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*This announcement and the listing documents attached hereto are for information purposes only and do not constitute an invitation or offer to acquire, purchase or subscribe for securities.*

*The securities have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), or the securities laws of any state of the United States or other jurisdiction and the securities may not be offered or sold into or within the United States, or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) 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 announcement and the listing documents attached hereto have been published for information purposes only as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and do not constitute an offer to sell nor a solicitation of an offer to buy any securities. Neither this announcement nor anything referred to herein (including the listing documents attached hereto) forms the basis for any contract or commitment whatsoever. For the avoidance of doubt, the publication of this announcement and the listing documents attached hereto shall not be deemed to be an offer of securities made pursuant to a prospectus issued by or on behalf of the Issuer (as defined below) for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) nor shall it constitute an advertisement, invitation or document containing an invitation to the public to enter into or offer to enter into an agreement to acquire, dispose of, subscribe for or underwrite securities for the purposes of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).*

**Notice to Hong Kong investors:** *Each of the Issuer (as defined below) and the Guarantor (as defined below) confirms that the Bonds are intended for purchase by professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited) only and are listed on the SEHK on that basis. Accordingly, each of the Issuer and the Guarantor confirms that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.*

**NOTICE OF LISTING ON  
THE STOCK EXCHANGE OF HONG KONG LIMITED**

**HONG RUN INTERNATIONAL COMPANY LIMITED  
虹润国际有限公司**

*(Incorporated with limited liability in the British Virgin Islands)*  
(the “**Issuer**”)

U.S.\$55,000,000 2.1 per cent. Credit Enhanced Bonds due 2022 (the “**Bonds**”)  
(**Stock Code: 40734**)

unconditionally and irrevocably guaranteed by  
**TAIXING HONGQIAO PARK INDUSTRIAL DEVELOPMENT CO., LTD.**  
**(泰兴市虹桥园工业开发有限公司)**  
*(Incorporated with limited liability in the People’s Republic of China)*  
(the “**Guarantor**”)

**with the benefit of an irrevocable Standby Letter of Credit issued by**

**Bank of Jiangsu Co., Ltd. Taizhou Branch**

*Placing Agents*

**Guoyuan  
Capital**

**China Industrial  
Securities  
International**

**Zhongtai  
International**

**Shanghai Pudong  
Development Bank  
Hong Kong Branch**

**CEB International**

**Fosun Hani**

**Central Wealth Securities  
Investment Limited**

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

Reference is made to the notice of listing of the Bonds on The Stock Exchange of Hong Kong Limited dated 22 June 2021 published by the Issuer.

The information memorandum dated 17 June 2021 in relation to the Bonds (the “**Information Memorandum**”) is appended to this announcement.

Hong Kong, 23 June 2021

*As at the date of this announcement, the sole director of Hong Run International Company Limited 虹润国际有限公司 is Mr. Zhu, Yi, and the directors of Taixing Hongqiao Park Industrial Development Co., Ltd. (泰兴市虹桥园工业开发有限公司) are Mr. Zhu, Haibing, Mr. Yin, Chunguo, Ms. Lu, Yun, Mr. Chang, Jie and Ms. Zhu, Caixia.*

**APPENDIX 1 – INFORMATION MEMORANDUM**

## IMPORTANT NOTICE

**NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES. THIS PRIVATE PLACEMENT IS AVAILABLE ONLY TO INVESTORS WHO ARE ADDRESSEES OUTSIDE OF THE UNITED STATES.**

**IMPORTANT: You must read the following disclaimer before continuing.** The following disclaimer applies to the attached information memorandum (the “**Information Memorandum**”). You are advised to read this disclaimer carefully before accessing, reading or making any other use of the attached Information Memorandum. In accessing the attached Information Memorandum, 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. In order to be eligible to view the attached Information Memorandum or make an investment decision with respect to the securities, investors must be outside the United States.

**Confirmation of Your Representation:** This Information Memorandum is being sent to you at your request and by accepting the e-mail and accessing the attached Information Memorandum, you shall be deemed to represent to Hong Run International Company Limited 虹润国际有限公司 (the “**Issuer**”), Taixing Hongqiao Park Industrial Development Co., Ltd. (泰兴市虹桥园工业开发有限公司) (the “**Guarantor**”), Guoyuan Capital (Hong Kong) Limited, China Industrial Securities International Brokerage Limited, Zhongtai International Securities Limited, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch, CEB International Capital Corporation Limited, Fosun Hani Securities Limited and Central Wealth Securities Investment Limited (collectively, the “**Placing Agents**”) that (1) you and any customers you represent are outside the United States and that the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions, and (2) you consent to the delivery of the attached Information Memorandum and any amendments or supplements thereto by electronic transmission.

The attached Information Memorandum 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, none of the Issuer, the Placing Agents, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents (as defined in the attached Information Memorandum) or any of their respective affiliates, directors, officers, employees, representatives, agents, advisers or any person who controls any of them accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version available to you upon request from the Issuer and the Placing Agents.

**Restrictions:** The attached Information Memorandum is being furnished in connection with an offering in offshore transactions to persons outside the United States in compliance with Regulation S under the Securities Act of 1933, as amended (the “**Securities Act**”) solely for the purpose of enabling a prospective investor to consider the purchase of the securities described herein.

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

You are reminded that you have accessed the attached Information Memorandum on the basis that you are a person into whose possession the attached Information Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you are not allowed to purchase any of the securities described in the attached Information Memorandum.

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

**YOU ARE NOT AUTHORISED TO AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED INFORMATION MEMORANDUM, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH INFORMATION MEMORANDUM IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED INFORMATION MEMORANDUM 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.**

**Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore (the “SFA”)** — In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 (the “**CMP Regulations 2018**”), the Issuer has determined the classification of the Bonds as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

You are responsible for protecting against viruses and other destructive items. If you receive this document by e-mail, 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.

STRICTLY CONFIDENTIAL

HONG RUN INTERNATIONAL COMPANY LIMITED

虹润国际有限公司

(Incorporated with limited liability in the British Virgin Islands)

U.S.\$55,000,000 2.1 per cent. Credit Enhanced Bonds due 2022

Unconditionally and Irrevocably Guaranteed by

TAIXING HONGQIAO PARK INDUSTRIAL DEVELOPMENT CO., LTD.

(泰兴市虹桥园工业开发有限公司)

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

with the benefit of an irrevocable Standby Letter of Credit issued by

Bank of Jiangsu Co., Ltd. Taizhou Branch

Issue Price: 100.0 per cent.

The 2.1 per cent. credit enhanced bonds in the aggregate principal amount of U.S.\$55,000,000 due 2022 (the "Bonds") will be issued by Hong Run International Company Limited 虹润国际有限公司 (the "Issuer"), a company incorporated under the laws of the British Virgin Islands and will be unconditionally and irrevocably guaranteed (the "Guarantee") by Taixing Hongqiao Park Industrial Development Co., Ltd. (泰兴市虹桥园工业开发有限公司) (the "Guarantor"), a company incorporated under the laws of the People's Republic of China (the "PRC"). The Issuer is a wholly-owned subsidiary of the Guarantor. Payments of principal and interest in respect of the Bonds will have the benefit of an irrevocable standby letter of credit (the "Standby Letter of Credit") issued by Bank of Jiangsu Co., Ltd. Taizhou 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 bear interest on their outstanding principal amount from and including 22 June 2021 (the "Issue Date") at the rate of 2.1 per cent. per annum, payable in arrear on 22 December 2021 with interest of U.S.\$10.50 per Calculation Amount and 21 June 2022 with interest of U.S.\$10.44 per Calculation Amount. 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, without set-off or counterclaim and without withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands or 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.

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

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

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

The Guarantor will enter into a deed of guarantee (the "Deed of Guarantee") with China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) (the "Trustee") on or around the Issue Date. The Guarantor will be required to register or cause to be registered with the State Administration of Foreign Exchange or its local counterparts ("SAFE"), the Deed of Guarantee within 15 PRC Business Days after execution of the Deed of Guarantee in accordance with, and within the prescribed time period under the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 (the "Cross-Border Security Registration"). The Guarantor shall use its best endeavours to complete the Cross-Border Security Registration with SAFE and obtain a registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE) and comply with all applicable PRC laws regulations in relation to the Guarantee. The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable law, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

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

The obligations of the Issuer and the Guarantor under the Bonds and the Guarantee shall solely be fulfilled by the Issuer and the Guarantor as independent legal persons. No PRC governmental entity has any payment or other obligations under the Bonds or the Guarantee nor will they provide a guarantee of the Bonds. The Bondholders shall have no recourse to any PRC governmental entity in respect of any obligation arising out of or in connection with the Bonds or the Guarantee solely by virtue of the Issuer and the Guarantor being state-owned enterprises of the PRC. See "Risk Factors — Risks relating to the Bonds and the Guarantee — The PRC government (including the Taixing SASAC) has no obligation to pay any amount under the Bonds or the Guarantee".

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 21 June 2022 (the "Maturity Date"). 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 (as defined below) and in writing to the Trustee and the Principal Paying Agent (which shall be irrevocable), at their principal amount (together with any interest accrued to but excluding the date fixed for redemption), if the Issuer satisfies the Trustee immediately prior to giving such notice that (i) the Issuer has or will become obliged to pay Additional Tax Amounts (as defined in the Terms and Conditions) as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands or the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 17 June 2021, 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. Following the occurrence of a Relevant Event (as defined in the Terms and Conditions), the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all, but not some only, of that holder's Bonds on the Put Settlement Date (as defined in the Terms and Conditions) at 100 per cent. (in the case of a redemption for a Change of Control or a No Registration Event) of their principal amount, together in each case with interest accrued up to, but excluding, the Put Settlement Date. See "Terms and Conditions of the Bonds — Redemption and Purchase".

For a more detailed description of the Bonds, see "Terms and Conditions of the Bonds" beginning on page 44. The Bonds will not be rated.

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

Investors should be aware that the Issuer is a special purpose vehicle with no assets or operations and the Standby Letter of Credit is subject to a maximum limit and may not be sufficient to satisfy all payments due under the Bonds and that there are various other risks relating to the Bonds, the Guarantee, the Standby Letter of Credit, the Group, their business and their jurisdictions of operations which investors should familiarise themselves with before making an investment in the Bonds. See "Risk Factors" beginning on page 16 for a discussion of certain factors to be considered in connection with an investment in the Bonds.

**The Bonds and the Standby Letter of Credit 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. Accordingly, the Bonds are being offered and sold only 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, the Standby Letter of Credit and the distribution of this Information Memorandum, see "Placement and Sale".

The Bonds will be represented initially by interests in a global certificate (the "Global Certificate") in registered form which will be registered in the name of a nominee of, and shall be deposited on or about the Issue Date, with, a common depositary for Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream").

Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, certificates for Bonds will not be issued in exchange for interests in the Global Certificate.

Placing Agents

Guoyuan Capital

China Industrial  
Securities International

Zhongtai International

Shanghai Pudong  
Development Bank  
Hong Kong Branch

CEB International

Fosun Hani

Central Wealth Securities  
Investment Limited

Information Memorandum dated 17 June 2021

## NOTICE TO INVESTORS

**THIS INFORMATION MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE THE OFFER OR SOLICITATION IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS INFORMATION MEMORANDUM NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER, THE GUARANTOR OR ANY OF THE GUARANTOR'S OTHER SUBSIDIARIES (COLLECTIVELY, THE "GROUP") OR THAT THE INFORMATION SET FORTH IN THIS INFORMATION MEMORANDUM IS CORRECT AS OF ANY DATE SUBSEQUENT TO THE DATE HEREOF.**

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

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

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

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

No person has been or is authorised to give any information or to make any representation not contained in or not consistent with this Information Memorandum or any information supplied by the Issuer, the Guarantor, the Group, the LC Bank or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, the Group, the LC Bank, the Placing Agents, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents (as defined in the Terms and Conditions), or any person who controls any of them, or their respective affiliates, directors, employees, agents, representatives, officers or advisers. Neither the delivery of this Information Memorandum 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 Guarantor, the Group or the LC Bank or any of them since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Information Memorandum does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor, the Placing Agents, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents, or any person who controls any of them, or any of their respective affiliates, directors, employees, agents, representatives, officers or adviser to subscribe for or purchase the Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

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

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

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

*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).*

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

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



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

### **Industry and Market Data**

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

### **Presentation of Financial Information**

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

## CERTAIN TERMS AND CONVENTIONS AND CURRENCY PRESENTATION

This Information Memorandum has been prepared using a number of conventions, which investors should consider when reading the information contained herein. Unless indicated otherwise, in this Information Memorandum all references to the “**Issuer**” refer to Hong Run International Company Limited 虹润国际有限公司; all references to “**Guarantor**” refer to Taixing Hongqiao Park Industrial Development Co., Ltd. (泰兴市虹桥园工业开发有限公司); all references to “**Group**”, “**we**”, “**us**”, “**our company**”, “**our**” or similar references refer to the Guarantor itself, or to the Issuer, the Guarantor and the Guarantor’s other subsidiaries taken as a whole, as the case may be; all references to the “**PRC**” and “**China**” are to the People’s Republic of China (excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan); all references to the “United States” and “U.S.” are to the United States of America; all references to “**PRC Government**” are to the people’s government of the PRC; all references to “**Taixing SASAC**” are to the Taixing State-owned Assets Supervision and Administration Committee (泰興市國有資產管理委員會辦公室); all references to “**Taixing Zhongxin**” are to the Taixing Zhongxin Investment Group Co., Ltd. (泰兴市中鑫投资集团有限公司); all references to “**Hongqiao Industrial Park**” are to the Jiangsu Taixing Hongqiao Industrial Park (江蘇省泰興市虹橋工業園區); all references to “**Hong Kong**” are to the Hong Kong Special Administrative Region of the People’s Republic of China; all references to “**Renminbi**”, “**RMB**” and “**CNY**” are to the lawful currency of the PRC; and all references to “**USD**”, “**U.S.\$**” and “**U.S. dollars**” are to the lawful currency of the United States of America.

Unless otherwise stated in this Information Memorandum, all translations from Renminbi into U.S. dollars were made at the rate of RMB6.5250 to U.S.\$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi on 31 December 2020 as set forth in the weekly H.10 statistical release of the Board of Governors of the Federal Reserve System). All such translations in this Information Memorandum are provided solely for investors’ convenience and no representation is made that the amounts referred to herein have been, could have been or could be converted into U.S. dollars or Renminbi, or vice versa, at any particular rate or at all. For further information relating to the exchange rates, see “*Exchange Rate Information*”.

Any discrepancies in the tables included herein between the listed amounts and the totals thereof are due to rounding.

In this Information Memorandum, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

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

## FORWARD-LOOKING STATEMENTS

This Information Memorandum contains forward-looking statements. The forward-looking statements contain information regarding, among other things, our future operations, performance, financial condition, expansion plans and business strategy. These forward-looking statements are based on our current expectations and projections about future events. Although we believe that these expectations and projections are reasonable, such forward-looking statements are inherently subject to risks, uncertainties and assumptions, including, among other things:

- general economic and political conditions in the PRC and globally;
- our financial condition, performance and business prospects;
- our expenditure plans and our ability to carry out those plans;
- access and cost of capital and financing;
- risks associated with business activities in the PRC, including but not limited to the PRC regulatory environment;
- fluctuation in prices of and the demand for products and services that we provide;
- macroeconomic measures taken by the PRC government to manage economic growth;
- our business strategy and plan of operation;
- fluctuations in interest rates and the availability of credit;
- various business opportunities that we may pursue;
- natural disasters, industrial action, terrorist attacks and other event beyond our control; and
- those other risks identified in the “Risk Factors” section of this Information Memorandum.

The words “believe”, “expect”, “anticipate”, “estimate”, “intend”, “plan”, “seek” and similar words identify forward-looking statements. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding expected financial condition and results of operations, business plans and prospects are forward-looking statements. These forward-looking statements include but are not limited to statements as to the business strategy, operating income, profitability, planned projects and other matters as they relate to us or the LC Bank discussed in this Information Memorandum regarding matters that are not historical fact. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we can give no assurance that such expectations will prove correct. We undertake no obligation to publicly update or revise any forward-looking statements whether as a result of new information, future events or otherwise. In light of the foregoing and the risks, uncertainties and assumptions in “*Risk Factors*” and elsewhere in this Information Memorandum, the forward-looking statements in this Information Memorandum are not and should not be construed as assurances of future performance and our actual results could differ materially from those anticipated in those forward-looking statements.

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## SUMMARY

### OVERVIEW

We are the primary entity for infrastructure construction in the Hongqiao Industrial Park, Taixing City, Jiangsu Province and are wholly owned by the Taixing SASAC. Since our inception in 2003, we have been primarily engaged in trading, infrastructure construction and construction of compensatory housing for resettled households.

For the years ended 31 December 2018, 2019 and 2020, our total revenue amounted to approximately RMB1,458.39 million, RMB1,272.79 million and RMB1,702.09 million, respectively, and our net profit amounted to approximately RMB216.41 million, RMB151.23 million and RMB210.41 million, respectively.

Set forth below is a summary of our business operations:

- *Trading:* We generally most of our revenue from our trading business segment. For the years ended 31 December 2018, 2019 and 2020, our revenue generated from our trading business segment was approximately RMB993.75 million, RMB796.63 million and RMB1,213.74 million, respectively, representing approximately 68.14 per cent., 62.59 per cent. and 71.31 per cent. of our total revenue, respectively.
- *Infrastructure Construction:* Our infrastructure construction business mainly includes bridge, facilities and road constructions and sewage treatment. For the years ended 31 December 2018, 2019 and 2020, our revenue generated from the infrastructure construction business was approximately RMB235.16 million, RMB253.33 million and RMB296.17 million, respectively, representing approximately 16.12 per cent., 19.90 per cent. and 17.40 per cent. of our total revenue, respectively.
- *Construction of compensatory housing for resettled households:* We construct compensatory houses for resettled households. We have been entrusted by the Taixing Municipal Government to construct resettlement houses in Hongqiao New Town within the Taixing Hongqiao Industrial Park. For the years ended 31 December 2018, 2019 and 2020, our revenue generated from the construction of compensatory housing for resettled households was approximately RMB229.29 million, RMB222.21 million and RMB185.29 million, respectively, representing approximately 15.72 per cent., 17.46 per cent. and 10.89 per cent. of our total revenue, respectively.
- *Other Businesses:* We also engaged in guarantee business, sewage treatment, property management and leasing and miscellaneous businesses. For the years ended 31 December 2018, 2019 and 2020, our revenue generated from other businesses was approximately RMB0.20 million, RMB0.62 million and RMB6.89 million, respectively, representing approximately 0.01 per cent., 0.05 per cent. and 0.40 per cent. of our total revenue, respectively.

As the primary entity for infrastructure construction in the Hongqiao Industrial Park and a company wholly-owned by the Taixing SASAC, we have received strong governmental support from the Taixing SASAC and the Taixing Municipal Government. We believe that we are well positioned to leverage the favourable geographic location and the growing demand for urban planning of the Hongqiao Industrial Park, which was the key to our success and will be the foundation for our future growth. We aim to maintain our prominent position as the primary entity for infrastructure construction in the Hongqiao Industrial Park while at the same time further diversify our business portfolio to explore new drives for our growth.

## COMPETITIVE STRENGTHS

We believe that the following strengths are important to our success and future development:

- *The primary entity to conduct infrastructure construction in the Hongqiao Industrial Park with strong local governmental support.*
- *Well positioned to leverage the favourable geographic location and the growing demand for infrastructure construction in the Hongqiao Industrial Park.*
- *Diversified business sectors to provide synergy services and products.*
- *Diversified source of financing and sound relationships with financing institutions.*
- *Dedicated senior management with extensive experience in corporate management.*

## BUSINESS STRATEGIES

We aim to maintain our prominent position as the primary entity for infrastructure construction in the Hongqiao Industrial Park while at the same time further diversify our business portfolio. With the business philosophy of operating and developing our businesses with profitability, sustainability and diversity, we intend to focus on the following business strategies:

- *Continue to focus on trading and infrastructure construction business and optimize our business resource allocation to enhance our position as the primary entity for infrastructure construction in the Hongqiao Industrial Park.*
- *Continue to develop various zone-based value-added services to meet customer needs and add new drives for our revenue growth.*
- *Continue to diversify our financing channels.*
- *Enhance our management capabilities, improve internal corporate governance and optimise the structure of our talent pool.*

## THE ISSUE

*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”.*

<b>Issuer</b> .....	Hong Run International Company Limited 虹润国际有限公司
<b>Guarantor</b> .....	Taixing Hongqiao Park Industrial Development Co., Ltd. (泰兴市虹桥园工业开发有限公司)
<b>LC Bank</b> .....	Bank of Jiangsu Co., Ltd. Taizhou Branch
<b>Issue</b> .....	U.S.\$55,000,000 aggregate principal amount of 2.1 per cent. Credit Enhanced Bonds due 2022.
<b>Guarantee</b> .....	The Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Bonds. Its obligations in that respect will be contained in the Deed of Guarantee.
<b>Issue Price</b> .....	100.0 per cent. of the principal amount of the Bonds.
<b>Form and Denomination</b> ..	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.
<b>Interest</b> .....	The Bonds will bear interest on their outstanding principal amount from and including the Issue Date at the rate of 2.1 per cent. per annum, payable in arrear on 22 December 2021 with interest of U.S.\$10.50 per Calculation Amount (as defined in Condition 6) and 21 June 2022 with interest of U.S.\$10.44 per Calculation Amount (each an “ <b>Interest Payment Date</b> ”).
<b>Issue Date</b> .....	22 June 2021.
<b>Maturity Date</b> .....	21 June 2022.
<b>Use of Proceeds</b> .....	The net proceeds from the offering of the Bonds will be used for repayment of existing debts, replenishing of working capital and general corporate purposes. See “ <i>Use of Proceeds</i> ”.

