bonds' Capacity of Serving the Real Economy and Strictly Preventing Local Debt Risks (《國家發展改革委辦公室、財政部辦公室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) issued by the National Development and Reform Commission and the Ministry of Finance on 8 February 2018 and other applicable laws and regulations governing the financing activities of the financing vehicles of local governments.

(c) Undertakings relating to SAFE Registration

The Issuer shall (i) submit or cause to be submitted an application for the registration of the Bonds with SAFE in accordance with, and within the time period prescribed by, the Administrative Measures for Foreign Debt Registration (《外債登記管理辦法》) and the Notice on Nationwide Implementation of the Macroprudential Management Policy of Overall Cross-border Financing (《中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知》) issued by the People's Bank of China on 12 January 2017 and which came into effect on the same date (the “**SAFE Registration**”); and (ii) use its best endeavours to complete the SAFE Registration and obtain a registration record from SAFE on or before the Registration Deadline.

(d) Notification to NDRC

The Issuer undertakes that it will within 10 PRC Business Days after the Issue Date file or cause to be filed with the NDRC the requisite information and documents in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知 (發改外資[2015]2044 號) issued by the NDRC and effective as of 14 September 2015 and any implementation rules as issued by the NDRC from time to time (the “**NDRC Post-issue Filing**”).

(e) Notification of Completion of NDRC Post-issue Filing and SAFE Registration

The Issuer shall provide the Trustee within five Registration Business Days after the later of the submission of the NDRC Post-issue Filing and the receipt of the registration certificate from SAFE (or any other document evidencing the completion of the SAFE Registration issued by SAFE) with (i) a certificate substantially in the form set out in the Trust Deed signed by any Authorised Signatory confirming the completion of the NDRC Post-issue Filing and the SAFE Registration; (ii) copies of the relevant documents evidencing the completion of the NDRC Post-issue Filing (if any) and the SAFE Registration, each certified in English by an Authorised Signatory as true and complete copies of the original (the items specified in (i) and (ii) together, the “**Registration Documents**”). In addition, the Issuer shall, within five Registration Business Days after the documents comprising the Registration Documents are delivered to the Trustee, give notice to the Bondholders (in accordance with Condition 17 and substantially in the form set out in the Trust Deed) confirming the completion of the NDRC Post-issue Filing and the SAFE Registration. The Trustee may rely conclusively on the Registration Documents and shall have no obligation or duty to (i) monitor or ensure or otherwise assist with the NDRC Post-issue Filing and/or the SAFE Registration, (ii) to verify the accuracy, validity and/or genuineness of the Registration Documents or any other certificates, confirmations or documents in relation to or in connection with the NDRC Post-issue Filing and/or the SAFE Registration or (iii) to give notice to the Bondholders confirming the completion of the NDRC Post-issue Filing and/or the SAFE Registration, and shall not be liable to Bondholders or any other person for not doing so.

(f) Negative Pledge

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

In these Conditions:

“**Audited Financial Reports**” means the annual audited consolidated balance sheet, income statement, statement of cash flows and statement of changes in owners’ equity of the Issuer together with any statement, report (including any directors’ and auditors’ reports, if any) and notes attached to or intended to be read with any of them;

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

- (i) no Event of Default (as defined in Condition 10), Potential Event of Default (as defined in the Trust Deed) or a Change of Control (as defined in Condition 7) has occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event has occurred, giving details of it; and
- (ii) the Issuer has complied with all its obligations under the Bonds and the Trust Deed or, if non-compliance has occurred, giving details of it;

“**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 People’s Republic of China or its local counterparts;

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

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

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

“**Registration Deadline**” means the day falling 120 Registration Business Days after the Issue Date;

“**Relevant Indebtedness**” means any indebtedness incurred outside the PRC which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market (which, for the avoidance of doubt, does not include bilateral loans, syndicated loans or club deal loans, any transferrable loan facility or agreement (including any draw-down of any existing credit line or facility));

“**Relevant Period**” means (i) in relation to the Audited Financial Reports, each period of 12 months ending on the last day of the Issuer’s financial year, being 31 December of that financial year; and (ii) in relation to the Unaudited Financial Reports, each period of six months ending on the last day of the Issuer’s first half financial year, being 30 June of that financial year;

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

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

“**Unaudited Financial Reports**” means the semi-annual (or any other interim reporting period required by applicable law or regulations) unaudited consolidated balance sheet, income statement, statement of cash flows and statement of changes in owners’ equity of the Issuer together with any statement, report (including any directors’ and auditors’ review reports, if any) and notes attached to or intended to be read with any of them, if any; and

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

6. INTEREST

The Bonds bear interest on their outstanding principal amount from and including the Issue Date at the rate of 2.0 per cent. per annum, payable semi-annually in arrear in equal instalments of U.S.\$10.00 per Calculation Amount (as defined below) on 10 January and 10 July in each year (each an “**Interest Payment Date**”) commencing on 10 July 2022.

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

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

If interest is required to be calculated for a period of less than a complete Interest Period, the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

Interest in respect of any Bond shall be calculated per U.S.\$1,000 in principal amount of the Bonds (the “**Calculation Amount**”). The amount of interest payable per Calculation Amount for any period shall, save as provided above in relation to equal instalments, be equal to the product of the rate of interest specified above, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

7. REDEMPTION AND PURCHASE

(a) Final Redemption

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 10 January 2025 (the “**Maturity Date**”). The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 7.

(b) Redemption for Taxation Reasons

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice (a “**Tax Redemption Notice**”), which shall specify the date for redemption and the names and addresses of all Paying Agents, and the method by which payment shall be made to the Bondholders in accordance with Condition 17 (which shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent, at 100 per cent. of their principal amount (together with any interest accrued to (but not including) the date fixed for redemption) if, immediately prior to the giving of such notice, the Issuer satisfies the Trustee that:

- (i) the Issuer has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of, or the stating of an official position with respect to, such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 5 January 2022; and

(ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due.

Prior to the giving of any Tax Redemption Notice pursuant to this Condition 7(b), the Issuer shall deliver to the Trustee (A) a certificate in English signed by any Authorised Signatory stating that the obligation referred to in (i) above of this Condition 7(b) cannot be avoided by the Issuer taking reasonable measures available to it, and (B) an opinion, in form and substance satisfactory to the Trustee, of independent tax or legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendments and statement. The Trustee shall be entitled (but shall not be obliged) to accept and rely upon such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above of this Condition 7(b), in which event they shall be conclusive and binding on the Bondholders, and the Trustee shall be protected and shall have no liability to any Bondholder or any person for so accepting and relying on such certificate or opinion.

Upon the expiry of any such notice as is referred to in this Condition 7(b), the Issuer shall be bound to redeem the Bonds in accordance with this Condition 7(b).

(c) Redemption for a Relevant Event

Following the occurrence of a Relevant Event, the Holder of any Bond will have the right, at such Bondholder's option, to require the Issuer to redeem all, but not some only, of such Bondholder's Bonds on the Put Settlement Date at 100 per cent. of their principal amount, together in each case with accrued interest up to (but excluding) the Put Settlement Date. To exercise such right, the Holder of a Bond must deposit at the specified office of the Principal Paying Agent or any other Paying Agent a duly completed and signed notice of redemption, substantially in the form set out in the Agency Agreement, obtainable from the specified office of any Paying Agent (a "**Put Exercise Notice**"), together with the Certificate evidencing the Bonds to be redeemed, by not later than 30 days following a Relevant Event, or if later within 30 days following the date upon which such notice is given to Bondholders.

The "**Put Settlement Date**" shall be the fourteenth day (in the case of a redemption for a Change of Control) or the fifth day (in the case of a redemption for a No Registration Event) or, in each case, if such day is not a Payment Business Day (as defined in Condition 8(f)), the next following Business Day, after the expiry of such period of 30 days as referred to above.

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

Not later than 14 days (in the case of a Change of Control) or five days (in the case of a No Registration Event) following the day on which the Issuer becomes aware of the occurrence of a Relevant Event, the Issuer shall procure that notice regarding such Relevant Event shall be delivered to the Trustee and the Principal Paying Agent in writing and to the Holders in accordance with Condition 17 stating:

- (i) the applicable Put Settlement Date;
- (ii) the date of the Relevant Event and, briefly, the events causing the Change of Control or the No Registration Event, as applicable;
- (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 Bondholders must follow and the requirements that Bondholders must satisfy in order to exercise the redemption right pursuant to this Condition 7(c); and
- (vii) that a Put Exercise Notice, once validly given, may not be withdrawn.

Neither the Trustee nor the Agents shall have any obligation or duty to verify the accuracy, validity and/or genuineness of any documents in relation to or connection with the Registration Conditions and shall not be liable to the Bondholders, the Issuer or any other person for not doing so.

For the purpose of these Conditions:

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

- (i) the Municipal Government of Yancheng ceases to directly or indirectly hold or own 100 per cent. of the issued share capital of the Issuer; or
- (ii) the Issuer consolidates with or merges into or sells or transfers all or substantially all of its assets to one or more Persons, except where such Person(s) (in the case of asset sale or transfer) or the surviving entity (in the case of consolidation or merger) is/are directly or indirectly 100 per cent. held or owned by the People’s Government of Yancheng City;

“**Municipal Government of Yancheng**” means the People’s Government of Yancheng Municipality (鹽城市人民政府);

a “**No Registration Event**” occurs when the Registration Conditions are not complied with on or before the Registration Deadline;

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

“**Registration Conditions**” means the receipt by the Trustee of the Registration Documents relating to the SAFE Registration as set forth in Condition 5(e); and

a “**Relevant Event**” means a Change of Control or a No Registration Event.

(d) Mandatory Redemption upon Pre-funding Failure

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

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

(e) Notice of Redemption

All Bonds in respect of which any notice of redemption is given under this Condition 7 shall be redeemed on the date, in such place and in such manner as specified in such notice in accordance with this Condition. 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 7(b) and any Put Exercise Notice given by a Bondholder pursuant to Condition 7(c)), the notice given first in time shall prevail and in the event of two notices being given on the same date, the first to be given shall prevail.

(f) Purchase

The Issuer or any of its Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Issuer or any such Subsidiary, shall not entitle the Bondholder to vote at any meetings of the Holders and shall not be deemed to be outstanding for certain purposes, including without limitation for the purpose of calculating quorums at meetings of the Holders or for the purpose of Condition 10, Condition 13(a) and Condition 14.

(g) Cancellation

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

(h) No Duty to Monitor

The Trustee and the Agents shall not be obliged to take any steps to ascertain whether a Relevant Event, Potential Event of Default or Event of Default has occurred or to monitor or to investigate the occurrence of any Relevant Event, Potential Event of Default or Event of Default, and shall not be liable to the Bondholders, the Issuer or any other person for not doing so.

(i) Calculation

Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying the calculations of any amount payable under any notice of redemption and shall not be liable to the Bondholders, the Issuer or any other person for not doing so.

8. PAYMENTS

(a) Method of Payment

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

- (ii) Interest on each Bond shall be paid on the due date to the person shown on the Register at the close of business on the fifth Payment Business Day before the due date for payment thereof (the “**Record Date**”). Payment of interest on each Bond shall be made in U.S. dollars by transfer to the registered account of the holder of such Bond. In these Conditions, the “**registered account**” of a holder means the U.S. dollar account maintained by or on behalf of such holder with a bank, details of which appear in the Register at the close of business in the place of the Principal Paying Agent on the Record Date.
- (iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested in writing by the Issuer or a Bondholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of premium (if any) or interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of premium (if any) or interest so paid.

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

(b) Payments subject to Fiscal Laws

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 9 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 9) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Bondholders in respect of such payments.

(c) Payment Initiation

Payment instructions (for value on the due date or, if that is not a Payment Business Day, for value on the first following day which is a Payment Business Day) will be initiated, or, in the case of payments of principal and premium (if any) where the relevant Certificate has not

been surrendered at the specified office of the Transfer Agent or of the Registrar, on the first Payment Business Day on which the Principal Paying Agent is open for business and on or following which the relevant Certificate is surrendered.

(d) Appointment of Agents

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

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

(e) Delay in Payment

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

(f) Non-Payment Business Day

If any date for payment in respect of any Bond is not a Payment Business Day, the Bondholder shall not be entitled to payment until the next following Payment Business Day nor to any interest or other sum in respect of such postponed payment. In this Condition 8, “**Payment Business Day**” means a day (other than a Saturday, a Sunday or a public holiday) on which commercial banks and foreign exchange markets are generally open for business in Hong Kong, New York City, the place in which the specified office of the Registrar, the Transfer Agent or the Principal Paying Agent is located, the place where payment is to be made by transfer to an account maintained with a bank in U.S. dollars and the place on which foreign exchange transactions may be carried on in U.S. dollars in the principal financial centre of the country of such currency.

9. TAXATION

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

Where such withholding or deduction is made by or within the PRC at a rate of up to and including the aggregate rate applicable on 5 January 2022 (the “**Applicable Rate**”), the Issuer will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

If the Issuer is required to make a deduction or withholding by or within the PRC in excess of the Applicable Rate, the Issuer shall pay such additional amounts (“**Additional Tax Amounts**”) as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Bond:

- (i) **Other connection:** to a Holder (or to a third party on behalf of a Holder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the PRC other than the mere holding of the Bond; or
- (ii) **Surrender more than 30 days after the Relevant Date:** in respect of which the Certificate evidencing it is presented (where presentation is required) for payment more than 30 days after the Relevant Date except to the extent that the Bondholder of it would have been entitled to such Additional Tax Amounts on surrendering the Certificate evidencing such Bond for payment on the last day of such period of 30 days.

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

“**Relevant Date**” in respect of any Bond means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Bondholders that, upon further

surrender of the Certificate evidencing such Bond being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such surrender.

If the Issuer becomes subject at any time to any taxing jurisdiction other than the PRC, references in Condition 7(b) and this Condition 9 to the PRC shall be construed as references to the PRC and/or such other jurisdiction (as the case may be).

Neither the Trustee nor any Agent shall in any event be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 9 or for determining whether such amounts are payable or the amount thereof, nor shall they be responsible or liable for any failure by the Issuer or the Bondholders or any other person to pay such tax, duty, charges, withholding or other payment or be responsible to provide any notice or information in relation to the Bonds in connection with payment of such tax, duty, charges, withholding or other payment.

10. EVENTS OF DEFAULT

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

(a) With respect to the Issuer:

- (i) **Non-Payment:** there has been a failure to pay the principal of any of the Bonds when due, or there has been a failure to pay any interest on any of the Bonds when due and such failure continues for a period of seven days; or
- (ii) **Breach of Other Obligations:** the Issuer does not perform or comply with any one or more of its obligations under the Bonds or the Trust Deed (other than non-payment provided under Condition 10(a)(i) above or where such default gives rise to a Bondholder right to require the redemption of the Bonds pursuant to Condition 7(c)) and such default (A) is incapable of remedy or (B) is not remedied within 45 days after the Trustee has given written notice thereof to the Issuer; provided that if there has been a breach by the Issuer of its obligations to pre-fund any amount in respect of the Bonds and/or to provide the Required Confirmations in accordance with Condition 4(b) and such amount has subsequently been paid by the LC Bank following a drawing under the

Standby Letter of Credit to or to the order of the Trustee and paid to holders of the Bonds, then such breach will not constitute an Event of Default under this Condition 10(a)(ii); or

- (iii) **Cross-Default:** (A) any other present or future indebtedness of the Issuer or any of its Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (B) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (C) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 10(a)(iii) have occurred in aggregate equals or exceeds U.S.\$15,000,000 or its equivalent in any other currency (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this Condition 10(a)(iii) operates); or
- (iv) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Issuer or any of the Principal Subsidiaries and is not discharged or stayed within 45 days; or
- (v) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of the Principal Subsidiaries on the whole or any material part of its assets becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and is not discharged or stayed within 45 days; or
- (vi) **Insolvency:** the Issuer is or is deemed by law or a court to be, or any of the Principal Subsidiaries is, insolvent or bankrupt or unable to pay its debts as and when such debts fall due, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all or a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of all or a material part of its debts or a moratorium is agreed or declared in respect of or affecting all or any material part of the debts of the Issuer or any of the Principal Subsidiaries; or
- (vii) **Winding-up:** an order of any court of competent jurisdiction is made or an effective resolution is passed for the winding-up or dissolution of the Issuer or any of the Principal Subsidiaries (save for a voluntary solvent winding-up of any Principal Subsidiary), or the Issuer or any of the Principal Subsidiaries ceases or threatens to

cease to carry on all or a substantial part of its business or operations, except for the purpose of and followed by a solvent winding-up, dissolution, reconstruction, amalgamation, reorganisation, merger or consolidation (A) on terms approved by the Extraordinary Resolution of the Bondholders, or (B) in the case of a Principal Subsidiary of the Issuer, whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer or another Subsidiary of the Issuer; or (C) a disposal of or by a Principal Subsidiary in an arm's length transaction and the net proceeds from such disposal shall be transferred to or otherwise vested in the Issuer or any of its Subsidiaries; or

- (viii) **Nationalisation:** any step is taken by any person acting under the authority of any national, regional or local government with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Issuer or any of the Principal Subsidiaries; or
- (ix) **Authorisation and Consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done by the Issuer in order (A) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Bonds and the Trust Deed, (B) to ensure that each of those obligations is legally binding and enforceable or (C) to make the Bonds and the Trust Deed admissible in evidence in the courts of Hong Kong, is not taken, fulfilled or done; or
- (x) **Illegality:** it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Bonds or the Trust Deed;
- (xi) **Standby Letter of Credit:** the Standby Letter of Credit is not (or is claimed by the LC Bank not to be) enforceable, valid or in full force and effect; or
- (xii) **Analogous Events:** any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in Condition 10(a)(iv) to Condition 10(a)(vii) (both inclusive).

In this Condition 10, "**Principal Subsidiary**" means any Subsidiary of the Issuer:

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

- (B) whose net profits or (in the case of a Subsidiary which itself has Subsidiaries) consolidated net profits, as shown by its latest audited income statement are at least five per cent. of the consolidated net profits as shown by the latest audited consolidated income statement of the Issuer and its consolidated Subsidiaries including, for the avoidance of doubt, the Issuer and its consolidated Subsidiaries' share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or
- (C) whose total assets or (in the case of a Subsidiary which itself has Subsidiaries) consolidated total assets, as shown by its latest audited balance sheet are at least five per cent. of the amount which equals the amount included in the consolidated total assets of the Issuer and its consolidated Subsidiaries as shown by the latest audited consolidated balance sheet of the Issuer and its consolidated Subsidiaries including, for the avoidance of doubt, the investment of the Issuer in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Issuer and after adjustment for minority interests; or
- (D) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, provided that (x) the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall forthwith become a Principal Subsidiary; and (y) on or after the date on which the first audited accounts (consolidated, if appropriate) of the Issuer prepared as of a date later than such transfer are issued, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Principal Subsidiary shall be determined on the basis of such accounts by virtue of the provisions of paragraphs (A), (B) or (C) above of this definition;

provided that, in relation to paragraphs (A), (B) and (C) above of this definition:

- I. in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Issuer relate, the reference to the then latest consolidated audited accounts of the Issuer for the purposes of the calculation above shall, until consolidated audited accounts of the Issuer for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are available be deemed to be a reference to the then latest consolidated audited accounts of the Issuer adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;

- II. if at any relevant time in relation to the Issuer or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, total revenue, net profit or total assets of the Issuer and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by the Issuer;
- III. if at any relevant time in relation to any Subsidiary, no accounts are audited, its total revenue, net profit or total assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Issuer; and
- IV. if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (i) above) are not consolidated with those of the Issuer, then the determination of whether or not such Subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Issuer.

(b) With respect to the LC Bank:

(i) **Cross-Default:**

- (A) any Public External Indebtedness of the LC Bank or any of its Subsidiaries is not paid when due or, as the case may be, within any originally applicable grace period;
- (B) any such Public External Indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the LC Bank or (as the case may be) the relevant Subsidiary or (provided that no event of default, howsoever described, has occurred) any person entitled to such Public External Indebtedness; or
- (C) the LC Bank or any of its Subsidiaries fails to pay when due any amount payable by it under any guarantee or indemnity of any Public External Indebtedness,

provided that the amount of Public External Indebtedness referred to in Conditions 10(b)(i)(A) or 10(b)(i)(B) and/or the amount payable under any guarantee or indemnity referred to in Condition 10(b)(i)(C), individually or in the aggregate, exceeds U.S.\$25,000,000 (or its equivalent in any other currency or currencies); or

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

- (iii) **Insolvency:** (A) the LC Bank or any of its Material Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (B) an administrator or liquidator is appointed (or application for any such appointment is made) in respect of the LC Bank or any of its Material Subsidiaries or the whole or a material part of the undertaking, assets and revenues of the LC Bank or any of its Material Subsidiaries, (C) the LC Bank or any of its Material 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 of its indebtedness or any guarantee or indemnity of any indebtedness given by it, or (D) the LC Bank or any of its Material Subsidiaries ceases or threatens to cease to carry on all or any substantial part of its business, except in the case of any Material Subsidiary, where the cessation is for the purpose of and followed by a solvent winding-up, dissolution, reconstruction, amalgamation, merger or consolidation whereby the business, undertaking and assets of such Material Subsidiary are transferred to or otherwise vested in the LC Bank and/or another Subsidiary; or
- (iv) **Winding-up:** an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the LC Bank or any of its Material Subsidiaries; or
- (v) **Analogous Events:** any event occurs which under the laws of the relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 10(b)(ii) to Condition 10(b)(iv) (both inclusive).

In this Condition 10(b):

“**Material Subsidiary**” means a Subsidiary of the LC Bank,

- (A) whose gross revenue (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries), whose gross assets (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries) or whose net profit (consolidated in the case of Subsidiary which itself has consolidated Subsidiaries) represent not less than five per cent. of the consolidated gross revenue, the consolidated gross assets, or, as the case may be, the consolidated net profit of the LC Bank and its Subsidiaries taken as a whole, all as calculated respectively by reference to the latest audited or reviewed financial statements (consolidated or, as the case may be, unconsolidated) of the Subsidiary and the then latest audited or reviewed consolidated financial statements of the LC Bank, provided that:
 - (I) in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited or reviewed consolidated financial statements of the LC Bank relate for the purpose of applying each of the foregoing tests, the reference to the LC Bank’s latest audited or reviewed consolidated financial statements shall be deemed to be a reference to such audited or reviewed financial statements as if

such Subsidiary had been shown therein by reference to its then latest relevant audited or reviewed financial statements, adjusted as deemed appropriate by the auditor for the time being, after consultation with the LC Bank;

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

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

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

A certificate signed by an authorised signatory of the LC Bank that in his/her opinion (making such adjustments (if any) as he/she shall deem appropriate) a Subsidiary is or is not or was or was not at any particular time or during any particular period a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Issuer, the Trustee and the Bondholders;

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

11. PRESCRIPTION

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

12. REPLACEMENT OF CERTIFICATES

If any Certificate is mutilated or defaced or is alleged to have been lost, stolen or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or any Transfer Agent, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity, pre-funding and otherwise as the Issuer, the Registrar or the relevant Transfer Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

13. MEETINGS OF BONDHOLDERS, MODIFICATION, WAIVER, AUTHORISATION, DETERMINATION AND ENTITLEMENT OF TRUSTEE

(a) Meetings of Bondholders

The Trust Deed contains provisions for convening meetings of the Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement and the Standby Letter of Credit. Such a meeting may be convened by the Trustee or the Issuer and shall be convened by the Trustee, upon request in writing from Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented unless the business of such meeting includes the modification or abrogation of certain of the provisions of these Conditions and certain of the provisions of the Trust Deed, including consideration of proposals, *inter alia*,⁽ⁱ⁾ to modify the Maturity Date or the dates on which

interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, any premium payable on redemption of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds, (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, or (v) to modify or release the Standby Letter of Credit (other than an amendment or supplement to, or a replacement of, the Standby Letter of Credit in connection with a further issue of securities pursuant to Condition 16 or modification pursuant to Condition 13(b)) in which case the necessary quorum for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 75 per cent., or at any adjourned such meeting not less than 25 per cent., in aggregate principal amount of the Bonds for the time being outstanding.

The Trust Deed provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority consisting of not less than 75 per cent. of the votes cast on such resolution; (ii) a resolution in writing signed by or on behalf of the Bondholders of not less than 90 per cent. in aggregate principal amount of the Bonds for the time being outstanding; and (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the Holders of not less than 90 per cent. in aggregate principal amount of the Bonds for the time being outstanding shall, in each case, for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders. Any Extraordinary Resolution duly passed shall be binding on all Bondholders, whether or not they are present at any meeting and whether or not they voted on the resolution.

(b) Modification, Waiver, Authorisation and Determination

The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, or any failure to comply with any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement, the Standby Letter of Credit and/or the Bonds other than in respect of a special quorum resolution (as defined in the Trust Deed) which in its opinion is not materially prejudicial to the interest of the Bondholders, or may agree, without any such consent as aforesaid, to any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error or to comply with any mandatory provision of law. Any such modification, waiver or authorisation shall be binding on the Bondholders and, unless the Trustee agrees otherwise, such modification, waiver or authorisation shall be notified to the Bondholders by the Issuer as soon as practicable thereafter in accordance with Condition 17.

(c) Entitlement of the Trustee

In connection with the exercise of its functions, rights, powers and/or discretions (including but not limited to those referred to in this Condition 13), the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Bondholders (whatever their number) resulting from them being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

14. ENFORCEMENT

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

15. INDEMNIFICATION OF THE TRUSTEE

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

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

The Trustee and the Agents may accept and shall be entitled to rely conclusively without liability to Bondholders, the Issuer, the LC Bank or any other person on any report, information, confirmation or certificate from or any opinion or advice of any accountants, auditors, lawyers, valuers, auctioneers, surveyors, brokers, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely conclusively on any such report, information, confirmation, certificate, opinion or advice, in which case such report, information, confirmation, certificate, opinion or advice shall be binding on the Issuer, the LC Bank and the Bondholders. Neither the Trustee nor the Agents shall be responsible or liable to the Issuer, the Bondholders, the LC Bank or any other person for any loss occasioned by acting on or refraining from acting on such report, information, confirmation, certificate, opinion or advice. Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement, the Standby Letter of Credit and/or these Conditions to exercise any discretion or power, take or refrain from taking any action, make any decision or give any direction, the Trustee is entitled, prior to exercising any such discretion or power, taking or refraining from taking any such action, making any such decision or giving any such direction, to seek directions or clarification of any such directions from the Bondholders by way of Extraordinary Resolution, and shall have been 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 LC Bank, the Bondholders or any other person as a result of any delay in it exercising such discretion or power, taking or refraining from 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 of the Agents shall be responsible or liable for the performance by the Issuer, the LC Bank or any other person appointed by the Issuer and/or the LC Bank 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 LC Bank to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed. None of the Trustee or any Agent shall be liable to any Bondholder, the Issuer, the LC Bank 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.

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

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

16. FURTHER ISSUES

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

17. NOTICES

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

So long as the Bonds are evidenced by the Global Certificate and the Global Certificate is held on behalf of Euroclear Bank SA/NV or Clearstream Banking S.A. or an Alternative Clearing System (as defined in the form of the Global Certificate), notices to the Holders of the Bonds shall be validly given by the delivery of the relevant notice to Euroclear Bank SA/NV or Clearstream Banking S.A. or the Alternative Clearing System for communication by it to entitled accountholders, in substitution for notification as required by these Conditions.

18. 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.

19. GOVERNING LAW AND JURISDICTION

(a) Governing Law

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

(b) Jurisdiction

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

(c) Agent for Service of Process

The Issuer has irrevocably appointed in the Trust Deed an agent in Hong Kong to receive service of process in any Proceedings in Hong Kong based on any of the Bonds, the Trust Deed or the Agency Agreement. If for any reason the agent for service of process ceases to be so appointed, the Issuer shall forthwith appoint a new agent for service of process in Hong Kong and shall deliver to the Trustee a copy of the agent’s acceptance of that appointment within 30 days of such cessation. Nothing herein shall affect the right to serve process in any other manner permitted by law.

(d) Waiver of Immunity

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

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

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

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

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

EXCHANGE OF BONDS REPRESENTED BY THE GLOBAL CERTIFICATE

Owners of interests in the Bonds in respect of which the Global Certificate is issued will be entitled to have title to the Bonds registered in their names and to receive individual definitive Certificates if either Euroclear or Clearstream or any other clearing system selected by the Issuer and approved in writing by the Trustee, the Principal Paying Agent and the Registrar through which the Bonds are held (an “**Alternative Clearing System**”) is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so. In such circumstances, the Issuer at its own expense will cause sufficient individual definitive Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant holders of the Bonds. A person with an interest in the Bonds in respect of which the Global Certificate is issued must provide the Registrar not less than 30 days’ notice at its specified office of such holder’s intention to effect such exchange and a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Certificates.

PROMISE TO PAY

So long as the Bonds are represented by the Global Certificate, each payment will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be the Clearing System Business Day immediately prior to the date for payment, where “**Clearing System Business Day**” means a weekday (Monday to Friday inclusive) except 25 December and 1 January.

TRUSTEE'S POWERS

In considering the interests of Bondholders while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being 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 the Global Certificate is issued.

NOTICES

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

TRANSFERS

Transfers of beneficial interests in the Bonds represented by the Global 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 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 whereupon the Registrar shall procure the making of an appropriate entry on the Schedule hereto.

MEETINGS

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

USE OF PROCEEDS

The gross proceeds from the offering of the Bonds will be U.S.\$100,000,000. Such gross proceeds, after deducting commissions to be charged by the Joint Lead Managers and other estimated expenses payable in connection with the offering of the Bonds, will be used for general corporate purposes and/or refinancing offshore loans.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the consolidated capitalisation and indebtedness of the Issuer as at 31 December 2020 and as adjusted to give effect to the issue of the Bonds to be issued before deducting commissions and other fees expenses payable by the Issuer in connection with the offering of the Bonds. The following table should be read in conjunction with the Audited Consolidated Financial Statements and the related notes included elsewhere in this Offering Circular.

	As at 31 December 2020			
	Actual		As Adjusted	
	<i>(RMB)</i>	<i>(USD)⁽¹⁾</i>	<i>(RMB)</i>	<i>(USD)⁽¹⁾</i>
	(audited)	(unaudited)	(unaudited)	(unaudited)
	<i>(in millions)</i>			
Current indebtedness				
Short-term borrowings	4,455.0	682.8	4,455.0	682.8
Non-current liabilities maturing within one year	8,771.4	1,344.3	8,771.4	1,344.3
Other current liabilities	—	—	—	—
Total current indebtedness	13,226.4	2,027.1	13,226.4	2,027.1
Non-current indebtedness				
Long-term borrowings	14,912.6	2,285.5	14,912.6	2,285.5
Long-term payable	3,012.1	461.6	3,012.1	461.6
Bonds payable	12,292.6	1,883.9	12,292.6	1,883.9
Bonds to be issued ⁽²⁾	—	—	652.5	100.0
Total non-current indebtedness	30,217.3	4,631.0	30,869.8	4,731.0
Total indebtedness⁽³⁾	43,443.7	6,658.1	44,096.2	6,758.1
Total owners' equity	21,746.1	3,332.7	21,746.1	3,332.7
Total capitalisation⁽⁴⁾	65,189.8	9,990.8	65,842.3	10,090.8

Notes:

- (1) For convenience only, all translation from Renminbi into U.S. dollars was made at the rate of RMB6.5250 to U.S.\$1.00, the exchange rate as at 31 December 2020 as set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve Bank System of the United States.
- (2) This amount represents the aggregate principal amount of the Bonds to be issued, before deducting commissions and other estimated expenses payable in connection with the offering of the Bonds.
- (3) Total indebtedness equals the sum of current indebtedness and non-current indebtedness.
- (4) Total capitalisation represents the sum of total indebtedness and total owners' equity.

Since 31 December 2020, the Group has incurred additional debt in the ordinary course of business to finance its operations and to refinance its existing debt. On 2 September 2021, the Issuer issued U.S.\$115,000,000 2.08 per cent. credit enhanced bonds due 2024 with the benefit of an irrevocable standby letter of credit issued by Bank of Jiangsu Co., Ltd. Yancheng Branch. The net proceeds from the offering will be used for general corporate purposes.

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

DESCRIPTION OF THE GROUP

OVERVIEW

The Group is a key infrastructure construction and state-owned capital operation platform within the Yancheng High-tech Zone, a national-level high-tech industry development zone with a total land area of approximately 173 sq. km. located within Yancheng City, Jiangsu Province, the PRC. Positioned north of the Yangtze River Delta and bordering the Yellow Sea, Yancheng City is the largest city in Jiangsu Province and has experienced rapid social and economic growth in recent years which in turn led to strong growth and development of the Yancheng High-tech Zone. Leveraging the development of the Yancheng High-tech Zone in recent years, the Group has established itself as a leading state-owned company in the Yancheng High-tech Zone and plays an important role in the development of Yancheng High-tech Zone.

The Group has a diversified business portfolio and is primarily engaged in various business operations in Yancheng City including infrastructure construction, primary land development, property leasing and management and material trading. In addition, the Group also carries out other operations including provision of guarantees and greening and landscape engineering.

The Group's principal business segments are as follows:

- **Infrastructure Construction**

The Group engages in infrastructure construction operations and it is one of the primary businesses operated by the Group since its establishment. The Group is entrusted by the Administrative Committee to undertake constructions of municipal roads and bridges, water conservancy facilities and public and social welfare facilities within the Yancheng High-tech Zone. The Group also provides financing for constructions of municipal public facilities in Yancheng City. The Group undertakes infrastructure construction projects primarily through the Issuer and one of its subsidiaries, namely, Yancheng Yongheng Investment.

- **Primary Land Development**

The Group is commissioned by the Administrative Committee to conduct primary land development in Yancheng City. As at 31 December 2020, the Group has completed the development of 39 plots of land with a total area of approximately 8,203.2 mu. The Group conducts its primary land development business primarily through Yancheng Yongheng Investment.

- **Property Leasing and Management**

The Group engages in the construction, operation, management and leasing of office buildings, factories and other rental properties within the Yancheng High-tech Zone. Some of the primary sites that the Group operates for its property management and leasing businesses include the research and development building, the cultural industrial park, the wind power industrial park, the agricultural products processing park and the park for Korean-owned automobile parts. As at 31 December 2020, the Group operated and managed leasable properties with a total area of approximately 1.2 million square metres. The Group conducts its property leasing and management business primarily through the Issuer and one of its subsidiaries, namely, Yancheng Yongheng Property.

- **Material Trading**

The Group has been gradually expanding its material trading operations in recent years in support of the rapid development and construction of the Yancheng High-tech Zone. The Group mainly procures materials such as coal, steel and metal from upstream suppliers and make sales of such materials to downstream companies and contractors. The Group's material trading business is primarily operated by its subsidiaries, Yancheng Lizhiyong Trading and Yancheng Ruiyang Technology.

COMPETITIVE STRENGTHS

The Group believes that the following strengths are important to its success and future development:

Strong growth potential benefiting from local economic growth

The Group is responsible for the construction and development of Yancheng City and the Yancheng High-tech Zone. Located in the north of the Yangtze River Delta and bordering the Yellow Sea, Yancheng City is the largest city in Jiangsu Province and is an important transportation hub along the eastern seaboard of the PRC. In recent years, Yancheng City has enjoyed a strong and steady economic growth, as well as increasing influx of enterprises due to its close proximity to key economic centers of the Yangtze River Economic Belt such as Shanghai and Suzhou. For years ended 31 December 2018, 2019 and 2020, Yancheng City has recorded a GDP of RMB548.7 billion, RMB570.2 billion and RMB595.3 billion, respectively.

The Group believes that Yancheng City, as well as the Yancheng High-tech Zone, will continue to benefit from developments along the eastern seaboard of the PRC, and as a result there will be significant business opportunities and strong growth potentials for the Group's business.

Leading market position in the Yancheng High-tech Zone

The Group is a key infrastructure construction and state-owned capital operation platform within the Yancheng High-tech Zone. In addition, the Administrative Committee has recognised the Group's leading role as the sole provider and platform for infrastructure construction, investment and financing within the Yancheng High-tech Zone. The region and market that the Group operates within have steady and rigid demands for its services and are expected less likely to be influenced by macroeconomic policy adjustments. Therefore, the Group foresees rapid expansion of its operations within the region and such expansion will further strengthen the Group's leading market position as the sole provider of infrastructure construction within the Yancheng High-tech Zone.

Strong support from the Municipal Government of Yancheng

The Issuer is a state-owned company directly and wholly-owned by the Municipal Government of Yancheng. In light of the Group's state-owned background and the strategic importance of the Group's businesses to Yancheng City, in particular the Yancheng High-tech Zone, the Group has received, and expects to continue to receive, various kinds of support from the Municipal Government of Yancheng for the Group's development and business operations.

The Issuer has received financial support in the form of capital injections and government subsidies to support the Group's operations. Since its establishment, the Issuer has received capital injections from the Municipal Government of Yancheng in an aggregate amount of approximately RMB2.68 billion. For years ended 31 December 2018, 2019 and 2020, the Group received governmental fiscal subsidies of approximately RMB163.0 million, RMB254.6 million and RMB266.0 million, respectively.

With the continuous strong support from the Municipal Government of Yancheng, the Group believes that it will be able to continue operate and invest in capital-intensive and large-scale construction projects and further expand its business operations to consolidate its existing market position in Yancheng City.

Close cooperation ties with financial institutions

The Group has established close and extensive cooperation with various financial institutions and has maintained good long-term relationships with these institutions, providing the Group accesses to diversified financing channels for its development, operation and expansion plans.

As at 31 December 2020, the Group had aggregate banking facilities of approximately RMB27.4 billion, of which approximately RMB10.1 billion was unutilised. In addition, the Issuer has diversified its source of funding through issuances of onshore and offshore debt securities, some of their details are set forth as follow:

- The Issuer issued RMB1 billion 3.90 per cent. corporate bonds due on 14 December 2022;

- The Issuer issued RMB400 million 6.99 per cent. corporate bonds due on 12 April 2022;
- The Issuer issued RMB500 million 6.50 per cent. medium term notes due on 25 January 2022;
- The Issuer issued RMB700 million 5.58 per cent. medium term notes due on 30 September 2023;
- The Issuer issued RMB500 million 6.50 per cent. principal-protect notes due on 20 January 2022;
- The Issuer issued RMB1 billion 6.30 per cent. principal-protect notes due on 5 June 2023; and
- The Issuer issued USD115.0 million 2.98 per cent. credit enhanced bonds due 2021.
- On 2 September 2021, the Issuer issued U.S.\$115,000,000 2.08 per cent. credit enhanced bonds due 2024 with the benefit of an irrevocable standby letter of credit issued by Bank of Jiangsu Co., Ltd. Yancheng Branch. The net proceeds from the offering will be used for general corporate purposes.

The Issuer believes that the Group has a robust liquidity position with access to different funding sources and facilities. As at the date of this Offering Circular, the Issuer has maintained a stable “BBBg-” rating from China Chengxin (Asia Pacific) Credit Ratings Company Limited, a credit agency in the PRC. The Group’s strong financing capability has enabled it to fulfil capital requirements of its businesses and capitalise on various business opportunities.

Prudent financial structure

The Group places great emphasis on maintaining a prudent financial structure, which the Issuer believes to be the key to sustainable business development and maximising returns on the Group’s investments. The Group has adopted prudent financial management policies to achieve greater financial efficiency. For example, the Group has maintained an adequate level of cash balance and current assets to fulfil its liquidity needs and has made investments which are in line with the Group’s business strategies. The Group will continue to closely manage the level of its debt to avoid any potential liquidity risk. With respect to its investment management, the Group has implemented effective control measures from the commencement to the completion of its projects, which enable it to control operational costs so to improve its results of operations.

Experienced management team and extensive experience in infrastructure construction

The Group has an experienced management team with extensive knowledge in the industries in which the Group operates. The Issuer believes that the management team's industry knowledge and technical expertise has enable the Group to make prudent business decisions so as to strengthen its operations in the relevant sectors in Yancheng City. Please see "*Directors, Supervisors and Senior Management*" for further information.

The Group's experienced management team is also supported by a dedicated team of staff with extensive technical and industry knowledge. In addition, since its establishment the Group has accumulated extensive experiences in the construction, operation and management of infrastructure projects. The Group has, over years of undertaking similar projects, created an effective system of investment decision making and construction and operation management. The Group believes that the existing system derived from its extensive experiences in infrastructure constructions has enabled the Group to decrease investment cost, guaranteed project quality and shortened construction timeframe, hence allowing the Group to enjoy various advantages from an operational standpoint.

The Group believes that the skills and knowledge of its management team and employees, as well as the Group's experience in infrastructure constructions, will continue to have a positive impact on operations of the Group and in turn will further contribute to the growth and expansion of the Group.

BUSINESS STRATEGIES

The Group intends to focus on the following strategies:

Continue to focus on infrastructure construction and primary land development in Yancheng City.

The Group intends to continue focus on undertaking infrastructure construction and primary land development projects in Yancheng City in addition to its other existing businesses. Over the past few years, through the successful delivery of a series of large-scale municipal and infrastructure construction projects, the Group has built up a strong presence and achieved a leading market position in the infrastructure construction industry in Yancheng City, in particular the Yancheng High-tech Zone. Leveraging its extensive industry experience, the Group believes that it will continue to play an important role in the development of Yancheng City. The Group intends to continue working closely with the Municipal Government of Yancheng and the Administrative Committee to explore further opportunities to participate in public infrastructure projects and to further strengthen the Group's leading position in the infrastructure construction industry in Yancheng City.

Continue to diversify the Group’s businesses and to increase investment in businesses that synergies with the Group’s core businesses.

While the Group primarily focuses on infrastructure construction, property leasing and management, primary land development and material trading, the Group also carries out other businesses including greening and landscape engineering and provision of guarantees. The Group believes that its diversified business portfolio will bring attractive returns and the Group plans to increase investment in these businesses and utilise its abundant resources in Yancheng City to strengthen its market position and increase its operating income. Furthermore, the Group also plans to expand into other industries that would create synergy with the Group’s existing businesses. The Group will continue to invest in areas that are in line with the Group’s business strategies to strengthen its market position and increase its profitability. The Group believes that its diverse sources of income will contribute to a steady growth of the Group’s operating income.

Strengthen management and internal control systems.

The Group will continue to improve its management structure and internal control systems in order to further increase its capability with respect to safety and quality control. In addition, the Group considers effective project management to be critical in enhancing its overall operational efficiency. The Group will allocate additional resources to the research and development of construction techniques, new technologies and project and operation management techniques, while at the same time gradually implementing a centralised management system for its fixed assets, such as key technical equipment.

Adhere to prudent financial policy with stringent risk control.

The Group believes that its prudent financial management system can reduce operational and financial risks and help achieving long-term sustainable growth. The Group has established a standardised capital management mechanism to monitor capital level, capital efficiency and capital risk prevention. For financial management, the Group focuses on financial risk control, value creation, implementation of budget management and establishment of an information platform in order to encourage communication and interaction between business operations, contribute to the sustainable and rapid development of the Group and ensure financial stability. The Group will continue to strengthen cooperation ties with financial institutions, explore alternative sources of financing and maintain a balanced indebtedness structure consisting of short-term, medium-term and long-term credit facilities. The Group has developed a set of prudent liquidity management indicators to control its liquidity risks and will maintain its liquidity ratio and other relevant liquidity ratios at a reasonable level. It will also maintain a sufficient amount of banking facilities to support the Group’s business operations. The Group strives to prudently manage its financials while fulfilling investment and development needs to drive its profitability.

Explore new and alternative financing channels.

The Group has traditionally funded its business operation and working capital through bank loans and issuance of debt securities. The Group intends to explore and employ new financing channels. In addition, the Group is seeking to build and reinforce close co-operative relationships with financial institutions to secure funding on more favourable terms to better support the Group's financing needs for development and to maintain a reasonable and balanced debt structure.

Continue to build a professional management team.

The Group believes that its experienced management team has been and will be a key factor in contributing to its growth and development. The Group also believes that its experienced management team will be important in achieving and maintaining a leading market position in the infrastructure construction business in Yancheng City. The Group will continue to build a professional management team with well-qualified and experienced personnel, carry out regular training so as to enable the Group to continue to improve the efficiency of its operations and achieve its strategic goals.

RECENT DEVELOPMENT

Interim Financial Results of the Group for the Nine Months Ended 30 September 2021

On 29 October 2021, the Group published its financial statements as at and for the nine months ended 30 September 2021 (the “**2021 Q3 Interim Financial Statements**”) on the website of the Shanghai Clearing House. The 2021 Q3 Interim Financial Statements have not been audited or reviewed by the independent auditors of the Group, or any other independent accountants, and may be subject to adjustments if audited and reviewed. The financial information in the 2021 Q3 Interim Financial Statements may differ from future audited or reviewed information and the 2021 Q3 Interim Financial Statements 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 or review. The 2021 Q3 Interim Financial Statements should not be taken as an indication of the expected financial condition or results of operations of the Group for the full financial year ending 31 December 2021. The 2021 Q3 Interim Financial Statements have not been included in, and do not constitute part of, this Offering Circular.

As at 30 September 2021, as compared to the financial information as at 31 December 2020, the Group's notes receivable decreased primarily due to a decrease in the Group's notes business. The Group's other non-current assets decreased primarily due to a decrease in the balance amount of the Group's wealth management products. The Group's non-current liabilities maturing within one year increased primarily due to an increase in the Group's outstanding debt maturing within one year. The Group's bonds payable increased primarily due to an increase in the bond issuance by the Group. The Group's long-term payables increased primarily due to the expansion of the Group's trust leasing business.

For the nine months ended 30 September 2021, as compared to the same period in the preceding year, the Group experienced increases in operating expenses and business taxes and surtaxes primarily due to the expansion of the Group's business. The Groups experienced decrease in interest income primarily due to a decrease in the Group's borrowings to other parties.

HISTORY AND DEVELOPMENT

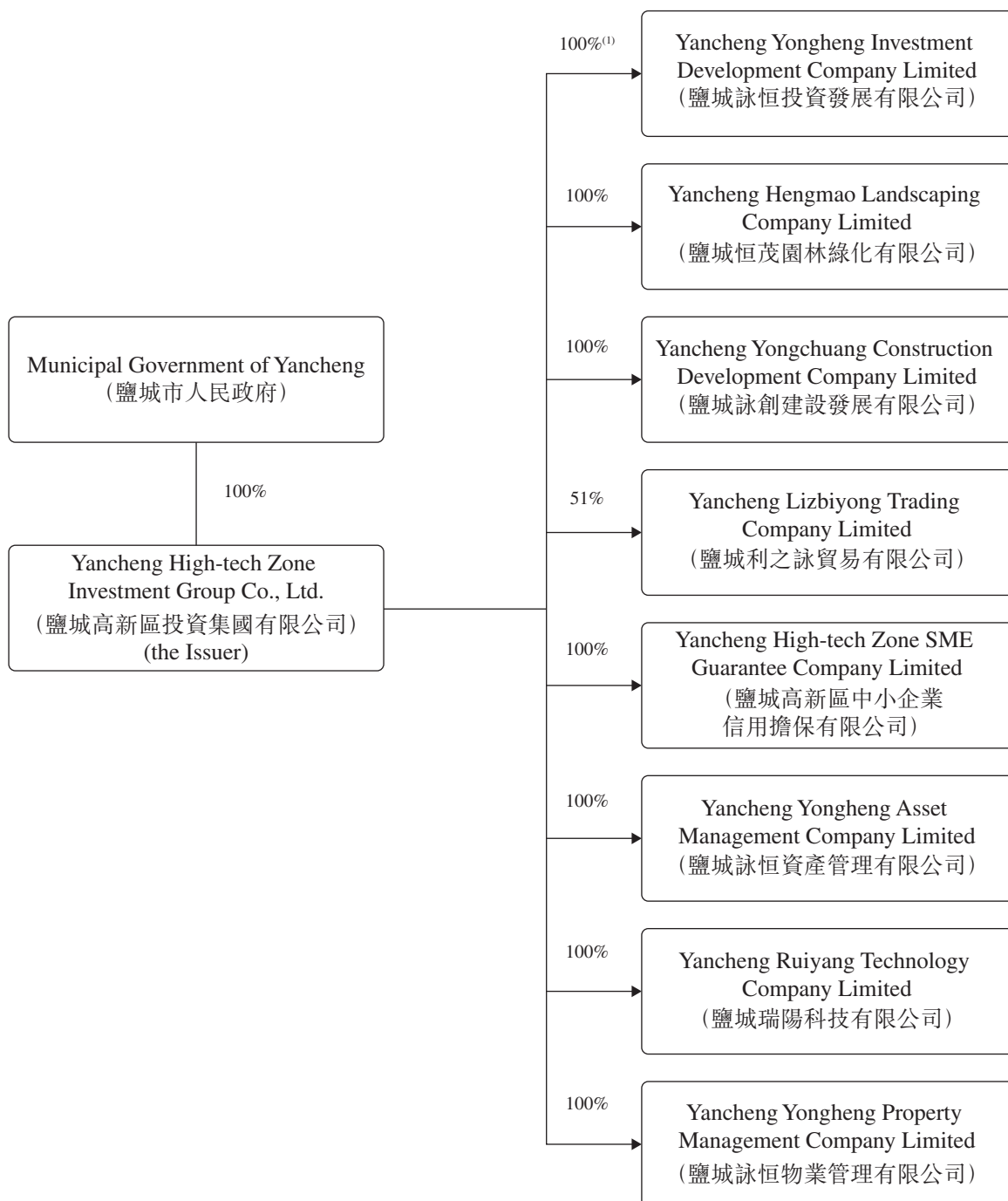
The Issuer is a state-owned company directly and wholly-owned by the Municipal Government of Yancheng. The Issuer was established on 23 September 2009 with a registered capital of RMB200 million and was formerly known as Yancheng Wind Power Equipment Industry Development Company Limited (鹽城風電裝備產業投資發展有限公司). In 2014, Yancheng Wind Power Equipment Industry Development Company Limited changed its name to Yancheng High-tech Zone Investment and Development Company Limited (鹽城高新區投資發展有限公司) and it was subsequently renamed as Yancheng High-tech Zone Investment Group Company Limited (鹽城高新區投資集團有限公司) in 2015.

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

<u>Year</u>	<u>Milestone</u>
2009	The Issuer was established on 23 September 2009 with a registered capital of RMB200 million. In October 2009, the paid-in capital of the Issuer was increased from RMB50 million to RMB200 million.
2014	<p>Yancheng Hengmao Landscaping Company Limited (鹽城恒茂園林綠化有限公司) (“Yancheng Hengmao”) was established on 25 April 2014.</p> <p>In May 2014, the Issuer changed its name from Yancheng Wind Power Equipment Industry Development Company Limited to Yancheng High-tech Zone Investment and Development Company Limited.</p> <p>In May 2014, the registered capital of the Issuer was increased from RMB200 million to RMB500 million.</p>
2015	<p>In May 2015, the Issuer changed its name from Yancheng High-tech Zone Investment and Development Company Limited to Yancheng High-tech Zone Investment Group Company Limited.</p> <p>Yancheng High-tech Zone SME Guarantee Company Limited (鹽城高新區中小企業信用擔保有限公司) (“Yancheng SME”) was established on 25 September 2015.</p> <p>In October 2015, the registered capital of the Issuer was increased from RMB500 million to RMB3 billion.</p>
2018	The Issuer changed its registered scope of business to “authorized management of stated-owned assets and operations; investment and operation of high-tech industries; investment, construction and operation of high-tech zone infrastructure and municipal facilities; land development; property rental; property management, and the wholesale and retail of construction materials and electronic products.

CORPORATE STRUCTURE

The following chart sets forth a simplified corporate structure of the Group, which shows the Issuer, its sole shareholder and selected subsidiaries as at 31 December 2020:



Note:

- (1) As at the date of this Offering Circular, 100% equity interest in Yancheng Yongheng Investment Development Company Limited (鹽城詠恒投資發展有限公司) is pledged to China Construction Bank Corporation Yancheng Yandu Branch.

RELATIONSHIP WITH THE MUNICIPAL GOVERNMENT OF YANCHENG

The Issuer is wholly and directly owned by the Municipal Government of Yancheng. As a leading state-owned company based in the Yancheng High-tech Zone, the Group has extensive connections with other entities directly or indirectly controlled by the Municipal Government of Yancheng. The Group has been commissioned by the Municipal Government of Yancheng and other local government entities and agencies to participate in numerous business operations, such as infrastructure construction, primary land development, property leasing and management and material trading businesses.

Notwithstanding the Group's extensive relationships with the Municipal Government of Yancheng and other entities controlled by it, the various social and community functions performed by the Group and the financial support received by the Group, the Issuer is not part of any government. It is operationally and financially separated from the Municipal Government of Yancheng. Its functions and departments are separated from those of the government and do not share any premises with the Municipal Government of Yancheng. The directors and the senior management of the Issuer are not government officers. The Issuer has its own budget and financial reporting system, and its assets and liabilities are separated from those of the Municipal Government of Yancheng. The Municipal Government of Yancheng, as the shareholder of the Issuer, is only responsible for the liability of the Issuer up to the limit of its equity contributions to the Issuer. Neither the Municipal Government of Yancheng nor any other PRC governmental entity has any payment or other obligations under the Bonds or the Trust Deed, and they will not provide guarantee of any kind for the Bonds. The Bondholders do not have any recourse against the Municipal Government of Yancheng or any other PRC governmental entities in respect of any obligation arising out of or in connection with the Bonds or the Trust Deed. The Bonds are solely to be repaid by the Issuer, and the obligations of the Issuer under the Bonds shall solely be fulfilled by the Issuer as an independent legal person. Investments in the Bonds are on the credit risk of the Issuer, rather than that of the Municipal Government of Yancheng or any other PRC governmental entity. In the event that the Issuer does not fulfil its obligations under the Bonds, investors will only be able to claim as an unsecured creditor against the Issuer and its respective assets, and not any other person, including the Municipal Government of Yancheng nor any other PRC governmental entity.

This position has been reinforced by Circular 23, Circular 706 and Circular 666. However, neither of these Circulars prohibits the PRC government from providing support (in various forms including capital injection and subsidies, but excluding injecting any kinds of public assets and land reserves as the Group's assets) to the Group in its ordinary course of business in compliance with PRC laws and regulations. The detailed description of the relationships between the Issuer and the Municipal Government of Yancheng in this Offering Circular does not imply in any way any explicit or implicit credit support of the Municipal Government of Yancheng in respect of the Bonds, the repayment of which remains the sole responsibility of the Issuer. See also the risk factors entitled "*A reduction or discontinuance of government support could materially and adversely affect the Group's business, financial condition, results of operations and prospects*" and

“The Municipal Government of Yancheng can exert significant influence over the Group, and may not act in the best interests of the Group” in the section entitled “Risk Factors — Risks Relating to the Group’s Business”.

DESCRIPTION OF THE GROUP’S BUSINESS

Overview

The Group is the sole infrastructure construction provider in the Yancheng High-tech Zone. The Group is also the core platform in providing investments and financings to infrastructure projects within the Yancheng High-tech Zone. The Group has a diversified business portfolio and is primarily engaged in infrastructure construction, property leasing and management, primary land development and material trading businesses. The Group also engages in other businesses such as greening and landscape engineering and provision of guarantees. For years ended 31 December 2018, 2019 and 2020, the total operating income from the Group’s business operation was RMB1,500.7 million, RMB2,082.5 million and RMB2,386.2 million, respectively.

The following table sets forth a breakdown of the total operating income from each business operations of the Group for the years indicated:

	For the years ended 31 December					
	2018		2019		2020	
	<i>Amount (RMB in millions)</i>	<i>per cent. of total</i>	<i>Amount (RMB in millions)</i>	<i>per cent. of total</i>	<i>Amount (RMB in millions)</i>	<i>per cent. of total</i>
Infrastructure construction . . .	880.8	58.7	1,117.9	53.7	1,276.4	53.5
Property leasing and management	235.0	15.7	357.3	17.2	360.7	15.1
Materials trading	299.6	20.0	427.3	20.5	469.7	19.7
Other business ⁽¹⁾	85.24	5.7	180.0	8.6	279.4	11.7
Total operating income . . .	1,500.7	100.0	2,082.5	100.0	2,386.2	100.0

Notes:

(1) Primarily includes provision of guarantees, greening and landscape engineering and other minor operations.

Infrastructure Construction

Overview

The Group engages in infrastructure construction operations and it is one of the primary businesses operated by the Group since its establishment. The Group is entrusted by the Administrative Committee to undertake constructions of municipal roads and bridges, water conservancy facilities

and public and social welfare facilities within the Yancheng High-tech Zone. The Group also provides financing for constructions of municipal public facilities in Yancheng City. The Group undertakes infrastructure construction projects primarily through the Issuer and its subsidiary Yancheng Yongheng Investment.

Business Model

The Issuer entered into the Yancheng High-tech Industrial Development Zone Infrastructure Construction, Project Construction and Repurchase Agreement (鹽城高新技術產業開發區基礎設施建設項目代建及回購協議) with the Administrative Committee in which both parties agreed to use the “construction-repurchase model” (建設-回購模式) for infrastructure construction projects in the Yancheng High-tech Zone.

Under the “construction-repurchase model”, the Administrative Committee authorises the Group to invest, finance and construct infrastructure projects within the Yancheng High-tech Zone, as well as to be responsible for the land acquisition, demolition and compensation for the construction of land. The Group’s sources of financing include government funds, subsidies, its own working capital and external financing from financial institutions. The Administrative Committee will make payments in instalments throughout the period of construction for each project, and upon completion these projects will be transferred to the Administrative Committee. In total, the Administrative Committee will make payments in the sum of approximately 115 per cent. of the overall construction cost of each project and the Group has exclusive benefit of the proceeds from repurchased projects.

Completed Infrastructure Construction Projects

As at 31 December 2020, the Group has completed the development of 28 infrastructure projects, with a total investment amount of approximately RMB19,584.8 million. The following table sets forth particulars of the Group’s five largest completed infrastructure construction projects as at 31 December 2020 in terms of total investment amount:

Project name	Total investment amount
	<i>(RMB million)</i>
Road Construction Project (道路工程)	6,578.8
Greening Construction Project (綠化工程)	1,366.2
Environmental Renovation and Clean-up Project (環境整治、清理)	997.9
High-tech Zone School Construction Project (高新區學校工程)	901.3
Sunwu, Bishui, Dingyan, Qiaozhuang and Fangxiang Estate Construction Project (孫吳、碧水、丁晏、喬莊、方向社區工程)	830.0

Infrastructure Construction Projects under Construction

The following table sets forth particulars of the Group's four largest infrastructure construction projects that are under construction as at 31 December 2020 in terms of total planned investment amount:

Project name	Total planned investment amount	Construction commencement year	Planned construction completion year
	<i>(RMB million)</i>		
Yanlong Street Shanty Town Reconstruction and Relocation Resettlement Project (鹽龍街道棚戶區改造及拆遷安置)	1,286.0	2019	2021
Yanlong Lake Reserve District Comprehensive Environmental Improvement Project (鹽龍湖保護區環境綜合治理工程)	240.0	2014	2022
Yandu District Infrastructure Construction Project (Phase I) (鹽都區基礎設施建設項目(一期))	837.0	2015	2021
High-tech Zone High School Project (高新區高級中學項目)	500.0	2016	2020

Yanlong Street Shanty Town Reconstruction and Relocation Resettlement Project

The project primarily involves the construction of a residential area for resettlement purposes. It includes 11 residential buildings and other supporting facilities. The total construction area of the project is approximately 196,877 square metres and approximately 1,330 residential units are planned to be built.

Yanlong Lake Reserve District Comprehensive Environmental Improvement Project

The project primarily involves the construction of roads and sewer of a total area of approximately 23,000 square metres, the renovation of the Mangshe River sewage pipe network and river environment of a total length of approximately ten kilometres and the construction of water source ecological purification project and sewage pumping stations.

Yandu District Infrastructure Construction Project (Phase I)

Located in Yandu District of Yancheng City, the project primarily involves the construction of various roads, including Longhao Road, Longteng Road, Longteng East Road, Fengming Road Southward Extension, Fenghuang Road, Huaxing Avenue and Jingyi Road. It also involves the construction of ancillary facilities such as electricity power supply, cables, monitoring systems, road foundation, road surface, drainage, road lamps, greening and traffic signs.

High-tech Zone High School Project

The project is located in the Yancheng High-tech Zone, with a total land area of approximately 173,252 square metres and a total construction area of approximately 119,291 square metres, of which approximately 35,721 square metres constitutes the teaching building; approximately 18,779 square metres for the office building; approximately 10,470 square metres for the arts building; approximately 13,000 square metres for the sports centre; approximately 8,157 square metres for the canteen; and approximately 31,498 square metres for the dormitory.

Infrastructure Construction Projects under Planning

The following table sets forth particulars of the Group's five largest infrastructure construction projects that are under planning as at 31 December 2020 in terms of total planned investment amount:

Project name	Total expected investment amount
	<i>(RMB million)</i>
Zhichuang Primary School (智創小鎮學校).....	300.0
Yancheng Mechanical And Electrical Higher Vocational Technical School (鹽城機電高等職業技術學校).....	250.0
Daqing Road (Zhenxing Road to Ganggou River) (大慶路西延(振興路至岡溝河)).....	100.0
2021 Yanlong Street Sewage Construction Project (2021年鹽龍街道雨(汙)水新建項目).....	20.0
Ganggou River Side Landscape Project (農村一片林及岡溝河兩側景觀綠帶打造).....	20.0

Primary Land Development

Overview

The Group is a key provider of primary land development in the Yancheng High-tech Zone. The Group's primary land development operations generally involve the process of preparing land to conditions ready for public tender, auction and listing-for-sale. It also typically involves relocating existing business establishments and residents, demolishing existing buildings and other structures, clearing the site and installing the basic infrastructure for future property development. The Group carries out its primary land development operations primarily through its subsidiary Yancheng Yongheng. Operating income derived from the Group's primary land development business is dependent on the overall progress of land development in the Yancheng High-tech Zone. For the years ended 31 December 2018, 2019 and 2020, no income has been generated by the Group's primary land development business.

Business Model

The Group is commissioned by the Administrative Committee to conduct primary land development in Yancheng City. As at 31 December 2020, the Group has developed 39 plots of land with a total area of approximately 8,203.2 mu.

In accordance with the Land Commissioned Development Agreement (土地委託開發協議) between the Administrative Committee and the Group, the Administrative Committee authorises the Group to carry out land consolidation operations in the region. In addition, the Group is also responsible for the management, development and transfer of the consolidated land. After the completion of its land consolidation operations and inspection by appointed entities by the Administrative Committee, the Group will receive payments consisting of the actual construction and financing costs of its operations as well as a premium based on its actual costs. These payments received by the Group will be recognized as operating income under its primary land development operations.

Completed Primary Land Development Projects

As at 31 December 2020, the Group has completed 39 primary land development projects involving a total investment amount of approximately RMB3.2 billion.

The following table sets forth particulars of the Group's five largest completed primary land development projects as at 31 December 2020 in terms of total investment amount:

Land Location	Land Area	Total investment amount
	<i>(Mu)</i>	<i>(RMB million)</i>
Qinchuan Road South and Jing Er Road East (秦川路南、經二路東)	190.1	445.1
Ring Expressway East Ecological Corridor (環高速東生態走廊).	1,184	293.0
Qingnian Road South and Qinchuan Road West (青年路南、秦川路西)	122.4	290.6
Qiaozhuang Urban Village Renovate No. 2, Wuxu Urban Village Renovation Block 1 (喬莊城中村改造2#、吳徐城中村改造1#地塊).	600	232.1
Beigang Urban Village Renovation Block 1 and 2 (北港城中村改造1#、2#地塊).	282	159.7

Primary Land Development Projects under Construction

As at 31 December 2020, the Group has one primary land development project under construction, namely the Xianfeng Urban Village Renovation Block 4 (先鋒城中村改造4#地塊), with a land area of 116 mu and a total investment amount of RMB27 million.

Primary Land Development Projects under Planning

The following table sets forth particulars of the Group's primary land development projects under planning as at 31 December 2020:

Land Location	Land Area	Total expected investment amount
	<i>(Mu)</i>	<i>(RMB million)</i>
Yanlong Pioneer Village Renovation Block 5 (鹽龍先鋒城中村改造5#地塊)	50.0	102.0
Yanlong Wuxu Village Renovation Block 3, Qiaozhuang Block 3 (鹽龍吳徐城中村改造3#、喬莊3#地塊)	200.0	357.0

Property Leasing and Management

Overview

The Group engages in the construction, operation and management of office buildings, factories and other rental properties within the Yancheng High-tech Zone. Some of the facilities that the Group operates and manages include research and development buildings, cultural industrial parks, wind power industrial parks, agricultural products processing parks and a park for Korean-owned automobile parts. As at 31 December 2020, the Group operated and managed leasable properties with a total area of approximately 1.2 million square metres.

Business Model

The Group conducts its property leasing business primarily through the Issuer and its subsidiary Yancheng Yongheng Property. As at 31 December 2020, Yancheng Yongheng Property was wholly-owned by the Issuer. Prior to November 2014, due to investment incentives and preferential policies implemented within the Yancheng High-tech Zone, properties operated and managed by the Group were offered on a rent-free basis. Since November 2014, relevant policies and incentives were adjusted hence the Group started to generate rental income from its leasable properties.

Key Rental Properties

The table below sets forth certain information about the Group's five largest leasable properties as at 31 December 2020 in terms of total area:

Property	Total area	Rent	Property management fee
	<i>(square metre)</i>	<i>(RMB per square metre per month)</i>	
Dongshan Precision (Phase 1) (東山精密一期).....	458,400	125	2.2
Small and Medium-Sized Cultural Enterprise Park (中小文化企業園).....	271,605	150	2.2
Intelligent Terminal Industrial Park Factory (智慧終端機產業園廠房).....	207,400	125	2.2
Rui Bili Factory (銳畢利廠房).....	52,200	125	2.2
Yanchuang Building (研創大廈).....	45,800	800	2.2

Dongshan Precision (Phase 1)

Dongshan Precision (Phase 1) is one of the three phases of the Dongshan Precision Project. Located within the Yancheng High-tech Zone, Dongshan Precision (Phase 1) is a production facility that primarily carries out operations such as LED packaging and other industrial productions. With a total area of approximately 458,400 square meters, Dongshan Precision (Phase 1) aims to supply its customers around the world with various precision equipment and materials.

Small and Medium-Sized Cultural Enterprise Park

The Small and Medium-Sized Cultural Enterprise Park is located in the core area of the Yancheng High-tech Zone. It is divided into two parts, which are located on the east and west sides of Huarui Road, respectively. The Small and Medium-Sized Cultural Enterprise Park covers an area of approximately 265.8 mu with a total construction area of approximately 271,605 square metres. It aims to provide small and medium enterprises in the Yancheng High-tech Zone with an Innovation and Entrepreneurship Platform for technological research and development, business incubation, technical services, financial services, public services, business office, living residence and other functions.

Intelligent Terminal Industrial Park Factory

The Intelligent Terminal Industrial Park Factory is located between Zhenxing Road and Huarui Road, with a total planned area of 207,400 square meters covering two phases of the Industrial Park Factory. Phase one of the Industrial Park Factory is positioned on two blocks divided by Qinchuan Road. The block east of Qinchuan Road consists of a production and research building, two standardised factories and several supporting facilities. The block west of Qinchuan Road consists of eleven standardised factories. Phase two of the Industrial Park Factory is located to the east of Qinchuan Road and consists of eight standardised factories as well as several other supporting facilities and infrastructures.

Rui Bili Factory

Located in the Electronic Information Industrial Park of the Yancheng High-tech Zone, the Rui Bili Factory covers an area of approximately 126 mu with a total construction area of approximately 52,200 square metres. It primarily carries out processing of aluminium castings (鋁鑄件) and the development and production of high-speed jet printing machines (高速噴印機).

Yanchuang Building

The Yanchuang Building covers an area of approximately 30 mu with a total construction area of approximately 45,800 square metres. It has 19 floors for the main building and three floors for the podium (裙樓) together with more than 300 offices and conference venues. The Yanchuang Building has become a multi-functional and comprehensive service platform integrating High Level Talent Service Centre (高層次人才服務中心), Enterprise and Product Display Centre (企業及產品展示中心), Science and Technology Information Publishing Centre (科技信息發佈中心), Corporate Finance Guarantee Centre (企業融資擔保中心), Exhibition and Business Reception Centre (會展及商務接待中心) and Corporate Headquarters (企業總部) in the Yancheng High-tech Zone.

Material Trading

Overview

The Group has been gradually expanding its material trading operations in recent years in support of the rapid development and construction of the Yancheng High-tech Zone. The Group mainly procures materials such as coal, steel and metal from upstream suppliers and make sales of such materials to downstream companies and contractors. The Group's material trading business is primarily operated by its subsidiaries, Yancheng Lizhiyong Trading and Yancheng Ruiyang Technology. For the years ended 31 December 2018, 2019 and 2020, operating income generated from the Group's material trading business was approximately RMB299.6 million, RMB427.4 million and RMB469.7 million, respectively, representing 19.97 per cent., 20.52 per cent. and 19.68 per cent. of the Group's total operating income for the same years.

Business Model

The Group primarily engages in two operations under its material trading business, namely material procurement and material retailing. For material procurement, the Group enters into contracts with its suppliers and make deposits for its orders. Such procurement contracts are normally performed by the Group collecting materials directly from its suppliers or from third party warehouses and advances payments after the collection.

For material retailing, the Group provides materials to downstream companies or contractors based on market prices. The Group also periodically adjusts its level of inventory based on changes in market prices for its trading materials. Under its material retailing operations, the Group delivers materials after receiving relevant payments from its purchasers. Major customers under the Group's material trading business are mostly construction entities and contractors within the Yancheng High-tech Zone.

Major Suppliers

The Group carefully selects its suppliers, and considers their creditworthiness and operational conditions before entering into business relations in order to minimise counterparty risks. The Group has maintained good business relationships with its major suppliers, who are mostly state-owned enterprises and listed companies. The following table sets forth the top five major suppliers of the Group's material trading business as at 31 December 2020 in terms of value of materials procured by the Group:

Name of the Supplier	Amount procured
	<i>(RMB in millions)</i>
Shenzhen Litian Shiji Supply Chain Management Company Limited (深圳力天世紀供應鏈管理有限公司).....	22.5
Shanghai Mingjia Enterprise Development Group Company Limited (上海明佳企業發展(集團)有限公司)	15.1
Shenzhen Huake Chuangzhi Technology Company Limited (深圳華科創智技術有限公司)	14.6
Changzhou Huanyin Electricity Material Company Limited (常州市環銀電器材料有限公司)	10.5
China Aeronautic Technology Beijing Company Limited (中國航空技術北京有限公司)	0.6

Other Businesses

In addition to its primary business operations, the Group also engages in other businesses including provision of guarantees and greening and landscape engineering.

Provision of Guarantees

The Group conducts its provision of guarantees business primarily through Yancheng SME. Yancheng SME primarily engages in provision of guarantees for loans, trade financing, project financing and guaranteeing letters of credits to small and medium sized enterprises in the Yancheng High-tech Zone. In addition, Yancheng SME also provides guarantee business-related financial consulting, financial advisory services, as well as utilizing its own funds for investment purposes.

Greening and Landscape Engineering

The Group operates its greening and landscape engineering business primarily through Yancheng Hengmao. Yancheng Hengmao provides landscaping construction and design services in the Yancheng High-tech Zone. Yancheng Hengmao is also responsible for the construction of various greening projects, including the Hi-tech Zone Jingsi Road (Planning Wei'er Road — Qingnian Road) Greening Project (高新區經四路 (規劃緯二路-青年路) 綠化工程), Yancheng West Road — Greening Project (鹽城西道口綠化工程), Hi-tech Zone Zhenxing Road Greening Project (Yandu Road — Weiqi Road) (高新區振興路綠化工程 (鹽瀆路至緯七路)), Weiba Road Greening Improvement Project (Zhenxing Road — Ganggou River Bridge) (緯八路綠化提升工程 (振興路-岡溝河橋)), New Water Source Project Greening Transplant Project (新水源項目綠化移植工程), Zhenxing Road and Huarui Road Landscape Greening Project (振興路及華銳路兩側景觀綠化工程) and Zhichuang Park Erzhi Road (Zhenxing Road — Huarui Road) Greening Project (智創園二支路(振興路-華銳路)道路綠化工程).

OPERATION PROCESS

The Group's operation process primarily involves identification of projects, financing, design, on-site management, monitoring of project progress and completion of the project.

Identification of Projects

For the Group's infrastructure construction business, the Group generally relies on the Administrative Committee to select and propose new projects for the Group to undertake. After the selection of a potential project, the Group will receive a proposal from the Administrative Committee with details of the potential project and it will evaluate the feasibility of undertaking the project, taking into account the scope and costs of such project. Once the Group decides to undertake a project, the Group would enter into specific construction agreements with the Administrative Committee setting out the arrangements for the project.

For the Group's primary land development business, the Group generally adopts a commercially driven approach to the selection of land that are to be acquired. It typically conducts thorough analysis of a target land's prospective profitability before submitting a tender, with relevant

department in the Group coordinating the preparation of all relevant tender documents. Furthermore, the Group formulates its initial tender price based on its estimate of the project costs and the prospective profitability of the project.

Financing

The financing arrangement for each project is undertaken by the Group's financial department. The Group primarily relies on its own funds and external financing such as bank loans and debt issuances to finance its projects. For each project, the Group enters into discussions with relevant financial institutions and undergoes a review of the PRC's latest bank borrowing policies to determine the appropriate financing arrangement. Proposals for any financing arrangements will be reviewed and approved by the Group's senior management.

Design

The Administrative Committee is generally responsible for the designs of projects. For each project, the Group generally engages professional design companies to prepare feasibility study, develop designs conforming to specific project constraints and supervise execution of the designs. The selection of the professional design company is based on a tendering and bidding process whereby the Group takes into consideration the reputation and track record of the design company, the timeframe and quality requirements of the project, and the price and design plan proposed by the design company.

The Group periodically monitors and inspects the design works during the course of a project.

On-site Management

The Group generally appoints a project manager to facilitate communication and coordination between designers, contractors and supervisors. The project manager regularly prepares and submits progress reports to the manager in charge of the project.

Monitoring of Project Construction

Construction progress reports would be regularly prepared to monitor the actual progress of each project. The Group monitors the progress of its contractors to ensure that they comply with the project schedule, the required specifications and its quality control standards. Contractors who fail to meet their obligations under the relevant contracts may be liable to pay damages to the Group.

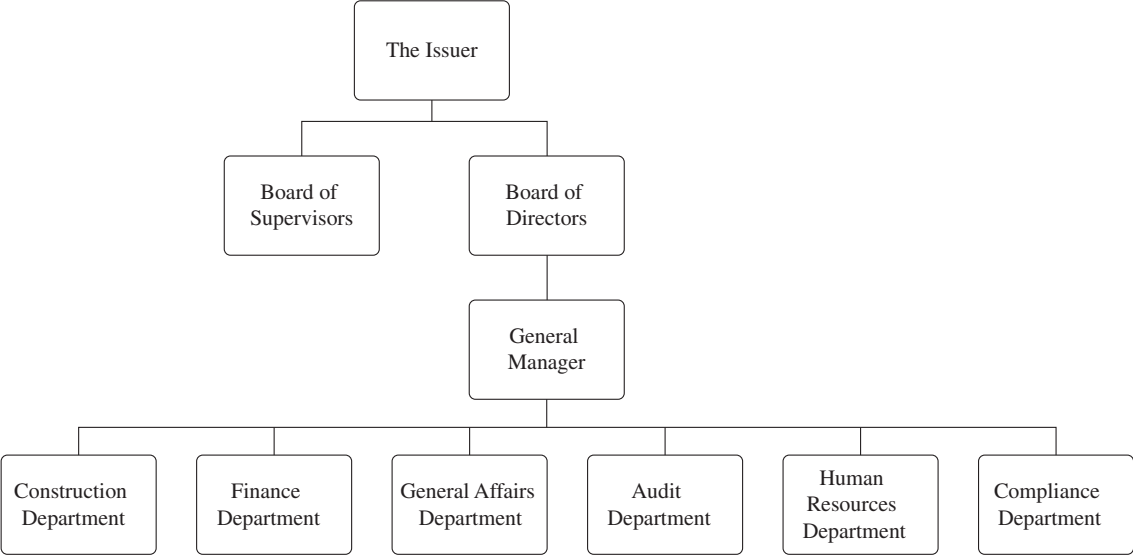
Completion

The Group would perform the final assessment and inspection to determine whether a project has been completed in accordance with the specifications specified in the relevant agreement.

CORPORATE GOVERNANCE STRUCTURE

The Issuer has established a sound corporate governance structure comprising the board of directors, board of supervisors and operating management entities.

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



RISK MANAGEMENT

The Group has established a risk management committee 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 strategic management, financial and capital management, asset management, investment management, subsidiaries management, and information disclosure. Each level and department of the Group is well 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 more effectively from a risk managing standpoint.

OCCUPATIONAL SAFETY AND ENVIRONMENTAL PROTECTION

The Group adopts a comprehensive work safety system to ensure the safety of its employees. The Group has established safety protocols and implemented guidelines setting out the responsibilities of safety officers. The safety officer is involved in the planning and implementation of each project to ensure that safety objectives are met and plays a key role in monitoring the effectiveness of the safety measures, educating project members on the safety requirements, handling any infractions, ensuring safety records are properly kept and managing onsite safety and emergency incidents. To the best of the knowledge of the Issuer (after due and careful enquiry), the Issuer believes that the Group is in compliance in all material respects with applicable safety regulations.

As at the date of this Offering Circular, the Group has not been subjected to any fines or administrative actions that were filed with any PRC government authorities involving material non-compliance with any relevant safety regulations, nor was it required to take any specific material compliance measures.

The Group is subject to environmental laws and regulations governing air pollution, noise emissions, hazardous substances, water and waste discharge and other environmental matters issued by the governmental authorities in the PRC. To the best of the knowledge of the Issuer (after due and careful enquiry), the Issuer believes that the Group is in compliance in all material respects with applicable environmental laws and regulations. As at the date of this Offering Circular, the Group is not aware of any material environmental proceedings or investigations to which it is or might become a party.

EMPLOYEES

As at 31 December 2020, the Group had a total of approximately 203 employees. The Group maintains a good working relationship with its employees and as at the date of this Offering Circular, the Group has not experienced any labour disputes that would have a material adverse effect on the Group's operation and performance.

INSURANCE

The Group is required to obtain contractors all-risk and third-party liability insurance for most of the projects it undertakes. Such policies generally extend to the entire contract period, including the maintenance period following completion of the project. In addition, the Group generally purchases insurance for its fixed assets, such as its key equipment, stock and office buildings. The Group maintains insurance coverage in amounts that the Issuer believes are commensurate with the Group's risk of loss and industry practice. Please see "*Risk Factors — Risks Relating to the Group's Business — The insurance coverage of the Group may not adequately protect it against all operational risks or any potential liabilities or losses*" in this Offering Circular for a discussion of the risks associated with the Group's insurance coverage.

LEGAL AND REGULATORY PROCEEDINGS

The Group may be involved, from time to time, in legal proceedings arising in the ordinary course of its operations. Please see "*Risk Factors — Risks Relating to the Group's Business — The Group may be involved in disputes, legal and other proceedings arising out of its operations from time to time and may face significant liabilities as a result*".

Except as disclosed in this Offering Circular, to the best of the knowledge of the Group (after due and careful enquiry), there are currently no litigation or arbitration proceedings against the Group or any of its senior management team members or directors as at the date of this Offering Circular that could have a material adverse effect on its business, financial condition and results of operations.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

The board of directors of the Issuer consists of seven directors, including one chairman and six directors. The board of directors determines major matters of the Issuer, and is primarily responsible for the overall strategic development, internal control system and risk management system. The board of directors provides guidance on business plans and monitors the results of such plans implemented by the management and reviews and approves its financial objectives and major financial activities. Each of the directors is appointed for a term of three years, which is renewable upon re-election and re-appointment.

The following table sets forth the Issuer's directors as of the date of this Offering Circular:

Name	Age	Position
Mr. XU Jingen (徐金根)	51	Chairman of the board of directors
Mr. LIU Liankuan (劉連寬).	47	Director and the general manager
Mr. QI Siming (戚思明)	53	Director
Mr. LE Feng (樂峰).	43	Director
Mr. CHEN Xu (陳旭)	34	Director
Mr. GUO Jing (郭靖)	33	Director
Mr. CHEN Chaorong (陳超榮)	48	Employee Director

Mr. XU Jingen (徐金根), aged 51, is the Chairman of the board of directors of the Issuer. Mr. Xu previously served as a deputy head of the Nanyang Town Finance Office of Yancheng City Suburb Finance Bureau (鹽城市郊區財政局南洋鎮財政所), a deputy chief of the Agricultural Finance Unit of Yandu County Finance Bureau (鹽都縣財政局農財股), a deputy head of the Agricultural Tax Collection and Administration Authority of Yandu County Finance Bureau (鹽都縣財政局農業稅徵收管理局), a section chief of the Economic Construction Section of Yandu District Finance Bureau (鹽都區財政局經濟建設科), a section chief of the Industry and Trade Development Section of Yandu District Finance Bureau (鹽都區財政局工貿發展科), a deputy mayor of the Longgang Town in Yandu District (鹽都區龍岡鎮) and a deputy head of the Yanlong Street in Yandu District (鹽都區鹽龍街道).

Mr. LIU Liankuan (劉連寬), aged 47, is a director and the general manager of the Issuer. Mr. Liu previously served as a deputy section chief of the Economics and Trade Audit Office of Yandu District Audit Bureau (鹽都區審計局經貿審計科), a deputy section chief of the Affairs Office of Yandu District Audit Bureau (鹽都區審計局綜合科), a section chief of the Agriculture Foreign Capital Audit Office of Yandu District Audit Bureau (鹽都區審計局農業外資審計科), a head of the General Office of Yandu District Audit Bureau (鹽都區審計局辦公室), a senior staff member and subsequently the chief auditor of Yandu District Audit Bureau (鹽都區審計局).

Mr. QI Siming (戚思明), aged 53, is a director of the Issuer. Mr. Qi previously served as a deputy head of the Beilonggang Town Finance Office in Yandu District (鹽都區北龍港鎮財政所), a deputy head of the Yanlong Financial Working Department in Yandu District (鹽都區鹽龍財政工作部), a head of the Guomeng Town Finance Office in Yandu District (鹽都區郭猛鎮財政所), a head of the Yanlong Street Finance Office in Yandu District (鹽都區鹽龍街道財政所) and a deputy general manager of Yancheng Yongheng Investment.

Mr. LE Feng (樂峰), aged 43, is a director of the Issuer. Mr. Le previously served as an officer and subsequently the head of the Land Management Department (土地經營部) of the Yanlong Street Office Finance Office in Yandu District (鹽都區鹽龍街道辦事處財政所), a head of the General Affairs Department (綜合部) of Yancheng Yongheng Investment and an assistant to the general manager of the Issuer.

Mr. CHEN Xu (陳旭), aged 34, is a director of the Issuer. Mr. Chen previously served as a deputy secretary of the Village Branch of the Yanlong Street Beigang Village in Yandu District (鹽都區鹽龍街道北港村支部), a deputy head of the Enterprise and Industry Department of Yanlong Street (鹽龍街道企工部), a head of the Human Resources Department of the Issuer and concurrently a deputy head of the Party and Government Office of Yanlong Street (鹽龍街道黨政辦), an assistant to general manager and the head of the Human Resources Department of the Issuer.

Mr. GUO Jing (郭靖), aged 33, is a director of the Issuer. Mr. Guo previously served as the specialized staff for supervision and risk control of the Central Road Operation Department of Huatai Securities Co., Ltd. (華泰證券中央路營業部) and the general manager assistant of the Issuer.

Mr. CHEN Chaorong (陳超榮), aged 48, is the employee director of the Issuer. Mr. Chen previously served as a staff of the House Reconstruction Office of Yandu County (鹽都縣房改辦), a staff of the Property Detection and Mapping Center in Yandu District in Yancheng City (鹽城市鹽都區房產測繪中心) and an assistant to general manager of the Issuer.

SUPERVISORS

The board of supervisors consists of five supervisors, including one chairman and four supervisors. The board of supervisors is primarily responsible for monitoring the Issuer's financial matters and overseeing the actions of the board of directors and the senior management. Each of the supervisors is appointed for a term of three years, which is renewable upon re-election and re-appointment.

The following table sets forth the Issuer's supervisors as of the date of this Offering Circular:

Name	Age	Position
Mr. XU Xiucheng (徐秀成)	55	Chairman of the board of supervisors
Mr. LIU Zhongwen (劉中文)	59	Supervisor
Mr. LIU Jianquan (劉建全)	60	Supervisor
Ms. HAN Junmei (韓俊梅)	36	Employee Supervisor
Ms. CAI Hui (蔡慧)	32	Employee Supervisor

Mr. XU Xiucheng (徐秀成), aged 55, is the chairman of the board of supervisors of the Issuer. Mr. Xu concurrently also serves as the secretary of the Discipline Inspection Commission of the Yanlong Street Office (鹽龍街道辦事處紀委). Mr. Xu previously served as a deputy head of the People's Armed Force Department of Magou (馬溝人武部), an officer of the Party and Political Office of Panhuang Town (潘黃鎮黨政辦), a head of the People's Armed Force Department of Western District (西區人武部) and a head of the People's Armed Force Department of Yanlong Street (鹽龍街道人武部).

Mr. LIU Zhongwen (劉中文), aged 59, is a supervisor of the Issuer. Mr. Liu concurrently also serves as a head of the Yanlong Street Finance Office. Mr. Liu previously served as a head of the Anhu Finance Office (鞍湖財政所) and a section chief of the State-owned Assets Section of the District Finance Bureau (區財政局國資科).

Mr. LIU Jianquan (劉建全), aged 60, is a supervisor of the Issuer. Mr. Liu concurrently also serves as a deputy director of the Yanlong Street Office Finance Office. Mr. Liu previously served as a head of the Shangzhuang Finance Office (尚莊財政所).

Ms. HAN Junmei (韓俊梅), aged 36, is an employee supervisor of the Issuer. Ms. Han previously served as a shop distributor manager of Jiangsu Yancheng Longjie Car 4S Shop (江蘇鹽城龍傑汽車4S店), an accountant of the Yanlong Street Finance Office in Yandu District in Yancheng City (鹽城鹽都區鹽龍街道財政所), a deputy head of the Investment and Finance Department (投融資部) of Yancheng Yongheng Investment, a head of the Finance Department of Yancheng Xinyong Investment Development Company Limited (鹽城新詠投資發展有限公司) and a head of the Human Resources Department of the Issuer.

Ms. CAI Hui (蔡慧), aged 32, is an employee supervisor and a deputy chief officer of the Compliance Department (合規部) of the Issuer. Ms. Cai previously served as a general ledger accountant of Yancheng Haixing Investment Group Company Limited (鹽城市海興投資集團有限公司) and a deputy chief officer of the Compliance Department of the Issuer.

SENIOR MANAGEMENT

The Issuer's senior management is appointed by and reports to the board of directors. The following table sets forth the Issuer's senior management as of the date of this Offering Circular:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Mr. XU Jingen (徐金根)	51	Chairman of the board of directors
Ms. WANG Yi (王怡)	35	Financial Director

Mr. XU Jingen (徐金根), aged 51, is the chairman of the board of directors and the general manager of the Issuer. See “— *Directors*”.

Ms. WANG Yi (王怡), aged 35, is the chief financial officer of the Issuer. Ms. Wang previously served as a general ledger accountant of the Finance Department of Yancheng Yongheng Investment, a manager of the Finance Department and subsequently a deputy general manager of Yancheng Yongheng Company (鹽城詠恒公司) and the head of the Finance Department of Yancheng Yanlong Property Co., Ltd. (鹽城市鹽龍置業有限公司).

DESCRIPTION OF THE BANK

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

*The Bonds will have the benefit of the Standby Letter of Credit which will be issued by Bank of Shanghai Co., Ltd, Nanjing Branch as the LC Bank. Under the PRC law, the LC Bank is not a separate and independent legal person but has capacity to carry on its activities within its scope of authorisation given by Bank of Shanghai Co., Ltd (“**Bank of Shanghai**”), and the assets of the LC Bank are not sufficient to meet the obligations of the LC Bank under the Standby Letter of Credit, Bank of Shanghai would have an obligation to satisfy the balance of the obligations under the Standby Letter of Credit.*

OVERVIEW

Bank of Shanghai (formerly known as Shanghai City United Bank Ltd.) was incorporated in Shanghai, PRC, on 30 January 1996 as a joint-stock commercial bank. With the approval from PBOC, it changed its name from Shanghai City United Bank Ltd. to Bank of Shanghai Co., Ltd. on 16 July 1998. Bank of Shanghai obtained a financial business certificate No. B0139H231000001 with the approval from the CBRC and obtained a business license with unified social credit code 91310000132257510M issued by the Shanghai Municipal Administration of Industry and Commerce. As at 31 December 2020, it had a total of 324 branches including Shanghai, Beijing, Shenzhen, Tianjin, Chengdu, Ningbo, Nanjing, Hangzhou, Suzhou, Wuxi, Shaoxing, Nantong, Changzhou, Yancheng, and Wenzhou. Bank of Shanghai has business operations across the Yangtze River Delta, the Beijing-Tianjin-Hebei region, the Guangdong-Hong Kong-Macao Greater Bay Area, and Central and West China.

As of the end of 2020, its total asset stood at RMB2.46 trillion, an increase of 9.82% compared to the end of 2019, and it recorded a net profit of RMB20.91 billion, a year-on-year increase of 2.85%. It ranked 73rd among 1,000 banks around the world in 2020 by the British magazine The Banker in terms of Tier 1 capital.

BUSINESS ACTIVITIES

With the strategic vision of providing boutique banking service and the core values of utmost sincerity and good faith, Bank of Shanghai has specialized its operations and customized its management, to deliver a higher level of services including supply chain, science-technology, welfare-based, investment banking, transactions, and cross-border banking as well as consumer, pension-based, and online finance. Over the past few years, Bank of Shanghai has taken advantage of financial and high-tech trends to deliver more intelligent and professional services to meet the demands of corporate and individual clients for increasingly diverse financial services.

In aligning its development with China's national strategy and Shanghai's "three major tasks and one major platform", Bank of Shanghai has been capitalizing on synergy to deliver better regional services, provide better financial services to the real economy by offering more small- and micro-credit, and develop an online model of inclusive finance. Bank of Shanghai also puts retail banking as the top priority and has put in place a retail business system for customer operations, foundational support, and the creation of a business ecosystem, promoting deeper technology integration with businesses with end-to-end thinking and disruptive innovation, all the while prudentially operating and regulating management in a bid to increase risk operation and management capabilities.

Bank of Shanghai has obtained many honours and awards throughout the years, among which, it was ranked 83rd in the world by Brand Finance, the independent brand assessment agency in association with the British "The Banker" magazine, in the "2020 Global Bank Brand Value Top 500" list, ranked 73rd in terms of Tier 1 capital by the British "The Banker" in the "Top 1000 Global Banks" ranking. Bank of Shanghai won the "Best Pension Financial Service in China" award in the "2020 China Awards Program", the "Best Progressive Retail Bank in Asia Pacific, Middle East and Africa" award and "Best Progressive Retail Bank in China" award in "2020 International Retail Financial Service Excellence Award", "China Best Private Wealth Charity Service Award" in the "Asian Banker of the Year 2020 - Global Wealth and Society Awards Program", each organized by "The Asian Banker" magazine, respectively. It was selected in 2019 as the "Outstanding Performance Award" of Credit Fund for Small and Micro Enterprises in Pudong New District of Shanghai, "2019 Shanghai Banking Institutional Contribution Award", "2019 Innovative Inclusive Financial Services in Shanghai", "2019 Outstanding Contribution Award for Inclusive Financial Services in Shanghai", "2019 Best Syndicated Loan Business in Shanghai", "2019 Best Project Prize and Leading Bank of Syndicated Loan Business in Shanghai", 24th among Top 100 Enterprises in Shanghai, 13th among Top 100 Enterprises in Service Industry in Shanghai, Top 10 Leading Underwriter of Debt Financing Plans, Best Private Wealth Philanthropic Services Award in China, Best Private Bank in China (City Commercial Bank Group), Great Listed Company of China, Bank with Outstanding Brand Force of China and Top 100 Innovative Financial Institutions, Trustworthy Bank of 2019 and City Commercial Bank of the Year in 2019.

FINANCIAL INFORMATION

Copies of Bank of Shanghai's published audited consolidated financial statements and unaudited but reviewed consolidated financial statements, as well as its public filings, can be downloaded free of charge from the websites of Bank of Shanghai and the Shanghai Stock Exchange at <https://www.bosc.cn/en/AnnualReport/> and <http://www.sse.com.cn>, respectively. The financial statements of Bank of Shanghai are not included in and do not form part of the Offering Circular. The information contained on the websites of Bank of Shanghai and the Shanghai Stock Exchange is subject to change from time to time. No representation is made by the Issuer, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them and none of the Issuer, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them takes any responsibility for any information contained on websites of the Bank of Shanghai and the Shanghai Stock Exchange.

EXCHANGE RATE INFORMATION

The PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. The PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by 2 per cent. against the U.S. dollar. The PRC government has since made and in the future may make further adjustments to the exchange rate system. On 18 May 2007, the PBOC enlarged, effective on 21 May 2007, the floating band for the trading prices in the inter-bank spot exchange market of Renminbi against the U.S. dollar from 0.3 per cent. to 0.5 per cent. around the central parity rate. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5 per cent. above or below the central parity rate published by the PBOC. The floating band was further widened to 1.0 per cent. on 16 April 2012. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 26.9 per cent. from 21 July 2005 to 31 December 2013. On 14 March 2014, the PBOC further widened the floating band against the U.S. dollar to 2.0 per cent. On 11 August 2015, the PBOC announced to improve the central parity quotations of Renminbi against the U.S. dollar by authorising market-makers to provide central parity quotations to the China Foreign Exchange Trading Centre daily before the opening of the interbank foreign exchange market with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates. Following the announcement by the PBOC on 11 August 2015, Renminbi depreciated significantly against the U.S. dollar. On 11 December 2015, CFETS, a sub-institutional organisation of the PBOC, published the CFETS Renminbi exchange rate index for the first time which weighs the Renminbi based on 13 currencies, to guide the market in order to measure the Renminbi exchange rate from a new perspective. In January and February 2016, Renminbi experienced further fluctuations in value against the U.S. dollar. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. The International Monetary Fund announced on 30 September 2016 that, effective on 1 October 2016, the Renminbi was added to its Special Drawing Rights currency basket. The PRC government has since made and in the future may make future adjustments to the exchange rate system.

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

Period	Noon Buying Rate			
	Period End	Average ⁽¹⁾	High	Low
		<i>(Renminbi per U.S.\$1.00)</i>		
2016	6.4480	6.6549	6.9580	6.9430
2017	6.4773	6.7564	6.9575	6.5063
2018	6.2649	6.6090	6.9737	6.8755
2019	6.6822	6.9014	7.1786	6.9618
2020	6.5250	6.9042	7.1681	6.5208
2021				
February	6.4730	6.4600	6.4869	6.4344
March	6.5518	6.5109	6.5716	6.4648
April	6.4749	6.5186	6.5649	6.4710
May	6.3674	6.4321	6.4749	6.3674
June	6.4566	6.4250	6.4811	6.3796
July	6.4609	6.4763	6.5104	6.4609
August	6.4604	6.4768	6.5012	6.4604
September	6.4434	6.4563	6.4702	6.4320
October	6.4050	6.4172	6.4485	6.3820
November	6.3640	6.2889	6.4061	6.3640
December (through to 23 December 2021)	6.3696	6.3691	6.3772	6.3435

Note:

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

PRC LAWS AND 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.

REGULATIONS RELATING TO OVERSEAS FINANCING

NDRC Registration

On 14 September 2015, the NDRC issued the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Corporates (Fa Gai Wai Zi [2015] No. 2044) (the “**NDRC Notice**”) (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) (the “**NDRC Notice**”), 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 Notice abolishes the case-by-case quota review and approval system for the issuance of foreign debts by PRC enterprises and sets forth the following measures to promote the administrative reform of the issuance of foreign debts by PRC enterprises or overseas enterprises and branches controlled by PRC enterprises:

- steadily promote the administrative reform of the filing and registration system for the issuance of foreign debts by enterprises;
- increase the size of foreign debts issued by enterprises, and support the transformation and upgrading of key sectors and industries;
- simplify the filing and registration of the issuance of foreign debts by enterprises; and
- strengthen the supervision during and after the process to prevent risks.

For the purposes of the NDRC Notice, “foreign debts” means RMB-denominated or foreign currency- denominated debt instruments with a maturity of one year or above 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, etc. According to this definition, offshore bonds issued by both PRC enterprises and their controlled offshore enterprises or branches shall be regulated by the NDRC Notice.

Pursuant to the NDRC Notice, an enterprise shall apply to the NDRC for the filing and registration procedures prior to the issuance of the bonds. 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 remittance details. The NDRC shall decide whether to accept an application within 5 working days of receipt and shall issue a Certificate for Filing and Registration of the Issuance of Foreign Debts by Enterprises within 7 working days of accepting the application.

To issue foreign debts, an enterprise shall meet these 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.

According to the NDRC Notice, an enterprise shall report the information relating to the issuance of the bonds to the NDRC within 10 working days in the PRC after the completion of the bond issuance (the “**NDRC Post-issuance Reporting**”). The NDRC Notice provides that, in the case where the reported information relating to the issuance of foreign debts significantly varies from the information indicated in the filing and registration application filed with the NDRC, the enterprise shall provide an explanation regarding such variance in the NDRC Post-issuance Reporting. In addition, if an enterprise maliciously and falsely reports the size of its issuance of foreign debts, the NDRC shall list the enterprise as an enterprise with poor credit in the national credit information platform.

Additional guidance and circulars have been issued by the NDRC subsequently, which state that companies, investment banks, law firms and other intermediaries involved in debt securities issues which do not comply with the registration requirement under the NDRC Notice will be subject to a blacklist and sanctions.

SAFE Registration

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

PBOC Circular Regarding Cross-border Financing

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

REGULATIONS RELATING TO PRC CURRENCY CONTROLS

Current Account Items

Under PRC foreign exchange control regulations, current account items refer to any transaction for international receipts and payments involving goods, services, earnings and other frequent transfers. Prior to July 2009, all current account items were required to be settled in foreign currencies with limited exceptions. Following progressive reforms, Renminbi settlement of imports and exports of goods and of services and other current account items became permissible nationwide in 2012, except that the key enterprises on a supervision list determined by the PBOC and five other relevant authorities in the PRC would be subject to enhanced scrutiny when banks process current account cross-border repatriations.

On 5 July 2013, the PBOC promulgated the Circular on Policies related to Simplifying and Improving Cross-border Renminbi Business Procedures (關於簡化跨境人民幣業務流程和完善有關政策的通知) (the “**2013 PBOC Circular**”) which simplified the procedures for cross-border Renminbi trade settlement under current account items. On 1 November 2014, the PBOC introduced a cash pooling arrangement for qualified multinational enterprise group companies, under which a multinational enterprise group can process cross-border Renminbi payments and receipts for current account items on a collective basis for eligible member companies in the group. On 5 September 2015, the PBOC promulgated the Circular on Further Facilitating the

Cross-Border Bi-directional Renminbi Cash Pooling Business by Multinational Enterprise Groups (關於進一步便利跨國企業集團開展跨境雙向人民幣資金池業務的通知) (the “**2015 PBOC Circular**”), which, *inter alia*, has lowered the eligibility requirements for multinational enterprise groups and increased the cap for net cash inflow. The 2015 PBOC Circular also provides that enterprises within a pilot free trade zone in the PRC, such as the China (Shanghai) Pilot Free Trade Zone (“**Shanghai FTZ**”) may establish an additional cash pool in the local scheme in such pilot free trade zone, but each onshore company within the group may only elect to participate in one cash pool.

The regulations referred to above are subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying these regulations and impose conditions for settlement of current account items.

Capital Account Items

Under PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to the approval of, and/or registration or filing with, the relevant PRC authorities. Until recently, settlement of capital account items, for example, the capital contribution of foreign investors to foreign-invested enterprises in the PRC, were generally required to be made in foreign currencies. Under progressive reforms by the PBOC, the MOFCOM and the SAFE, foreign investors are now permitted to make capital contribution, share transfer, profit allocation and liquidation and certain other transactions in Renminbi for their foreign direct investment within the PRC. Cross-border Renminbi payment infrastructure and trading facilities are being improved. Approval, registration and filing requirements for capital account payments in Renminbi are being removed gradually. The Circular on Reforming the Administrative Approach of the Foreign Exchange Capital Settlement for Foreign Invested Enterprises (關於改革外商投資企業外匯資本金結匯管理方式的通知) became effective on 1 June 2015 (the “**2015 SAFE Circular**”). In addition to the option to settle foreign current capital through payment-based foreign exchange settlement (支付結匯制), the 2015 SAFE Circular allows foreign-invested enterprises to settle up to 100 per cent. (subject to future adjustment at discretion of SAFE) of the foreign currency capital (which has been processed through the SAFE’s equity interest confirmation procedure for capital contribution in cash or registered by a bank on the SAFE’s system for account-crediting for such capital contribution) into Renminbi according to their actual operational needs on a voluntary basis. In principle, the Renminbi proceeds through the aforementioned voluntary settlement shall be deposited into designated bank account called capital account item — account for foreign currency settlement pending payment (資本項目-結匯待支付帳戶) (the “**Account for Foreign Currency Settlement Pending Payment**”) as opened by such foreign-invested enterprise, and accordingly all future payments shall be processed from such Account for Foreign Currency Settlement Pending Payment. A negative list with respect to the usage of the foreign currency capital and the Renminbi proceeds settled therefrom is set forth under the 2015 SAFE Circular. In particular, a foreign-invested enterprise with investment as its main business (including the foreign-invested investment company (外商投資性公司),

foreign-invested venture capital enterprise (外商投資創業投資企業) or foreign-invested private equity investment enterprise (外商投資股權投資企業)) is permitted to use the Renminbi proceeds settled from its foreign currency capital (whether directly settled, or from the Renminbi deposit in its Account for Foreign Currency Settlement Pending Payment as previously settled through voluntary settlement) to make equity contribution to its invested enterprises directly, without further filings with SAFE. PRC entities are also permitted to borrow Renminbi-denominated loans from foreign lenders (which are referred to as “foreign debt”) and lend Renminbi-denominated loans to foreign borrowers (which are referred to as “outbound loans”), as long as such PRC entities have the necessary quota, approval or registration. PRC entities may also denominate security or guarantee arrangements in Renminbi and make payments thereunder to parties in the PRC as well as other jurisdictions (which is referred to as “cross-border security”). Under current rules promulgated by SAFE, foreign debts borrowed, outbound loans extended, and the cross-border security provided by a PRC onshore entity (including a financial institution) in Renminbi shall, in principle, be regulated under the current PRC foreign debt, outbound loan and cross-border security regimes applicable to foreign currencies. However, there remains potential inconsistencies between the provisions of the SAFE rules and the provisions of the 2013 PBOC Circular. It is not clear how regulators will deal with such inconsistencies in practice.

According to the 2015 PBOC Circular, qualified multinational enterprise groups can extend Renminbi-denominated loans to, or borrow Renminbi-denominated loans from, eligible offshore member entities within the same group by leveraging the cash pooling arrangements. The Renminbi funds will be placed in a special deposit account and may not be used to invest in stocks, financial derivatives, or non-self-use real estate assets, or purchase wealth management products or extend loans to enterprises outside the group.

Enterprises within the Shanghai FTZ may establish another cash pool under the Shanghai FTZ rules to extend inter-company loans, although Renminbi funds obtained from financing activities may not be pooled under this arrangement. Enterprises within the Shanghai FTZ can borrow Renminbi from offshore lenders under a pilot account-based settlement scheme within the prescribed macro prudential management limit. In addition, non-financial enterprises in the Shanghai FTZ are allowed to settle the foreign debt denominated in foreign currency with Renminbi on a voluntary basis, provided that the Renminbi proceeds settled therefrom should not be used (whether directly or indirectly) beyond their business scope or in violation of relevant laws and regulations in the PRC.

Recent reforms introduced were aimed at controlling the remittance of Renminbi for payment of transactions categorised as capital account items. There is no assurance that the PRC government will continue to gradually liberalise the control over Renminbi payments of capital account item transactions in the future. The relevant regulations are relatively new and will be subject to interpretation and application by the relevant PRC authorities. Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may

be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

Regulations on Land and the Development of Real Estate Projects

Land Grants

In April 1988, the National People's Congress of the PRC (the "NPC") passed an amendment to the Constitution of the PRC. The amendment allowed the transfer of land use rights for value to prepare for reforms of the legal regime governing the use of land and transfer of land use rights. In December 1988, the Standing Committee of the NPC (the "SCNPC") amended the Land Administration Law of the PRC (中華人民共和國土地管理法) to permit the transfer of land use rights for value.

Under the Provisional Regulations of the People's Republic of China on Grant and Transfer of the Land Use Rights of State-owned Urban Land (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例) (the "**Provisional Regulations on Grant and Transfer**") implemented by the State Council on 19 May 1990 and it was amended on 1 November 2002 and 4 July 2010 and 29 November 2020 respectively, a system of assignment and transfer of the right to use state-owned land was adopted. A land user shall pay land premium to the government as consideration for the grant of the right to use a land site within a certain term, and the land user may transfer, lease out, mortgage or otherwise commercially exploit the land use rights within the term of use. Under the Provisional Regulations on Grant and Transfer and the Law of the PRC on the Administration of Urban Real Estate (中華人民共和國城市房地產管理法), the land administration authority under the local government of the relevant city or county shall enter into an assignment contract with the land user to provide for the grant of land use rights. The land user shall pay the land premium as provided by the assignment contract. After full payment of the land premium, the land user shall register with the land administration authority and obtain a land use rights certificate which evidences the acquisition of land use rights. The Regulations on Administration of Development of Urban Real Estate (城市房地產開發經營管理條例) provide that the land use rights for a land parcel intended for real estate development shall be obtained through grant except for land use rights which may be obtained through appropriation pursuant to PRC laws or the stipulations of the State Council.

Under the Regulations regarding the Grant of State-Owned Land Use Rights by Way of Public Bidding, Auction and Listing Procedure (招標拍賣掛牌出讓國有土地使用權規定) issued by the Ministry of Land and Resources (the "**MLR**") on 9 May 2002 and implemented on 1 July 2002 (the "**2002 Regulations**") and revised on 28 September 2007 with the name Regulations regarding the Grant of State-Owned Construction Land Use Rights by Way of Public Bidding, Auction and Listing Procedure (招標拍賣掛牌出讓國有建設用地使用權規定) (the "**2007 Regulations**") effective on 1 November 2007, land for industry (except land for mining), commercial use, tourism, entertainment and commercial residential properties, and land for which there are two or

more intended users must be granted by way of the public bidding, auction and listing procedure. A number of measures in the 2007 Regulations ensure such grants of land use rights for commercial purposes are conducted openly and fairly. For instance, the 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 the approval of the city or county government. The grantee shall apply for land registration and obtain the land use rights certificate upon full payment of the land premium for the land according to the land grant contract. In the event that the land premium for the land is not paid in full, the grantee will not receive the land use rights certificate. In addition, the announcement of public bidding, auction and listing procedure must be made 20 days prior to the date on which such competitive process begins. Further, the 2007 Regulations stipulate that for listings on a land exchange, the time period for accepting bids must be no less than ten days. Following the 2002 Regulations, the MLR and the Ministry of Supervision issued the Notice on Continuing the Review of the Implementation of the Grant of Land Use Rights for Commercial Uses By Soliciting Public Bidding, Auction and Listing Procedure on a Land Exchange (關於繼續開展經營性土地使用權招標拍賣出讓情況執法監察工作的通知) on 31 March 2004, which requires all local land administration authorities to strictly enforce the 2002 Regulations. In addition, the MLR and the Ministry of Supervision required that beginning from 31 August 2004, no land use rights for commercial uses granted by way of agreement shall be dealt with due to reasons stemming from historical legal legacy issues. In the Urgent Notice of the General Office of the State Council on Intense Regulation and Rectification of the Land Market and Strict Administration of Land (國務院辦公廳關於深入開展土地市場治理整頓嚴格土地管理的緊急通知), issued by the General Office of the State Council on 29 April 2004, the approval process for the change of use from agricultural land to non-agricultural land for development was suspended for a period of approximately six months so that the PRC government could rectify irregularities in land development in China. On 11 May 2011, the MLR implemented the Opinions on Upholding and Improving the System for the Transfer of Land by Public Bidding, Auction and Listing Procedure (國有資源部關於堅持和完善土地招標拍賣掛牌出讓制度的意見), which provides, among other things (i) how to correctly implement the land transfer policy through the public bidding, auction and listing procedure; (ii) an explanation of improvements in the transparency of the public bidding, auction and listing procedure for housing land; (iii) an explanation of adjustments and improvements to the land transfer policy through the public bidding, auction and listing procedure; (iv) promotion of online operation of the transfer of land use rights; and (v) improvement in contracts for land transfers through the public bidding, auction and listing procedure.

In the case of tenders, the local land bureau granting the land use rights should examine the qualifications of the intended bidders and encourage those who are qualified to participate in the bidding process by sending out invitations to tender. Bidders are asked to submit sealed bids together with the payment of a security deposit. When land use rights are granted through tenders, a tender evaluation committee consisting of an odd number of members of at least five people (including a representative of the grantor and relevant expert) shall be formed by the land bureau

which is responsible for initiating the tenders and deciding on the successful bidder. The successful bidder will then sign the land grant contract with the land bureau and pay the balance of the land premium before obtaining a land use rights certificate.

Where land use rights are granted by way of the public bidding, auction and listing procedure, a public bidding, auction and listing procedure 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 local land bureau and pay the relevant land premium within a prescribed period.

Where land use rights are granted through a listing administered by the local government, a public notice will be issued by the local land bureau to specify, among other things, the location, area, purpose of use of the land and the period for receiving bids. The land use rights are granted to the bidder with the highest bid who satisfies the terms and conditions stipulated by the local land bureau. The successful bidder will enter into a land grant contract with the local land bureau and pay the relevant land premium within a prescribed period.

On 6 June 2003, the MLR promulgated the Regulations on the Grant of State-owned Land Use Rights by Agreement (協議出讓國有土地使用權規定) and implemented it on 1 August 2013. According to this regulation, if there is only one entity interested in using the land, the land use rights (excluding profit-oriented land for commercial use, tourism, entertainment and commercial residential properties) may be assigned by way of agreement. If two or more entities are interested in the land use rights to be assigned, such land use rights shall be granted by means of public bidding, auction and listing.

The Measures on the Administration of Reserved Land (土地儲備管理辦法), implemented by the MOF, the PBOC and the MLR and CBRC on 3 January 2018, define “reserved land” and stipulate the administrative, regulatory and implementing procedures involved with the management, planning, allocation, use, development, capital expenditure and supply of reserved land. The measures clarify that land must be reserved in accordance with the relevant land programs or plans, and that in determining land reserves priority must be given to land included in state inventories which is unused, unoccupied or under-utilised.

On 18 November 2009, the MOF, the MLR, the PBOC, the National Audit Office and the Ministry of Supervision issued the Notice on Further Strengthening the Land Transfer Revenue and Expenditure Management (關於進一步加強土地出讓收支管理的通知) jointly, which stipulates:

- The city or county land resource department must specify the land transfer price, rent and the total sum of the allocated land price, payment time and payment mode in the state-owned land transfer contract, lease contract and letter of decision on appropriation. If the land use conditions have been changed upon approval according to law, the city or county land resource management department must specify the additional price of the land that shall be paid in the land transfer and lease contracts and the payer shall pay the sum of money as

stipulated by the contract. If a unit or individual fails to pay up the land price as required, the city or county land resource management department must neither approve nor issue the state-owned land use certificate nor issue a partial certificate according to the proportion of the land price paid.

- In principle, the term for paying the full land transfer price by instalments agreed between the city or county land resource management department and land transferee pursuant to law shall not exceed one year. The proportion of first payment shall not be less than 50.0 per cent. of the total land transfer price.

On 1 May 2012, the MLR implemented the Notice on Further Strengthening and Improving the Pre-examination of Land for Construction Projects (關於進一步加強和改進建設專案用地預審工作的通知) which reinforces the importance of pre-examination administration of land for commercial and industrial purposes. Taking advantage of the public bidding, auction and listing procedure to avoid the pre-examination of the utility of land, entering into a land use right grant contract in advance or issuing a land use right certificate in substitute for a pre-examination opinion is strictly prohibited. Without passing a pre-examination, no application may be made for a project permit or construction land permit. On-line filing for records and tracking supervision shall also be strengthened.

Planning of Construction Projects

On 1 January 2008, the SCNPC implemented the PRC City and Countryside Planning Law (中華人民共和國城鄉規劃法) which was amended on 24 April 2015 and 23 April 2019, pursuant to which a construction planning permit must be obtained from the relevant urban and rural planning government authorities for building any structure, fixture, road, pipeline or other engineering project within an urban or rural planning area. After obtaining the construction works planning permit, a construction project developer shall apply for a construction work commencement permit from the construction authority under the local people's government at the county level or a higher construction authority in accordance with the Measures for the Administration of Construction Permit for Construction Projects (建築工程施工許可管理辦法) implemented by MOHURD on 25 June 2014 and implemented on 25 October 2014. The Measures was recently amended on 30 March 2021. According to the Notice Regarding Strengthening and Regulating the Administration of Newly-commenced Projects (國務院辦公廳關於加強和規範新開工專案管理的同通知) issued by the General Office of the State Council on 17 November 2007, before commencement of construction, all kinds of projects shall fulfil certain conditions, including, among others, compliance with national industrial policies, development plans, land supply policy and market access standards, completion of all approval and filing procedures, compliance with zoning plans in terms of site and planning, completion of proper land use procedures and obtaining proper environmental valuation approvals and construction work commencement permits or construction start-up reports.

In accordance with the Regulations on Administration of Development of Urban Real Estate (城市房地產開發經營管理條例) and the Regulation on the Quality Management of Construction Projects (建設工程質量管理條例) implemented by the State Council on 30 January 2000 and amended on 7 October 2017 and 23 April 2019, the Measures for Reporting Details Regarding Acceptance Examination Upon Completion of Buildings and City Infrastructure (房屋建築和市政基礎設施工程竣工驗收備案管理辦法) implemented by MOHURD on 4 April 2000 and amended on 19 October 2009 and the Rules for the Confirmation of the Completion of Housing Construction and City Infrastructure Projects (房屋建築和市政基礎設施工程竣工驗收規定) implemented by MOHURD and implemented on 2 December 2013, after the completion of construction of a project, the construction project must undergo inspection and receive the relevant approvals from local authorities which include approvals from planning bureau, fire safety authorities and environmental protection authorities.

Real Estate Registration

According to the Interim Regulations on Real Estate Registration (不動產登記暫行條例) issued by the State Council on 24 November 2014, enforced on 1 March 2015 and amended on 24 March 2019, PRC will apply a uniform registration system over real estate. Under this system, ownership of buildings and land use right shall be registered in accordance with the provisions of the interim regulations. If registration is applied by reasons of transfer or settlement of mortgage, the application shall be made jointly by both parties. However, the first registration application for the real estate without registration record shall be filed by either party involved. Any interested party may apply to inquire about or copy the real estate registration materials in accordance with the law and the registration. The competent authorities shall not refuse to provide the information which has been registered. Furthermore, the Interim Regulation confirmed that various real estate ownership certificates issued prior to the implementation of the interim regulation shall remain valid.

The MLR implemented the Implementing Rules of the Interim Regulations on Real Estate Registration (不動產登記暫行條例實施細則) (the “**Rules**”) on 1 January 2016, which was amended on 24 July 2019. The Rules stipulate that after the acceptance of an application for real estate registration, the real estate registration authority shall perform a site inspection. The owners and interested parties may inquire and obtain the relevant real estate registration information. The Rules also clarify that real estate registration information shall be managed by the relevant real estate registration authorities, which shall establish a real estate registration information management system and an information safety and confidentiality system. No individual or entity shall disclose such real estate registration information.

Bidding and Tendering Management

Bidding and tendering for various construction projects have been provided for in the Bidding and Tendering Law of the People’s Republic of China (中華人民共和國招標投標法) promulgated by the SCNPC on 30 August 1999 which became effective on 1 January 2000 and was amended on 27

December 2017, Regulation on the Implementation of the Bidding and Tendering Law of the People's Republic of China (中華人民共和國招標投標法實施條例) promulgated by State Council on 20 December 2011 which became effective on 1 February 2012 and was amended on 1 March 2017, 19 March 2018 and 2 March 2019 and which amendment became effective on the same date, Measures for the Construction Bidding and Tendering of Construction Projects (工程建設專案施工招標投標辦法) jointly promulgated by NDRC, MOC, MOR, MOT, Ministry of Information Industry of the People's Republic of China, Ministry of Water Resources of the People's Republic of China, and Civil Aviation Administration of China promulgated on 8 March 2003 which became effective on 1 May 2003 and was amended on 11 March 2013 and which amendment became effective on 1 May 2013. However, it became no longer effective on 8 August 2018. The Administrative Measures for the Bidding and Tendering of Housing Construction and City 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 it was amended on 28 September 2018 and 13 March 2019 and became effective on the same date.

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

The process of bidding and tendering consists of five stages including bid invitation, tendering, bid opening, bid evaluation and bid award. The principles 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 should undergo bidding as required by law fails to go through the bidding process or the bidding process 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 1.0 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 directly in charge of the entity or other person directly liable. Further, in accordance with the provisions of the Interpretations of the Supreme People's Court on Issues of Law Application during the Trial of Construction Contracts for Building Projects (最高人民法院關於審理建設工程施工合同糾紛案件適用法律問題的解釋) issued by the Supreme People's Court on 25 October 2004 and which became effective on 1 January 2005, and the recent amendment was made on 29 December 2020 and became effective on

1 January 2021. If any project that is required to undergo a bidding process fails to go through the bidding process or the bid award is invalid, the construction contract for building projects shall become invalid.

Quality Management

Laws and regulations on project quality mainly include Construction Law of the People's Republic of China (建築法) which became effective on 1 March 1998 and amended on 22 April 2011 which amendment became effective on 1 July 2011, modified on 23 April 2019, Regulation on Quality Management of Construction Projects (建設工程質量管理條例) issued by the State Council on 30 January 2000, became effective on the same date, and was amended on 7 October 2017 and 23 April 2019, Administrative Measures for Quality Management of Construction Project Survey (建設工程勘察質量管理辦法) amended by MOC on 22 November 2007 and 1 April 2021 and became effective on the same date, Administrative Measures for Completion Acceptance Record of Building Construction and City Infrastructure Projects (房屋建築和市政基礎設施工程竣工驗收備案管理辦法) issued by MOHURD on 19 October 2009 and became effective on the same date, Measures for Quality Warranty of Building Construction Projects (房屋建築工程品質保修辦法) issued by MOC on 30 June 2000 and became effective on the same date, Measures for Completion Acceptance of Port Works (港口工程竣工驗收辦法) promulgated by MOT on 12 April 2005 which became effective on 1 June 2005 and amended on 5 September 2014 and 19 April 2016, which replaced by the Regulations on the Administration of Port Engineering Construction promulgated by MOT on 15 January 2018 and was amended on 28 November 2018. Measures for Completion (Delivery) Acceptance of Highway Works (公路工程竣(交)工驗收辦法) promulgated by MOT on 31 March 2004 and its implementation rules (公路工程竣(交)工驗收辦法實施細則) which was promulgated on 1 May 2010 and Measures for the Management of Construction Project Quality Deposits (建設工程品質保證金管理辦法) issued by the MOHURD and the MOF on 20 June 2017 and became effective on 1 July 2017.

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

Environmental Protection Management

Major laws and regulations on environmental protection during the project construction process include the Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法) amended by SCNPC on 24 April 2014 which became effective on 1 January 2015, Law on Environmental Impact Assessment of the People's Republic of China (中華人民共和國環境影響評價法) promulgated by SCNPC on 28 October 2002 which became effective on 1 September 2003 and last amended on 29 December 2018, Administrative Regulations on Environmental Protection of Construction Projects (建設項目環境保護管理條例) issued by State Council on 29 November 1998 and became effective on the same date and amended on 16 July 2017 and became

effective on 1 October 2017, and Administrative Measures for Environmental Protection Acceptance of Construction Projects upon Completion (建設專案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 and became invalid on 4 January 2021.

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 with respect to construction projects. After the completion of a construction project, the competent administrative department of environmental protection will undergo an environmental protection acceptance process and assess whether the construction project has met the requirements for environmental protection.

Environmental Protection

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

Air Pollution

The Air Pollution Prevention Law (大氣污染防治法), promulgated on 29 April 2000 by the Standing Committee of the National People's Congress, which became effective on 1 September 2000 and was recently amended on 26 October 2018 and became effective on the same date, 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 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 Standing Committee of the National People's Congress, which became effective on 1 November 1984, and last amended on 27 June 2017, 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 its respective jurisdictions by formulating more specific local standards, and may impose penalties for violation, including suspending operations.

Noise Pollution

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

Construction Projects

The Environmental Impact Appraisal Law (環境影響評價法), promulgated by the Standing Committee of the National People's Congress on 28 October 2002, which became effective on 1 September 2003 and was last amended on 29 December 2018, Administrative Regulations on Environmental Protection of Construction Projects (建設項目環境保護管理條例), promulgated by the State Council on 29 November 1998, which became effective on 29 November 1998 and was amended on 16 July 2017.

Regulations on Labour

Employment Contracts

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

Employee Funds

Under applicable PRC laws, regulations and rules, including the Social Insurance Law (社會保險法), promulgated by the Standing Committee of the National People's Congress on 28 October 2010, which became effective on 1 July 2011, and was recently amended on 29 December 2018 and became effective on the same date. The Interim Regulations on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例), promulgated by the State Council on 22 January 1999, which became effective on 22 January 1999 and last amended on 24 March 2019, and Administrative Regulations on the Housing Provident Fund (住房公積金管理條例), promulgated by the State Council on 3 April 1999, which became effective on 3 April 1999 and as amended on 24 March 2002 and on 24 March 2019, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance and to housing provident funds. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to pay the outstanding amount within a stipulated time period.

Regulations on Work Safety

According to the Work Safety Law of the People's Republic of China (安全生產法) effective from 1 November 2002 and last amended on 10 June 2021 and became effective on 1 September 2021, if anything relating to work safety shall be subject to examination and approval according to the provisions of the relevant laws and regulations (including approval, verification, permission, registration, certification, granting licences, and etc.), the departments responsible for work safety supervision and administration must carry out the examination and approval by strictly following the relevant laws and regulations as well as the conditions and procedures for safe production as required by national or industrial standards. In the event that the administrative department in charge of examination and approval discovers or receives reports that any entity has unlawfully engaged in relevant activities without obtaining approval or without passing the examinations for acceptance, it shall revoke the unlawful act without delay and handle the case according to the law.

Administrative Regulations on the Safety of Hazardous Chemicals (危險化學品安全管理條例), which was promulgated on 26 January 2002 and last amended on 7 December 2013, firstly provides that the State implements the licensing system for the operation of hazardous chemicals (including storage management, hereinafter the same), and without being licensed, any units and individuals shall not deal in hazardous chemicals. Secondly, it provides that the enterprises dealing in hyper-toxic chemicals or hazardous chemicals to make explosives shall file applications to the production safety supervision and administration departments of the local people's governments at municipality (with districts) level and the enterprises dealing in other hazardous chemicals shall file applications to the production safety supervision and administration departments of the local people's governments at county level (if the enterprise has storage facilities, it shall file applications to the production safety supervision and administration department of the local

people's government at municipality (with districts) level). Thirdly, the authorities mentioned above shall examine such documents pursuant to laws, conduct on-site verification on the business premises and storage facilities of the applicants, and make the decision of approval or refusal (if the application is approved, the licences for dealing in hazardous chemicals shall be issued). At last, the applicants shall not deal in hazardous chemicals until they hold the licenses for dealing in hazardous chemicals to handle registration at AICs.

TAXATION

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

PRC TAXATION

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

Pursuant to the EIT Law and the IIT Law, and their implementation rules respectively, an income tax is imposed on the interests by way of withholding in respect of the Bonds, paid by the Issuer to non-resident Bondholders, including non-resident enterprises and non-resident individuals. The current rates of such income tax are 20 per cent. (for non-resident individuals) and 10 per cent. (for non-resident enterprises) of the gross amount of the interest. However, the tax so charged on interests paid on the Bonds to non-resident Bondholders who or which are residents of Hong Kong (including enterprise holders and individual holders) as defined under the Arrangement between mainland China and Hong Kong for Purpose of the Avoidance of Double Taxation will be 7 per cent. of the gross amount of the interest pursuant to the arrangement between mainland China and Hong Kong and relevant interpretation of the arrangement formulated by the SAT.

Under the EIT Law and its implementation rules, any gains realised on the transfer of the Bonds by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as incomes derived from sources within the PRC. Under the EIT Law, a “non-resident enterprise” means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained incomes derived from sources within the PRC. In addition,

there is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax under the IIT Law and its implementation rules. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to an arrangement between the PRC and Hong Kong for avoidance of double taxation, 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.

On 23 March 2016, the MOF and the SAT issued Circular 36, which introduced a new VAT from 1 May 2016. Under Circular 36, VAT is applicable where the entities or individuals provide services within the PRC. The operating income generated from the provision of taxable sale of services by entities and individuals, such as financial services, shall be subject to PRC VAT if the seller or buyer of the services is within PRC. In the event that foreign entities or individuals do not have a business establishment in the PRC, the purchaser of services shall act as the withholding agent. According to the Explanatory Notes to Sale of Services, Intangible Assets and Real Property attached to Circular 36, financial services refer to the business activities of financial and insurance operation, including loan processing services, financial services of direct charges, insurance services and the transfer of financial instruments, and the VAT rate is 6 per cent. Circular 36 further clarified that “loan processing” refers to the activity of lending capital for another’s use and receiving the interest income thereon, therefore based on such an interpretation of “loan processing” under the Circular 36, the issuance of Bonds may be treated as the Bondholders providing loans to the Issuer, which thus shall be regarded as the provision of financial services. Accordingly, the interest and other interest like earnings received by a non-PRC resident Bondholder from the Issuer will be subject to PRC VAT at the rate of 6 per cent. The Issuer will be obligated to withhold VAT of 6 per cent. and certain surcharges on VAT for payments of interest and certain other amounts on the Bonds paid by the Issuer to Bondholders that are non-resident enterprises or individuals. And as the withholding agent, the Issuer shall calculate the withholding tax according to the following formula: $\text{withholding tax} = \text{price paid by the purchaser} \div (1 + \text{tax rate}) \times \text{tax rate}$. Pursuant to relevant local rules regarding the Urban Maintenance & Construction Tax, the Educational Fund Surcharge and the Local Educational Fund Surcharge respectively as levies on the VAT, such local levies will be applicable when entities and individuals are obliged to pay VAT (at an aggregate rate of approximately 12 per cent. on any VAT payable, so consequently the combined rate of the VAT and such local levies would be around 6.7 per cent.). However, there is uncertainty as to whether gains derived from a sale or exchange of Bonds consummated outside of the PRC between non-PRC resident Bondholders will be subject to PRC VAT. VAT is unlikely to be applicable to any transfer of Bonds between entities or individuals located outside of the PRC and therefore unlikely to be applicable to gains realised upon such transfers of Bonds, but there is

uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC. Circular 36 together with other laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties.

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

No PRC stamp duty will be imposed on non-resident Bondholders either upon issuance of the Bonds or upon a subsequent transfer of Bonds.

HONG KONG TAXATION

Withholding tax

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

Profits tax

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

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

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

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of the Bonds will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Notes 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 financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Bonds are acquired and disposed of.

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

Stamp duty

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

SUMMARY OF CERTAIN DIFFERENCES BETWEEN PRC GAAP AND IFRS

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

GOVERNMENT GRANT

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

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

REVERSAL OF AN IMPAIRMENT LOSS

Under PRC GAAP, once an impairment loss is recognised for a long term asset (including investment property valued under cost model, long-term equity investments, fixed assets, intangible assets and goodwill, among others), it shall not be reversed in any subsequent period.

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

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.

RELATED PARTY DISCLOSURES

Under PRC GAAP, state-controlled companies without other related party relationship are not treated as related parties.

Under IFRS, state-controlled companies are all treated as related parties.

In making an investment decision, each prospective investor must rely upon its own examination of the Issuer, the terms of the offering and other disclosure contained herein. Each prospective investor should consult its own professional advisors 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.