**Standby Letter of Credit**

The Bonds will have the benefit of the Standby Letter of Credit in favour of the Trustee, on behalf of itself and the holders of the Bonds, issued by the LC Bank. The Standby Letter of Credit shall be drawable by the Trustee as beneficiary under the Standby Letter of Credit on behalf of itself and the holders of the Bonds upon the presentation of a demand by authenticated SWIFT (or by such other method of communication permitted under the Standby Letter of Credit) sent by or on behalf of the Trustee to the LC Bank in accordance with the Standby Letter of Credit (the “**Demand**”) stating that (i) the Issuer has failed to comply with Condition 4(b) in relation to pre-funding the amount that is required to be pre-funded under the Conditions and/or failed to provide the Required Confirmations (as defined below) in accordance with Condition 4(b), (ii) an Event of Default (as defined in Condition 10) has occurred and the Trustee has given notice to the Issuer that the Bonds are immediately due and payable in accordance with Condition 10, or (iii) the Issuer has failed to pay the fees, costs, expenses and other amounts it is obligated to pay under the Conditions or in connection with the Bonds, the Trust Deed, the Agency Agreement and/or any other transaction documents relating to the Bonds when due and such failure has continued for a period of seven days from the date of the Trustee delivering its demand therefor to the Issuer in accordance with the Conditions.

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

Such drawing on the Standby Letter of Credit will be payable in U.S. dollars 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 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 and the Guarantor in respect of such amount payable under the Conditions or in connection with the Bonds, the Trust Deed or the Agency Agreement.

The LC Bank’s liability under the Standby Letter of Credit shall be expressed and payable in U.S. dollars and shall not exceed U.S.\$56,577,500. The Standby Letter of Credit expires at 6:00 p.m. (Hong Kong time) on 21 July 2022.

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

**Pre-funding**

In order to provide for the payment of any amount in respect of the Bonds (other than the mandatory redemption amount 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 the Business Day falling ten Business Days (the “**Pre-funding Date**”) prior to the due date for such payment under the Conditions:

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



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

The Pre-funding Account Bank shall notify the Trustee by 10:00 a.m. (Hong Kong time) on the Business Day immediately following the Pre-funding Date upon the failure by the Issuer to pay the Relevant Amount into the Pre-funding Account in accordance with these Conditions. If the Relevant Amount has not been paid into the Pre-funding Account in full and the Pre-funding Account Bank has notified the Trustee of such failure, 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) send the notice (the “**Pre-funding Failure Notice**”) to the Bondholders by the second Business Day immediately following the Pre-funding Date 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
- (B) by no later than 6:00 p.m. (Hong Kong time) on the second Business Day immediately following the Pre-funding Date issue a Demand to the LC Bank for the principal amount in respect of all of the Bonds then outstanding, together with interest accrued to but excluding the Mandatory Redemption Date (as defined in Condition 7(d)) and all fees, costs, expenses, indemnity payments and all other amounts payable by the Issuer under or in connection with the Bonds, the Agency Agreement, the Trust Deed and/or any other transaction document relating to the Bonds, *provided that*, in accordance with the Standby Letter of Credit the Trustee need not physically present the Demand to the LC Bank and shall be entitled to submit the Demand by authenticated SWIFT (provided that in the event that the SWIFT system is not available for any reason, the Trustee may instead present a Demand via facsimile transmission during the period between 9:00 a.m. (Hong Kong time) to 6:00 p.m. (Hong Kong time)).

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

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

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

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

**Status of the Guarantee** . . . . . The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable law at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

**Events of Default** . . . . . Upon the occurrence of certain events of default, as further described in “*Terms and Conditions of the Bonds — Events of Default*”, in respect of the Issuer, the Guarantor and the LC Bank, the Trustee at its discretion may, and if so requested in writing by holders of at least 25 per cent. in aggregate principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution, shall (provided in any such case that the Trustee shall have been first indemnified and/or secured and/or pre-funded to its satisfaction), give notice to the Issuer that the Bonds are, and they shall immediately become, due and payable at their principal amount together (if applicable) with accrued but unpaid interest.

**Cross-Default** . . . . . The Bonds are subject to a cross-default provision in relation to the Guarantor or any of their respective Subsidiaries and a cross-default in relation to the LC Bank or any of its Subsidiaries as further described in Condition 10(a)(iii) (*Cross-Default*) and Condition 10(b)(i) (*Cross-Default*) of the Conditions, respectively.

**Taxation** . . . . . All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds shall be made free and clear of, and without set-off, counterclaim, withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands or the PRC or any political subdivision or authority therein or thereof having power to tax, unless such set-off, counterclaim, withholding or deduction is required by law, as further described in Condition 9.

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

In the event that any such PRC deduction or withholding in excess of the Applicable Rate is required, the Issuer or, as the case may be, the Guarantor 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. See “*Terms and Conditions of the Bonds — Taxation*”.

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

**Redemption for Taxation Reasons** . . . . . The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice (a “**Tax Redemption Notice**”) to the Bondholders in accordance with Condition 17 and in writing to the Trustee and the Principal Paying Agent (which shall be irrevocable), at their principal amount (together with interest accrued up to, but excluding, the date fixed for redemption), if the Issuer (or, if the Guarantee were called, the Guarantor) satisfies the Trustee immediately prior to the giving of such notice that (i) the Issuer (or, if the Guarantee were called, the Guarantor) 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 British Virgin Islands or the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 17 June 2021, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, as further described in Condition 7(b). See “*Terms and Conditions of the Bonds — Redemption and Purchase — Redemption for Taxation Reasons*”.

**Redemption for Relevant Event** . . . . . Following the occurrence of a Relevant Event, the holder of any Bond will have the right, at such holder’s option, to require the Issuer to redeem all, but not some only, of such holder’s Bonds on the Put Settlement Date (as defined in Condition 7(c)) at 100 per cent. of their principal amount, together with interest accrued up to, but excluding, the Put Settlement Date. See “*Terms and Conditions of the Bonds — Redemption and Purchase — Redemption for Relevant Event*”.

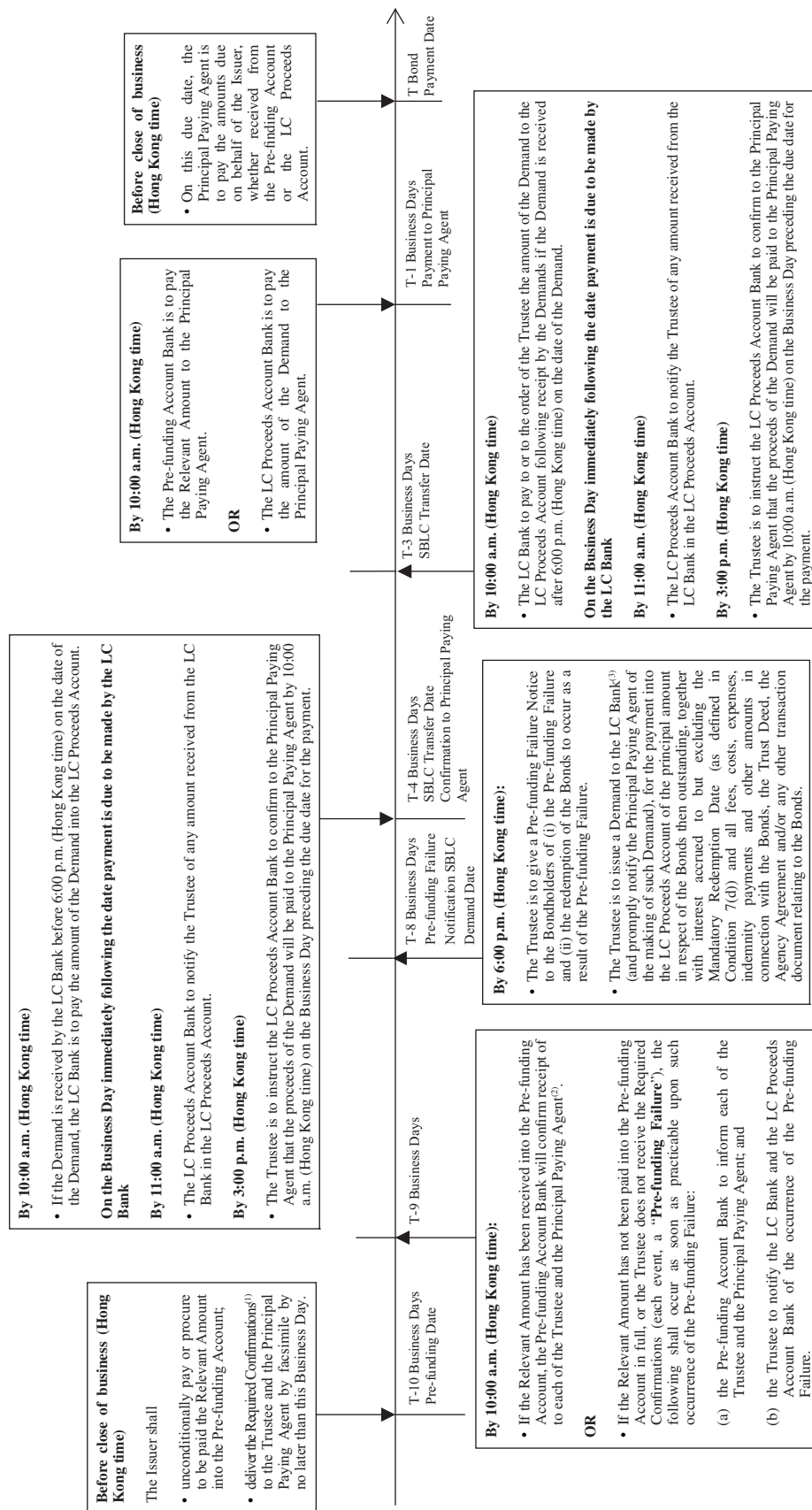
**Mandatory Redemption upon Pre-funding Failure** The Bonds shall be redeemed at their principal amount on the Interest Payment Date immediately falling after the date the Pre-funding Failure Notice is given to the Bondholders in accordance with Condition 4(b) (the “**Mandatory Redemption Date**”), together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

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

<b>Clearing Systems</b> . . . . .	The Bonds will be evidenced 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 whereof will be effected only through records maintained by Euroclear and Clearstream. Except as described herein, certificates for the Bonds will not be issued in exchange for beneficial interests in the Global Certificate.
<b>ISIN</b> . . . . .	XS2282540454.
<b>Common Code</b> . . . . .	228254045.
<b>Legal Entity Identifier</b> . . . .	6556002537K5U74MRC45.
<b>Governing Law and Jurisdiction</b> . . . . .	English law.
<b>Trustee</b> . . . . .	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司).
<b>Registrar, Principal Paying Agent and Transfer Agent</b>	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司).
<b>Pre-funding Account Bank and LC Proceeds Account Bank</b> . . . . .	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司).
<b>Listing</b> . . . . .	Application will be made to SEHK for the listing of, and permission to deal in, the Bonds on SEHK by way of debt issues to Professional Investors only and it is expected that dealing in, and listing of, the Bonds on SEHK will commence on 23 June 2021.

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

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



*Notes:*

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

## SUMMARY FINANCIAL INFORMATION OF THE GROUP

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

*Our certain financial information as at and for the year ended 31 December 2018 was reclassified in our consolidated financial statements as at and for the year ended 31 December 2019, as a result of the Notice on Revising the Format of Printed General Corporate Financial Statements for the Year 2019” (Cai Kuai [2019] No. 6) issued by the MOF on 30 April 2019 and the Accounting Standards for Enterprises No. 22 — Recognition and Measurement of Financial Instruments” (Cai Kuai [2017] No.7), which amended the standard form of the general enterprise financial statements. For more information, please refer to Note (33) to the Audited Consolidated Financial Statements as at and for the year ended 31 December 2019.*

## Summary Consolidated Income Statements

	For the year ended 31 December		
	2018	2019	2020
	<i>(RMB)</i> <i>(audited)</i>	<i>(RMB)</i> <i>(audited)</i>	<i>(RMB)</i> <i>(audited)</i>
<b>Total operating income</b> . . . . .	<b>1,458,393,385.57</b>	<b>1,272,789,090.67</b>	<b>1,702,092,338.28</b>
Operating income . . . . .	1,458,393,385.57	1,272,789,090.67	1,702,092,338.28
<b>Total operating cost</b> . . . . .	<b>1,395,450,864.55</b>	<b>1,204,178,453.18</b>	<b>1,678,375,701.93</b>
Of which:			
Operating costs . . . . .	1,370,584,239.19	1,188,949,048.60	1,606,430,594.30
Taxes and surcharges . . . . .	4,054,426.37	7,443,678.18	1,111,881.34
Sales expenses . . . . .	1,781,280.00	32,657.00	24,038,569.58
Management expenses . . . . .	24,720,526.45	13,821,502.07	35,466,982.68
Financial expenses . . . . .	(5,689,607.46)	(6,068,432.67)	11,327,674.03
Of which: interest expenses . . . . .	3,018,009.05	5,757,422.39	17,529,018.25
Interest income . . . . .	14,263,203.68	13,119,950.42	10,170,981.94
Add:			
Other revenues . . . . .	172,449,952.60	110,067,347.00	188,134,870.51
Investment revenues/(losses) . . . . .	4,147,414.69	3,055,676.40	7,523,433.80
Assets impairment income/(losses) . . . . .	(3,120,480.58)	(5,358,031.18)	7,923,632.29
Asset disposal income/(losses) . . . . .	—	(5,257.03)	—
<b>Operating profits/(losses)</b> . . . . .	<b>236,419,407.73</b>	<b>176,370,372.68</b>	<b>227,298,572.95</b>
Less: Non-operating expenses . . . . .	506,172.18	6,762,031.28	1,437,520.82
<b>Total profits/(losses)</b> . . . . .	<b>235,913,235.55</b>	<b>169,608,341.40</b>	<b>225,861,052.13</b>
Less: Income tax expenses . . . . .	19,507,953.23	18,377,291.15	15,449,046.14
<b>Net profits/(losses)</b> . . . . .	<b>216,405,282.32</b>	<b>151,231,050.25</b>	<b>210,412,005.99</b>
Minority shareholders' profit/(loss) . . . . .	(193,415.05)	(52,484.56)	(482.52)
Net profit/(loss) attributable to shareholders of the parent company . . . . .	216,598,697.37	151,283,534.81	210,412,488.51
<b>Total comprehensive incomes</b> . . . . .	<b>216,405,282.32</b>	<b>151,231,050.25</b>	<b>210,412,005.99</b>
Total comprehensive income attributable to parent company . . . . .	216,598,697.37	151,283,534.81	210,412,488.51
Total comprehensive income attributable to minority shareholders . . . . .	(193,415.05)	(52,484.56)	(482.52)



## Summary Consolidated Balance Sheet Data

	As at 31 December		
	2018	2019	2020
	<i>(RMB)</i> <i>(audited)</i>	<i>(RMB)</i> <i>(audited)</i>	<i>(RMB)</i> <i>(audited)</i>
<b>Current Assets</b>			
Monetary fund . . . . .	2,228,154,939.61	2,164,741,498.93	2,244,255,555.55
Notes receivable . . . . .	2,000,000.00	75,134,000.00	21,000,000.00
Accounts receivable . . . . .	847,657,989.30	1,209,429,043.69	1,472,700,358.04
Advance payments . . . . .	315,478,971.27	342,351,781.26	356,858,708.74
Other receivables . . . . .	6,449,276,314.49	9,393,425,513.88	9,313,817,744.99
Inventory . . . . .	6,939,661,150.16	7,227,094,628.41	8,457,263,635.05
Other current assets . . . . .	323,427,171.15	259,840,914.51	373,920,392.78
<b>Total Current Assets . . . . .</b>	<b><u>17,105,656,535.98</u></b>	<b><u>20,672,017,380.68</u></b>	<b><u>22,239,816,395.15</u></b>
<b>Non-current Assets</b>			
Available-for-sale financial assets . . . . .	–	18,082,515.00	29,932,515.00
Long-term equity investments . . . . .	500,000,000.00	500,000,000.00	500,000,000.00
Fixed assets . . . . .	7,218,287.78	744,320.18	135,250,453.48
Long-term unamortised expenses . . . . .	–	–	46,875,000.00
Deferred income tax assets . . . . .	16,360,958.87	17,403,205.65	12,402,951.85
Other non-current assets . . . . .	50,000,000.00	50,000,000.00	–
<b>Total Non-current Assets . . . . .</b>	<b><u>573,579,246.65</u></b>	<b><u>586,230,040.83</u></b>	<b><u>724,460,920.33</u></b>
<b>Total Assets . . . . .</b>	<b><u><u>17,679,235,782.63</u></u></b>	<b><u><u>21,258,247,421.51</u></u></b>	<b><u><u>22,964,277,315.48</u></u></b>
<b>Current Liabilities</b>			
Short-term loan . . . . .	997,750,000.00	628,670,000.00	1,160,350,000.00
Notes payable . . . . .	950,000,000.00	1,090,001,000.00	1,803,000,000.00
Accounts payable . . . . .	259,303,173.30	571,737,260.90	220,807,669.35
Receipts in advance . . . . .	219,393,291.15	291,206,093.39	308,923,573.01
Taxes and fees payable . . . . .	117,836,342.60	103,467,317.97	113,687,933.50
Other payables . . . . .	1,722,362,656.22	955,228,158.71	1,726,405,077.32
Non-current liabilities due within one year . . . . .	2,134,971,021.87	2,343,714,076.85	4,269,039,006.61
<b>Total Current Liabilities . . . . .</b>	<b><u>6,401,616,485.14</u></b>	<b><u>5,984,023,907.82</u></b>	<b><u>9,602,213,259.79</u></b>
<b>Non-current Liabilities</b>			
Long-term loans . . . . .	2,977,502,000.25	4,915,578,017.31	3,216,810,000.00
Bonds payable . . . . .	1,290,531,563.15	2,480,044,621.29	1,915,260,367.14
Long-term payable . . . . .	1,973,561,988.79	1,332,102,479.54	1,121,264,487.01
<b>Total Non-current Liabilities . . . . .</b>	<b><u>6,241,595,552.19</u></b>	<b><u>8,727,725,118.14</u></b>	<b><u>6,253,334,854.15</u></b>
<b>Total Liabilities . . . . .</b>	<b><u><u>12,643,212,037.33</u></u></b>	<b><u><u>14,711,749,025.96</u></u></b>	<b><u><u>15,855,548,113.94</u></u></b>

	<b>As at 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>(RMB)</i> <i>(audited)</i>	<i>(RMB)</i> <i>(audited)</i>	<i>(RMB)</i> <i>(audited)</i>
<b>Owners' Equity</b>			
Paid-in capital . . . . .	500,000,000.00	2,000,000,000.00	2,500,000,000.00
Capital reserve . . . . .	3,272,451,037.88	3,131,694,637.88	3,002,855,008.13
Surplus reserve . . . . .	126,295,344.87	142,433,012.70	146,816,996.23
Undistributed profits . . . . .	<u>1,117,883,307.74</u>	<u>1,253,029,174.72</u>	<u>1,459,057,679.70</u>
Total equity attributable to owners of parent Company . . . . .	5,016,629,690.49	6,527,156,825.30	7,108,729,684.06
Minority shareholder's interests . . . . .	<u>19,394,054.81</u>	<u>19,341,570.25</u>	<u>(482.52)</u>
<b>Total Owners' Equity . . . . .</b>	<b><u>5,036,023,745.30</u></b>	<b><u>6,546,498,395.55</u></b>	<b><u>7,108,729,201.54</u></b>
<b>Total Liabilities and Owners' Equity . . . . .</b>	<b><u>17,679,235,782.63</u></b>	<b><u>21,258,247,421.51</u></b>	<b><u>22,964,277,315.48</u></b>

**Summary Consolidated Cash Flow Statement Data**

	<b>For the year ended 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>(RMB)</i> <i>(audited)</i>	<i>(RMB)</i> <i>(audited)</i>	<i>(RMB)</i> <i>(audited)</i>
Net cash flow from/(used in) operating activities . . . . .	515,176,338.71	(2,568,899,186.16)	(1,636,273,828.61)
Net cash flow from/(used in) investing activities . . . . .	(4,460,402.18)	32,131,628.87	(672,117,215.59)
Net cash flow from/(used in) financing activities . . . . .	<u>(1,365,417,625.96)</u>	<u>2,944,173,116.61</u>	<u>2,338,906,099.82</u>
Net increase of cash and cash equivalents . . .	(854,701,689.43)	407,405,559.32	30,515,055.62
Ending balance of cash and cash equivalents .	601,334,939.61	1,008,740,498.93	1,039,255,554.55

## RISK FACTORS

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

*We do not represent that the statements below regarding the risk factors are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Information Memorandum and reach their own views prior to making any investment decision.*

### **RISKS RELATING TO US AND OUR BUSINESS**

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

Our activities and results are substantially affected by general global economic conditions. The outlook for the world economy and financial markets remains uncertain. In Asia and other emerging markets, some countries are expecting increasing inflationary pressure as a result of liberal monetary policy or excessive foreign fund inflow, or both. Brexit has resulted in volatility in global financial markets, and it is expected to create mid- to long-term economic uncertainty to not only the economies of the United Kingdom and the European Union but also globally. In addition, the U.S. government's policies may create uncertainty for the global economy and financial markets. The outlook for the world economy and financial markets remains uncertain. The PRC economy is sensitive to global economic conditions, and it is impossible to predict how the PRC economy will develop in the future and whether it may slow down due to a global crisis or experience a financial crisis. Moreover, as the PRC is transitioning to a consumption-based economy, the forecast growth rate of the PRC is expected to be significantly lower than its average growth rate over the past thirty 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 historical rapid growth of the economy of the PRC may not be sustainable. See “— Risks relating to the PRC — Our business, financial condition, results of operation and prospects could be adversely affected by slowdown in the PRC's economy” for further details.

Changes in global economic or political conditions could result in adverse exchange rate movements, new currency or exchange controls or other restrictions being imposed on our operations or foreign remittances. Because our financial results are reported in Renminbi, if we generate revenue or earnings in other currencies, the translation of those results into Renminbi can result in a significant increase or decrease in the amount of those revenues or earnings. Furthermore, to the extent that we are unable to match revenues received in foreign currencies with costs paid in the same currency, exchange rate fluctuations between such currencies could have an adverse effect on our liquidity or abilities to efficiently utilise our working capital. Therefore, it is possible that volatility in currency exchange rates will have a material adverse effect on our financial condition or results of operations.