SUBSCRIPTION AND SALE

The Issuer has entered into a subscription agreement with the Joint Lead Managers dated 5 January 2022 (the “**Subscription Agreement**”) pursuant to which and subject to certain conditions contained in the Subscription Agreement, the Issuer has agreed to sell to the Joint Lead Managers, and the Joint Lead Managers have agreed to severally and not jointly, subscribe and pay for, or to procure subscribers to subscribe and pay for, the aggregate principal amount of the Bonds set forth opposite its name below:

Joint Lead Manager	Principal amount of the Bonds to be subscribed
Fosun Hani Securities Limited	U.S.\$40,000,000
AMC Wanhai Securities Limited.	U.S.\$20,000,000
BOSC International Company Limited	U.S.\$20,000,000
Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch	U.S.\$5,000,000
Wilson Securities Limited.	U.S.\$5,000,000
Industrial Bank Co., Ltd. Hong Kong Branch	U.S.\$5,000,000
China Credit International Securities Co., Limited	U.S.\$5,000,000
Total.	U.S.\$100,000,000

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

In connection with the issue of the Bonds, any of the Joint Lead Managers acting as a stabilisation coordinator (the “**Stabilisation Coordinator**”) (or any person acting on behalf of the Stabilisation Coordinator) may, to the extent permitted by applicable laws and directives, over-allot the Bonds or effect transactions with a view to supporting the price of the Bonds at a level higher than that which might otherwise prevail, but in so doing, the Stabilisation Coordinator (or any person acting on behalf of the Stabilisation Coordinator) shall act as principal and not as agent of the Issuer. However, there is no assurance that the Stabilisation Coordinator (or any person acting on behalf of the Stabilisation Coordinator) will undertake stabilisation action. Any loss or profit sustained as a consequence of any such over-allotment or stabilisation shall be for the account of the Joint Lead Managers.

The Joint Lead Managers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities (“**Banking Services or Transactions**”). The Joint Lead Managers and their

respective affiliates may have, from time to time, performed, and may in the future perform, various Banking Services or Transactions with the Issuer for which they have received, or will receive, fees and expenses.

In connection with the offering of the Bonds, the Joint Lead Managers and/or their respective affiliates, or affiliates of the Issuer, may act as investors and place orders, receive allocations and trade the Bonds for their own account and such orders, allocations or trade of the Bonds may be material. Such entities may hold or sell such Bonds or purchase further Bonds for their own account in the secondary market or deal in any other securities of the Issuer, and therefore, they may offer or sell the Bonds or other securities otherwise than in connection with the offering of the Bonds. Accordingly, references herein to the offering of the Bonds should be read as including any offering of the Bonds to the Joint Lead Managers and/or their respective affiliates, or affiliates of the Issuer as investors for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any applicable legal or regulatory requirements. If such transaction occurs, the trading price and liquidity of the Bonds may be impacted. The Issuer and the Joint Lead Managers are under no obligation to disclose the extent of the distribution of the Bonds amongst individual investors.

Furthermore, it is possible that a significant proportion of the Bonds may be initially allocated to, and subsequently held by, a limited number of investors. If this is the case, the trading price and liquidity of trading in the Bonds may be constrained. The Issuer and the Joint Lead Managers are under no obligation to disclose the extent of the distribution of the Bonds amongst individual investors, otherwise than in accordance with any applicable legal or regulatory requirements.

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

GENERAL

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult their own legal

advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

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

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

UNITED STATES

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

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

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

UNITED KINGDOM

Prohibition of sales to UK Retail Investors

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

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

- (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“EUWA”); or
 - (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “FSMA”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or
 - (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA; and
- (b) the expression an “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds.

Other regulatory restrictions

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

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”) and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “C(WUMP)O”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

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

SINGAPORE

Each Joint Lead Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented 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:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

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

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

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 Joint Lead Manager has represented and agreed 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.

THE PEOPLE’S REPUBLIC OF CHINA

Each Joint Lead Manager has represented and agreed 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), except as permitted by applicable laws of the People’s Republic of China.

GENERAL INFORMATION

1. **Clearing Systems:** The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code 242350391 and ISIN XS2423503916.
2. **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of its obligations under the Bonds, the Trust Deed and the Agency Agreement. The issue of the Bonds was authorised by the resolutions of the board of directors of the Issuer on 4 January 2022 and by the approval from the State-owned Assets Supervision and Administration Commission of the People's Government of Yancheng dated 4 April 2019.
3. **No Material Adverse Change:** Except as otherwise disclosed in this Offering Circular, there has been no material adverse change, or any development or event likely to involve a prospective change, in the condition (financial or otherwise), prospects, properties, results of operations, business or general affairs of the Issuer or the Group since 31 December 2020.
4. **Litigation:** None of the Issuer or any other member of the Group is involved in any litigation or arbitration proceedings that the Issuer believes are material in the context of the Bonds, and so far as the Issuer are aware, no such proceedings are pending or threatened.
5. **Financial Statements:** This Offering Circular contains the audited consolidated financial information of the Issuer as at and for the years ended 2018, 2019 and 2020, which have been derived from the Audited Consolidated Financial Statements. The Audited Consolidated Financial Statements were prepared and presented in accordance with PRC GAAP and have been audited by Zhongxinghua.
6. **Available Documents:** So long as any of the Bonds is outstanding, copies of the following documents will be available for inspection from the Issue Date during usual business hours at the registered office of the Issuer and at the specified office of the Trustee (currently at 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong) upon prior written request and satisfactory proof of holding during normal business hours (being 9.00 a.m. to 3.00 p.m. (Hong Kong time) from Monday to Friday (other than public holidays)):
 - the Trust Deed;
 - the Agency Agreement; and
 - the Standby Letter of Credit.

7. **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 or about 11 January 2022.
8. **LC Bank Financial Statements:** Copies of the published audited consolidated financial statements and unaudited but reviewed consolidated financial statements of the Bank, as well as its public filings, can be downloaded free of charge from the websites of the Bank and the SSE at www.bosc.cn/en/AnnualReport/ and www.sse.com.cn, respectively. The audited consolidated financial statements and unaudited but reviewed consolidated financial statements of the Bank are not included in and do not form part of this Offering Circular. The information contained on the websites of the Bank and SSE is subject to change from time to time. No representation is made by the Issuer, the Joint Lead Managers, the Trustee, the Agents, the Bank, the LC Bank or any of their respective affiliates, directors, officers, employees, representatives, agents, advisers or any person who controls any of them and none of the Issuer, the Joint Lead Managers, the Trustee, the Agents, the Bank, the LC Bank or any of their respective affiliates, directors, officers, employees, representatives, agents, advisers and any person who controls any of them takes any responsibility for any information contained on websites of the Bank and SSE.
9. **Legal Entity Identifier:** The Issuer's Legal Entity Identifier number is 3003006NFIDFWJUUOT29.

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盐城高新区投资集团有限公司



审计报告

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报告文号：中兴华审字[2021]第021361号

中兴华会计师事务所(特殊普通合伙)



ZHONGXINGHUA CERTIFIED PUBLIC ACCOUNTANTS LLP

F15, Sichuan Building East, No.1 Fu Wai Da Jie, Xicheng District, Beijing, China

Auditor's Report

Zhongxinghua Audit (2021) No.021361

To the shareholders of Yancheng High-tech Zone Investment Group Co., Ltd.:

I. Opinion

We have audited the financial statements of Yancheng High-tech Zone Investment Group Co., Ltd. (the "Group"), including the Consolidated and Parent Company's Balance Sheet as at 31 December 2020, and the Consolidated and Parent Company's Income Statement, Statement of Cash Flows, Statement of Changes in Equity for the year then ended, as well as the Notes to the financial statements.

In our opinion, the financial statements attached hereafter are prepared in all material respects in accordance with the requirements of China Accounting Standards for Business Enterprises, and fairly present the Group's financial position as at 31 December 2020, and the results of its operations and cash flows for the year then ended.

II. Basis for Opinion

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

III. Responsibilities of Management and Those Charged with Governance for Financial Statements

The Group's management (the "Management") is responsible for preparing the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises to achieve a fair presentation, and for designing, implementing and maintaining such internal control that is necessary to ensure that the financial statements are free from material misstatements, whether due to frauds or errors.

In preparing the financial statements, the Management is responsible for assessing the Group's



ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

IV. Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

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

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



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

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

Zhongxinghua Certified Public Accountants LLP
(special general partnership)



CPA China:



CPA China:



Beijing, China

April 28, 2021



Consolidated Balance Sheet
31 December 2020

Prepared by: Yancheng High-tech Zone Investment Group Co., Ltd.

Monetary unit: RMB Yuan

Items	Note VII	Ending balance	Beginning balance
Current assets:			
Currency funds	(I)	14,553,513,302.77	10,463,325,913.99
Financial assets at fair value through profit or loss	(II)	70,953,829.42	
Derivative financial assets			
Notes receivable	(III)	403,468,054.63	57,527,387.06
Accounts receivable	(IV)	427,039,297.09	394,875,393.36
Prepayments	(V)	1,523,358,830.74	978,594,574.42
Other receivables	(VI)	11,674,062,472.65	12,014,145,156.53
Inventories	(VII)	22,358,960,283.98	16,535,207,741.66
Assets held for sale			
Non-current assets due within one year			
Other current assets	(VIII)	2,168,687,502.82	2,699,042,225.05
Total current assets		53,180,043,574.10	43,142,718,392.07
Non-current assets:			
Available-for-sale financial assets	(IX)	2,322,280,917.39	1,128,993,886.00
Held-to-maturity investments			
Long-term receivables	(X)	1,628,391,871.96	
Long-term equity investments	(XI)	1,113,019,628.37	783,930,610.70
Investment properties	(XII)	7,056,713,243.67	5,742,529,516.67
Fixed assets	(XIII)	819,019,877.67	754,594,739.02
Construction in progress	(XIV)	2,270,297,717.57	2,008,403,957.66
Bearer biological assets			
Oil & gas assets			
Intangible assets	(XV)	105,874,864.31	160,919,173.22
Development expenditures			
Goodwill			
Long-term prepaid expenses	(XVI)	7,019,307.57	6,956,697.84
Deferred tax assets	(XVII)	30,880,056.20	24,514,074.16
Other non-current assets	(XVIII)	580,345,603.24	148,000,000.00
Total non-current assets		15,933,843,087.95	10,758,842,655.27
TOTAL ASSETS		69,113,886,662.05	53,901,561,047.34

(The attached Notes to Financial Statements is an inherent part of the financial statements).

Legal Representative: 

Accounting Supervisor: 

Head of Accounting Department: 

Consolidated Balance Sheet(Continued)

31 December 2020

Prepared by: Yancheng High-tech Zone Investment Group Co., Ltd.

Monetary unit: RMB Yuan

Items	Note VII	Ending balance	Beginning balance
Current liabilities:			
Short-term borrowings	(XIX)	4,455,008,054.63	2,126,261,000.00
Financial liabilities at fair value through profit or loss			
Derivate financial liabilities			
Notes payable	(XX)	1,060,080,000.00	1,262,380,000.00
Accounts payable	(XXI)	465,597,015.62	746,718,895.97
Advances from customers	(XXII)	34,664,304.88	13,911,492.35
Employee benefits payable		23,994.17	32,906.55
Taxes and dues payable	(XXIII)	729,175,289.37	579,601,230.60
Other payables	(XXIV)	1,028,649,785.09	745,727,361.47
Liabilities held for sale			
Non-current liabilities due within one year	(XXV)	8,771,391,193.26	8,293,233,873.76
Other current liabilities			1,099,470,000.00
Total current liabilities		16,544,589,637.02	14,867,336,760.70
Non-current liabilities:			
Long-term borrowings	(XXVI)	14,912,603,000.00	10,801,353,000.00
Bonds payable	(XVII)	12,292,620,743.04	7,242,358,283.62
Including: Preferred stock			
Perpetual bonds			
Long-term employee benefits payable			
Long-term payables	(XXVIII)	3,012,066,191.46	2,902,702,948.82
Provisions			-
Deferred income		3,118,633.01	
Deferred tax liabilities	(XVII)	602,767,396.00	352,722,393.01
Other non-current liabilities			
Total non-current liabilities		30,823,175,963.51	21,299,136,625.45
TOTAL LIABILITIES		47,367,765,600.53	36,166,473,386.15
Owner's (shareholder's) equity:			
Paid-in capital		2,680,000,000.00	2,680,000,000.00
Other equity instruments			
Including: Preferred stock			
Perpetual bonds			
Capital reserve	(XXX)	9,911,600,931.12	8,590,651,367.47
Less: Treasury stock			
Other comprehensive income	(XXXI)	1,480,817,493.78	776,333,077.56
Special reserve			
Surplus reserve	(XXXII)	22,554,047.08	9,079,063.26
Undistributed profits	(XXXIII)	2,659,894,159.52	2,201,730,896.01
Total owner's equity attributable to the parent company		16,754,866,631.50	14,257,794,404.30
Minority interests		4,991,254,430.02	3,477,293,256.89
Total owner's equity		21,746,121,061.52	17,735,087,661.19
TOTAL LIABILITIES AND EQUITY		69,113,886,662.05	53,901,561,047.34

(The attached Notes to Financial Statements is an inherent part of the financial statements).

Legal Representative: 徐根

Accounting Supervisor: 徐根

Head of Accounting Department: 王怡

Consolidated Income Statement

Year 2020

Prepared by: Yancheng High-tech Zone Investment Group Co., Ltd.

Monetary unit: RMB Yuan

Items	Note VII	Amount of this period	Amount of last period
I. Total operating revenue		2,386,179,629.81	2,082,531,875.50
Including: Revenue from main operations	(XXXIV)	2,386,179,629.81	2,082,531,875.50
II. Total operating costs		2,084,813,209.71	1,848,169,243.80
Including: Operating expenses	(XXXIV)	1,726,819,468.60	1,518,427,918.06
Business taxes and surtaxes		60,060,245.27	70,672,152.49
Selling expenses		1,602,943.36	1,706,212.93
General and administrative expenses		143,309,368.30	114,124,188.86
R&D expenses			
Financial expenses	(XXXV)	153,021,184.18	97,682,406.87
Including: Interest expenses		184,396,622.39	203,621,044.75
Interest income		100,757,144.18	143,564,830.30
Asset impairment losses	(XXXVI)	-25,463,928.16	-45,556,364.69
Add: Other income	(XXXVII)	265,954,105.37	254,581,062.96
Investment income ("-" for losses)	(XXXVIII)	28,401,844.59	47,363,887.38
Including: Income from Investments in associates and joint ventures		25,343,246.85	27,759,460.13
Add: Gains from changes in fair value ("-" for losses)	(XXXIX)	60,867,457.00	28,751,028.44
Gains from disposal of assets ("-" for losses)	(XL)	15,422,263.46	-1,877,196.32
III. Operating profits ("-" for losses)		646,548,162.36	563,181,414.16
Add: Non-operating Income	(XLI)	6,766,791.86	2,657,195.38
Less: Non-operating expenses	(XLII)	12,652,756.93	28,746,127.31
IV. Total profits ("-" for losses)		640,662,197.29	537,090,482.23
Less: Income tax expenses	(XLIII)	169,302,776.83	140,267,582.62
V. Net profits ("-" for losses)		471,359,420.46	396,822,899.61
(I) Classified by business continuity:			
1. Net profits from continuing operations ("-" for losses)		471,359,420.46	396,822,899.61
2. Net profits from discontinued operations ("-" for losses)			
(II) Classified by ownership			
1. Minority shareholders' gains/losses ("-" for losses)		-278,826.87	1,505,320.85
2. Net profits attributable to owners of the parent company ("-" for losses)		471,638,247.33	395,317,578.76
VI. Other comprehensive income, net of tax			
Total comprehensive income net of tax attributable to owners of the parent company			
(I) Other comprehensive income that will not be reclassified subsequently to profit or loss			
1. Changes from Defined Benefit Plan re-measurement			
2. Other comprehensive income that cannot be reclassified to profit or loss under the equity method			
(II) Other comprehensive income that will be reclassified into profit or loss			
1. Other comprehensive income that can be reclassified to profit or loss under the equity method			
2. Gains or losses from fair value change of available-for-sale financial assets			
3. Gains or losses from reclassifying held-to-maturity Investments to available-for-sale financial assets			
4. Effective portion of cash flow hedge gains or losses			
5. Translation difference of foreign currency statements			
6. Investment properties		704,484,416.22	
Total comprehensive income net of tax attributable to minority shareholders			
VII. Total comprehensive income		1,175,843,836.68	396,822,899.61
Total comprehensive income attributable to owners of the parent company		1,176,122,663.55	395,317,578.76
Total comprehensive income attributable to minority shareholders		-278,826.87	1,505,320.85

(The attached Notes to Financial Statements is an inherent part of the financial statements).

Legal Representative:

Accounting Supervisor:

Head of Accounting Department:

金徐根

徐娟

王怡

Consolidated Statement of Cash Flows

Year 2020

Prepared by: Yancheng High-tech Zone Investment Group Co., Ltd.

Monetary unit: RMB Yuan

Items	Note	Amount of this period	Amount of last period
I. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		2,660,208,030.22	2,728,094,300.59
Cash received from tax return			30,069,711.08
Other cash receipts related to operating activities		7,842,481,516.52	6,587,291,818.34
Subtotal of cash inflows from operating activities		10,502,689,546.74	9,345,455,830.01
Cash paid for goods and services		6,523,821,415.04	3,387,890,310.81
Cash paid to and for employees		23,893,585.99	27,433,487.11
Cash paid for various taxes		192,521,701.44	159,321,615.96
Other cash payments related to operating activities		4,281,398,976.44	7,580,795,510.77
Subtotal of cash outflows from operating activities		11,021,635,678.91	11,155,440,924.65
Net cash flows from operating activities		-518,946,132.17	-1,809,985,094.64
II. Cash flows from investing activities			
Cash receipts from investment withdrawal		369,333,034.80	65,100,000.00
Cash receipts from investment income		8,591,227.46	26,189,543.13
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		15,422,263.46	25,582,100.00
Net cash received from disposal of subsidiaries and other business entities			
Other cash receipts related to investing activities		1,331,294,552.48	644,522,160.63
Subtotal of cash inflows from investing activities		1,724,641,078.20	761,393,803.76
Cash paid to acquire fixed assets, intangible assets and other long-term assets		1,121,196,729.11	1,360,335,479.77
Cash paid for investment		2,120,003,829.42	313,039,800.00
Net cash paid for acquisition of subsidiaries and other business entities			1,315,944.01
Other cash payments related to investing activities		4,186,139,057.49	1,797,001,001.00
Subtotal of cash outflows from investing activities		7,427,339,616.02	3,471,692,224.78
Net cash flows from investing activities		-5,702,698,537.82	-2,710,298,421.02
III. Cash flows from financing activities			
Cash proceeds from investments		1,514,240,000.00	21,600,000.00
Including: Cash proceeds from minority shareholders' investments to subsidiaries			
Cash proceeds from borrowings		21,145,808,000.00	13,162,287,786.31
Other cash receipts related to financing activities		7,727,076,271.00	4,341,036,694.38
Subtotal of cash inflows from financing activities		30,387,124,271.00	17,524,924,480.69
Cash repayments of amounts borrowed		13,186,154,732.32	9,920,764,739.66
Cash payments for distribution of dividends, profits or interest expenses		2,545,683,937.59	1,908,701,084.08
Including: Dividends or profits paid to minority shareholders by subsidiaries			
Other cash payments related to financing activities		7,399,614,260.40	4,216,478,372.33
Subtotal of cash outflows from financing activities		23,131,452,930.31	16,045,944,196.07
Net cash provide by financing activities		7,255,671,340.69	1,478,980,284.62
IV. Effect of foreign exchange rate changes on cash and cash equivalents			
V. Net increase in cash and cash equivalents		1,034,026,670.70	-3,041,303,231.04
Add: Beginning balance of cash and cash equivalents		4,430,639,028.12	7,471,942,259.16
VI. Ending balance of cash and cash equivalents		5,464,665,698.82	4,430,639,028.12

(The attached Notes to Financial Statements is an inherent part of the financial statements).

Legal Representative:  Accounting Supervisor:  Head of Accounting Department: 

Consolidated Statement of Changes in Equity
Year 2020

Prepared by: Yancheng High-tech Zone Investment Group Co., Ltd.

Unit: RMB Yuan

Items	Amount of this period												
	Equity attributable to owners of the parent Company										Minority interests	Total owner's equity	
	Paid-in capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits			Subtotal
	Preferred stock	Perpetual bonds	Others										
I. Ending balance of previous year	2,680,000,000.00	-	-	-	8,590,651,367.47	-	776,333,077.56	-	9,079,063.26	2,201,730,896.01	14,257,794,404.30	3,477,293,256.89	17,735,087,661.19
Add: changes of accounting policies													
Corrections of previous errors													
Others													
II. Beginning balance of this year	2,680,000,000.00	-	-	-	8,590,651,367.47	-	776,333,077.56	-	9,079,063.26	2,201,730,896.01	14,257,794,404.30	3,477,293,256.89	17,735,087,661.19
III. Increase in this year (or decrease)					1,320,949,563.65		704,484,416.22		13,474,983.82	458,163,263.51	2,497,072,227.20	1,513,961,173.13	4,011,033,400.33
(I) Total comprehensive income							704,484,416.22			471,638,247.33	1,176,122,663.55	(278,826.87)	1,175,843,836.68
(II) Capital contributed or reduced by owners												1,514,240,000.00	1,514,240,000.00
1. Common share contributed by shareholders													
2. Capital contributed by other equity instrument owners													
3. Share-based payments recognized in owner's equity													
4. Others												1,514,240,000.00	1,514,240,000.00
(III) Profit distribution					1,320,949,563.65				13,474,983.82	(13,474,983.82)	1,320,949,563.65		1,320,949,563.65
1. Appropriation to surplus reserve									13,474,983.82	(13,474,983.82)			
2. Provision for general risks													
3. Distribution to owners (or shareholders)													
4. Others					1,320,949,563.65						1,320,949,563.65		1,320,949,563.65
(IV) Internal carry-forward of owner's equity													
1. Transfer of capital reserve into capital (or share capital)													
2. Transfer of surplus reserve into capital (or share capital)													
3. Surplus reserve used for loss recovery													
4. Carry-forward of net liability or asset changes from remeasuring Defined Benefit Plan													
5. Others													
(V) Provision for and use of special reserve													
1. Provision for special reserve													
2. Use of special reserve													
IV. Ending balance of this year	2,680,000,000.00	-	-	-	9,911,600,931.12		1,480,817,493.78		22,554,047.08	2,659,894,159.52	16,754,866,631.50	4,991,254,430.02	21,746,121,061.52

(The attached Notes to Financial Statements is an inherent part of the financial statements).

Legal Representative:

Accounting Supervisor:

Head of Accounting Department:

Consolidated Statement of Changes in Equity (Continued)
Year 2020

Prepared by: Yancheng High-tech Zone Investment Group Co., Ltd.

Unit: RMB Yuan

Items	Amount of last period												
	Equity attributable to owners of the parent Company										Minority interests	Total owner's equity	
	Paid-in capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits			Subtotal
	Preferred stock	Perpetual bonds	Others										
I. Ending balance of previous year	2,680,000,000.00	-	-	-	7,634,570,474.94	-	776,333,077.56	-	4,882,390.99	1,810,609,989.52	12,906,395,933.01	3,554,187,936.04	16,460,583,869.05
Add: changes of accounting policies													-
Corrections of previous errors													-
Others													-
II. Beginning balance of this year	2,680,000,000.00	-	-	-	7,634,570,474.94	-	776,333,077.56	-	4,882,390.99	1,810,609,989.52	12,906,395,933.01	3,554,187,936.04	16,460,583,869.05
III. Increase in this year ("-" for decrease)		-	-	-	956,080,892.53	-	-	-	4,196,672.27	391,120,906.49	1,351,398,471.29	(76,894,679.15)	1,274,503,792.14
(I) Total comprehensive income										395,317,578.76	395,317,578.76	1,505,320.85	396,822,899.61
(II) Capital contributed or reduced by owners	-	-	-	-	-	-	-	-	-	-	-	(78,400,000.00)	(78,400,000.00)
1. Common share contributed by shareholders												(78,400,000.00)	(78,400,000.00)
2. Capital contributed by other equity instrument owners													-
3. Share-based payments recognized in owner's equity													-
4. Others													-
(III) Profit distribution	-	-	-	-	956,080,892.53	-	-	-	4,196,672.27	(4,196,672.27)	956,080,892.53	-	956,080,892.53
1. Appropriation to surplus reserve									4,196,672.27	(4,196,672.27)			-
2. Provision for general risks													-
3. Distribution to owners (or shareholders)													-
4. Others					956,080,892.53						956,080,892.53		956,080,892.53
(IV) Internal carry-forward of owner's equity	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer of capital reserve into capital (or share capital)													-
2. Transfer of surplus reserve into capital (or share capital)													-
3. Surplus reserve used for loss recovery													-
4. Carry-forward of net liability or asset changes from remeasuring Defined Benefit Plan													-
5. Others													-
(V) Provision for and use of special reserve													-
1. Provision for special reserve													-
2. Use of special reserve													-
IV. Ending balance of this year	2,680,000,000.00	-	-	-	8,590,651,367.47	-	776,333,077.56	-	9,079,063.26	2,201,730,896.01	14,257,794,404.30	3,477,293,256.89	17,735,087,661.19

(The attached Notes to Financial Statements is an inherent part of the financial statements).

Balance Sheet of Parent Company

31 December 2020

Prepared by: Yancheng High-tech Zone Investment Group Co., Ltd.

Monetary unit: RMB Yuan

Items	Note	Ending balance	Beginning balance
Current assets:			
Currency funds	(I)	4,531,347,044.11	2,280,036,642.88
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable			
Accounts receivable			
Prepayments		365,087,791.24	347,096,143.91
Other receivables		12,549,386,855.15	11,928,791,674.08
Inventories		9,161,896,968.21	5,399,560,271.46
Assets held for sale			
Non-current assets due within one year		634,630,262.56	
Other current assets			567,494,129.29
Total current assets		27,242,348,921.27	20,522,978,861.62
Non-current assets:			
Available-for-sale financial assets		2,028,989,086.00	1,014,089,086.00
Held-to-maturity investments			
Long-term receivables		857,128,796.54	
Long-term equity investments	(II)	6,007,293,118.06	5,571,965,699.18
Investment properties		2,897,200,817.00	2,857,206,900.00
Fixed assets		24,446,647.70	29,276,336.21
Construction in progress		2,084,564,646.80	1,868,825,664.88
Bearer biological assets			
Oil & gas assets			
Intangible assets		500,907.07	542,234.51
Development expenditures			
Goodwill			
Long-term prepaid expenses		4,452,857.13	5,195,000.00
Deferred tax assets		5,878,004.11	7,667,489.26
Other non-current assets		3,000,000.00	8,000,000.00
Total non-current assets		13,913,454,880.41	11,362,768,410.04
TOTAL ASSETS		41,155,803,801.68	31,885,747,271.66

(The attached Notes to Financial Statements is an inherent part of the financial statements).

Legal Representative: 

Accounting Supervisor: 

Head of Accounting Department: 

Balance Sheet of Parent Company (Continued)

31 December 2020

Prepared by: Yancheng High-tech Zone Investment Group Co., Ltd.

Monetary unit: RMB Yuan

Items	Note	Ending balance	Beginning balance
Current liabilities:			
Short-term borrowings		2,347,000,000.00	1,040,900,000.00
Financial liabilities at fair value through profit or loss			
Derivate financial liabilities			
Notes payable		850,080,000.00	1,304,380,000.00
Accounts payable		229,797,338.32	229,459,637.32
Advances from customers			
Employee benefits payable			
Taxes and dues payable		1,248,379.01	12,921,359.27
Other payables		957,761,255.90	582,602,251.31
Liabilities held for sale			
Non-current liabilities due within one year		5,833,820,446.49	4,520,900,000.00
Other current liabilities			811,900,000.00
Total current liabilities		10,219,707,419.72	8,503,063,247.90
Non-current liabilities			
Long-term borrowings		10,117,450,000.00	7,231,000,000.00
Bonds payable		11,756,999,002.43	6,999,333,684.93
Including: Preferred stock			
Perpetual bonds			
Long-term payables		501,133,652.69	1,653,726,929.45
Long-term employee benefits payable			
Provisions			
Deferred income			
Deferred tax liabilities		153,214,871.99	143,216,392.74
Other non-current liabilities			
Total non-current liabilities		22,528,797,527.11	16,027,277,007.12
TOTAL LIABILITIES		32,748,504,946.83	24,530,340,255.02
Owner's equity			
Paid-in capital		2,680,000,000.00	2,680,000,000.00
Other equity instruments			
Including: Preferred stock			
Perpetual bonds			
Capital reserve		5,014,449,973.66	4,097,307,973.66
Less: Treasury stock			
Other comprehensive income		409,822,275.17	409,822,275.17
Special reserve			
Surplus reserve		22,554,047.08	9,079,083.26
Undistributed profits		280,472,558.94	159,197,704.55
Total owner's equity		8,407,298,854.85	7,355,407,016.64
TOTAL LIABILITIES AND EQUITY		41,155,803,801.68	31,885,747,271.66

(The attached Notes to Financial Statements is an inherent part of the financial statements).

Legal Representative:  Accounting Supervisor:  Head of Accounting Department: 

Income Statement of Parent Company

Year 2020

Prepared by: Yangcheng High-tech Zone Investment Group Co., Ltd.

Monetary unit: RMB Yuan

Items	Note	Amount of this period	Amount of last period
I. Operating income	(III)	393,969,022.63	217,223,978.33
Less: operating costs	(III)	143,853,703.88	78,602,124.67
Business taxes and surtaxes		33,527,670.01	29,675,359.16
Selling expenses			
General and administrative expenses		44,737,887.48	33,266,455.31
R&D expenses			
Financial expenses		28,651,599.70	17,655,703.15
Including: Interest expenses			3,585,943.79
Interest income			6,176,049.37
Asset impairment losses		-7,157,940.68	14,414,850.74
Add: Other income			
Investment income ("-" for losses)		4,355,726.64	8,051,957.12
Including: Income from investments in associates and joint ventures		3,262,821.70	3,262,821.70
Add: Gains from changes in fair value ("-" for losses)		39,993,917.00	26,435,870.78
Gains from disposal of assets ("-" for losses)			37,757.28
II. Operating profits ("-" for losses)		194,705,745.68	78,135,070.48
Add: Non-operating income		1,745,597.42	4,141.84
Less: Non-operating expenses		11,281,792.39	21,294,786.17
III. Total profits ("-" for losses)		185,169,550.71	56,844,426.15
Less: Income tax expenses		50,419,712.50	14,877,703.46
IV. Net profits ("-" for losses)		134,749,838.21	41,966,722.69
(I) Net profits from continuing operations ("-" for losses)		134,749,838.21	41,966,722.69
(II) Net profits from discontinued operations ("-" for losses)			
V. Other comprehensive income, net of tax			
(I) Other comprehensive income that will not be reclassified subsequently to profit or loss			
1. Changes from Defined Benefit Plan re-measurement			
2. Other comprehensive income that cannot be reclassified to profit or loss under the equity method			
(II) Other comprehensive income that will be reclassified into profit or loss			
1. Other comprehensive income that can be reclassified to profit or loss under the equity method			
2. Gains or losses from fair value change of available-for-sale financial assets			
3. Gains or losses from reclassifying held-to-maturity investments to available-for-sale financial assets			
4. Effective portion of cash flow hedge gains or losses			
5. Translation difference of foreign currency statements			
6. Investment properties			
VI. Total comprehensive income		134,749,838.21	41,966,722.69

(The attached notes to Financial Statements is an inherent part of the financial statements).

Legal Representative:  Accounting Supervisor:  Head of Accounting Department: 

Cash Flow Statement of Parent Company

Year 2020

Prepared by: Yancheng High-tech Zone Investment Group Co., Ltd.

Monetary unit: RMB Yuan

Items	Note	Amount of this period	Amount of last period
I. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		412,339,198.71	278,291,590.18
Cash received from tax return			30,053,936.00
Other cash receipts related to operating activities		2,493,799,160.80	2,373,801,308.70
Subtotal of cash inflows from operating activities		2,906,138,359.51	2,682,146,834.88
Cash paid for goods and services		2,268,765,839.41	467,745,481.41
Cash paid to and for employees		5,693,482.96	5,250,126.83
Cash paid for various taxes		139,091,967.58	86,054,505.56
Other cash payments related to operating activities		2,526,252,468.11	5,097,161,231.60
Subtotal of cash outflows from operating activities		4,939,803,758.06	5,656,211,345.40
Net cash flows from operating activities		-2,033,665,398.55	-2,974,064,510.52
II. Cash flows from investing activities			
Cash receipts from investment withdrawal		5,200,000.00	60,000,000.00
Cash receipts from investment income		3,700,307.76	4,789,135.42
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			39,000.00
Net cash received from disposal of subsidiaries and other business entities			
Other cash receipts related to investing activities			
Subtotal of cash inflows from investing activities		8,900,307.76	64,828,135.42
Cash paid to acquire fixed assets, intangible assets and other long-term assets		195,533,053.81	988,912,611.24
Cash paid for investment		1,439,572,000.00	269,751,000.00
Net cash paid for acquisition of subsidiaries and other business entities			
Other cash payments related to investing activities		855,984,000.00	
Subtotal of cash outflows from investing activities		2,491,089,053.81	1,258,663,611.24
Net cash flows from investing activities		-2,482,188,746.05	-1,193,835,475.82
III. Cash flows from financing activities			
Cash proceeds from investments			
Cash proceeds from borrowings		15,779,665,000.00	10,397,375,200.00
Other cash receipts related to financing activities		1,197,142,000.00	1,095,118,318.54
Subtotal of cash inflows from financing activities		16,976,807,000.00	11,492,493,518.54
Cash repayments of amounts borrowed		7,459,300,000.00	5,019,886,632.27
Cash payments for distribution of dividends, profits or interest expenses		1,706,939,623.90	1,201,401,756.04
Other cash payments related to financing activities		1,735,172,830.27	2,046,989,171.64
Subtotal of cash outflows from financing activities		10,901,412,454.17	8,268,277,559.95
Net cash provide by financing activities		6,075,394,545.83	3,224,215,958.59
IV. Effect of foreign exchange rate changes on cash and cash equivalents			
V. Net increase in cash and cash equivalents			
Add: Beginning balance of cash and cash equivalents		1,230,656,642.88	2,174,340,670.63
VI. Ending balance of cash and cash equivalents			
		2,790,197,044.11	1,230,656,642.88

(The attached Notes to Financial Statements is an inherent part of the financial statements).

Legal Representative:  Accounting Supervisor:  Head of Accounting Department: 

Statement of Changes in Equity of Parent Company
Year 2020

Prepared by: Yancheng High-tech Zone Investment Group Co., Ltd.

Unit: RMB Yuan

Items	Amount of this period										
	Paid-in capital	Other equity instruments			Capital reserve	Less: Treasury stock	er comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owner's equity
		Preferred stock	Perpetual bonds	Others							
I. Ending balance of previous year	2,680,000,000.00				4,097,307,973.66		409,822,275.17		9,079,063.26	159,197,704.55	7,355,407,016.64
Add: changes of accounting policies											
Corrections of previous errors											
Others											
II. Beginning balance of this year	2,680,000,000.00				4,097,307,973.66		409,822,275.17		9,079,063.26	159,197,704.55	7,355,407,016.64
III. Increase in this year ("-" for decrease)					917,142,000.00				13,474,983.82	121,274,854.39	1,051,891,838.21
(I) Total comprehensive income										134,749,838.21	134,749,838.21
(II) Capital contributed or reduced by owners					917,142,000.00						917,142,000.00
1. Common share contributed by owners											
2. Capital contributed by other equity instrument owners											
3. Share-based payments recognized in owner's equity											
4. Others					917,142,000.00						917,142,000.00
(III) Profit distribution									13,474,983.82	-13,474,983.82	
1. Appropriation to surplus reserve									13,474,983.82	-13,474,983.82	
2. Provision for general risks											
3. Distribution to owners (or shareholders)											
4. Others											
(IV) Internal carry-forward of owner's equity											
1. Transfer of capital reserve into capital (or share capital)											
2. Transfer of surplus reserve into capital (or share capital)											
3. Surplus reserve used for loss recovery											
4. Carry-forward of net liability or asset changes from remeasuring Defined Benefit Plan											
5. Others											
(V) Provision for and use of special reserve											
1. Provision for special reserve											
2. Use of special reserve											
IV. Ending balance of this year	2,680,000,000.00				5,014,449,973.66		409,822,275.17		22,554,047.08	280,472,558.94	8,407,298,854.85

(The attached Notes to Financial Statements is an inherent part of the financial statements)

Legal Representative:

Accounting Supervisor:

Head of Accounting Department:

Statement of Changes in Equity of Parent Company (Continued)
Year 2020

Prepared by: Yancheing High-tech Zone Investment Group Co., Ltd.

Unit: RMB Yuan

Items	Amount of last period										
	Paid-in capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owner's equity
		Preferred stock	Perpetual bonds	Others							
I. Ending balance of previous year	2,680,000,000.00				3,897,307,973.86		409,822,275.17		4,882,390.99	121,427,654.13	7,113,440,293.95
Add: changes of accounting policies											
Corrections of previous errors											
Others											
II. Beginning balance of this year	2,680,000,000.00				3,897,307,973.86		409,822,275.17		4,882,390.99	121,427,654.13	7,113,440,293.95
III. Increase in this year ("-" for decrease)					200,000,000.00				4,196,672.27	37,770,050.42	241,966,722.69
(I) Total comprehensive income										41,966,722.69	41,966,722.69
(II) Capital contributed or reduced by owners					200,000,000.00						200,000,000.00
1. Common share contributed by owners											
2. Capital contributed by other equity instrument owners											
3. Share-based payments recognized in owner's equity											
4. Others					200,000,000.00						200,000,000.00
(III) Profit distribution									4,196,672.27	-4,196,672.27	
1. Appropriation to surplus reserve									4,196,672.27	-4,196,672.27	
2. Provision for general risks											
3. Distribution to owners (or shareholders)											
4. Others											
(IV) Internal carry-forward of owner's equity											
1. Transfer of capital reserve into capital (or share capital)											
2. Transfer of surplus reserve into capital (or share capital)											
3. Surplus reserve used for loss recovery											
4. Carry-forward of net liability or asset changes from remeasuring											
Defined Benefit Plan											
5. Others											
(V) Provision for and use of special reserve											
1. Provision for special reserve											
2. Use of special reserve											
IV. Ending balance of this year	2,680,000,000.00				4,097,307,973.86		409,822,275.17		9,079,063.26	159,197,704.55	7,355,407,016.64

(The attached Notes to Financial Statements is an inherent part of the financial statements).

Legal Representative:

徐根

Accounting Supervisor:

徐娟

Head of Accounting Department:

王怡

Yancheng High-tech Zone Investment Group Co., Ltd.

Notes to the Financial Statements for the Year Ended December 31, 2020

(Unless otherwise specified, the monetary unit is RMB Yuan.)

I. Company Profile

(I) Registration Address, Organization and Headquarters Address

Yancheng High-tech Zone Investment Group Co., Ltd. (hereinafter referred as the "Company" or "the Company") was a state solely-owned limited company established by Yancheng Municipal People's Government in accordance with Notice of Yancheng Municipal People's Government on the Establishment of Yancheng Wind Power Equipment Industry Development Co., Ltd. (No. Yanzhengfa [2009] 162). Its registered capital is RMB 3,000,000,000 yuan, paid-in capital is RMB 2,680,000,000 yuan, which was in the form of cash. Enterprise unified social code is 913209006945497342.

Company residence: No. 1 Zhenxing Road, Yandu District, Yancheng City, Jiangsu Province;

Legal representative: Xu Jingen;

(II) Nature and Scope of Business

Scope of Business: State-owned assets management within the authorized scope; investment and operation of high-tech industries; investment, construction and operation of park infrastructure and municipal public facilities; land development and operation; house leasing; property management; wholesale and retail of building materials and electronic products. (Businesses subject to approval shall be carried out upon approval by relevant government department.)

(III) Approval of Financial Statements

Financial statements have been approved for presentation by Xu Jingen on 28 April 2021.

(IV) Term of Operation

The Company's operation started from September 23, 2009.

II. Basis for Preparation of Financial Statements

(I) Preparation Basis

The financial statements have been prepared on a going concern basis, with all actual transactions and events recognized and measured in accordance with Accounting Standards for Business Enterprises — Basic Standard, as well as additional specific accounting standards, Application Guide, Interpretations of Accounting Standards, and other relevant regulations (collectively known as the “Enterprise Accounting Standard”) issued by the Ministry of Finance of the PRC (the “MOF”), and comply with the accounting policies and accounting estimates stated in Note IV “Significant Accounting Policies and Accounting Estimates”.

According to the relevant accounting regulations in Enterprise Accounting Standards, the Company adopts the accrual system as the basis of bookkeeping. All items in the financial statements are measured at historical cost except for some financial assets which are measured at fair value. Impairment provision will be made in accordance with relevant requirements if any asset impairment occurs.

(II) Going Concern

The Company is capable of operating for at least twelve months since the end of the current reporting period without any major issues affecting it.

III. Statement of Compliance with the Accounting Standards for Business Enterprises (ASBE)

The financial statements of the Company have been prepared in accordance with the ASBEs, and present truly and completely, the Company’s financial position, results of operations and cash flows for the accounting period.

IV. Significant Accounting Policies and Accounting Estimates

(I) Accounting Period

The accounting period of the Company runs from 1st January to 31st December of each calendar year.

(II) Bookkeeping Currency

The Company adopts RMB as the bookkeeping currency.

(III) Basis of Bookkeeping and Principle of Measurement

The Company adopts the accrual system as the basis of bookkeeping and follows the historical cost principle except for assets such as trading financial assets and investment

properties which are measured at fair value.

(IV) Preparation of Consolidated Financial Statements

1. Business combination involving entities under common control

The Company being the combining party, the assets and liabilities obtained via the business combination involving entities under common control are measured at the carrying amounts as recorded by the enterprise being combined at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of consideration paid for the combination is adjusted to share premium in the capital reserve. If the balance of share premium is insufficient, any excess is adjusted to retained earnings.

2. Business combination involving entities not under common control

The acquirer, at the acquisition date, allocates the cost of the business combination by recognizing the acquiree's identifiable assets, liabilities and contingent liabilities at their fair value at that date. The cost of a business combination paid by the Company is the aggregate of the fair value at the acquisition date of cash or non-cash assets, liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree plus any cost directly attributable to the business combination. (For the business combination attained via various transactions, its combination cost is the sum of cost of every transaction.) Any excess of the cost of a business combination over the acquirer's interest in the fair value of the acquiree's identifiable net assets is recognized as goodwill. In the case of any excess of the acquirer's interest in the fair value of the acquiree's identifiable net assets over the cost of a business combination, the fair value of the identifiable assets, liabilities and contingent liabilities, non-cash assets of consideration and issued equity securities attained in the combination should be reviewed. If after the review, the acquirer's interest in the fair value of the acquiree's identifiable net assets is still over the cost of a business combination, the difference is recorded in non-operating revenue of this period.

(V) Preparation of Consolidated Financial Statements

1. Determination of consolidation scope

All subsidiaries controlled by the Company are included in the consolidated financial statement.

2. Principle and procedure for the preparation of consolidated financial statements

When the accounting policies or accounting period of a subsidiary is different from those of the Company, the Company makes necessary adjustments to the financial statements of the subsidiary based on the Company's own accounting policies or accounting period.

Within the consolidation scope, all major intra-transactions, balances and any unrealized

profit are eliminated in preparing the consolidated financial statements. The equity of a subsidiary that does not belong to the parent company, and the portion in the net profit or loss, other comprehensive income and total comprehensive income attributable to the minority shareholders are presented separately in the consolidated financial statements below “minority interest”, “profit or loss of minority interest”, “other comprehensive income attributable to the minority shareholders” and “total amount of comprehensive income attributable to the minority shareholders” respectively.

Where a subsidiary was acquired through a business combination involving entities under common control, the operating result and cash flows of the subsidiary are included in the consolidated financial statements at the initial stage of the combination. Therefore when preparing the comparative consolidated financial statements, relevant items in the financial statements of the prior year should be adjusted as if the reporting entity after the combination occurred from the date that common control was established.

Where the business combination is finally realized through obtaining the equity of the invested unit under common control step by step via several times of transactions, the handling method in the consolidated financial statement shall be supplemented and disclosed during the reporting period when obtaining the control right. In order to avoid repeated calculation of the value of net assets of the acquiree, the long-term equity investments held by the Company before the combination, relevant profits or losses, other comprehensive income and changes in other net asset that are recognized during the period from the later of the date when obtaining the original equity and the date when the Company and the acquiree are under the common ultimate control to the combination date, shall be used to offset the beginning balance of retained earnings and the profit or loss for the comparison statement period.

Where a subsidiary was acquired through a business combination involving entities not under common control, the results of operations and cash flow of the subsidiaries are comprehensive into consolidated financial statements from the date that control commences. When preparing the consolidated financial statements, the financial statements of the subsidiaries should be adjusted based on the fair value of those identifiable assets and liabilities or contingent liabilities at the acquisition date.

Where the business combination is finally realized through obtaining the equity of the invested unit not under common control step by step via several times of transactions, the handling method in the consolidated financial statement shall be supplemented and disclosed during the reporting period when obtaining the control right.

Where the Company disposes part of the long-term equity investment on the subsidiary without losing the control, when preparing the consolidated financial statement, the difference

between the disposal cost and the shares of the net assets of the subsidiary continuously calculated since the acquisition or combination date to which the disposal cost of long-term equity investment corresponds shall be adjusted as the capital premium or stock premium; where the capital reserve is not sufficient for write-downs, the retained earnings shall be adjusted.

Where the Company loses control over the investee, when preparing the consolidated financial statement, the remaining equity shall be re-measured based on its fair value on the date when it loses control. The difference between 1) the total amount of consideration received from the transaction that resulted in the loss of control and the fair value of the remaining equity investment and 2) the carrying amounts of the interest in the former subsidiary's net assets immediately before the loss of the control is recognized as investment income for the current period when control is lost. The amount recognized in other comprehensive income in relation to the former subsidiary's equity investment is reclassified as investment income for the current period when control is lost.

Where the Company loses control of a subsidiary in multiple transactions in which it disposed of its equity investment in the subsidiary in stages, if each of the multiple transactions forms part of a bundled transaction which eventually results in loss of control of the subsidiary, these multiple transactions will be accounted for as a single transaction. In the consolidated financial statements, the difference between the consideration received and the corresponding proportion of the subsidiary's net assets in each transaction prior to the loss of control will be recognized in other comprehensive income and transferred to the profit or loss the parent eventually loses control of the subsidiary.

3. Excess deficit of the subsidiaries in the consolidated financial statements

In the consolidated financial statements, if the loss for the current period shared by the parent exceeds its share in the equity interest of a subsidiary, the parent's equity should recognize any residual interest (undistributed profit). If the loss for the current period the minority shareholders of the subsidiary share exceed its share in the equity interest of the subsidiary at the initial stage, the minority shareholders should recognize any residual interest.

(VI) Classification of Joint Arrangement and Accounting Treatment for Joint Operations

The joint arrangement of the Company includes joint operations and joint ventures. For projects under joint operations, the Company recognizes the assets solely owned and liabilities assumed separately as a party of the joint operation, and recognizes income and expenses solely or proportionately according to relevant agreements. When a joint operator enters into an asset transaction with a joint operation that does not constitute a business, the joint operator will recognize gains or losses resulting from such a transaction only to the extent of the other parties'

interests in the joint operation.

(VII) Foreign Currency Transactions and Translation of Foreign Currency Statements

1. Foreign currency transactions

Foreign currency transactions are translated to RMB at the spot exchange rates at the dates of the transactions. At the balance sheet date, the foreign currency monetary items are translated to RMB at the spot exchange rate of that day. The resulting exchange differences, except for those of foreign currency borrowings used in acquisition and construction of assets eligible for capitalization, is recorded into the profit or loss of this period.

2. Translation of foreign currency statements

The asset and liability items in the balance sheets are translated at a spot exchange rate at the balance sheet date. The equity items, except for those in "Undistributed profits", are translated at the spot exchange rate at the time when they are incurred. The income and expense items in the income statement are translated at the spot exchange rate of the transaction date. The resulting exchange differences is presented separately in "Other comprehensive income" under the owner's equity. Cash flows arising from a transaction in foreign currency are translated at the spot exchange rate at the date of the cash flows. Effect of Foreign Exchange Rate Changes on Cash are separately presented in the Statement of Cash Flows.

(VIII) Recognition Criteria of Cash and Cash Equivalents

Cash in the cash flow statement of the Group includes cash on hand and deposits that are available for payment at any time. Cash equivalents of the cash flow statement refer to the short-term (three-month duration), highly liquid investments that are readily convertible into known amounts of cash and that are subject to an insignificant risk of change in value.

(IX) Financial Instruments

When the Company becomes a party to a financial instrument contract, a financial asset or financial liability is recognized. Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, related transaction costs are recorded into profit or loss for the current period. For other financial assets and financial liabilities, related transaction costs are included in the initial recognition value.

1. Method for determining the fair value of financial assets and financial liabilities

Fair value refers to the price that a market participant shall receive for selling an asset or shall pay for transferring a liability in an orderly transaction on the measurement date. The Company uses the quoted price in the active market to determine the fair value of a financial asset or a financial liability. If there is no active market, the Company will measure the fair

value of financial assets and financial liabilities according to the price that is most favorable to the market and adopt a suitable valuation technique that is supported by sufficient available data and other information. The input value used for measurement of fair value can be divided into three levels: for the first level, the input value is the unadjusted quotation of the same asset or liability in the active market that can be obtained in the measurement date; for the second level, the input value refers to the input value of relevant asset or liability that can be observed directly or indirectly other than the input value at first level; for the third level, the input value refers to the input value of relevant asset or liability that cannot be observed. The Company preferentially uses the input value at first level and then uses the input value at third level. The level of the measurement result of fair value shall be determined based on the lowest level of the input value that is significant to the overall measurement of the fair value.

2. Classification, recognition and measurement of financial assets

The purchase and sale of financial assets under the normal ways shall be recognized and stopped to be recognized respectively at the price of transaction date. Financial assets shall be classified into the following four categories when they are initially recognized: financial assets at fair value through profit or loss (FVTPL), held-to-maturity investments, loans and receivables, and available-for-sale financial assets.

① Financial assets at fair value through profit or loss

Including trading financial assets and those designated as at FVTPL.

The Company classifies a financial asset that meets one of the following conditions as a trading financial asset: A. the purpose for obtaining the financial asset is for sales within a short term period; B. the asset belongs to a part of the identifiable financial instrument portfolio under centralized management and there is an objective evidence showing that the company adopts short-term profit method in recent period to manage the portfolio; C. it is also a derivative instrument that is not one of the designated effective arbitrage instrument, the derivative instrument within the scope of financial guarantee contract, the equity instrument that is not quoted in the active market and which fair value cannot be reliably measured and the derivative instrument that is settled via delivery of equity instrument are not included.

The Company classifies a financial asset that meets one of the following conditions as a financial asset measured at fair value through profit or loss: A. such designation can eliminate or obviously reduce the discrepancy in the recognition or measurement of relevant profit or loss caused by different measurement basis of financial instrument; B. the official written document of company's risk management or investment strategy has specified that the financial instrument portfolio shall be managed, evaluated and reported to the key management personnel based on the fair value.

Financial assets at FVTPL are subsequently measured at fair value. The gains or losses incurred from changes in fair value, dividends and interest related with these financial assets are included into profit or loss for the current period.

② Held-to-maturity investments

Held-to-maturity investments refer to the non-derivative financial assets with fixed expiration date, fixed or recognizable collectible amount and with explicit intention and capability from the management to hold till expiration date.

Held-to-maturity investments are subsequently measured at amortized cost using the actual interest rate method. The gains or losses incurred from impairment, amortization, or derecognition, are included in profit or loss for the current period.

The actual interest rate method refers to the method by which the post-amortization costs and the interest incomes of different installments or interest expenses are calculated in light of the actual interest rates of the financial assets or financial liabilities (including a set of financial assets or financial liabilities). The actual interest rate refers to the interest rate adopted to the future cash flow of a financial asset or financial liability within the predicted term of existence or within a shorter applicable term into the current carrying amount of the financial asset or financial liability.

When the actual interest rate is determined, the future cash flow shall be predicted on the basis of taking into account all the contractual provisions concerning the financial asset or financial liability (the future credit losses shall not be taken into account). and also the various fee charges, trading expenses, premiums or reduced values, etc., which are paid or collected by the parties to a financial asset or financial liability contract and which form a part of the actual interest rate.

③ Loans and receivables

Loans and receivables refer to the non-derivative financial assets with fixed or determinable recoverable amount that are not quoted in an active market. Financial assets that are defined as loans and receivables by the Company include notes receivable, accounts receivable, interest receivable, dividends receivable and other receivables etc..

Loans and receivables are subsequently measured at amortized cost using the actual interest rate method. The gains or losses incurred from impairment, amortization, or derecognition, are included in profit or loss for the current period.

④ Available-for-sale financial assets

Including non-derivative financial assets that have been designated as available-for-sale financial assets on the initial recognition and financial assets excluded those measured at fair value through profit or loss, loans and receivables, held-to-maturity investments.

The cost at the period-end of the available-for-sale liabilities instruments shall be determined using amortized cost method, that is, the initially recognized amount deducting the principal that had been repaid, to plus or minus the accumulative amortization amount formed by the amortization between the difference of the initially recognized amount and the amount on the due date that adopted the actual interest rate method, and at the same time deducting the amount of impairment loss incurred. The cost at the period-end of the available-for-sale equity instruments is its initial cost.

Available-for-sale financial assets are subsequently measured at fair value, and gains or losses arising from changes in the fair value, except for impairment losses and foreign exchange differences arising from the transaction of monetary financial assets denominated in foreign currencies which shall be recorded into profit or loss for the current period, are recognized as other comprehensive income, and shall be carried forward to profit or loss for the period when the said financial assets is derecognised. However, equity instrument investments which have no quoted price in an active market and whose fair value can not be reliably measured, and derivative financial assets that are linked to and settled via the equity instruments are measured at cost.

Interest received and cash dividends declared by the investee during the holding period of available-for-sale financial assets shall be recorded into current profit or loss as investment income.

3. Impairment of financial assets

The Company assesses at the balance sheet date the carrying amount of every financial asset except for the financial assets that measured by the fair value. If there is objective evidence indicating a financial asset may be impaired, a provision is provided for the impairment.

For a financial asset that is individually significant, the Company will assess the asset individually for impairment; for a financial asset that is not individually significant, the Company will either assess it individually or include it in a group of financial assets with similar credit risk characteristic and collectively assess them for impairment. For a financial asset that is individually assessed and found not to be impaired, no matter whether it is individually significant or not, the Company will include it in a group of financial assets with similar credit risk characteristic and collectively assess them for impairment. Financial assets that are individually assessed and identified as impaired will excluded from the financial asset group with similar credit risk for an impairment test.

① Impairment of held-to maturity investment, loans and receivables

The financial assets measured by cost or amortized cost write down to their net carrying

amount by the estimated present value of future cash flow. The difference is recorded as impairment loss and included into profit or loss for the current period. If, subsequent to the recognition of an impairment loss, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognized, the previously recognized impairment loss is reversed and recognized in profit or loss for the current period. The net carrying amount of financial assets after impairment loss reversed shall not exceed the amortized cost of the financial assets without provisions of impairment loss on the reserving date.

② Impairment of available-for-sale financial assets

For available-for-sale equity investment instruments, if the decline in the fair value is significant or prolonged based on comprehensive factors, then an impairment of such investments occurs. Of which, "Significant decline" refers to over 20% cumulative decline in the fair value of an investment in equity instrument; "prolonged decline" refers to a continuous decline for more than 12 months. When an available-for-sale financial asset is impaired, the cumulative loss arising from declining in fair value that had been recognized in other comprehensive income shall be removed and recognized in profit or loss for the current period. The amount of the cumulative loss that is removed shall be the difference between the acquisition cost with deduction of recoverable amount less amortized cost, current fair value and any impairment loss on that financial asset previously recognized in profit or loss.

If, subsequent to the recognition of an impairment loss, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognized, the previously recognized impairment loss is reversed, with those of available-for-sale investments in equity instruments reversed to other comprehensive income and those of available-for-sale liabilities instruments to profit or loss.

However, equity instrument investments where there is no quoted price in an active market and whose fair value cannot be reliably measured, or impairment loss 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 recognition of the financial assets meeting one of the following conditions will be terminated: ① The contract rights to collect the cash flow of the financial assets are terminated; ② The financial assets have been transferred and almost all of the risks and rewards related to the ownership of the financial assets are transferred to the transferee; or ③ The financial assets have been transferred. Though the enterprise does not transfer or keep almost all of the risks and rewards related to the ownership of the financial assets, it gives up its control over the financial

assets.

Where the Company neither transfers nor retains nearly all of the risks and rewards related to the ownership of a financial asset, and it does not cease its control on the said financial asset, it recognizes the relevant financial asset and liability accordingly according to the extent of its continuous involvement in the transferred financial asset. The term "continuous involvement in the transferred financial asset" refers to the risk level that the Company faces resulting from the change in the value of the financial asset.

Where a transfer of a financial asset in its entirety meets the criteria of the derecognition, the difference between the two amounts below is recognized in profit or loss for the current period: a) carrying amount of the financial assets transferred; b) the sum of the consideration received from the transfer and any cumulative change originally recognized in other comprehensive income.

Where a transfer of a financial asset in its partiality meets the criteria of the derecognition, the carrying amount of the transferred financial asset shall be allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair value of those parts, and the difference between the two amounts below is recognized in profit or loss for the current period: a) the afore said carrying amount allocated to the part derecognised; b) the sum of the consideration received from for the part derecognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income.

In respect of financial assets using recourse to sell or using endorsement to transfer, the Company shall determine whether nearly all of the risks and rewards of the financial asset ownership are transferred. If nearly all of the risks and rewards of the financial asset ownership had been transferred to the transferee, the financial assets shall be derecognised. If nearly all of the risks and rewards of the financial asset ownership retained, the financial assets shall not be derecognised. If the Company neither transfers nor retains nearly all of the risks and rewards related to the ownership of the financial asset, it will continue to assess whether the control of the assets is retained, and adopt accounting treatments according to the principle mentioned in the previous paragraphs.

5. Classification and measurement of financial liabilities

Financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities at initial recognition according to the holding purpose. Financial liabilities are initially measured at fair value. For financial liabilities at fair value through profit or loss, related transaction costs are recorded into profit or loss for the current period. For other financial assets, related transaction costs are included in the initial recognition value.

① Financial liabilities at fair value through profit or loss

Financial liabilities are divided into trading financial liabilities and financial liabilities designated to be measured at fair value through profit or loss in their initial recognition under the same conditions as financial assets.

Subsequent measurement of liabilities at fair value through profit or loss is based on fair value. The gain or loss arising from the change in fair value and the dividend and interest expenses related to the financial liability are included into the current profit or loss.

② Other financial liabilities

As for a derivative financial liability connected to an equity instrument for which there is not quoted price in an active market and whose fair value cannot be reliably measured and which must be settled by delivering the equity instrument, it is subsequently measured on the basis of cost. Other financial liabilities are subsequently measured at amortized cost using the actual interest rate method. The gains or losses arising from their derecognition and amortization are included into the profit or loss for the current period.

(X) Receivables

Receivables include notes receivable, accounts receivable and other receivables. The Company determines the recoverable amount of receivables by analyzing the aging of accounts receivable and taking into account the actual financial position and cash flows of the debtor, and estimates bad debts accordingly, which will be recognized in profit or loss for the current period.

1. Recognition of bad debts

At each balance sheet date, the Company will assess the carrying amount of receivables, and make a provision for asset impairment if objective evidence indicates a receivable is impaired: ① Significant financial difficulty with the debtor; ② A breach of contract by the debtor (such as a default or delinquency in interest or principal payments); ③ The debtor will probably enter bankruptcy or carry out other financial reorganizations; ④ Other objective evidence indicates a receivable is impaired.

2. Provision method for bad debts

① Recognition and provision for bad debts of receivables that are individually significant and for which bad debt provision is individually made

The Company treats accounts receivable over RMB 10 million as individually significant.

For a receivable that is individually significant, the Company will conduct an impairment test individually; and if no impairment is identified, age analysis method will be used to provide for bad debts according to its ending balance, together with receivables that are not individually significant. For a receivable that is individually assessed and identified as impaired, an impairment loss shall be recognized and a provision for bad debts shall be made according to

the difference between its estimated future cash inflow and the carrying amount.

② Recognition and provision for bad debts of receivables that are collectively provided for bad debts

A. Basis for grouping

1) Age group

Receivables that are individually significant but not provided for bad debts after individual assessment, and receivables that are not individually significant after deducting individual provision will be grouped together with similar credit risk characteristics (by age).

2) Other group

Receivables that arise from city construction loans, related parties, government departments and their affiliated financing platforms; or from individual deposit, margin and security deposit, state-owned holding units.

B. Provision method for bad debts by group

1) Percentage of provision:

	Percentage of provision for accounts receivable	Percentage of provision for other receivable
Less than 1 year	0%	0%
1-2 years	1%	1%
2-3 years	10%	10%
Over 3 years	20%	20%

2) Other group: the Company will not provide for bad debts of receivables from related parties, government departments or its affiliated financing platforms, and individual deposit, margin and security deposit, and state-owned holding units, except that there is evidence showing that the such receivable is impaired.

(XI) Inventories

Inventories of the Company include development costs, constructions, raw materials, low value consumables, commodity inventories, etc.

Inventories are taken under the perpetual inventory system, and all inventories are accounted according to the actual cost at which they are acquired. Low-value consumables and packaging materials are written-off in full when issued for use.

The inventory shall be carried at the lower of cost and variable net realizable value. If the inventory items are damaged and all or partially outdated or if their selling prices are lower than their costs, a provision for diminution in the value should be reserved for the portion whose costs are unlikely to be recovered. Any excess of the cost over the net realizable value of each

item of inventories is recognized as a provision for diminution in the value of inventories. For stock items that is large in number and low in price, the provision for diminution in the value of inventories shall be estimated as per the category of the stock items.

Net realizable values of inventories such as finished goods, unfinished products and raw materials for sale are the estimated selling prices in the normal course of business less the estimated expenses and related taxes necessary to make the sale. Net realizable values of materials to be further processed are the estimated selling prices in the normal course of business less the estimated costs to completion and the estimated expenses and related taxes necessary to make the sale.

(XII) Assets held for sale

The Company shall classify a non-current asset or disposal group as held for sale if its carrying amount will be recovered principally through a sale transaction (including the exchanges of non-monetary assets with commercial substance) rather than through continuing use. For this to be the case, the following conditions must be satisfied: the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups); the Company has already made a resolution on a sale plan and obtained a confirmed purchase commitment, and the sale is expected to be completed within one year. A disposal group refers to a group of assets that are disposed of together as a whole by sale or other means in a transaction and the liabilities directly related to these assets transferred in the transaction. Where the goodwill acquired in the business combination has been allocated in accordance with the Accounting Standards for Business Enterprises No.8-Asset Impairment to an asset group or a set of asset groups to which a disposal group belongs, the goodwill shall be allocated to the disposal group.

When the Company initially measures or remeasures at the balance sheet date a non-current asset and disposal group classified as held for sale, if its carrying amount is higher than the net amount of its fair value less costs to sell, the carrying amount will be written down to the net amount of fair value less costs to sell, and the amount written down will be recognized as impairment loss in profit or loss for the current period, and provision for impairment of assets held for sale will be made. For impairment loss of a disposal group, the carrying amount of goodwill allocated to it will be offset first, and then the carrying amount of various non-current assets in the disposal group that are measured under Accounting Standard for Business Enterprises No.42-Non-current assets Held for Sale, Disposal Groups and Discontinued Operations (hereinafter referred to as "Held for Sale Standard") will be offset proportionately. If the net amount of the fair value of the disposal group held for sale less costs to sell increases at the follow-up balance sheet date, the previous written-down amount will be recovered no more

than the impairment loss recognized after the assets being classified as held for sale. The recovered amount shall be included in profit or loss for the current period, and the carrying amount of various non-current assets in the disposal group other than goodwill that are measured under Held for Sale Standard will be written up according to the proportion of the carrying amount of each asset to the total carrying amount of the group. The carrying amount of goodwill already offset, and impairment loss of non-current assets in the disposal group other than goodwill that are measured under Held for Sale Standard recognized prior to the classification as held for sale are not reversed.

Non-current assets held for sale or non-current assets in the disposal group are not subject to depreciation or amortization. Interest and other expenses of liabilities in the disposal group held for sale will be recognized as usual.

A non-current asset or disposal group will cease to be classified as held for sale or will be removed out from the held-for-sale disposal group if it no longer meets the criteria to be classified as held for sale. It shall be measured by at the lower of the followings: (1) The carrying amount before being classified as held for sale, less any depreciation, amortization or impairment that would have been recognized if it were not classified as held for sale; (2) The recoverable amount.

(XIII) Long-term Equity Investments

1. Determination of equity investments with control, joint control or significant influences on the invested entity

The Company's long-term equity investments mainly includes equity investment that have control or significant influence over the invested entities and equity investments in the joint ventures.

Control is the power over the investee. It means the investor is given the right to variable returns by participating in relevant activities of the investee and the ability to affect those returns through the power over the investee.

Joint control is the contractually agreed sharing of control of an arrangement. Relevant activities of the arrangement shall be conducted only if they are given consent by all parties in control. A joint arrangement is an arrangement of which two or more parties have joint control. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Significant influence is the power to participate in financial and operating policy decisions of the investee but is not control or joint control over those policies. Whether the Company is able to exert significant influence depends on its representation on the board of directors or equivalent governing body of the investee. The Company exerts significant influence by holding

voting power over financial and operation policy making processes of the investee. Significant influence is presumed not to exist if the Company holds a voting power more than or equal to 20% (inclusive) but less than 50% directly or indirectly through subsidiaries and if evidence indicates that under such circumstance the Company is excluded from production and operation policy making of the investee. To confirm whether the Company can exercise significant influence, on one side, voting rights directly or indirectly hold by the Company over the investee shall be considered, on the other side, effect of currently exercisable potential voting rights arising through currently convertible warrants, share options and convertible bonds issued by the investee that are convertible into shares of the investee shall also be taken into account.

2. Determination of investment cost, subsequent measurement and recognition of investment income of long-term equity investments

Where the consideration of the combination is satisfied by paying cash, transfer of non-cash assets or assumption of liabilities, the initial investment cost of the long-term equity investment will be the ultimate controlling party's share of the owners' equity of the party being absorbed at combination date. The difference between the initial investment cost and the carrying amount of consideration paid is adjusted to capital reserve, or to retained earnings if the balance of capital reserve is insufficient.

Where the consideration of the combination is satisfied by the issue of equity securities, the initial investment cost of the long-term equity investment will be the ultimate controlling party's share of the owners' equity of the party being absorbed at combination date. The aggregate face value of the shares issued will be accounted for as share capital. The difference between the initial investment cost and the aggregate face value of the shares issued will be adjusted to capital reserve, or to retained earnings if the balance of capital reserve is insufficient.

The cost of a long-term equity investment acquired through business combination not under common control is the cost of acquisition determined at the acquisition date.

Expenses for such intermediary services as auditing, legal services, assessment and consultation and other relevant management expenses resulting from business combination will be included in profit or loss at the time of occurrence. Expenses arising from exchanges of equity securities or debt securities issued as consideration will be included in initial determination payment of equity or debt securities.

Except for long-term equity investment gained by business combination, investment cost of a long-term equity investment obtained by making payment in cash will be the purchase price which is actually paid. Investment cost of a long-term equity investment obtained on the basis of issuing equity securities will be the fair value of the equity securities issued. Company's investment cost of a long-term equity investment shall be the value settled by investment contracts or agreement. Investment cost of a long-term equity investment obtained by debt

restructuring or exchange of non-monetary assets shall be determined in accordance with relevant accounting standards.

The Company will use the cost method to account for a long-term equity investment where it can exercise control over the investee, and the equity method to account for an investment in joint ventures and associates.

Under the cost method, a long-term equity investment will be measured at its initial investment cost. When additional investment is made or the investment is recouped, the cost of the investment will be adjusted accordingly. Cash dividends or profit distributions declared by the investee will be recognized as investment income.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the investor's interest in the fair value of the investee's identifiable net assets at the acquisition date, no adjustment will be made to the initial investment cost. Where the initial investment cost is less than the investor's interest in the fair values of investee's identifiable net assets at the acquisition date, the difference will be charged to profit or loss for the current period, and the cost of the long-term equity investment will be adjusted accordingly. After the Company has acquired a long-term equity investment, it will recognize its share of the net profits or losses made by the investee as investment income or losses, and adjust the carrying amount of the investment accordingly. The carrying amount of the investment will be reduced by the portion of any profit distributions or cash dividends declared by the investee that is attributed to the Company. For other changes in owners' equity of the investee, other than net profits or losses, other comprehensive income and profit distribution, the Company will adjust the carrying amount of the long-term equity investment and include the corresponding adjustment in equity. The Company will recognize its share of the investee's net profits or losses after making appropriate adjustments based on the values of the investee's individual separately identifiable assets at the acquisition date and its own accounting policies and accounting period, and recognize investment income based on the adjusted financial statements.

3. Changes of long-term equity investments

When the Company becomes capable to exercise joint control or significant influence but not control over an investee due to additional investment or other reason, it will change to the equity method and use the sum of the fair value of the investment which was originally classified as available-for-sale financial assets and the additional investment as the initial investment cost. The difference between the fair value and the carrying amount, and the accumulated changes in fair value originally included in other comprehensive income shall be transferred to profit or loss for the period upon commencement of the equity method. Where the difference between initial investment cost of the long-term equity investment calculated above

is more than the share of the fair value of the investee's identifiable net assets attributable to the Company and is calculated on the basis of new shares it holds from on date of additional investment, carrying value of the long-term equity investment may not be adjusted. If less, carrying value of the long-term equity investment shall be adjusted and the difference shall be included in non-operating revenue.

If the Company becomes capable of exercising control over an investee that is not under common control due to additional investment or other reasons, in stand-alone financial statements, it shall change to the cost method and use the carrying amount of the previously-held equity investment, together with the additional investment cost, as the initial investment cost under the cost method. Other comprehensive income of the equity investment held before the purchase date, which is measured and recognized by the equity method, shall be subject to accounting treatment on the same basis with the investee's direct disposal of relevant assets or liabilities when such investment is disposed of. If an equity investment held before the purchase date is classified as available-for-sale financial asset and is subject to its accounting treatment, the cumulative changes in fair value originally included in other comprehensive income shall be transferred to profit or loss for the period when it is measured by the cost method.

Where the Company loses common control or significant influence over the investee as a result of disposal of part equity investment or other reasons and the residual equity after disposal is classified as available-for-sale financial assets, difference between the fair value and carrying amount at the date when the common control or significant influence is lost shall be included in profit or loss for the current period. Other comprehensive income of the original equity investment measured and recognized by the equity method shall be subject to accounting treatment on the same basis as would have been required if the Company had directly disposed of the related assets or liabilities for the current period upon discontinuation of the equity method.

Where the Company can no longer exercise control over an investee due to partial disposal of equity investment or other reasons, and with the retained interest, still has joint control of or significant influence over the investee, when preparing the individual financial statements, the Company shall change to the equity method and adjust the remaining equity investment as if the equity method had been applied from the date of the first acquisition. If the Company can not exercise joint control of or significant influence over the investee after partial disposal of equity investment, and the remaining equity investment is classified as an available-for-sale financial asset, the difference between the fair value and the carrying amount at the date of loss of control shall be charged to profit or loss for the current period.

4. Disposal of long-term equity investments

On disposal of a long-term equity investment, the difference between the proceeds actually received and the carrying amount will be recognized in investment income for the current period. For a long-term equity investment accounted for using the equity method, any changes in the owners' equity of the investee included in the owners' equity of the Company will be transferred to profit or loss for the current period on a pro-rata basis according to the proportion disposed of.

(XIV) Investment properties

Investment properties of the Company include right to use land which has already been rented, right to use land which is held and prepared for transfer after appreciation and right to use buildings which has already been rented.

Investment properties are measured initially at cost. The cost of a purchased investment property comprises its purchase price, related taxes and fee, and other directly attributable expenditures. The cost of a self-constructed investment property comprises of those expenditures necessarily incurred for bringing the assets to working condition for its intended use.

Investment properties that are subsequently measured by using fair value model

1. Investment properties are measured by using fair value model based on the following conditions:

There is clear evidence showing that the fair value of an investment property can be reliably determined on a continuing basis.

The Company shall use the fair value model for the measurement of the investment properties when both of the following criteria are met:

① There is an active property market in the location in which the investment properties are situated;

② The Company can obtain the market price and other relevant information regarding the same type of or similar properties from the property market, so as to reasonably estimate the fair value of the investment properties.

2. Determination of the fair value of investment properties

If the market price about the same or similar properties from the property market can be obtained, the fair value of investment properties is determined according to the market price (open quotation) about the same or similar properties from the property market.

If the market price about the same or similar properties is not available, the recent transaction price for the same or similar properties in the active market can be used as reference,

taking the transaction situation, transaction date and transaction location into consideration, so as to reasonably estimate the fair value of the investment properties. The fair value can also be determined based on the estimated future renting income and the present value of related cash flows.

Same or similar buildings, refers to buildings at the same geographical location and in the same geographical environment, of the same nature, having the same or similar type of structure, with same or similar age, and in the same or similar usable condition; same or similar land use right, refers to land located within the same area, in the same or similar geographical environment and usable condition.

3. Where the fair value model is used, no depreciation or amortization is provided for an investment property. The carrying amount of the investment property shall be adjusted to its fair value at the balance sheet date. The difference between the fair value and the original carrying amount is recognized in profit or loss the current period.

(XV)Fixed assets

1. 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 lives of more than one accounting year. A fixed asset is recognized only when it meets the following criteria:

- (1) the economic benefits associated with the asset will flow to the Company;
- (2) the cost of this fixed asset can be reliably measured.

2. Fixed assets include houses and buildings, machines, transportation equipment, and electronic equipment. The cost for purchasing the fixed assets is regarded as the recorded value. For fixed assets purchased from abroad, their cost includes the purchasing price, import tax and other relevant expenses to facilitate the planned operation of the fixed asset. Cost of self-built fixed assets consists of necessary expenditures to facilitate the planned operation of the fixed asset. For fixed assets invested by investors, the value negotiated in the investment contract or agreement is regarded as the recorded value. If the value negotiated in the investment contract or agreement isn't fair, fair value of the fixed asset shall be referred to. For financial leased fixed assets, their recorded value subjects to whichever is lower between the fair value of the leased asset and the present value of the minimum lease payments on the lease beginning date.

Subsequent expenditures incurred for a fixed asset, such as maintenance expenditure, renovation expenditure, etc., that meet the recognition criteria will be included in the cost of the fixed asset, and the carrying amount of the replaced part is deducted. Subsequent expenditures that fail to meet the recognition criteria will be recognized in profit or loss in the period in which they are incurred.

The Company makes depreciation for all its fixed assets except for those have been fully

depreciated but still in use and the land that is separately measured and accounted for. Straight-line method is adopted in the depreciation. Accumulated depreciation is recorded into either the cost of relevant assets or current expenses according to their purposes. The estimated depreciation life, residual rate and annual depreciation rate are shown in the following tablet.

	Estimated useful life	Estimated net residual value rate	Annual depreciation rate
Houses and buildings	20-50 years	3-5%	1.9-4.85%
Machines	5-10 years	3-5%	9.50-19.40%
Transportation facilities	5-8 years	3-5%	11.88-19.40%
Electronic equipment	3-6 years	0-5%	15.83-33.33%

The Company will review the useful life, estimated net residual value, and the depreciation method at the end of each financial year. If there is any change, it will be accounted for as a change in accounting estimate.

A fixed asset will be derecognised on disposal or when no future economic benefits are expected to be generated from its use or disposal. When a fixed asset is sold, transferred, retired or damaged, the Company will recognize the amount of any proceeds on disposal net of the carrying amount and related taxes and fees in profit or loss for the current period.

Recognition, measurement and depreciation of fixed assets acquired under finance leases

If a fixed asset leased by the Company falls into the following one or more categories, it will be recognized as a fixed asset under finance lease. ① Ownership of the leased asset is transferred to the Company by the end of the lease period. ② The Company has the option to purchase the leased asset. The agreed purchase price is expected to be far less than the fair value of the optioned leased asset, so it is fair to say that the Company will make the option since the beginning of the lease. ③ Though ownership of the leased asset is not transferred, leasing period accounts for a large proportion of its service life. ④ Present value of the minimum lease payments on the lease beginning date is nearly equivalent to the fair value of the leased asset on the same day. ⑤ Leased asset is a special kind of property. It could only be used by the Group without major alterations. Fixed assets under finance lease are measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, each determined at the inception of the lease. At the commencement of the lease term, the minimum lease payments are recorded as long-term payables. The difference between the fair value of the leased assets and the minimum lease payments is recognized as unrecognized finance

charges. Expenditures during lease negotiations and contracts fall into service fees, attorney fees, travel charges, stamp duties and other initial direct costs and shall be included as leased asset value. Unrecognized finance charge under finance lease is amortized using an effective interest method over the lease term. Fixed assets under finance lease will be depreciated by using the accounting policy consist with that for self-owned fixed asset. For financial leased fixed assets, if it is reasonable to be certain that the lessee will obtain the ownership of the leased asset when the lease term expires, the leased asset shall be fully depreciated over its useful life. If it is not reasonable to be certain that the lessee will obtain the ownership of the leased asset at the expiry of the lease term, the leased asset shall be fully depreciated over the shorter one of the lease term or its useful life.

(XVI) Construction in progress

Construction in progress is measured at actual cost incurred. The cost of a self-construction project is calculated according to its direct materials, direct payroll and direct construction fees. Cost of outsourcing project is calculated according to project costs payable. Cost of equipment installation project is calculated based on prices of the equipment installed, installation fees, commissioning costs and other expenditures. The cost also includes borrowing costs and exchange gains or losses which shall be capitalized.

As for the fixed assets constructed that have entered the serviceable condition, but have not gone through the final settlement of account, estimate the value ever since it entered the expected state of serviceable condition according to the construction budget, construction cost and the actual cost, etc. and it will be transferred into fixed assets and calculate the depreciation.

(XVII) Borrowing Costs

Borrowing costs include borrowing interests, discount or premium amortization, supporting fees and exchange losses caused by foreign currency loans. In terms of borrowing costs for the construction or manufacturing of assets that meet the condition of capitalization, capitalization begins when there are asset expenditures, borrowing costs and necessary construction or manufacturing activities to facilitate the asset's usage or sales. Capitalization shall be ceased when the asset, after construction or manufacturing, reaches the expected state for use or sales. Other borrowing costs are recognized as expenses in the period when incurred.

Capitalization of actual interest costs of current special borrowings shall be conducted after deducting bank interest revenue of unused borrowings and revenues made from temporary investment. For general borrowings, weighted average of the amount accumulated asset expenditure exceeding special borrowings times average interest of general borrowings and get the capitalization amount.

Qualifying assets are such assets as fixed assets, investment properties, inventories, etc., which need to take a substantial period of time (normally over 1 year) for construction or production to get ready for their intended use or sale.

Capitalization of borrowing costs will be suspended during the periods in which the construction or production of a qualifying asset is interrupted abnormally, and the interruption is for a continuous period of more than 3 months.

(XVIII) Intangible assets

Intangible assets of the Company include the right to use land, patent and non-patent technology, etc. An intangible asset is measured at the actual acquisition cost. The actual cost of an acquired intangible asset comprises of the actual payment and related expenditures. The cost of an intangible asset contributed by an investor will be determined in accordance with the value stipulated in the investment contract or agreement, except that where the value stipulated is not fair, the asset will be measured at fair value.

Land use right is equally amortized according to the lease period since the land leasing day. Patent technologies, non-patent technologies and other intangible assets are amortized by stages according to whichever is shortest among expected service life, benefit period specified in the contract and effective years stated by the law. The amortized amount of intangible assets is included in the cost of relevant assets according to their beneficiaries, and recognized in profit or loss for the current period.

The Company will review the useful life, estimated net residual value, and the amortization method of an intangible asset with a finite life at the end of each financial year. If there is any change, it will be accounted for as a change in an accounting estimate. For an intangible asset with infinite useful life, the Company will reassess the useful life of the asset in each accounting period. If there is evidence indicating that the useful life of that asset is finite, the Company will estimate its useful life and amortize it during its expected useful life.

(XIX) Research and development

Research and development expenditures of the Company are classified into expenditure on the research phase and expenditure on the development phase according to the nature of the activities and the resulting intangible assets. Expenditure on the research phase will be recognized in profit or loss in the period in which it is incurred. Expenditure on the development phase will be recognized as an intangible asset only when the following conditions are met:

1. It is feasible technically to complete such intangible assets for use or sale;
2. It is intended to complete, use or sell the intangible assets;
3. The product arising from the use of this intangible asset has the market or this intangible

asset itself has the market;

4. There are sufficient technologies, financial resources and other resources supporting the development of the intangible assets. And the Company is able to use or sell such intangible assets;

5. The development expenditures of the intangible assets can be reliably measured.

Expenditure on the development phase that does not meet the above conditions will be recognized in profit or loss in the period when it is incurred. Development expenditures that are previous recognized in profit or loss will not be recognized as assets. Capitalized expenditures on the development phase will be presented as development expenditures in the balance sheet before the related project reaches its intended use condition when such expenditures will be transferred to intangible assets.

(XX) Long-term prepaid expenses

Long-term prepaid expenses refer to decoration fees and other expenses which were paid by the company and shall be amortized in the current and following periods (over 1 year). Long-term prepaid expenses are amortized evenly over the respective beneficial periods. If a long-term prepaid expense item is unable to generate benefits for future accounting periods, the unamortized amount of that item should be recognized in the income statement for the current period.

(XXI) Goodwill

Where the cost of an equity investment or a business combination exceeds the interest in the fair value of the investee's or acquiree's identifiable net assets at the acquisition date, the difference will be recognized as goodwill.

Goodwill will either be presented individually in consolidated financial statements if it is related to subsidiaries, or included in the carrying amount of long-term equity investments if it is related to associates and joint ventures.

(XXII) Employee Benefits

Employee benefit of the Company refers to benefit or compensation of various forms paid to employees for the service the provided or severing labor contracts, such as short-term benefit, post-employment benefit, release pay to redundant employees and other long-term benefits for employees. Employee benefits also include other benefits offered to the employees' spouse, children, dependents, members of the decease's family and other beneficiaries.

1. Short-term benefit refers to the employee benefit which shall be all paid to employees 12 months within after the annual report about rendering service, except for the release pay for severing labor relations. Short-term benefits include: wages and salaries, bonus, allowances and

subsidies, employee benefits, social securities such as medical insurance, unemployment insurance, industrial injury insurance, childbirth insurance and etc., housing funds, employee union and education expenses, short-term paid absence, short-term profit sharing plan, non-monetary benefits and other short-term benefit.

The Company recognizes the short-term benefit as liabilities over the employees' service periods and includes them in current gains and losses or relevant asset costs according to the beneficiaries. Non-monetary benefits are calculated based on their fair value.

2. Post-employment benefit refers to the benefit and welfare of various forms offered to employees after their retirement or severing labor relations for the service they have rendered, except for short-term benefit and release pay.

Defined contribution plan of the Company refers to the basic pension insurance, unemployment insurance and corporate pension paid by the Company on behalf of the employees over their service periods based on relevant government provisions. The amounts paid are calculated according to the payment base and proportions, recognized as liabilities and included in current gains and losses or relevant asset costs.

Based on expected accrued benefits method, the Company attributes the welfare obligations of the defined benefit plan to employees' service life and includes them in profit or loss for the current period or in the cost of relevant assets. Deficit or surplus the present value of the defined benefit plan exceeding its fair value is recognized as net liabilities or net assets. For defined benefit plan which has surplus, the Company recognizes whichever is lower between the surplus and asset upper limit as the net asset of the defined benefit plan.

For all obligations in the defined benefit plan, including the obligation to pay within 12 months after the annual report about rendering service, discounting is performed according to national debts matched with defined benefit plan period and currency or market returns of high-quality corporate bonds in the active market on balance sheet day.

For the defined benefit plan, service costs, net liabilities or net interest revenues of net asset are recognized as current gains and losses or relevant asset costs. Alterations in net liabilities or net assets are included in other comprehensive gains and they are not allowed to be reversed to gains and losses in subsequent periods.

In defined benefit plan settlement, the balance between obligation present value and settlement price is recognized as gains or losses.

3. Termination benefits are compensation provided when the Company decides to terminate the employment relationship with employees before the end of the employment contracts, or compensation provided as an offer for voluntarily acceptance of layoff. For employees who haven't severed labor relations with the Company, but no longer render any service or bring economic benefits, the Company promises to offer economic release

compensation, such as “early retirement”. The employee could enjoy release benefit before his official retirement date and post-retirement benefit after he officially retires.

Release pay is recognized as employee benefit liabilities and included in current gains and losses on whichever is earlier between the day when the Company couldn't unilaterally revoke the release pay caused by severing labor relations or redundancy and the day when the Company confirms the costs relevant to release pay restructuring.

For release pay which cannot be fully paid within 12 months after annual report period and release plan which involves releasing the employee within a year but paying the release compensation for more than a year, proper discount rate is adopted by the Company and release pay is included in current gains and losses according to the discounted value.

4. Other long-term employee benefits refer to employee benefit other than short-term benefit, post-employment benefit and release pay, such as long-term paid absence, long-term disability benefits, long-term profit sharing plan, etc.

For other long-term employee benefits which conform to the conditions of defined contribution plan, accounting treatment shall be conducted according to relevant provisions of the defined contribution plan. For other long-term employee benefits which conform to the conditions of defined benefit plan, the Company confirms and calculates net liabilities or net assets of other long-term employee benefits according to relevant provisions of defined benefit plan. At the end of the report period, the Company divides costs generated by other long-term employee benefits into the following categories: service cost, net interests of net liabilities or net assets, alterations in net liabilities or net assets. Aggregate net amount is included in current gains and losses or relevant asset costs.

(XXIII) Bonds payable

On initial recognition, bonds payable are measured at their fair value. Relevant transaction fees are included in initial recognition amounts. Subsequently, bonds payable are measured at amortized costs.

Balance between the bonds' face value and their actual prices are recognized as appreciation or depreciation, which will be amortized when drawing the interests based on effective interest method and handled according to principles in borrowing costs.

(XXIV) Provisions

The Company recognizes foreign guarantee, commercial acceptance discount, pending actions or arbitration, product quality guarantee and other relevant contingent businesses as liabilities when they meet each following condition: the obligation is a current obligation undertaken by the Company; the fulfilling of the obligation is likely to cause profit losses; the

amount of the obligation can be reliably calculated.

A provision will be initially measured at the best estimate of the expenditure required to settle the related present obligation, taking into account of factors pertaining to a contingency such as risks, uncertainties and time value of money. Where the effect of the time value of money is material, the best estimate will be determined by discounting the related future cash outflows. The Company will review the carrying amount of a provision at the balance sheet date. Where there is clear evidence that the carrying amount of a provision does not reflect the current best estimate, the carrying amount will be adjusted to the best estimate.

(XXV) Recognition Criteria for Revenue

1. Recognition criteria for revenue

(1) The Company transfers the main risks and rewards about commodity ownership to purchasers; the company does not reserve any continuous management rights normally related to the ownership nor performs any effective control about the commodities which have been sold. When the economic benefits related to commodities flow into the company and the relevant costs and revenue can be reliably calculated, the revenue of commodity sales can be confirmed.

(2) When it is probable that the economic benefits related to the use by others of enterprise assets will flow to the Company and the amount of the revenue can be reliably measured, the revenue from the use of others of enterprise assets will be recognized.

2. Construction contracts

The Company recognizes the contract revenue and contract costs at the balance sheet date using the percentage of completion method if: (1) total contract revenue can be measured reliably; (2) economic benefits associated with the contract are likely to flow into the Company; (3) the actual contract costs incurred can be clearly identified and measured reliably; (4) contract completion and costs to complete the contract can be measured reliably. The actual percentage of completion is determined by the ratio of contract costs actually incurred to the estimate total costs.

If the outcome of a construction contract cannot be reliably estimated, the Company confirm contract revenue and contract costs according to following conditions: If the contract costs can be recovered, contract revenue is recognized according to the extent of contract costs incurred, the contract costs are recognized as contract expenses when incurred; If the contract costs cannot be recovered, the contract cost are recognized as contract expenses immediately when incurred, and no contract revenue is recognized.

The Company will review and revise contract revenue and cost estimates at the end of

reporting period, and if the estimated total contract costs exceeds the estimated total contract revenue, the Company recognizes the expected loss as expenses.

(XXVI) Government Grants

Government grants refer to the monetary assets or non-monetary assets that the Company receive from the government for free. Government grants are classified into government grants related to assets and government grants related to income. The asset-related government grants are used to construct or form long-term assets by the Company; revenue-related government grants are other grants beyond the asset-related government grant.

Government grants related to assets are recognised when the assets constructed or purchased are put into use or the relevant department acceptance report is obtained.

Government grants related to income are recognised when the company receives the grant.

Government grants related to assets shall be offset against the carrying amount of the asset or recognised as deferred income. Government grants related to assets recognised as deferred income shall be rationally and systematically amortized to profit or loss over the useful life of the related asset (Recorded into other income if they are related to daily operations, or to non-operating income if they are not).

For a government grant related to income, if it is a compensation for related expenses or losses to be incurred by the Company in the subsequent period, it will be recognized as deferred income and charged to profit or loss over the periods in which the related expenses or losses are recognized (recorded into other income if it is related to daily operations, or to non-operating income if not), or it will be offset the related expenses or losses; if it is a compensation for related expenses or losses already incurred, it will be recognized immediately in profit or loss for the current period (recorded into other income if it is related to daily operations, or to non-operating income if not), or it will be offset the related expenses or losses.

(XXVII) Deferred tax assets and deferred tax liabilities

The income tax of the Company will be accounted for using balance sheet liability method.

Calculation of deferred tax assets or deferred tax liabilities

(1) The Company determines its tax basis upon acquisition of assets and liabilities. At the balance sheet date, the Company will analyze and compare the carrying amount and tax basis of assets and liabilities. If there is a temporary difference between the carrying amount of liabilities and their tax basis and the temporary differences meet the recognition criteria, the Company will recognize the taxable temporary differences as deferred tax liabilities and the deductible temporary differences as deferred tax assets.

(2) Recognition of deferred tax assets

①The Company will recognize deferred tax assets arising from deductible temporary differences by deductible temporary differences of taxable income in the future period. The taxable income in the future period consist of the normal taxable income in business activities, as well as the added taxable income due to the reversal of taxable temporary differences during the reversal period of deductible temporary differences.

②As for the carry forward deductible tax losses and tax credits, the Company will recognize the deferred tax assets according to the deductible tax losses and tax credits future taxable income.

③At the balance sheet date, the Company will review the carrying amount of a deferred tax asset. If it is unlikely to obtain sufficient taxable income to offset the benefit of deferred tax assets, the deferred tax asset carrying amount is reduced; if it is probable to obtain sufficient taxable income, the reduced amount should be reversed.

(3) Recognition of deferred tax liabilities

The Company recognizes the unpaid taxable temporary difference of current and prior periods as deferred tax liabilities. The temporary differences do not include goodwill, combination transaction and the formed taxable income temporary differences when the transaction occurs.

Calculation of deferred tax assets or deferred tax liabilities

At the balance sheet date, current income tax liabilities (or assets) for the current period and prior periods will be measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

(1) If the tax rate changes, the Company will re-measure the recognized deferred tax assets and deferred tax liabilities. Apart from the deferred tax assets and deferred income tax liabilities in a transaction or event, the change will be calculated in the tax expense recognized of the current period.

(2) The Company adopts the same tax rate and tax basis of the recovered assets or debts to calculate deferred tax assets and deferred tax liabilities.

(3) The Company will not discount the deferred tax assets and deferred tax liabilities.

(XXVIII) Finance Lease and Operating Lease

The Company classifies a lease as a finance lease or an operating lease on inception date of the lease.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership.

At the commencement of the lease term, the Company will recognize the aggregate of the minimum lease receipts at the inception of the lease and the initial direct costs as a finance lease receivable, and record the unguaranteed residual value at the same time. The difference between the aggregate of the minimum lease receipts, the initial direct costs and the unguaranteed residual value, and the aggregate of their present values will be recognized as unearned finance income. Unrecognized finance income under a finance lease will be allocated to each period during the lease term using an effective interest method.

A lease other than a finance lease is classified as operating lease. As a lessee, the Company will recognize lease payments under an operating lease on a straight-line basis over the lease term, and either include them in the cost of another related asset or charge them to profit or loss for the current period. As a lessor, the Company will recognize lease income from an operating lease in profit or loss on a straight-line basis over the lease term.

(XXIX) Fair Value Measurement

Initial measurement of fair value

For assets and liabilities measured at fair value, the Company will take into account the characteristics of the asset or liability and adopt the received price of selling an asset or paid price of transferring a debt in an orderly transaction at the measurement date to measure the fair value. If the assets and liability are measured at fair value, the sell or transfer the assets and liabilities of the transaction of market participants at the measurement date is an orderly transaction in the current market conditions. The sale or transfer of assets and liabilities in an orderly transaction is held in the major markets underlying asset or liability. If there is no major markets, it should be assumed that the transaction is carried out in the most advantageous market related assets or liabilities. The assumption is to maximize the use of economic interest when the market participants price the asset or liability. If the non-financial assets are measured at fair value, it should be considered that the ability of market participants to achieve best use of the asset and generate economic benefits, or the ability to sell the assets to other market participants in order to generate economic benefits.

Valuation techniques

The Company calculates related assets or liabilities at fair value using valuation techniques applicable in the present case and with enough available data and other information technology to support. The valuation techniques include market approach, income approach and cost approach. the use of relevant observable inputs value is a priority in the application of valuation techniques, the observable inputs value can be used in case the observable inputs value are unable to obtain or impracticable to obtain.

Hierarchy of fair value

The Company determines hierarchy of fair value based on lowest level of important input: the first level of the input value is the nonadjustable offer of the identical assets or liabilities obtained on the measurement date in an active market. Active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly. The third level input values are unobserved inputs related assets or liabilities.

(XXX) Significant Changes in Accounting Policies and Accounting Estimates

1. Significant changes in accounting policies

No change in accounting policies occurred during the reporting period.

2. Changes in accounting estimates and their effects

No change in accounting estimates occurred during the reporting period.

(XXXI) Important accounting judgments and estimates

In adopting accounting policies, as uncertainties exist in operation activities, the Company needs to make judgments, estimates and assumptions to items which can not be accurately recorded. These judgments, estimates and assumptions are made on the basis of previous experience of the Company's management and other relevant factors. These judgments and estimates will affect the reported amount of income, expenses, assets and liabilities, balance sheet date or disclosure of contingent liabilities. However, the result caused by uncertainty of the estimates may differ from that estimated by the management of the Company, and thus leads to an important adjustment on the carrying amount of assets or liabilities affected in the future.

Such judgments, estimates and assumptions are reviewed regularly on the basis of going concern. If the change of accounting estimates only affects the current period of that change, the affected amount shall be recognized in the current period; if both the current period and the future period are affected, the affected amount shall be recognized in the current period and the future period. At the balance sheet date, financial statement items of which the Company is required to make judgments, estimates and assumptions are as follows:

(1) Provision for bad debts

The Company adopts the allowance method to calculate the bad debt loss according to the accounting policy on receivables. Impairment of receivables is based on the recoverability. Identification of impairment of receivables requires management's judgment and estimates. The difference between the actual results and the original estimates will affect the carrying amount of the receivables and the withdrawal or reversal of the provision for bad debts

of the receivables during the estimated period of change.

(2) Provision for decline in value of inventories

Inventories are measured based on the lower of cost and net realizable value; if the cost is higher than the net realizable value or inventories are obsolete and unsalable, a provision for decline in value of inventories will be made. Impairment of inventories to net realizable value is based on the assessment of the inventory's sellability and its net realizable value. Identification of inventory impairment requires the management to obtain conclusive evidences and make judgments and estimates, taking into account the purpose of holding inventory, the effects of post-balance sheet date events and other factors. The difference between the actual results and the original estimates will affect the carrying amount of the inventories and the withdrawal or reversal of the provision for decline in value of inventories during the estimated period of change.

(3) Held-to-maturity investments

The Company classifies non-derivative financial assets with fixed or determinable payments and fixed maturity that it has the positive intention and ability to hold to maturity as held-to-maturity investments. Such classification requires a great deal of judgment. In this process, the Company will assess its willingness and ability to hold such investments to maturity. Except for certain circumstances (such as the sale of insignificant investments near the expiration date), if the Company fails to hold these investments to maturity, all such investments must be reclassified as available-for-sale financial assets, and shall not be classified as held-to-maturity investments within the current and the next two full accounting years. Should this happen, it may have a significant impact on the value of the relevant financial assets listed on the financial statements and may affect the Company's financial instrument risk management strategy.

(4) Impairment of held-to-maturity investments

The Company's determination of whether a held-to-maturity investment is impaired largely depends on management's judgment. Objective evidence indicating an impairment includes: the disappearance of an active market for that financial asset because of financial difficulties of the issuer; a breach of contract by the borrower, such as a default or delinquency in interest or principal payments, etc. In this process, the Company needs to assess the impact of objective evidence on the estimated future cash flow of the investment.

(5) Impairment of available-for-sale financial assets

The Company's determination of whether or not an available-for-sale financial asset is

impaired depends largely on management's judgment and assumption, so as to determine whether it needs to recognize impairment loss in the income statement. In this process, the Company needs to assess the extent to which the fair value of the investment is lower than the cost and its duration, as well as the financial status and short-term business outlook of the investee, including industry conditions, technological changes, credit ratings, default rates, and risks posed by opponents.

(6) Provision for long-term asset impairment

At the balance sheet date, the Company will assess whether there is any indication that there may be any impairment on non-current assets other than financial assets. For intangible assets with indefinite useful life, an impairment test shall be conducted in addition to the annual impairment test when there are indications of impairment. Other non-current assets other than financial assets are tested for impairment when there are indications that their carrying amount is irrecoverable.

When the carrying amount of an asset or an asset group is higher than the recoverable amount, that is, the higher of the net amount of the fair value less the disposal expenses and the present value of the expected future cash flows, it indicates that the impairment occurred. The net amount of the fair value less the disposal costs is determined by reference to the sales agreement price or the observable market price of similar assets in the fair trade less the incremental costs directly attributable to the disposal of the asset. In estimating the present value of the expected future cash flow, significant judgment is required to determine the production capacity, selling price, operating cost of the asset (or asset group) and the discount rate used for the calculation of present value. The Company estimates all recoverable amounts using all available information, including projections of production, selling prices and associated operating costs based on reasonable and supportable assumptions. The Company tests whether goodwill is impaired at least annually. This requires an estimation of the present value of the future cash flows of an asset group or a set of asset groups to which goodwill has been allocated. When estimating the present value of the future cash flows, the Company needs to estimate the future cash flows generated by the asset group or set of asset groups, and selects the appropriate discount rate to determine the present value of the future cash flows.

(7) Accumulated depreciation and amortization

Investment properties, fixed assets and intangible assets are depreciated and amortized on a straight-line basis over their useful lives after taking into account their residual values. The Company periodically reviews the useful life of such assets to determine the amount of depreciation and amortization to be included in each reporting period. Useful life is determined

by the Company based on past experience with similar assets and in conjunction with anticipated technical updates. If significant changes are made in previous estimates, depreciation and amortization charges will be adjusted in the future.

(8) Deferred tax assets

Deferred tax assets are recognized for all unused tax losses and deductible temporary difference to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(9) Income tax

In the normal business activities of the Company, there are some uncertainties in the final tax treatment and calculation of certain transactions. Whether some of the transactions could be expensed before taxation is subject to the approval of tax authorities. If the final recognition result of these tax matters is different from the initially estimated amount, such difference will impact the current income tax and deferred income tax in the period in which such recognition is made.

V. Taxation

1. Major taxes and tax rate

Tax category	Tax basis	Tax rate
Value-added tax	Output VAT less deductible input VAT	3%, 5%, 9%, 13% as applicable
City maintenance tax	Commodity turnover tax payable	7%, 5%
Education surcharge	Commodity turnover tax payable	5%
Enterprise income tax	Taxable income	25%
Property tax	70% of renting income/ original value	12%/1.2%

2. Tax incentives

According to the Notice of State Administration of Taxation and Ministry of Finance on the Treatment of Enterprise Income Tax on Special Purpose Financial Funds (Cai Shui [2011] No. 70), the financial capital obtained from the financial department and other government agencies at all levels of people's government above the county, may be treated as non-taxable income if it satisfies the relevant conditions.

VI. Scope of Consolidation

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

(I) Information of subsidiaries

No.	Name	Corporation type	Place of registration	Principal place of business	Nature of business	Registered capital (In ten thousand)	Shareholding Ratio (%)	Voting power enjoyed (%)	Investment amount (in ten thousand)	Acquisition method
1	Yancheng Yongheng Investment and Development Co., Ltd.	1	Yancheng City	Yancheng City	Investment, construction and management of state-owned assets and infrastructure; foreign investment; water conservancy and hydropower construction; investment and management of cultural industry projects; real estate development and management; housing construction; house rental.	108,000.00	100.00	100.00	108,000.00	Funding and establishing
1.1	Yancheng Jieheng Warehousing Co., Ltd.	1	Yancheng City	Yancheng City	General cargo warehousing services; general cargo handling; sea, air, land international freight forwarders; general cargo transportation agency; self-operation or agent of import and export of goods and technologies (except for those whose import and export are restricted or prohibited by the state).	5,000.00	100.00	100.00	5,000.00	Funding and establishing

1.2	Yancheng Hengmao Landscaping Co., Ltd.	1	Yancheng City	Yancheng City	Landscaping design and construction; investment, operation and management of infrastructure; operation and management of state-owned assets authorized by the government; land development and management; industrial investment; infrastructure development and construction; property management; house demolition; municipal public works; building decoration; urban and road lighting engineering; water conservancy and hydropower engineering; earth and rock construction; water and electricity installation (except for power supply facilities); air conditioning installation; land consolidation; municipal facilities management and maintenance; wholesale and retail of building materials.	2,200.00	100.00	100.00	2,200.00	Funding and establishing
1.3	Yancheng Hengyuan Investment and Development Co., Ltd.	1	Yancheng City	Yancheng City	Industrial investment; self-owned house rental; car park management; cultivation and sales of agricultural products; investment and management of rural infrastructure projects; sales of auto parts and auto supplies; construction of greening,	5,000.00	100.00	100.00	2,000.00	Funding and establishing

					water conservancy and hydropower projects; investment and management of cultural industry projects.					
1.4	Yancheng Yongheng Property Management Co., Ltd.	1	Yancheng City	Yancheng City	Property management; cultivation and conservation of flowers and trees; greening and repair of residential road; indoor and outdoor architectural decoration design and construction; indoor water and electricity installation; indoor pipeline laying; car rental, catering service, food (subject to the scope of business approved in food business license), sales of daily necessities (except electric tricycle).	2,200.00	100.00	100.00	50.00	Funding and establishing
1.5	Yancheng Yangao Affordable Housing Construction Co., Ltd.	1	Yancheng City	Yancheng City	Affordable housing construction and development; investment, construction and management of state-owned assets and infrastructure; foreign investment; water conservancy and hydropower construction; investment and management of cultural industry projects; self-owned houses and site leasing; indoor water and electricity installation; housing construction projects; building decoration; landscaping projects; property	2,000.00	100.00	100.00	2,000.00	Funding and establishing

					management.					
1.6	Jiangsu Tengyong Construction Co., Ltd.	1	Yancheng City	Yancheng City	Construction of municipal public works, groundwork and foundation projects, building decoration engineering, landscape engineering, city and road lighting engineering, water conservancy and hydropower engineering, earthwork construction, land development and consolidation, infrastructure development and construction, property management, housing demolition, hydropower installation, air conditioning installation, maintenance and management of municipal facilities.	204,000.00	49.02	49.02	100,000.00	Funding and establishing
1.7	Yancheng Longhu Cultural Industry Development Co., Ltd.	1	Yancheng City	Yancheng City	Cultural and artistic exchange activities planning; etiquette, celebration, corporate image design; investment, construction and management of state-owned assets and infrastructure; foreign investment; water conservancy and hydropower project construction; house leasing and property management; house construction and municipal public works; foundation	62,000.00	80.65	80.65	50,000.00	Funding and establishing

					engineering; steel structure engineering; landscaping and greening; earth and stone works; building decoration; building curtain wall engineering; fire protection facilities; building waterproofing; intelligent building construction; indoor water and electricity installation; construction services subcontracting.					
1.7.1	Donglin (Hong Kong) Co., Ltd.	3	Hong Kong, China	Hong Kong, China	Infrastructure investment, construction and management ; foreign investment; water conservancy and hydropower construction; investment and management of cultural industry projects; real estate development and management; housing construction; foreign trade.	62,700.00	100.00	100.00	31,000.00	Establishment
1.7.1.1	Yancheng Pingtan Infrastructure Construction Co., Ltd.	1	Yancheng City	Yancheng City	Foundation engineering and construction, housing construction, municipal engineering construction, electrical installation, earthwork construction, building decoration, building curtain wall construction, steel structure construction, fire protection facilities construction, water proof engineering, anti-corrosion insulation engineering	65,000.00	100.00	100.00	65,000.00	Establishment

					construction; investment management.					
1.8	Yancheng Hengmao Flower & Wood Market Management Co., Ltd.	1	Yancheng City	Yancheng City	Forest seed production and management; tourism; (Businesses subject to approval shall be carried out upon approval by relevant government department, and the specific business projects shall be subject to the examination and approval results.) General business: park management services; business management; urban greening management; estate management; conference and exhibition services; professional cleaning, cleaning and disinfection services; information consulting services (excluding licensing information consulting services); technology service, technology development, technology consultation, technology exchange, technology transfer and technology promotion; planting of horticultural products; flower planting; leasing and agent management of flowers and plants; gift flower sales; landscape engineering construction; fertilizer sales;	25,000.00	51.00	51.00	12,750.00	Funding and Establishment

					manufacturing of arts and crafts and ceremonial articles (except ivory and its products); sales of metal tools; agricultural, forestry, animal husbandry and fishery professional machinery installation and maintenance; agricultural, forestry, animal husbandry, deputy, fishery professional machinery sales; agricultural machinery leasing; non residential real estate leasing; (Business activities shall be carried out independently within the scope of the business license except for those that need to be approved according to related laws and regulations.)					
2	Yancheng Yongheng Investment Management Co., Ltd.	1	Yancheng City	Yancheng City	Asset management; enterprise project planning; financial information consulting (except financial and investment consulting); business information consulting (except financial and investment consulting); house leasing; property management services.	300,000.00	100.00	100.00	300,000.00	Funding and establishing
2.1	Yancheng Yongheng Catering Management Co., Ltd.	1	Yancheng City	Yancheng City	Catering management; conference services; catering services; sales of pre-packaged food, daily necessities (not including electric tricycle) and office	100.00	100.00	100.00	100.00	Funding and establishing

					supplies.					
3	Yancheng High-tech Zone Yongxin Finance Leasing Co., Ltd.	1	Yancheng City	Yancheng City	Finance leasing; purchase of rental property at home or abroad; residual value processing and maintenance of leased property; leasing transaction consulting and guarantee (not including the businesses listed in the Management Measures for Finance Leasing Companies that require the approval of the CBRC and those restricted or prohibited by the State; any licensed project shall be carried out subject to the license).	20,000.00	75.00	75.00	15,000.00	Funding and establishing
4	Yancheng Lizhiyong Trading Co., Ltd.	1	Yancheng City	Yancheng City	Sales of CNC machine tools, building materials, metal materials (excluding precious metals), boiler products, hardware products, construction equipment, textile, clothing, electronic products, communications equipment (excluding ground satellite receiving facilities), building materials, daily necessities (excluding electric tricycle).	160,000.00	51.00	51.00	81,600.00	Funding and establishing
4.1	Yancheng Baolian Science and Technology Industry Co.,	1	Yancheng City	Yancheng City	R&D, production and marketing of commercial concrete, dry mortar, ready-mixed mortar, and exterior wall insulation mortar;	10,000.00	70.00	70.00	2,100.00	Funding and establishing

	Ltd.				housing construction; mechanical and electrical equipment engineering installation; agricultural products planting and marketing; agricultural tourism services; solar power generation; building materials sales; stone material processing and marketing.					
5	Yancheng Yongheng Construction and Development Co., Ltd.	1	Yancheng City	Yancheng City	Housing construction, municipal public works, highway engineering, water conservancy and hydropower projects, landscaping construction; infrastructure investment, construction and management; land development and management; housing demolition.	20,000.00	100.00	100.00	20,000.00	Funding and establishing
6	Yancheng High-tech Zone SME Financing Guarantee Co., Ltd.	1	Yancheng City	Yancheng City	Financing guarantee businesses: loan guarantee, bill acceptance guarantee, trade finance guarantee, project financing guarantee, letter of credit guarantee. Other businesses: financing business consulting and financial advisors related to the guarantee business; investment with self-owned capital.	50,000.00	100.00	100.00	50,000.00	Funding and establishing
7	Yancheng Chuangyong New Energy	1	Yancheng City	Yancheng City	Investment, development and management of new energy projects; construction and	25,000.00	60.00	60.00	15,000.00	Funding and establishing

	Investment Co., Ltd.				operation of the photovoltaic power station; installation, debugging and maintenance of photovoltaic equipment; technical research, consultation, transfer and services in the field of photovoltaic technology and power technology; infrastructure investment, construction and management; foreign investment; water conservancy and hydropower project construction; cultural industry investment and management; sale of photovoltaic equipment and components, wire and cable; self-operation or agent of import and export of goods and technologies (except for those whose import and export are restricted or prohibited by the state).					
7.1	Yancheng Chuangyong Hydrotreating Station Management Service Co., Ltd.	1	Yancheng City	Yancheng City	Design, construction, management and construction consulting services of hydrogenation and charging stations; R&D, sales and technical consulting of hydrogen production, storage and injection equipment; R&D, sales and technical consulting of parts and components of hydrogen production, storage and	1,200.00	55.00	55.00	660.00	Funding and establishing

					injection products.					
8	Yancheng Xinyong Investment and Development Co., Ltd.	1	Yancheng City	Yancheng City	Investment, construction and management of state-owned assets and infrastructure; foreign investment; water conservancy and hydropower construction; investment and management of cultural industry projects.	180,000.00	100.00	100.00	180,000.00	Funding and establishing
9	Yancheng Zhongyong Investment and Development Co., Ltd.	1	Yancheng City	Yancheng City	Infrastructure investment, construction and management ; foreign investment; water conservancy and hydropower construction; investment and management of cultural industry projects; real estate development and management; housing construction.	20,000.00	100.00	100.00	20,000.00	Funding and establishing
10	Yancheng Yangao Municipal Engineering Co., Ltd.	1	Yancheng City	Yancheng City	Design and construction of municipal public works; landscape design and conservation;	10,000.00	100.00	100.00	10,000.00	Funding and establishing
11	Yancheng Yanlong Lake Ecological Landscape Reserve Development and Construction Co., Ltd	1	Yancheng City	Yancheng City	Land development and management; infrastructure investment management; industrial investment; collective asset management; modern and efficient crop promotion, planting and sales; modern and efficient agricultural project development; wholesale and	200,000.00	100.00	100.00	200,000.00	Appropriated

					retail of building materials and steel; sales of flowers and trees; construction of water conservancy projects, municipal public works, road works and decoration works; housing and venue rental.					
11.1	Xuzhou China University of Mining and Technology Science and Technology Park (Yandu) Co., Ltd.	1	Yancheng City	Yancheng City	Science and technology park management services; high-tech project development, transfer and technical services; science and technology project development, sales and leasing; non-academic vocational skills training.	500.00	51.00	51.00	255.00	Appropriated
11.2	Yancheng Yanlong Lake Landscaping Management Co., Ltd.	1	Yancheng City	Yancheng City	Landscaping works; garden ancient building construction; landscaping works; municipal public works, earth and stone engineering design and construction; painting and sales of flowers and trees; flowers and trees conservation and rental; flowers wholesale and retail.	30,000.00	100.00	100.00	30,000.00	Appropriated
11.3	Yancheng Yanlong Lake Venture Capital Investment Co., Ltd.	1	Yancheng City	Yancheng City	Venture capital investment; business management planning; industrial investment; foreign investment; asset management; management consultation of non-certificate business investment; investment and management of cultural industry projects;	60,000.00	100.00	100.00	60,000.00	Appropriated

					investment, construction and management of state-owned assets and infrastructure within the authorized scope.					
3/1/2011	Sheyang Longxiang Agricultural Products Co., Ltd.	1	Yancheng City	Yancheng City	Chrysanthemum planting; purchase and sales of chrysanthemum and other agricultural products (except where the State has special regulations). (Businesses subject to approval shall be carried out upon approval by relevant government department.)	198.00	99.00	99.00	196.02	Appropriated
11.4	Yancheng Yandu District Longgang Water Co., Ltd.	1	Yancheng City	Yancheng City	To supply drinking water for Yancheng Huijin Water Supply Co., Ltd.; water supply accessories sales; water pipe maintenance; water conservancy projects; water supply pipeline works; drainage pipe works; municipal public works construction.	5,800.00	51.72	51.72	3,000.00	Appropriated
11.5	Yancheng Hongwen Property Co., Ltd.	1	Yancheng City	Yancheng City	Property management services; urban life garbage cleanup and collection; road and river cleaning; greening maintenance services; domestic services; sewer dredging; construction labor subcontract; earth and stone construction; building materials sales; architectural decoration decoration design and construction.	19,000.00	100.00	100.00	19,000.00	Appropriated

5/1/2011	Yancheng Yandu Longyun Xincheng Property Management Co., Ltd.	1	Yancheng City	Yancheng City	Construction engineering design; all kinds of engineering construction activities; highway management and maintenance; general business: property management; Professional cleaning, cleaning and disinfection services; building cleaning services; residential water and electricity installation and maintenance services; landscape engineering construction; urban greening management; leasing and agent management of flowers and plants; flower planting; planting of horticultural products; tree planting and management.	10.00	100.00	100.00	10.00	Funding and establishing
11.6	Yancheng Longhu Sewage Treatment Co., Ltd.	1	Yancheng City	Yancheng City	Sewage treatment works; environmental protection construction; sewage treatment technology research and development.	3,000.00	100.00	100.00	3,000.00	Appropriated
11.7	Yancheng Ruiyang Science and Technology Co., Ltd.	1	Yancheng City	Yancheng City	New energy technology research and development; sales of building materials, steel, concrete, metal materials, marble, granite, tools and hardware, electronic products, electrical equipment, general equipment, plastic products,	12,000.00	100.00	100.00	12,000.00	Appropriated

					daily necessities (except for electric tricycles), instrumentation, valves, chemical products (except for pesticides and other hazardous chemicals), textiles, bedding, household appliances, decorating materials (except for hazardous chemicals).					
11.8	Yancheng Yong'an Science and Technology Co., Ltd.	1	Yancheng City	Yancheng City	New energy technology research and development; sales of building materials, steel, concrete, metal materials, marble, granite, tools and hardware, electronic products, electrical equipment, general equipment, plastic products, daily necessities (except for electric tricycles), instrumentation, valves, chemical products (except for pesticides and other hazardous chemicals), textiles, bedding, household appliances, decorating materials (except for hazardous chemicals).	12,000.00	100.00	100.00	12,000.00	Appropriated
11.9	Yancheng Longhu Properties Co., Ltd.	1	Yancheng City	Yancheng City	Real estate development and management; land development and management; infrastructure investment and construction; modern and efficient crop promotion, planting and sales; modern and efficient agricultural project	5,800.00	100.00	100.00	5,800.00	Appropriated

					development; wholesale and retail of building materials and steel; sales of flowers and trees.					
11.10	Yancheng Phoenix Park S&T Development Co., Ltd.	1	Yancheng City	Yancheng City	IT software development and technical advice; industrial investment; investment consulting; design and construction of environmental sanitation projects; research, sales, installation and technical services of environmental protection and sanitation equipment; interior decoration; municipal engineering; greening design, construction and technical services.	15,000.00	100.00	100.00	15,000.00	Appropriated
11.11	Yancheng Jingze Real Estate Co., Ltd.	1	Yancheng City	Yancheng City	Real estate development and management, property management services, municipal engineering, landscaping engineering, foundation and basic engineering, housing design and construction, community greening conservation. (Businesses subject to approval shall be carried out upon approval by relevant government department.)	5,426.053	100.00	100.00	5,426.053	Funding and establishing
12	Yancheng High-tech Zone Venture Capital Investment	1	Yancheng City	Yancheng City	Venture capital; venture investment advisory services; business management services; housing demolition; infrastructure construction and	60,000.00	100.00	100.00	60,000.00	Funding and establishing

	Co., Ltd.				related services; greening project design and construction.					
12.1	Yancheng Jida Intelligent Terminal Industry Research Institute Co., Ltd.	1	Yancheng City	Yancheng City	Research and development, sales, testing, technical services and advices of intelligent terminal equipment, communication equipment, broadband multimedia equipment, power supply, electronic products, software, computers and ancillary equipment, general mechanical equipment and communication information products; information system design, integration, operation and maintenance; integrated circuit design, research and development; R&D and sales of wireless digital products (except restricted items); R&D and sales of energy-related products; R&D and sales of products in the fields of big data, Internet of Things and communications; intellectual property agency services.	900.00	100.00	100.00	900.00	Funding and establishing
13	Jiangsu Fanshun Tourism Development Co., Ltd.	1	Yancheng City	Yancheng City	Eco-tourism project development; eco-agricultural tourism services; sports fitness center supporting facilities development; rural tourism reception, consulting and services; tourism products	20,000.00	100.00	100.00	20,000.00	Appropriated

					sales; landscape construction; green conservation; flowers, trees, and fruit cultivation and sales; aquaculture and sales of aquatic products; fish pond and lotus pond leasing; houses and infrastructure construction.					
13.1	Yancheng Zexing Water Conservancy Engineering Management Co., Ltd.	1	Yancheng City	Yancheng City	Small water conservancy project management; maintenance and management of irrigation and drainage pumping stations, embankment, sluice gate, small ditch and supporting facilities (bridges, culverts, gate, aqueduct).	2,000.00	100.00	100.00	2,000.00	Appropriated
13.2	Jiangsu Zhenxin Environmental Technology Co., Ltd.	1	Yancheng City	Yancheng City	R&D, manufacturing and sales of environmental protection equipment, environmental engineering design and construction, design and manufacturing of cement production equipment, manufacturing and sales of electrical equipment, mining machinery, building materials production equipment, chemical production equipment.	1,080.00	100.00	100.00	1,080.00	Appropriated
13.3	Yancheng Yandu Louwang Greening Management Co., Ltd.	1	Yancheng City	Yancheng City	Greening management and maintenance, construction of landscape greening projects, flower rental, plant and sale of flowers and trees.	1,000.00	100.00	100.00	1,000.00	Funding and establishing

13.4	Yancheng Yufeng Eco-Agricultural Development Co., Ltd.	1	Yancheng City	Yancheng City	Eco-agriculture cultivation; industrial investment in agricultural projects; development of agricultural tourism projects; agricultural picking and sightseeing services; pond fishing and leisure services; eco-agriculture technology research and development, technology extension services; plant protection technical services; agricultural machinery maintenance and technical advisory services; aquaculture; agricultural and by-products initial processing; fish pond leasing; infrastructure development, construction; food, tourism supplies sales; conventional crop raw packaging seeds, fertilizer, agricultural film, pesticide retailing. (Businesses subject to approval shall be carried out upon approval by relevant government department.)	1,000.00	100.00	100.00	1,000.00	Funding and establishing
14	Yancheng Longhu Beer Co., Ltd.	1	Yancheng City	Yancheng City	Production of bear and raw materials; sales of alcoholic and non-alcoholic beverages; sales of beer equipment, beer by-products and glass bottles; beer-related technical services; sales of textiles, garments, daily necessities,	8,000.00	100.00	100.00	8,000.00	Acquisition

					stationery (excluding books and shooting equipment), electronic products; old beer bottle recycling (not stored in the company's residence).					
15	Yancheng Guochuang Venture Capital Partnership (Limited Partnership)	1	Yancheng City	Yancheng City	Venture capital, asset management, equity investment and industrial investment.	100,000.00	80.00	80.00	80,000.00	Acquisition
16	Yancheng Yanlong Water Co., Ltd.	1	Yancheng City	Yancheng City	Secondary water supply in Yanlong Street of Yandu District; rural sewage treatment; design and construction of fire fighting facilities; sales of water and sanitation equipment; installation and maintenance of water pipes; installation of water meters; landscaping design and construction; investment, operation and management of infrastructure; operation and management of state-owned assets authorized by the government; land development and management; industrial investment; infrastructure development and construction; property management; house demolition; municipal public works; building decoration;	5,000.00	100.00	100.00	5,000.00	Appropriated

					urban and road lighting engineering; water conservancy and hydropower engineering; earth and rock construction; wholesale and retail of building materials; land consolidation; municipal facilities management and maintenance.					
17	Yancheng Zhichuang Cultural Town Co., Ltd.	1	Yancheng City	Yancheng City	Development, construction, operation and management of intelligent cultural town projects. (Businesses subject to approval shall be carried out upon approval by relevant government department.)	60,000.00	100.00	100.00	60,000.00	Funding and establishing
18	Yancheng Guozhi Industry Fund Co., Ltd.	1	Yancheng City	Yancheng City	Investment management, equity investment, investment consulting. (Businesses subject to approval shall be carried out upon approval by relevant government department.)	100,000.00	80.00	80.00	40,000.00	Funding and establishing
19	Yancheng Guoda Industrial Investment Fund Partnership (Limited Partnership)	1	Yancheng City	Yancheng City	Equity investment and venture capital (Businesses subject to approval shall be carried out upon approval by relevant government department.)	50,100.00	80.00	80.00	40,080.00	Funding and establishing
20	Yancheng High-tech Zone Yongheng Refinancing	1	Yancheng City	Yancheng City	To provide small and micro enterprises with refinancing capital services; small loan business; (Businesses subject to approval shall be carried	20,000.00	100.00	100.00	10,000.00	Funding and establishing

Service Co., Ltd.					out upon approval by relevant government department, and the specific business projects shall be subject to the examination and approval results.)				
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Note: Company Type: 1. domestic non-financial subsidiary company; 2. domestic financial subsidiary company; 3. foreign subsidiary company; 4. Public Institution; 5. infrastructure construction unit

(II) Entities newly incorporated into the scope of consolidation during the reporting period

Companies newly included into the scope of consolidation during the reporting period are listed as follows:

No.	Name	Reason
1	Yancheng High-tech Zone Yongheng Refinancing Service Co., Ltd.	Newly found in 2020
2	Yancheng Hengmao Flower & Wood Market Management Co., Ltd.	Newly found in 2020
3	Yancheng Yandu Longyun Xincheng Property Management Co., Ltd.	Newly found in 2020

(III) Entities ceased to be consolidated in this year

No.	Name	Reason
1	Yancheng Wanfulong Machinery Manufacturing Co., Ltd.	Equity transfer on 3 January 2020
2	Yancheng Yandu District Yanchuang Trade Co., Ltd.	Deregistration on 21 February 2020
3	Yancheng Yandu District Ganlu Water Co., Ltd.	Equity transfer on 20 May 2020

VII. Notes to Significant Items in the Consolidated Financial Statements

Unless otherwise specified, in the following disclosure of financial items, “beginning of the period” refers to December 31, 2019, “end of the period” refers to December 31, 2020, “this period” refers to the time period from January 1 to December 31, 2020, “last period” refers to the time period from January 1 to December 31, 2019, and the monetary unit is RMB Yuan.

(I) Currency funds

1. Balance of currency funds

Items	Ending balance	Beginning balance
Cash	184.91	180.92
Bank balances	5,464,665,513.91	4,430,638,847.20
Other currency funds	9,088,847,603.95	6,032,686,885.87
Total	14,553,513,302.77	10,463,325,913.99

Restrictions on the use of cash and bank balances as at December 31, 2020

Items	Amount	Reason for limited availability
Other currency funds	8,873,351,000.00	Deposit pledge and note margin
Other currency funds	215,496,603.95	Used for pledge
Total	9,088,847,603.95	

(II) Financial assets at fair value through profit or loss

Items	Ending balance	Beginning balance
Wealth management goods	15,500,000.00	
Trading bond investment	55,453,829.42	
Total	70,953,829.42	

(III) Notes receivable

1. Classification of notes receivable

Items	Ending balance	Beginning balance
Bank acceptance bill	51,470,000.00	57,527,387.06
Trade acceptance	351,998,054.63	

Yancheng High-tech Zone Investment Group Co., Ltd.
Notes to the Financial Statements for the Year Ended December 31, 2020

Total	403,468,054.63	57,527,387.06
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2. There is no note receivable pledged at the end of this period

3. There is no note receivable that has been endorsed or discounted at the end of the year and is not yet due at the balance sheet date.

(IV) Accounts receivable

1. Accounts receivable

(1) Classification of accounts receivable

Category	Ending balance			
	Book balance		Provision for bad debts	
	Amount	Ratio (%)	Amount	Ratio (%)
Accounts receivable that are individually significant and provided for bad debts separately				
Accounts receivable that are collectively provided for bad debts based on credit risk characteristics				
Group No.1: age group	405,271,895.84	93.80	5,032,975.40	1.24
Group No.2: other group	26,800,376.65	6.20		
Subtotal	432,072,272.49	100.00	5,032,975.40	1.16
Accounts receivable that are not individually significant but provided for bad debts separately				
Total	432,072,272.49	100.00	5,032,975.40	1.16

(Continued)

Category	Beginning balance			
	Book balance		Provision for bad debts	
	Amount	Ratio (%)	Amount	Ratio (%)
Accounts receivable that are individually significant and provided for bad debts separately				
Accounts receivable that are collectively provided for bad debts based on credit risk characteristics	395,401,858.05	100.00	526,464.69	0.13
Group No.1: age group	393,903,001.50	99.62	526,464.69	0.13

Yancheng High-tech Zone Investment Group Co., Ltd.
Notes to the Financial Statements for the Year Ended December 31, 2020

Category	Beginning balance			
	Book balance		Provision for bad debts	
	Amount	Ratio (%)	Amount	Ratio (%)
Group No.2: other group	1,498,856.55	0.38		
Subtotal	395,401,858.05	100.00	526,464.69	0.13
Accounts receivable that are not individually significant but provided for bad debts separately				
Total	395,401,858.05	100.00	526,464.69	0.13

(2) Accounts receivable that are collectively provided for bad debts based on credit risk characteristics

a. Accounts receivable that are provided for bad debts using aging analysis

Age	Ending balance			Beginning balance		
	Book balance		Provision for bad debts	Book balance		Provision for bad debts
	Amount	Ratio (%)		Amount	Ratio (%)	
Less than 1 year	352,569,727.15	87.00		343,954,973.15	87.32	
1-2 years	2,793,819.83	0.69	27,938.20	49,806,005.14	12.64	498,060.05
2-3 years	49,766,325.65	12.28	4,976,632.56			
Over 3 years	142,023.21	0.04	28,404.64	142,023.21	0.04	28,404.64
Total	405,271,895.84	100.00	5,032,975.40	393,903,001.50	100.00	526,464.69

(3) Accounts receivable with top 5 ending balance listed by debtor

Name of the debtor	Ending balance	Age
Yancheng Taohuayuan Tourism Development Management Co., Ltd.	220,439,287.34	Less than 1 year
Yancheng Yanlong Lake Agricultural Development and Investment Co., Ltd.	49,499,462.76	Less than 1 year
Jiangsu Youzun Households Manufacturing Co., Ltd.	40,669,001.51	2-3 years
Third Engineering Co., Ltd. of China Railway Guangzhou Engineering Group	37,329,933.66	Less than 1 year / 1-2 years
Yancheng Zhongwu Trade Development Co., Ltd.	33,425,615.01	Less than 1 year
Total	381,363,300.28	

4. There is no accounts receivable written off during the reporting period.

(V) Prepayments

1. Prepayments presented by age

Yancheng High-tech Zone Investment Group Co., Ltd.
Notes to the Financial Statements for the Year Ended December 31, 2020

Age	Ending balance		Beginning balance	
	Amount	Ratio (%)	Amount	Ratio (%)
Less than 1 year	716,713,652.81	47.05	321,226,432.02	32.83
1-2 years	259,441,384.71	17.03	552,825,351.90	56.49
2-3 years	448,159,131.95	29.42	103,832,568.50	10.61
Over 3 years	99,044,661.27	6.50	710,222.00	0.07
Total	1,523,358,830.74	100.00	978,594,574.42	100.00

2. Prepayments with top 5 ending balance listed by payee

Name of payee	Ending balance	Age
Yancheng Jianyuan Real Estate Co., Ltd.	253,487,906.46	Less than one year/1-2 years/2-3 years
Yancheng Zhuyou Real Estate Development Co., Ltd.	130,563,698.00	Less than one year/1-2 years/2-3 years /Over 3 years
Yancheng Qihui Properties Co., Ltd.	127,416,680.00	Less than 1 year
Jiangsu Jinmao Construction Group Co., Ltd.	99,349,113.47	Less than 1 year / 1-2 years
Jiangsu Taichu Properties Co., Ltd.	81,401,052.84	Less than 1 year / 1-2 years
Total	692,218,450.77	

(VI) Other receivables

Items	Ending balance	Beginning balance
Other receivables	11,656,308,323.65	12,011,757,379.53
Interest receivable	17,754,149.00	2,387,777.00
Dividends receivable		
Total	11,674,062,472.65	12,014,145,156.53

1. Other receivables

(1) Category of other receivables

Category	Ending balance			
	Book balance		Provision for bad debts	
	Amount	Ratio (%)	Amount	Ratio (%)
Other receivables that are individually significant and provided for bad debts separately				
Other receivables that are collectively provided for bad debts based on credit risk characteristics				
Group No.1: age group	3,437,483,543.78	29.19	116,087,249.38	3.38
Group No.2: other group	8,334,912,029.25	70.79		

Yancheng High-tech Zone Investment Group Co., Ltd.
Notes to the Financial Statements for the Year Ended December 31, 2020

Subtotal	11,772,395,573.03	99.98	116,087,249.38	0.99
Other receivables that are not individually significant but provided for bad debts separately	2,400,000.00	0.02	2,400,000.00	100.00
Total	11,774,795,573.03	100.00	118,487,249.38	1.01

Continued

Category	Beginning balance			
	Book balance		Provision for bad debts	
	Amount	Ratio (%)	Amount	Ratio (%)
Other receivables that are individually significant and provided for bad debts separately				
Other receivables that are collectively provided for bad debts based on credit risk characteristics	12,106,887,211.48	99.98	95,129,831.95	0.79
Group No.1: age group	4,927,368,880.23	40.69	95,129,831.95	1.93
Group No.2: other group	7,179,518,331.25	59.29		
Subtotal	12,106,887,211.48	99.98	95,129,831.95	0.79
Other receivables that are not individually significant but provided for bad debts separately	2,400,000.00	0.02	2,400,000.00	100.00
Total	12,109,287,211.48	100.00	97,529,831.95	0.81

(2) Other receivables that are collectively provided for bad debts based on credit risk characteristics

a. Other receivables provided for bad debts under aging analysis method

Age	Ending balance			Beginning balance		
	Book balance		Provision for bad debts	Book balance		Provision for bad debts
	Amount	Ratio (%)		Amount	Ratio (%)	
Less than 1 year	2,082,980,972.55	60.60		3,301,854,228.50	67.01	
1-2 years	663,025,780.23	19.29	6,630,257.81	1,115,058,830.13	22.63	11,150,588.30
2-3 years	288,383,666.21	8.39	28,838,366.62	181,119,206.70	3.68	18,111,920.67
Over 3 years	403,093,124.79	11.73	80,618,624.95	329,336,614.90	6.68	65,867,322.98

Yancheng High-tech Zone Investment Group Co., Ltd.
Notes to the Financial Statements for the Year Ended December 31, 2020

Total	3,437,483,543.78	100.00	116,087,249.38	4,927,368,880.23	100.00	95,129,831.95
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(3) Other receivables with top 5 ending balance listed by debtor

Name of the debtor	Ending balance	Age	Nature of the account
Yancheng Huadu Forest Park Co., Ltd.	1,555,702,303.10	Less than one year/1-3 years /Over 3 years	Current account
Yancheng Yanlong Lake Agricultural Development and Investment Co., Ltd.	1,240,439,845.70	Less than 1 year / 1-2 years	Current account
Longgang Finance Branch of Yancheng Yandu District	902,503,598.72	Less than 1 year / 1-2 years	Current account
Yancheng Hengwang Construction Co., Ltd.	729,233,276.25	Less than 1 year / 1-2 years	Current account
Yancheng Hengkai Construction Co., Ltd.	610,652,805.83	Less than 1 year / 1-2 years	Current account
Total	5,038,531,829.60		

(4) There is no other receivables written off during the reporting period.