#### **Our business, financial condition, results of operations and prospects are heavily dependent on the level of economic development in Taixing City.**

We operate our business primarily in Taixing City, Jiangsu Province, focusing mainly on trading, infrastructure construction and construction of compensatory housing for resettled households. Therefore, our business, financial condition, results of operations and prospects have been and will continue to be heavily dependent on the level of economic development of Taixing City and the PRC.

Economic conditions in the PRC generally and in Taixing City in particular are key factors affecting the development of Taixing City. China's economy has experienced rapid growth in the past 40 years,

however, in recent years 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 7.7 per cent. in 2013 to 6.1 per cent. in 2019. During the same period, the annual growth rate of GDP in Taixing City slowed down from 11.9 per cent. to 6.8 per cent. There is no assurance that the level of economic development in Taixing City will continue to grow at the rates seen in recent years. Any continuing slowdown in the economic development in Taixing City may affect its development plans, which may decrease the demand for our business and adversely affect our business, financial condition, results of operations and prospects.

**Our business and prospects depend to a large extent upon the policies and fiscal subsidies of the Taixing Municipal Government on infrastructure construction in Taixing City.**

We are wholly-owned by Taixing Zhongxin, which is under the direct administration of the People's Government of Taixing City (泰興市人民政府) (the "**Taixing Municipal Government**"). We are mainly tasked to implement the plans of the Taixing Municipal Government, the Taixing SASAC and Taixing Zhongxin to undertake some infrastructure construction projects in Taixing City, and our business and prospects have been, and may continue to be, heavily affected by the policies as well as budget and fiscal subsidies of the Taixing Municipal Government on the infrastructure construction in Taixing City.

There are many factors affecting the amount, timing and priority of the Taixing Municipal Government's budget and subsidies on infrastructure construction and construction of compensatory housing, such as national and regional policies affecting the development of different industries and fiscal and monetary policies. Government policies and fiscal subsidies are also affected by government income and the general economic conditions in the PRC and Taixing City. Any slowdown in the economic growth in the PRC and Taixing City may adversely affect the financial condition and fiscal income of the Taixing Municipal Government, which may in turn cause the Taixing Municipal Government to reduce its spending and budget on the infrastructure construction. If the public spending and budget of the Taixing Municipal Government on the infrastructure construction decreases, our business, financial condition, results of operations and prospects may be materially and adversely affected.

**The PRC Government (including the Taixing SASAC) has no obligation to pay any amount under the Bonds or the Guarantee**

We are wholly-owned and controlled by the Taixing SASAC. However, ownership or control by the Taixing SASAC does not necessarily correlate to, or provide assurance as to our financial condition. Neither the Taixing Municipal Government nor any other PRC governmental entity is an obligor and shall under no circumstances have any obligation arising out of or in connection with the Bonds or the Guarantee in lieu of us. This position has been reinforced by Circular 23 and Circular 706. The liability of the Taixing Zhongxin as our shareholder shall be limited to its agreed obligation to contribute to our registered capital. As such, the PRC government does not have any payment obligations under the Bonds or the Guarantee. The Bonds are solely to be repaid by the Issuer or the Guarantor, each as an obligor under the relevant transaction documents and as an independent legal person.

**PRC regulations on the administration of local state-owned enterprises and local government debt will have a material impact on our 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 on Enhancing the Administration of Fiscal Debts of Local Governments (Guo Fa [2014] No. 43) (關於加強地方政府性債務管理的意見(國發[2014]43號)) ("**Circular 43**") in September 2014 released by the State Council, the Circular on Further Regulating the Debt Financing Behaviours of Local Government (Cai Yu [2017] No. 50) (關於進一步規範地方政府舉債融資行為的通知(財預[2017]50號)) ("**Circular 50**") jointly issued by the MOF, the NDRC, the Ministry of Justice of the PRC, the PBOC, the CBRC and the China Securities Regulatory Commission in April 2017, the Circular on Firmly Curbing Local Governments' Illegal Financing Activities in the Name of Government Procurement of Services (Cai Yu [2017] No. 87) (關於堅決制止地方以政府購買服務名義違法違規融資的通知(財預[2017]87號)) ("**Circular 87**") issued by the MOF in May 2017, the Notice of the Ministry of Finance on the Financing Activities Conducted by Financial Institutions for Local Governments and State-owned Enterprises (Cai Jin [2018] No. 23) (財政部關於規範金融企業對地方政府和國有企業投融資行為有關問題的通知(財金[2018]23號)) ("**Circular 23**") in March 2018, the Circular of the National Development and Reform Commission and the Ministry of Finance on Improvement of Market Regulatory Regime and Strict Prevention of Foreign Debt Risks and Local Government Indebtedness Risks (Fa Gai Wai Zi [2018] No. 706) (國家發展改革委財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知(發改外資[2018]706號)) ("**Circular 706**") jointly issued by the NDRC and the MOF in May 2018 and the Guiding Opinion on Strengthening the

Asset and Liability Constraints of State-Owned Enterprises (中共中央辦公廳、國務院辦公廳《關於加強國有企業資產負債約束的指導意見》) jointly issued by the General Office of the Central Committee of the Communist Party of China and the State Council in September 2018 (the “**Joint Opinion**”) 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)) issued by the General Office of NDRC in June 2019 (“**Circular 666**”) (Circular 43, Circular 50, Circular 87, Circular 23, Circular 706, the Joint Opinion and Circular 666, together, the “**Debt Control Circulars**”).

Circular 50 reaffirmed the Circular 43 policy that local governments are not permitted to use any means other than bonds for debt financing and are prohibited from requesting or ordering enterprises to issue debt on their behalf. Circular 87 required local governments and their departments shall not take advantage of or make up a contract for the government procurement of services in such a manner that conceals an underlying objective of raising funds for any construction project, or get finance from financial institutions or non-financial institutions through government procurement of services, and shall not make up a contract for accounts payable (receivable) by any means or enter into such a contract beyond their respective authority in an attempt to help financing platforms and other types of enterprises raise funds. Circular 23 and Circular 706 established policies for foreign debt issuance including exclusions on public assets being listed as enterprise assets and restrictions on making disclosure in the relevant disclosure documents that imply government endorsement of the issuance or an association 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. On 6 June 2019, the NDRC issued the Circular 666, which restated Circular 706’s supervision requirement. According to Circular 666, local state-owned enterprises shall assume the responsibility of repaying foreign debts as independent legal persons, while local governments and departments thereof shall not directly repay or undertake to repay the foreign debts of local state-owned enterprises with fiscal funds, nor shall they provide guarantee for the issuance of foreign debts by local state-owned enterprises. Local state-owned enterprises that issue foreign debts shall strengthen information disclosure. In documents such as the bond prospectus, it is strictly prohibited to contain misleading promotional information that may be linked to government credit. Foreign debts issued by a local state-owned enterprise undertaking local government financing function can be only used for repaying medium- and long-term foreign debts due within the future one year.

We believe that the PRC government will continue to implement the Debt Control Circulars to control local government debts. Pursuant to the terms of the Bonds and as required by the Debt Control Circulars, neither the Taixing Municipal Government 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 us, and our obligations under the Bonds or the Trust Deed shall solely be fulfilled by us as independent legal persons. The liability of the Taixing Municipal Government is limited to its equity contribution in us. If we do not fulfil its obligations under the Bonds and the Trust Deed, the Bondholders will only have recourse against us, and not the Taixing Municipal Government or any other PRC governmental entity.

The PRC government may continue to release new policies or amend existing regulations to control the increase in local governmental debts in China. There is no assurance that our financing and business model and also our indebtedness will not be materially affected by future changes in the regulatory regime concerning local state-owned enterprises in response to such regulations.

**A reduction or discontinuance of government support could materially and adversely affect our business, financial condition and results of operations.**

As a wholly-owned company of the Taixing Municipal Government, we regularly receive financial support and certain preferential treatments from the Taixing Municipal Government. These supports come in various forms, such as favourable policies, government subsidies and capital injection.

However, there is no assurance that the Taixing Municipal Government, the Taixing SASAC and Taixing Zhongxin will continue to provide such support to us or that the existing or other types of government support will not be adjusted or terminated due to any change in government policies or otherwise. If any favourable incentive or government support which is currently available to us is reduced or discontinued in the future, our business, financial condition, profit, results of operations and prospects would be materially and adversely affected.

**The Taixing Municipal Government, the Taixing SASAC and Taixing Zhongxin may exert significant influence on us, and could cause us to make decisions or modify the scope of its operations, or impose new obligations on us, which may not be in our best interests or may not maximise our profits.**

We are wholly-owned by Taixing Zhongxin, which is under the direct administration of the Taixing Municipal Government. As our sole shareholder, Taixing Zhongxin participate in and closely monitor our

decision-making process for key issues, review our development strategy and investment plans and appoint, and conduct annual appraisals on our directors and supervisors. In addition, as the sole shareholder of Taixing Zhongxin, Taixing SASAC participate in and closely monitor the decision-making process of Taixing Zhongxin. Because of the involvement of the Taixing SASAC and Taixing Zhongxin in our affairs, there can be no assurance that the Taixing SASAC and Taixing Zhongxin will not interfere with our business and operations, and any such interference may have a material adverse effect on our business, financial position, results of operations, financial performance and prospects.

In addition, the Taixing Municipal Government, the Taixing SASAC and Taixing Zhongxin may also exert significant influence on our major business decisions and strategies, including the scope of our operations, investment decisions and dividend policy. There is no assurance that the Taixing Municipal Government, the Taixing SASAC and Taixing Zhongxin would always make decisions in our best interests or with the aim of maximising our profits. For example, the Taixing SASAC and Taixing Zhongxin may influence our business and strategy in a manner as a whole but not necessarily in our best interests. The Taixing Municipal Government could also change its policies, plans, preferences, views, expectations, projections, forecasts and opinions, as a result of changes in the PRC's economic, political and social environment and its projections of population and employment growth. Any such change may have a material adverse effect on our business, financial condition, results of operations and prospects.

**Our revenue and results of operations may fluctuate significantly from period to period.**

Our revenue 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 demands, government policies, incentive measures in business areas where we operate, the adjustment of our primary business activities, our ability to develop and complete trading, infrastructure construction projects and compensatory housing construction projects on time, as well as our accounting policies for revenue recognition.

As a result, our revenue and results of operations may fluctuate significantly from period to period. Our operating revenue and results of operations for any period may not be directly comparable with other periods and therefore may not be a useful indicator of our performance in the future.

**Failure to obtain sufficient capital on acceptable terms or in a timely manner may adversely affect our business and growth prospects.**

Our business requires and will continue to require substantial capital expenditure. We have historically satisfied our capital requirements with cash flows generated from our operating activities, bank loans and other borrowings and equity contributions from our shareholder.

Our ability to generate sufficient operating cash flow is affected by a number of factors, such as our ability to manage and implement our business activities, changes in general market conditions, the regulatory environment, governmental policies and the competition in certain sectors in which we operate. Any material adverse change in these factors may cause us to experience a capital shortfall. There is no assurance that our operations are or will be able to generate sufficient cash to satisfy our cash need at all times.

Insufficient cash flow generated from our operating activities will increase our reliance on external financing. Our 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 our financial condition. Some of these factors are beyond our control and there is no assurance that we will be able to procure sufficient funds in a timely manner or to obtain external financing on commercially acceptable terms, or at all. In these cases, we may not be able to fund the capital expenditure necessary to implement our business plans and strategies, which may in turn have a material and adverse impact on our business, financial condition, results of operations and prospects.

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

We rely on bank loans and proceeds from bond issuances to satisfy a portion of our capital requirements and we have had a significant amount of outstanding indebtedness. We also had outstanding guarantees for loans borrowed by third party entities, including private enterprises. Increasing cost of financing, including calls on outstanding guarantees for loans, may impose heavier financial burden on us, which may adversely affect our business, financial condition, results of operations and prospects.

Substantial indebtedness could have impact on our businesses in a number of ways, including:

- requiring us to dedicate part of our operating cash flow to service our indebtedness before we receive government funding;
- increasing our finance costs, thus affecting our overall profits;
- limiting our flexibility in planning for or responding to changes in our businesses and the industries in which we operates;
- limiting, together with the financial and other restrictive covenants of our indebtedness, among other things, our ability to borrow additional funds; and
- increasing our vulnerability to adverse general economic and industry conditions.

As our business scale continues to grow, our capital requirement and our reliance on external financing for infrastructure construction and construction of compensatory housing businesses may continue to increase. Our financial performance and operating results may be materially and adversely affected if our cash flows and capital resources are insufficient to fund our debt service obligations. Failure to service our debt could result in the imposition of penalties, including increases in rates of interest, or the costs that we pay on our legal actions against us by our creditors, or bankruptcy.

In addition, we mortgage some of our assets, primarily real estate and land use rights, to secure our debts. Third-party security rights may limit our use of the underlying collateral assets and adversely affect our operation efficiency. If we are unable to service and repay the debts on a timely basis, the assets mortgaged or charged may be foreclosed, which may adversely affect our business, financial condition, results of operations and prospects.

**Restrictive covenants contained in credit facilities may limit our ability to incur additional indebtedness and restrict our future operations, and failure to comply with these restrictive covenants may adversely affect our liquidity, financial condition and results of operations.**

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

If our relevant members are unable to comply with the restrictions (including restrictions on future investments) and covenants in its current or future debt obligations and other agreements, a default under the terms of such agreements may occur. In the event of a default under such agreements, the holders of the debt could terminate their commitments to our relevant members, accelerate the 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 our relevant members may contain cross-acceleration or cross-default provisions. As a result, a default by our relevant members under any of such agreements may cause the acceleration of repayment of not only such debt but also other debt, including the Bonds, or result in a default under other debt agreements. If any of these events occurs, there can be no assurance that our relevant members will be able to obtain the lenders' waiver in a timely manner or that the assets and cash flow of our relevant members would be sufficient to repay in full all of their respective debts as they become due, or that our relevant members would be able to find alternative financing. Even if our relevant members could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to our relevant members.

**We may cease to enjoy shareholder support, the loss or reduction of which could adversely affect our business and results of operations.**

The Taixing SASAC, as our indirect shareholder, has historically provided support to our development, such as guidance on business strategies and capital injection. See also "*Description of the Group* —



*History and Development*” for more details. We benefitted from such support in our initial stage of development and operations. However, due to the PRC regulatory developments on the administration of the financing platform of local governments and other relevant laws and regulations as well as the policies and priorities of the local and central governments, the above-mentioned shareholders support from the Taixing SASAC may be reduced or even cease in the future, which may have a material adverse effect on our business, financial condition, results of operations and prospects.

**We are exposed to risks in relation to the inventory we maintain.**

As at 31 December 2018 and 2019 and 2020, our inventory was approximately RMB6,939.66 million, RMB7,227.09 million and RMB8,457.26 million, respectively, representing approximately 39.25 per cent., 34.00 per cent. and 36.83 per cent. of our total asset, respectively. Our inventory level is relatively high and will continue to grow with the expansion of project construction scale in infrastructure and compensatory housing constructions. Our inventory level is affected by a number of factors, such as our analysis on the market demand of the raw material and the Taixing Municipal Government’s commitment, ability and priority to pay us and our ability to execute the development of our projects according to our business plans. These factors may in turn be affected by the controlling measures of the PRC Government on urban development and real property investment and the government’s macroeconomic and monetary policies.

Our infrastructure construction and compensatory housing construction businesses require a large amount of working capital prior to the completion of the relevant projects. Our inventories for the infrastructure construction and compensatory housing construction mainly comprise land use rights, development costs of infrastructure and compensatory housing construction projects. Such items booked as inventories on our consolidated balance sheet are illiquid assets and may not be sold for cash in an efficient manner. This may limit our ability to respond to changing economic, financial and investment conditions. There is no assurance that we will be able to sell any of these infrastructure projects to other third parties for price or on the terms satisfactory to them.

Any failure to effectively manage our inventory level will have a material impact on our cash flow and adversely affect our ability to carry on ordinary business activities and to serve our outstanding indebtedness, such as the Bonds, which in turn could materially and adversely affect our business, financial condition, results of operations or prospects.

**We are exposed to risks in relation to our increasing level of accounts receivables.**

Our accounts receivables and other receivables have substantially increased in recent years. Our accounts receivables as at 31 December 2020 was RMB1,472.70 million, representing approximately 6.41 per cent. of our total asset. Our other receivables as at 31 December 2020 was RMB9,313.82 million, representing approximately 40.56 per cent. of our total asset.

If a substantial amount of our accounts receivables and other receivables are not paid off by our debtors on time, or at all, our financial condition and results of operation may be materially and adversely affected. Also, if our accounts receivables and other receivables were to continue to increase without the corresponding financing alternatives being available to fund our working capital, we may also materially and adversely affect our operating cash flow, financial condition and results of operations.

**We face risks associated with contracting with public bodies.**

As a wholly-owned company of the Taixing SASAC, we collaborate with various governmental authorities and their controlled entities in Taixing City. As such, we are exposed to certain inherent risks relating to dealing with public bodies.

Although we believe that we currently maintain working relationships with those governmental authorities and entities relevant to our business, there is no assurance that these working relationships will be sustained in the future. Local governments and their controlled entities may have economic or business interests or considerations that are inconsistent with ours, take actions contrary to our requests, strategies or objectives, be unable or unwilling to fulfil their obligations, encounter financial difficulties, or have disputes with us as to contractual or other matters.

Any failure by the governmental authorities or their controlled entities to fulfil their contractual obligations or any adverse change to the policies of governmental authorities may require us to change

our business plans and materially affect our business and operating results. If there is any material disagreement between us and the governmental authorities or any of their controlled entities, there is no assurance that we will successfully resolve them in a timely manner, or at all. Any dispute or legal proceeding with or against the governmental authorities or their controlled entities may last for a long period of time and cost considerable financial and managerial resources. Any of these may severely damage the business relationships between us and the governmental authorities and their controlled entities affected, and in turn materially and adversely affect our business, financial condition, results of operations and prospects.

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

Our certain business activities, such as infrastructure construction and compensatory housing construction businesses, 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 takes time to obtain all of these approvals and certificates. Governmental authorities in China have broad discretion in implementing and enforcing applicable laws and regulations and in granting approvals, licences, permits and certificates necessary for us to conduct our business. Failure to obtain the necessary approvals, licences or permits in a timely manner could result in delay or suspension of business operations, and a failure to obtain the necessary approvals, licences or permits may subject the relevant entities to regulatory or administrative penalties.

Governmental authorities may also adjust existing regulations or promulgate new regulations from time to time. We may encounter problems in obtaining or renewing the permits, licences, certificates and government authorisations necessary to conduct our 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 normally conduct regular or special inspections, investigations and inquiries. If any significant non-compliance is found by the governmental authorities, our permits, licences and certificates may be suspended or revoked, and we may receive fines or other forms of penalties, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

**Our results of operations may be susceptible to material fluctuations of interest rates.**

Most of our bank loans bear interests based on rates linked to the benchmark lending rates or the loan prime rate (the “LPR”) published by the PBOC. A material fluctuation in the benchmark lending rates or the LPR may have a material impact on our interest expenses and payables under its bank loans and in turn negatively affect our financing costs and results of operations. The PBOC from time to time adjusts interest rates as implementation of its economic and monetary policies. Since the outbreak of the global financial crisis in 2008, the PBOC started to lower the benchmark lending rates with an aim to encourage lending, increase liquidity in the market and promote the recovery of China’s economy. Since 2008, the PBOC decreased the benchmark one-year lending rate five times, from 7.47 per cent. to 5.31 per cent. in December 2008, which remained unchanged until September 2010. Since then, the one-year lending rate was gradually increased to 6.56 per cent. on 7 July 2011 and onwards. In recent years, a perceivable slowdown in the growth of the economy of the PRC again caused the PRC Government to adopt more liberal monetary policies with the aim to stimulate the PRC’s economic development. Since 2012, the PBOC for a number of times reduced the benchmark one-year lending rate to 4.35 per cent. as at 24 October 2015. In August 2019, the PBOC adopted measures to increase the influence of the LPR as part of its broader market-based reforms of the PRC’s interest rate market. The LPR serves as the benchmark for market interest rates in the PRC. On 28 December 2019, the PBOC issued the Announcement on Matters Concerning the Shift of the Pricing Benchmark for Existing Floating Rate Loans to the LPR (存量浮動利率貸款的定價基準轉換為LPR有關事宜公告), which provides that financial institutions shall not be allowed to sign floating rate loan contracts based on the benchmark lending rate since 1 January 2020 and, in principle, the shift of pricing benchmark for existing floating rate loans from benchmark lending rates to LPR should be completed before 31 August 2020. In addition, financial institutions shall sign floating rate loan contracts or amend the way of interest rate of existing floating rate loans contracts based on the LPR plus some basis points as agreed by the lender and the borrower. Although our financial condition and results of operations may benefit from a low-interest environment, there is no assurance that this environment will continue. Any increase in the LPR by the PBOC in the future will increase our financing costs and adversely affect our profitability, financial condition and results of operations.

**We face risks related to changes in accounting standards.**

In 2019, the Ministry of Finance of the PRC promulgated the Circular on Revising and Issuing the Financial Statement Form of General Enterprise in 2019 (CK [2019] No. 6), which amended the standard form of the general enterprise financial statements. Our certain financial information as at and for the year ended 31 December 2018 was reclassified in our consolidated financial statements as at and for the year ended 31 December 2019 in accordance with the above new accounting standards and requirements. As a result, the presentation of certain accounting items in our consolidated financial statements as at and for the year ended 31 December 2018 may not be comparable to our financial figures in the financial statements for previous periods. For more information, please refer to Note (33) of our Audited Consolidated Financial Statements as at and for the year ended 31 December 2019.

There can be no assurance that the Ministry of Finance will not promulgate other new accounting standards or requirements in relation to financial statements which affect our accounting policies or the presentation of our financial statements.

**We may not successfully expand our businesses and implement our growth strategy.**

We may from time to time expand our businesses to new industries and markets in which we have limited operating experience. Such expansion may require us to devote substantial resources to become familiar with, and monitor changes in, different operating environments so that we can succeed in our business. Our ability to successfully develop our new businesses and implement this strategy depends on our 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. The success of negotiations with respect to any particular project cannot be assured. There can be no assurance that we will be able to successfully expand our businesses, implement its growth strategy, manage or integrate newly-acquired operations with our existing operations. Failure to develop new businesses or implement our growth strategy could have a material adverse impact on our business, financial condition and results of operations.