(VII) Inventories

Inventory classification

Items	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for value decline	Carrying amount
Construction projects	20,728,059,529.15		20,728,059,529.15	14,707,563,225.14		14,707,563,225.14
Land pending for development	1,557,385,884.66		1,557,385,884.66	1,785,821,173.66		1,785,821,173.66
Raw material	17,998,239.40		17,998,239.40	17,519,571.76		17,519,571.76
Commodities in stock	41,881,515.83		41,881,515.83	11,482,277.59		11,482,277.59
Low-value consumables	4,532.80		4,532.80			
Consumable biological assets	13,630,582.14		13,630,582.14	12,821,493.51		12,821,493.51
Total	22,358,960,283.98		22,358,960,283.98	16,535,207,741.66		16,535,207,741.66

(VIII) Other current assets

Items	Ending balance	Beginning balance
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Yancheng High-tech Zone Investment Group Co., Ltd.
Notes to the Financial Statements for the Year Ended December 31, 2020

Items	Ending balance	Beginning balance
Prepaid taxes	234,687,502.82	154,318,709.73
Wealth management goods		30,200,000.00
Short term claims	1,934,000,000.00	2,514,523,515.32
Total	2,168,687,502.82	2,699,042,225.05

(IX) Available-for-sale financial assets

1. Categories of available-for-sale financial assets

Items	Ending balance	Beginning balance
Available for sale equity instruments	2,302,780,917.39	1,128,993,886.00
Available-for-sale liability instruments	19,500,000.00	
Total	2,322,280,917.39	1,128,993,886.00

2. Details of equity investments are as follows:

Name of Investee	Equity ratio(%)	Beginning balance	Increase in this period	Decrease in this period	Ending balance	Dividends for the current period
Jiangsu Hanyin Electrical Technology Co., Ltd.	6.25	10,000,000.00			10,000,000.00	
Jiangsu CNPT-Rabily Industrial Co., Ltd.	10.00	10,000,000.00			10,000,000.00	
Jiangsu Zhongheng Pet Products Co., Ltd.	12.00	6,000,000.00			6,000,000.00	
Yancheng Pingheng Venture Capital Fund Center (limited partnership)	9.80	10,000,000.00			10,000,000.00	
Yingtian Jinyan Zhichan Investment Fund (limited partnership)	23.08	300,000,000.00	1,000,000,000.00		1,300,000,000.00	
Jiangsu Jinhui Fushan Software Technology Co., Ltd.	15.00	5,000,000.00			5,000,000.00	
Yancheng High-tech Investment Fund (limited partnership)	20.00	150,000,000.00			150,000,000.00	
Yancheng Digital Eagle Technology Co., Ltd.	16.67	5,000,000.00			5,000,000.00	
Jiangsu Digital Eagle Science and Technology Development Co., Ltd.	7.14	15,000,000.00			15,000,000.00	

Yancheng High-tech Zone Investment Group Co., Ltd.
Notes to the Financial Statements for the Year Ended December 31, 2020

Jiangsu Wealth Environmental Engineering Co., Ltd.	12.00	6,000,000.00			6,000,000.00	
Jiangsu Sheyang Rural Commercial Bank	2.00	18,849,600.00			18,849,600.00	571,200.00
Jiangsu Yancheng Rural Commercial Bank	2.00	100,000,000.00			100,000,000.00	387,500.00
Yancheng Shangqi Wangshi Automobile Aftermarket Industrial Investment Fund (Limited Partnership)	3.15	5,200,000.00		2,112,968.61	3,087,031.39	
Jiangsu Fenghui Zhilian Technology Co., Ltd.	6.25	10,000,000.00			10,000,000.00	
Shanghai Jiudao Information Technology Co., Ltd.	8.87	19,700,000.00			19,700,000.00	
Yancheng Mingjiang Intelligent Industry Investment Fund Center (Limited Partnership)	33.00	4,804,800.00			4,804,800.00	
Jiangsu Weimar Yueda Intelligent Equipment Co., Ltd.	7.00	3,239,486.00			3,239,486.00	
Beijing Yandong Micro Electronics Co., Ltd.	7.91	400,000,000.00			400,000,000.00	
Nanjing Yudu Communication Technology Co., Ltd.	5.00	15,000,000.00			15,000,000.00	
Nanjing Shengxin Semiconductor Co., Ltd.	17.86	10,000,000.00			10,000,000.00	
Jiyan Intelligent Technology Industry Co., Ltd	2.00	200,000.00			200,000.00	
Zhongjian Zhiyun Network Communication Co., Ltd.	10.00	10,000,000.00			10,000,000.00	
Jiangsu Shretec Material Technology Co., Ltd.	6.00	15,000,000.00			15,000,000.00	
Jiangsu Taosheng Biotechnology Co., Ltd.	15.25		19,000,000.00		19,000,000.00	
Polyli Semiconductor (Shanghai) Co.,	6.57		70,000,000.00		70,000,000.00	

Yancheng High-tech Zone Investment Group Co., Ltd.
Notes to the Financial Statements for the Year Ended December 31, 2020

Ltd.						
Shanghai Manku Technology Co., Ltd.	9.01		20,000,000.00		20,000,000.00	
Wuxi Yiwen Electronic Technology Co., Ltd.	3.33		5,000,000.00		5,000,000.00	
Jiangsu Longtong New Material Technology Co., Ltd.	1.30		5,000,000.00		5,000,000.00	
Shenzhen Weizhao Semiconductor Co., Ltd.	3.37		17,000,000.00		17,000,000.00	
Shenzhen Yifeiyang Communication Technology Co., Ltd.	14.29		25,000,000.00		25,000,000.00	
Yancheng Kangyan IT Industrial Investment Fund Partnership (Limited Partnership)	14.90		14,900,000.00		14,900,000.00	
Total		1,128,993,886.00	1,175,900,000.00	2,112,968.61	2,302,780,917.39	958,700.00

Note: For Yingtan Jinyan Intellectual Property Investment Fund (Limited Partnership), Yancheng High-tech Investment Fund (Limited Partnership) and Yancheng Mingjiang Intelligent Industry Investment Fund Center (Limited Partnership), although the share of equity interests that the Company enjoyed in these three companies exceeds 20%, the Company has not actually participated in its management and operation, so it has no significant impact on it.

(X) Long-term receivables

Items	Ending balance	Beginning balance
Long-term security	1,628,391,871.96	
Total	1,628,391,871.96	

(XI) Long-term equity investments

1. Classification of long-term equity investments

Items	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Long-term equity investments				
1. Investment in joint ventures				
2. Investment in associates	783,930,610.70	338,493,246.85	9,404,229.18	1,113,019,628.37

Yancheng High-tech Zone Investment Group Co., Ltd.
Notes to the Financial Statements for the Year Ended December 31, 2020

Less: provision for impairment of long-term investments				
Net long-term equity investments				
Total	783,930,610.70	338,493,246.85	9,404,229.18	1,113,019,628.37

2.Details of long-term equity investments listed by investee

Name of Investee	Beginning balance	Increase in current period	Decrease in current period	Investment income (loss) recognized under equity method	Declared Cash dividend or profit distribution	Ending balance	Provision for impairment in current period	Shareholding ratio (%)
I. Joint ventures								
II. Associates								
Yancheng Jinke Yongheng Property Service Co., Ltd.	5,214,689.18			4,953,659.60	2,337,992.41	7,830,356.37		49.00
Yancheng Gaoxin Water Services Co., Ltd.	24,535,000.00			-1,971,484.47		22,563,515.53		35.00
Yancheng Anfu Lanke Venture Capital Partnership (Limited Partnership)		9,000,000.00		11,236.16		9,011,236.16		30.00
Jiangsu Jiheng Investment Management Co., Ltd.	9,975,207.11			-52,478.04		9,922,729.07		20.00
Yandu Yanlong Rural Micro Finance Co., Ltd.	58,635,125.31			5,810,879.32	4,066,236.77	60,379,767.86		49.52
Yancheng Yandu Xinzhuang Industrial Park Investment and Management Co., Ltd.	20,000,000.00					20,000,000.00		40.00
Jiangsu Tenguo Network Technology Co., Ltd.	4,053,722.82			14,748.57		4,068,471.39		30.00

Yancheng High-tech Zone Investment Group Co., Ltd.
Notes to the Financial Statements for the Year Ended December 31, 2020

Yancheng Muming Search Network Technology Co., Ltd.	1,050,000.00			15,113.36		1,065,113.36		30.00
Xirui 3D Printing Technology (Yancheng) Co., Ltd.	5,000,000.00					5,000,000.00		28.57
Jiangsu Saibo Yuhua Technology Co., Ltd.	84,877,599.41		3,000,000.00	1,331,729.35		83,209,328.76		47.06
Jiangsu Giant Craft Intelligent System Co., Ltd.	20,000,000.00					20,000,000.00		20.00
Jiangsu Taimeng Technology Co., Ltd.	29,761,557.76			-107,708.92		29,653,848.84		30.00
Jiangsu Qunli Technology Co., Ltd.	79,304,119.20	20,000,000.00		528,628.47		99,832,747.67		47.62
Yancheng Zhongke High-throughput Computing Research Institute Co., Ltd.	2,100,000.00			473,217.58		2,573,217.58		35.00
Yancheng University Science and Technology Park Co., Ltd.	2,700,000.00			-168,022.39		2,531,977.61		40.90
Jiangsu Zhongke Zhaoneng New Energy Technology Co., Ltd.		4,000,000.00		-142,711.71		3,857,288.29		40.00
Jiangsu Lexin Intelligent Technology Co., Ltd.		100,000,000.00				100,000,000.00		49.00
Lenovo New Vision (Jiangsu) Equipment Services Co., Ltd.		8,150,000.00				8,150,000.00		22.15

Polyli Semiconductor (Yancheng) Co., Ltd.		40,000,000.00				40,000,000.00		30.30
Shenzhen Hualin Circuit Technology Co., Ltd.		130,000,000.00				130,000,000.00		49.00
Yancheng Huanghai Tourism Industry Investment Fund Partnership (limited partnership)	377,104,858.19			15,230,898.58		392,335,756.77		22.84
Zhongjian (Yancheng) Rehabilitation Hospital Co., Ltd.		2,000,000.00		-530,940.26		1,469,059.74		20.00
Jiangsu Lanbote Glass Instrument Co., Ltd.	50,003,540.65			38,907.93		50,042,448.58		48.54
Jiangsu Cifu Science and Technology Co., Ltd.	9,615,191.07			-92,426.28		9,522,764.79		33.33
Total	783,930,610.70	313,150,000.00	3,000,000.00	25,343,246.86	6,404,229.18	1,113,019,628.37		

(XII) Investment properties

1. Investment properties measured at fair value

Items	Houses and buildings	Land use right	Total
I. Beginning balance	5,352,804,974.95	389,724,541.72	5,742,529,516.67
II. Changes in this period	67,831,965.00	1,246,351,762.00	1,314,183,727.00
Add: Outsourcing			
Transfer-in from inventory \ fixed assets \ construction in process	26,315,774.84	1,244,614,400.00	1,270,930,174.84
Increase due to business combinations			
Less: disposal	20,781,960.00		20,781,960.00

Yancheng High-tech Zone Investment Group Co., Ltd.
Notes to the Financial Statements for the Year Ended December 31, 2020

Other transfer-out			
Changes in fair value	62,298,150.16	1,737,362.00	64,035,512.16
III. Ending balance	5,420,636,939.95	1,636,076,303.72	7,056,713,243.67

Yancheng High-tech Zone Investment Group Co., Ltd.
Notes to the Financial Statements for the Year Ended December 31, 2020

(XIII) Fixed assets

1. Increase/decrease of fixed assets

	Houses and buildings	Machines	Transportation facilities	Office and electronic equipment	Total
I. Original value					
1. Beginning balance	697,798,473.07	162,950,513.71	6,577,611.89	15,964,987.09	883,291,585.76
2. Increase in this period	207,882,686.88	1,393,674.93	260,150.44	2,633,117.40	212,169,629.65
(1) Purchase	197,882,686.88	1,393,674.93	260,150.44	2,633,117.40	202,169,629.65
(2) Transfer-in from construction in progress	10,000,000.00				10,000,000.00
(3) Acquired through business combinations					
3. Decrease in this period	95,448,811.73			1,206,444.33	96,655,256.06
(1) Disposal or scrap	67,495,434.90			1,206,444.33	68,701,879.23
(2) Others	27,953,376.83				27,953,376.83
4. Ending balance	810,232,348.22	164,344,188.64	6,837,762.33	17,391,660.16	998,805,959.35
II. Accumulated depreciation					
1. Beginning balance	28,791,333.67	86,426,276.26	3,962,972.31	9,516,264.50	128,696,846.74
2. Increase in this period	25,726,327.18	23,418,076.97	552,479.43	4,086,173.82	53,783,057.40
(1) Accrued	25,726,327.18	23,418,076.97	552,479.43	4,086,173.82	53,783,057.40
(2) Acquired through business combinations					
3. Decrease in this period	2,422,226.81			271,595.65	2,693,822.46
(1) Disposal	784,624.82			271,595.65	1,056,220.47
(2) Others	1,637,601.99				1,637,601.99
4. Ending balance	52,095,434.04	109,844,353.23	4,515,451.74	13,330,842.67	179,786,081.68
III. Provision for asset impairment					
1. Beginning balance					
2. Increase in this period					
(1) Accrued					
3. Decrease in this period					
(1) Disposal					
(2) Others					
4. Ending balance					
IV. Carrying amount					
1. Ending carrying amount	758,136,914.18	54,499,835.41	2,322,310.59	4,060,817.49	819,019,877.67
2. Beginning carrying amount	669,007,139.40	76,524,237.45	2,614,639.58	6,448,722.59	754,594,739.02

Yancheng High-tech Zone Investment Group Co., Ltd.
Notes to the Financial Statements for the Year Ended December 31, 2020

2. For fixed assets used as mortgage at the end of the period, please refer to Note IX--Assets Subject to Restrictions on Ownership or Use Rights.

(XIV) Construction in progress

Items	Ending balance	Beginning balance
Construction project	2,270,297,717.57	2,008,403,957.66
Total	2,270,297,717.57	2,008,403,957.66

(XV) Intangible assets

Items	Beginning balance	Increase in this period	Decrease in this period	Ending balance
(1) Total original carrying amount of intangible assets	180,010,327.85	157,095.71	54,260,529.10	125,906,894.46
Including: Land use right	178,269,618.78		54,260,529.10	124,009,089.68
Technology use right	1,104,125.00	157,095.71		1,261,220.71
Software	636,584.07			636,584.07
(2) Total accumulated amortization	19,091,154.63	2,232,792.88	1,291,917.36	20,032,030.15
Including: Land use right	18,677,646.15	2,075,326.36	1,291,917.36	19,461,055.15
Technology use right	331,159.00	104,139.00		435,298.00
Software	82,349.48	53,327.52		135,677.00
(3) Total net value of intangible assets	160,919,173.22	1,449,013.07	56,493,321.98	105,874,864.31
Including: Land use right	159,591,972.63	1,291,917.36	56,335,855.46	104,548,034.53
Technology use right	772,966.00	157,095.71	104,139.00	825,922.71
Software	554,234.59		53,327.52	500,907.07

(XVI) Long-term Prepaid Expenses

Items	Beginning balance	Increase in this period	Amortization in this period	Other decreases	Ending balance
Promotion fee for corporate bond	5,195,000.00		742,142.87		4,452,857.13
Renovation cost	1,761,697.84	1,245,177.06	440,424.46		2,566,450.44
Total	6,956,697.84	1,245,177.06	1,182,567.33		7,019,307.57

(XVII) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are presented in net value without deduction.

Items	Ending balance	Beginning balance
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Yancheng High-tech Zone Investment Group Co., Ltd.
Notes to the Financial Statements for the Year Ended December 31, 2020

	Deferred tax assets /liabilities	Deductible temporary difference	Deferred tax assets /liabilities	Deductible temporary difference
Deferred tax assets				
Provision for bad debts	30,880,056.20	123,520,224.80	24,514,074.16	98,056,296.64
Subtotal	30,880,056.20	123,520,224.80	24,514,074.16	98,056,296.64
Deferred tax liabilities				
Difference between the fair value and the carrying amount of investment properties at the date of transfer	602,767,396.00	2,411,069,583.98	352,722,393.01	1,410,889,572.04
Subtotal	602,767,396.00	2,411,069,583.98	352,722,393.01	1,410,889,572.04

(XVIII) Other non-current assets

Items	Ending balance	Beginning balance
Financial investment	580,345,603.24	148,000,000.00
Total	580,345,603.24	148,000,000.00

(XIX) Short-term borrowings

1. Category of short-term borrowings

Category	Ending balance	Beginning balance
Guaranteed loans	3,218,800,000.00	1,129,900,000.00
Pledge loans	592,200,000.00	780,361,000.00
Mortgage loans	296,000,000.00	216,000,000.00
Credit loans	20,000,000.00	
Bill financing	328,008,054.63	
Total	4,455,008,054.63	2,126,261,000.00

(XX) Notes payable

Category	Ending balance	Beginning balance
Bank acceptance bill	1,060,080,000.00	1,262,380,000.00
Total	1,060,080,000.00	1,262,380,000.00

Note: There is no unpaid overdue note payable at the end of the reporting period.

(XXI) Accounts payable

1. Accounts payable

(1) Accounts payable listed by age

Items	Ending balance	Beginning balance
Less than 1 year (inclusive)	43,061,269.77	255,928,086.42
1-2 years (inclusive)	188,329,520.97	276,595,444.48
2-3 years (inclusive)	228,312,813.48	37,576,380.02
Over 3 years	5,893,411.40	176,618,985.05
Total	465,597,015.62	746,718,895.97

(2) The ending balance of accounts payable contains no amount that shall be paid to shareholders holding over 5% (inclusive) of the voting shares of the Company

(3) Accounts payable with top 5 ending balance listed by creditor

Name of creditor	Ending balance	Age	Attributes
Yancheng Zhuyou Real Estate Development Co., Ltd.	30,984,784.86	Less than 1 year / 2-3 years	Construction payment
Gaoxin Division of Jiangsu Huayue Construction Group Co., Ltd.	30,000,000.00	1-2 years	Construction payment
Lushan Qingyuan Water Conservancy Engineering Co., Ltd.	8,268,179.77	1-2 years/ 2-3 years	Construction
Jiangsu Jinmao Construction Group Co., Ltd.	5,624,973.10	Less than one year / Over 3 years	Construction
Jiangsu Kangjie Machinery Co., Ltd.	3,652,917.42	1-2 years	Construction
Total	78,530,855.15		

(XXII) Advances from customers

1. Details of advances from customers

Items	Ending balance	Beginning balance
Less than 1 year (inclusive)	26,601,257.94	12,496,086.59
1-2 years (inclusive)	6,647,641.18	1,301,895.16
2-3 years (inclusive)	1,301,895.16	47,277.60

Yancheng High-tech Zone Investment Group Co., Ltd.
Notes to the Financial Statements for the Year Ended December 31, 2020

Items	Ending balance	Beginning balance
Over 3 years	113,510.60	66,233.00
Total	34,664,304.88	13,911,492.35

2. Advances from customers with top 5 ending balance listed by creditor

Name of creditor	Ending balance	Age	Attributes
Jiangsu Jutai Science and Technology Co., Ltd.	4,638,385.32	Less than 1 year / 1-2 years	Advances for
Jiangsu Delianda Intelligent Technology Co., Ltd.	3,671,960.49	Less than 1 year	Advances for
Yancheng Fenghui Intelligent Technology Co., Ltd.	2,713,063.71	Less than 1 year / 1-2 years	Advances for
Jiangsu Saibo Yuhua Technology Co., Ltd.	2,025,425.60	Less than 1 year / 1-2 years	Advances for
Xinghua Baoding Building Materials Co., Ltd.	1,648,760.00	Less than 1 year	Advances for
Total	14,697,595.12		

(XXIII) Taxes and dues payable

Items	Ending balance	Beginning balance
Enterprise income tax	526,721,373.34	432,395,993.76
Value-added tax	168,040,171.81	123,346,909.54
Property tax	13,645,574.28	10,017,346.80
Land use tax	641,807.00	1,055,776.46
City maintenance tax	11,602,214.44	7,650,366.40
Education surcharge	8,506,085.34	5,116,170.78
Stamp tax	17,793.29	18,485.20
Personal income tax	269.87	181.66
Total	729,175,289.37	579,601,230.60

(XXIV) Other payables

Items	Ending balance	Beginning balance
Other payables	433,621,609.74	523,039,075.92
Interest payable	595,028,175.35	222,688,285.55
Total	1,028,649,785.09	745,727,361.47

1. Interest payable

Items	Ending balance	Beginning balance
Interest on borrowings	595,028,175.35	222,688,285.55
Total	595,028,175.35	222,688,285.55

2. Other payables

(1) Other payables listed by age

Age	Ending balance	Beginning balance
Less than 1 year (inclusive)	191,845,330.73	268,653,932.48
1-2 years (inclusive)	142,500,506.54	31,968,880.53
2-3 years (inclusive)	23,678,835.29	161,015,967.52
Over 3 years	75,596,937.18	61,400,295.39
Total	433,621,609.74	523,039,075.92

(2) The ending balance of other payables contains no amount that shall be paid to shareholders holding over 5% (inclusive) of the voting shares of the Company.

(3) Current account between creditors of other accounts payable at the end of the period:

Name of creditor	Ending balance	Age	Attributes
Yancheng Urbanization Construction Investment Group Co., Ltd.	87,200,000.00	Less than 1 year / 1-2 years	Operating current account
Yancheng Taohuayuan Tourism Development Management Co., Ltd.	70,000,000.00	Less than 1 year	Operating current account
Jiangsu Daji Power Generation Co., Ltd.	66,083,637.00	2-3 years / over 3 years	Operating current account
Yancheng Shengzhou Group Co., Ltd.	30,000,000.00	1-2 years	Operating current account
Yancheng Xinggang Ecological Agriculture Development Co., Ltd.	30,000,000.00	Less than 1 year	Operating current account
Total	283,283,637.00		

(XXV) Non-current liabilities due within one year

Classification of non-current liabilities due within one year

Category	Ending balance	Beginning balance
Long-term borrowings	6,095,750,000.00	6,944,900,000.00
Long-term payables	1,891,641,193.26	1,035,556,609.95
Bonds payable	784,000,000.00	312,777,263.81
Total	8,771,391,193.26	8,293,233,873.76

(XXVI) Long-term borrowings

Category of long-term borrowings

Category	Ending balance	Beginning balance
Credit loans	1,115,500,000.00	2,092,000,000.00
Guaranteed loans	10,155,800,000.00	4,399,500,000.00
Mortgage loans	1,953,950,000.00	2,008,500,000.00

Yancheng High-tech Zone Investment Group Co., Ltd.
Notes to the Financial Statements for the Year Ended December 31, 2020

Category	Ending balance	Beginning balance
Pledge loans	1,687,353,000.00	2,301,353,000.00
Total	14,912,603,000.00	10,801,353,000.00

(XXVII) Bonds payable

1. Category of bonds payable

Items	Ending balance	Beginning balance
2015 Yancheng High-tech Zone bond	398,072,410.81	596,196,726.69
2017 Medium-term Notes No.01	268,350,095.48	497,848,914.28
2017 Medium-term Notes No.02	498,954,681.89	498,543,759.88
2018 Yancheng High-tech Zone PPN001	499,819,547.73	499,653,281.85
2018 Yancheng High-tech Zone PPN002	499,836,284.65	499,668,878.73
2019 Yancheng High-tech Zone PPN001	498,147,356.67	496,666,066.11
2019 Yancheng High-tech Zone PPN002	499,547,775.07	498,801,982.19
2019 Yancheng High-tech Zone PPN003	498,157,957.01	496,674,587.77
2019 Yancheng High-tech Zone PPN004	497,882,427.60	496,772,794.29
2019 Yancheng High-tech Zone PPN005	499,173,884.12	498,782,434.44
2019 Yancheng High-tech Zone Bond 01	397,475,573.11	395,604,318.10
2019 Yancheng High-tech Zone Bond 02	499,452,197.23	497,844,394.46
2019 Yancheng High-tech Zone Bond 03	528,982,904.05	527,307,202.89
2019 Yancheng High-tech Zone MTN001	499,467,660.43	498,968,343.25
2020 Yancheng High-tech Zone PPN001	498,646,103.32	
2020 Yancheng High-tech Zone PPN002	499,182,397.94	
2020 Yancheng High-tech Zone PPN003	994,252,080.21	
2020 Yancheng High-tech Zone PPN004	498,661,021.94	
2020 Yancheng High-tech Zone MTN001	497,993,344.66	

Items	Ending balance	Beginning balance
2020 Yancheng High-tech Zone MTN002	696,423,230.20	
2020 Yancheng High-tech Zone Bond 01	663,697,686.07	
2020 Yancheng High-tech Zone Bond 02	824,822,382.25	
2019 Yanhu Bond 01	244,366,761.08	243,024,598.69
2020 Yanhu Bond 01	291,254,979.52	
Total	12,292,620,743.04	7,242,358,283.62

2. Increase/decrease of bonds payable

Name	Face value	Term of the bond	Annual interest rate	Beginning balance	Amount issued in this period	Less: Interest adjustment	Amount repaid in this period	Amortization of premiums or discounts	Ending balance
2015 Yancheng High-tech Zone bond	1,000,000,000.00	2015/12/14-2022/12/14	3.90%	596,196,726.69			200,000,000.00	1,875,684.12	398,072,410.81
2017 Medium-term Notes No.01	500,000,000.00	7/21/2017-7/21/2022	5.52%	497,848,914.28			230,000,000.00	501,181.20	268,350,095.48
2017 Medium-term Notes No.02	500,000,000.00	2017/8/30-2022/8/30	6.14%	498,543,759.88				410,922.01	498,954,681.89
2018 Yancheng High-tech Zone PPN001	500,000,000.00	2018/10/11-2021/10/11	7.50%	499,653,281.85				166,265.88	499,819,547.73
2018 Yancheng High-tech Zone PPN002	500,000,000.00	2018/12/20-2021/12/20	7.30%	499,668,878.73				167,405.92	499,836,284.65
2019 Yancheng High-tech Zone PPN001	500,000,000.00	2019/3/15-2022/3/15	6.69%	496,666,066.11				1,481,290.56	498,147,356.67
2019 Yancheng High-tech Zone PPN002	500,000,000.00	2019/8/21-2021/8/21	6.80%	498,801,982.19				745,792.88	499,547,775.07

2019 Yancheng High-tech Zone PPN003	500,000,000.00	2019/5/8-2022/5/8	5.95%	496,674,587.77				1,483,369.24	498,157,957.01
2019 Yancheng High-tech Zone PPN004	500,000,000.00	2019/10/17-2022/10/17	6.50%	496,772,794.29				1,109,633.31	497,882,427.60
2019 Yancheng High-tech Zone PPN005	500,000,000.00	2019/12/12-2022/12/12	6.80%	498,782,434.44				391,449.68	499,173,884.12
2019 Yancheng High-tech Zone Bond 01	400,000,000.00	2019/4/12-2022/4/12	6.99%	395,604,318.10				1,871,255.01	397,475,573.11
2019 Yancheng High-tech Zone Bond 02	500,000,000.00	2019/5/7-2021/5/17	6.60%	497,844,394.46				1,607,802.77	499,452,197.23
2019 Yancheng High-tech Zone Bond 03	530,000,000.00	2019/8/26-2021/8/26	6.80%	527,307,202.89				1,675,701.16	528,982,904.05
2019 Yancheng High-tech Zone MTN001	500,000,000.00	2019/1/25-2022/1/25	6.50%	498,968,343.25				499,317.18	499,467,660.43
2020 Yancheng High-tech Zone PPN001	500,000,000.00	2020/1/20-2022/1/20	6.50%		500,000,000.00	2,500,000.00		1,146,103.32	498,646,103.32
2020 Yancheng High-tech Zone PPN002	500,000,000.00	2020/1/22-2022/1/22	7.00%		500,000,000.00	1,500,000.00		682,397.94	499,182,397.94
2020 Yancheng High-tech Zone PPN003	1,000,000,000.00	2020/6/5-2023/6/5	6.30%		1,000,000,000.00	7,000,000.00		1,252,080.21	994,252,080.21
2020 Yancheng High-tech Zone PPN004	500,000,000.00	2020/8/28-2023/8/26	6.10%		500,000,000.00	1,500,000.00		161,021.94	498,661,021.94
2020 Yancheng High-tech Zone MTN001	500,000,000.00	2020/8/26-2023/8/26	6.90%		500,000,000.00	2,250,000.00		243,344.66	497,993,344.66
2020 Yancheng High-tech Zone MTN002	700,000,000.00	2020/9/30-2023/9/30	5.58%		700,000,000.00	3,885,000.00		308,230.20	696,423,230.20

2020 Yancheng High-tech Zone Bond 01	670,000,000.00	2020/9/1-2027/9/1	6.00%		670,000,000.00	6,700,000.00		397,686.07	663,697,686.07
2020 Yancheng High-tech Zone Bond 02	830,000,000.00	2020/11/14-2027/11/10	6.00%		830,000,000.00	5,300,000.00		122,382.25	824,822,382.25
2019 Yanhu Bond 01	250,000,000.00	2019/7/11-2024-7-11	7.00%	243,024,598.69				1,342,162.39	244,366,761.08
2020 Yanhu Bond 01	300,000,000.00	2020/1/14-2025/1/14	7.00%		300,000,000.00	10,500,000.00		1,754,979.52	291,254,979.52
Total	13,180,000,000.00			7,242,358,283.62	5,500,000,000.00	41,135,000.00	430,000,000.00	21,397,459.42	12,292,620,743.04

Yancheng High-tech Zone Investment Group Co., Ltd.
Notes to the Financial Statements for the Year Ended December 31, 2020

(XXVIII) Long-term payables

Items	Ending balance	Beginning balance
Long-term payables	3,012,066,191.46	2,902,702,948.82
Total	3,012,066,191.46	2,902,702,948.82

(XXIX) Paid-in capital

Name of the investor	Beginning balance		Increase in this period	Decrease in this period	Ending balance	
	Investment amount	Proportion (%)			Investment amount	Proportion (%)
People's Government of Yancheng Municipality	2,680,000,000.00	100.00			2,680,000,000.00	100.00
Total	2,680,000,000.00	100.00			2,680,000,000.00	100.00

(XXX) Capital reserve

Items	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Premium on capital	282,053,200.00			282,053,200.00
Other capital reserve	8,308,598,167.47	1,320,949,563.65		9,629,547,731.12
Total	8,590,651,367.47	1,320,949,563.65		9,911,600,931.12

Note: The increase in the current period is mainly due to the transfer-in of government funds.

(XXXI) Other comprehensive income

Items	Beginning balance	Amount of this period					Ending balance
		Amount before income tax incurred in this period	Less: Transfer of previously recognized other comprehensive income to profit or loss for the current period	Less: Income tax expenses	Net profits or losses attributable to the parent	Net profits or losses attributable to minority shareholders	
I. Other comprehensive income that will not be reclassified subsequently to profit or loss							
Including: Others (changes in fair value of investment properties)	776,333,077.56	939,312,554.96		234,828,138.74	704,484,416.22		1,480,817,493.78
Total	776,333,077.56	939,312,554.96		234,828,138.74	704,484,416.22		1,480,817,493.78

(XXXII) Surplus reserve

Items	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Statutory surplus reserve	9,079,063.26	13,474,983.82		22,554,047.08
Total	9,079,063.26	13,474,983.82		22,554,047.08

(XXXIII) Undistributed profits

Items	Amount of this period	Amount of last period
Beginning balance of this year	2,201,730,896.01	1,810,609,989.52
Adjustment of undistributed profits at the beginning of this year		
Increase in this year	471,638,247.33	395,317,578.76
Including: Net profits attributable to owners of the parent company	471,638,247.33	395,317,578.76
Decrease in this year	13,474,983.82	4,196,672.27
Including: Appropriated to surplus reserve in this year	13,474,983.82	4,196,672.27
Provision for general risks in this year		
Distribution of cash dividend in this year		
Transferred to paid-in capital		
Other decreases		
Ending balance of this year	2,659,894,159.52	2,201,730,896.01

(XXXIV) Operating income and operating costs

Operating income and costs

Items	Amount of this period		Amount of last period	
	Income	Cost	Income	Cost
(1) Subtotal of revenue from main businesses	1,855,666,297.27	1,603,457,111.84	1,630,484,112.41	1,467,573,152.49
(2) Subtotal of revenue from other businesses	530,513,332.54	123,362,356.76	452,047,763.09	50,854,765.57
Total	2,386,179,629.81	1,726,819,468.60	2,082,531,875.50	1,518,427,918.06

Yancheng High-tech Zone Investment Group Co., Ltd.
Notes to the Financial Statements for the Year Ended December 31, 2020

(XXXV) Financial expenses

Items	Amount of this period	Amount of last period
Interest expense	184,396,622.39	203,621,044.75
Less: Interest income	100,757,144.18	143,564,830.30
Add: Bank fees	8,454,556.64	16,762,409.87
Add: Losses on exchange	11,508,720.46	-689,301.97
Bill discount	49,418,428.87	20,823,304.52
Others		729,780.00
Total	153,021,184.18	97,682,406.87

(XXXVI) Asset impairment losses

Items	Amount of this period	Amount of last period
Bad debt losses	-25,463,928.16	-45,556,364.59
Total	-25,463,928.16	-45,556,364.59

(XXXVII) Other income

Items	Amount of this period	Amount of last period
Government financial subsidies	265,954,105.37	254,581,062.96
Total	265,954,105.37	254,581,062.96

(XXXVIII) Investment income

Items	Amount of this period	Amount of last period
Income from long-term equity investments accounted for by equity method	25,343,246.86	27,759,460.13
Investment income from held-to-maturity investments during the holding period		4,210,526.31
Investment income from available-for-sale financial assets during the holding period	958,700.00	1,072,900.00
Income from disposal of long-term equity investments	871,599.45	-1,859,506.65
Gains from wealth management products	1,228,298.28	16,180,507.59
Total	28,401,844.59	47,363,887.38

(XXXIX) Gains from changes in fair value

Items	Amount of this period	Amount of last period
Investment properties measured at fair value	60,867,457.00	28,751,028.44
Total	60,867,457.00	28,751,028.44

(XL) Gains from disposal of assets

Items	Amount of this period	Amount of last period
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Yancheng High-tech Zone Investment Group Co., Ltd.
Notes to the Financial Statements for the Year Ended December 31, 2020

Items	Amount of this period	Amount of last period
Losses from disposal of fixed assets		-1,877,196.32
Losses from disposal of intangible assets	15,422,263.46	
Total	15,422,263.46	-1,877,196.32

(XLI) Non-operating income

Items	Amount of this period	Amount of last period
Compensation	33,426.11	
Others	883,971.23	85,195.38
Refund of taxes and late fees	5,849,394.52	
Current account not required to be paid		2,572,000.00
Total	6,766,791.86	2,657,195.38

(XLII) Non-operating expenses

Items	Amount of this period	Amount of last period
Abnormal loss		130,425.10
Compensation and penalty expenses	1,151,010.00	13,839,009.37
Late Fee	11,202,332.04	14,612,834.28
Donation expenses	299,211.41	
Others	203.48	165,858.56
Total	12,652,756.93	28,748,127.31

(XLIII) Income tax expenses

Details of income tax expenses

Items	Amount of this period	Amount of last period
Current income tax expense calculated according to Tax Law and related regulations	160,451,894.62	144,972,941.65
Deferred income tax adjustment	8,850,882.21	-4,705,359.03
Total	169,302,776.83	140,267,582.62

(XLIV) Consolidated Statement of Cash Flows(Supplement)

1. Details of reconciliation of net profits to cash flows from operating activities

Items	Amount of this period	Amount of last period
1. Reconciliation of net profits to cash flows from operating activities		

Yancheng High-tech Zone Investment Group Co., Ltd.

Notes to the Financial Statements for the Year Ended December 31, 2020

Net profits	471,359,420.46	396,822,899.61
Add: Provision for asset impairment	25,463,928.16	45,556,364.59
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of bearer biological assets	53,783,057.40	34,485,209.23
Amortization of intangible assets	2,232,792.88	5,650,896.50
Amortisation of long-term prepaid expenses	1,182,567.33	1,182,567.33
Losses from disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)	-15,422,263.46	1,877,196.32
Losses from fixed asset discard ("-" for gains)		
Losses from fair value change ("-" for gains)	-60,867,457.00	-28,751,028.44
Financial expenses ("-" for gains)	245,323,771.72	203,621,044.75
Investment losses ("-" for gains)	-28,401,844.59	-47,363,887.38
Decrease in deferred tax assets ("-" for increase)	-6,365,982.04	-11,893,116.14
Increase in deferred tax liabilities ("-" for decrease)	15,216,864.25	7,187,757.11
Decrease in inventories ("-" for increase)	-3,700,098,561.19	-1,421,403,054.05
Decrease in operating receivables ("-" for increase)	1,724,376,642.70	-1,200,509,033.62
Increase in operating payables ("-" for decrease)	753,270,931.21	203,551,089.55
Others		
Net cash flows from operating activities	-518,946,132.17	-1,809,985,094.64
2. Investing and financing activities that do not involve in cash receipts and payments		
Debts converted to capital		
One year due convertible bonds		
Fixed assets under financing lease		
3. Net change in cash and cash equivalents		
Ending balance of cash	5,464,665,698.82	4,430,639,028.12
Less: Beginning balance of cash	4,430,639,028.12	7,471,942,259.16
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	1,034,026,670.70	-3,041,303,231.04

2. Cash and cash equivalents

Items	Amount of this period	Amount of last period
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Yancheng High-tech Zone Investment Group Co., Ltd.
Notes to the Financial Statements for the Year Ended December 31, 2020

Cash	5,464,665,698.82	4,430,639,028.12
Including: Cash on hand	184.91	180.92
Bank balances payable at anytime	5,464,665,513.91	4,430,638,847.20
Other cash and bank balances payable at anytime		
Cash equivalents		
Including: bonds investment due in three months		
End balance of cash and cash equivalents	5,464,665,698.82	4,430,639,028.12

VIII. Notes on Contingencies

As at 31 December 2020, the total amount of external guarantee provided by the Company is RMB 12,660,022,000 Yuan.

IX. Assets Subject to Restrictions on Ownership or Use Rights

Items	Ending balance	Cause of restriction
Currency funds	9,088,847,603.95	Certificate of deposit pledge loan, pledge guarantee, bill margin and other margins
Fixed assets	36,131,386.43	Mortgage loans
Intangible assets	16,640,324.36	Mortgage loans and external guarantee
Inventories	1,050,583,373.36	Mortgage loans
Investment properties	4,245,024,233.00	Mortgage loans and external guarantee
Construction in progress	1,210,774,094.82	Mortgage loans
Total	15,648,001,015.92	

X. Post-balance Sheet Events

None

XI. Related Parties and Related Party Transactions

(I) Related party

1. Controlling shareholders and ultimate controlling parties

Name of the parent company	Shareholding ratio	Percentage of voting
People's Government of Yancheng Municipality	100.00	100.00

2. Subsidiaries

For details of subsidiaries, please refer to Note VI--Scope of Consolidation.

3. Joint ventures and associates

For details of the group's joint ventures and associates, please refer to Note VII (XI)--
Long-term Equity Investments

4. Balance of related party

Name of related parties	Relationship	Items	Ending balance
Yancheng High-tech Zone Yanlong Rural Micro Finance Co., Ltd.	Associates	Other receivables	5,000,000.00
Yancheng Huadu Forest Park Co., Ltd.	Under same ultimate controlling party	Other receivables	1,555,702,303.10
Yancheng Taohuayuan Tourism Development Management Co., Ltd.	Under same ultimate controlling party	Other payables	70,000,000.00
Jiangsu Saibo Yuhua Technology Co., Ltd.	Associates	Advances from customers	2,025,425.60

5. Related party transactions

Seller	Buyer	Particulars	Amount of this period
Yancheng Lizhiyong Trading Co., Ltd.	Jiangsu Saibo Yuhua Technology Co., Ltd.	Sales materials	3,391,161.11
Total			3,391,161.11

XII. Notes to Major Items in the Financial Statements of the Parent Company

(I) Currency funds

1. Balance of currency funds

Items	Ending balance	Beginning balance
Bank balances	2,790,197,044.11	1,230,656,642.88
Other currency funds	1,741,150,000.00	1,049,380,000.00
Total	4,531,347,044.11	2,280,036,642.88

2. Restrictions on the use of currency funds as at December 31, 2020

Items	Amount	Reason for limited availability
Other currency funds	1,741,150,000.00	Deposit pledge and note margin

Yancheng High-tech Zone Investment Group Co., Ltd.
Notes to the Financial Statements for the Year Ended December 31, 2020

Total	1,741,150,000.00
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(II) Long-term equity investments

1. Category of long-term equity investments

Items	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Long-term equity investments				
Including: Investment in subsidiaries	5,542,216,010.00	425,672,000.00		5,967,888,010.00
Investment in joint ventures				0.00
Investment in associates	29,749,689.18	11,993,411.29	2,337,992.41	39,405,108.06
Subtotal	5,571,965,699.18	437,665,411.29	2,337,992.41	6,007,293,118.06
Less: provision for impairment of long-term investments				
Total	5,571,965,699.18	437,665,411.29	2,337,992.41	6,007,293,118.06

2.Details of long-term equity investments

Name of Investee	Percentage in total investment (%)	Investment cost (In ten thousand)	Beginning balance (in ten thousand)	Increase/decrease in current period						Ending balance (In ten thousand)
				Adding investment	Reduced investment	Investment income (loss) recognized under equity method	Other comprehensive income adjustment	Changes of other equity instruments	Declared Cash dividend or profit distribution	
I. Investment in subsidiaries										
Yancheng Yongheng Investment and Development Co., Ltd.	100.00	108,000.00	108,000.00							108,000.00
Yancheng Chuangyong New Energy Investment Co., Ltd.	100.00	16,000.00	15,000.00	1,000.00						16,000.00
Yancheng Zhongyong Investment and Development Co., Ltd.	100.00	20,000.00	20,000.00							20,000.00
Yancheng Xinyong Investment and Development Co., Ltd.	100.00	20,000.00	20,000.00							20,000.00
Yancheng High-tech Zone SME Financing Guarantee Co., Ltd.	100.00	20,000.00	50,000.00							50,000.00
Yancheng Yongheng Construction and Development Co., Ltd.	100.00	20,000.00	20,000.00							20,000.00
Yancheng Lizhiyong Trading Co., Ltd.	51.00	20,000.00	20,000.00							20,000.00
Yancheng Longhu Beer Co., Ltd.	100.00	2,900.00	2,900.00							2,900.00
Yancheng Yanlong Lake Ecological Landscape Reserve Development and Construction	100.00	100,000.00	200,000.00							200,000.00

Name of Investee	Percentage in total investment (%)	Investment cost (In ten thousand)	Beginning balance (in ten thousand)	Increase/decrease in current period						Ending balance (In ten thousand)
				Adding investment	Reduced investment	Investment income (loss) recognized under equity method	Other comprehensive income adjustment	Changes of other equity instruments	Declared Cash dividend or profit distribution	
Co., Ltd										
Jiangsu Fanshun Tourism Development Co., Ltd.	100.00	17,000.00	19,000.00							19,000.00
Yancheng High-tech Zone Venture Capital Investment Co., Ltd.	100.00	60,000.00	60,000.00							60,000.00
Yancheng Yanlong Water Co., Ltd.	100.00	5,000.00	5,000.00							5,000.00
Yancheng Guochuang Venture Capital Partnership (Limited Partnership)	80.00	8,000.00	8,000.00							8,000.00
Yancheng Guoda Industrial Investment Fund Partnership (Limited Partnership)	80.00	1,603.20	801.60	801.60						1,603.20
Yancheng Guozhi Industry Fund Co., Ltd.	80.00	36,285.60	5,520.00	30,765.60						36,285.60
Yancheng High-tech Zone Yongheng Refinancing Service Co., Ltd.	100.00	10,000.00		10,000.00						10,000.00
II. Investment in associates										
Yancheng Jinke Yongheng Property Service Co., Ltd.	49.00	98.00	521.47			495.37			233.80	783.04
Yancheng Gaoxin Water Services Co., Ltd.	35.00	2,453.50	2,453.50			-197.15				2,256.35

Name of Investee	Percentage in total investment (%)	Investment cost (In ten thousand)	Beginning balance (in ten thousand)	Increase/decrease in current period					Ending balance (In ten thousand)
				Adding investment	Reduced investment	Investment income (loss) recognized under equity method	Other comprehensive income adjustment	Changes of other equity instruments	
Yancheng Anfu Lanke Venture Capital Partnership (Limited Partnership)	30.00	900.00		900.00		1.12			901.12
Total		468,240.30	557,196.57	43,467.20		299.34		233.80	600,729.31

Legal Representative:



Accounting Supervisor:



Head of Accounting Department:



Yancheng High-tech Zone Investment Group Co., Ltd.

April 28, 2021

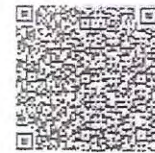




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营业执照

(副本) (5-1)



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“国家企业信用
信息公示系统”
了解更多登记、
备案、许可、监
管信息

名称 中兴华会计师事务所(特殊普通合伙)

类型 特殊普通合伙企业

执行事务合伙人 李尊农

经营范围 审查企业会计报表，出具审计报告；验证企业资本，出具验资报告；办理企业合并、分立、清算事宜中的审计业务，出具有关报告；基本建设年度财务决算审计；代理记账；会计咨询、税务咨询、管理咨询、会计培训；法律、法规规定的其他业务。（企业依法自主选择经营项目，开展经营活动；依法须经批准的项目，经相关部门批准后依批准的内容开展经营活动；不得从事本市产业政策禁止和限制类项目的经营活动。）

成立日期 2013年11月04日

合伙期限 2013年11月04日至 长期

主要经营场所 北京市西城区阜外大街1号东塔楼15层



中兴华会计师事务所(特殊普通合伙)
报告审讫章(1)

登记机关



2020年 03月 26日



会计师事务所 执业证书

名称：中兴华会计师事务所（特殊普通合伙）

首席合伙人：李尊农

主任会计师：

经营场所：北京市西城区阜外大街1号东塔楼15层

组织形式：特殊普通合伙

执业证书编号：11000167

批准执业文号：京财会许可〔2013〕0066号

批准执业日期：2013年10月25日

中兴华会计师事务所（特殊普通合伙）
报告审订章（1）



证书序号：0000066

说明

- 1、《会计师事务所执业证书》是证明持有人经财政部门依法审批，准予执行注册会计师法定业务的凭证。
- 2、《会计师事务所执业证书》记载事项发生变动的，应当向财政部门申请换发。
- 3、《会计师事务所执业证书》不得伪造、涂改、出租、出借、转让。
- 4、会计师事务所终止或执业许可注销的，应当向财政部门交回《会计师事务所执业证书》。

发证机关：北京市财政局

二〇一八年 三月 九日

中华人民共和国财政部制



证书序号：000368

会计师事务所

证券、期货相关业务许可证

附件使用
附件使用
附件使用

经财政部、中国证券监督管理委员会审查，批准

执行证券、期货相关业务。

中兴华会计师事务所（特殊普通合伙）



首席合伙人：李尊农

证书号：24

发证时间：二〇一二年十二月八日

证书有效期至：二〇一三年十二月八日



此证书是依据《证券法》和《期货交易管理条例》的规定颁发的，其效力不受任何单位和个人非法干预。



姓名: 孙裕强
 Full name: Sun Yiqiang
 性别: 男
 Sex: Male
 出生日期: 1976-05-08
 Date of birth: 1976-05-08
 工作单位: 中兴华富华会计师事务所
 Working unit: Zhongxinghua Fuhua CPAs Firm
 身份证号码: 3210841976050804
 Identity card No.: 3210841976050804

证书编号: 110001670152
 No. of Certificate: 110001670152

批准注册协会: 江苏省注册会计师协会
 Authorized Institute of CPAs: Jiangsu Institute of CPAs

发证日期: 2012年3月30日
 Date of Issuance: 2012/3/30



年度检验登记
 Annual Renewal Registration

本证书经检验合格, 继续有效一年。
 This certificate is valid for another year after this renewal.



孙裕强(110001670152)
 您已通过2020年年检
 江苏省注册会计师协会



注册会计师工作单位变更事项登记
 Registration of the Change of Working Unit by a CPA

同意调出
 Agree the holder to be transferred from

事务所
 CPAs

转出协会盖章
 Stamp of the transfer-out Institute of CPAs

年 月 日
 /y /m /d

同意调入
 Agree the holder to be transferred to 变更备案

中兴华会计师事务所(特殊普通合伙)江苏分所
 Zhongxinghua CPAs Firm (Special General Partnership) Jiangsu Branch CPAs



转出协会盖章
 Stamp of the transfer-in Institute of CPAs

2012年6月2日
 /y /m /d



姓名 赵海珊
 Full name _____
 性别 女
 Sex _____
 出生日期 1981-04-04
 Date of birth _____
 工作单位 中兴华会计师事务所（特殊普通合伙）江苏分所
 Working unit _____
 身份证号码 198104048245
 Identity card No. _____



年度检验登记

Annual Renewal Registration

本证书经检验合格，继续有效一年。
 This certificate is valid for another year after this renewal.



赵海珊(110001673745)
 您已通过2019年年检
 江苏省注册会计师协会

赵海珊(110001673745)
 您已通过2020年年检
 江苏省注册会计师协会

证书编号: 110001673745
 No. of Certificate

批准注册协会: 江苏省注册会计师协会
 Authorized Institute of CPAs

发证日期: 2013 年 12 月 30 日
 Date of Issuance /y /m /d

Yancheng High-tech Zone Investment Group Co., Ltd.



00002020040107846698

报告文号：中兴华审字[2020]第021057号

Auditor's Report

Zhongxinghua Certified Public Accountants LLP



ZHONGXINGHUA CERTIFIED PUBLIC ACCOUNTANTS LLP

F15, Sichuan Building East, No.1 Fu Wai Da Jie, Xicheng District, Beijing, China

Auditor's Report

Zhongxinghua Audit (2020) No. 021057

To the shareholders of Yancheng High-tech Zone Investment Group Co., Ltd.:

I. Opinion

We have audited the financial statements of Yancheng High-tech Zone Investment Group Co., Ltd. (the "Group"), including the Consolidated and Parent Company's Balance Sheet as at 31 December 2019, and the Consolidated and Parent Company's Income Statement, Statement of Cash Flows, Statement of Changes in Equity for the year then ended, as well as the Notes to the financial statements.

In our opinion, the financial statements attached hereafter are prepared in all material respects in accordance with the requirements of China Accounting Standards for Business Enterprises, and fairly present the Group's financial position as at 31 December 2019, and the results of its operations and cash flows for the year then ended.

II. Basis for Opinion

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

III. Responsibilities of Management and Those Charged with Governance for Financial Statements

The Group's management (the "Management") is responsible for preparing the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises to achieve a fair presentation, and for designing, implementing and maintaining such internal control that is necessary to ensure that the financial statements are free from material misstatements, whether due to frauds or errors.

In preparing the financial statements, the Management is responsible for assessing the Group's



ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

IV. Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

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

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



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

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

Zhongxinghua Certified Public Accountants LLP



CPA China:



CPA China:



April 20, 2020

Consolidated Balance Sheet

31 December 2019

Prepared by: Yancheng High-tech Zone Investment Group Co., Ltd.

Monetary unit: RMB Yuan

Items	Note VII	Ending balance	Beginning balance
Current assets:			
Currency funds	(I)	10,463,325,913.99	12,752,626,071.53
Financial assets at fair value through profit or loss	(II)		40,000,000.00
Derivative financial assets			
Notes receivable	(III)	57,527,387.06	22,181,000.00
Accounts receivable	(IV)	394,875,393.36	1,006,128,911.37
Prepayments	(V)	978,594,574.42	1,569,168,818.53
Other receivables	(VI)	12,014,145,156.53	9,337,815,753.87
Inventories	(VII)	16,535,207,741.66	13,759,082,257.71
Assets held for sale			
Non-current assets due within one year			
Other current assets	(VIII)	2,699,042,225.05	574,328,935.27
Total current assets		43,142,718,392.07	39,061,331,748.28
Non-current assets:			
Available-for-sale financial assets	(IX)	1,128,993,886.00	1,678,389,086.00
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	(X)	783,930,610.70	696,567,786.91
Investment properties	(XI)	5,742,529,516.67	5,648,487,825.67
Fixed assets	(XII)	754,594,739.02	224,522,254.46
Construction in progress	(XIII)	2,008,403,957.66	1,163,996,050.68
Bearer biological assets			
Oil & gas assets			
Intangible assets	(XIV)	160,919,173.22	150,286,588.66
Development expenditures			
Goodwill			
Long-term prepaid expenses	(XV)	6,956,697.84	5,937,142.87
Deferred tax assets	(XVI)	24,514,074.16	12,620,958.02
Other non-current assets	(XVII)	148,000,000.00	268,000,000.00
Total non-current assets		10,758,842,655.27	9,848,807,693.27
TOTAL ASSETS		53,901,561,047.34	48,910,139,441.55

(The attached Notes to Financial Statements is an inherent part of the financial statements).

Legal Representative:

Accounting Supervisor:

Head of Accounting Department:

Consolidated Balance Sheet (Continued)

31 December 2018

Prepared by: Yancheng High-tech Zone Investment Group Co., Ltd.

Monetary unit: RMB Yuan

Items	Note VII	Ending balance	Beginning balance
Current liabilities:			
Short-term borrowings	(XVII)	2,126,261,000.00	1,358,000,000.00
Financial liabilities at fair value through profit or loss			
Derivate financial liabilities			
Notes payable	(XIX)	1,262,380,000.00	1,298,001,000.00
Accounts payable	(XX)	746,718,895.97	1,603,726,301.47
Advances from customers	(XXI)	13,911,492.35	58,407,699.06
Employee benefits payable	(XXII)	32,906.55	177,132.50
Taxes and dues payable	(XXIII)	579,601,230.60	408,774,494.97
Other payables	(XXIV)	745,727,361.47	805,724,417.93
Liabilities held for sale			
Non-current liabilities due within one year	(XXV)	8,293,233,878.76	6,260,104,668.83
Other current liabilities	(XXVI)	1,099,470,000.00	1,374,653,947.77
Total current liabilities		14,867,336,760.70	13,167,569,660.53
Non-current liabilities:			
Long-term borrowings	(XVII)	10,801,353,000.00	12,394,121,859.21
Bonds payable	(XVIII)	7,242,358,283.62	3,099,997,702.83
Including: Preferred stock			
Perpetual bonds			
Long-term employee benefits payable			
Long-term payables	(XXIX)	2,902,702,948.82	3,442,331,714.03
Provisions			
Deferred income			
Deferred tax liabilities	(XVI)	352,722,393.01	345,534,635.90
Other non-current liabilities			
Total non-current liabilities		21,299,136,625.45	19,281,985,911.97
TOTAL LIABILITIES		36,166,473,386.15	32,449,555,572.50
Owner's (shareholder's) equity:			
Paid-in capital	(XXX)	2,680,000,000.00	2,680,000,000.00
Other equity instruments			
Including: Preferred stock			
Perpetual bonds			
Capital reserve	(XXXI)	8,590,651,367.47	7,634,570,474.94
Less: Treasury stock			
Other comprehensive income	(XXXII)	776,333,077.58	776,333,077.58
Special reserve			
Surplus reserve	(XXXIII)	9,079,063.26	4,882,390.99
Undistributed profits	(XXXIV)	2,201,730,896.01	1,810,609,989.52
Total owner's equity attributable to the parent company		14,257,794,404.30	12,906,395,933.01
Minority interests		3,477,293,256.89	3,554,187,936.04
Total owner's equity		17,735,087,661.19	16,460,583,869.05
TOTAL LIABILITIES AND EQUITY		53,901,561,047.34	48,910,139,441.55

(The attached Notes to Financial Statements is an inherent part of the financial statements).

Legal Representative:

Accounting Supervisor:

Head of Accounting Department:

Consolidated Income Statement

Year 2019

Prepared by: Yancheng High-tech Zone Investment Group Co., Ltd.

Monetary unit: RMB Yuan

Items	Note VII	Amount of this period	Amount of last period
I. Total operating revenue	(000V)	2,082,531,875.50	1,500,733,191.22
Including: Revenue from main operations	(000V)	2,082,531,875.50	1,500,733,191.22
II. Total operating costs		1,848,189,243.80	1,300,075,248.73
Including: Operating expenses	(000V)	1,518,427,918.06	1,101,912,187.67
Business taxes and surtaxes	(000VI)	70,672,152.49	58,749,633.74
Selling expenses		1,706,212.93	
General and administrative expenses		114,124,188.86	97,930,436.08
R&D expenses			
Financial expenses	(000VII)	97,682,406.87	57,592,530.00
Including: Interest expenses		203,621,044.75	136,838,339.86
Interest income		143,564,830.30	113,038,195.93
Asset impairment losses	(000VIII)	45,556,364.59	16,109,742.76
Add: Other income	(000IX)	254,591,062.96	162,968,288.36
Investment income ("-" for losses)	(XL)	47,363,867.89	31,249,082.11
Including: Income from investments in associates and joint ventures		27,759,460.13	29,646,893.22
Add: Gains from changes in fair value ("-" for losses)	(XLI)	29,751,028.44	21,885,959.47
Gains from disposal of assets ("-" for losses)	(XLII)	-1,877,198.32	-615,356.59
III. Operating profits ("-" for losses)		563,187,414.16	418,945,917.84
Add: Non-operating income	(XLIII)	2,657,195.38	1,056,077.23
Less: Non-operating expenses	(XLIV)	28,748,127.31	6,178,459.43
IV. Total profits ("-" for losses)		537,096,482.23	413,823,535.64
Less: Income tax expenses	(XLV)	140,267,582.62	87,943,985.48
V. Net profits ("-" for losses)		396,822,899.61	322,879,550.16
(I) Classified by business continuity:			
1. Net profits from continuing operations ("-" for losses)		396,822,899.61	322,879,550.16
2. Net profits from discontinued operations ("-" for losses)			
(II) Classified by ownership			
1. Minority shareholders' gains/losses ("-" for losses)		1,505,320.85	-135,186.44
2. Net profits attributable to owners of the parent company ("-" for losses)		395,317,578.76	323,014,736.60
VI. Other comprehensive income, net of tax			
Total comprehensive income net of tax attributable to owners of the parent company			
(I) Other comprehensive income that will not be reclassified subsequently to profit or loss			
1. Changes from Defined Benefit Plan re-measurement			
2. Other comprehensive income that cannot be reclassified to profit or loss under the equity method			
(II) Other comprehensive income that will be reclassified into profit or loss			
1. Other comprehensive income that can be reclassified to profit or loss under the equity method			
2. Gains or losses from fair value change of available-for-sale financial assets			
3. Gains or losses from reclassifying held-to-maturity investments to available-for-sale financial assets			
4. Effective portion of cash flow hedge gains or losses			
5. Translation difference of foreign currency statements			
6. Investment properties			517,577,661.94
Total comprehensive income net of tax attributable to minority shareholders			
VII. Total comprehensive income		396,822,899.61	840,457,212.10
Total comprehensive income attributable to owners of the parent company		395,317,578.76	840,592,398.54
Total comprehensive income attributable to minority shareholders		1,505,320.85	-135,186.44

(The attached Notes to Financial Statements is an inherent part of the financial statements).

Legal Representative:

根保

Accounting Supervisor:

徐娟

Head of Accounting Department:

王怡

Consolidated Statement of Cash Flows

Year 2019

Prepared by: Yancheng High-tech Zone Investment Group Co., Ltd.

Monetary unit: RMB Yuan

Items	Note	Amount of this period	Amount of last period
I. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		2,728,094,300.59	1,717,436,826.78
Cash received from tax return		30,069,711.08	
Other cash receipts related to operating activities		6,587,291,818.34	9,016,704,640.25
Subtotal of cash inflows from operating activities		9,345,455,830.01	10,734,141,467.01
Cash paid for goods and services		4,387,890,310.81	1,556,113,691.48
Cash paid to and for employees		27,433,487.11	25,196,241.43
Cash paid for various taxes		159,321,635.96	58,685,515.05
Other cash payments related to operating activities		7,580,795,610.77	7,594,443,956.59
Subtotal of cash outflows from operating activities		11,155,440,924.65	9,234,439,404.55
Net cash flows from operating activities		-1,809,985,094.64	1,499,702,062.46
II. Cash flows from investing activities			
Cash receipts from investment withdrawal		65,100,000.00	50,000,000.00
Cash receipts from investment income		26,189,543.13	8,138,724.33
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		25,582,100.00	12,000.00
Net cash received from disposal of subsidiaries and other business entities			
Other cash receipts related to investing activities		644,522,160.63	662,535,063.73
Subtotal of cash inflows from investing activities		761,393,803.76	720,685,788.06
Cash paid to acquire fixed assets, intangible assets and other long-term assets		1,360,335,479.77	1,400,695,134.99
Cash paid for investment		313,039,800.00	1,205,196,170.95
Net cash paid for acquisition of subsidiaries and other business entities		1,315,944.01	
Other cash payments related to investing activities		1,797,001,001.00	2,149,890.56
Subtotal of cash outflows from investing activities		3,471,692,224.78	2,608,043,196.50
Net cash flows from investing activities		-2,710,298,421.02	-1,887,357,406.44
III. Cash flows from financing activities			
Cash proceeds from investments		21,800,000.00	450,619,800.00
Including: Cash proceeds from minority shareholders' investments to subsidiaries			450,619,800.00
Cash proceeds from borrowings		13,162,287,786.31	12,411,436,047.77
Other cash receipts related to financing activities		4,341,036,694.38	3,011,253,374.86
Subtotal of cash inflows from financing activities		17,524,924,480.69	15,873,309,222.63
Cash repayments of amounts borrowed		9,920,764,739.66	9,040,304,529.15
Cash payments for distribution of dividends, profits or interest expenses		1,908,701,084.08	1,391,070,251.33
Including: Dividends or profits paid to minority shareholders by subsidiaries			
Other cash payments related to financing activities		4,216,478,372.33	3,529,144,185.37
Subtotal of cash outflows from financing activities		16,045,944,196.07	13,960,518,965.85
Net cash provide by financing activities		1,478,980,284.62	1,912,790,256.78
IV. Effect of foreign exchange rate changes on cash and cash equivalents			
V. Net increase in cash and cash equivalents		-3,041,303,231.04	1,525,134,910.80
Add: Beginning balance of cash and cash equivalents		7,471,942,259.16	5,946,807,348.36
VI. Ending balance of cash and cash equivalents		4,430,639,028.12	7,471,942,259.16

(The attached Notes to Financial Statements is an inherent part of the financial statements).