**We may face certain risks associated with construction and resettlement under our construction of compensatory housing business.**

We may face certain risks associated with construction and resettlement under our construction of compensatory housing for resettled households. We conduct construction of compensatory housing projects which involve demolition and resettlement of existing residents under the authorisation of Hongqiao Industrial Park Management Committee. While we receive a fee from the finance bureau of the Taixing Municipal Government for undertaking such construction and resettlement works, certain existing owners or residents may disagree with the compensation arrangements or refuse to relocate. The administrative process to settle the amount of compensation, together with any appeals, or refusals to relocate may significantly delay the timetable for the affected development and lead to an increase in construction and resettlement costs associated with our projects, which may materially and adversely affect our business, results of operation and financial condition.

**Any underperformance by our third party construction contractors may adversely affect our business, financial condition and results of operations.**

We engage third-party contractors for our businesses, for example our infrastructure construction and construction of compensatory housing businesses. There is no assurance that the services rendered by any of these independent contractors or subcontractors will always be satisfactory or meet our quality and safety standards. If the performance of any independent contractor is not satisfactory, we may need to replace such contractor or take other actions to remedy the situation, which could adversely affect the cost and construction progress of our projects. Further, the completion of our projects may be delayed, and we may incur additional costs in some cases due to a contractor's financial or other difficulties. In addition, we may be requested on short notice to undertake additional development projects, and there may be a shortage of contractors that meet our quality requirements. Contractors may 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 us on time or within budget. Any of these factors could have a material adverse effect on our business, financial condition and results of operations.

**Changes in our organisational structure may affect our financial condition and results of operations.**

We may undergo certain organisational restructuring from time to time which may involve disposal of certain subsidiaries or affect whether certain subsidiaries of us will be consolidated in our consolidated financial statements. There can be no assurance that any such organisational restructuring or changes in our shareholding structure will not have a material adverse effect on our business, financial condition, results of operations and prospects.

**Our historical consolidated financial information may not be indicative of our current or future results of operations**

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

**We are highly dependent on our trading business and may not be able to maintain sustainable growth.**

We are significantly dependent on our trading business. For the years ended 31 December 2018, 2019 and 2020, our revenue generated from trading business was approximately RMB993.75 million, RMB796.63 million and RMB1,213.74 million, respectively, representing approximately 68.14 per cent., 62.59 per cent. and 71.31 per cent. of our total revenue, respectively. For further details on our trading business, see “*Description of the Group — Description of our Business — Trading*”. There is no assurance that our trading business will remain strong in the long run. We also rely on several major suppliers and customers to trade the products. In such case, we may experience a significant decrease in our trading business if we cannot procure from our large suppliers or the demand of our large customers weakens, which could have a material and adverse effect on our business, financial condition and results of operations.

**We sold a substantial volume of our products or provide a substantial volume of our infrastructure construction services to a limited number of customers, and any reduction in size or number of the orders they place with us may adversely affect our business, financial condition and results of operations.**

We generated a substantial portion of our revenue from a limited number of customers which are mainly located in Jiangsu Province. Our revenue generated from a limited number of customers may expose us to concentration risks. There is no assurance that our existing customers will continue to purchase our products or services, or that we will be able to maintain or improve our relationships with these customers, or that we will be able to continue to supply products or provide services to these customers at the current levels, or at all. If any of our key customers were to reduce substantially the size or number of the orders they place with us, or were to terminate their business relationships with us entirely, we may not be able to obtain orders from other customers to replace any lost sale on comparable terms or at all. As a result, our business, financial condition and results of operations could be adversely affected.

**All of our infrastructure construction and construction of compensatory housing projects are based in a single geographical region.**

All of our current and anticipated infrastructure construction and construction of compensatory housing projects are located in Taixing City. Any material region-wide adverse events may negatively impact the demand for infrastructure construction projects in Taixing City, which would in turn affect our income and profitability. Such adverse events include, but not limited to, changes in economic conditions and the regulatory environment, changes in the government’s development plans and policies in Taixing City, slowdown in the infrastructure construction sector, decrease in investor confidence within the region, significant natural disasters and man-made incidents. Due to the limited geographical coverage of our operations, we may not be able to effectively manage any potential losses arising from these adverse events, which may materially and adversely affect our business, financial condition and results of operations.

**Any failure to maintain an effective quality control system could have an adverse effect on our business and operations.**

We rely heavily on our quality control systems to ensure the safety and quality of our projects and services. Therefore we need to maintain an effective quality control system for the infrastructure construction and construction of compensatory housing projects. The effectiveness of our quality control system depends significantly on a number of factors, including a timely update of the quality control system to suit the ever-changing business needs, the related training programmes as well as our ability to ensure that our and the contractors' employees adhere to our quality control policies and guidelines. There is no assurance that the quality of the projects undertaken by us will always meet the required standard. Any failure or deterioration of our quality control systems could result in defects in our projects, which in turn may subject us to contractual, product liability and other claims. Any such claims, regardless of whether they have any merit, could cause us to incur significant costs, harm our business reputation and result in significant disruption to our operations. Furthermore, if any of such claims are ultimately successful, we could be required to pay substantial monetary damages or penalties. Although we believe that our quality control systems have functioned properly, there is no assurance that failures in our quality control systems will not occur in the future, and any such failure could have an adverse effect on our business and operations.

**Delays or defaults in payments to us may affect our working capital and cash flow.**

Most of our infrastructure construction projects are conducted under a business model where we undertake the project construction and the relevant authorities of local government are responsible for the payment of the relevant costs and expenses. For such projects, the payment may be made in instalments and the collection period is relatively long, and sometimes a portion of the agreed payment is paid only after the testing and inspection works are completed and approval for the project or a phase of the project is granted. However, we incur costs such as material, equipment and labour costs, at the beginning of the project, on an ongoing basis and before achieving the relevant project milestones, and thus bear the risk of pre-paying costs and expenditures for each project. Therefore, any delay or default in the payments to us may increase our cash flow pressure which will in turn increase our financial vulnerability and adversely affect our financial condition and results of operations. As at the date of this Information Memorandum, we have not experienced any significant delay in payments by the relevant parties in accordance with the agreed payment timetables. 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.

**We may face delays and cost overruns during the construction and development of our projects, which may adversely affect our results of operations.**

There are construction, financing, operating and other risks associated with our infrastructure construction projects. Projects that we undertake 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 our control. Any of these could give rise to delays in the completion of our projects and may result in liabilities, reduced efficiency and lower financial returns, which may in turn materially and adversely affect our business, financial condition and results of operations.

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

The cost of construction materials, such as steel, which constitutes a significant portion of our payments to our construction contractors, may fluctuate. Any increase in the cost of construction materials may result in additional costs to us and may lead to future increases in construction contract costs. Construction material costs have fluctuated in recent years. Any increase in the cost of any significant construction materials will adversely impact our overall construction costs, which may pose an adverse effect on our profitability.

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

Many of our businesses are labour intensive. We also rely on third-party contractors to carry out our infrastructure construction and construction of compensatory housing projects. Increasing awareness of labour protection as well as increasing minimum wages is likely to increase the labour costs of PRC enterprises in general, including us or the contractors participating in our 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 monthly wage of the employee multiplied by the number of full years that the employee has worked for the employer. A minimum wage requirement has also been incorporated into the PRC Labour Contract Law.

In addition, unless otherwise prohibited by the PRC Labour Contract Law or objected to by the employees themselves, the employer is also required to enter into non-fixed-term employment contracts with employees who have previously entered into fixed-term employment contracts for two consecutive terms. In addition, under the Regulations on Paid Annual Leave for Employees (職工帶薪年休假條例), which became effective on 1 January 2008, employees who have worked continuously for more than one year are entitled to paid annual leave ranging from 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. Under the National Leisure and Tourism Outline 2013-2020 (國民旅遊休閒綱要(2013-2020年)) which became effective on 2 February 2013, it is aimed that all workers shall receive paid annual leave by 2020. As a result of the PRC Labour Contract Law, the Regulations on Paid Annual Leave for Employees and the National Leisure and Tourism Outline 2013-2020, our labour costs (inclusive of those incurred by contractors) may increase.

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 we decide to significantly change or decrease our workforce, the PRC Labour Contract Law could adversely affect our ability to effect these changes in a cost-effective manner or in the manner that we desire.

As such, labour shortages, labour disputes or increases in labour costs of us 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 our projects which could materially and adversely affect our business, prospects and results of operations.

**Our insurance coverage may not adequately protect us against all operational risks or any potential liabilities or losses.**

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

- operating limitations imposed by environmental or other regulatory requirements;
- defective quality of the infrastructure projects we undertake;
- 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.

We maintain limited insurance policies, but in our construction projects, we usually require the contractors to maintain the insurance coverage for the projects, which we believe to be consistent with the relevant law and industry and business practice in the PRC. However, some of the above-mentioned operational risks may not be covered and even if covered by the insurance policies maintained by our contractors, 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 our 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 or not economically insurable. To the extent that we or any of our subsidiaries suffer loss or damage that is not covered by insurance or that exceeds the limit of the insurance coverage, our results of operations and cash flow may be materially and adversely affected.

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

We are required to comply with extensive environmental, safety and health regulations in the PRC. These laws can impose liability for non-compliance or clean up liability on the generation of hazardous waste and other substances from our business operations that are disposed of either on or off- site, regardless of fault or the legality of the disposal activities. We may also be required to investigate and remedy contamination at our properties or where we conduct operations, including contamination that was caused in whole or in part by previous owners of properties. Failure to comply with such regulations may result in fines or suspension or revocation of our licences or permits to conduct our business.

As at the date of this Information Memorandum, we have not experienced any significant non-compliance with applicable safety regulations or requirements. However, we may become involved in legal proceedings that may require us to pay fines, comply with more rigorous standards or incur capital and operating expenses for environmental compliance. In addition, 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, and PRC laws and regulations are constantly evolving. There is no assurance that we will be able to comply with all applicable requirements or obtain these approvals and permits on a timely basis, if at all.

Any failure to comply with the current or future environmental, safety and health regulations may materially and adversely affect our business, financial condition and results of operations. Third parties may sue us for damages and costs resulting from environmental contamination from our properties and/or production facilities. There can be no assurance that changes in laws or regulations, in particular environmental laws and regulations, will not result in us having to incur substantial capital expenditure to upgrade or supplement our existing facilities or becoming subject to any fines or penalties.

**Our success depends on the continuing service of our management team and qualified employees and any failure to attract and retain competent personnel may adversely affect our business.**

The success of our business has been, and will continue to be, heavily dependent upon the continuing service of our directors and members of senior management. If we lose the services of any of our key executives and cannot replace them in a timely manner, our business may be materially and adversely affected.

In addition, our success depends on our ability to attract and retain key personnel who possess in-depth knowledge and understanding of the industries in which we invest or operate. These key personnel

include members of our senior management, 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 us to offer higher compensation and other benefits in order to attract and retain qualified professionals, which could materially and adversely affect our financial condition and results of operations. As a result, we may be unable to attract or retain these personnel to achieve our business objectives and the failure to do so could severely disrupt our business and prospects. For example, we may not be able to hire enough qualified personnel to support our new investment projects or business expansion. As we expand our business or 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 the events discussed above could lead to unexpected losses to us and adversely affect our revenue and financial condition.

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

We may be exposed to fraud or other misconduct committed by our employees, representatives, agents, customers or other third parties that could subject us 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 us 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 our 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 our customers;
- making or accepting bribes;
- conducting any inside dealing; or
- otherwise not complying with applicable laws or our internal policies and procedures.

Our internal control procedures are designed to monitor our 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 we take 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 our reputation and business.

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

Financial risks are inherent in our businesses. Although systems and procedures are in place to identify and report on a timely basis the liquidity, foreign exchange, interest rate and credit risks arising from the activities of our businesses, there is no assurance that these systems and procedures will prevent any loss that affects our financial conditions. In addition, many of the current systems have a significant manual component. There are additional risks inherent in any manual risk management system, including human



error. The reliability of the systems and the information generated from them 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 controls could have a material adverse effect on our businesses, results of operations and financial conditions.

**Investors should not place any reliance on financial information which is unreviewed or unaudited.**

The Interim Financial Information contained in this Information Memorandum has been extracted from our management accounts that have not been audited or reviewed by independent auditors. Consequently, the Interim Financial Information should not be relied upon by potential investors to provide the same quality of information associated with financial statements that have been subject to an audit or review. Potential investors must exercise caution when using such financial information to evaluate our financial condition and results of operations.

In addition, we publish annual, semi-annual and/or quarterly consolidated financial information in the PRC to satisfy its continuing disclosure obligations relating to its debt securities issued in the PRC according to applicable PRC regulations and rules of the stock exchanges on which the relevant securities are listed. The semi-annual and/or quarterly consolidated financial information of us is derived from our management accounts and normally is not audited nor reviewed by independent auditors. Unless specifically included in this Information Memorandum, such financial information does not form part of this Information Memorandum, and should not be referred to or relied upon by potential investors to provide the same quality of information associated with any audited or reviewed financial information. We are not responsible to holders of the Bonds for the financial information from time to time published in the PRC and therefore investors should not place any reliance on any such financial information. Our published financial information in the PRC may be adjusted or restated by us to address retrospective impacts of subsequent changes in applicable accounting standards, our accounting policies and/or applicable laws and regulations affecting our financial reporting, to reflect the subsequent comments given by the independent auditors during the course of their audit or review or to correct errors in our published financial statements. Such adjustment or restatement may cause discrepancies between the financial information with respect to a particular period or date published in the past on the one hand and the financial information with respect to the same period or date subsequently published in the PRC or the relevant financial information (if any) contained in this Information Memorandum on the other hand.

**We are and may be involved in disputes, legal and other proceedings arising out of our operations from time to time and may face significant liabilities as a result.**

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

**We may forfeit land to the PRC government if we fail to comply with the terms of the land grant contracts.**

Under PRC laws, if a real estate developer (such as us) fails to develop a property project according to the terms of the land grant contract, including those relating to the payment of land premium, demolition and resettlement costs and other fees, specified usage of the land and the time for commencement and completion of the property development, the PRC government may issue a warning, impose a penalty and/or liquidated damages, and/or order us to forfeit the land. Under the current PRC laws and regulations, if the developer fails to pay any outstanding land premium by the stipulated deadline, the developer may be subject to a late payment penalty calculated on a per-day basis. There is no assurance that we will be able to secure similar government approvals if we fail to pay land premiums in the future. Currently, the PRC government requires that a land grant contract must be entered into within 10 working days after the closing of the land grant, and the down-payment of 50 per cent. of the land premium must be paid within one month of signing the land grant contract, with the remaining to be paid in full within one year of the date of land grant contract. Such change of policy may materially and adversely affect our

ability to make timely payment of land premiums. In addition, if we fail to commence development of a property project within the stipulated period as required under the current PRC laws without the approval from the relevant PRC land authorities, the relevant PRC land bureau may serve a warning notice on us and impose idle land fees up to 20 per cent. of the land premium unless such failure is caused by a government action or a force majeure event. The Notice on Promoting Economisation of Land Use (關於促進節約集約用地的通知) issued by the State Council in January 2008 further confirmed the idle land fee at 20 per cent. of the land premium. If we fail to commence such development for more than two years, the land is subject to forfeiture to the PRC Government unless the delay in development is caused by a government action or force majeure event. Even if the commencement of the land development complies with the land grant contract, if the developed the gross floor area (“GFA”) on the land is less than one-third of the total GFA of the project or if the total capital expenditure is less than 25 per cent. of the total investment of the project and the suspension of the development of the land is more than one year without government approval, the land will still be treated as idle land. Furthermore, the Ministry of Land and Resources issued a Notice on Restricting the Administration of Construction Land and Promoting the Use of Approved Land (關於嚴格建設用地管理促進批而未用土地利用的通知) in August 2009, which reiterates the current rules regarding idle land. In September 2010, the Ministry of Land and Resources and the Ministry of Housing and Urban-Rural Development jointly issued the Notice On Further Strengthening the Administration and Control of Real Estate Land and Construction (關於進一步加強房地產用地和建設管理調控的通知), which provides that a property developer and its shareholders will be prohibited from participating in land bidding before any illegal behaviour in which it engages, such as (i) having land idle for more than one year on its own reasons; (ii) illegal transfer of land use rights; (iii) noncompliance with the land development requirements specified in a land grant contract; and (iv) crimes such as taking land by forging official documents and illegal land speculation, has been completely rectified. There is no assurance that circumstances leading to imposition of penalty, liquidated damages or forfeiture of our land will not arise in the future. If we are required to pay substantial idle land fees, our results of operations and our reputation may be adversely affected. If we forfeit land, we will not only lose the opportunity to develop the property projects on such land, but may also lose all our investments in the land, including land premiums paid and development costs incurred.

**Our business may be affected by natural disasters, epidemics and other acts of God.**

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

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

## **Public corporate disclosure about us may be limited.**

As we are not listed on any stock exchange, there may be less information about them publicly available than is regularly made available by listed companies.

## **RISKS RELATING TO THE PRC**

### **Our business, financial condition, results of operation and prospects could be adversely affected by slowdown in the PRC's economy.**

A substantial part of our assets are located in the PRC and a substantial part of our operating revenue is derived from the PRC. Therefore, the performance of the PRC economy affects, to a significant degree, our business, prospects, financial condition and results of operations.

Although the PRC economy has experienced rapid growth in the past 40 years, there has been a slowdown in the growth of the PRC's GDP since the second half of 2013 and this has raised market concerns that the historic rapid growth of the PRC economy may not be sustainable in the future. The continued growth of the PRC economy has been facing downward pressure, and the annual GDP growth rate declined from 7.8 per cent. in 2013 to 6.1 per cent. in 2019, according to the National Statistics Bureau of the PRC. In May 2017, Moody's downgraded China's sovereign credit rating for the first time since 1989 and changed its outlook from stable to negative, citing concerns on the country's rising levels of debt and expectations of slower economic growth. In September 2017, S&P Global Ratings downgraded China's sovereign credit rating for the first time since 1999, citing similar concerns. The full impact of such actions by international rating agencies remains uncertain, but the perceived weaknesses in China's economic development model, if proven and left unchecked, could have profound implications.

The future performance of the PRC economy is not only affected by the economic and monetary policies of the PRC government, but also exposed to material changes in global economic and political environments as well as the performance of certain major developed economies in the world, such as the United States and the European Union. The PRC's economic growth may also slow down due to weakened exports as well as recent developments surrounding the trade war with the United States. Starting in April 2018, the United States imposed tariffs on various categories of imports from China, and China responded with similarly sized tariffs on United States' products. While China and the United States reached a phase one trade deal in January 2020, the amicable resolution of such a trade war remains elusive, and the lasting impacts any trade war may have on the PRC economy and the industries we operate in remain uncertain. On 31 January 2020, the United Kingdom officially exited the European Union following a United Kingdom-European Union Withdrawal Agreement signed in October 2019. The United Kingdom and the European Union will have a transition period until 31 December 2020 to negotiate, among others, trade agreements in details. Given the lack of precedent and uncertainty of the negotiation, the effect of United Kingdom's exit remains uncertain, and United Kingdom's exit has and may continue to create negative economic impact and increase volatility in the global market. In addition, the recent outbreak of COVID-19 has also brought negative economic impact and increased the volatility in the global market. See "*— Risks relating to us and our business — Our business may be affected by natural disasters, epidemics and other acts of God*" for further details. If economic conditions in our key markets remain uncertain and deteriorate further, we may experience a material impact on our business, operating results and financial condition.

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

### **PRC economic, political and social conditions as well as government policies could adversely affect our business.**

The PRC economy differs from the economies of most developed countries in many respects, including with respect to government involvement, level of development, economic growth rate, control of foreign exchange and allocation of resources.

The PRC economy has been transitioning from a planned economy to a more market-oriented economy. In recent years, the PRC government has implemented a series of measures emphasising on market forces

for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises. However, a large portion of productive assets in the PRC remain owned by the PRC government. The PRC government continues to play a significant role in regulating industrial development, the allocation of resources, production, pricing and management, and there can be no assurance that the PRC government will continue to pursue the economic reforms or that any such reforms will not have an adverse effect on our business.

Our operations and financial results could also be materially and adversely 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). For example, the PRC government may decide to change its current policies with respect to our core business industries, and, as such, this could have adverse impact on our business and results of operations. In the past, the PRC government has implemented administrative measures to restrain economic growth rates that were considered unsustainably high and to calm inflation fears. Such actions may result in an economic slowdown which could have negative macro-economic effects in the PRC and PRC-related markets. Our operating results and financial condition may also be materially and adversely affected by other changes in taxation and changes in state policies affecting the industries in which we operate. In addition, the growth of our projects and business operations depends heavily on economic growth. If the PRC's economic growth slows down or if the PRC economy experiences a recession, our business prospects may be materially and adversely affected. Our operations and financial results, as well as our ability to satisfy our obligations under the Bonds, could also be materially and adversely affected by changes in measures which might be introduced to control inflation, changes in the rate or method of taxation, the imposition of additional restrictions on currency conversion and the imposition of additional import restrictions.

**Interpretation and implementation of the laws and regulations in the PRC may involve uncertainties.**

As a substantial part of our businesses are conducted, and a substantial part of our assets are located, in the PRC, a substantial part of our business and operations are governed principally by PRC laws and regulations. The PRC legal system is based on written statutes while prior court decisions can only be cited as reference. Since 1979, the PRC government has begun to promulgate a comprehensive system of laws and has introduced many new laws and regulations to provide general guidance on economic and business practises in the PRC and to regulate foreign investment. However, China has not developed a fully-integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. In particular, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, the PRC legal system is based, in part, on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until some time after the violation. In addition, any litigation in China may be protracted and result in substantial costs and the diversion of resources and management's attention.

**It may be difficult to effect service of process or enforce any judgments obtained from non-PRC courts against us or its directors and senior management who reside in the PRC.**

All of our assets and our members are located in the PRC. In addition, most of our directors and senior management reside within the PRC, and assets of the directors and senior management may also be located within the PRC. As a result, it may not be possible to effect service of process outside the PRC upon most of our directors and senior management, including for matters arising under applicable securities laws. A judgment of a court of another jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with the PRC or if judgments of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requirements.

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 “**Arrangement**”), pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil or commercial case pursuant to a “choice of court” agreement in writing may apply for the recognition and enforcement of the judgment in the PRC.

Similarly, a party with a final court judgment rendered by a PRC court requiring payment of money in a civil or commercial case pursuant to a “choice of court” agreement in writing may apply for the 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 Arrangement in which a Hong Kong court or a PRC court is expressly chosen as the court having sole jurisdiction for resolving 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 us or its directors or senior management in the PRC and/or to seek recognition and enforcement of a judgment rendered by a Hong Kong court 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 “**New Arrangement**”), which seeks to establish a bilateral legal mechanism with greater clarity and certainty for the recognition and enforcement of judgments in a wide range of civil or commercial matters between the courts of Hong Kong and the PRC. The New Arrangement will be implemented by local legislation in Hong Kong and will take effect after the necessary procedures have been completed in both Hong Kong and the PRC to effect its implementation and shall apply to the judgments rendered by the courts of Hong Kong and the PRC on or after the date of the effectiveness of the New Arrangement. Upon effectiveness of the New Arrangement, the Arrangement shall be terminated, except for “choice of court” agreements in writing made between parties before the commencement of the New Arrangement, in which case the 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 New Arrangement. There can be no assurance that investors can successfully effect service of process against us or its directors or senior management in the PRC and/or to seek the recognition and enforcement of any judgments rendered by a Hong Kong court in the PRC. Therefore, it may be difficult for investors to enforce any judgments obtained from non-PRC courts against us or any of our directors or senior management in the PRC.

**The PRC government’s control over currency conversion may limit our foreign exchange transactions.**

Currently, Renminbi still cannot be completely freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we will have sufficient foreign exchange to meet its foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us do not require advance approval from the SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the requisite licences to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by or registered with the SAFE or its local branches or their authorised banks.

In addition, any insufficiency of foreign currency funds may restrict our ability to obtain sufficient foreign currency funds to satisfy any other foreign exchange requirements. If we fail to obtain approval from SAFE to convert Renminbi into any foreign exchange for any of the above purposes, our capital expenditure plans, and even the business, results of operations and financial condition of us, may be materially and adversely affected.

**Government control of currency conversion and the fluctuation of the Renminbi may materially and adversely affect our operations and financial results.**

We receive substantially all of our incomes in Renminbi, which currently is not a freely convertible currency. A portion of these incomes must be converted into other currencies to allow us to make payments on obligations denominated in currencies other than the Renminbi.

The value of the Renminbi against the U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in China’s political and economic conditions. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. Since then, the PRC government has made, and may in the future make, further adjustments to

the exchange rate system. PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity for the trading against the Renminbi on the following working day. The People's Bank of China surprised markets in August 2015 by thrice devaluing the Renminbi, lowering its daily mid-point trading price significantly against the U.S. dollar. The currency devaluation of the Renminbi was intended to bring it more in line with the market by taking market signals into account. Renminbi depreciated significantly against the U.S. dollar following this August 2015 announcement by the PBOC and hit record lows since 2008 against the U.S. dollar in 2016. Following the gradual appreciation of Renminbi in 2017, Renminbi experienced a depreciation in value against U.S. dollar following a fluctuation in 2018. With an increased floating range of the Renminbi's value against foreign currencies and a more market-oriented mechanism for determining the mid-point exchange rates, the Renminbi may further appreciate or depreciate significantly in value against the U.S. dollar or other foreign currencies in the long-term. Any significant appreciation of the Renminbi against the U.S. dollar or other foreign currencies may result in a decrease in the value of our foreign currency denominated assets. Conversely, any significant depreciation of the Renminbi may adversely affect the value of our businesses and its proceeds from the Issue. In addition, there are limited instruments available for us to reduce its foreign currency risk exposure at reasonable costs. All of these factors could materially and adversely affect our businesses, financial conditions and results of operations.

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

Facts, forecasts and other statistics in this Information Memorandum relating to the PRC, its economy or the relevant industry in which we operate have been directly or indirectly derived from official government publications and certain other public industry sources. Although we believe 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 our Group, the Placing Agents, the Trustee, the Agents or any of its or their respective affiliates, employees, officers, directors, agents, advisers or representatives or any person who controls any of them, and, therefore, our Group, the Placing Agents, the Trustee, the Agents or any of its or their respective affiliates, employees, officers, directors, agents, advisers or 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.

**RISKS RELATING TO THE BONDS, THE GUARANTEE AND THE STANDBY LETTER OF CREDIT**

**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 Placing Agents 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 Placing Agents. 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 Information Memorandum), 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 has been 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 our revenues, earnings and cash flows, proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies, changes in the industry that we operate and competition, general economic conditions any adverse change in the credit rating, the revenues, earnings, results of operations or otherwise in the financial condition of the LC Bank 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 we do not have any 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 sub-prime mortgage crisis in 2008, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Bonds could be adversely affected.

**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 Information Memorandum;
- 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 the ability to understand and evaluate all information and materials with respect to the Issuer, the Guarantor, the Group, Bank of Jiangsu and the LC Bank, including those in Chinese language;
- 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.

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities.

**The Bonds will be mandatorily redeemed upon a pre-funding failure.**

The Conditions provide for a demand to be made under the Standby Letter of Credit in the event we fail to pre-fund principal and/or interest payment due on the Bonds or upon the occurrence of an Event of Default under the Bonds. Such demand will be made in respect of the full amount of the outstanding principal due and interest accrued on the Bonds then outstanding (together with all fees, costs, expenses, indemnity payments and all other amounts payable by us under or in connection with the Bonds, the Agency Agreement, the Trust Deed and/or any other transaction document relating to the Bonds), and thereafter the Bonds will be mandatorily redeemed in accordance with Condition 7(d). Bondholders will not be able to hold their Bonds to maturity should such mandatory redemption occur.

**The Guarantor's obligations under the Guarantee will be structurally subordinated to all existing and future indebtedness and other liabilities of each of the Guarantor's existing and future subsidiaries (other than the Issuer), and effectively subordinated to the Guarantor's secured debt to the extent of the value of the collateral securing such indebtedness.**

The Issuer was established by the Guarantor specifically for the purpose of issuing the Bonds and will on-lend the net proceeds from the issue of the Bonds to the Guarantor, which may in turn on-lend to other members of the Group. Moreover, the Issuer may issue other bonds in the future and on-lend the proceeds to other entities of the Group. The Issuer does not and will not have any assets other than such loan and its ability to make payments under the Bonds will depend on its receipt of timely payments from the Group under such loan arrangement.

The Guarantee will be structurally subordinated to any debt and other liabilities and commitments, including trade payables and lease obligations, of the Guarantor's existing and future subsidiaries, whether or not secured. The Guarantor's obligations under the Guarantee will not be guaranteed by any of the Guarantor's subsidiaries, and the Guarantor's ability to make payments under the Guarantee depends partly on the receipt of dividends, distributions, interest or advances from its subsidiaries. The ability of such subsidiaries to pay dividends to the Guarantor is subject to various restrictions under applicable laws. The Guarantor's subsidiaries are separate legal entities that have no obligation to pay any amounts due under the Guarantee or make any funds available therefor, whether by dividends, loans or other payments. The Guarantor's right to receive assets of any of the Guarantor's subsidiaries, 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 Guarantor are creditors of that subsidiary). Consequently, the Guarantee will be effectively subordinated to all liabilities, including trade payables and lease obligations, of any of the Guarantor's subsidiaries and any subsidiaries that the Guarantor may in the future acquire or establish. The outstanding indebtedness of the subsidiaries of the Guarantor may also contain covenants restricting the ability of such subsidiaries to pay dividends in certain circumstances for so long as such indebtedness remains outstanding. Moreover, the Guarantor's percentage interests in its subsidiaries and joint ventures could be reduced in the future.

The Guarantee is the Guarantor's unsecured obligations and will (i) rank equally in right of payment with all the Guarantor's other present and future unsubordinated and unsecured indebtedness; and (ii) be effectively subordinated to all of the Guarantor's present and future secured indebtedness to the extent of the value of the collateral securing such obligations. Accordingly, claims of secured lenders, whether senior or junior, with respect to assets securing their loans will be prior with respect to those assets. In the event of the Guarantor'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 Guarantee only after all other debt secured by these assets has been repaid in full. Any remaining assets will be available to the Bondholders rateably with all of the Guarantor's other unsecured and unsubordinated creditors, including trade creditors. 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.



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

Pursuant to the Deed of Guarantee executed by the Guarantor, the Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deed. The Guarantor is required to submit the Deed of Guarantee to the local SAFE for registration within 15 PRC Business Days after execution of the Deed of Guarantee in accordance with, and within the prescribed period time under the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 (the “**Cross-Border Security Registration**”). Although the non-registration does not render the Deed of Guarantee ineffective or invalid under PRC law, SAFE may impose penalties on the Guarantor if registration is not carried out within the stipulated time frame. The Guarantor intends to use its best endeavours to complete the Cross-Border Security Registration. In addition, if the Guarantor fails to complete the SAFE registration in a timely manner, there may be logistical hurdles at the time of remittance of funds (if any cross-border payment is to be made by the Guarantor under the Guarantee) as domestic banks may require evidence of SAFE registration in connection with the Deed of Guarantee in order to effect such remittance, although this does not affect the validity of the Guarantee itself.

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

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

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

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

**Income or gains from the Bonds may be subject to income tax or VAT under PRC tax laws.**

Under the Enterprise Income Tax Law of the PRC last amended in 2018 (中華人民共和國企業所得稅法 (2018修正)) and its implementation rules (the “**New Enterprise Income Tax Law**”), any gains realised on the transfer of the Bonds by holders who are deemed under the New Enterprise Income Tax 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 New Enterprise Income Tax 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. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate (provided that the non-resident enterprise does not have offices or premises in the PRC or that has offices or premises in the PRC but such gains are not effectively connected therewith) 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 mainland China and Hong Kong for avoidance of double taxation, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, may 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 a premise that the Bondholders have in the PRC and all the other relevant conditions are satisfied. According to Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Pilot Program of Replacing Business Tax with VAT in an All-round Manner (財政部、

國家稅務總局關於全面推開營業稅改徵增值稅試點的通知) (the “**Circular 36**”), VAT is unlikely to apply to any transfer of Bonds between entities or individuals located outside of the PRC and therefore unlikely to apply to gains realised upon such transfers, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC. Circular 36 and laws and regulations pertaining to VAT are relatively new, and the interpretation and enforcement of such laws and regulations involve uncertainties.

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

**If we are unable to comply with the restrictions and covenants in our debt agreements (if any), or the Bonds, there could be a default under the terms of these agreements, or the Bonds, which could cause repayment of our debt to be accelerated.**

If we are unable to comply with the restrictions and covenants in the Bonds, or current or future debt obligations and other agreements (if any), 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 us, accelerate repayment of the debt, declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, those debt agreements may contain cross-acceleration or cross-default provisions. As a result, our default under one debt agreement may cause the acceleration of repayment of debt, including the Bonds, or result in a default under its other debt agreements. If any of these events occur, there can be no assurance that there would be sufficient assets and cash flows to repay in full all of our indebtedness, or that we would be able to find alternative financing. Even if we could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to us.

**The Bonds will initially be 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 initially 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, we will discharge our 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. We do not have any 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 us in the event of a default under the Bonds but will have to rely upon their rights under the Trust Deed.

**Bondholders should be aware that a definitive Certificate which has a principal amount that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.**

In relation to any Bond which has a principal amount consisting of a minimum specified denomination plus a higher integral multiple of another smaller amount, it is possible that the Bonds may be traded in amounts in excess of the minimum specified denomination that are not integral multiples of such minimum specified denomination. In such a case a Bondholder who, as a result of trading such amounts, holds a principal amount of less than the minimum specified denomination will not receive a definitive certificate in respect of such holding (should definitive Bonds be printed) and would need to purchase a principal amount of Bonds such that it holds an amount equal to one or more specified denominations. If definitive Bonds are issued, holders should be aware that a definitive certificate which has a principal amount that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.

**We may not be able to redeem the Bonds upon the due date for redemption thereof.**

We may, on the occurrence of a Relevant Event, and at maturity will, be required to redeem part or all of the Bonds. If such an event were to occur, we 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 us would constitute an event of default under the Bonds, which may also constitute a default under the terms of our other indebtedness.

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

The Issuer and the Guarantor are incorporated under the laws of the British Virgin Islands and the PRC, respectively. Additionally, the LC Bank is also incorporated under the laws of the PRC. As such, any insolvency proceeding relating to the Issuer or the Guarantor or the LC Bank would likely involve British Virgin Islands or PRC insolvency laws, respectively, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Bonds are familiar.

**The 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 us pursuant to Condition 10 of the Conditions and taking steps and/or actions and/or instituting proceedings pursuant to Condition 14 of the Conditions, the Trustee may, at its sole discretion, request the Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes steps and/or actions and/or institutes proceedings on behalf of the Bondholders. The Trustee shall not be obliged to take any such steps and/or actions and/or institute any such proceedings if not first 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 steps and/or actions can be taken and/or such proceedings can be instituted. The Trustee may not be able to take steps and/or actions and/or institute any proceedings, notwithstanding the provision of an indemnity and/or security and/or prefunding to it, in breach of the terms of the Trust Deed or the Conditions and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable laws and regulations, it will be for the holders of the Bonds to take such steps and/or actions and/or institute such proceedings directly.

**A change in English law which governs the Bonds may adversely affect Bondholders.**

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

**Certain facts and statistics are derived from publications not independently verified by us, the Placing Agent or our respective advisers.**

Facts and statistics in this Information Memorandum relating to global economy and the relevant industries are derived from publicly available sources. While we have taken reasonable care to ensure that the facts and statistics presented are accurately reproduced from such sources, they have not been independently verified by any of us, the Placing Agent, the Trustee, the Agents or their respective affiliates, directors, officers, employees, representatives, agents or advisers and, therefore, none of these parties make any representation as to the accuracy of such facts and statistics. Due to possibly flawed or ineffective calculation and collection methods and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies and should not be unduly relied upon. Further, 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.

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

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

The Conditions also provide that the Trustee may (but is not obliged to) agree, without the consent of the Bondholders, to (i) any modification of any of the Conditions or any of the provisions of the Trust Deed, the Agency Agreement, the Deed of Guarantee or the Standby Letter of Credit (other than in respect of certain reserved matters) which in the opinion of the Trustee is of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of law, and (ii) any other modification (except as mentioned in the Trust Deed and the Deed of Guarantee), and any waiver or authorisation of any breach or proposed breach of, or failure to comply with any of the Conditions or any of the provisions of the Trust Deed, the Agency Agreement, the Deed of Guarantee and/or Standby Letter of Credit (other than a proposed breach or breach relating to the subject of certain reserved matters) which is in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders. Any such modification, authorisation or waiver shall be binding on the Bondholders and, unless the Trustee otherwise agrees, such modification, authorisation or waiver shall be notified by us to the Bondholders as soon as practicable.

**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 Conditions, the Deed of Guarantee, 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. The Guarantor and most of our subsidiaries are incorporated in the PRC and a substantial portion of our assets are located in the PRC. In addition, our directors and senior management reside within the PRC and the assets of our directors and officers may be located within the PRC. As a result, it may not be possible to effect service of process outside the PRC upon such directors and senior management, including for matters arising under applicable securities law.

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

**Bondholders should be aware that a definitive certificate which has a principal amount that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.**

In relation to any Bond which has a principal amount consisting of a minimum specified denomination plus an integral multiple of another smaller amount, it is possible that the Bonds may be traded in

amounts in excess of the minimum specified denomination that are not integral multiples of such minimum specified denomination. In such a case a Bondholder who, as a result of trading such amounts, holds a principal amount of less than the minimum specified denomination will not receive a definitive certificate in respect of such holding (should definitive Bonds be printed) and would need to purchase a principal amount of Bonds such that it holds an amount equal to one or more specified denominations. If definitive Bonds are issued, holders should be aware that a definitive certificate which has a principal amount that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.

**We may redeem the Bonds prior to maturity.**

We may redeem the Bonds at our option, in whole but not in part, at a redemption price equal to their principal amount, together with interest accrued up to but excluding the date fixed for redemption if, subject to certain conditions, as a result of a change in or amendment to tax laws or regulations of the British Virgin Islands or the PRC and such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, the Issuer (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay Additional Tax Amounts (as defined in the Terms and Conditions), as further described in Condition 7(b) (*Redemption for Taxation Reasons*) of the Terms and Conditions.

If we redeem the Bonds prior to the 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, our ability to redeem the Bonds may reduce the market price of the Bonds.

**We may issue additional bonds in the future.**

We may, from time to time, and without the consent of the Bondholders, create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects save for the issue date and first payment of interest on them and the timing for complying with the Registration Conditions (as defined in the Terms and Conditions), the making or submission and completion of the Cross-Border Security Registration and the giving of consequent notices thereof (see “*Terms and Conditions of the Bonds — Further Issues*”) or otherwise raise additional capital through such means and in such manner as it may consider necessary. There can be no assurance that such future issuance or capital raising activity will not adversely affect the market price of the Bonds.

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

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. If Bondholders sell the Bonds they hold before the maturity of such Bonds, they may receive an offer less than their investment.

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

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

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

*Collateral and guarantees:* A substantial portion of Bank of Jiangsu’s loans is secured by collateral. In addition, a substantial portion of its PRC loans and advances is backed by guarantees. If Bank of Jiangsu

is unable to realize the collateral or guarantees securing its loans to cover the outstanding principal and interest balance of such loans due to various factors Bank of Jiangsu's financial condition could be materially and adversely affected.

*Loans to real estate sector and government financing platforms:* Bank of Jiangsu's loans and advances to the real estate sector primarily comprise loans issued to real estate companies and individual housing loans. The real estate market may be affected by many factors, including, without limitation, cyclical economic volatility and economic downturns. In addition, the PRC government has in recent years imposed macroeconomic control measures that are aimed at preventing the real estate market from over-heating. Such factors may adversely affect the growth and quality of its loans to the real estate industry and, consequently, Bank of Jiangsu's financial condition and results of operations. Loans to government financing platforms are a part of the loan portfolio of Bank of Jiangsu. The government revenues are primarily derived from taxes and land premiums. Therefore, economic cycles and fluctuations in the real estate market may also adversely affect the quality of such loans.

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

**The Standby Letter of Credit is subject to a maximum limit and may not be sufficient to satisfy all payments due under the Bonds.**

Payments of principal and interest in respect of the Bonds and the fees and expenses and other amounts in connection with the Bonds and the Trust Deed will have the benefit of the Standby Letter of Credit up to a maximum limit of U.S.\$56,577,500, being an amount representing the aggregate principal amount of the Bonds plus one (instead of all) instalment of interest and premium (if any) payable under the Bonds plus an additional amount intended to cover all fees, costs, expenses, indemnity payment and all and any other amounts payable by the Issuer under or in connection with the Bonds or the Trust Deed, the Agency Agreement and/or any other transaction document relating to the Bonds, there can be no assurance that such maximum limit is sufficient to fully satisfy the aforementioned payments.

**The Standby Letter of Credit expires 30 days after the Maturity Date.**

The Standby Letter of Credit will expire after 6:00 p.m. (Hong Kong time) on 21 July 2022. In the event that the Trustee does not enforce the Standby Letter of Credit by this expiration time, the Bondholders and the Trustee will not be able to benefit from the credit protection provided by the LC Bank. Furthermore, in the event that any payment from the Issuer to the Trustee is avoided by virtue of any laws relating to bankruptcy, insolvency, liquidation or similar laws of general application for the time being in force and a written notice claiming such avoided payment under the Standby Letter of Credit was not given to the LC Bank on or before the expiry time of the Standby Letter of Credit, the Bondholders and the Trustee will not be able to recover such avoided payment from the LC Bank under the Standby Letter of Credit.

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

Under the Enterprise Income Tax Law of the PRC (the "EIT Law") as last amended 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 "nonresident enterprise" means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. There remains uncertainty as to whether the gains realised on the transfer of the Bonds by non-resident enterprise Bondholders would be treated as income derived from sources within the PRC and be subject to PRC enterprise income tax. In addition, under the Individual Income Tax Law of the PRC (the "IIT Law") as last amended on 31 August 2018, and its implementation rules, any individual who has no domicile and does not live within the territory of the PRC or who has no domicile but has resided in China for less than 183 days in aggregate within a tax year shall pay individual income tax for any income obtained within the PRC. There is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax

rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) (the “**Arrangement**”) which was promulgated on 21 August 2006, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds if such capital gains are not connected with an office or establishment that the Bondholders have in the PRC and all the other relevant conditions are satisfied. On 23 March 2016, the MOF and the State Administration of Taxation issued the Circular of Full Implementation of Replacing Business Tax with Value-Added Tax Reform (關於全面推開營業稅改徵增值稅試點的通知) (Caishui [2016] No. 36) (“**Circular 36**”), which introduced a new value-added tax (“VAT”) from 1 May 2016. Under Circular 36, VAT is applicable where the entities or individuals provide financial services such as providing loans within the PRC. The Issuer will be obliged to withhold VAT of 6 per cent. and certain surcharges on payments of interest and certain other amounts on the Bonds paid by the Issuer to Bondholders that are non-resident enterprises or individuals. VAT is unlikely to be applicable to any transfer of Bonds between entities or individuals located outside the PRC and therefore unlikely to be applicable to gains realised upon such transfers of Bonds, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC. Circular 36 together with other laws and regulations pertaining to VAT are relatively new, and the interpretation and enforcement of such laws and regulations involve uncertainties.