Legal Representative:

Accounting Supervisor:

Head of Accounting Department:

Consolidated Statement of Changes in Equity
Year 2019

Prepared by: Yancheng High-tech Zone Investment Group Co., Ltd.

Unit: RMB Yuan

Items	Amount of this period												
	Equity attributable to owners of the parent Company										Minority interests	Total owner's equity	
	Paid-in capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits			Subtotal
	Preferred stock	Perpetual bonds	Others										
I. Ending balance of previous year	2,680,000,000.00	-	-	-	7,634,570,474.94	-	776,333,077.56	-	4,882,300.99	1,810,609,989.52	12,906,395,933.01	3,554,187,936.04	16,460,583,869.05
Add: changes of accounting policies													
Corrections of previous errors													
Others													
II. Beginning balance of this year	2,680,000,000.00	-	-	-	7,634,570,474.94	-	776,333,077.56	-	4,882,300.99	1,810,609,989.52	12,906,395,933.01	3,554,187,936.04	16,460,583,869.05
III. Increase in this year ("-" for decrease)					956,080,892.53				4,196,672.27	391,120,906.49	1,351,396,471.29	-76,894,679.15	1,274,503,792.14
(I) Total comprehensive income										395,317,578.76	395,317,578.76	1,505,320.85	396,822,899.61
(II) Capital contributed or reduced by owners												-78,400,000.00	-78,400,000.00
1. Common share contributed by shareholders												-78,400,000.00	-78,400,000.00
2. Capital contributed by other equity instrument owners													
3. Share-based payments recognized in owner's equity													
4. Others													
(III) Profit distribution					956,080,892.53				4,196,672.27	-4,196,672.27	956,080,892.53		956,080,892.53
1. Appropriation to surplus reserve									4,196,672.27	-4,196,672.27			
2. Provision for general risks													
3. Distribution to owners (or shareholders)													
4. Others					956,080,892.53						956,080,892.53		956,080,892.53
(IV) Internal carry-forward of owner's equity													
1. Transfer of capital reserve into capital (or share capital)													
2. Transfer of surplus reserve into capital (or share capital)													
3. Surplus reserve used for loss recovery													
4. Carry-forward of net liability or asset changes from remeasuring Defined Benefit Plan													
5. Others													
(V) Provision for and use of special reserve													
1. Provision for special reserve													
2. Use of special reserve													
IV. Ending balance of this year	2,680,000,000.00	-	-	-	8,590,651,367.47	-	776,333,077.56	-	9,079,063.26	2,201,730,896.01	14,257,794,404.30	3,477,293,256.89	17,735,087,661.19

(The attached Notes to Financial Statements is an inherent part of the financial statements.)

Legal Representative:

金徐根

Accounting Supervisor

徐娟

Head of Accounting Department

王怡

Consolidated Statement of Changes in Equity (Continued)
Year 2019

Prepared by: Yancheng High-tech Zone Investment Group Co., Ltd.

Unit: RMB Yuan

Items	Amount of last period												
	Equity attributable to owners of the parent Company										Minority interests	Total owner's equity	
	Capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits			Subtotal
	Preferred stock	Perpetual bonds	Others										
I. Ending balance of previous year	2,680,000,000.00	-	-	-	6,892,598,996.21	-	258,755,415.62	-	4,800,739.45	1,487,676,904.46	11,323,832,055.74	3,228,487,124.70	14,552,319,180.44
Add: changes of accounting policies													-
Corrections of previous errors													-
Others													-
II. Beginning balance of this year	2,680,000,000.00	-	-	-	6,892,598,996.21	-	258,755,415.62	-	4,800,739.45	1,487,676,904.46	11,323,832,055.74	3,228,487,124.70	14,552,319,180.44
III. Increase in this year ("+" for decrease)	-	-	-	-	741,971,478.73	-	517,577,861.94	-	81,851.54	322,933,065.06	1,582,583,877.27	325,700,811.34	1,908,284,688.61
(I) Total comprehensive income							517,577,861.94			322,933,065.06	840,592,398.54	-135,186.44	840,457,212.10
(II) Capital contributed or reduced by owners					741,971,478.73						741,971,478.73	325,835,997.78	1,067,807,476.51
1. Common share contributed by shareholders												325,835,997.78	325,835,997.78
2. Capital contributed by other equity instrument owners													-
3. Share-based payments recognized in owner's equity													-
4. Others					741,971,478.73						741,971,478.73		741,971,478.73
(III) Profit distribution									81,851.54	-81,851.54			-
1. Appropriation to surplus reserve									81,851.54	-81,851.54			-
2. Provision for general risks													-
3. Distribution to owners (or shareholders)													-
4. Others													-
(IV) Internal carry-forward of owner's equity													-
1. Transfer of capital reserve into capital (or share capital)													-
2. Transfer of surplus reserve into capital (or share capital)													-
3. Surplus reserve used for loss recovery													-
4. Carry-forward of net liability or asset changes from remeasuring Defined Benefit Plan													-
5. Others													-
(V) Provision for and use of special reserve													-
1. Provision for special reserve													-
2. Use of special reserve													-
IV. Ending balance of this year	2,680,000,000.00	-	-	-	7,634,570,474.94	-	776,333,277.56	-	4,882,390.99	1,810,609,969.52	12,906,395,933.01	3,554,187,936.04	16,460,583,669.05

(The attached Notes to Financial Statements is an inherent part of the financial statements).

金徐根

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Balance Sheet of Parent Company

31 December 2019

Prepared by: Yancheng High-tech Zone Investment Group Co., Ltd.

Monetary unit: RMB Yuan

Items	Note XII	Ending balance	Beginning balance
Current assets:			
Currency funds		2,280,036,642.88	3,749,540,670.63
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable			
Accounts receivable			
Prepayments		347,098,143.91	307,286,369.25
Other receivables	(I)	11,928,791,074.08	7,720,954,905.32
Inventories		5,399,560,271.46	4,002,724,513.28
Assets held for sale			
Non-current assets due within one year			
Other current assets		567,494,129.29	45,749,168.50
Total current assets		20,522,978,861.62	15,826,255,626.98
Non-current assets:			
Available-for-sale financial assets		1,014,089,086.00	832,089,086.00
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	(II)	5,571,965,699.18	5,545,951,877.48
Investment properties		2,857,206,900.00	2,825,531,040.00
Fixed assets		29,276,336.21	5,979,615.08
Construction in progress		1,868,825,664.88	986,948,416.19
Bearer biological assets			
Oil & gas assets			
Intangible assets		542,234.51	
Development expenditures			
Goodwill			
Long-term prepaid expenses		5,195,000.00	5,937,142.87
Deferred tax assets		7,667,489.26	4,063,776.58
Other non-current assets		8,000,000.00	68,000,000.00
Total non-current assets		11,362,768,410.04	10,274,500,954.20
TOTAL ASSETS		31,885,747,271.66	26,100,756,581.18

(The attached Notes to Financial Statements is an inherent part of the financial statements).

Legal Representative:



Accounting Supervisor:



Head of Accounting Department:



Balance Sheet of Parent Company (Continued)

31 December 2019

Prepared by: Yancheng High-tech Zone Investment Group Co., Ltd.

Monetary unit: RMB Yuan

Items	Note XII	Ending balance	Beginning balance
Current liabilities:			
Short-term borrowings		1,040,900,000.00	645,000,000.00
Financial liabilities at fair value through profit or loss			
Derivate financial liabilities			
Notes payable		1,304,380,000.00	1,130,000,000.00
Accounts payable		229,459,837.32	608,926,522.95
Advances from customers			
Employee benefits payable			
Taxes and dues payable		12,921,359.27	2,881,853.45
Other payables		562,602,251.31	210,174,285.63
Liabilities held for sale			
Non-current liabilities due within one year		4,520,900,000.00	3,261,000,000.00
Other current liabilities		811,900,000.00	1,374,853,947.77
Total current liabilities		8,502,063,247.90	7,232,836,609.80
Non-current liabilities			
Long-term borrowings		7,231,000,000.00	7,091,000,000.00
Bonds payable		6,999,333,684.93	2,788,160,681.03
Including: Preferred stock			
Perpetual bonds			
Long-term payables		1,653,726,929.45	1,738,911,571.35
Long-term employee benefits payable			
Provisions			
Deferred income			
Deferred tax liabilities		143,216,392.74	136,607,425.05
Other non-current liabilities			
Total non-current liabilities		16,027,277,007.12	11,754,679,677.43
TOTAL LIABILITIES		24,530,340,255.02	18,987,316,287.23
Owner's equity			
Paid-in capital		2,680,000,000.00	2,680,000,000.00
Other equity instruments			
Including: Preferred stock			
Perpetual bonds			
Capital reserve		4,097,307,973.66	3,897,307,973.66
Less: Treasury stock			
Other comprehensive income		409,822,275.17	409,822,275.17
Special reserve			
Surplus reserve		9,079,063.26	4,882,390.99
Undistributed profits		159,197,704.55	121,427,654.13
Total owner's equity		7,355,407,016.64	7,113,440,293.95
TOTAL LIABILITIES AND EQUITY		31,885,747,271.66	26,100,756,581.18

(The attached Notes to Financial Statements is an inherent part of the financial statements).

Legal Representative:

Accounting Supervisor:

Head of Accounting Department:

Income Statement of Parent Company

Year 2019

Prepared by: Yancheng High-tech Zone Investment Group Co., Ltd.

Monetary unit: RMB Yuan

Items	Note XII	Amount of this period	Amount of last period
I. Operating Income	(III)	217,223,978.33	155,478,850.61
Less: operating costs	(III)	78,602,124.67	64,447,775.93
Business taxes and surtaxes		29,675,359.16	29,529,330.48
Selling expenses			
General and administrative expenses		33,266,455.31	38,284,010.36
R&D expenses			
Financial expenses		17,655,703.15	18,541,632.12
Including: Interest expenses		3,685,843.79	
Interest income		6,176,049.37	7,231,153.37
Asset impairment losses		14,414,850.74	4,189,121.14
Add: Other income			
Investment income ("-" for losses)	(IV)	8,051,957.12	1,014,427.48
Including: Income from investments in associates and joint ventures		3,262,821.70	971,867.48
Add: Gains from changes in fair value ("-" for losses)		26,435,870.78	
Gains from disposal of assets ("-" for losses)		37,757.28	
II. Operating profits ("-" for losses)		78,135,070.48	1,501,408.06
Add: Non-operating income		4,141.84	3.58
Less: Non-operating expenses		21,294,786.17	358,706.30
III. Total profits ("-" for losses)		56,844,426.15	1,142,705.34
Less: Income tax expenses		14,877,703.46	326,189.98
IV. Net profits ("-" for losses)		41,966,722.69	816,515.36
(I) Net profits from continuing operations ("-" for losses)		41,966,722.69	816,515.36
(II) Net profits from discontinued operations ("-" for losses)			
V. Other comprehensive income, net of tax			409,822,275.17
(I) Other comprehensive income that will not be reclassified subsequently to profit or loss			
1. Changes from Defined Benefit Plan re-measurement			
2. Other comprehensive income that cannot be reclassified to profit or loss under the equity method			
(II) Other comprehensive income that will be reclassified into profit or loss			409,822,275.17
1. Other comprehensive income that can be reclassified to profit or loss under the equity method			
2. Gains or losses from fair value change of available-for-sale financial assets			
3. Gains or losses from reclassifying held-to-maturity investments to available-for-sale financial assets			
4. Effective portion of cash flow hedge gains or losses			
5. Translation difference of foreign currency statements			
6. Investment properties			409,822,275.17
VI. Total comprehensive income		41,966,722.69	410,638,790.53

(The attached Notes to Financial Statements is an inherent part of the financial statements.)

Legal Representative:

Accounting Supervisor:

Head of Accounting Department:

Cash Flow Statement of Parent Company

Year 2019

Prepared by: Yancheng High-tech Zone Investment Group Co., Ltd.

Monetary unit: RMB Yuan

Items	Note	Amount of this period	Amount of last period
I. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		278,291,590.18	168,831,326.58
Cash received from tax return		30,053,936.00	
Other cash receipts related to operating activities		2,373,801,308.70	883,617,957.20
Subtotal of cash inflows from operating activities		2,682,146,834.88	1,052,449,283.78
Cash paid for goods and services		467,745,481.41	131,465,944.22
Cash paid to and for employees		75,250,126.83	6,087,284.29
Cash paid for various taxes		86,054,505.56	18,944,887.25
Other cash payments related to operating activities		5,097,181,231.60	3,136,261,045.05
Subtotal of cash outflows from operating activities		5,656,211,345.40	3,292,759,180.81
Net cash flows from operating activities		-2,974,064,510.52	-2,240,309,877.03
II. Cash flows from investing activities			
Cash receipts from investment withdrawal		60,000,000.00	
Cash receipts from investment income		4,789,135.42	458,307.69
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		39,000.00	
Net cash received from disposal of subsidiaries and other business entities			
Other cash receipts related to investing activities			448,206,617.92
Subtotal of cash inflows from investing activities		64,828,135.42	448,664,925.61
Cash paid to acquire fixed assets, intangible assets and other long-term assets		988,912,611.24	1,297,111,438.44
Cash paid for investment		269,751,000.00	1,212,819,486.00
Net cash paid for acquisition of subsidiaries and other business entities			
Other cash payments related to investing activities			
Subtotal of cash outflows from investing activities		1,258,663,611.24	2,509,930,924.44
Net cash flows from investing activities		-1,193,835,475.82	-2,061,265,998.83
III. Cash flows from financing activities			
Cash proceeds from investments			
Cash proceeds from borrowings		10,397,375,200.00	10,540,926,047.77
Other cash receipts related to financing activities		1,095,118,318.54	847,518,883.80
Subtotal of cash inflows from financing activities		11,492,493,518.54	11,388,444,931.57
Cash repayments of amounts borrowed		5,019,886,632.27	4,543,439,340.97
Cash payments for distribution of dividends, profits or interest expenses		1,201,401,758.04	756,210,066.55
Other cash payments related to financing activities		2,046,989,171.64	1,482,238,403.62
Subtotal of cash outflows from financing activities		8,268,277,559.95	6,781,887,811.14
Net cash provide by financing activities		3,224,215,958.59	4,606,557,120.43
IV. Effect of foreign exchange rate changes on cash and cash equivalents			
V. Net increase in cash and cash equivalents			
		-943,684,027.75	304,981,244.57
Add: Beginning balance of cash and cash equivalents		2,174,340,670.63	1,869,359,426.06
VI. Ending balance of cash and cash equivalents			
		1,230,656,642.88	2,174,340,670.63

(The attached Notes to Financial Statements is an inherent part of the financial statements).

Legal Representative:

Accounting Supervisor:

Head of Accounting Department:

Statement of Changes in Equity of Parent Company
Year 2019

Prepared by: Yancheng High-tech Zone Investment Group Co., Ltd.

Unit: RMB Yuan

Items	Amount of this period										
	Paid-in capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive inc	Special reserve	Surplus reserve	Undistributed profits	Total owner's equity
		Preferred stock	Perpetual bonds	Others							
I. Ending balance of previous year	2,680,000,000.00				3,897,307,973.66		409,822,275.17		4,882,390.99	121,427,654.13	7,113,440,293.95
Add: changes of accounting policies											
Corrections of previous errors											
Others											
II. Beginning balance of this year	2,680,000,000.00				3,897,307,973.66		409,822,275.17		4,882,390.99	121,427,654.13	7,113,440,293.95
III. Increase in this year ("-" for decrease)					200,000,000.00				4,196,672.27	37,770,050.42	241,966,722.69
(I) Total comprehensive income										41,966,722.69	41,966,722.69
(II) Capital contributed or reduced by owners					200,000,000.00						200,000,000.00
1. Common share contributed by owners											
2. Capital contributed by other equity instrument owners											
3. Share-based payments recognized in owner's equity											
4. Others					200,000,000.00						200,000,000.00
(III) Profit distribution									4,196,672.27	-4,196,672.27	
1. Appropriation to surplus reserve									4,196,672.27	-4,196,672.27	
2. Provision for general risks											
3. Distribution to owners (or shareholders)											
4. Others											
(IV) Internal carry-forward of owner's equity											
1. Transfer of capital reserve into capital (or share capital)											
2. Transfer of surplus reserve into capital (or share capital)											
3. Surplus reserve used for loss recovery											
4. Carry-forward of net liability or asset changes from measuring Defined Benefit Plan											
5. Others											
(V) Provision for and use of special reserve											
1. Provision for special reserve											
2. Use of special reserve											
IV. Ending balance of this year	2,680,000,000.00				4,097,307,973.66		409,822,275.17		9,079,063.26	159,197,704.55	7,355,407,016.64

(The attached Notes to Financial Statements is an inherent part of the financial statements).

Legal Representative:

徐金

Accounting Supervisor:

徐娟

Head of Accounting Department:

王怡

Statement of Changes in Equity of Parent Company (Continued)
Year 2019

Prepared by: Yancheng High-tech Zone Investment Group Co., Ltd.

Unit: RMB Yuan

Items	Paid-in capital	Other equity instruments			Amount of last period							
		Preferred stock	Perpetual bonds	Others	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owner's equity	
I. Ending balance of previous year	2,680,090,000.00				3,142,926,165.74					4,800,739.45	120,692,790.31	5,948,421,715.50
Add: changes of accounting policies												
Corrections of previous errors												
Others												
II. Beginning balance of this year	2,680,090,000.00				3,142,926,165.74					4,800,739.45	120,692,790.31	5,948,421,715.50
III. Increase in this year ("-" for decrease)					754,379,787.92		408,822,275.17			81,651.54	734,863.82	1,165,018,578.45
(I) Total comprehensive income											816,515.36	816,515.36
(II) Capital contributed or reduced by owners					754,379,787.92							754,379,787.92
1. Common share contributed by owners												
2. Capital contributed by other equity instrument owners												
3. Share-based payments recognized in owner's equity												
4. Others					754,379,787.92							754,379,787.92
(III) Profit distribution										81,651.54	-81,651.54	
1. Appropriation to surplus reserve										81,651.54	-81,651.54	
2. Provision for general risks												
3. Distribution to owners (or shareholders)												
4. Others												
(IV) Internal carry-forward of owner's equity												
1. Transfer of capital reserve into capital (or share capital)												
2. Transfer of surplus reserve into capital (or share capital)												
3. Surplus reserve used for loss recovery												
4. Carry-forward of net liability or asset changes from remeasuring Defined Benefit Plan												
5. Others												
(V) Provision for and use of special reserve												
1. Provision for special reserve												
2. Use of special reserve												
IV. Ending balance of this year	2,680,000,000.00				3,897,307,973.66		408,822,275.17			4,882,390.99	121,427,654.13	7,113,440,293.95

(The attached Notes to Financial Statements is an inherent part of the financial statements).

Legal Representative:

金徐根

Accounting Supervisor:

徐娟

Head of Accounting Department:

王怡

Yancheng High-tech Zone Investment Group Co., Ltd.

Notes to the Financial Statements for the Year Ended December 31, 2019

(Unless otherwise specified, the monetary unit is RMB Yuan.)

I. Company Profile

(I) Registration Address, Organization and Headquarters Address

Yancheng High-tech Zone Investment Group Co., Ltd. (hereinafter referred as the "Company" or "the Company") was a state solely-owned limited company established by Yancheng Municipal People's Government in accordance with Notice of Yancheng Municipal People's Government on the Establishment of Yancheng Wind Power Equipment Industry Development Co., Ltd. (No. Yanzhengfa [2009] 162). Its registered capital is RMB 3,000,000,000 yuan, paid-in capital is RMB 2,680,000,000 yuan, which was in the form of cash. Enterprise unified social code is 913209006945497342.

Company residence: No. 1 Zhenxing Road, Yandu District, Yancheng City, Jiangsu Province;

Legal representative: Xu Jingen;

(II) Nature and Scope of Business

Scope of Business: State-owned assets management within the authorized scope; investment and operation of high-tech industries; investment, construction and operation of park infrastructure and municipal public facilities; land development and operation; house leasing; property management; wholesale and retail of building materials and electronic products. (Businesses subject to approval shall be carried out upon approval by relevant government department.)

(III) Approval of Financial Statements

Financial statements have been approved for presentation by Xu Jingen on 20 April 2020.

(IV) Term of Operation

The Company's operation started from September 23, 2009.

II. Basis for Preparation of Financial Statements

(I) Preparation Basis

The financial statements have been prepared on a going concern basis, with all actual transactions and events recognized and measured in accordance with Accounting Standards for Business Enterprises — Basic Standard, as well as additional specific accounting standards, Application Guide, Interpretations of Accounting Standards, and other relevant regulations (collectively known as the “Enterprise Accounting Standard”) issued by the Ministry of Finance of the PRC (the “MOF”), and comply with the accounting policies and accounting estimates stated in Note IV “Significant Accounting Policies and Accounting Estimates”.

According to the relevant accounting regulations in Enterprise Accounting Standards, the Company adopts the accrual system as the basis of bookkeeping. All items in the financial statements are measured at historical cost except for some financial assets which are measured at fair value. Impairment provision will be made in accordance with relevant requirements if any asset impairment occurs.

(II) Going Concern

The Company is capable of operating for at least twelve months since the end of the current reporting period without any major issues affecting it.

III. Statement of Compliance with the Accounting Standards for Business Enterprises (ASBE)

The financial statements of the Company have been prepared in accordance with the ASBEs, and present truly and completely, the Company’s financial position, results of operations and cash flows for the accounting period

IV. Significant Accounting Policies and Accounting Estimates

(I) Accounting Period

The accounting period of the Company runs from 1st January to 31st December of each calendar year.

(II) Bookkeeping Currency

The Company adopts RMB as the bookkeeping currency.

(III) Basis of Bookkeeping and Principle of Measurement

The Company adopts the accrual system as the basis of bookkeeping and follows the historical cost principle except for assets such as trading financial assets and investment properties which are measured at fair value.

(IV) Preparation of Consolidated Financial Statements

1. Business combination involving entities under common control

The Company being the combining party, the assets and liabilities obtained via the business combination involving entities under common control are measured at the carrying amounts as recorded by the enterprise being combined at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of consideration paid for the combination is adjusted to share premium in the capital reserve. If the balance of share premium is insufficient, any excess is adjusted to retained earnings.

2. Business combination involving entities not under common control

The acquirer, at the acquisition date, allocates the cost of the business combination by recognizing the acquiree's identifiable assets, liabilities and contingent liabilities at their fair value at that date. The cost of a business combination paid by the Company is the aggregate of the fair value at the acquisition date of cash or non-cash assets, liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree plus any cost directly attributable to the business combination. (For the business combination attained via various transactions, its combination cost is the sum of cost of every transaction.) Any excess of the cost of a business combination over the acquirer's interest in the fair value of the acquiree's identifiable net assets is recognized as goodwill. In the case of any excess of the acquirer's interest in the fair value of the acquiree's identifiable net assets over the cost of a business combination, the fair value of the identifiable assets, liabilities and contingent liabilities, non-cash assets of consideration and issued equity securities attained in the combination should be reviewed. If after the review, the acquirer's interest in the fair value of the acquiree's identifiable net assets is still over the cost of a business combination, the difference is recorded in non-operating revenue of this period.

(V) Preparation of Consolidated Financial Statements

1. Determination of consolidation scope

All subsidiaries controlled by the Company are included in the consolidated financial statement.

2. Principle and procedure for the preparation of consolidated financial statements

When the accounting policies or accounting period of a subsidiary is different from those of the Company, the Company makes necessary adjustments to the financial statements of the subsidiary based on the Company's own accounting policies or accounting period.

Within the consolidation scope, all major intra-transactions, balances and any unrealized profit are eliminated in preparing the consolidated financial statements. The equity of a

subsidiary that does not belong to the parent company, and the portion in the net profit or loss, other comprehensive income and total comprehensive income attributable to the minority shareholders are presented separately in the consolidated financial statements below “minority interest”, “profit or loss of minority interest”, “other comprehensive income attributable to the minority shareholders” and “total amount of comprehensive income attributable to the minority shareholders” respectively.

Where a subsidiary was acquired through a business combination involving entities under common control, the operating result and cash flows of the subsidiary are included in the consolidated financial statements at the initial stage of the combination. Therefore when preparing the comparative consolidated financial statements, relevant items in the financial statements of the prior year should be adjusted as if the reporting entity after the combination occurred from the date that common control was established.

Where the business combination is finally realized through obtaining the equity of the invested unit under common control step by step via several times of transactions, the handling method in the consolidated financial statement shall be supplemented and disclosed during the reporting period when obtaining the control right. In order to avoid repeated calculation of the value of net assets of the acquiree, the long-term equity investments held by the Company before the combination, relevant profits or losses, other comprehensive income and changes in other net asset that are recognized during the period from the later of the date when obtaining the original equity and the date when the Company and the acquiree are under the common ultimate control to the combination date, shall be used to offset the beginning balance of retained earnings and the profit or loss for the comparison statement period.

Where a subsidiary was acquired through a business combination involving entities not under common control, the results of operations and cash flow of the subsidiaries are comprehensive into consolidated financial statements from the date that control commences. When preparing the consolidated financial statements, the financial statements of the subsidiaries should be adjusted based on the fair value of those identifiable assets and liabilities or contingent liabilities at the acquisition date.

Where the business combination is finally realized through obtaining the equity of the invested unit not under common control step by step via several times of transactions, the handling method in the consolidated financial statement shall be supplemented and disclosed during the reporting period when obtaining the control right.

Where the Company disposes part of the long-term equity investment on the subsidiary without losing the control, when preparing the consolidated financial statement, the difference between the disposal cost and the shares of the net assets of the subsidiary continuously

calculated since the acquisition or combination date to which the disposal cost of long-term equity investment corresponds shall be adjusted as the capital premium or stock premium; where the capital reserve is not sufficient for write-downs, the retained earnings shall be adjusted.

Where the Company loses control over the investee, when preparing the consolidated financial statement, the remaining equity shall be re-measured based on its fair value on the date when it loses control. The difference between 1) the total amount of consideration received from the transaction that resulted in the loss of control and the fair value of the remaining equity investment and 2) the carrying amounts of the interest in the former subsidiary's net assets immediately before the loss of the control is recognized as investment income for the current period when control is lost. The amount recognized in other comprehensive income in relation to the former subsidiary's equity investment is reclassified as investment income for the current period when control is lost.

Where the Company loses control of a subsidiary in multiple transactions in which it disposed of its equity investment in the subsidiary in stages, if each of the multiple transactions forms part of a bundled transaction which eventually results in loss of control of the subsidiary, these multiple transactions will be accounted for as a single transaction. In the consolidated financial statements, the difference between the consideration received and the corresponding proportion of the subsidiary's net assets in each transaction prior to the loss of control will be recognized in other comprehensive income and transferred to the profit or loss the parent eventually loses control of the subsidiary.

3. Excess deficit of the subsidiaries in the consolidated financial statements

In the consolidated financial statements, if the loss for the current period shared by the parent exceeds its share in the equity interest of a subsidiary, the parent's equity should recognize any residual interest (undistributed profit). If the loss for the current period the minority shareholders of the subsidiary share exceed its share in the equity interest of the subsidiary at the initial stage, the minority shareholders should recognize any residual interest.

(VI) Classification of Joint Arrangement and Accounting Treatment for Joint Operations

The joint arrangement of the Company includes joint operations and joint ventures. For projects under joint operations, the Company recognizes the assets solely owned and liabilities assumed separately as a party of the joint operation, and recognizes income and expenses solely or proportionately according to relevant agreements. When a joint operator enters into an asset transaction with a joint operation that does not constitute a business, the joint operator will recognize gains or losses resulting from such a transaction only to the extent of the other parties' interests in the joint operation.

(VII) Foreign Currency Transactions and Translation of Foreign Currency Statements

1. Foreign currency transactions

Foreign currency transactions are translated to RMB at the spot exchange rates at the dates of the transactions. At the balance sheet date, the foreign currency monetary items are translated to RMB at the spot exchange rate of that day. The resulting exchange differences, except for those of foreign currency borrowings used in acquisition and construction of assets eligible for capitalization, is recorded into the profit or loss of this period.

2. Translation of foreign currency statements

The asset and liability items in the balance sheets are translated at a spot exchange rate at the balance sheet date. The equity items, except for those in "Undistributed profits", are translated at the spot exchange rate at the time when they are incurred. The income and expense items in the income statement are translated at the spot exchange rate of the transaction date. The resulting exchange differences is presented separately in "Other comprehensive income" under the owner's equity. Cash flows arising from a transaction in foreign currency are translated at the spot exchange rate at the date of the cash flows. Effect of Foreign Exchange Rate Changes on Cash are separately presented in the Statement of Cash Flows.

(VIII) Recognition Criteria of Cash and Cash Equivalents

Cash in the cash flow statement of the Group includes cash on hand and deposits that are available for payment at any time. Cash equivalents of the cash flow statement refer to the short-term (three-month duration), highly liquid investments that are readily convertible into known amounts of cash and that are subject to an insignificant risk of change in value.

(IX) Financial Instruments

When the Company becomes a party to a financial instrument contract, a financial asset or financial liability is recognized. Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, related transaction costs are recorded into profit or loss for the current period. For other financial assets and financial liabilities, related transaction costs are included in the initial recognition value.

1. Method for determining the fair value of financial assets and financial liabilities

Fair value refers to the price that a market participant shall receive for selling an asset or shall pay for transferring a liability in an orderly transaction on the measurement date. The Company uses the quoted price in the active market to determine the fair value of a financial asset or a financial liability. If there is no active market, the Company will measure the fair value of financial assets and financial liabilities according to the price that is most favorable to

the market and adopt a suitable valuation technique that is supported by sufficient available data and other information. The input value used for measurement of fair value can be divided into three levels: for the first level, the input value is the unadjusted quotation of the same asset or liability in the active market that can be obtained in the measurement date; for the second level, the input value refers to the input value of relevant asset or liability that can be observed directly or indirectly other than the input value at first level; for the third level, the input value refers to the input value of relevant asset or liability that cannot be observed. The Company preferentially uses the input value at first level and then uses the input value at third level. The level of the measurement result of fair value shall be determined based on the lowest level of the input value that is significant to the overall measurement of the fair value.

2. Classification, recognition and measurement of financial assets

The purchase and sale of financial assets under the normal ways shall be recognized and stopped to be recognized respectively at the price of transaction date. Financial assets shall be classified into the following four categories when they are initially recognized: financial assets at fair value through profit or loss (FVTPL), held-to-maturity investments, loans and receivables, and available-for-sale financial assets.

① Financial assets at fair value through profit or loss

Including trading financial assets and those designated as at FVTPL.

The Company classifies a financial asset that meets one of the following conditions as a trading financial asset: A. the purpose for obtaining the financial asset is for sales within a short term period; B. the asset belongs to a part of the identifiable financial instrument portfolio under centralized management and there is an objective evidence showing that the company adopts short-term profit method in recent period to manage the portfolio; C. it is also a derivative instrument that is not one of the designated effective arbitrage instrument, the derivative instrument within the scope of financial guarantee contract, the equity instrument that is not quoted in the active market and which fair value cannot be reliably measured and the derivative instrument that is settled via delivery of equity instrument are not included.

The Company classifies a financial asset that meets one of the following conditions as a financial asset measured at fair value through profit or loss: A. such designation can eliminate or obviously reduce the discrepancy in the recognition or measurement of relevant profit or loss caused by different measurement basis of financial instrument; B. the official written document of company's risk management or investment strategy has specified that the financial instrument portfolio shall be managed, evaluated and reported to the key management personnel based on the fair value.

Financial assets at FVTPL are subsequently measured at fair value. The gains or losses

incurred from changes in fair value, dividends and interest related with these financial assets are included into profit or loss for the current period.

② Held-to-maturity investments

Held-to-maturity investments refer to the non-derivative financial assets with fixed expiration date, fixed or recognizable collectible amount and with explicit intention and capability from the management to hold till expiration date.

Held-to-maturity investments are subsequently measured at amortized cost using the actual interest rate method. The gains or losses incurred from impairment, amortization, or derecognition, are included in profit or loss for the current period.

The actual interest rate method refers to the method by which the post-amortization costs and the interest incomes of different installments or interest expenses are calculated in light of the actual interest rates of the financial assets or financial liabilities (including a set of financial assets or financial liabilities). The actual interest rate refers to the interest rate adopted to the future cash flow of a financial asset or financial liability within the predicted term of existence or within a shorter applicable term into the current carrying amount of the financial asset or financial liability.

When the actual interest rate is determined, the future cash flow shall be predicted on the basis of taking into account all the contractual provisions concerning the financial asset or financial liability (the future credit losses shall not be taken into account).and also the various fee charges, trading expenses, premiums or reduced values, etc., which are paid or collected by the parties to a financial asset or financial liability contract and which form a part of the actual interest rate.

③ Loans and receivables

Loans and receivables refer to the non-derivative financial assets with fixed or determinable recoverable amount that are not quoted in an active market. Financial assets that are defined as loans and receivables by the Company include notes receivable, accounts receivable, interest receivable, dividends receivable and other receivables etc..

Loans and receivables are subsequently measured at amortized cost using the actual interest rate method. The gains or losses incurred from impairment, amortization, or derecognition, are included in profit or loss for the current period.

④ Available-for-sale financial assets

Including non-derivative financial assets that have been designated as available-for-sale financial assets on the initial recognition and financial assets excluded those measured at fair value through profit or loss, loans and receivables, held-to-maturity investments.

The cost at the period-end of the available-for-sale liabilities instruments shall be

determined using amortized cost method, that is, the initially recognized amount deducting the principal that had been repaid, to plus or minus the accumulative amortization amount formed by the amortization between the difference of the initially recognized amount and the amount on the due date that adopted the actual interest rate method, and at the same time deducting the amount of impairment loss incurred. The cost at the period-end of the available-for-sale equity instruments is its initial cost.

Available-for-sale financial assets are subsequently measured at fair value, and gains or losses arising from changes in the fair value, except for impairment losses and foreign exchange differences arising from the transaction of monetary financial assets denominated in foreign currencies which shall be recorded into profit or loss for the current period, are recognized as other comprehensive income, and shall be carried forward to profit or loss for the period when the said financial assets is derecognised. However, equity instrument investments which have no quoted price in an active market and whose fair value can not be reliably measured, and derivative financial assets that are linked to and settled via the equity instruments are measured at cost.

Interest received and cash dividends declared by the investee during the holding period of available-for-sale financial assets shall be recorded into current profit or loss as investment income.

3. Impairment of financial assets

The Company assesses at the balance sheet date the carrying amount of every financial asset except for the financial assets that measured by the fair value. If there is objective evidence indicating a financial asset may be impaired, a provision is provided for the impairment.

For a financial asset that is individually significant, the Company will assess the asset individually for impairment; for a financial asset that is not individually significant, the Company will either assess it individually or include it in a group of financial assets with similar credit risk characteristic and collectively assess them for impairment. For a financial asset that is individually assessed and found not to be impaired, no matter whether it is individually significant or not, the Company will include it in a group of financial assets with similar credit risk characteristic and collectively assess them for impairment. Financial assets that are individually assessed and identified as impaired will be excluded from the financial asset group with similar credit risk for an impairment test.

① Impairment of held-to maturity investment, loans and receivables

The financial assets measured by cost or amortized cost write down to their net carrying amount by the estimated present value of future cash flow. The difference is recorded as

impairment loss and included into profit or loss for the current period. If, subsequent to the recognition of an impairment loss, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognized, the previously recognized impairment loss is reversed and recognized in profit or loss for the current period. The net carrying amount of financial assets after impairment loss reversed shall not exceed the amortized cost of the financial assets without provisions of impairment loss on the reserving date.

② Impairment of available-for-sale financial assets

For available-for-sale equity investment instruments, if the decline in the fair value is significant or prolonged based on comprehensive factors, then an impairment of such investments occurs. Of which, "Significant decline" refers to over 20% cumulative decline in the fair value of an investment in equity instrument; "prolonged decline" refers to a continuous decline for more than 12 months. When an available-for-sale financial asset is impaired, the cumulative loss arising from declining in fair value that had been recognized in other comprehensive income shall be removed and recognized in profit or loss for the current period. The amount of the cumulative loss that is removed shall be the difference between the acquisition cost with deduction of recoverable amount less amortized cost, current fair value and any impairment loss on that financial asset previously recognized in profit or loss.

If, subsequent to the recognition of an impairment loss, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognized, the previously recognized impairment loss is reversed, with those of available-for-sale investments in equity instruments reversed to other comprehensive income and those of available-for-sale liabilities instruments to profit or loss.

However, equity instrument investments where there is no quoted price in an active market and whose fair value cannot be reliably measured, or impairment loss 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 recognition of the financial assets meeting one of the following conditions will be terminated: ① The contract rights to collect the cash flow of the financial assets are terminated; ② The financial assets have been transferred and almost all of the risks and rewards related to the ownership of the financial assets are transferred to the transferee; or ③ The financial assets have been transferred. Though the enterprise does not transfer or keep almost all of the risks and rewards related to the ownership of the financial assets, it gives up its control over the financial assets.

Where the Company neither transfers nor retains nearly all of the risks and rewards related to the ownership of a financial asset, and it does not cease its control on the said financial asset, it recognizes the relevant financial asset and liability accordingly according to the extent of its continuous involvement in the transferred financial asset. The term "continuous involvement in the transferred financial asset" refers to the risk level that the Company faces resulting from the change in the value of the financial asset.

Where a transfer of a financial asset in its entirety meets the criteria of the derecognition, the difference between the two amounts below is recognized in profit or loss for the current period: a) carrying amount of the financial assets transferred; b) the sum of the consideration received from the transfer and any cumulative change originally recognized in other comprehensive income.

Where a transfer of a financial asset in its partiality meets the criteria of the derecognition, the carrying amount of the transferred financial asset shall be allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair value of those parts, and the difference between the two amounts below is recognized in profit or loss for the current period: a) the afore said carrying amount allocated to the part derecognised; b) the sum of the consideration received from for the part derecognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income.

In respect of financial assets using recourse to sell or using endorsement to transfer, the Company shall determine whether nearly all of the risks and rewards of the financial asset ownership are transferred. If nearly all of the risks and rewards of the financial asset ownership had been transferred to the transferee, the financial assets shall be derecognised. If nearly all of the risks and rewards of the financial asset ownership retained, the financial assets shall not be derecognised. If the Company neither transfers nor retains nearly all of the risks and rewards related to the ownership of the financial asset, it will continue to assess whether the control of the assets is retained, and adopt accounting treatments according to the principle mentioned in the previous paragraphs.

5. Classification and measurement of financial liabilities

Financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities at initial recognition according to the holding purpose. Financial liabilities are initially measured at fair value. For financial liabilities at fair value through profit or loss, related transaction costs are recorded into profit or loss for the current period. For other financial assets, related transaction costs are included in the initial recognition value.

① Financial liabilities at fair value through profit or loss

Financial liabilities are divided into trading financial liabilities and financial liabilities

designated to be measured at fair value through profit or loss in their initial recognition under the same conditions as financial assets.

Subsequent measurement of liabilities at fair value through profit or loss is based on fair value. The gain or loss arising from the change in fair value and the dividend and interest expenses related to the financial liability are included into the current profit or loss.

② Other financial liabilities

As for a derivative financial liability connected to an equity instrument for which there is not quoted price in an active market and whose fair value cannot be reliably measured and which must be settled by delivering the equity instrument, it is subsequently measured on the basis of cost. Other financial liabilities are subsequently measured at amortized cost using the actual interest rate method. The gains or losses arising from their derecognition and amortization are included into the profit or loss for the current period.

(X) Receivables

Receivables include notes receivable, accounts receivable and other receivables. The Company determines the recoverable amount of receivables by analyzing the aging of accounts receivable and taking into account the actual financial position and cash flows of the debtor, and estimates bad debts accordingly, which will be recognized in profit or loss for the current period.

1. Recognition of bad debts

At each balance sheet date, the Company will assess the carrying amount of receivables, and make a provision for asset impairment if objective evidence indicates a receivable is impaired: ① Significant financial difficulty with the debtor; ② A breach of contract by the debtor (such as a default or delinquency in interest or principal payments); ③ The debtor will probably enter bankruptcy or carry out other financial reorganizations; ④ Other objective evidence indicates a receivable is impaired.

2. Provision method for bad debts

① Recognition and provision for bad debts of receivables that are individually significant and for which bad debt provision is individually made

The Company treats accounts receivable over RMB 10 million as individually significant.

For a receivable that is individually significant, the Company will conduct an impairment test individually; and if no impairment is identified, age analysis method will be used to provide for bad debts according to its ending balance, together with receivables that are not individually significant. For a receivable that is individually assessed and identified as impaired, an impairment loss shall be recognized and a provision for bad debts shall be made according to the difference between its estimated future cash inflow and the carrying amount.

② Recognition and provision for bad debts of receivables that are collectively provided for bad debts

A. Basis for grouping

1) Age group

Receivables that are individually significant but not provided for bad debts after individual assessment, and receivables that are not individually significant after deducting individual provision will be grouped together with similar credit risk characteristics (by age).

2) Other group

Receivables that arise from city construction loans, related parties, government departments and their affiliated financing platforms; or from individual deposit, margin and security deposit, state-owned holding units.

B. Provision method for bad debts by group

1) Percentage of provision:

	Percentage of provision for accounts receivable	Percentage of provision for other receivable
Less than 1 year	0%	0%
1-2 years	1%	1%
2-3 years	10%	10%
Over 3 years	20%	20%

2) Other group: the Company will not provide for bad debts of receivables from related parties, government departments or its affiliated financing platforms, and individual deposit, margin and security deposit, and state-owned holding units, except that there is evidence showing that the such receivable is impaired.

(XI) Inventories

Inventories of the Company include development costs, constructions, raw materials, low value consumables, commodity inventories, etc.

Inventories are taken under the perpetual inventory system, and all inventories are accounted according to the actual cost at which they are acquired. Low-value consumables and packaging materials are written-off in full when issued for use.

The inventory shall be carried at the lower of cost and variable net realizable value. If the inventory items are damaged and all or partially outdated or if their selling prices are lower than their costs, a provision for diminution in the value should be reserved for the portion whose costs are unlikely to be recovered. Any excess of the cost over the net realizable value of each item of inventories is recognized as a provision for diminution in the value of inventories. For

stock items that is large in number and low in price, the provision for diminution in the value of inventories shall be estimated as per the category of the stock items.

Net realizable values of inventories such as finished goods, unfinished products and raw materials for sale are the estimated selling prices in the normal course of business less the estimated expenses and related taxes necessary to make the sale. Net realizable values of materials to be further processed are the estimated selling prices in the normal course of business less the estimated costs to completion and the estimated expenses and related taxes necessary to make the sale.

(XII) Assets held for sale

The Company shall classify a non-current asset or disposal group as held for sale if its carrying amount will be recovered principally through a sale transaction (including the exchanges of non-monetary assets with commercial substance) rather than through continuing use. For this to be the case, the following conditions must be satisfied: the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups); the Company has already made a resolution on a sale plan and obtained a confirmed purchase commitment, and the sale is expected to be completed within one year. A disposal group refers to a group of assets that are disposed of together as a whole by sale or other means in a transaction and the liabilities directly related to these assets transferred in the transaction. Where the goodwill acquired in the business combination has been allocated in accordance with the Accounting Standards for Business Enterprises No.8-Asset Impairment to an asset group or a set of asset groups to which a disposal group belongs, the goodwill shall be allocated to the disposal group.

When the Company initially measures or remeasures at the balance sheet date a non-current asset and disposal group classified as held for sale, if its carrying amount is higher than the net amount of its fair value less costs to sell, the carrying amount will be written down to the net amount of fair value less costs to sell, and the amount written down will be recognized as impairment loss in profit or loss for the current period, and provision for impairment of assets held for sale will be made. For impairment loss of a disposal group, the carrying amount of goodwill allocated to it will be offset first, and then the carrying amount of various non-current assets in the disposal group that are measured under Accounting Standard for Business Enterprises No.42-Non-current assets Held for Sale, Disposal Groups and Discontinued Operations (hereinafter referred to as "Held for Sale Standard") will be offset proportionately. If the net amount of the fair value of the disposal group held for sale less costs to sell increases at the follow-up balance sheet date, the previous written-down amount will be recovered no more than the impairment loss recognized after the assets being classified as held for sale. The

recovered amount shall be included in profit or loss for the current period, and the carrying amount of various non-current assets in the disposal group other than goodwill that are measured under Held for Sale Standard will be written up according to the proportion of the carrying amount of each asset to the total carrying amount of the group. The carrying amount of goodwill already offset, and impairment loss of non-current assets in the disposal group other than goodwill that are measured under Held for Sale Standard recognized prior to the classification as held for sale are not reversed.

Non-current assets held for sale or non-current assets in the disposal group are not subject to depreciation or amortization. Interest and other expenses of liabilities in the disposal group held for sale will be recognized as usual.

A non-current asset or disposal group will cease to be classified as held for sale or will be removed out from the held-for-sale disposal group if it no longer meets the criteria to be classified as held for sale. It shall be measured by at the lower of the followings: (1) The carrying amount before being classified as held for sale, less any depreciation, amortization or impairment that would have been recognized if it were not classified as held for sale; (2) The recoverable amount.

(XIII) Long-term Equity Investments

1. Determination of equity investments with control, joint control or significant influences on the invested entity

The Company's long-term equity investments mainly includes equity investment that have control or significant influence over the invested entities and equity investments in the joint ventures.

Control is the power over the investee. It means the investor is given the right to variable returns by participating in relevant activities of the investee and the ability to affect those returns through the power over the investee.

Joint control is the contractually agreed sharing of control of an arrangement. Relevant activities of the arrangement shall be conducted only if they are given consent by all parties in control. A joint arrangement is an arrangement of which two or more parties have joint control. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Significant influence is the power to participate in financial and operating policy decisions of the investee but is not control or joint control over those policies. Whether the Company is able to exert significant influence depends on its representation on the board of directors or equivalent governing body of the investee. The Company exerts significant influence by holding voting power over financial and operation policy making processes of the investee. Significant

influence is presumed not to exist if the Company holds a voting power more than or equal to 20% (inclusive) but less than 50% directly or indirectly through subsidiaries and if evidence indicates that under such circumstance the Company is excluded from production and operation policy making of the investee. To confirm whether the Company can exercise significant influence, on one side, voting rights directly or indirectly hold by the Company over the investee shall be considered, on the other side, effect of currently exercisable potential voting rights arising through currently convertible warrants, share options and convertible bonds issued by the investee that are convertible into shares of the investee shall also be taken into account.

2. Determination of investment cost, subsequent measurement and recognition of investment income of long-term equity investments

Where the consideration of the combination is satisfied by paying cash, transfer of non-cash assets or assumption of liabilities, the initial investment cost of the long-term equity investment will be the ultimate controlling party's share of the owners' equity of the party being absorbed at combination date. The difference between the initial investment cost and the carrying amount of consideration paid is adjusted to capital reserve, or to retained earnings if the balance of capital reserve is insufficient.

Where the consideration of the combination is satisfied by the issue of equity securities, the initial investment cost of the long-term equity investment will be the ultimate controlling party's share of the owners' equity of the party being absorbed at combination date. The aggregate face value of the shares issued will be accounted for as share capital. The difference between the initial investment cost and the aggregate face value of the shares issued will be adjusted to capital reserve, or to retained earnings if the balance of capital reserve is insufficient.

The cost of a long-term equity investment acquired through business combination not under common control is the cost of acquisition determined at the acquisition date.

Expenses for such intermediary services as auditing, legal services, assessment and consultation and other relevant management expenses resulting from business combination will be included in profit or loss at the time of occurrence. Expenses arising from exchanges of equity securities or debt securities issued as consideration will be included in initial determination payment of equity or debt securities.

Except for long-term equity investment gained by business combination, investment cost of a long-term equity investment obtained by making payment in cash will be the purchase price which is actually paid. Investment cost of a long-term equity investment obtained on the basis of issuing equity securities will be the fair value of the equity securities issued. Company's investment cost of a long-term equity investment shall be the value settled by investment contracts or agreement. Investment cost of a long-term equity investment obtained by debt restructuring or exchange of non-monetary assets shall be determined in accordance with

relevant accounting standards.

The Company will use the cost method to account for a long-term equity investment where it can exercise control over the investee, and the equity method to account for an investment in joint ventures and associates.

Under the cost method, a long-term equity investment will be measured at its initial investment cost. When additional investment is made or the investment is recouped, the cost of the investment will be adjusted accordingly. Cash dividends or profit distributions declared by the investee will be recognized as investment income.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the investor's interest in the fair value of the investee's identifiable net assets at the acquisition date, no adjustment will be made to the initial investment cost. Where the initial investment cost is less than the investor's interest in the fair values of investee's identifiable net assets at the acquisition date, the difference will be charged to profit or loss for the current period, and the cost of the long-term equity investment will be adjusted accordingly. After the Company has acquired a long-term equity investment, it will recognize its share of the net profits or losses made by the investee as investment income or losses, and adjust the carrying amount of the investment accordingly. The carrying amount of the investment will be reduced by the portion of any profit distributions or cash dividends declared by the investee that is attributed to the Company. For other changes in owners' equity of the investee, other than net profits or losses, other comprehensive income and profit distribution, the Company will adjust the carrying amount of the long-term equity investment and include the corresponding adjustment in equity. The Company will recognize its share of the investee's net profits or losses after making appropriate adjustments based on the values of the investee's individual separately identifiable assets at the acquisition date and its own accounting policies and accounting period, and recognize investment income based on the adjusted financial statements.

3. Changes of long-term equity investments

When the Company becomes capable to exercise joint control or significant influence but not control over an investee due to additional investment or other reason, it will change to the equity method and use the sum of the fair value of the investment which was originally classified as available-for-sale financial assets and the additional investment as the initial investment cost. The difference between the fair value and the carrying amount, and the accumulated changes in fair value originally included in other comprehensive income shall be transferred to profit or loss for the period upon commencement of the equity method. Where the difference between initial investment cost of the long-term equity investment calculated above is more than the share of the fair value of the investee's identifiable net assets attributable to the

Company and is calculated on the basis of new shares it holds from on date of additional investment, carrying value of the long-term equity investment may not be adjusted. If less, carrying value of the long-term equity investment shall be adjusted and the difference shall be included in non-operating revenue.

If the Company becomes capable of exercising control over an investee that is not under common control due to additional investment or other reasons, in stand-alone financial statements, it shall change to the cost method and use the carrying amount of the previously-held equity investment, together with the additional investment cost, as the initial investment cost under the cost method. Other comprehensive income of the equity investment held before the purchase date, which is measured and recognized by the equity method, shall be subject to accounting treatment on the same basis with the investee's direct disposal of relevant assets or liabilities when such investment is disposed of. If an equity investment held before the purchase date is classified as available-for-sale financial asset and is subject to its accounting treatment, the cumulative changes in fair value originally included in other comprehensive income shall be transferred to profit or loss for the period when it is measured by the cost method.

Where the Company loses common control or significant influence over the investee as a result of disposal of part equity investment or other reasons and the residual equity after disposal is classified as available-for-sale financial assets, difference between the fair value and carrying amount at the date when the common control or significant influence is lost shall be included in profit or loss for the current period. Other comprehensive income of the original equity investment measured and recognized by the equity method shall be subject to accounting treatment on the same basis as would have been required if the Company had directly disposed of the related assets or liabilities for the current period upon discontinuation of the equity method.

Where the Company can no longer exercise control over an investee due to partial disposal of equity investment or other reasons, and with the retained interest, still has joint control of or significant influence over the investee, when preparing the individual financial statements, the Company shall change to the equity method and adjust the remaining equity investment as if the equity method had been applied from the date of the first acquisition. If the Company can not exercise joint control of or significant influence over the investee after partial disposal of equity investment, and the remaining equity investment is classified as an available-for-sale financial asset, the difference between the fair value and the carrying amount at the date of loss of control shall be charged to profit or loss for the current period.

4. Disposal of long-term equity investments

On disposal of a long-term equity investment, the difference between the proceeds actually

received and the carrying amount will be recognized in investment income for the current period. For a long-term equity investment accounted for using the equity method, any changes in the owners' equity of the investee included in the owners' equity of the Company will be transferred to profit or loss for the current period on a pro-rata basis according to the proportion disposed of.

(XIV) Investment properties

Investment properties of the Company include right to use land which has already been rented, right to use land which is held and prepared for transfer after appreciation and right to use buildings which has already been rented.

Investment properties are measured initially at cost. The cost of a purchased investment property comprises its purchase price, related taxes and fee, and other directly attributable expenditures. The cost of a self-constructed investment property comprises of those expenditures necessarily incurred for bringing the assets to working condition for its intended use.

Investment properties that are subsequently measured by using fair value model

1. Investment properties are measured by using fair value model based on the following conditions:

There is clear evidence showing that the fair value of an investment property can be reliably determined on a continuing basis.

The Company shall use the fair value model for the measurement of the investment properties when both of the following criteria are met:

① There is an active property market in the location in which the investment properties are situated;

② The Company can obtain the market price and other relevant information regarding the same type of or similar properties from the property market, so as to reasonably estimate the fair value of the investment properties.

2. Determination of the fair value of investment properties

If the market price about the same or similar properties from the property market can be obtained, the fair value of investment properties is determined according to the market price (open quotation) about the same or similar properties from the property market.

If the market price about the same or similar properties is not available, the recent transaction price for the same or similar properties in the active market can be used as reference, taking the transaction situation, transaction date and transaction location into consideration, so as to reasonably estimate the fair value of the investment properties. The fair value can also be

determined based on the estimated future renting income and the present value of related cash flows.

Same or similar buildings, refers to buildings at the same geographical location and in the same geographical environment, of the same nature, having the same or similar type of structure, with same or similar age, and in the same or similar usable condition; same or similar land use right, refers to land located within the same area, in the same or similar geographical environment and usable condition.

3. Where the fair value model is used, no depreciation or amortization is provided for an investment property. The carrying amount of the investment property shall be adjusted to its fair value at the balance sheet date. The difference between the fair value and the original carrying amount is recognized in profit or loss the current period.

(XV)Fixed assets

1. 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 lives of more than one accounting year. A fixed asset is recognized only when it meets the following criteria:

- (1) the economic benefits associated with the asset will flow to the Company;
- (2) the cost of this fixed asset can be reliably measured.

2. Fixed assets include houses and buildings, machines, transportation equipment, and electronic equipment. The cost for purchasing the fixed assets is regarded as the recorded value. For fixed assets purchased from abroad, their cost includes the purchasing price, import tax and other relevant expenses to facilitate the planned operation of the fixed asset. Cost of self-built fixed assets consists of necessary expenditures to facilitate the planned operation of the fixed asset. For fixed assets invested by investors, the value negotiated in the investment contract or agreement is regarded as the recorded value. If the value negotiated in the investment contract or agreement isn't fair, fair value of the fixed asset shall be referred to. For financial leased fixed assets, their recorded value subjects to whichever is lower between the fair value of the leased asset and the present value of the minimum lease payments on the lease beginning date.

Subsequent expenditures incurred for a fixed asset, such as maintenance expenditure, renovation expenditure, etc., that meet the recognition criteria will be included in the cost of the fixed asset, and the carrying amount of the replaced part is deducted. Subsequent expenditures that fail to meet the recognition criteria will be recognized in profit or loss in the period in which they are incurred.

The Company makes depreciation for all its fixed assets except for those have been fully depreciated but still in use and the land that is separately measured and accounted for. Straight-line method is adopted in the depreciation. Accumulated depreciation is recorded into either the

cost of relevant assets or current expenses according to their purposes. The estimated depreciation life, residual rate and annual depreciation rate are shown in the following table.

	Estimated useful life	Estimated net residual value rate	Annual depreciation rate
Houses and buildings	20-50 years	3-5%	1.9-4.85%
Machines	5-10 years	3-5%	9.50-19.40%
Transportation facilities	5-8 years	3-5%	11.88-19.40%
Electronic equipment	3-6 years	0-5%	15.83-33.33%

The Company will review the useful life, estimated net residual value, and the depreciation method at the end of each financial year. If there is any change, it will be accounted for as a change in accounting estimate.

A fixed asset will be derecognised on disposal or when no future economic benefits are expected to be generated from its use or disposal. When a fixed asset is sold, transferred, retired or damaged, the Company will recognize the amount of any proceeds on disposal net of the carrying amount and related taxes and fees in profit or loss for the current period.

Recognition, measurement and depreciation of fixed assets acquired under finance leases

If a fixed asset leased by the Company falls into the following one or more categories, it will be recognized as a fixed asset under finance lease. ① Ownership of the leased asset is transferred to the Company by the end of the lease period. ② The Company has the option to purchase the leased asset. The agreed purchase price is expected to be far less than the fair value of the optioned leased asset, so it is fair to say that the Company will make the option since the beginning of the lease. ③ Though ownership of the leased asset is not transferred, leasing period accounts for a large proportion of its service life. ④ Present value of the minimum lease payments on the lease beginning date is nearly equivalent to the fair value of the leased asset on the same day. ⑤ Leased asset is a special kind of property. It could only be used by the Group without major alterations. Fixed assets under finance lease are measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, each determined at the inception of the lease. At the commencement of the lease term, the minimum lease payments are recorded as long-term payables. The difference between the fair value of the leased assets and the minimum lease payments is recognized as unrecognized finance charges. Expenditures during lease negotiations and contracts fall into service fees, attorney fees, travel charges, stamp duties and other initial direct costs and shall be included as leased asset

value. Unrecognized finance charge under finance lease is amortized using an effective interest method over the lease term. Fixed assets under finance lease will be depreciated by using the accounting policy consist with that for self-owned fixed asset. For financial leased fixed assets, if it is reasonable to be certain that the lessee will obtain the ownership of the leased asset when the lease term expires, the leased asset shall be fully depreciated over its useful life. If it is not reasonable to be certain that the lessee will obtain the ownership of the leased asset at the expiry of the lease term, the leased asset shall be fully depreciated over the shorter one of the lease term or its useful life.

(XVI) Construction in progress

Construction in progress is measured at actual cost incurred. The cost of a self-construction project is calculated according to its direct materials, direct payroll and direct construction fees. Cost of outsourcing project is calculated according to project costs payable. Cost of equipment installation project is calculated based on prices of the equipment installed, installation fees, commissioning costs and other expenditures. The cost also includes borrowing costs and exchange gains or losses which shall be capitalized.

As for the fixed assets constructed that have entered the serviceable condition, but have not gone through the final settlement of account, estimate the value ever since it entered the expected state of serviceable condition according to the construction budget, construction cost and the actual cost, etc. and it will be transferred into fixed assets and calculate the depreciation.

(XVII) Borrowing Costs

Borrowing costs include borrowing interests, discount or premium amortization, supporting fees and exchange losses caused by foreign currency loans. In terms of borrowing costs for the construction or manufacturing of assets that meet the condition of capitalization, capitalization begins when there are asset expenditures, borrowing costs and necessary construction or manufacturing activities to facilitate the asset's usage or sales. Capitalization shall be ceased when the asset, after construction or manufacturing, reaches the expected state for use or sales. Other borrowing costs are recognized as expenses in the period when incurred.

Capitalization of actual interest costs of current special borrowings shall be conducted after deducting bank interest revenue of unused borrowings and revenues made from temporary investment. For general borrowings, weighted average of the amount accumulated asset expenditure exceeding special borrowings times average interest of general borrowings and get the capitalization amount.

Qualifying assets are such assets as fixed assets, investment properties, inventories, etc., which need to take a substantial period of time (normally over 1 year) for construction or

production to get ready for their intended use or sale.

Capitalization of borrowing costs will be suspended during the periods in which the construction or production of a qualifying asset is interrupted abnormally, and the interruption is for a continuous period of more than 3 months.

(XVIII) Intangible assets

Intangible assets of the Company include the right to use land, patent and non-patent technology, etc. An intangible asset is measured at the actual acquisition cost. The actual cost of an acquired intangible asset comprises of the actual payment and related expenditures. The cost of an intangible asset contributed by an investor will be determined in accordance with the value stipulated in the investment contract or agreement, except that where the value stipulated is not fair, the asset will be measured at fair value.

Land use right is equally amortized according to the lease period since the land leasing day. Patent technologies, non-patent technologies and other intangible assets are amortized by stages according to whichever is shortest among expected service life, benefit period specified in the contract and effective years stated by the law. The amortized amount of intangible assets is included in the cost of relevant assets according to their beneficiaries, and recognized in profit or loss for the current period.

The Company will review the useful life, estimated net residual value, and the amortization method of an intangible asset with a finite life at the end of each financial year. If there is any change, it will be accounted for as a change in an accounting estimate. For an intangible asset with infinite useful life, the Company will reassess the useful life of the asset in each accounting period. If there is evidence indicating that the useful life of that asset is finite, the Company will estimate its useful life and amortize it during its expected useful life.

(XIX) Research and development

Research and development expenditures of the Company are classified into expenditure on the research phase and expenditure on the development phase according to the nature of the activities and the resulting intangible assets. Expenditure on the research phase will be recognized in profit or loss in the period in which it is incurred. Expenditure on the development phase will be recognized as an intangible asset only when the following conditions are met:

1. It is feasible technically to complete such intangible assets for use or sale;
2. It is intended to complete, use or sell the intangible assets;
3. The product arising from the use of this intangible asset has the market or this intangible asset itself has the market;
4. There are sufficient technologies, financial resources and other resources supporting the

development of the intangible assets. And the Company is able to use or sell such intangible assets;

5. The development expenditures of the intangible assets can be reliably measured.

Expenditure on the development phase that does not meet the above conditions will be recognized in profit or loss in the period when it is incurred. Development expenditures that are previously recognized in profit or loss will not be recognized as assets. Capitalized expenditures on the development phase will be presented as development expenditures in the balance sheet before the related project reaches its intended use condition when such expenditures will be transferred to intangible assets.

(XX) Long-term prepaid expenses

Long-term prepaid expenses refer to decoration fees and other expenses which were paid by the company and shall be amortized in the current and following periods (over 1 year). Long-term prepaid expenses are amortized evenly over the respective beneficial periods. If a long-term prepaid expense item is unable to generate benefits for future accounting periods, the unamortized amount of that item should be recognized in the income statement for the current period.

(XXI) Goodwill

Where the cost of an equity investment or a business combination exceeds the interest in the fair value of the investee's or acquiree's identifiable net assets at the acquisition date, the difference will be recognized as goodwill.

Goodwill will either be presented individually in consolidated financial statements if it is related to subsidiaries, or included in the carrying amount of long-term equity investments if it is related to associates and joint ventures.

(XXII) Employee Benefits

Employee benefit of the Company refers to benefit or compensation of various forms paid to employees for the service they provided or severing labor contracts, such as short-term benefit, post-employment benefit, release pay to redundant employees and other long-term benefits for employees. Employee benefits also include other benefits offered to the employees' spouse, children, dependents, members of the deceased's family and other beneficiaries.

1. Short-term benefit refers to the employee benefit which shall be all paid to employees 12 months within after the annual report about rendering service, except for the release pay for severing labor relations. Short-term benefits include: wages and salaries, bonus, allowances and subsidies, employee benefits, social securities such as medical insurance, unemployment insurance, industrial injury insurance, childbirth insurance and etc., housing funds, employee

union and education expenses, short-term paid absence, short-term profit sharing plan, non-monetary benefits and other short-term benefit.

The Company recognizes the short-term benefit as liabilities over the employees' service periods and includes them in current gains and losses or relevant asset costs according to the beneficiaries. Non-monetary benefits are calculated based on their fair value.

2. Post-employment benefit refers to the benefit and welfare of various forms offered to employees after their retirement or severing labor relations for the service they have rendered, except for short-term benefit and release pay.

Defined contribution plan of the Company refers to the basic pension insurance, unemployment insurance and corporate pension paid by the Company on behalf of the employees over their service periods based on relevant government provisions. The amounts paid are calculated according to the payment base and proportions, recognized as liabilities and included in current gains and losses or relevant asset costs.