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

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

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

## TERMS AND CONDITIONS OF THE BONDS

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

The issue of the U.S.\$55,000,000 in aggregate principal amount of 2.1 per cent. credit enhanced bonds due 2022 (the “**Bonds**”, which term shall include, unless the context requires otherwise, any further bonds issued in accordance with Condition 16 and consolidated and forming a single series therewith) was authorised by a written resolution of the sole director of Hong Run International Company Limited 虹润国际有限公司

(the “**Issuer**”) passed on 10 May 2021 and the guarantee of the Bonds was authorised by a resolution of the board of directors of Taixing Hongqiao Park Industrial Development Co., Ltd. (泰兴市虹桥园工业开发有限公司) (the “**Guarantor**”) dated 30 December 2020 and a resolution of the shareholders of the Guarantor on 30 December 2020. The Bonds are constituted by a trust deed (as amended, supplemented and/or replaced from time to time, the “**Trust Deed**”) dated 22 June 2021 (the “**Issue Date**”) among the Issuer, the Guarantor 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 all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the holders of the Bonds. These terms and conditions (these “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bonds. The Bonds have the benefit of a deed of guarantee (as amended and/or supplemented from time to time, the “**Deed of Guarantee**”) dated on or about 22 June 2021 executed by the Guarantor and the Trustee relating to the Bonds. The Bonds are the subject of an agency agreement (as amended, supplemented and/or replaced from time to time, the “**Agency Agreement**”) dated 22 June 2021 between the Issuer, the Guarantor, the Trustee, China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as registrar (the “**Registrar**”, which expression includes any successor registrar appointed from time to time with respect to the Bonds), as transfer agent (in such capacity, the “**Transfer Agent**”, which expression includes any successor or additional transfer agents appointed from time to time with respect to the Bonds) and as the principal paying agent (in such capacity, the “**Principal Paying Agent**”, which expression includes any successor principal paying agent appointed from time to time with respect to the Bonds, and together with the paying agents with respect to the Bonds, the “**Paying Agents**”, which expression includes any additional or successor paying agents appointed from time to time with respect to the Bonds) and any other agents named therein, China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as the account bank (in such capacity, the “**Pre-funding Account Bank**”, which expression shall include any successor) with which the Pre-funding Account (as defined below) is held and as the account bank (in such capacity, the “**LC Proceeds Account Bank**”, which expression shall include any successor) with which the LC Proceeds Account (as defined below) is held. References herein to “**Agents**” means the Principal Paying Agent, the Registrar, the Transfer Agent and any other agent or agents appointed from time to time with respect to the Bonds. The Bonds will have the benefit of an irrevocable standby letter of credit (the “**Standby Letter of Credit**”) dated 22 June 2021 issued by Bank of Jiangsu Co., Ltd. Taizhou Branch (the “**LC Bank**”) in favour of the Trustee on behalf of itself and the holders of the Bonds.

For as long as any Bond is outstanding, copies of the Trust Deed, the Deed of Guarantee, the Agency Agreement and the Standby Letter of Credit are available for inspection upon prior written request and satisfactory proof of holding during usual 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 (presently at 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong) and at the specified office for the time being of the Principal Paying Agent. The Bondholders (as defined below) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Deed of Guarantee are deemed to have notice of those provisions applicable to them of the Agency Agreement and the Standby Letter of Credit. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the Trust Deed.

### 1 Form, Specified Denomination and Title

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

The Bonds are represented by registered certificates (the “**Certificates**”) and, save as provided in Condition 2(a), each Certificate shall represent the entire holding of Bonds by the same holder. Title to the Bonds shall pass by transfer and registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Bond shall be deemed to be and shall be treated as its absolute



owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate representing it or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

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

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

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

## 2 Transfers of Bonds

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

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

- (b) **Delivery of New Certificates:** Each new Certificate to be issued upon transfer of any Bonds pursuant to Condition 2(a) or Condition 2(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 and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery of such form of transfer and surrender of Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(b), “**business day**” means a day, other than a Saturday or Sunday or public holiday, on which banks are 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 interests in the Bonds will not be entitled to receive physical delivery of Certificates.*

- (c) **Formalities Free of Charge:** Certificates, on transfer or exercise of an option, shall be issued and registered without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon (i) payment by the relevant Bondholder of any taxes, duties or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or pre-funding as the Registrar or the relevant Transfer Agent may require), (ii) the Registrar being satisfied in its absolute discretion with the documents of title or identity of the person making the application, and (iii) the Registrar or the relevant Transfer Agent being satisfied that the regulations concerning transfer of Bonds have been complied with.
- (d) **Closed Periods:** No Bondholder may require the transfer of a Bond to be registered (i) during the period of 15 days ending on (and including) the due date for any payment of principal or interest in respect of that Bond or redemption of that Bond; (ii) during the period of seven days ending on (and including) any Record Date (as defined in Condition 8(a)(ii)); and (iii) after the exercise of the put option in Condition 7(c).
- (e) **Regulations:** All transfers of Bonds and entries on the Register will be made in accordance with the detailed regulations concerning transfer and registration of Bonds scheduled to the Agency Agreement. The Registrar may change the regulations from time to time, with the prior written approval of the Trustee and (in the case of any regulation proposed by the Issuer) of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Bondholder upon written request and proof of holding and identity to the satisfaction of the Registrar and is available at the specified office of the Registrar.

### **3 Guarantee and Status**

- (a) **Guarantee:** The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Bonds. Its obligations in that respect (the “**Guarantee**”) are contained in the Deed of Guarantee. The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable law at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.
- (b) **Status:** The Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable laws and regulations, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

### **4 Standby Letter of Credit and Pre-funding**

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

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

Such drawing on the Standby Letter of Credit will be payable in U.S. dollars 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, the Guarantee 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, the Guarantee and/or the Agency Agreement.

The LC Bank's liability under the Standby Letter of Credit shall be expressed and payable in U.S. dollars and shall not exceed U.S.\$56,577,500 (the "**Maximum Limit**"). The Standby Letter of Credit expires at 6:00 p.m. (Hong Kong time) on 21 July 2022.

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

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

- (A) send the notice (the "**Pre-funding Failure Notice**") to the Bondholders by the second Business Day immediately following the Pre-funding Date of (a) the Pre-funding Failure and (b) the redemption of the Bonds in accordance with Condition 7(d) to occur as a result of the Pre-funding Failure; and
- (B) by no later than 6:00 p.m. (Hong Kong time) on the second Business Day immediately following the Pre-funding Date issue a Demand to the LC Bank for the principal amount in respect of all of the Bonds then outstanding, together with interest accrued to, but excluding, the Mandatory Redemption Date (as defined in Condition 7(d)) and all fees, costs, expenses, indemnity payments and all other amounts payable by the Issuer under or in connection with the Bonds, the Agency Agreement, the Trust Deed and/or any other transaction document relating to the Bonds, *provided that*, in accordance with the Standby Letter of Credit, the Trustee need not physically present the Demand to the LC Bank and shall be entitled to submit the Demand by authenticated SWIFT (provided that in the event that the SWIFT system is not available for any reason, the Trustee may instead present a Demand via facsimile transmission during the period between 9:00 a.m. (Hong Kong time) to 6:00 p.m. (Hong Kong time)).

Following receipt by the LC Bank of such Demand by 6:00 p.m. (Hong Kong time) on a Business Day, the LC Bank shall by 10:00 a.m. (Hong Kong time) on the fourth Business Day immediately following such Business Day (or, if such Demand is received after 6:00 p.m. (Hong Kong time) on a Business Day, the fifth Business Day immediately following such Business Day), 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 or a Sunday) on which commercial 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) each of the Issuer and the Guarantor 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) **Undertakings relating to Cross-Border Security Registration:** The Guarantor undertakes that it will register or cause to be registered with the State Administration of Foreign Exchange or any relevant local branch thereof (“SAFE”), the Deed of Guarantee within 15 Registration Business Days after execution of the Deed of Guarantee in accordance with, and within the prescribed time period under the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 (the “**Cross-Border Security Registration**”). The Guarantor shall use its best endeavours to complete the Cross-Border Security Registration and obtain a registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE) and comply with all applicable PRC laws and regulations in relation to the Guarantee.
- (b) **Notification of Completion of the Cross-Border Security Registration:** The Guarantor shall before the Registration Deadline and within 10 Registration Business Days after the receipt of the registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE), provide the Trustee with (i) a certificate in English substantially in the form set out in the Trust Deed signed by an Authorised Signatory (as defined in the Trust Deed) of the Guarantor confirming the completion of the Cross-Border Security Registration; and (ii) copies of the registration certificates or any other document evidencing the completion of the Cross-Border Security Registration with SAFE and the particulars of registration, each certified in English by an Authorised Signatory of the Guarantor as being a true and complete copy of the original (the “**SAFE Registration Documents**”).

Within five Registration Business Days after the SAFE Registration Documents are delivered to the Trustee, the Issuer shall give notice to the Bondholders (substantially in the form scheduled to the Trust Deed and in accordance with Condition 17) confirming the completion of the Cross-Border Security Registration.

The Trustee may rely conclusively on the SAFE Registration Documents and shall have no obligation to monitor or ensure the Cross-Border Security Registration is completed as

required by Condition 5(a) or to assist with any filing pursuant to the Cross-Border Security Registration or to verify the accuracy, validity and/or genuineness of the SAFE Registration Documents or to give notice to the Bondholders confirming the completion of the Cross-Border Security Registration, and shall not be liable to Bondholders or any other person for not doing so.

- (c) **Provision of Financial Information:** So long as any Bond remains outstanding (as defined in the Trust Deed), the Guarantor shall furnish the Trustee with:
- (i) a Compliance Certificate of each of the Issuer and the Guarantor (on which the Trustee may conclusively rely as to such compliance) and a copy of the relevant Audited Financial Reports within 120 days of the end of each Relevant Period prepared in accordance with the Accounting Standards for Business Enterprises in China (audited by a nationally recognised firm of independent accountants) of the Guarantor and its Subsidiaries (if any) and if such statements shall be in the Chinese language, together with an English translation of the same translated by (A) a nationally recognised firm of independent accountants, or (B) a professional translation service provider and checked by a nationally recognised firm of independent accountants, together with a certificate in English signed by an Authorised Signatory of the Guarantor certifying that such translation is complete and accurate;
  - (ii) a copy of the Unaudited Financial Reports in English or in Chinese within 90 days of the end of each Relevant Period prepared on a basis consistent with the Audited Financial Reports of the Guarantor and its Subsidiaries (if any) and if such statements shall be in the Chinese language, together with an English translation of the same and translated by (A) a nationally recognised firm of independent accountants or (B) a professional translation service provider and checked by a nationally recognised firm of independent accountants, together with a certificate in English signed by an Authorised Signatory of the Guarantor certifying that such translation is complete and accurate; and
  - (iii) a Compliance Certificate (on which the Trustee may rely conclusively on as to such compliance) of each of the Issuer and the Guarantor within 14 days of any written request by the Trustee,

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

- (d) **Definitions:** In these Conditions:

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

**“Compliance Certificate”** means a certificate of each of the Issuer and the Guarantor in English in substantially the form scheduled to the Trust Deed signed by an Authorised Signatory of the Issuer or the Guarantor (as the case may be) that, having made all

reasonable enquiries, to the best of the knowledge, information and belief of the Issuer or the Guarantor as at a date (the “**Certification Date**”) not more than five days before the date of the certificate that:

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

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

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

“**Registration Deadline**” means the day falling 120 calendar days after the Issue Date;

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

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

## 6 Interest

The Bonds bear interest on their outstanding principal amount from and including the Issue Date at the rate of 2.1 per cent. per annum payable in arrear on 22 December 2021 with interest of U.S.\$10.50 per Calculation Amount (as defined below) and 21 June 2022 with interest of U.S.\$10.44 per Calculation Amount (each an “**Interest Payment Date**”).

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

If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed. In these Conditions, the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an “**Interest Period**”.

Interest in respect of any Bond shall be calculated per 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 21 June 2022 (the “**Maturity Date**”). The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 7.
- (b) **Redemption for Taxation Reasons:** The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice (a “**Tax Redemption Notice**”) to the Bondholders in accordance with Condition 17 (which notice shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent, at their principal amount (together with interest accrued up to, but excluding, the date fixed for redemption), if (i) the Issuer satisfies the Trustee immediately prior to the giving of such notice that it (or if the Guarantor were called, the Guarantor) 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 British Virgin Islands, the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 17 June 2021; and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds (or the Guarantee, as the case may be) then due.

Prior to the giving of any Tax Redemption Notice pursuant to this Condition 7(b), the Issuer shall deliver to the Trustee (A) a certificate in English signed by any Authorised Signatory of the Issuer (or the Guarantor, as the case may be) stating that the obligation referred to in (i) above of this Condition 7(b) cannot be avoided by the Issuer (or the Guarantor, as the case may be) 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 (or the Guarantor, as the case may be) has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendments. The Trustee shall be entitled (but shall not be obliged) to accept and rely upon such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above of this Condition 7(b), in which event they shall be conclusive and binding on the Bondholders. The Trustee shall be protected and shall have no liability to any Bondholder or any other person for so accepting and relying on such certificate or opinion. Neither the Trustee nor any of the Agents shall be responsible for monitoring or taking any steps to ascertain whether any of the circumstances mentioned in this Condition 7(b) has occurred or for calculating or verifying the calculations of any amount payable under any notice of redemption under this Condition 7(b) and none of them shall be liable to the Bondholders or the Issuer or the Guarantor or any other person for not doing so.

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

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, if such day is not a Business Day (as defined in Condition 8(f)), the next following Business Day, after the expiry of such period of 30 days as referred to above.

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

Not later than 14 days (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 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 Bondholders (in accordance with Condition 17) stating:

- (i) the Put Settlement Date;
- (ii) the date of the Relevant Event;
- (iii) the date by which the Put Exercise Notice must be given;
- (iv) the redemption amount;
- (v) the names and addresses of all Paying Agents;
- (vi) the procedures that Bondholders must follow and the requirements that Bondholders must satisfy in order to exercise the Relevant Event Put Right; and
- (vii) that a Put Exercise Notice, once validly given, may not be withdrawn.

Neither the Agents nor the Trustee shall be required to monitor or to take any steps to ascertain whether a Relevant Event or any event which could lead to a Relevant Event has occurred or may occur and each of them shall be entitled to assume that no such event has occurred until it has received written notice to the contrary from the Issuer, the Guarantor and none of them shall have any obligation or duty to verify the accuracy, validity and/or genuineness of any documents in relation to or connection with the Registration Conditions and none of them shall be liable to Bondholders, the Issuer, the Guarantor or any other person for not doing so.

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

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

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



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

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

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

- (i) Taixing Municipal Government and PRC Government Persons collectively cease to directly or indirectly hold or own 100 per cent. of the issued share capital of the Guarantor; or
- (ii) The Guarantor ceases to directly or indirectly hold or own 100 per cent. of the issued share capital of the Issuer; or
- (iii) the Guarantor consolidates with or merges into or sells or transfers all or substantially all of the Guarantor’s assets to any other person or person(s), 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 Taixing Municipal Government or PRC Government Persons;

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

a “**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 state (in each case whether or not being a separate legal entity);

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

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

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

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

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

## 8 Payments

### (a) Method of Payment:

- (i) Payments of principal shall be made (subject to surrender of the relevant Certificates at the specified office of any Transfer Agent or of the Registrar if no further payment falls to be made in respect of the Bonds represented by such Certificates) in the manner provided in Condition 8(a)(ii) below.
- (ii) Interest on each Bond shall be paid to the person shown on the Register at the close of business on the Business Day falling five Business Days before the due date for payment thereof (the “**Record Date**”). Payments of interest on each Bond shall be made in U.S. dollars by transfer to the registered account of the holder of such Bond. In this Condition 8, the “**registered account**” of a Bondholder means the U.S. dollar account maintained by or on behalf of it with a bank, details of which appear on the Register at the close of business on the Record Date.
- (iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested in writing by the Issuer or a Bondholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of interest so paid.

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

- (b) **Payments Subject to Laws:** Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 9, and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 9) any law implementing an intergovernmental approach thereto.
- (c) **Payment Initiation:** Payment instructions (for value on the due date, or if that is not a Business Day, for value on the first following day which is a Business Day) will be initiated or, in the case of payments of principal where the relevant Certificate has not been surrendered at the specified office of any Transfer Agent or of the Registrar, on a day on which the Principal Paying Agent is open for business and on which the relevant Certificate is surrendered.
- (d) **Appointment of Agents:** The Principal Paying Agent, the Registrar, and the Transfer Agent initially appointed by the Issuer and their respective specified offices are listed below. The Agents, subject to the provisions of the Agency Agreement, act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer reserves the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Principal Paying Agent, the Registrar or the Transfer Agent and to appoint additional or other Agents, *provided that* the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, and (iii) a Transfer Agent, in each case as approved in writing by the Trustee.

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

- (e) **Delay in Payment:** Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a Business Day, or if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so).
- (f) **Non-Business Days:** If any date for payment in respect of any Bond is not a Business Day, the holder shall not be entitled to payment until the next following Business Day nor to any interest or other sum in respect of such postponed payment. In this Condition 8, “**Business Day**” means a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets are open for business in the place in which the specified office of the Registrar, the Transfer Agent or the Principal Paying Agent is located and on which foreign exchange transactions may be carried on in U.S. dollars in New York City.

## 9 Taxation

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

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

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

- (a) **Other connection:** held by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the British Virgin Islands or the PRC other than the mere holding of the Bond;
- (b) **Surrender more than 30 days after the Relevant Date:** in respect of which the Certificate representing it is presented for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such Additional Tax Amounts on surrendering the Certificate representing such Bond for payment on the last day of such period of 30 days; or
- (c) **Tax Declaration:** to a holder (or to a third party on behalf of a holder) who would not be liable for or subject to such withholding or deduction by making a declaration of identity, non-residence or other similar claim for exemption to the relevant tax authority if, after having been requested to make such declaration or claim, such holder fails to do so within any applicable period prescribed by such relevant tax authority.

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

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

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

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

## 10 Events of Default

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

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

- (i) **Non-Payment:** there has been a failure to pay (A) the principal of or any premium (if any) of the Bonds when due or (B) interest on any of the Bonds when due and such failure continues for a period of seven days; or
- (ii) **Breach of Other Obligations:** the Issuer or the Guarantor does not perform or comply with any one or more of their respective obligations under the Bonds or the Trust Deed or the Deed of Guarantee (other than where such default gives rise to a right of redemption pursuant to Condition 7(c)) and such default (A) is, in the opinion of the Trustee, incapable of remedy or (B) being a default which is, in the opinion of the Trustee, capable of remedy, remains unremedied for 30 days after notice of such default shall have been given to the Issuer or the Guarantor (as the case may be) by the Trustee; provided that if there has been a breach by the Issuer of its obligations to pre-fund any amount in respect of the Bonds in accordance with Condition 4(b) and such amount has subsequently been paid by the LC Bank following a drawing under the Standby Letter of Credit to or to the order of the Trustee and paid to holders of the Bonds, then such breach will not constitute an Event of Default under this Condition 10(a)(ii); or
- (iii) **Cross-Default:** (A) any other present or future indebtedness of the Issuer or the Guarantor or any of their respective Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described); or (B) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period; or (C) the Issuer or the Guarantor or any of their respective Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 10(a)(iii) have occurred in aggregate equals or exceeds U.S.\$20,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this Condition 10(a)(iii) operates); or
- (iv) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Issuer, the Guarantor or any Principal Subsidiary and is not discharged or stayed within 30 days; or

- (v) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer, the Guarantor or any Principal Subsidiary in respect of all or a material part of its assets becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and is not discharged or stayed within 30 days; or
- (vi) **Insolvency:** the Issuer, the Guarantor or any Principal Subsidiary is (or is, or could be, deemed by law or a court of competent jurisdiction to be) insolvent or bankrupt or unable to pay its debts as and when such debts fall due, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any material part of (or of a particular type of) the debts of the Issuer, the Guarantor or any of their respective Subsidiaries; or
- (vii) **Winding-up:** an order of a court of competent jurisdiction is made or an effective resolution is passed for the winding-up or dissolution of the Issuer, the Guarantor or any Principal Subsidiary, or the Issuer, the Guarantor or any Principal Subsidiary ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a voluntary solvent winding up or voluntary dissolution, reconstruction, amalgamation, reorganisation, merger or consolidation (A) on terms approved by an Extraordinary Resolution of the Bondholders, or (B) in the case of a Principal Subsidiary, whereby a material part of the undertaking and assets of such Subsidiary are transferred to or otherwise vested in the Issuer or the Guarantor (as the case may be) or another of their respective Subsidiaries; or
- (viii) **Nationalisation:** any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the undertaking, assets and revenues of the Issuer, the Guarantor or any Principal Subsidiary; or
- (ix) **Authorisation and Consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done by the Issuer or the Guarantor in order (A) to enable each of the Issuer and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with its obligations under the Bonds, the Trust Deed and the Deed of Guarantee; (B) to ensure that those obligations are legally binding and enforceable; and (C) to make the Bonds, the Deed of Guarantee and the Trust Deed admissible in evidence in the courts of Hong Kong and the PRC is not taken, fulfilled or done; or
- (x) **Illegality:** it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any one or more of its obligations under any of the Bonds, the Deed of Guarantee and/or the Trust Deed; or
- (xi) **Guarantee:** the Guarantee becomes unenforceable or invalid or shall for any reason cease to be in full force and effect or is claimed to be unenforceable, invalid or not in full force and effect by the Guarantor; or
- (xii) **Standby Letter of Credit:** the Standby Letter of Credit is not (or is claimed by the LC Bank not to be) enforceable, valid or in full force and effect; or
- (xiii) **Analogous Events:** any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Condition 10(a)(iv) to Condition 10(a)(xii) (both inclusive).