Based on expected accrued benefits method, the Company attributes the welfare obligations of the defined benefit plan to employees' service life and includes them in profit or loss for the current period or in the cost of relevant assets. Deficit or surplus the present value of the defined benefit plan exceeding its fair value is recognized as net liabilities or net assets. For defined benefit plan which has surplus, the Company recognizes whichever is lower between the surplus and asset upper limit as the net asset of the defined benefit plan.

For all obligations in the defined benefit plan, including the obligation to pay within 12 months after the annual report about rendering service, discounting is performed according to national debts matched with defined benefit plan period and currency or market returns of high-quality corporate bonds in the active market on balance sheet day.

For the defined benefit plan, service costs, net liabilities or net interest revenues of net asset are recognized as current gains and losses or relevant asset costs. Alterations in net liabilities or net assets are included in other comprehensive gains and they are not allowed to be reversed to gains and losses in subsequent periods.

In defined benefit plan settlement, the balance between obligation present value and settlement price is recognized as gains or losses.

3. Termination benefits are compensation provided when the Company decides to terminate the employment relationship with employees before the end of the employment contracts, or compensation provided as an offer for voluntarily acceptance of layoff. For employees who haven't severed labor relations with the Company, but no longer render any service or bring economic benefits, the Company promises to offer economic release compensation, such as "early retirement". The employee could enjoy release benefit before his official retirement date and post-retirement benefit after he officially retires.

Release pay is recognized as employee benefit liabilities and included in current gains and losses on whichever is earlier between the day when the Company couldn't unilaterally revoke the release pay caused by severing labor relations or redundancy and the day when the Company confirms the costs relevant to release pay restructuring.

For release pay which cannot be fully paid within 12 months after annual report period and release plan which involves releasing the employee within a year but paying the release compensation for more than a year, proper discount rate is adopted by the Company and release pay is included in current gains and losses according to the discounted value.

4. Other long-term employee benefits refer to employee benefit other than short-term benefit, post-employment benefit and release pay, such as long-term paid absence, long-term disability benefits, long-term profit sharing plan, etc.

For other long-term employee benefits which conform to the conditions of defined contribution plan, accounting treatment shall be conducted according to relevant provisions of the defined contribution plan. For other long-term employee benefits which conform to the conditions of defined benefit plan, the Company confirms and calculates net liabilities or net assets of other long-term employee benefits according to relevant provisions of defined benefit plan. At the end of the report period, the Company divides costs generated by other long-term employee benefits into the following categories: service cost, net interests of net liabilities or net assets, alterations in net liabilities or net assets. Aggregate net amount is included in current gains and losses or relevant asset costs.

(XXIII) Bonds payable

On initial recognition, bonds payable are measured at their fair value. Relevant transaction fees are included in initial recognition amounts. Subsequently, bonds payable are measured at amortized costs.

Balance between the bonds' face value and their actual prices are recognized as appreciation or depreciation, which will be amortized when drawing the interests based on effective interest method and handled according to principles in borrowing costs.

(XXIV) Provisions

The Company recognizes foreign guarantee, commercial acceptance discount, pending actions or arbitration, product quality guarantee and other relevant contingent businesses as liabilities when they meet each following condition: the obligation is a current obligation undertaken by the Company; the fulfilling of the obligation is likely to cause profit losses; the amount of the obligation can be reliably calculated.

A provision will be initially measured at the best estimate of the expenditure required to

settle the related present obligation, taking into account of factors pertaining to a contingency such as risks, uncertainties and time value of money. Where the effect of the time value of money is material, the best estimate will be determined by discounting the related future cash outflows. The Company will review the carrying amount of a provision at the balance sheet date. Where there is clear evidence that the carrying amount of a provision does not reflect the current best estimate, the carrying amount will be adjusted to the best estimate.

(XXV) Recognition Criteria for Revenue

1. Recognition criteria for revenue

(1) The Company transfers the main risks and rewards about commodity ownership to purchasers; the company does not reserve any continuous management rights normally related to the ownership nor performs any effective control about the commodities which have been sold. When the economic benefits related to commodities flow into the company and the relevant costs and revenue can be reliably calculated, the revenue of commodity sales can be confirmed.

(2) When it is probable that the economic benefits related to the use by others of enterprise assets will flow to the Company and the amount of the revenue can be reliably measured, the revenue from the use of others of enterprise assets will be recognized.

2. Construction contracts

The Company recognizes the contract revenue and contract costs at the balance sheet date using the percentage of completion method if: (1) total contract revenue can be measured reliably; (2) economic benefits associated with the contract are likely to flow into the Company; (3) the actual contract costs incurred can be clearly identified and measured reliably; (4) contract completion and costs to complete the contract can be measured reliably. The actual percentage of completion is determined by the ratio of contract costs actually incurred to the estimate total costs.

If the outcome of a construction contract cannot be reliably estimated, the Company confirm contract revenue and contract costs according to following conditions: If the contract costs can be recovered, contract revenue is recognized according to the extent of contract costs incurred, the contract costs are recognized as contract expenses when incurred; If the contract costs cannot be recovered, the contract cost are recognized as contract expenses immediately when incurred, and no contract revenue is recognized.

The Company will review and revise contract revenue and cost estimates at the end of reporting period, and if the estimated total contract costs exceeds the estimated total contract revenue, the Company recognizes the expected loss as expenses.

(XXVI)Government Grants

Government grants refer to the monetary assets or non-monetary assets that the Company receive from the government for free. Government grants are classified into government grants related to assets and government grants related to income. The asset-related government grants are used to construct or form long-term assets by the Company; revenue-related government grants are other grants beyond the asset-related government grant.

Government grants related to assets are recognised when the assets constructed or purchased are put into use or the relevant department acceptance report is obtained.

Government grants related to income are recognised when the company receives the grant.

Government grants related to assets shall be offset against the carrying amount of the asset or recognised as deferred income. Government grants related to assets recognised as deferred income shall be rationally and systematically amortized to profit or loss over the useful life of the related asset (Recorded into other income if they are related to daily operations, or to non-operating income if they are not).

For a government grant related to income, if it is a compensation for related expenses or losses to be incurred by the Company in the subsequent period, it will be recognized as deferred income and charged to profit or loss over the periods in which the related expenses or losses are recognized (recorded into other income if it is related to daily operations, or to non-operating income if not), or it will be offset the related expenses or losses; if it is a compensation for related expenses or losses already incurred, it will be recognized immediately in profit or loss for the current period (recorded into other income if it is related to daily operations, or to non-operating income if not), or it will be offset the related expenses or losses.

(XXVII)Deferred tax assets and deferred tax liabilities

The income tax of the Company will be accounted for using balance sheet liability method.

Calculation of deferred tax assets or deferred tax liabilities

(1) The Company determines its tax basis upon acquisition of assets and liabilities. At the balance sheet date, the Company will analyze and compare the carrying amount and tax basis of assets and liabilities. If there is a temporary difference between the carrying amount of liabilities and their tax basis and the temporary differences meet the recognition criteria, the Company will recognize the taxable temporary differences as deferred tax liabilities and the deductible temporary differences as deferred tax assets.

(2) Recognition of deferred tax assets

① The Company will recognize deferred tax assets arising from deductible temporary differences by deductible temporary differences of taxable income in the future period. The

taxable income in the future period consist of the normal taxable income in business activities, as well as the added taxable income due to the reversal of taxable temporary differences during the reversal period of deductible temporary differences.

② As for the carry forward deductible tax losses and tax credits, the Company will recognize the deferred tax assets according to the deductible tax losses and tax credits future taxable income.

③ At the balance sheet date, the Company will review the carrying amount of a deferred tax asset. If it is unlikely to obtain sufficient taxable income to offset the benefit of deferred tax assets, the deferred tax asset carrying amount is reduced; if it is probable to obtain sufficient taxable income, the reduced amount should be reversed.

(3) Recognition of deferred tax liabilities

The Company recognizes the unpaid taxable temporary difference of current and prior periods as deferred tax liabilities. The temporary differences do not include goodwill, combination transaction and the formed taxable income temporary differences when the transaction occurs.

Calculation of deferred tax assets or deferred tax liabilities

At the balance sheet date, current income tax liabilities (or assets) for the current period and prior periods will be measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

(1) If the tax rate changes, the Company will re-measure the recognized deferred tax assets and deferred tax liabilities. Apart from the deferred tax assets and deferred income tax liabilities in a transaction or event, the change will be calculated in the tax expense recognized of the current period.

(2) The Company adopts the same tax rate and tax basis of the recovered assets or debts to calculate deferred tax assets and deferred tax liabilities.

(3) The Company will not discount the deferred tax assets and deferred tax liabilities.

(XXVIII) Finance Lease and Operating Lease

The Company classifies a lease as a finance lease or an operating lease on inception date of the lease.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership.

At the commencement of the lease term, the Company will recognize the aggregate of the minimum lease receipts at the inception of the lease and the initial direct costs as a finance lease

receivable, and record the unguaranteed residual value at the same time. The difference between the aggregate of the minimum lease receipts, the initial direct costs and the unguaranteed residual value, and the aggregate of their present values will be recognized as unearned finance income. Unrecognized finance income under a finance lease will be allocated to each period during the lease term using an effective interest method.

A lease other than a finance lease is classified as operating lease. As a lessee, the Company will recognize lease payments under an operating lease on a straight-line basis over the lease term, and either include them in the cost of another related asset or charge them to profit or loss for the current period. As a lessor, the Company will recognize lease income from an operating lease in profit or loss on a straight-line basis over the lease term.

(XXIX) Fair Value Measurement

Initial measurement of fair value

For assets and liabilities measured at fair value, the Company will take into account the characteristics of the asset or liability and adopt the received price of selling an asset or paid price of transferring a debt in an orderly transaction at the measurement date to measure the fair value. If the assets and liability are measured at fair value, the sell or transfer the assets and liabilities of the transaction of market participants at the measurement date is an orderly transaction in the current market conditions. The sale or transfer of assets and liabilities in an orderly transaction is held in the major markets underlying asset or liability. If there is no major markets, it should be assumed that the transaction is carried out in the most advantageous market related assets or liabilities. The assumption is to maximize the use of economic interest when the market participants price the asset or liability. If the non-financial assets are measured at fair value, it should be considered that the ability of market participants to achieve best use of the asset and generate economic benefits, or the ability to sell the assets to other market participants in order to generate economic benefits.

Valuation techniques

The Company calculates related assets or liabilities at fair value using valuation techniques applicable in the present case and with enough available data and other information technology to support. The valuation techniques include market approach, income approach and cost approach. the use of relevant observable inputs value is a priority in the application of valuation techniques, the observable inputs value can be used in case the observable inputs value are unable to obtain or impracticable to obtain.

Hierarchy of fair value

The Company determines hierarchy of fair value based on lowest level of important input:

the first level of the input value is the nonadjustable offer of the identical assets or liabilities obtained on the measurement date in an active market. Active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly. The third level input values are unobserved inputs related assets or liabilities.

(XXX) Significant Changes in Accounting Policies and Accounting Estimates

1. Significant changes in accounting policies

According to the Circular on Revising and Issuing the Format of General Enterprise Financial Statements for 2019 (No.6 [2019] of the Ministry of Finance) issued by the Ministry of Finance in April 2019, and Notice on Revising and Issuing the Format of Consolidated Financial Statements (No.16 [2019] of the Ministry of Finance) issued by the Ministry of Finance in September 2019, with the approval of the board meeting, the Group adopts the retrospective adjustment method for the statement items involved in the change of this accounting policy. The resulting adjustment for items in 2018 financial statements is as follows:

Adjusted items in Consolidated Balance Sheet as at 31 December 2018

Original statement of items and amount		Restatement of items and amount	
Notes receivable and accounts receivable	1,028,309,911.37	Notes receivable	22,181,000.00
		Accounts receivable	1,006,128,911.37
Notes payable and accounts payable	2,901,727,301.47	Notes payable	1,298,001,000.00
		Accounts payable	1,603,726,301.47
Asset impairment losses	-16,109,742.76	Asset impairment losses	16,109,742.76

Adjusted items in Parent Balance Sheet as at 31 December 2018

Original statement of items and amount		Restatement of items and amount	
Notes receivable and accounts receivable		Notes receivable	
		Accounts receivable	
Notes payable and accounts payable	1,738,926,522.95	Notes payable	1,130,000,000.00
		Accounts payable	608,926,522.95
Asset impairment losses	4,189,121.14	Asset impairment losses	-4,189,121.14

2. Changes in accounting estimates and their effects

No change in accounting estimates occurred during the reporting period.

(XXXI) Important accounting judgments and estimates

In adopting accounting policies, as uncertainties exist in operation activities, the Company needs to make judgments, estimates and assumptions to items which can not be accurately recorded. These judgments, estimates and assumptions are made on the basis of previous experience of the Company's management and other relevant factors. These judgments and estimates will affect the reported amount of income, expenses, assets and liabilities, balance sheet date or disclosure of contingent liabilities. However, the result caused by uncertainty of the estimates may differ from that estimated by the management of the Company, and thus leads to an important adjustment on the carrying amount of assets or liabilities affected in the future.

Such judgments, estimates and assumptions are reviewed regularly on the basis of going concern. If the change of accounting estimates only affects the current period of that change, the affected amount shall be recognized in the current period; if both the current period and the future period are affected, the affected amount shall be recognized in the current period and the future period. At the balance sheet date, financial statement items of which the Company is required to make judgments, estimates and assumptions are as follows:

(1) Provision for bad debts

The Company adopts the allowance method to calculate the bad debt loss according to the accounting policy on receivables. Impairment of receivables is based on the recoverability. Identification of impairment of receivables requires management's judgment and estimates. The difference between the actual results and the original estimates will affect the carrying amount of the receivables and the withdrawal or reversal of the provision for bad debts of the receivables during the estimated period of change.

(2) Provision for decline in value of inventories

Inventories are measured based on the lower of cost and net realizable value; if the cost is higher than the net realizable value or inventories are obsolete and unsalable, a provision for decline in value of inventories will be made. Impairment of inventories to net realizable value is based on the assessment of the inventory's sellability and its net realizable value. Identification of inventory impairment requires the management to obtain conclusive evidences and make judgments and estimates, taking into account the purpose of holding inventory, the effects of post-balance sheet date events and other factors. The difference between the actual results and the original estimates will affect the carrying amount of the inventories and the withdrawal or reversal of the provision for decline in value of inventories during the estimated period of change.

(3) Held-to-maturity investments

The Company classifies non-derivative financial assets with fixed or determinable payments and fixed maturity that it has the positive intention and ability to hold to maturity as held-to-maturity investments. Such classification requires a great deal of judgment. In this process, the Company will assess its willingness and ability to hold such investments to maturity. Except for certain circumstances (such as the sale of insignificant investments near the expiration date), if the Company fails to hold these investments to maturity, all such investments must be reclassified as available-for-sale financial assets, and shall not be classified as held-to-maturity investments within the current and the next two full accounting years. Should this happen, it may have a significant impact on the value of the relevant financial assets listed on the financial statements and may affect the Company's financial instrument risk management strategy.

(4) Impairment of held-to-maturity investments

The Company's determination of whether a held-to-maturity investment is impaired largely depends on management's judgment. Objective evidence indicating an impairment includes: the disappearance of an active market for that financial asset because of financial difficulties of the issuer; a breach of contract by the borrower, such as a default or delinquency in interest or principal payments, etc. In this process, the Company needs to assess the impact of objective evidence on the estimated future cash flow of the investment.

(5) Impairment of available-for-sale financial assets

The Company's determination of whether or not an available-for-sale financial asset is impaired depends largely on management's judgment and assumption, so as to determine whether it needs to recognize impairment loss in the income statement. In this process, the Company needs to assess the extent to which the fair value of the investment is lower than the cost and its duration, as well as the financial status and short-term business outlook of the investee, including industry conditions, technological changes, credit ratings, default rates, and risks posed by opponents.

(6) Provision for long-term asset impairment

At the balance sheet date, the Company will assess whether there is any indication that there may be any impairment on non-current assets other than financial assets. For intangible assets with indefinite useful life, an impairment test shall be conducted in addition to the annual impairment test when there are indications of impairment. Other non-current assets other than financial assets are tested for impairment when there are indications that their carrying amount is irrecoverable.

When the carrying amount of an asset or an asset group is higher than the recoverable

amount, that is, the higher of the net amount of the fair value less the disposal expenses and the present value of the expected future cash flows, it indicates that the impairment occurred. The net amount of the fair value less the disposal costs is determined by reference to the sales agreement price or the observable market price of similar assets in the fair trade less the incremental costs directly attributable to the disposal of the asset. In estimating the present value of the expected future cash flow, significant judgment is required to determine the production capacity, selling price, operating cost of the asset (or asset group) and the discount rate used for the calculation of present value. The Company estimates all recoverable amounts using all available information, including projections of production, selling prices and associated operating costs based on reasonable and supportable assumptions. The Company tests whether goodwill is impaired at least annually. This requires an estimation of the present value of the future cash flows of an asset group or a set of asset groups to which goodwill has been allocated. When estimating the present value of the future cash flows, the Company needs to estimate the future cash flows generated by the asset group or set of asset groups, and selects the appropriate discount rate to determine the present value of the future cash flows.

(7) Accumulated depreciation and amortization

Investment properties, fixed assets and intangible assets are depreciated and amortized on a straight-line basis over their useful lives after taking into account their residual values. The Company periodically reviews the useful life of such assets to determine the amount of depreciation and amortization to be included in each reporting period. Useful life is determined by the Company based on past experience with similar assets and in conjunction with anticipated technical updates. If significant changes are made in previous estimates, depreciation and amortization charges will be adjusted in the future.

(8) Deferred tax assets

Deferred tax assets are recognized for all unused tax losses and deductible temporary difference to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(9) Income tax

In the normal business activities of the Company, there are some uncertainties in the final tax treatment and calculation of certain transactions. Whether some of the transactions could be expensed before taxation is subject to the approval of tax authorities. If the final recognition result of these tax matters is different from the initially estimated amount, such difference will

impact the current income tax and deferred income tax in the period in which such recognition is made.

V. Taxation

1. Major taxes and tax rate

Tax category	Tax basis	Tax rate
Value-added tax	Output VAT less deductible input VAT	3%, 5%, 9%, 11%, 10%, 13%, 16% as applicable
City maintenance tax	Commodity turnover tax payable	7%、 5%
Education surcharge	Commodity turnover tax payable	5%
Enterprise income tax	Taxable income	25%
Property tax	70% of renting income/ original value	12%/1.2%

2. Tax incentives

According to the Notice of State Administration of Taxation and Ministry of Finance on the Treatment of Enterprise Income Tax on Special Purpose Financial Funds (Cai Shui [2011] No. 70), the financial capital obtained from the financial department and other government agencies at all levels of people's government above the county, may be treated as non-taxable income if it satisfies the relevant conditions.

VI. Scope of Consolidation

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

(I) Information of subsidiaries

No.	Name	Corporation type	Place of registration	Principal place of business	Nature of business	Registered capital (In ten thousand)	Shareholding Ratio (%)	Voting power enjoyed (%)	Investment amount (in ten thousand)	Acquisition method
1	Yancheng Yongheng Investment and Development Co., Ltd.	1	Yancheng City	Yancheng City	Investment, construction and management of state-owned assets and infrastructure; foreign investment; water conservancy and hydropower construction; investment and management of cultural industry projects; real estate development and management; housing construction; house rental.	108,000.00	100.00	100.00	108,000.00	Funding and establishing
1.1	Yancheng Jieheng Warehousing Co., Ltd.	1	Yancheng City	Yancheng City	General cargo warehousing services; general cargo handling; sea, air, land international freight forwarders; general cargo transportation agency; self-operation or agent of import and	5,000.00	100.00	100.00	5,000.00	Funding and establishing

					export of goods and technologies (except for those whose import and export are restricted or prohibited by the state).					
1.2	Yancheng Hengmao Landscaping Co., Ltd.	1	Yancheng City	Yancheng City	Landscaping design and construction; investment, operation and management of infrastructure; operation and management of state-owned assets authorized by the government; land development and management; industrial investment; infrastructure development and construction; property management; house demolition; municipal public works; building decoration; urban and road lighting engineering; water conservancy and hydropower engineering; earth and rock construction; water and electricity installation (except for power supply facilities); air conditioning installation; land consolidation;	2,200.00	100.00	100.00	2,200.00	Funding and establishing

					municipal facilities management and maintenance; wholesale and retail of building materials.					
1.5	Yancheng Hengyuan Investment and Development Co., Ltd.	1	Yancheng City	Yancheng City	Industrial investment; self-owned house rental; car park management; cultivation and sales of agricultural products; investment and management of rural infrastructure projects; sales of auto parts and auto supplies; construction of greening, water conservancy and hydropower projects; investment and management of cultural industry projects.	5,000.00	100.00	100.00	2,000.00	Funding and establishing
1.6	Yancheng Yongheng Property Management Co., Ltd.	1	Yancheng City	Yancheng City	Property management; cultivation and conservation of flowers and trees; greening and repair of residential road; indoor and outdoor architectural decoration design and construction; indoor water and electricity installation; indoor pipeline laying; car rental, catering service, food (subject to the	2,200.00	100.00	100.00	50.00	Funding and establishing

					scope of business approved in food business license), sales of daily necessities (except electric tricycle).					
1.6.1	Yancheng Yandu District Yanchuang Trade Co., Ltd.	1	Yancheng City	Yancheng City	Pre-packaged food and bulk food sales, computer software and hardware, electronic products, communications equipment (except for satellite ground receiving equipment), hardware products, office supplies, daily provisions, bedding, cosmetics, bags, toys, crafts, furniture, building materials, etiquette service, public relations activities planning.	100.00	100.00	100.00	100.00	Funding and establishing
1.7	Yancheng Yangao Affordable Housing Construction Co., Ltd.	1	Yancheng City	Yancheng City	Affordable housing construction and development; investment, construction and management of state-owned assets and infrastructure; foreign investment; water conservancy and hydropower construction; investment and management of	2,000.00	100.00	100.00	2,000.00	Funding and establishing

					cultural industry projects; self-owned houses and site leasing; indoor water and electricity installation; housing construction projects; building decoration; landscaping projects; property management.					
1.8	Jiangsu Tengyong Construction Co., Ltd.	1	Yancheng City	Yancheng City	Construction of municipal public works, groundwork and foundation projects, building decoration engineering, landscape engineering, city and road lighting engineering, water conservancy and hydropower engineering, earthwork construction, land development and consolidation, infrastructure development and construction, property management, housing demolition, hydropower installation, air conditioning installation, maintenance and management of municipal facilities.	204,000.00	49.02	49.02	100,000.00	Funding and establishing

1.9	Yancheng Longhu Cultural Industry Development Co., Ltd.	1	Yancheng City	Yancheng City	Cultural and artistic exchange activities planning; etiquette, celebration, corporate image design; investment, construction and management of state-owned assets and infrastructure; foreign investment; water conservancy and hydropower project construction; house leasing and property management; house construction and municipal public works; foundation engineering; steel structure engineering; landscaping and greening; earth and stone works; building decoration; building curtain wall engineering; fire protection facilities; building waterproofing; intelligent building construction; indoor water and electricity installation; construction services subcontracting.	62,000.00	80.65	80.65	50,000.00	Funding and establishing
1.9.1	Donglin (Hong Kong)	3	Hong Kong,	Hong Kong,	Infrastructure investment, construction	62,700.00	100.00	100.00	31,000.00	Establishment

	Co., Ltd.		China	China	and management ; foreign investment; water conservancy and hydropower construction; investment and management of cultural industry projects; real estate development and management; housing construction; foreign trade.					
1.9.1.1	Yancheng Pingtan Infrastructure Construction Co., Ltd.	1	Yancheng City	Yancheng City	Foundation engineering and construction, housing construction, municipal engineering construction, electrical installation, earthwork construction, building decoration, building curtain wall construction, steel structure construction, fire protection facilities construction, water proof engineering, anti- corrosion insulation engineering construction; investment management.	65,000.00	100.00	100.00	65,000.00	Establishment
2	Yancheng Yongheng Investment Management Co., Ltd.	1	Yancheng City	Yancheng City	Asset management; enterprise project planning; financial information consulting (except financial and investment consulting);	300,000.00	100.00	100.00	300,000.00	Funding and establishing

					business information consulting (except financial and investment consulting);house leasing; property management services.					
2.1	Yancheng Yongheng Catering Management Co., Ltd.	1	Yancheng City	Yancheng City	Catering management; conference services; catering services; sales of pre-packaged food, daily necessities (not including electric tricycle) and office supplies.	100.00	100.00	100.00	100.00	Funding and establishing
3	Yancheng High-tech Zone Yongxin Finance Leasing Co., Ltd.	1	Yancheng City	Yancheng City	Finance leasing;purchase of rental property at home or abroad; residual value processing and maintenance of leased property; leasing transaction consulting and guarantee (not including the businesses listed in the Management Measures for Finance Leasing Companies that require the approval of the CBRC and those restricted or prohibited by the State; any licensed project shall be carried out subject to the license).	20,000.00	75.00	75.00	15,000.00	Funding and establishing

4	Yancheng Lizhiyong Trading Co., Ltd.	1	Yancheng City	Yancheng City	Sales of CNC machine tools, building materials, metal materials (excluding precious metals), boiler products, hardware products, construction equipment, textile, clothing, electronic products, communications equipment (excluding ground satellite receiving facilities), building materials, daily necessities (excluding electric tricycle).	160,000.00	51.00	51.00	81,600.00	Funding and establishing
4.1	Yancheng Baolian Science and Technology Industry Co., Ltd.	1	Yancheng City	Yancheng City	R&D, production and marketing of commercial concrete, dry mortar, ready-mixed mortar, and exterior wall insulation mortar; housing construction; mechanical and electrical equipment engineering installation; agricultural products planting and marketing; agricultural tourism services; solar power generation; building materials sales; stone material processing and marketing.	10,000.00	70.00	70.00	2,100.00	Funding and establishing

5	Yancheng Yongheng Construction and Development Co., Ltd.	1	Yancheng City	Yancheng City	Housing construction, municipal public works, highway engineering, water conservancy and hydropower projects, landscaping construction; infrastructure investment, construction and management; land development and management; housing demolition.	20,000.00	100.00	100.00	20,000.00	Funding and establishing
6	Yancheng High-tech Zone SME Financing Guarantee Co., Ltd.	1	Yancheng City	Yancheng City	Financing guarantee businesses: loan guarantee, bill acceptance guarantee, trade finance guarantee, project financing guarantee, letter of credit guarantee. Other businesses: financing business consulting and financial advisors related to the guarantee business; investment with self-owned capital.	50,000.00	100.00	100.00	50,000.00	Funding and establishing
7	Yancheng Chuangyong New Energy Investment Co., Ltd.	1	Yancheng City	Yancheng City	Investment, development and management of new energy projects; construction and operation of the photovoltaic power station; installation, debugging and	25,000.00	60.00	60.00	15,000.00	Funding and establishing

					<p>maintenance of photovoltaic equipment; technical research, consultation, transfer and services in the field of photovoltaic technology and power technology; infrastructure investment, construction and management; foreign investment; water conservancy and hydropower project construction; cultural industry investment and management; sale of photovoltaic equipment and components, wire and cable; self-operation or agent of import and export of goods and technologies (except for those whose import and export are restricted or prohibited by the state).</p>					
7.1	Yancheng Chuangyong Hydrotreating Station Management Service Co., Ltd.	1	Yancheng City	Yancheng City	<p>Design, construction, management and construction consulting services of hydrogenation and charging stations; R&D, sales and technical consulting of hydrogen production, storage and</p>	1,200.00	55.00	55.00	660.00	Funding and establishing

					injection equipment; R&D, sales and technical consulting of parts and components of hydrogen production, storage and injection products.					
8	Yancheng Xinyong Investment and Development Co., Ltd.	1	Yancheng City	Yancheng City	Investment, construction and management of state-owned assets and infrastructure; foreign investment; water conservancy and hydropower construction; investment and management of cultural industry projects.	180,000.00	27.78	27.78	50,000.00	Funding and establishing
9	Yancheng Zhongyong Investment and Development Co., Ltd.	1	Yancheng City	Yancheng City	Infrastructure investment, construction and management ; foreign investment; water conservancy and hydropower construction; investment and management of cultural industry projects; real estate development and management; housing construction.	20,000.00	100.00	100.00	20,000.00	Funding and establishing
10	Yancheng Yangao Municipal Engineering	1	Yancheng City	Yancheng City	Design and construction of municipal public works; landscape design and conservation;	10,000.00	100.00	100.00	10,000.00	Funding and establishing

	Co., Ltd.									
11	Yancheng Yanlong Lake Ecological Landscape Reserve Development and Construction Co., Ltd	1	Yancheng City	Yancheng City	Land development and management; infrastructure investment management; industrial investment; collective asset management; modern and efficient crop promotion, planting and sales; modern and efficient agricultural project development; wholesale and retail of building materials and steel; sales of flowers and trees; construction of water conservancy projects, municipal public works, road works and decoration works; housing and venue rental.	200,000.00	100.00	100.00	200,000.00	Appropriated
11.1	Xuzhou China University of Mining and Technology Science and Technology Park (Yandu) Co., Ltd.	1	Yancheng City	Yancheng City	Science and technology park management services; high-tech project development, transfer and technical services; science and technology project development, sales and leasing; non-academic vocational skills training.	500.00	51.00	51.00	255.00	Appropriated

11.2	Yancheng Yanlong Lake Landscaping Management Co., Ltd.	1	Yancheng City	Yancheng City	Landscaping works; garden ancient building construction; landscaping works; municipal public works, earth and stone engineering design and construction; panting and sales of flowers and trees; flowers and trees conservation and rental; flowers wholesale and retail.	30,000.00	100.00	100.00	30,000.00	Appropriated
11.3	Yancheng Yanlong Lake Venture Capital Investment Co., Ltd.	1	Yancheng City	Yancheng City	Venture capital investment; business management planning; industrial investment; foreign investment; asset management; management consultation of non-certificate business investment; investment and management of cultural industry projects; investment, construction and management of state-owned assets and infrastructure within the authorized scope.	60,000.00	100.00	100.00	60,000.00	Appropriated
3/1/2011	Sheyang Longxiang Agricultural Products Co., Ltd.	1	Yancheng City	Yancheng City	Chrysanthemum planting; purchase and sales of chrysanthemum and other agricultural products (except where	198.00	99.00	99.00	196.02	Appropriated

					the State has special regulations).(Businesses subject to approval shall be carried out upon approval by relevant government department.)					
11.4	Yancheng Yandu District Longgang Water Co., Ltd.	1	Yancheng City	Yancheng City	To supply drinking water for Yancheng Huijin Water Supply Co., Ltd.; water supply accessories sales; water pipe maintenance; water conservancy projects; water supply pipeline works; drainage pipe works; municipal public works construction.	5,800.00	51.72	51.72	3,000.00	Appropriated
11.5	Yancheng Hongwen Property Co., Ltd.	1	Yancheng City	Yancheng City	Property management services; urban life garbage cleanup and collection; road and river cleaning; greening maintenance services; domestic services; sewer dredging; construction labor subcontract; earth and stone construction; building materials sales; architectural decoration decoration design and construction.	19,000.00	100.00	100.00	19,000.00	Appropriated
11.6	Yancheng Longhu Sewage	1	Yancheng City	Yancheng City	Sewage treatment works; environmental protection construction;	3,000.00	100.00	100.00	3,000.00	Appropriated

	Treatment Co., Ltd.				sewage treatment technology research and development.					
11.7	Yancheng Ruiyang Science and Technology Co., Ltd.	1	Yancheng City	Yancheng City	New energy technology research and development; sales of building materials, steel, concrete, metal materials, marble, granite, tools and hardware, electronic products, electrical equipment, general equipment, plastic products, daily necessities (except for electric tricycles), instrumentation, valves, chemical products (except for pesticides and other hazardous chemicals), textiles, bedding, household appliances, decorating materials (except for hazardous chemicals).	12,000.00	100.00	100.00	12,000.00	Appropriated
11.8	Yancheng Yong'an Science and Technology Co., Ltd.	1	Yancheng City	Yancheng City	New energy technology research and development; sales of building materials, steel, concrete, metal materials, marble, granite, tools and hardware, electronic products, electrical equipment, general	12,000.00	100.00	100.00	12,000.00	Appropriated

					equipment, plastic products, daily necessities (except for electric tricycles), instrumentation, valves, chemical products (except for pesticides and other hazardous chemicals), textiles, bedding, household appliances, decorating materials (except for hazardous chemicals).					
11.9	Yancheng Longhu Properties Co., Ltd.	1	Yancheng City	Yancheng City	Real estate development and management; land development and management; infrastructure investment and construction; modern and efficient crop promotion, planting and sales; modern and efficient agricultural project development; wholesale and retail of building materials and steel; sales of flowers and trees.	5,800.00	100.00	100.00	5,800.00	Appropriated
11.10	Yancheng Phoenix Park S&T Development Co., Ltd.	1	Yancheng City	Yancheng City	IT software development and technical advice; industrial investment; investment consulting; design and construction of environmental	15,000.00	100.00	100.00	15,000.00	Appropriated

					sanitation projects; research, sales, installation and technical services of environmental protection and sanitation equipment; interior decoration; municipal engineering; greening design, construction and technical services.					
11.11	Yancheng Jingze Real Estate Co., Ltd.	1	Yancheng City	Yancheng City	Real estate development and management; property management; municipal engineering and landscaping, foundation and infrastructure construction; house design and construction; community greening conservation.(Businesses subject to approval shall be carried out upon approval by relevant government department.)	5,426.053	100.00	100.00	5,426.053	Funding and establishing
12	Yancheng High-tech Zone Venture Capital Investment Co., Ltd.	1	Yancheng City	Yancheng City	Venture capital; venture investment advisory services; business management services; housing demolition; infrastructure construction and related services; greening	60,000.00	100.00	100.00	60,000.00	Funding and establishing

					project design and construction.					
12.1	Yancheng Jida Intelligent Terminal Industry Research Institute Co., Ltd.	1	Yancheng City	Yancheng City	Research and development, sales, testing, technical services and advices of intelligent terminal equipment, communication equipment, broadband multimedia equipment, power supply, electronic products, software, computers and ancillary equipment, general mechanical equipment and communication information products; information system design, integration, operation and maintenance; integrated circuit design, research and development; R&D and sales of wireless digital products (except restricted items); R&D and sales of energy-related products; R&D and sales of products in the fields of big data, Internet of Things and communications; intellectual property agency services.	900.00	100.00	100.00	900.00	Funding and establishing

13	Jiangsu Fanshun Tourism Development Co., Ltd.	1	Yancheng City	Yancheng City	Eco-tourism project development; eco-agricultural tourism services; sports fitness center supporting facilities development; rural tourism reception, consulting and services; tourism products sales; landscape construction; green conservation; flowers, trees, and fruit cultivation and sales; aquaculture and sales of aquatic products; fish pond and lotus pond leasing; houses and infrastructure construction.	20,000.00	100.00	100.00	20,000.00	Appropriated
13.1	Yancheng Yandu District Ganlu Water Co., Ltd.	1	Yancheng City	Yancheng City	To supply drinking water for Yancheng Huijin Water Supply Co., Ltd., water supply accessories sales, water pipe maintenance.	10,000.00	100.00	100.00	10,000.00	Appropriated
13.2	Yancheng Zexing Water Conservancy Engineering Management Co., Ltd.	1	Yancheng City	Yancheng City	Small water conservancy project management; maintenance and management of irrigation and drainage pumping stations, embankment, sluice gate, small ditch and supporting facilities (bridges, culverts, gate,	2,000.00	100.00	100.00	2,000.00	Appropriated

					aqueduct).					
13.3	Jiangsu Zhenxin Environmental Technology Co., Ltd.	1	Yancheng City	Yancheng City	R&D, manufacturing and sales of environmental protection equipment, environmental engineering design and construction, design and manufacturing of cement production equipment, manufacturing and sales of electrical equipment, mining machinery, building materials production equipment, chemical production equipment.	1,080.00	100.00	100.00	1,080.00	Appropriated
13.4	Yancheng Yandu Louwang Greening Management Co., Ltd.	1	Yancheng City	Yancheng City	Greening management and maintenance, construction of landscape greening projects, flower rental, plant and sale of flowers and trees.	1,000.00	100.00	100.00	1,000.00	Funding and establishing
13.5	Yancheng Yufeng Ecological Agriculture Development Co., Ltd.	1	Yancheng City	Yancheng City	Eco-agriculture cultivation; industrial investment in agricultural projects; development of agricultural tourism projects; agricultural picking and sightseeing services; pond fishing and leisure services;	1,000.00	100.00	100.00	1,000.00	Funding and establishing

					eco-agricultural technology research and development, technical extension services; plant protection technical services; agricultural machinery maintenance and technical advisory services; aquaculture and agricultural and by-products processing; fishpond leasing; infrastructure development, construction; sale of food, tourism supplies; retail ingested seeds, fertilizers, agricultural films, pesticides and pesticides for conventional crops.(Businesses subject to approval shall be carried out upon approval by relevant government department.)					
13.6	Yancheng Wanfulong Machinery Manufacturing Co., Ltd.	1	Yancheng City	Yancheng City	Manufacturing, installation, sales and technical services for micro tillage machines, snow sweepers, general machinery and equipment; self-operation or agent of import and export of	1,600.00	51.00	51.00	816.00	Acquisition

					goods and technologies (except those restricted or prohibited from import and export by the State).(Businesses subject to approval shall be carried out upon approval by relevant government department.)					
14	Yancheng Longhu Beer Co., Ltd.	1	Yancheng City	Yancheng City	Production of bear and raw materials; sales of alcoholic and non-alcoholic beverages; sales of beer equipment, beer by-products and glass bottles; beer-related technical services; sales of textiles, garments, daily necessities, stationery (excluding books and shooting equipment), electronic products; old beer bottle recycling (not stored in the company's residence).	8,000.00	100.00	100.00	8,000.00	Acquisition
15	Yancheng Guochuang Venture Capital Partnership (Limited Partnership)	1	Yancheng City	Yancheng City	Venture capital, asset management, equity investment and industrial investment.	100,000.00	80.00	80.00	80,000.00	Acquisition
16	Yancheng Yanlong	1	Yancheng City	Yancheng City	Secondary water supply in Yanlong Street of	5,000.00	100.00	100.00	5,000.00	Appropriated

Water Co., Ltd.				Yandu District; rural sewage treatment; design and construction of fire fighting facilities; sales of water and sanitation equipment; installation and maintenance of water pipes; installation of water meters; landscaping design and construction; investment, operation and management of infrastructure; operation and management of state-owned assets authorized by the government; land development and management; industrial investment; infrastructure development and construction; property management; house demolition; municipal public works; building decoration; urban and road lighting engineering; water conservancy and hydropower engineering; earth and rock construction; wholesale and retail of						
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					building materials; land consolidation; municipal facilities management and maintenance.					
17	Yancheng Zhichuang Cultural Town Co., Ltd.	1	Yancheng City	Yancheng City	Development, construction, operation and management of intelligent cultural town projects.(Businesses subject to approval shall be carried out upon approval by relevant government department.)	60,000.00	100.00	100.00	60,000.00	Funding and establishing
18	Yancheng Guozhi Industry Fund Co., Ltd.	1	Yancheng City	Yancheng City	Investment management;equity investment; investment consulting.(Businesses subject to approval shall be carried out upon approval by relevant government department.)	100,000.00	80.00	80.00	40,000.00	Funding and establishing
19	Yancheng Guoda Industrial Investment Fund Partnership (Limited Partnership)	1	Yancheng City	Yancheng City	Equity investment and venture capital(Businesses subject to approval shall be carried out upon approval by relevant government department.)	50,100.00	80.00	80.00	40,080.00	Funding and establishing

Note1: Company Type: 1. domestic non-financial subsidiary company; 2. domestic financial subsidiary company; 3. foreign subsidiary company; 4. Public Institution; 5. infrastructure construction unit

2. Entities newly incorporated into the scope of consolidation during the reporting period

7 subsidiaries are newly included into the scope of consolidation during the reporting period, which are as follows:

No.	Name	Reason
1	Sheyang Longxiang Agricultural Products Co., Ltd.	Business combination not under common control and through equity transfer in 2019
2	Yancheng Jingze Real Estate Co., Ltd.	Funding and establishing in 2019
3	Yancheng Yufeng Ecological Agriculture Development Co., Ltd.	Funding and establishing in 2019
4	Yancheng Wanfulong Machinery Manufacturing Co., Ltd.	Funding and establishing in 2019
5	Yancheng Zhichuang Cultural Town Co., Ltd.	Funding and establishing in 2019
6	Yancheng Guozhi Industry Fund Co., Ltd.	Funding and establishing in 2019
7	Yancheng Guoda Industrial Investment Fund Partnership (Limited Partnership)	Funding and establishing in 2019

(II) Entities ceased to be consolidated in this year

No.	Name	Reason for deconsolidation
1	Yancheng High-tech Zone Weishi Agricultural Development Co., Ltd.	Equity transfer on 24 July 2019

VII. Notes to Significant Items in the Consolidated Financial Statements

Unless otherwise specified, in the following disclosure of financial items, “beginning of the period” refers to January 01, 2019, “end of the period” refers to December 31, 2019, “this period” refers to the time period from January 1 to December 31, 2019, “last period” refers to the time period from January 1 to December 31, 2018, and the monetary unit is RMB Yuan.

(I) Currency funds

1. Balance of currency funds

Items	Ending balance	Beginning balance
Cash	180.92	21,989.33
Bank balances	4,430,638,847.20	11,249,220,269.83
Other currency funds	6,032,686,885.87	1,503,383,812.37
Total	10,463,325,913.99	12,752,626,071.53

2. Restrictions on the use of currency funds as at December 31, 2019

Items	Amount	Reason for limited availability
Other currency funds	3,205,000,000.00	Pledge
Other currency funds	1,178,646,198.77	Pledge loans
Other currency funds	1,467,380,000.00	Bank acceptance margin
Other currency funds	181,660,687.10	Deposit margin and loan margin
Total	6,032,686,885.87	

(II) Financial assets at fair value through profit or loss

Items	Ending balance	Beginning balance
Trading bond investment		40,000,000.00
Total		40,000,000.00

(III) Notes receivable

1. Classification of notes receivable

Items	Ending balance	Beginning balance
Bank acceptance bill	57,527,387.06	22,181,000.00
Total	57,527,387.06	22,181,000.00

2. There is no note receivable pledged at the end of this period.

3. There is no note receivable that has been endorsed or discounted at the end of the period and is not yet due at the balance sheet date.

(IV) Accounts receivable

1. Accounts receivable

(1) Classification of accounts receivable

Category	Ending balance			
	Book balance		Provision for bad debts	
	Amount	Ratio (%)	Amount	Ratio (%)
Accounts receivable that are individually significant and provided for bad debts separately				
Accounts receivable that are collectively provided for bad debts based on credit risk characteristics	395,401,858.05	100.00	526,464.69	0.13
Group No.1: age group	393,903,001.50	99.62	526,464.69	0.13
Group No.2: other group	1,498,856.55	0.38		
Subtotal	395,401,858.05	100.00	526,464.69	0.13
Accounts receivable that are not individually significant but provided for bad debts separately				
Total	395,401,858.05	100.00	526,464.69	0.13

(Continued)

Category	Beginning balance			
	Book balance		Provision for bad debts	
	Amount	Ratio (%)	Amount	Ratio (%)
Accounts receivable that are individually significant and provided for bad debts separately				
Accounts receivable that are collectively provided for bad debts based on credit risk characteristics	1,009,805,412.90	100.00	3,676,501.53	0.36
Group No.1: age group	892,395,347.40	88.37	3,676,501.53	0.41
Group No.2: other group	117,410,065.50	11.63		
Subtotal	1,009,805,412.90	100.00	3,676,501.53	0.36

Category	Beginning balance			
	Book balance		Provision for bad debts	
	Amount	Ratio (%)	Amount	Ratio (%)
Accounts receivable that are not individually significant but provided for bad debts separately				
Total	1,009,805,412.90	100.00	3,676,501.53	0.36

(2) Other receivables that are collectively provided for bad debts by portfolio based on credit risk characteristics

a. Accounts receivable that are provided for bad debts using aging analysis

Age	Ending balance			Beginning balance		
	Book balance		Provision for bad debts	Book balance		Provision for bad debts
	Amount	ratio (%)		Amount	ratio (%)	
Less than 1 year	343,954,973.15	87.32		527,893,634.79	59.15	
1-2 years	49,806,005.14	12.64	498,060.05	364,309,689.40	40.82	3,643,096.89
2-3 years				50,000.00	0.01	5,000.00
Over 3 years	142,023.21	0.04	28,404.64	142,023.21	0.02	28,404.64
Total	393,903,001.50	100.00	526,464.69	892,395,347.40	100.00	3,676,501.53

(3)Accounts receivable with top 5 ending balance listed by debtor

Name of the debtor	Amount	Age
Yancheng Yanlong Lake Agricultural Development and Investment Co., Ltd.	178,076,835.92	Less than 1 year
Shandong Xinzhi Energy Technology Co., Ltd.	39,822,271.00	Less than 1 year
Zhangjiagang Fengchi Materials Co., Ltd.	24,965,950.00	Less than 1 year
Fourth Engineering Co., Ltd. of China Railway 25th Bureau Group	25,858,161.27	Less than 1 year
Third Engineering Co., Ltd. of China Railway Guangzhou Engineering Bureau Group	27,641,277.93	Less than 1 year
Total	296,364,496.12	

(4)There is no accounts receivable written off during the reporting period.

(V) Prepayments

1. Prepayments presented by age

Age	Ending balance	Beginning balance
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Yancheng High-tech Zone Investment Group Co., Ltd.
Notes to the Financial Statements for the Year Ended December 31, 2019

	Amount	Ratio (%)	Amount	Ratio (%)
Less than 1 year	321,226,432.02	32.83	980,710,879.85	62.50
1-2 years	552,825,351.90	56.49	134,718,705.43	8.58
2-3 years	103,832,568.50	10.61	334,202,833.14	21.30
Over 3 years	710,222.00	0.07	119,536,400.11	7.62
Total	978,594,574.42	100.00	1,569,168,818.53	100.00

2. Prepayments with significant ending balance listed by payee

Name of payee	Amount	Age
Hunan Hualing Resources Trading Co., Ltd.	54,345,664.26	Less than 1 year
Yancheng Zhuyou Real Estate Development Co., Ltd.	83,226,098.00	Less than 1 year / 1-3 years
Yancheng Tengda Real Estate Development Co., Ltd.	46,088,833.86	1-2 years
Jiangsu Jinmao Construction Group Co., Ltd.	63,116,742.47	Less than 1 year / 1-2 years
Yancheng Jianyuan Real Estate Co., Ltd.	90,869,771.57	Less than 1 year / 1-3 years
Total	337,647,110.16	

(VI) Other receivables

Items	Ending balance	Beginning balance
Other receivables	12,011,757,379.53	9,331,254,276.87
Interest receivable	2,387,777.00	6,561,477.00
Dividends receivable		
Total	12,014,145,156.53	9,337,815,753.87

1. Other receivables

(1) Category of other receivables

Category	Ending balance			
	Book balance		Provision for bad debts	
	Amount	Ratio (%)	Amount	Ratio (%)
Other receivables that are individually significant and provided for bad debts separately				
Other receivables that are collectively provided for bad debts based on credit risk characteristics	12,106,887,211.48	99.98	95,129,831.95	0.79
Group No.1: age group	4,927,368,880.23	40.69	95,129,831.95	1.93
Group No.2: other group	7,179,518,331.25	59.29		
Subtotal	12,106,887,211.48	99.98	95,129,831.95	0.79

Yancheng High-tech Zone Investment Group Co., Ltd.
Notes to the Financial Statements for the Year Ended December 31, 2019

Other receivables that are not individually significant but provided for bad debts separately	2,400,000.00	0.02	2,400,000.00	100.00
Total	12,109,287,211.48	100.00	97,529,831.95	0.81

Continued

Category	Beginning balance			
	Book balance		Provision for bad debts	
	Amount	Ratio (%)	Amount	Ratio (%)
Other receivables that are individually significant and provided for bad debts separately				
Other receivables that are collectively provided for bad debts based on credit risk characteristics	9,378,072,511.99	100.00	46,818,235.12	0.50
Group No.1: age group	4,654,069,587.92	49.63	46,818,235.12	1.01
Group No.2: other group	4,724,002,924.07	50.37		
Subtotal	9,378,072,511.99	100.00	46,818,235.12	0.50
Other receivables that are not individually significant but provided for bad debts separately				
Total	9,378,072,511.99	100.00	46,818,235.12	

(1) Other receivables that are collectively provided for bad debts based on credit risk characteristics

a. Other receivables provided for bad debts under aging analysis method

Age	Ending balance			Beginning balance		
	Book balance		Provision for bad debts	Book balance		Provision for bad debts
	Amount	Ratio (%)		Amount	Ratio (%)	
Less than 1 year	3,301,854,228.50	67.01		4,019,080,275.81	86.36	
1-2 years	1,115,058,830.13	22.63	11,150,588.30	263,731,927.20	5.67	2,663,831.02
2-3 years	181,119,206.70	3.68	18,122,825.28	307,747,048.67	6.61	30,774,704.87
Over 3 years	329,336,614.90	6.68	65,867,322.98	63,510,336.24	1.36	13,379,699.23
Total	4,927,368,880.23	100.00	95,129,831.95	4,654,069,587.92	100.00	46,818,235.12

b. Other receivables that are not individually significant but provided for bad debts separately

Name of the debtor	Book balance	Provision for bad debts	Percentage of provision (%)	Age	Reason
Yancheng Zhongling Electrical and Mechanical Manufacturing Co., Ltd.	2,000,000.00	2,000,000.00	100.00	Over 3 years	No executable assets according to Su 0903 Ruling No. 785 (2019)
Yancheng Tengda Environmental Equipment Technology Co., Ltd.	400,000.00	400,000.00	100.00	Over 3 years	No executable assets according to Su 0903 Ruling No. 2262 (2018)
Total	2,400,000.00	2,400,000.00	100.00		

(2) Other receivables with top 5 ending balance listed by debtor

Name of the debtor	Amount	Age
Yancheng Intelligent Terminal Industrial Park Development and Operation Co., Ltd.	1,545,003,035.83	Less than one year/1-3 years /Over 3 years
Yancheng Yanlong Lake Agricultural Development and Investment Co., Ltd.	1,342,809,852.43	Less than 1 year / 1-2 years
Longgang Finance Branch of Yancheng Yandu District	982,251,686.06	Less than 1 year
West Sub-district Management Committee of Yancheng Yandu District	970,108,587.66	Less than 1 year / 1-2 years
Louwang Finance Branch of Yancheng Yandu District	617,889,140.88	Less than 1 year
Total	5,458,062,302.86	

(3)The Company has no other receivables written off during the reporting period.

2. Interest receivable

Items	Ending balance	Beginning balance
Fixed term deposit	2,280,000.00	6,453,700.00
Entrusted loans	107,777.00	107,777.00
Total	2,387,777.00	6,561,477.00

(VII)Inventories

Inventory classification

Items	Ending balance			Beginning balance		
	Book balance	Provision for	Carrying amount	Book balance	Provision for value	Carrying amount

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		impairment			decline	
Construction projects	14,707,563,225.14		14,707,563,225.14	11,658,865,387.32		11,658,865,387.32
Land pending for development	1,785,821,173.66		1,785,821,173.66	2,073,555,485.83		2,073,555,485.83
Raw material	17,519,571.76		17,519,571.76	11,085,421.32		11,085,421.32
Commodities in stock	11,482,277.59		11,482,277.59	5,225,061.28		5,225,061.28
Low-value consumables				4,532.80		4,532.80
Shipped goods				3,973,215.82		3,973,215.82
Consumable biological assets	12,821,493.51		12,821,493.51	6,373,153.34		6,373,153.34
Total	16,535,207,741.66		16,535,207,741.66	13,759,082,257.71		13,759,082,257.71

(VIII) Other current assets

Items	Ending balance	Beginning balance
Prepaid taxes	154,318,709.73	139,078,935.27
Wealth management goods	30,200,000.00	435,250,000.00
Inter-company borrowings	2,514,523,515.32	
Total	2,699,042,225.05	574,328,935.27

(IX) Available-for-sale financial assets

1. Categories of available-for-sale financial assets

Items	Ending balance	Beginning balance
Available for sale equity instruments		
Measured at cost	1,128,993,886.00	1,678,389,086.00
Total	1,128,993,886.00	1,678,389,086.00

2. Details of equity investments are as follows:

Name of Investee	Equity ratio(%)	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Yancheng Yandu Damagou Ecological Park Co., Ltd.	25.00	25,000,000.00		25,000,000.00	
Jiangsu Hanyin Electrical Technology Co., Ltd.	6.25	10,000,000.00			10,000,000.00

Yancheng High-tech Zone Investment Group Co., Ltd.

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Jiangsu CNPT-Rabily Industrial Co., Ltd.	10.00	10,000,000.00			10,000,000.00
Jiangsu Zhongheng Pet Products Co., Ltd.	12.00	6,000,000.00			6,000,000.00
Yancheng Pingheng Venture Capital Fund Center (limited partnership)	9.80	8,000,000.00	2,000,000.00		10,000,000.00
Yingtian Jinyan Zhichan Investment Fund (limited partnership)	23.08	300,000,000.00			300,000,000.00
Yancheng Dianlianxian Information Technology Co., Ltd.	15.00	300,000.00		300,000.00	
Jiangsu Jinhui Fushan Software Technology Co., Ltd.	15.00	5,000,000.00			5,000,000.00
Yancheng High-tech Investment Fund (limited partnership)	20.00	150,000,000.00			150,000,000.00
Yancheng Digital Eagle Technology Co., Ltd.	16.67	5,000,000.00			5,000,000.00
Jiangsu Digital Eagle Science and Technology Development Co., Ltd.	7.14	15,000,000.00			15,000,000.00
Jiangsu Wealth Environmental Engineering Co., Ltd.	12.00	6,000,000.00			6,000,000.00
Yancheng Zhengyi Agricultural Products Co., Ltd.	18.20	364,000,000.00		364,000,000.00	
Yancheng Changhui Agricultural Products Co., Ltd.	19.20	384,000,000.00		384,000,000.00	
Jiangsu Sheyang Rural Commercial Bank	2.00	18,849,600.00			18,849,600.00
Jiangsu Yancheng Rural Commercial Bank Co., Ltd.	2.00		100,000,000.00		100,000,000.00
Yancheng Shangqi Wangshi Automobile Aftermarket Industrial Investment Fund (Limited Partnership)	3.15	10,000,000.00		4,800,000.00	5,200,000.00

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Jiangsu Fenghui Zhilian Technology Co., Ltd.	6.25	10,000,000.00			10,000,000.00
Yancheng Zhongke High-throughput Computing Research Institute Co., Ltd.	35.00				
Shanghai Jiudao Information Technology Co., Ltd.	8.87		19,700,000.00		19,700,000.00
Yancheng Mingjiang Intelligent Industry Investment Fund Center (Limited Partnership)	33.00		4,804,800.00		4,804,800.00
Jiangsu Weimar Yueda Intelligent Equipment Co., Ltd.	7.00	3,239,486.00			3,239,486.00
Beijing Yandong Micro Electronics Co., Ltd.	7.91	320,000,000.00	80,000,000.00		400,000,000.00
Nanjing Yudu Communication Technology Co., Ltd.	5.00	15,000,000.00			15,000,000.00
Nanjing Shengxin Semiconductor Co., Ltd.	17.86	10,000,000.00			10,000,000.00
Yancheng Wanfulong Machinery Manufacturing Co., Ltd.	51.00	3,000,000.00		3,000,000.00	
Jiyan Intelligent Technology Industry Co., Ltd.	2.00		200,000.00		200,000.00
Zhongjian Zhiyun Network Communication Co., Ltd.	10.00		10,000,000.00		10,000,000.00
Jiangsu Shretec Material Technology Co., Ltd.	6.00		15,000,000.00		15,000,000.00
Total		1,678,389,086.00	231,704,800.00	781,100,000.00	1,128,993,886.00

Note: For Yingtan Jinyan Intellectual Property Investment Fund (Limited Partnership), Yancheng High-tech Investment Fund (Limited Partnership) and Yancheng Huanghai Tourism Industry Investment Fund Partnership (Limited Partnership), although the share of equity interests that the Company enjoyed in these

four companies exceeds 20%, the Company has not actually participated in its management and operation, so it has no significant influence on it.

(X) Long-term equity investments

1. Classification of long-term equity investments

Items	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Long-term equity investments				
1. Investment in joint ventures				
2. Investment in associates	696,567,786.91	132,368,850.90	45,006,027.11	783,930,610.70
Less: provision for impairment of long-term investments				
Net long-term equity investments				
Total	696,567,786.91	132,368,850.90	45,006,027.11	783,930,610.70

2. Details of long-term equity investments listed by investee

Name of Investee	Beginning balance	Increase in current period	Decrease in current period	Investment income (loss) recognized under equity method	Declared Cash dividend or profit distribution	Ending balance	Provision for impairment in current period	Shareholding ratio (%)
I. Joint ventures								
II. Associates								
Yancheng Yandu Xinzhuang High-tech Industrial Park Investment and Management Co., Ltd.	20,000,000.00					20,000,000.00		40.00
Yancheng High-tech Zone Yanlong Rural Micro Finance Co., Ltd.	57,143,737.38			4,716,997.16	3,225,609.23	58,635,125.31		49.52
Jiangsu Tenguo Network Technology Co., Ltd.	4,053,722.82					4,053,722.82		30.00
Jiangsu Jiheng Investment Management Co., Ltd.	9,974,385.87			821.24		9,975,207.11		20.00
Yancheng Muming Search Network Technology Co., Ltd.	1,050,000.00					1,050,000.00		30.00

Xirui 3D Printing Technology (Yancheng) Co., Ltd.	5,000,000.00					5,000,000.00		28.57%
Jiangsu Saibo Yuhua Technology Co., Ltd.	84,357,218.64			520,380.77		84,877,599.41		47.06
Jiangsu Lucky Star Intelligent Technology Co., Ltd.	20,006,027.11		20,006,027.11			-		
Jiangsu Giant Craft Intelligent System Co., Ltd.	20,000,000.00					20,000,000.00		20%
Jiangsu Taimeng Technology Co., Ltd.	29,761,557.76			1,500,000.00	1,500,000.00	29,761,557.76		30.00
Jiangsu Qunli Technology Co., Ltd.		80,000,000.00		-695,880.80		79,304,119.20		47.62
Yancheng University Science and Technology Park Co., Ltd.		2,700,000.00				2,700,000.00		49.09
Yancheng Huanghai Tourism Industry Investment Fund Partnership (limited partnership)	358,596,196.55			18,508,661.64		377,104,858.19		22.84

Jiangsu Lanbote Glass Instrument Co., Ltd.	49,909,841.00			93,699.65		50,003,540.65		48.54
Jiangsu Cifu Science and Technology Co., Ltd.	9,763,232.30			-148,041.23		9,615,191.07		33.33
Yancheng Jinke Yongheng Property Service Co., Ltd.	1,951,867.48			3,262,821.70		5,214,689.18		49.00
Yancheng Gaoxin Water Services Co., Ltd.		24,535,000.00				24,535,000.00		35.00
Yancheng Zhongke High-throughput Computing Research Institute Co., Ltd.		2,100,000.00				2,100,000.00		35.00
Zhongjian Zhiyun Network Communication Co., Ltd.	10,000,000.00		10,000,000.00					10.00
Jiangsu Shretec Material Technology Co., Ltd.	15,000,000.00		15,000,000.00					6.00
Total	696,567,786.91	109,335,000.00	45,006,027.11	27,759,460.13	4,725,609.23	783,930,610.70		

(XI) Investment properties

Investment properties measured at fair value

Items	Houses and buildings	Land use right	Construction in progress	Total
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I. Beginning balance	5,176,333,977.70	388,570,825.72	83,583,022.25	5,648,487,825.67
II. Changes in this period				
Add: Outsourcing				
Transfer-in from inventory \ fixed assets \ construction in process	148,873,684.81			148,873,684.81
Increase due to business combinations				
Less: disposal				
Other transfer-out			83,583,022.25	83,583,022.25
Changes in fair value	27,597,312.44	1,153,716.00		28,751,028.44
III. Ending balance	5,297,610,350.07	389,724,541.72		5,742,529,516.67

Note: 1. Investment properties reported in this year have been evaluated and the following evaluation reports have been issued: Pengxin Property Evaluation Report No.[2020]006, No.[2020]007, No.[2020]023, No.[2020]024, No.[2020]025, and No.[2020]026.

Note: 2. Projects reported under *investment properties--construction in process* of this year have been completed and transferred into *investment properties--houses and buildings* for accounting.

(XII) Fixed assets

1. Increase/decrease of fixed assets

	Houses and buildings	Machines	Transportation facilities	Electronic equipment	Total
I. Original value					
1. Beginning balance	170,535,936.63	132,094,946.32	6,428,676.81	14,248,028.24	323,307,588.00
2. Increase in this period	583,047,268.44	30,855,567.39	288,935.08	1,716,958.85	615,908,729.76
(1) Purchase	551,220,469.61	30,855,567.39	288,935.08	1,716,958.85	584,081,930.93
(2) Transfer-in from construction in progress	31,826,798.83				31,826,798.83
(3) Acquired through business combinations					
3. Decrease in this period	55,784,732.00		140,000.00		55,924,732.00
(1) Disposal or scrap	25,543,100.00		140,000.00		25,683,100.00
(2) Others	30,241,632.00				30,241,632.00
4. Ending balance	697,798,473.07	162,950,513.71	6,577,611.89	15,964,987.09	883,291,585.76
II. Accumulated depreciation					
1. Beginning balance	17,703,824.12	70,945,740.65	3,470,022.10	6,665,746.67	98,785,333.54
2. Increase in this period	15,562,880.58	15,480,535.61	591,275.21	2,850,517.83	34,485,209.23
(1) Accrued	15,562,880.58	15,480,535.61	591,275.21	2,850,517.83	34,485,209.23
(2) Acquired through business combinations					
3. Decrease in this period	4,475,371.03		98,325.00		4,573,696.03
(1) Disposal			98,325.00		98,325.00
(2) Others	4,475,371.03				4,475,371.03
4. Ending balance	28,791,333.67	86,426,276.26	3,962,972.31	9,516,264.50	128,696,846.74
III. Provision for asset impairment					
1. Beginning balance					
2. Increase in this period					
(1) Accrued					
3. Decrease in this period					
(1) Disposal					

(2) Others					
4. Ending balance					
IV. Carrying amount					
1. Ending carrying amount	669,007,139.40	76,524,237.45	2,614,639.58	6,448,722.59	754,594,739.02
2. Beginning carrying amount	152,832,112.51	61,149,205.67	2,958,654.71	7,582,281.57	224,522,254.46

2. For fixed assets used as mortgage at the end of the period, please refer to Note IX-- Assets Subject to Restrictions on Ownership or Use Rights.

(XIII) Construction in progress

1. Details of construction in progress

Items	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Projects under construction	1,163,996,050.68	1,082,416,915.65	238,009,008.67	2,008,403,957.66
Total	1,163,996,050.68	1,082,416,915.65	238,009,008.67	2,008,403,957.66

2. Details of major projects under construction

Items	Beginning balance	Increase in this period	Transferred to fixed assets/investment properties	Other decreases	Ending balance
Smartphone Industrial Park	735,965,033.05	206,085,937.94			942,050,970.99
Industrial Neighborhood Center of Advanced Equipment Industrial Park in Hi-tech Zone	86,431,599.07	20,196,410.08	32,592,668.52		74,035,340.63
Intelligence Innovation Park Plant Photovoltaic Installation Project	86,631,459.04	300,000.00	31,826,798.83		55,104,660.21
Standard workshop	14,364,281.63	3,310,357.75	17,674,639.38		
Underground pipe gallery	103,077,335.56	1,459,381.03			104,536,716.59
Xiaomi Standardized Workshop	11,364,281.63	3,310,357.75			14,674,639.38
Intelligent Innovation Town	17,150,407.45	267,451,389.82			284,601,797.27
Dongshan Precision Project Phase II		317,799,963.97			317,799,963.97

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Intelligent Innovation Park		82,570,283.04			82,570,283.04
Sewage treatment station		22,568,946.12			22,568,946.12
High-throughput data center		50,354,633.45			50,354,633.45
Hydrogenation and refilling station		9,371,062.93			9,371,062.93
High-tech Zone Fire Station	10,507,233.57	4,221,234.60			14,728,468.17
Huiwen mansion	1,791,412.09	22,059,727.91			23,851,140.00
Total	1,067,283,043.09	1,011,059,686.39	82,094,106.73		1,996,248,622.75

(XIV) Intangible assets

Items	Beginning balance	Increase in this period	Decrease in this period	Ending balance
(1) Total original carrying amount of intangible assets	166,417,200.28	13,593,127.57		180,010,327.85
Including: Land use right	165,274,160.28	12,995,458.50		178,269,618.78
Technology use right	1,095,040.00	9,085.00		1,104,125.00
Software	48,000.00	588,584.07		636,584.07
(2) Total accumulated amortization	16,130,611.62			19,091,154.63
Including: Land use right	15,883,372.66	2,794,273.49		18,677,646.15
Technology use right	227,239.00	103,920.00		331,159.00
Software	19,999.96	62,349.52		82,349.48
(3) Total net value of intangible assets	150,286,588.66			160,919,173.22
Including: Land use right	149,390,787.62			159,591,972.63
Technology use right	867,801.00			772,966.00
Software	28,000.04			554,234.59

(XV) Long-term prepaid expenses

Items	Beginning balance	Increase in this period	Amortization in this period	Other decreases	Ending balance
Promotion cost for corporate bond	5,937,142.87		742,142.87		5,195,000.00
Renovation cost		2,202,122.30	440,424.46		1,761,697.84

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Total	5,937,142.87	2,202,122.30	1,182,567.33	6,956,697.84
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(XVI)Deferred Tax Assets and Deferred Tax Liabilities

Deferred tax assets and deferred tax liabilities are presented in net value without deduction.