In this Condition 10(a), “**Principal Subsidiary**” means any Subsidiary of the Guarantor:

- (A) whose total revenue (consolidated in the case of a Subsidiary which has subsidiaries), as shown by its latest audited income statement is at least five per cent. of the consolidated total revenue as shown by the latest audited consolidated income statement of the Guarantor and its consolidated Subsidiaries; or
- (B) whose gross profit (consolidated in the case of a Subsidiary which itself has subsidiaries), as shown by its latest audited income statement, is at least five per cent. of the consolidated gross profit as shown by the latest audited consolidated income statement of the Guarantor and its consolidated Subsidiaries, including, for the avoidance of doubt, the Guarantor and its consolidated Subsidiaries’ share of profits of Subsidiaries not consolidated and of associated entities and after adjustments for minority interests; or
- (C) whose gross assets (consolidated in the case of a Subsidiary which itself has subsidiaries), as shown by its latest audited statement of financial position, are at least five per cent. of the consolidated gross assets of the Guarantor and its Subsidiaries as shown by the latest audited consolidated statement of financial position of the Guarantor and its Subsidiaries, including the investment of the Guarantor and its consolidated Subsidiaries in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Guarantor and of associated companies and after adjustment for minority interests; or
- (D) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, provided that (x) the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall become a Principal Subsidiary, and (y) on or after the date on which the first audited accounts (consolidated, if appropriate) of the Guarantor 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 Guarantor relate, the reference to the then latest consolidated audited accounts of the Guarantor and its Subsidiaries for the purposes of the calculation above shall, until consolidated audited accounts of the Guarantor for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published be deemed to be a reference to the then latest consolidated audited accounts of the Guarantor and its Subsidiaries adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has subsidiaries) of such Subsidiary in such accounts;
- (II) if at any relevant time in relation to the Guarantor or any Subsidiary which itself has subsidiaries no consolidated accounts are prepared and audited, revenue, gross profit or gross assets of the Guarantor and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by the Guarantor;
- (III) if at any relevant time in relation to any Subsidiary, no accounts are audited, its revenue, gross profit or gross assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Guarantor for the purposes of preparing a certificate thereon to the Bondholders; and
- (IV) if the accounts of any subsidiary (not being a Subsidiary referred to in proviso (i) above of this definition) are not consolidated with those of the Guarantor, then the determination of whether or not such subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Guarantor.

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

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

(i) **Cross-Default:**

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

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

- (ii) **Security Enforced:** a secured party takes possession, or a receiver, manager or other similar officer is appointed, of any part of the undertaking, assets and revenues of the LC Bank or any of its Material Subsidiaries; or
- (iii) **Insolvency:** the LC Bank or any of its Material Subsidiaries is insolvent or bankrupt or unable to pay its debts, stops or suspends payment of all or a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of any part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of the debts of the LC Bank; or
- (iv) **Winding-up:** an order is made or an effective resolution is passed for the winding up or dissolution of the LC Bank or any of its Material Subsidiaries; or
- (v) **Illegality:** it is or will become unlawful for the LC Bank to perform or comply with any one or more of its obligations under the Standby Letter of Credit; or
- (vi) **Analogous Events:** any event occurs which under the laws of the relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 10(b)(ii) to 10(b)(v) (both inclusive).

In this Condition 10(b):

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

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

- (A) whose gross revenue (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries), whose gross assets (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries, and including the investment of the LC Bank and its consolidated Subsidiaries in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the LC Bank and of associated companies and after adjustment for minority interests) or whose net profit (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries, and including, for the avoidance of doubt, the LC Bank and its consolidated Subsidiaries’ share of profits of Subsidiaries not consolidated and of associated entities and after adjustments for minority interests) represent not less than five per cent. of the consolidated gross revenue, the consolidated gross assets, or, as the case may be, the consolidated net profit of the LC Bank and its Subsidiaries taken as a whole, all as calculated respectively by reference to the latest audited or reviewed financial statements (consolidated or, as the case may be, unconsolidated) of the Subsidiary and the then latest audited or reviewed consolidated financial statements of the LC Bank, *provided that*:
- (I) in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited or reviewed consolidated financial statements of the LC Bank relate for the purpose of applying each of the foregoing tests, the reference to the LC Bank’s latest audited or reviewed consolidated financial statements shall be deemed to be a reference to such audited or reviewed financial statements as if such Subsidiary had been shown therein by reference to its then latest relevant audited or reviewed financial statements, adjusted as deemed appropriate by the auditor for the time being, after consultation with the LC Bank;
- (II) if at any relevant time in relation to the LC Bank or any Subsidiary no financial statements are prepared and audited, its gross revenue, gross assets and net profit (consolidated, if applicable) shall be determined on the basis of pro forma consolidated financial statements (consolidated, if applicable) prepared for this purpose; and
- (III) if the financial statements of any Subsidiary (not being a Subsidiary referred to in proviso (I) above) are not consolidated with those of the LC Bank, then the determination of whether or not such Subsidiary is a Material Subsidiary shall be based on a pro forma consolidation of its financial statements (consolidated, if appropriate) with the consolidated financial statements (determined on the basis of the foregoing) of the LC Bank; or
- (B) to which is transferred all or substantially all of the business, undertaking and assets of another Subsidiary which immediately prior to such transfer is a Material Subsidiary, whereupon (i) in the case of a transfer by a Material Subsidiary, the transferor Material Subsidiary shall immediately cease to be a Material Subsidiary and (ii) the transferee Subsidiary shall immediately become a Material Subsidiary, provided that on or after the date on which the relevant financial statements for the financial period current at the date of such transfer are published, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Material Subsidiary shall be determined pursuant to the provisions of paragraph (A) of this definition above.

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

## **11 Prescription**

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



## 12 Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar 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 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 and Waiver

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

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

- (b) **Modification of the Conditions, Trust Deed, Agency Agreement and Standby Letter of Credit:** The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (i) any modification of any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement, the Deed of Guarantee or the Standby Letter of Credit that is, in its opinion, of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of law; (ii) any other modification (except as mentioned in the Trust Deed or the Deed of Guarantee), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement, the Deed of Guarantee or the Standby Letter of Credit that is, in the opinion of the Trustee, not materially prejudicial to the interests of the Bondholders; and (iii) any amendment or supplement to, or a replacement of, the Standby Letter of Credit in connection with a future issue of securities pursuant to Condition 16 to reflect the new aggregate principal amount of the Bonds following such

issue. Any such modification, authorisation or waiver shall be binding on the Bondholders and, unless the Trustee otherwise agrees, each such modification, authorisation or waiver shall be notified by the Issuer or the Guarantor to the Bondholders in accordance with Condition 17 as soon as practicable.

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

#### **14 Enforcement**

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

#### **15 Indemnification of the Trustee**

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

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

None of the Trustee or any of the Agents shall be responsible or liable for the performance by the Issuer, the Guarantor, the LC Bank and/or any other person appointed by the Issuer and/or the Guarantor 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 and/or the Guarantor and/or the LC Bank to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed.

None of the Trustee or the Agents shall have any obligation to monitor compliance with the provisions of the Trust Deed, the Agency Agreement, the Deed of Guarantee, the Standby Letter of Credit or these Conditions, or ascertain whether an Event of Default, a Potential Event of Default

(as defined in the Trust Deed), a Pre-funding Failure or a Relevant Event has occurred, and they shall not be liable to the Bondholders or any other person for not doing so.

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

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

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

## **16 Further Issues**

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

## **17 Notices**

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

*So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or the Alternative Clearing System (as defined in the form of the Global Certificate), notices to the Bondholders shall be validly given by the delivery of the*

*relevant notice to Euroclear or Clearstream or the Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given at the time of delivery to the relevant clearing system(s).*

## **18 Contracts (Rights of Third Parties) Act 1999**

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

## **19 Governing Law and Jurisdiction**

- (a) **Governing Law:** The Bonds, the Trust Deed, the Agency Agreement, the Deed of Guarantee, the Standby Letter of Credit and any non-contractual obligations arising out of or in connection with them, are all governed by, and shall be construed in accordance with, English law.
- (b) **Jurisdiction:** The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds, the Trust Deed, the Agency Agreement, the Deed of Guarantee, the Standby Letter of Credit and accordingly any legal action or proceedings arising out of or in connection with any Bonds, the Trust Deed the Agency Agreement, the Deed of Guarantee or the Standby Letter of Credit (“**Proceedings**”) may be brought in such courts. Each of the Issuer, the Guarantor and the LC Bank has irrevocably submitted to the jurisdiction of such courts.
- (c) **Agent for Service of Process:** Each of the Issuer and the Guarantor has irrevocably appointed COGENCY GLOBAL (HK) LIMITED at Unit B, 1/F, Lippo Leighton Tower, 103 Leighton Road, Causeway Bay, Hong Kong as its authorised agent to receive service of process in any Proceedings in Hong Kong based on any of the Bonds, the Guarantee, the Trust Deed or the Agency Agreement. If for any reason the Issuer or the Guarantor, as the case may be, ceases to have such an agent in Hong Kong, it will promptly appoint a substitute process agent and shall notify the Trustee of such replacement within 30 days of such cessation. Nothing herein shall affect the right to serve process in any other manner permitted by law.
- (d) **Waiver of Immunity:** Each of the Issuer and the Guarantor has waived any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and has irrevocably consented to the giving of any relief or issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) or any order or judgment made or given in connection with any Proceedings.

## **USE OF PROCEEDS**

We intend to use the proceeds for repayment of existing debts, replenishing of working capital and general corporate purposes.

## CAPITALISATION AND INDEBTEDNESS

The following table sets forth our consolidated total indebtedness and total capitalisation as at 31 December 2020 on an actual basis and on an adjusted basis to give effect to the issue of the Bonds before deducting the underwriting fees and commissions and other estimated expenses payable in connection with this offering:

	Actual		As adjusted	
	RMB	U.S. \$( <sup>1</sup> )	RMB	U.S. \$( <sup>1</sup> )
<b>Current debt:</b>				
Short-term loan . . . . .	1,160,350,000.00	177,831,417.62	1,160,350,000.00	177,831,417.62
Non-current liabilities due				
within one year . . . . .	4,269,039,006.61	654,258,851.59	4,269,039,006.61	654,258,851.59
Bonds to be issued . . . . .	–	–	358,875,000.00	55,000,000.00
<b>Total current debt . . . . .</b>	<b><u>5,429,389,006.61</u></b>	<b><u>832,090,269.21</u></b>	<b><u>5,788,264,006.61</u></b>	<b><u>887,090,269.21</u></b>
<b>Non-current debt:</b>				
Long-term loan . . . . .	3,216,810,000.00	492,997,701.15	3,216,810,000.00	492,997,701.15
Bonds payable . . . . .	1,915,260,367.14	293,526,493.05	1,915,260,367.14	293,526,493.05
<b>Total non-current debt . . . . .</b>	<b><u>5,132,070,367.14</u></b>	<b><u>786,524,194.20</u></b>	<b><u>5,132,070,367.14</u></b>	<b><u>786,524,194.20</u></b>
<b>Total debt . . . . .</b>	<b><u>10,561,459,373.75</u></b>	<b><u>1,618,614,463.41</u></b>	<b><u>10,920,334,373.75</u></b>	<b><u>1,673,614,463.41</u></b>
<b>Total owners' equity . . . . .</b>	<b><u>7,108,729,201.54</u></b>	<b><u>1,089,460,414.03</u></b>	<b><u>7,108,729,201.54</u></b>	<b><u>1,089,460,414.03</u></b>
<b>Total capitalisation<sup>(2)</sup> . . . . .</b>	<b><u><u>17,670,188,575.29</u></u></b>	<b><u><u>2,708,074,877.44</u></u></b>	<b><u><u>18,029,063,575.29</u></u></b>	<b><u><u>2,763,074,877.44</u></u></b>

*Notes:*

- (1) For convenience only, all translations from Renminbi into U.S. dollars are made at the rate of RMB6.5250 to U.S.\$1.00, based on the noon buying rate as set forth in the H.10 statistical release of the Federal Reserve Bank of New York on 31 December 2020.
- (2) Total capitalisation represents the sum of total debt and total owners' equity.

There has been no material adverse change in our consolidated capitalisation and indebtedness since 31 December 2020.

## DESCRIPTION OF BANK OF JIANGSU

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

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

### OVERVIEW

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

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

### BUSINESS ACTIVITIES

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

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

- **Financial business:** Bank of Jiangsu strives to improve the quality and efficiency of serving the real economy, closely follows the policy guidance, serves the national development strategy,

focuses on key areas, continuously increases support for manufacturing, green industries and other fields, and provides financing services for small, micro and private enterprises. Bank of Jiangsu also vigorously promotes the financial, cash management, e-banking and other businesses in supply chains, creates a “commercial bank + investment bank” model, and provides customized and personalized financial service programs for customers.

- **Retail financial business:** Bank of Jiangsu will continue to optimize customer group management, innovate customer service modes, promote community management and overseas study services, deepen “entrepreneur + investor” services, innovate and establish Yuanrong Entrepreneur College, actively promote family trust services, and use 5G technology to launch remote investment consulting services. In addition, Bank of Jiangsu will cooperate with the comprehensive consumption scenario platform to launch joint credit cards, continuously enrich the credit card product system, launch ETC projects, further promote the application of big data and customer life cycle management, and enhance cross-linkage and accurate marketing capabilities as well as make full use of Internet, big data, artificial intelligence, biology and image recognition technologies, launch mobile banking app 5.0 and direct selling bank 5.0 upgrade version, realize “card-free” business at intelligent counters, open up the dual platforms of “PC+applets”, and continuously expand the ecosystem of online retail application scenarios.
- **Capital Businesses:** Bank of Jiangsu pays close attention to market changes, flexibly adjusts trading strategies, and makes full use of product tools such as repurchase, issuance of inter-bank certificates of deposit, precious metals and foreign exchange derivatives to effectively reduce the cost of liabilities. Bank of Jiangsu has obtained the qualification of bill brokerage business, further demonstrates the advantages of standardized bill business. In addition, by the end of 2019, a total of 2,368 wealth management products were issued, including a series of net worth products such as “Rongxiang”, “Ronghe”, “Rongda” and “Ronghui Cash” designed and issued according to the requirements of the new asset management regulations, with a total raised amount of RMB579.8 billion and the entrusted assets amounted RMB2,519.9 billion.
- **Support System:** In addition, Bank of Jiangsu continues to strengthen the construction of smart operations, strengthen operational risk control to ensure the stable development of various businesses.
- **Financial Science and Technology:** Bank of Jiangsu also puts the “Wisdom” construction at the top of the “four modernizations” strategy, grasps the trend of digital development, closely follows the development and application of cutting-edge technologies, stimulates vitality, enhances momentum, and strives to create a financial science and technology ecosystem.

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

- In January 2019, it won the “Culture Construction Advanced Unit of National Financial System in China” awarded by the Research Association of Ideological and Political Work of China Financial Institutions.
- In January 2019, it won the “Best growth bank in international business” and “Most innovative bank in international business” awarded by Jiangsu Banking Association.
- In February 2019, it was awarded the “Outstanding Contribution Award for the Integration of Informatization and Industrialization in Jiangsu Province” by Jiangsu Development and Reform Commission and Department of Finance of Jiangsu Province. In April 2019, it was awarded the “Advanced Unit of Financial Services for Small and Micro Enterprises in Jiangsu Province” by China Banking and Insurance Regulatory Commission, Jiangsu Office.
- In April 2019, it was selected into Forbes World’s Best Banks List.
- In April 2019, it was awarded the “Best Financial Innovation Award”, “Top Ten Investment Bank Innovation Award”, “Top Ten Consumer Financial Innovation Award”, and “Top Ten Financial Technology Innovation Award” selected by *The Banker* magazine.
- In May 2019, it won the “2019 Jiangsu Financial Innovation Award” awarded by Jiangsu Provincial Department of Finance, Jiangsu Provincial Financial Supervision Bureau, Nanjing Branch of the People’s Bank of China, Jiangsu Banking and Insurance Supervision Bureau, Jiangsu Securities Supervision Bureau, etc.



- In May 2019, in the three rankings of Puyi Standard “Comprehensive Financial Management Ability”, “Risk Control Ability” and “Information Disclosure Standardization”, it ranked first among city commercial banks in the country.
- In June 2019, it ranked 92nd in UK’s *The Banker’s* Global 1000 ranking of banks by Tier 1 capital.
- In July 2019, it won the “Best Inclusive Financial Effectiveness Award” awarded by the China Banking Association.
- In November 2019, it was awarded the “Top 100 Financial Enterprises with Outstanding Brand Power in China” selected by *The Economic Observer* and *Modern Advertising* magazine.
- In November 2019, it was awarded the “Outstanding Corporate Citizen of the Year Award” by *National Business Daily*.
- In November 2019, it was awarded the “Special Contribution Award to Corporate Governance” at the 15th Golden Round Table Award of the Board of Directors of Listed Companies in China by *Directors & Boards* magazine.
- In December 2019, it was awarded the 2019 China Securities Market Golden Steed Award for “Outstanding Service to the Real Economy Award” and “Gold Medal Board Secretary Award” by *Securities Daily*.
- In December 2019, it was awarded the “Best Brand Building Small- and Medium-sized Bank” and “Best Service and High-quality Development Centre Bank” by *Financial Times*.
- In December 2019, it was awarded the “Outstanding Competitiveness Risk Management Bank” by *China Business Journal*.

## FINANCIAL INFORMATION

Copies of Bank of Jiangsu’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 Jiangsu and the Shanghai Stock Exchange at <http://www.jsbchina.cn> and <http://www.sse.com.cn>, respectively. The financial statements of Bank of Jiangsu are not included in and do not form part of this Information Memorandum. The information contained on the websites of Bank of Jiangsu and the Shanghai Stock Exchange is subject to change from time to time. No representation is made by us, the Placing Agents, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers and none of us, the Placing Agents, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers takes any responsibility for any information contained on the websites of Bank of Jiangsu and the Shanghai Stock Exchange.

## **DESCRIPTION OF THE ISSUER**

### **OVERVIEW**

The Issuer is a limited liability company incorporated under the BVI Business Companies Act, 2004 of the British Virgin Islands (BVI Company Number: 2050795). It was incorporated in the British Virgin Islands on 23 December 2020. The Issuer is a wholly-owned subsidiary of the Guarantor. The registered office of the Issuer is at Ritter House, Wickhams Cay II, PO Box 3170, Road Town, Tortola VG1110, British Virgin Islands.

### **BUSINESS ACTIVITY**

The Issuer was established with full capacity to carry on or undertake any business or activity, do any act or enter into any transaction and has full rights, powers and privileges for the above purposes pursuant to the objects and powers set out in its memorandum of association. As at the date of this Information Memorandum, the Issuer does not carry on and has not carried on any business other than entering into arrangements for the issue of the Bonds and the Issuer has no outstanding debt and no contingent liabilities. As at the date of this Information Memorandum, the Issuer has no subsidiaries and no material assets or liabilities.

### **SOLE DIRECTOR**

The sole director of the Issuer is Mr Zhu Yi. The sole director of the Issuer does not hold any shares or options to acquire shares of the Issuer.

### **SHARE CAPITAL**

The Issuer is authorised under its memorandum of association to issue a maximum of 50,000 shares with no par value each of a single class. As at the date of this Information Memorandum, 1 share has been issued and credited as fully paid. No part of the equity securities of the Issuer is listed or dealt on any stock exchange and no listing of or permission to deal in such securities is being or proposed to be sought.

### **FINANCIAL STATEMENTS**

Under British Virgin Islands law, the Issuer is not required to publish condensed or annual financial statements. The Issuer has not published, and does not propose to publish, any financial statements. The Issuer is, however, required to keep proper records and underlying documentation are sufficient to show and explain its transactions and will, at any time, enable its financial position to be determined with reasonable accuracy.

### **LEGAL PROCEEDINGS**

The Issuer is not involved in any litigation or arbitration proceedings, and it is not aware of any pending or threatened action against it.

## DESCRIPTION OF THE GROUP

### OVERVIEW

We are the primary entity for infrastructure construction in the Hongqiao Industrial Park, Taixing City, Jiangsu Province and are wholly-owned by the Taixing SASAC. Since our inception in 2003, we have been primarily engaged in trading, infrastructure construction and construction of compensatory housing for resettled households.

For the years ended 31 December 2018, 2019 and 2020, our total revenue amounted to approximately RMB1,458.39 million, RMB1,272.79 million and RMB1,702.09 million, respectively, and our net profit amounted to approximately RMB216.41 million, RMB151.23 million and RMB210.41 million, respectively.

Set forth below is a summary of our business operations:

- *Trading:* We generally most of our revenue from our trading business segment. For the years ended 31 December 2018, 2019 and 2020, our revenue generated from our trading business segment was approximately RMB993.75 million, RMB796.63 million and RMB1,213.74 million, respectively, representing approximately 68.14 per cent., 62.59 per cent. and 71.31 per cent. of our total revenue, respectively.
- *Infrastructure Construction:* Our infrastructure construction business mainly includes bridge, facilities and road constructions and sewage treatment. For the years ended 31 December 2018, 2019 and 2020, our revenue generated from the infrastructure construction business was approximately RMB235.16 million, RMB253.33 million and RMB296.17 million, respectively, representing approximately 16.12 per cent., 19.90 per cent. and 17.40 per cent. of our total revenue, respectively.
- *Construction of compensatory housing for resettled households:* We construct compensatory houses for resettled households. We have been entrusted by the Taixing Municipal Government to construct resettlement houses in Hongqiao New Town within the Taixing Hongqiao Industrial Park. For the years ended 31 December 2018, 2019 and 2020, our revenue generated from the construction of compensatory housing for resettled households was approximately RMB229.29 million, RMB222.21 million and RMB185.29 million, respectively, representing approximately 15.72 per cent., 17.46 per cent. and 10.89 per cent. of our total revenue, respectively.
- *Other Businesses:* We also engaged into guarantee business, property management and leasing and miscellaneous businesses. For the years ended 31 December 2018, 2019 and 2020, our revenue generated from other businesses was approximately RMB0.20 million, RMB0.62 million and RMB6.89 million, respectively, representing approximately 0.01 per cent., 0.05 per cent. and 0.40 per cent. of our total revenue, respectively.

As the primary entity for infrastructure construction in the Hongqiao Industrial Park and a company wholly-owned by the Taixing SASAC, we have received strong governmental support from the Taixing SASAC and the Taixing Municipal Government. We believe that we are well positioned to leverage the favourable geographic location and the growing demand for urban planning of the Hongqiao Industrial Park as well as strong government support, which was the key to our success and will be the foundation for our future growth. We aim to maintain our prominent position as the primary entity for infrastructure construction in the Hongqiao Industrial Park while at the same time further diversify our business portfolio to explore new drives for our growth.

## COMPETITIVE STRENGTHS

We believe that the following strengths are important to our success and future development:

### **The primary entity to conduct infrastructure construction in the Hongqiao Industrial Park with strong local governmental support.**

We are the primary entity for infrastructure construction in the Hongqiao Industrial Park and a company wholly-owned by the Taixing SASAC. Since our inception in 2003, we have received strong governmental support from the Taixing SASAC, the Taixing Municipal Government and the Hongqiao Industrial Park Management Committee. We benefit from such support from the Taixing Municipal Government and the Hongqiao Industrial Park Management Committee. As the primary entity for infrastructure construction in the Hongqiao Industrial Park, we have conducted substantial infrastructure construction projects, including bridge, school, hospital and road constructions and sewage treatment projects in the Hongqiao Industrial Park.