Items	Ending balance		Beginning balance	
	Deferred tax assets /liabilities	Deductible temporary difference	Deferred tax assets /liabilities	Deductible temporary difference
Deferred tax assets				
Provision for bad debts	24,514,074.16	98,056,296.64	12,620,958.02	50,483,832.08
Subtotal	24,514,074.16	98,056,296.64	12,620,958.02	50,483,832.08
Deferred tax liabilities				
Difference between the fair value and the carrying amount of investment properties at the date of transfer	345,534,635.90	1,382,138,543.60	345,534,635.90	1,382,138,543.60
Changes in fair value of investment properties	7,187,757.11	28,751,028.44		
Subtotal	352,722,393.01	1,410,889,572.04	345,534,635.90	1,382,138,543.60

(XVII)Other non-current assets

Items	Ending balance	Beginning balance
Wealth management goods	148,000,000.00	268,000,000.00
Total	148,000,000.00	268,000,000.00

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(XVIII) Short-term borrowings

Category of short-term borrowings

Category	Ending balance	Beginning balance
Guaranteed loans	1,129,900,000.00	983,500,000.00
Pledge loans	780,361,000.00	344,500,000.00
Mortgage loans	216,000,000.00	30,000,000.00
Total	2,126,261,000.00	1,358,000,000.00

(XIX) Notes payable

Category	Ending balance	Beginning balance
Bank acceptance bill	1,262,380,000.00	1,298,001,000.00
Total	1,262,380,000.00	1,298,001,000.00

Note: There are no notes due and unpaid at the end of the period.

(XX) Accounts payable

1. Accounts payable

(1) Accounts payable listed by age

Items	Ending balance	Beginning balance
Less than 1 year (inclusive)	255,928,086.42	1,312,247,973.98
1-2 years (inclusive)	276,595,444.48	99,755,817.86
2-3 years (inclusive)	37,576,380.02	12,644,228.64
Over 3 years	176,618,985.05	179,078,280.99
Total	746,718,895.97	1,603,726,301.47

(2) The ending balance of accounts payable contains no amount that shall be paid to shareholders holding over 5% (inclusive) of the voting shares of the Company

(3) Accounts payable with top 5 ending balance listed by creditor

Name of creditor	Ending balance	Age	Attributes
Yancheng High-tech Zone Branch of China Construction Engineering Group Co., Ltd.	127,044,149.72	Less than 1 year / 1-2 years	Construction payment
Jiangsu Huaqing Construction Engineering Co., Ltd.	137,379,237.63	2-3 years / over 3 years	Construction payment
Gaoxin Division of Jiangsu Huayue Construction Group Co., Ltd.	95,272,053.76	Less than 1 year / 1-2 years	Construction payment
Jiangsu Xinjingyuan Construction Group Co., Ltd.	36,916,716.57	Over 3 years	Construction payment

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Yancheng Zhuyou Real Estate Development Co., Ltd.	28,135,922.72	1-2 years	Construction payment
Total	424,748,080.40		

(XXI)Advances from customers

1. Details of advances from customers

Items	Ending balance	Beginning balance
Less than 1 year (inclusive)	12,496,086.59	56,964,591.25
1-2 years (inclusive)	1,301,895.16	47,277.60
2-3 years (inclusive)	47,277.60	66,233.00
Over 3 years	66,233.00	
Total	13,911,492.35	58,407,699.07

2. Advances from customers with top 5 ending balance listed by creditor

Name of creditor	Ending balance	Age	Attributes
Jiangsu Voda Audiovisual Technology Co., Ltd.	2,687,442.96	Less than 1 year	Advance payment
Jiangsu Delianda Intelligent Technology Co., Ltd.	1,927,361.61	Less than 1 year	Advance payment
Jiangsu Jutai Science and Technology Co., Ltd.	1,173,413.07	Less than 1 year	Advance payment
Jiangsu Saibo Yuhua Technology Co., Ltd.	1,119,887.39	Less than 1 year	Advance payment
Yancheng Duxing Properties Co., Ltd.	1,100,000.00	1-2 years	Advance payment
Total	8,008,105.03		

(XXII)Employee benefits payable

Items	Beginning balance	Increase in this period	Decrease in this period	Ending balance
I. Short-term employee benefits	177,132.50	25,575,153.90	25,719,379.84	32,906.56
II. Post-employment benefits-defined contribution plans		1,714,107.27	1,714,107.27	
III. Termination benefits				
IV. Other benefits due within one year				
Total	177,132.50	27,289,261.17	27,433,487.11	32,906.56

1. Short-term employee benefits

Items of short-term employee benefits	Beginning balance	Increase in this period	Decrease in this period	Ending balance
I. Wages, bonus, allowance, subsidy	169,471.48	20,677,276.91	20,828,855.89	17,892.50
II. Staff welfare fund		1,383,727.88	1,369,589.42	14,138.46

Yancheng High-tech Zone Investment Group Co., Ltd.
Notes to the Financial Statements for the Year Ended December 31, 2019

Items of short-term employee benefits	Beginning balance	Increase in this period	Decrease in this period	Ending balance
III. Social security	1,312.52	1,000,138.79	1,001,451.31	
Including: 1. Medical insurance	1,236.27	745,045.36	746,281.63	
2. Injury insurance	51.31	42,349.11	42,400.42	
3. Maternity insurance	24.94	82,159.63	82,184.57	
4. Others		130,584.70	130,584.70	
IV. Housing accumulation fund	1,200.00	2,280,035.57	2,280,719.57	516.00
V. Union running fund and employee education fund	5,148.50	233,974.75	238,763.65	359.60
VI. Non-monetary benefits				
VII. Short-term paid absence				
VIII. Short-term profit sharing plan				
IX. Other short-term employee benefits				
Including: Cash-settled share-based payment				
Total	177,132.50	25,575,153.90	25,719,379.84	32,906.56

2. Post-employment benefits

(1) Defined contribution plan

Items of defined contribution plan	Beginning balance	Increase in this period	Decrease in this period	Ending balance
I. Basic pension insurance		1,663,503.64	1,663,503.64	
II. Unemployment insurance		50,603.64	50,603.64	
III. Corporate annuity payment				
Total		1,714,107.27	1,714,107.27	

(XXIII) Taxes and dues payable

Items	Ending balance	Beginning balance
Enterprise income tax	432,395,993.76	321,518,891.20
Value-added tax	123,346,909.54	75,832,100.67
Property tax	10,017,346.80	1,655,491.62
Land use tax	1,055,776.46	2,422,831.24
City maintenance tax	7,650,366.40	4,357,062.09
Education surcharge	5,116,170.78	2,963,456.79
Stamp tax	18,485.20	25,540.42
Personal income tax	181.66	-879.06
Total	579,601,230.60	408,774,494.97

Yancheng High-tech Zone Investment Group Co., Ltd.
Notes to the Financial Statements for the Year Ended December 31, 2019

(XXIV) Other payables

Items	Ending balance	Beginning balance
Other payables	523,039,075.92	741,646,260.79
Interest payable	222,688,285.55	64,078,157.14
Dividends payable		
Total	745,727,361.47	805,724,417.93

1. Interest payable

Items	Ending balance	Beginning balance
Interest of long-term borrowings due	45,569,665.55	20,373,660.96
Interest of bond payable	177,118,620.00	31,992,876.71
Interest payable for short-term	157,101.00	51,619.47
Interest payable for other current		11,660,000.00
Total	222,688,285.55	64,078,157.14

2. Other payables

(1) Other payables listed by age

Age	Ending balance	Beginning balance
Less than 1 year (inclusive)	268,653,932.48	36,772,022.27
1-2 years (inclusive)	31,968,880.53	608,406,027.81
2-3 years (inclusive)	161,015,967.52	27,832,134.38
Over 3 years	61,400,295.39	68,636,076.33
Total	523,039,075.92	741,646,260.79

(2) The ending balance of other payables contains no amount that shall be paid to shareholders holding over 5% (inclusive) of the voting shares of the Company.

(3) Current account between creditors of other accounts payable at the end of the period:

Name of creditor	Ending balance	Age	Attributes
Yancheng Innovation Venture Capital Co., Ltd.	100,000,000.00	Less than 1 year	Operational current account
Shanghai Runhe International Trade Co., Ltd.	71,476,058.43	Less than 1 year	Operational current account
Jiangsu Daji Power Generation Co., Ltd.	66,083,637.00	1-2 years/2-3 years	Operational current account
Yancheng Yandu District Louwang Village	47,836,043.46	Less than 1 year	Operational current account
Yancheng Runwu Project Management Co., Ltd.	30,349,313.10	Less than 1 year	Operational current account
Total	315,745,051.99		

(XXV) Non-current liabilities due within one year

Classification of non-current liabilities due within one year

Category	Ending balance	Beginning balance
Long-term borrowings	6,944,900,000.00	5,661,081,666.83
Long-term payables	1,035,556,609.95	316,053,000.00
Bonds payable	312,777,263.81	282,970,000.00
Total	8,293,233,873.76	6,260,104,666.83

(XXVI) Other current liabilities

Items	Ending balance	Beginning balance
Short-term financing	1,099,470,000.00	1,374,653,947.77
Total	1,099,470,000.00	1,374,653,947.77

(XXVII) Long-term borrowings

Category of long-term borrowings

Category	Ending balance	Beginning balance
Credit loans	2,092,000,000.00	2,099,000,000.00
Guaranteed loans	4,399,500,000.00	6,128,901,859.21
Mortgage loans	2,008,500,000.00	1,030,000,000.00
Pledge loans	2,301,353,000.00	3,136,220,000.00
Total	10,801,353,000.00	12,394,121,859.21

(XXVIII) Bonds payable

1. Category of bonds payable

Items	Ending balance	Beginning balance
2015 Yancheng High-tech Zone bond	596,196,726.69	793,745,967.71
2017 Medium-term Notes No.01	497,848,914.28	497,226,258.60
2017 Medium-term Notes No.02	498,543,759.88	498,149,874.72
2018 Yancheng High-tech Zone PPN001	499,653,281.85	499,534,333.07
2018 Yancheng High-tech Zone PPN002	499,668,878.73	499,504,246.93
2019 Yancheng High-tech Zone PPN001	496,666,066.11	
2019 Yancheng High-tech Zone bond	395,604,318.10	
2019 Yancheng High-tech Zone bond No.02	497,844,394.46	
2019 Yancheng High-tech Zone bond No.03	527,307,202.89	
2019 Yancheng High-tech Zone PPN003	496,674,587.77	
2019 Yancheng High-tech Zone MTN001	498,968,343.25	
2019 Yancheng High-tech Zone PPN002	498,801,982.19	
2019 Yancheng High-tech Zone PPN004	496,772,794.29	
2019 Yancheng High-tech Zone PPN005	498,782,434.44	
2017 Suyan Longhu Bone ZR001		298,140,720.00
2019 Yanhu bond No.01	243,024,598.69	
2016 Yanlong Venture Capital Bond No.28		13,696,301.80
Total	7,242,358,283.62	3,099,997,702.83

2. Increase/decrease of bonds payable

Name	Face value	Date of issue	Term of the bond	Annual interest rate	Beginning balance	Amount issued in this period	Less: Interest adjustment	Amount repaid in this period	Amortization of premiums or discounts	Ending balance
2015 Yancheng High-tech Zone bond	1,000,000,000.00	12/14/2015	2015/12/14-2022/12/14	3.90%	793,745,967.71			200,000,000.00	2,450,758.98	596,196,726.69
2017 Medium-term Notes No.01	500,000,000.00	7/21/2017	7/21/2017-7/21/2022	5.52%	497,226,258.60				622,655.68	497,848,914.28
2017 Medium-term Notes No.02	500,000,000.00	8/30/2017	2017/8/30-2022/8/30	6.14%	498,149,874.72				393,885.16	498,543,759.88
2018 Yancheng High-tech Zone PPN001	500,000,000.00	10/11/2018	2018/10/11-2021/10/11	7.50%	499,534,333.07				118,948.78	499,653,281.85
2018 Yancheng High-tech Zone PPN002	500,000,000.00	12/20/2018	2018/12/20-2021/12/20	7.30%	499,504,246.93				164,631.80	499,668,878.73
2019 Yancheng High-tech Zone PPN001	500,000,000.00	3/15/2019	3/15/2019-3/15/2022	6.69%		500,000,000.00	4,500,000.00		1,166,066.11	496,666,066.11

2019 Yancheng High-tech Zone bond	400,000,000.00	4/12/2019	4/12/2019- 4/12/2022	6.99%		400,000,000.00	5,724,000.00		1,328,318.10	395,604,318.10
2019 Yancheng High-tech Zone bond No.02	500,000,000.00	5/7/2019	5/7/2019-5/7/2021	6.60%		500,000,000.00	3,180,000.00		1,024,394.46	497,844,394.46
2019 Yancheng High-tech Zone bond No.03	530,000,000.00	8/26/2019	8/26/2019- 8/26/2021	6.80%		530,000,000.00	3,370,800.00		678,002.89	527,307,202.89
2019 Yancheng High-tech Zone PPN003	500,000,000.00	5/8/2019	5/8/2019-5/8/2022	5.95%		500,000,000.00	4,500,000.00		1,174,587.77	496,674,587.77
2019 Yancheng High-tech Zone MTN001	500,000,000.00	1/25/2019	1/25/2019- 1/25/2022	6.50%		500,000,000.00	1,500,000.00		468,343.25	498,968,343.25
2019 Yancheng High-tech Zone PPN002	500,000,000.00	8/21/2019	8/21/2019- 8/21/2021	6.80%		500,000,000.00	1,500,000.00		301,982.19	498,801,982.19
2019 Yancheng High-tech Zone PPN004	500,000,000.00	10/17/2019	10/17/2019- 10/17/2022	6.50%		500,000,000.00	3,500,000.00		272,794.29	496,772,794.29
2019 Yancheng High-tech Zone PPN005	500,000,000.00	12/12/2019	12/12/2019- 12/12/2022	6.80%		500,000,000.00	1,250,000.00		32,434.44	498,782,434.44

2017 Suyan Longhu Bone ZR001	300,000,000.00	12/12/2017	2017/12/12- 2020/12/12	6.30%	298,140,720.00			298,140,720.00		
2019 Yanhu bond No.01	250,000,000.00	7/11/2019	7/11/2019- 7/11/2024	7.00%		250,000,000.00			-6,975,401.31	243,024,598.69
2016 Yanlong Venture Capital Bond No.28	13,740,000.00	1/14/2017	2017/1/14- 2020/1/14	5.80%	13,696,301.80			13,696,301.80		
Total	3,810,090,000.00				3,099,997,702.83	4,680,000,000.00	29,024,800.00	511,837,021.80	3,222,402.59	7,242,358,283.62

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(XXIX) Long-term payables

Items	Ending balance	Beginning balance
Long-term payables	2,902,702,948.82	3,442,331,714.03
Special accounts payable		
Total	2,902,702,948.82	3,442,331,714.03

Details of long-term payables are as follows:

Items	Ending balance	Beginning balance
Yancheng High-tech Investment Fund (limited partnership)	737,000,000.00	737,000,000.00
Jiangsu Tenghai Finance Leasing Co., Ltd.	97,502,199.51	158,792,044.23
Yongyin Finance Leasing Co., Ltd.	210,000,000.00	240,000,000.00
Wanjiang Finance Leasing Co., Ltd.		245,000,000.00
Jiying Financial Leasing Co., Ltd.	139,474,729.94	213,119,527.12
Guangzhou Yuexiu Finance Leasing Co., Ltd.	160,000,000.00	240,000,000.00
Jiangsu Reinsurance Finance Leasing Co., Ltd.	69,847,206.80	80,405,507.80
China Aviation International Trust	145,860,272.52	100,000,000.00
Egret Trust No. 297		270,000,000.00
Huaihai Leasing		51,844,844.36
Nantong Guorun Financial Leasing Co., Ltd.	131,430,927.24	87,032,488.23
Yandu District Finance Bureau of Yancheng Municipality	150,000,000.00	150,000,000.00
China Eastern International Finance Leasing	119,730,081.59	156,634,536.60
Fixed-term financing	271,620,000.00	144,780,000.00
Yancheng Shengzhou Group Co., Ltd. (Everbright Trust)		85,574,518.33
Shandong Huitong Finance Leasing Co., Ltd.	44,045,019.91	182,148,247.36
Far East International Leasing Company	54,533,578.50	300,000,000.00
Zhongxuan Financial Leasing Co., Ltd.	16,936,183.77	
Pingan International Leasing Co., Ltd.	159,750,000.00	
China Construction Investment Leasing (Shanghai) Co., Ltd.	94,660,586.32	
China Aviation International Leasing Co., Ltd.	20,000,000.00	
Anbang Financial Leasing Co., Ltd.	247,312,162.72	
China Minmetals International Trust Co., Ltd.	10,000,000.00	
Lujiazui International Trust Co., Ltd.	23,000,000.00	
Total	2,902,702,948.82	3,442,331,714.03

(XXX)Paid-in capital

Name of the investor	Beginning balance		Increase in this period	Decrease in this period	Ending balance	
	Investment amount	Proportion (%)			Investment amount	Proportion (%)
People's Government of Yancheng Municipality	2,680,000,000.00	100.00			2,680,000,000.00	100.00
Total	2,680,000,000.00	100.00			2,680,000,000.00	100.00

(XXXI)Capital reserve

Items	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Premium on capital	282,053,200.00			282,053,200.00
Other capital reserve	7,352,517,274.94	994,369,248.53	38,288,356.00	8,308,598,167.47
Total	7,634,570,474.94	994,369,248.53	38,288,356.00	8,590,651,367.47

Note: The increase in this period is due to the transfer-in of government appropriations, and the decrease in this period is mainly due to the disposal of equity in the group's internal subsidiaries.

(XXXII) Other comprehensive income

Items	Beginning balance	Amount incurred in this period					Ending balance
		Amount before income tax incurred in this period	Less: Transfer of previously recognized other comprehensive income to profit or loss for the current period	Less: Income tax expenses	Net profits or losses attributable to the parent	Net profits or losses attributable to minority shareholders	
I. Other comprehensive income that will not be reclassified subsequently to profit or loss							
Including: Net liability or net asset changes from Defined Benefit Plan re-measurement							
Share enjoyed in investee's other comprehensive income accounted for using the equity method which will not be reclassified into profit or loss							
II. Other comprehensive income that will be reclassified into profit or loss							
Including: Share enjoyed in investee's other comprehensive income accounted for using the equity method that will be reclassified into profit or loss							
Gains or losses from fair value change of available-for-sale financial assets							
Gains or losses from reclassifying held-to-maturity investments to available-for-sale financial assets							

Effective portion of cash flow hedge gains or losses							
Translation difference of foreign currency statements							
Others (investment properties transferred under fair value model)	776,333,077.56						776,333,077.56
Total	776,333,077.56						776,333,077.56

Yancheng High-tech Zone Investment Group Co., Ltd.
Notes to the Financial Statements for the Year Ended December 31, 2019

(XXXIII) Surplus reserve

Items	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Statutory surplus reserve	4,882,390.99	4,196,672.27		9,079,063.26
Total	4,882,390.99	4,196,672.27		9,079,063.26

(XXXIV) Undistributed profits

Items	Amount of this period	Amount of last period
Beginning balance of this year	1,810,609,989.52	1,487,676,904.46
Adjustment of undistributed profits at the beginning of this year		
Increase in this year	395,317,578.76	323,014,736.60
Including: Net profits attributable to owners of the parent company	395,317,578.76	323,014,736.60
Decrease in this year	4,196,672.27	81,651.54
Including: Appropriated to surplus reserve in this year	4,196,672.27	81,651.54
Provision for general risks in this year		
Distribution of cash dividend in this year		
Transferred to paid-in capital		
Other decreases		
Ending balance of this year	2,201,730,896.01	1,810,609,989.52

(XXXV) Operating income and operating costs

Operating income and costs

Items	Amount of this period		Amount of last period	
	Income	Cost	Income	Cost
(1) Subtotal of revenue from main businesses	1,630,484,112.41	1,467,573,152.49	1,241,976,379.41	1,053,692,813.76
Project construction	1,117,887,958.67	965,077,558.48	880,842,520.60	693,265,538.16
Property management	9,749,731.89	24,623,520.85	11,285,310.67	26,091,620.01
Landscaping	10,558,653.75	10,751,871.85	18,450,288.38	17,662,459.43
Fund for grave yard			1,896,000.00	

Sales of electricity	15,074,624.99	11,701,736.28	16,008,227.75	12,598,642.16
Income from providing guarantee			6,222,485.45	9,738,884.25
Sales of materials	427,355,825.92	407,226,002.09	299,633,026.16	291,732,164.02
Sales of water	23,569,166.85	17,935,319.99	7,638,520.40	2,603,505.73
Revenue from heating	26,288,150.34	30,257,142.95		
(2) Subtotal of revenue from other businesses	452,047,763.09	50,854,765.57	258,756,811.81	48,219,373.91
Guarantee income	97,976,938.02	24,663,106.41	30,210,000.00	16,400,000.00
Leasing	347,565,740.77	21,305,646.32	223,728,921.29	30,214,261.25
Others	2,452,858.30	712,220.06	1,961,631.81	1,605,112.66
Interest income from entrusted loans			2,856,258.71	
Revenue from land transfer	4,052,226.00	4,173,792.78		
Total	2,082,531,875.50	1,518,427,918.06	1,500,733,191.22	1,101,912,187.67

(XXXVI) Business taxes and surtaxes

Items	Amount of this period	Amount of last period
City maintenance and construction tax	4,150,732.56	2,133,737.25
Education surcharge	1,947,690.85	965,263.73
Local education surcharge	1,298,460.57	643,509.16
Stamp tax	3,539,138.48	3,786,681.97
Property tax	41,392,971.46	30,182,175.78
Land use tax	17,920,691.27	16,959,806.00
Environment protection tax	421,044.43	4,003,236.00
Others	1,422.87	75,423.85
Total	70,672,152.49	58,749,833.74

(XXXVII) Financial expenses

Items	Amount of this period	Amount of last period
Interest expense	203,621,044.75	136,838,339.86
Less: Interest income	143,564,830.30	113,038,195.93
Add: Bank fees	16,762,409.87	8,198,903.60
Add: Losses on exchange (Less: Foreign	-689,301.97	24,910,509.47

Yancheng High-tech Zone Investment Group Co., Ltd.
Notes to the Financial Statements for the Year Ended December 31, 2019

Items	Amount of this period	Amount of last period
exchange gains)		
Bill discount	20,823,304.52	
Others	729,780.00	682,973.00
Total	97,682,406.87	57,592,530.00

(XXXVIII)Asset impairment losses

Items	Amount of this period	Amount of last period
Provision for bad debts of accounts receivable	3,150,036.84	20,768,093.70
Impairment loss from other receivables	-50,711,596.83	-4,658,350.94
Total	-45,556,364.59	16,109,742.76

(XXXIX)Other income

Items	Amount of this period	Amount of last period
Government financial subsidies	254,581,062.96	162,968,288.36
Total	254,581,062.96	162,968,288.36

(XL)Investment income

Items	Amount of this period	Amount of last period
Income from long-term equity investments accounted for by equity method	27,759,460.13	29,646,893.22
Investment income from trading financial assets during the holding period		1,559,628.89
Investment income from held-to-maturity investments during the holding period	4,210,526.31	
Investment income from available-for-sale financial assets during the holding period	1,072,900.00	42,560.00
Income from disposal of long-term equity investments	-1,859,506.65	
Gains from wealth management products	16,180,507.59	
Total	47,363,887.38	31,249,082.11

(XLI)Gains from changes in fair value

Items	Amount of this period	Amount of last period
Investment properties measured at fair value	28,751,028.44	21,685,959.47
Total	28,751,028.44	21,685,959.47

(XLII)Gains from disposal of assets

Items	Amount of this period	Amount of last period
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Notes to the Financial Statements for the Year Ended December 31, 2019

Items	Amount of this period	Amount of last period
Losses from disposal of fixed assets	-1,877,196.32	-615,356.59
Total	-1,877,196.32	-615,356.59

(XLIII)Non-operating income

Items	Amount of this period	Amount of last period
Others	85,195.38	1,056,077.23
Current account with no reimbursement	2,572,000.00	
Total	2,657,195.38	1,056,077.23

(XLIV)Non-operating expenses

Items	Amount of this period	Amount of last period
Abnormal loss	130,425.10	214,658.78
Fines	13,839,009.37	1,272,750.00
Late Fee	14,612,834.28	622,655.14
Others	165,858.56	4,068,395.51
Total	28,748,127.31	6,178,459.43

(XLV)Income tax expenses

Details of income tax expenses

Items	Amount of this period	Amount of last period
Current income tax expense calculated according to Tax Law and related regulations	144,972,941.65	76,555,667.37
Deferred income tax adjustment	-4,705,359.03	11,388,318.11
Total	140,267,582.62	87,943,985.48

(XLVI)Consolidated Statement of Cash Flows(Supplement)

1. Details of reconciliation of net profits to cash flows from operating activities

Items	Amount of this period	Amount of last period
1. Reconciliation of net profits to cash flows from operating activities		
Net profits	396,822,899.61	322,879,550.16
Add: Provision for asset impairment	45,556,364.59	-16,109,742.76
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of bearer biological assets	34,485,209.23	32,470,911.82
Amortization of intangible assets	5,650,896.50	2,497,992.39
Amortisation of long-term prepaid expenses	1,182,567.33	1,484,285.71

Losses from disposal of fixed assets, intangible assets and other long-term assets (“-” for gains)	1,877,196.32	615,356.59
Losses from fixed asset discard (“-” for gains)		
Losses from fair value change (“-” for gains)	-28,751,028.44	-21,685,959.47
Financial expenses (“-” for gains)	203,621,044.75	136,838,339.86
Investment losses (“-” for gains)	-47,363,887.38	-31,249,082.11
Decrease in deferred tax assets (“-” for increase)	-11,893,116.14	4,030,161.86
Increase in deferred tax liabilities (“-” for decrease)	7,187,757.11	7,358,156.25
Decrease in inventories (“-” for increase)	-1,421,403,054.05	-929,674,618.97
Decrease in operating receivables (“-” for increase)	-1,200,509,033.62	842,588,492.14
Increase in operating payables (“-” for decrease)	203,551,089.55	1,147,658,218.99
Others		
Net cash flows from operating activities	-1,809,985,094.64	1,499,702,062.46
2. Investing and financing activities that do not involve in cash receipts and payments		
Debts converted to capital		
One year due convertible bonds		
Fixed assets under financing lease		
3. Net change in cash and cash equivalents		
Ending balance of cash	4,430,639,028.12	7,471,942,259.16
Less: Beginning balance of cash	7,471,942,259.16	5,946,807,348.36
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	-3,041,303,231.04	1,525,134,910.80

2. Cash and cash equivalents

Items	Amount of this period	Amount of last period
Cash	4,430,639,028.12	7,471,942,259.16
Including: Cash on hand	180.92	21,989.33
Bank balances payable at anytime	4,430,638,847.20	7,471,920,269.83
Other cash and bank balances payable at anytime		
Cash equivalents		
Including: bonds investment due in three months		
End balance of cash and cash equivalents	4,430,639,028.12	7,471,942,259.16

VIII. Notes on Contingencies

As at 31 December 2019, the total amount of external guarantee provided by the Company is RMB 9,829,412,200 Yuan.

IX. Assets Subject to Restrictions on Ownership or Use Rights

Items	Ending balance	Cause of restriction
Currency funds	6,032,686,885.87	Certificate of deposit pledge loan, pledge guarantee, bill margin and other margins
Fixed assets	36,131,386.43	Mortgage loans
Intangible assets	82,991,404.71	Mortgage loans, external guarantee
Accounts receivable	613,477,800.00	Trust mortgage loans
Inventories	1,468,146,402.66	Mortgage loans
Investment properties	3,788,131,495.00	Mortgage loans, external guarantee
Construction in progress	304,321,386.71	Mortgage loans
Total	12,325,886,761.38	

Note: In addition to the above restricted assets, the equity of Yancheng Yongheng Investment Development Co., Ltd. invested by Yancheng High-tech Zone Investment Group Co., Ltd., of which the value is RMB 1,080 million Yuan, was pledged to CCB Yancheng Yandu Sub-branch.

X. Post-balance Sheet Events

On February 28, 2020, the Group invested in a new company: Jiangsu Qingyan Intelligent Technology Co., Ltd., which has a registered capital of 20 million yuan. The Group has 30% of the shares. As of the reporting date, the investment has not been paid.

XI. Related Parties and Related Party Transactions

(I) Related party

1. Controlling shareholders and ultimate controlling parties

Name of the parent company	Shareholding ratio	Percentage of voting
People's Government of Yancheng Municipality	100.00	100.00

2. Subsidiaries

For details of subsidiaries, please refer to Note VI--Scope of Consolidation.

3. Joint ventures and associates

For details of the group's joint ventures and associates, please refer to Note VII (X)--

Long-term Equity Investments

4. Balance of related party

Name of related parties	Relationship	Items	Ending balance
Yancheng High-tech Zone Yanlong Rural Micro Finance Co., Ltd.	Associates	Other receivables	386,553,248.00
Yancheng Huadu Forest Park Co., Ltd.	Under same ultimate controlling party	Other receivables	528,173,582.28
Yancheng Peach Garden Tourism Development Management Co., Ltd.	Under same ultimate controlling party	Other receivables	156,018,756.88
Jiangsu Saibo Yuhua Technology Co., Ltd.	Associates	Accounts receivable	4,504,840.79

5. Related party transactions

Seller	Buyer	Particulars	Amount of this period
Yancheng Lizhiyong Trading Co., Ltd.	Jiangsu Saibo Yuhua Technology Co., Ltd.	Materials	6,830,724.48
Total			6,830,724.48

XII. Notes to Major Items in the Financial Statements of the Parent Company

(I) Other receivables

Items	Ending balance	Beginning balance
Other receivables	11,928,791,674.08	7,720,954,905.32
Interest receivable		
Dividend receivable		
Total	11,928,791,674.08	7,720,954,905.32

1. Other receivables

Category of other receivables

Category	Ending balance			
	Book balance		Provision for bad debts	
	Amount	Ratio (%)	Amount	Ratio (%)
Other receivables that are individually significant and provided for bad debts separately				
Other receivables that are collectively provided for bad debts based on credit risk characteristics				
Group No.1: age group	268,330,092.41	2.24	30,669,957.04	11.43

Yancheng High-tech Zone Investment Group Co., Ltd.

Notes to the Financial Statements for the Year Ended December 31, 2019

Group No.2: other group	11,691,131,538.71	97.76		
Subtotal	11,959,461,631.12	100.00	30,669,957.04	0.26
Other receivables that are not individually significant but provided for bad debts separately				
Total	11,959,461,631.12	100.00	30,669,957.04	

Continued

Category	Beginning balance			
	Book balance		Provision for bad debts	
	Amount	Ratio (%)	Amount	Ratio (%)
Other receivables that are individually significant and provided for bad debts separately				
Other receivables that are collectively provided for bad debts based on credit risk characteristics				
Group No.1: age group	688,008,014.55	8.89	16,255,106.30	2.36
Group No.2: other group	7,049,201,997.07	91.11		
Subtotal	7,737,210,011.62	100.00	16,255,106.30	0.21
Other receivables that are not individually significant but provided for bad debts separately				
Total	7,737,210,011.62	100.00	16,255,106.30	

(1) Other receivables that are collectively provided for bad debts based on credit risk characteristics

a. Other receivables provided for bad debts under aging analysis method

Age	Ending balance			Beginning balance		
	Book balance		Provision for bad debts	Book balance		Provision for bad debts
	Amount	Ratio (%)		Amount	Ratio (%)	
Less than 1 year	76,124,980.66	28.37		495,582,437.73	72.03	
1-2 years	25,476,651.43	9.49	254,766.51	44,305,015.34	6.44	443,050.15
2-3 years	29,305,015.34	10.92	2,930,501.53	138,120,561.48	20.08	13,812,056.15
Over 3 years	137,423,444.98	51.21	27,484,689.00	10,000,000.00	1.45	2,000,000.00
Total	268,330,092.41	100.00	30,669,957.04	688,008,014.55	100.00	16,255,106.30

Yancheng High-tech Zone Investment Group Co., Ltd.
Notes to the Financial Statements for the Year Ended December 31, 2019

b. Other receivables with top 5 ending balance listed by debtor

Name of the debtor	Amount	Age	Attributes
Yancheng Yongheng Investment and Development Co., Ltd.	6,566,582,269.44	Less than one year/1-2 years/2-3 years	Current account
Yancheng Yongheng Construction and Development Co., Ltd.	4,116,326,616.57	Less than 1 year / 1-2 years	Current account
Financial and Tax Office of Yandu New District	391,272,492.71	2-3 years	Current account
Yancheng Susha Construction Group Co., Ltd.	340,750,000.00	Less than 1 year	Current account
West Sub-district Management Committee of Yancheng Yandu District	176,081,221.90	Less than 1 year	Current account
Total	11,591,012,600.62		

(2) There is no other receivables written off during the reporting period.

(II) Long-term equity investments

1. Category of long-term equity investments

Items	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Long-term equity investments				
Including: Investment in subsidiaries	5,544,000,010.00	63,216,000.00	65,000,000.00	5,542,216,010.00
Investment in joint ventures				
Investment in associates	1,951,867.48	27,797,821.70		29,749,689.18
Subtotal	5,545,951,877.48	91,013,821.70	65,000,000.00	5,571,965,699.18
Less: provision for impairment of long-term investments				
Total	5,545,951,877.48	91,013,821.70	65,000,000.00	5,571,965,699.18

2. Details of long-term equity investments

Name of Investee	Percentage in total investment(%)	Investment cost (In ten thousand)	Beginning balance (in ten thousand)	Increase/decrease in current period						Ending balance (In ten thousand)
				Adding investment	Reduced investment	Investment income (loss) recognized under equity method	Other comprehensive income adjustment	Changes of other equity instruments	Declared Cash dividend or profit distribution	
I. Investment in subsidiaries										
Yancheng Yongheng Investment and Development Co., Ltd.	100.00	108,000.00	108,000.00							108,000.00
Yancheng Chuangyong New Energy Investment Co., Ltd.	100.00	5,000.00	15,000.00							15,000.00
Yancheng Zhongyong Investment and Development Co., Ltd.	100.00	20,000.00	20,000.00							20,000.00
Yancheng Xinyong Investment and Development Co., Ltd.	100.00	20,000.00	20,000.00							20,000.00
Yancheng High-tech Zone SME Financing	100.00	20,000.00	50,000.00							50,000.00

Name of Investee	Percentage in total investment(%)	Investment cost (In ten thousand)	Beginning balance (in ten thousand)	Increase/decrease in current period						Ending balance (In ten thousand)
				Adding investment	Reduced investment	Investment income (loss) recognized under equity method	Other comprehensive income adjustment	Changes of other equity instruments	Declared Cash dividend or profit distribution	
Guarantee Co., Ltd.										
Yancheng Yongheng Construction and Development Co., Ltd.	100.00	20,000.00	20,000.00							20,000.00
Yancheng High-tech Zone Weishi Agricultural Development Co., Ltd.	100.00	100.00	6,500.00		6,500.00					
Yancheng Lizhiyong Trading Co., Ltd.	51.00	20,000.00	20,000.00							20,000.00
Yancheng Longhu Beer Co., Ltd.	100.00	2,900.001	2,900.001							2,900.001
Yancheng Yangao Municipal Engineering Co., Ltd.	100.00									
Yancheng Yanlong Lake Ecological Landscape Reserve Development and	100.00	100,000.00	200,000.00							200,000.00

Name of Investee	Percentage in total investment(%)	Investment cost (In ten thousand)	Beginning balance (in ten thousand)	Increase/decrease in current period						Ending balance (In ten thousand)
				Adding investment	Reduced investment	Investment income (loss) recognized under equity method	Other comprehensive income adjustment	Changes of other equity instruments	Declared Cash dividend or profit distribution	
Construction Co., Ltd										
Jiangsu Fanshun Tourism Development Co., Ltd.	100.00	17,000.00	19,000.00							19,000.00
Yancheng High-tech Zone Venture Capital Investment Co., Ltd.	100.00	60,000.00	60,000.00							60,000.00
Yancheng Yanlong Water Co., Ltd.	100.00	5,000.00	5,000.00							5,000.00
Yancheng Guochuang Venture Capital Partnership (Limited Partnership)	80.00	8,000.00	8,000.00							8,000.00
Yancheng Guoda Industrial Investment Fund Partnership (Limited Partnership)	80.00	801.60		801.60						801.60
Yancheng Guozhi	80.00	5,520.00		5,520.00						5,520.00

Name of Investee	Percentage in total investment(%)	Investment cost (In ten thousand)	Beginning balance (in ten thousand)	Increase/decrease in current period						Ending balance (In ten thousand)
				Adding investment	Reduced investment	Investment income (loss) recognized under equity method	Other comprehensive income adjustment	Changes of other equity instruments	Declared Cash dividend or profit distribution	
Industry Fund Co., Ltd.										
Yancheng Zhichuang Cultural Town Co., Ltd.	100.00									
Yancheng Yongheng Investment Management Co., Ltd.	100.00									
Yancheng High-tech Zone Yongxin Finance Leasing Co., Ltd.	75.00									
II. Investment in associates										
Yancheng Jinke Yongheng Property Service Co., Ltd.	49.00	98.00	195.19			326.28				521.47
Yancheng Gaoxin Water Services Co., Ltd.	35.00	2,453.50		2,453.50						2,453.50
Yancheng Anfu Lanke Venture Capital Partnership	30.00									

Name of Investee	Percentage in total investment(%)	Investment cost (In ten thousand)	Beginning balance (in ten thousand)	Increase/decrease in current period						Ending balance (In ten thousand)
				Adding investment	Reduced investment	Investment income (loss) recognized under equity method	Other comprehensive income adjustment	Changes of other equity instruments	Declared Cash dividend or profit distribution	
(Limited Partnership)										
Total		414,873.10	554,595.19	8,775.10	6,500.00	326.28				557,196.571

Yancheng High-tech Zone Investment Group Co., Ltd.
Notes to the Financial Statements for the Year Ended December 31, 2019

(III) Operating income and operating costs

Operating income and costs

Items	Amount of this period		Amount of last period	
	Income	Cost	Income	Cost
(1) Subtotal of revenue from main businesses	48,508,705.42	41,636,638.82	48,508,705.42	41,636,638.82
Project construction	48,508,705.42	41,636,638.82	48,508,705.42	41,636,638.82
(2) Subtotal of revenue from other businesses	168,715,272.91	36,965,485.85	106,970,145.19	22,811,137.11
Guarantee income	87,540,000.00	23,381,132.08	29,800,000.00	16,400,000.00
Leasing	77,123,046.91	9,410,560.99	77,170,145.19	6,411,137.11
Revenue from land transfer	4,052,226.00	4,173,792.78		
Total	217,223,978.33	78,602,124.67	155,478,850.61	64,447,775.93

(IV) Investment income

Items	Amount of this period	Amount of last period
Income from long-term equity investments accounted for by equity method	3,834,021.70	971,867.48
Investment income from held-to-maturity investments during the holding period	4,210,526.31	42,560.00
Gains from wealth management products	7,409.11	
Total	8,051,957.12	1,014,427.48

Legal

Representative:



Accounting

Supervisor:



Head of Accounting

Department:



Yancheng High-tech Zone Investment Group Co., Ltd.

April 20, 2020





营业执照

(副本) (5/1)

统一社会信用代码

91110107082881146K



名称 中兴华会计师事务所(普通合伙)

类型 特殊普通合伙

经营者 李博宏

经营范围

审查企业会计报表，出具审计报告；办理合并、分立、清算事宜的审计业务，出具企业资产负债表、损益表、现金流量表、所有者权益变动表、清算损益表等审计报告；管理咨询、税务咨询、资产评估、法律、法规规定的其他业务。（依法须经批准的项目，经相关部门批准后方可开展经营活动，依法须经批准的项目，不得从事本产业政策禁止和限制类项目的经营活动。）

成立日期 2013年11月04日

合伙期限 2013年11月04日至长期

主要经营场所 北京市西城区阜外大街1号东塔楼15层

中兴华会计师事务所(普通合伙)
报告单(董工)



登记机关

2020年02月26日

市场主体应当于每年1月1日至6月30日期间向登记机关报送年度报告。

http://www.gsxt.gov.cn



会计师事务所 执业证书

名称：中兴华会计师事务所（特殊普通合伙）

首席合伙人：李尊农

主任会计师：

经营场所：北京市西城区阜外大街1号东塔楼15层

组织形式：特殊普通合伙

执业证书编号：11000167

批准执业文号：京财会许可（2013）0066号

批准执业日期：2013年10月25日

中兴华会计师事务所（特殊普通合伙）
报告审订章



证书序号 0000066

说明

1. 《会计师事务所执业证书》是证明持有人经财政部门依法审批，准予执行注册会计师法定业务的凭证。
2. 《会计师事务所执业证书》记载事项发生变动的，应当向财政部门申请换发。
3. 《会计师事务所执业证书》不得伪造、篡改、出租、出借、转让。
4. 会计师事务所终止或执业许可注销的，应当向财政部门交回《会计师事务所执业证书》。

发证机关：北京市财政局

二〇一八年二月九日

中华人民共和国财政部制



证书序号: 000368

会计师事务所

证券、期货相关业务许可证

经财政部、中国证券监督管理委员会审查, 批准

中兴华会计师事务所(特殊普通合伙) 执行证券、期货相关业务。

首席合伙人: 李尊农

证书号: 24

发证时间: 二〇一二年八月八日

证书有效期至: 二〇一三年十二月八日





姓名: 孙裕强
 Sex: 男
 出生日期: 1976-05-09
 工作单位: 中三华会计师事务所(普通合伙)
 身份证号: 3213811371

证书编号: 110001670152
 No. of Certificate

批准注册协会: 江苏省注册会计师协会
 Authorized Institute of CPAs: Jiangsu Institute of CPAs

有效日期: 2015年06月29日
 Validity: 2015-06-29



年度检验登记
 Annual Renewal Registration

本证书经检验合格, 继续有效一年。
 This certificate is valid for another year after this renewal.

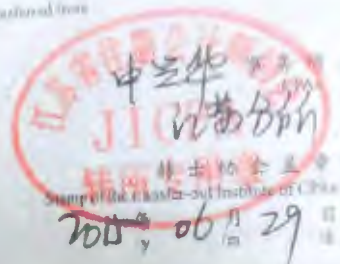


孙裕强(110001670152)
 您已通过2018年年检
 江苏省注册会计师协会

孙裕强(110001670152)
 您已通过2019年年检
 江苏省注册会计师协会

注册会计师工作单位变更事项登记
 Registration of the Change of Working Unit for a CPA

同意调离
 Agree the holder to be transferred from



同意调入
 Agree the holder to be transferred to





姓 名 赵海珊
 Full name _____
 性 别 女
 Sex _____
 出生日期 1981-04-04
 Date of birth _____
 工作单位 中兴华会计师事务所（特殊普通合伙）江苏分所
 Working unit _____
 身份证号码 430528198104048245
 Identity card No. _____



年度检验登记
 Annual Renewal Registration

本证书经检验合格，继续有效一年。
 This certificate is valid for another year after this renewal.



证书编号: 110001673745
 No of Certificate

批准注册协会: 江苏省注册会计师协会
 Authorized Institute of CPAs

发证日期: 2013 年 12 月 30 日
 Date of Issuance /y /m /d

赵海珊(110001673745)
 您已通过2019年年检
 江苏省注册会计师协会

年 月 日
 /y /m /d

APPENDIX A — FORM OF IRREVOCABLE STANDBY LETTER OF CREDIT

FM: BANK OF SHANGHAI CO., LTD, NANJING BRANCH (SWIFT: BOSHCNSHNJA)

ADDRESS: 1/F PEACE MANSION, NO.22 EAST BEIJING ROAD XUANWU NANJING CITY,
JIANGSU PROVINCE, P.R. CHINA

DATE: 10 JANUARY 2022

TO BENEFICIARY: CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED (中國建設銀行(亞洲)股份有限公司) OF 20/F, CCB TOWER, 3 CONNAUGHT ROAD CENTRAL, CENTRAL, HONG KONG (SWIFT: CCBQHKAX, FACSIMILE NUMBER: +852 3918 6976) (“**YOU**” OR THE “**BENEFICIARY**”) IN ITS CAPACITY AS TRUSTEE (THE “**TRUSTEE**”, WHICH EXPRESSION SHALL INCLUDE ANY SUCCESSOR OR CO-TRUSTEE) FOR ITSELF AND ON BEHALF OF THE HOLDERS (THE “**BONDHOLDERS**”) OF THE U.S.\$100,000,000 2.0 PER CENT. CREDIT ENHANCED BONDS DUE 2025 (THE “**BONDS**”) (ISIN: XS2423503916/COMMON CODE: 242350391), TO BE ISSUED BY YANCHENG HIGH-TECH ZONE INVESTMENT GROUP CO., LTD. (鹽城高新區投資集團有限公司) (THE “**ISSUER**”) AND TO BE CONSTITUTED BY A TRUST DEED DATED 10 JANUARY 2022 (THE “**ISSUE DATE**”) BETWEEN THE ISSUER, AND THE TRUSTEE (AS FURTHER AMENDED OR SUPPLEMENTED FROM TIME TO TIME, THE “**TRUST DEED**”).

DEAR SIRs,

RE: OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. *[NUMBER]*

AT THE REQUEST OF THE ISSUER, WE, BANK OF SHANGHAI CO., LTD, NANJING BRANCH (THE “**ISSUING BANK**”, “**OUR**”, “**US**” OR “**WE**”), HEREBY ISSUE OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. *[NUMBER]* IN YOUR FAVOUR, AND FOR THE ACCOUNT OF THE ISSUER IN RESPECT OF AND IN CONNECTION WITH (1) THE TERMS AND CONDITIONS OF THE BONDS APPENDED TO THE TRUST DEED (THE “**CONDITIONS**”) AND (2) THE TRUST DEED. THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS MADE AVAILABLE BY US FOR PAYMENT AGAINST OUR RECEIPT OF A DEMAND SUBSTANTIALLY IN THE FORM SET OUT IN APPENDIX A-1 (A “**DEMAND**”) PRESENTED IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT STATING THAT (A) THE ISSUER HAS FAILED TO COMPLY WITH CONDITION 4(B) OF THE BONDS IN RELATION TO PRE-FUNDING THE AMOUNT THAT IS REQUIRED TO BE PRE-FUNDED UNDER THE CONDITIONS AND/OR HAS FAILED TO PROVIDE THE REQUIRED CONFIRMATIONS (AS DEFINED IN THE CONDITIONS) IN ACCORDANCE WITH CONDITION 4(B) OF THE BONDS OR (B) AN EVENT OF DEFAULT (AS DEFINED IN CONDITION 10 OF THE BONDS) HAS OCCURRED AND THE TRUSTEE, HAS GIVEN NOTICE TO THE ISSUER THAT THE BONDS ARE IMMEDIATELY DUE AND PAYABLE IN ACCORDANCE WITH CONDITION 10 OF THE BONDS.

SUBJECT TO THE TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WE UNCONDITIONALLY AND IRREVOCABLY UNDERTAKE TO YOU THAT, ON AND AFTER THE ISSUE DATE AND FOLLOWING RECEIPT BY US OF A DEMAND BY 6:00 P.M. (HONG KONG TIME) PRESENTED BY YOU OR ON YOUR BEHALF IN RELATION TO THIS IRREVOCABLE STANDBY LETTER OF CREDIT ON A BUSINESS DAY, WE SHALL BY 10:00 A.M. (HONG KONG TIME) ON THE FOURTH BUSINESS DAY (OR, IF A DEMAND IS RECEIVED AFTER 6:00 P.M. (HONG KONG TIME) ON A BUSINESS DAY, BY 10:00 A.M. (HONG KONG TIME) ON THE FIFTH BUSINESS DAY) AFTER SUCH BUSINESS DAY PAY TO, OR TO THE ORDER OF, THE BENEFICIARY THE AMOUNT IN U.S. DOLLARS SPECIFIED IN THE DEMAND TO THE ACCOUNT SPECIFIED IN THE DEMAND. “**BUSINESS DAY**” MEANS A DAY, OTHER THAN A SATURDAY, A SUNDAY OR A PUBLIC HOLIDAY, ON WHICH BANKS ARE OPEN FOR BUSINESS IN HONG KONG, BEIJING AND NEW YORK CITY.

SUBJECT TO THE TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, OUR OBLIGATION TO PAY YOU IS UNCONDITIONAL AND ABSOLUTE AND ANY DEMAND BY YOU UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE HONOURED WITHOUT ANY FURTHER ENQUIRY AS TO YOUR RIGHTS TO MAKE SUCH DEMAND.

OUR AGGREGATE LIABILITY UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE EXPRESSED AND PAYABLE IN U.S. DOLLARS AND SHALL NOT IN ANY CIRCUMSTANCES EXCEED U.S.\$102,400,000 (TOGETHER THE “**MAXIMUM LIMIT**”), WHICH INCLUDES AN AMOUNT REPRESENTING THE AGGREGATE PRINCIPAL AMOUNT OF U.S.\$100,000,000 OF THE BONDS PLUS INTEREST PAYABLE FOR ONE INTEREST PERIOD IN ACCORDANCE WITH THE CONDITIONS PLUS ANY FEES, EXPENSES AND ALL OTHER AMOUNTS PAYABLE TO THE TRUSTEE IN CONNECTION WITH THE BONDS, THE TRUST DEED AND THE AGENCY AGREEMENT (AS DEFINED IN THE CONDITIONS).

THIS IRREVOCABLE STANDBY LETTER OF CREDIT TAKES EFFECT FROM THE DATE HEREOF AND SHALL REMAIN VALID AND IN FULL FORCE UNTIL 5:00 P.M. (HONG KONG TIME) ON 10 FEBRUARY 2025 (THE “**EXPIRY DATE**”) AND SHALL EXPIRE AT THE COUNTERS OF THE ISSUING BANK. THIS IRREVOCABLE STANDBY LETTER OF CREDIT WILL BECOME NULL AND VOID UPON EXPIRY WHETHER THE ORIGINAL STANDBY LETTER OF CREDIT HAS BEEN RETURNED TO US OR NOT.

PAYMENT WILL BE EFFECTED AFTER OUR RECEIPT OF A DEMAND PRESENTED IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WHICH IS PRESENTED ON OR AFTER THE ISSUE DATE AND ON OR BEFORE 5:00 P.M. (HONG KONG TIME) ON THE EXPIRY DATE.

ANY DEMAND UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS TO BE PRESENTED TO US BY WAY OF AN AUTHENTICATED SWIFT PRESENTED BY OR ON BEHALF OF THE TRUSTEE TO US (SWIFT: BOSH CNSHNJA) WITHOUT THE NEED TO PHYSICALLY PRESENT AN ORIGINAL OF THAT DEMAND AT OUR COUNTER; *PROVIDED* THAT IN THE EVENT THAT THE SWIFT SYSTEM IS NOT AVAILABLE FOR ANY REASON, THE TRUSTEE MAY INSTEAD PRESENT A DEMAND TO US VIA FACSIMILE TRANSMISSION AT +8625 86896777 DURING OUR NORMAL BRANCH OPENING HOURS ON OR AFTER THE ISSUE DATE AND ON OR BEFORE THE EXPIRY DATE. NEITHER THE ORIGINAL OF THE DEMAND SO PRESENTED NOR OF ANY OTHER DOCUMENTATION SHALL BE REQUIRED TO BE PHYSICALLY PRESENTED. IN RELATION TO THE DELIVERY OF A FACSIMILE DEMAND FROM THE BENEFICIARY PURSUANT TO THIS IRREVOCABLE STANDBY LETTER OF CREDIT, IT WILL BE ACCOMPANIED BY A COPY OF AN INCUMBENCY CERTIFICATE AUTHORIZING THE SIGNATORY OF THE DEMAND AND WE WILL PERFORM A CALLBACK CONFIRMATION WITH THE TRUSTEE AT NUMBER: + 852-3918-6734/+ 852-3896-8628.

ONLY ONE DRAWING UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS PERMITTED.

ALL CHARGES ARE FOR THE ACCOUNT OF THE ISSUER AND, FOR THE AVOIDANCE OF DOUBT, ARE NOT FOR THE ACCOUNT OF THE TRUSTEE.

SHOULD ANY DEDUCTION OR WITHHOLDING ON ACCOUNT OF TAX, SET-OFF OR OTHERWISE BE REQUIRED, NOTWITHSTANDING THE MAXIMUM LIMIT, ALL PAYMENTS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE MADE IN U.S. DOLLARS AND FOR VALUE ON THE DATE SPECIFIED IN THE DEMAND IN IMMEDIATELY AVAILABLE FUNDS WITHOUT ANY SUCH DEDUCTION OR WITHHOLDING ON ACCOUNT OF TAX, SET-OFF OR OTHERWISE. IN THE EVENT THAT ANY DEDUCTION OR WITHHOLDING IS REQUIRED BY LAW, THE ISSUING BANK SHALL PAY SUCH ADDITIONAL AMOUNTS AS WILL RESULT IN RECEIPT BY THE TRUSTEE OF SUCH AMOUNTS AS WOULD HAVE BEEN RECEIVED BY IT HAD NO SUCH DEDUCTION OR WITHHOLDING BEEN REQUIRED.

THE TRUSTEE'S RIGHTS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT MAY BE TRANSFERRED OR RE-TRANSFERRED IN WHOLE OR IN PART TO ANY ADDITIONAL OR REPLACEMENT TRUSTEE APPOINTED IN RESPECT OF THE BONDS IN ACCORDANCE WITH THE TRUST DEED SUBJECT ONLY TO AT LEAST 15 DAYS' NOTICE HAVING BEEN GIVEN TO US BY THE TRUSTEE BY AUTHENTICATED SWIFT TO TRANSFER THIS IRREVOCABLE STANDBY LETTER OF CREDIT TO THE NEW TRUSTEE, OR IN THE EVENT THAT THE SWIFT SYSTEM IS NOT AVAILABLE FOR ANY REASON VIA FACSIMILE TRANSMISSION TO US AT +8625 86896777. WE SHALL, ACTING REASONABLY, EFFECT THE TRANSFER.

WE MAY NOT TRANSFER OR NOVATE ANY OF OUR OBLIGATIONS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT.

NOTWITHSTANDING THE FOREGOING PROVISIONS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, INCLUDING WITHOUT LIMITATION ARTICLE 29 AND ARTICLE 36 OF UCP600 (AS DEFINED BELOW), IN THE UNEXPECTED EVENT THAT WE ARE CLOSED FOR ANY REASON, INCLUDING WITHOUT LIMITATION THE COVID-19 PANDEMIC, WHICH IS A BUSINESS DAY OR SWIFT IS UNAVAILABLE WHEN THE TRUSTEE WISHES TO PRESENT A DEMAND HEREUNDER ON THE DAY AND AT THE TIME A DEMAND IS ABLE TO BE PRESENTED IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WE AGREE THAT THE TRUSTEE CAN PRESENT THE DEMAND BY AUTHENTICATED SWIFT OR VIA FACSIMILE TRANSMISSION TO US AT +8625 86896777 FROM THE DATE ON WHICH WE NOTIFY YOU OF OUR RESUMPTION OF OUR BUSINESS OR, IN THE CASE OF UNAVAILABILITY OF SWIFT, THE DATE ON WHICH SWIFT BECOMES AVAILABLE; *PROVIDED* THAT IF WE ARE CLOSED ON THE EXPIRY DATE FOR ANY REASON, INCLUDING WITHOUT LIMITATION THE COVID-19 PANDEMIC, WHICH IS A BUSINESS DAY, SUCH PRESENTATION SHALL BE MADE WITHIN FIVE BUSINESS DAYS AFTER THE DATE ON WHICH WE NOTIFY YOU OF THE RESUMPTION OF OUR BUSINESS.

ANY SETTLEMENT OR DISCHARGE OF OUR OBLIGATIONS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE CONDITIONAL UPON PAYMENT TO THE TRUSTEE OR TO THE HOLDERS OF THE BONDS BY THE ISSUER OR ANY OTHER PERSON ON BEHALF OF THE ISSUER NOT BEING AVOIDED (BY VIRTUE OF ANY LAWS RELATING TO BANKRUPTCY, INSOLVENCY, LIQUIDATION OR SIMILAR LAWS OF GENERAL APPLICATION FOR THE TIME BEING IN FORCE). IN THE EVENT OF ANY SUCH PAYMENT BEING SO AVOIDED, THE TRUSTEE SHALL, BE ENTITLED TO RECOVER THE AMOUNT BY WHICH SUCH PAYMENT IS SO AVOIDED FROM US SUBSEQUENTLY AS IF SUCH SETTLEMENT OR DISCHARGE HAD NOT OCCURRED.

EXCEPT TO THE EXTENT IT IS INCONSISTENT WITH THE EXPRESS TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS (2007 REVISION), INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 600 (“**UCP600**”).

WE HAVE IRREVOCABLY APPOINTED BOSC INTERNATIONAL COMPANY LIMITED AT 34/F, CHAMPION TOWER, 3 GARDEN ROAD, CENTRAL, HONG KONG AS OUR PROCESS AGENT IN HONG KONG TO RECEIVE SERVICE OF PROCESS IN ANY LEGAL ACTION OR PROCEEDINGS ARISING OUT OF OR IN CONNECTION WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT IN HONG KONG. IF FOR ANY REASON WE CEASE TO HAVE SUCH A PROCESS AGENT IN HONG KONG, WE WILL PROMPTLY APPOINT A

SUBSTITUTE PROCESS AGENT AND NOTIFY THE BENEFICIARY OF SUCH APPOINTMENT WITHIN 30 DAYS OF SUCH CESSATION. NOTHING HEREIN SHALL AFFECT THE RIGHT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

THIS IRREVOCABLE STANDBY LETTER OF CREDIT, AND ANY NON-CONTRACTUAL OBLIGATIONS ARISING OUT OF OR IN CONNECTION WITH IT, IS GOVERNED BY ENGLISH LAW. THE COURTS OF HONG KONG SHALL HAVE EXCLUSIVE JURISDICTION TO SETTLE ANY DISPUTE ARISING OUT OF OR IN CONNECTION WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT.

THIS CABLE IS AN OPERATIVE INSTRUMENT AND NO MAIL CONFIRMATION WILL FOLLOW.

APPENDIX A-1 — FORM OF DEMAND

TO: BANK OF SHANGHAI CO., LTD, NANJING BRANCH (SWIFT: BOSH CNSHNJA)

1/F PEACE MANSION, NO.22 EAST BEIJING ROAD XUANWU NANJING CITY,
JIANGSU PROVINCE, P.R. CHINA

FIELD 20: OUR REF

FIELD 21: SBLC NO

FIELD 79: NARRATIVE

RE: DEMAND UNDER THE IRREVOCABLE STANDBY LETTER OF CREDIT NO. [NUMBER] IN RESPECT OF (1) THE TERMS AND CONDITIONS (THE “CONDITIONS”) OF THE U.S.\$100,000,000 2.0 PER CENT. CREDIT ENHANCED BONDS DUE 2025 (THE “BONDS”), SUCH CONDITIONS BEING APPENDED TO THE TRUST DEED DATED 10 JANUARY 2022 AMONG YANCHENG HIGH-TECH ZONE INVESTMENT GROUP CO., LTD. (鹽城高新區投資集團有限公司) (THE “ISSUER”) AND CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED (THE “TRUSTEE”) (AS FURTHER AMENDED OR SUPPLEMENTED FROM TIME TO TIME, THE “TRUST DEED”) AND (2) THE TRUST DEED.

THIS DEMAND IS MADE BY CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED UNDER YOUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. [NUMBER] (THE “IRREVOCABLE STANDBY LETTER OF CREDIT”). TERMS USED HEREIN WHICH ARE NOT DEFINED SHALL HAVE THE MEANINGS GIVEN TO THEM IN THE IRREVOCABLE STANDBY LETTER OF CREDIT.

1 THIS DEMAND IS MADE IN CONNECTION WITH THE FOLLOWING:

[DELETE INAPPROPRIATE PARAGRAPHS TO SHOW REASON FOR THE DEMAND]

- THE ISSUER HAS FAILED TO COMPLY WITH CONDITION 4(B) OF THE BONDS IN RELATION TO PRE-FUNDING THE AMOUNT THAT IS REQUIRED TO BE PRE-FUNDED UNDER THE CONDITIONS AND/OR HAS FAILED TO PROVIDE THE REQUIRED CONFIRMATIONS (AS DEFINED IN THE CONDITIONS) IN ACCORDANCE WITH CONDITION 4(B) OF THE BONDS.
- AN EVENT OF DEFAULT (AS DEFINED IN CONDITION 10 OF THE BONDS) HAS OCCURRED AND THE TRUSTEE HAS GIVEN NOTICE TO THE ISSUER THAT THE BONDS ARE IMMEDIATELY DUE AND PAYABLE IN ACCORDANCE WITH CONDITION 10 OF THE BONDS.

2 WE HEREBY DEMAND YOU TO PAY U.S.\$[AMOUNT] REPRESENTING:

- INTEREST AND/OR PRINCIPAL DUE IN RESPECT OF THE BONDS AND/OR UNPAID FEES, EXPENSES AND OTHER AMOUNTS PAYABLE TO THE TRUSTEE IN CONNECTION WITH THE BONDS, THE TRUST DEED AND THE AGENCY AGREEMENT (AS DEFINED IN THE CONDITIONS).

3 WE HEREBY REQUEST YOU TO PAY THE ABOVE AMOUNTS (IN AGGREGATE U.S.\$[AMOUNT]) AFTER YOU RECEIVE THIS DEMAND IN ACCORDANCE WITH THE IRREVOCABLE STANDBY LETTER OF CREDIT.

4 THE PROCEEDS OF THE DRAWING UNDER THIS DEMAND ARE TO BE CREDITED TO THE FOLLOWING ACCOUNT:

[INSERT ACCOUNT DETAILS]

CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED
AS TRUSTEE

BY: _____

BY: _____

NAME:

NAME:

TITLE:

TITLE:

ISSUER

Yancheng High-tech Zone Investment Group Co., Ltd.
(鹽城高新區投資集團有限公司)
No. 1, Zhenxing Road
Yandu District Yancheng
Jiangsu, China

TRUSTEE

China Construction Bank (Asia) Corporation Limited
28/F, CCB Tower,
3 Connaught Road Central,
Central, Hong Kong

LC PROCEEDS ACCOUNT BANK AND PRE-FUNDING ACCOUNT BANK

**China Construction Bank (Asia)
Corporation Limited**
28/F, CCB Tower,
3 Connaught Road Central,
Central, Hong Kong

REGISTRAR, PRINCIPAL PAYING AGENT AND TRANSFER AGENT

**China Construction Bank (Asia)
Corporation Limited**
28/F, CCB Tower,
3 Connaught Road Central,
Central, Hong Kong

LEGAL ADVISORS TO THE ISSUER

*To the Issuer
as to English law*

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8 Connaught Place
Central, Hong Kong

*To the Issuer
as to PRC law*

Yingke Law Firm
1/F, Block 5A
International Research and Development Headquarters Park
Nanjing New Town Technology Park
No. 68 Aoti Road
Jianye District, Nanjing
Jiangsu, China

LEGAL ADVISORS TO THE JOINT LEAD MANAGERS AND THE TRUSTEE

*To the Joint Lead Managers and
the Trustee as to English law*

Herbert Smith Freehills
23rd Floor
Gloucester Tower
15 Queen's Road
Central, Hong Kong

*To the Joint Lead Managers
as to PRC law*

Jingtian & Gongcheng
34th floor, Tower 3,
China Central Place
77 Jianguo Road
Chaoyang District
Beijing, China

INDEPENDENT AUDITOR OF THE ISSUER

Zhongxinghua Certified Public Accountants LLP
F15, Sichuan Building East
No. 1 Fu Wai Da Jie, Xicheng District
Beijing, China