We believe that we will continue to benefit from our role as the primary entity for infrastructure construction in the Hongqiao Industrial Park with strong government support from the Taixing Municipal Government, which has been and will continue to be the key to our success and the foundation for our future growth.

### **Well positioned to leverage the favourable geographic location and the growing demand for infrastructure construction in the Hongqiao Industrial Park.**

Taixing City is a county-level city under the jurisdiction of Taizhou City, Jiangsu Province, located in the lower reaches of the Yangtze River, bordering the prefecture-level cities of Nantong to the east, Changzhou to the southwest and Zhenjiang to the west. Taixing City is one of the most active and fastest developing regions in Jiangsu province. Taixing City constitutes a substantial part of the Yangtze River Delta economic sector and is within the two-hour metropolitan area of both Shanghai and Nanjing. Taixing City is directly connected to Xin-Chang Rail Line, which is connected to Hu-Ning Rail Line, Zhe-Gan Rail Line, Ning-Qi Rail Line and Long-Hai Rail Line.

Hongqiao Industrial Park is a provincial-level industrial zone established in January 2009, which is a key part of Hongqiao Town with a plan of an integration of “industrialization and urbanisation”. Hongqiao Town is one of the major developing towns in Taizhou City. The core area of Hongqiao Town is five square kilometres with two residential areas, four industrial functional areas and business zones. Hongqiao Industrial Park produces more than 1,000 types of industrial products. Hongqiao Town and Hongqiao Industrial Park have attracted more than 30 major projects with a total investment of RMB116 billion. Hongqiao Town was selected as a “National Comprehensive Strength 1000 Strong Town” (全國綜合實力千強鎮) in 2019, a national civilized town (全國文明村鎮) between 2016 and 2018 as well as a national ecological town (國家級生態鎮).

As the primary entity for infrastructure construction in the Hongqiao Industrial Park, we believe that we are well positioned to benefit from the favourable geographic location and the growing demand for infrastructure construction in the Hongqiao Industrial Park.

### **Diversified business sectors to provide synergy services and products.**

Our business operations contain a variety of business segments, primarily consisting of trading, infrastructure construction and construction of compensatory housings. We have developed this diversified and synergetic business portfolio to provide one-stop solutions to meet the demand of our major customer, the Hongqiao Industrial Park Management Committee.

On the one hand, we provide infrastructure construction services including the constructions of bridge, facilities and roads and sewage treatment to meet the urban planning needs of the Hongqiao Industrial Park, which would in turn help the Hongqiao Industrial Park to attract high-level talent teams and high-end enterprises. On the other hand, we participate in the economic development of the Hongqiao Industrial Park by conducting our trading businesses in the Hongqiao Industrial Park. We believe that our diversified and synergetic business portfolio will enable us to generate stable revenue and continuously grow with the Hongqiao Industrial Park.

### **Diversified source of financing and sound relationships with financing institutions.**

We have established a good reputation and built a strong and long term relationship with a number of commercial banks and financial institutions, including Bank of China, Industrial and Commercial Bank of China, China Minsheng Bank, Agricultural Development Bank of China, China Construction Bank, China Citic Bank, Bank of Jiangsu, and Bank of Nanjing. The sound relationship with financial institutions has allowed us to have strong financing capabilities and smooth financing channels. In addition, we have successfully raised capital by issuing corporate bonds, private bonds, short-term financing paper and medium-term notes in the PRC capital market.

We believe that our strong financing capability will provide an adequate funding source to contribute towards the repayment of our debt and fuel the expansion of our business. Through comprehensive and prudent budget and financial management, we believe that we will be able to effectively reduce our financing costs.

### **Dedicated senior management with extensive experience in corporate management.**

Our senior management team and key operating personnel have on average over 10 years of experience in the business operations, with strong experience in construction, operations, finance and accounting in various industries. Furthermore, our senior management is highly experienced in collaborating with various levels of the PRC government, particularly the Taixing Municipal Government, on various projects which are of strategic value to us. A number of directors, supervisors and senior management have previously served as senior officials within various state-owned enterprises and government departments of the PRC. Their understanding of the regulatory framework and government policies play a significant role in the development of our business. See “*Directors, Supervisors and Senior Management of the Group*” for further information.

## **BUSINESS STRATEGIES**

We aim to maintain our prominent position as the primary entity for infrastructure construction in the Hongqiao Industrial Park while at the same time further diversify our business portfolio. With the business philosophy of operating and developing our businesses with profitability, sustainability and diversity, we intend to focus on the following business strategies:

### **Continue to focus on trading and infrastructure construction business and optimize our business resource allocation to enhance our position as the primary entity for infrastructure construction in the Hongqiao Industrial Park.**

As the primary entity for infrastructure construction in the Hongqiao Industrial Park with strong governmental support, we will continue to focus on trading and infrastructure construction business in the Hongqiao Industrial Park. We plan to integrate more high-quality resources in the Hongqiao Industrial Park to further develop and construct the industrial park under the guidance of the Taixing City master plan and the Yangtze River development master plan. We believe that by continuing to focus on the trading and infrastructure construction business and optimizing our business resources allocation, we will be able to maintain and enhance our position as the primary entity for infrastructure construction in the Hongqiao Industrial Park.

### **Continue to develop various industrial park-based value-added services to meet customer needs and add new drives for our revenue growth.**

In addition to continuing our principal businesses of trading, infrastructure construction and construction of compensatory housing for resettled households, we aim to meet the Taixing Hongqiao Industrial Park Management Committee’s evolving development needs by further diversifying our business portfolio and continue to develop various value-added services. We believe that diversifying our business operations and offering value added services would help to grow our existing businesses and increase our revenue by creating new growth drivers for us.

## Continue to diversify our financing channels.

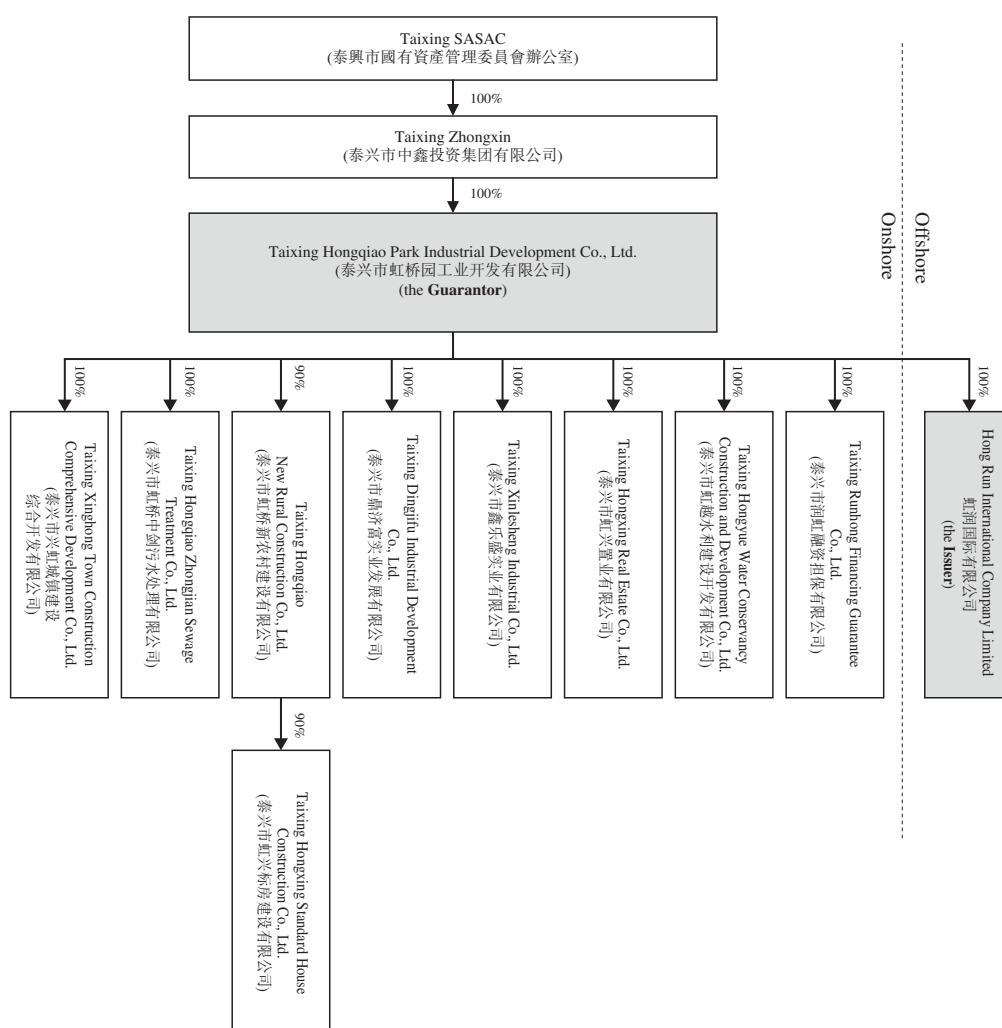
We have funded our business operations and working capital by, or is in the process of applying for, various financing instruments, including bank loans, private placement notes, corporate bonds, financial leasing, trusts, medium-term notes, as well as other financing tools. We plan to further expand our financing channels into issuance of perpetual bonds, asset-backed securities as well as overseas bonds. We aim to lower the cost of capital by adopting comprehensive budgeting, exercising prudent control over the costs and exploring and implementing the strategy of diversified financing.

## Enhance our management capabilities, improve internal corporate governance and optimise the structure of our talent pool.

High calibre personnel are the foundation of our success. We plan to retain more high calibre talent in management, trading, construction and other businesses. In addition, we plan to further improve our operational efficiency by improving our internal corporate governance structure, our market analysis capabilities and professional level of investment and financing. We will continue to implement and enhance our financial management system with well-defined policies and procedures, including a stringent financial reporting and control system that emphasises centralized management and administration, consistent control policies and full compliance with legal and regulatory requirements. We also plan to continue our cooperation with enterprises in Taixing and other cities in Jiangsu Province to further improve our human resource development and provide strong support for our future development.

## GROUP STRUCTURE

The following chart presents our simplified corporate structure reflecting our material subsidiaries as of 31 March 2021:



## HISTORY AND DEVELOPMENT

We were established in March 2003 with an initial registered capital of RMB10 million. As of the date of this Information Memorandum, our registered capital is RMB2.5 billion.

The following table sets out the milestone events since our inception:

2003	Hongqiao Industrial Park Development Co., Ltd. (泰兴市虹桥园工业开发有限公司) was established with an initial registered capital of RMB10 million by Taixing City Qixu Town Rural Collective Asset Management Committee (泰興市七圩鎮農村集體資產管理委員會), Dong Jiandong (董劍東) and Zhang Lixin (張立新).
2008	Two of our shareholders, Dong Jiandong (董劍東) and Zhang Lixin (張立新) transferred the equity interest they held in our company to Taixing City Qixu Town Rural Collective Asset Management Committee (泰興市七圩鎮農村集體資產管理委員會).  After the transfer, Taixing City Qixu Town Rural Collective Asset Management Committee (泰興市七圩鎮農村集體資產管理委員會) held 100% of our equity.  Our shareholder, Taixing City Qixu Town Rural Collective Asset Management Committee (泰興市七圩鎮農村集體資產管理委員會), increased our registered capital to RMB50 million.
2009	Our shareholder, Taixing City Qixu Town Rural Collective Asset Management Committee (泰興市七圩鎮農村集體資產管理委員會), increased our registered capital RMB80 million.
2009	Our shareholder, Taixing City Qixu Town Rural Collective Asset Management Committee (泰興市七圩鎮農村集體資產管理委員會), increased our registered capital to RMB100 million.
2011	All of our equity interest was transferred to Taixing Hongqiao Town Water Station (泰興市虹橋鎮水利站), a public institution affiliated to Taixing Water Bureau (泰興市水務局). Taixing Hongqiao Town Water Station (泰興市虹橋鎮水利站) then increased our registered capital to RMB160 million.
2011	Our shareholder, Taixing Hongqiao Town Water Station (泰興市虹橋鎮水利站), increased our registered capital to RMB200 million.
2013	All of our equity interest was transferred to Taixing Municipal Government.
2017	Our shareholder, Taixing Municipal Government, increased our registered capital to RMB500 million.
2019	Our registered capital was increased to RMB2 billion.  Our shareholder, Taixing Municipal Government, transferred all our equities to Taixing Zhongxin.
2020	Our registered capital was increased to RMB2.5 billion.

## DESCRIPTION OF OUR BUSINESS

### Overview

We are the primary entity for infrastructure construction in the Hongqiao Industrial Park, Taixing City, Jiangsu Province. We have been primarily engaged in trading, infrastructure construction and construction of compensatory housing for resettled households. For the years ended 31 December 2018, 2019 and 2020, our revenue amounted to approximately RMB1,458.39 million, RMB1,272.79 million and RMB1,702.09 million, respectively. The following table sets forth a breakdown of revenue generated by each business segment and absolute percentage of the total revenue for the periods indicated:

	Year ended 31 December					
	2018		2019		2020	
	Amount (audited)	Per cent. of total	Amount (audited)	Per cent. of total	Amount (audited)	Per cent. of total
	<i>(RMB in million, except for percentages)</i>					
Trading . . . . .	993.75	68.14	796.63	62.59	1,213.74	71.31
Infrastructure construction . . . . .	235.16	16.12	253.33	19.90	296.17	17.40
Construction of compensatory housing for resettled households . . . . .	229.29	15.72	222.21	17.46	185.29	10.89
Other Businesses <sup>(1)</sup> . . . . .	0.20	0.01	0.62	0.05	6.89	0.40
<b>Total . . . . .</b>	<b>1,458.39</b>	<b>100.00</b>	<b>1,272.79</b>	<b>100.00</b>	<b>1,702.09</b>	<b>100.00</b>

Note:

(1) including guarantee business, sewage treatment, property management and miscellaneous business.

### Trading

We derive our revenue primarily from our trading business segment. For the years ended 31 December 2018, 2019 and 2020, our revenue generated from our trading business segment was approximately RMB993.75 million, RMB796.63 million and RMB1,213.74 million, respectively, representing approximately 68.14 per cent., 62.59 per cent. and 71.31 per cent. of our total revenue, respectively.

We conduct our trading business mainly under a “demand - driven” business model, where procurement is based on actual downstream buyer demand rather than a forecast. We enter into procurement contracts with selected suppliers to acquire raw materials at desired prices, and enter into contracts with downstream buyers for the sale of the raw materials. Our main suppliers and customers are mainly domestic companies and we have established a stable and cooperative relationship with our suppliers and customers. We usually select our suppliers based on their products quality, price, creditworthiness and operational conditions before entering into business relations in order to minimize counterparty risks. We generate profits from the price differentials between the procurement contracts and sale contracts.

We have adaptability in developing our trading business to meet the market demands. The types of trading products, our downstream buyers and our suppliers change with the changes in the general trade market and the improvement of our sales capabilities. Prior to 2019, our main trading product was coal. Since 2019, our main trading products include electrolytic copper, copper rod and ethylene glycol.

For the year ended 31 December 2019, the revenue generated from trading of ethylene glycol and electrolytic copper accounted for 35.85 per cent. and 56.87 per cent., respectively of the total revenue from our trading business.



The following table sets forth the information of the purchase and sale of our major trading products in 2019:

<u>Trading Products</u>	<u>Purchaser Volume</u>	<u>Purchaser Unit Price</u>	<u>Purchase Cost</u>	<u>Percentage</u>	<u>Sales Volume</u>	<u>Sales Unit Price</u>	<u>Sales revenue</u>	<u>Percentage</u>
	(ton)	(RMB/ton)	(RMB in million)	(%)	(ton)	(RMB/ton)	(RMB in million)	(%)
Copper rod . . . . .	1,207.07	47,688.10	57.56	7.26	1,206.97	48,088.31	58.04	7.29
Electrolytic copper . . . . .	9,602.51	46,874.57	450.11	56.78	9,601.69	47,179.99	453.00	56.87
Ethylene glycol . . . . .	45,143.69	6,312.99	284.99	35.95	45,139.82	6,326.61	285.58	35.85
<b>Total . . . . .</b>	<b>55,953.27</b>		<b>792.66</b>	<b>100.00</b>	<b>55,948.47</b>		<b>796.63</b>	<b>100.00</b>

### Infrastructure Construction

Infrastructure construction has been our core business since our inception. Our infrastructure construction business projects include bridge, facilities and road constructions and sewage treatment projects. For the years ended 31 December 2018, 2019 and 2020, our revenue generated from the infrastructure construction business was approximately RMB235.16 million, RMB253.33 million and RMB296.17 million, respectively, representing approximately 16.12 per cent., 19.90 per cent. and 17.40 per cent. of our total revenue, respectively.

#### Business model

We are the primary entity for infrastructure construction in the Hongqiao Industrial Park and we were entrusted by the Taixing Municipal Government to conduct construction projects, such as bridge, facilities and road constructions and sewage treatment projects. The facilities we construct primarily include schools and hospitals. We are responsible for the investment and financing of the construction projects and engage third-party construction companies to carry out the construction work. We are responsible for the supervision of the whole construction process and will monitor the quality, on-site safety and the progress of the projects during the construction to ensure the projects will comply with the current national standards and the requirements of the entrusting parties. Upon completion or partial completion of the designated projects, the entrusting party will repurchase the projects. The repurchase period is usually within two years depending on the total investment of the projects and the funding arrangement of the entrusting party. We generally receive a 20 per cent. return on our total investment.

#### Completed Projects

We have completed 22 main projects, and the following table shows the detailed information of these main projects.

<u>No.</u>	<u>Project</u>	<u>Total Estimated Investment Amount</u>	<u>Invested Amount</u>
		(RMB in '000)	(RMB in '000)
1.	Yangjiang Road Project (沿江大道道路工程)	170,000	170,000
2.	Ergang West Road (二港西路)	2,238	2,238
3.	Hongqiao Road (虹橋大道)	72,465	72,465
4.	Hongqiao East Road (虹橋東路)	1,135	1,135
5.	Hongqiao Public Security Bureau (虹橋公安分局)	2,862	2,862
6.	Hongqiao New Town Commercial Center (虹橋新城商業中心地塊)	3,039	3,039
7.	Hongqiao New Village Bridge (虹橋新村橋樑裝飾)	1,121	1,121
8.	Hongqiao Kindergarten (虹橋幼兒園)	1,023	1,023
9.	Liuwei Gang Road (六圩港路)	7,935	7,935

No.	Project	Total Estimated Investment Amount	Invested Amount
		(RMB in '000)	(RMB in '000)
10.	Luchao Wall Project (蘆潮港擋土牆工程)	629	629
11.	Pilu Greening Project (毗盧綠化工程)	1,140	1,140
12.	Sanqiao Harbour (三橋港內港池)	20	20
13.	Shangtong Road (上同路)	3,441	3,441
14.	Shengzhong Machinery Equipment Manufacturing Co. Ltd (盛中機械設備製造有限公司)	1,200	1,200
15.	Taichang Line Greening Project (泰常線綠化工程)	826	826
16.	Tengfei Road (騰飛路)	10,132	10,132
17.	Tongde Road West (同德路西延)	8,527	8,527
18.	Wanqing Liangtian Resettlement Pile Foundation Project (萬頃良田安置區樁基工程)	4,536	4,536
19.	Wangqing Liangtian and Tongde Resettlement Area Compensatory Housing Project Phase 1 (萬頃良田和同德安置小區一期安置房掃尾工程)	540	540
20.	Sewage Treatment Projects (污水處理項目)	43,721	43,721
21.	Xinhai Road Project (鑫海路道路工程)	21,653	21,653
22.	Shuangyue Road Project (雙越路道路工程)	7,715	7,715

### *Projects under Construction*

As at 31 December 2020, we had nine projects in progress, the following table shows the detailed information of these projects:

No.	Project	Total Estimated Investment Amount	Invested Amount
		(RMB '000)	(RMB '000)
1.	School and Hospital Projects (學校、醫院項目)	350,000	289,669
2.	Shuangyue Road Project (雙越路項目)	63,176	10,441
3.	Taichang Road Construction (泰常路道路工程)	30,000	11,410
4.	Changhong Road Construction (長虹路道路工程)	11,241	8,151
5.	Taixing Hongqiao Logistic Zone Phase 1 Construction Project (泰興市虹橋物流園一期工程建設項目)	1,551,328	10,200
6.	Hongqiao New Town Road Construction (虹橋新城道路建設)	200,000	51,058
7.	Municipal Construction Project (市政建設項目)	250,000	41,634
8.	Hongqiao Start-Up Area Project (虹橋啟動區項目)	183,500	105,967
9.	Hongqiao Avenue West-part Project (虹橋大道西段項目)	68,500	18,027

### **Construction of Compensatory Housing for Resettled Households**

We were entrusted by Taixing Municipal Government to construct compensatory houses for resettled households in Hongqiao New Town, which is a part of the Hongqiao Industrial Park. For the years ended 31 December 2018, 2019 and 2020, our revenue generated from the construction of compensatory housing for resettled households was approximately RMB229.29 million, RMB222.21 million and RMB185.29 million, respectively, representing approximately 15.72 per cent., 17.46 per cent. and 10.89 per cent. of our total revenue, respectively.

### ***Business model***

In order to meet the needs of the urban development in the Hongqiao Industrial Park, the Taixing Municipal Government has entrusted us to construct compensatory housing projects in Hongqiao New Town. We are responsible for the investment and financing of the compensatory housing projects and engage third-party construction companies to carry out the construction work. We are responsible for the supervision of the whole construction process and will monitor the quality, on-site safety and the progress of the projects during the construction to ensure the projects will comply with the current national standards and the requirements of the entrusting parties. Upon completion or partial completion of the designated projects, the entrusting party will repurchase the projects. The repurchase period is usually within three years depending on the total investment of the projects and the fund arrangement of the entrusting party. We generally receive a 20 per cent. return on our total investment.

### ***Completed Projects***

We have completed four resettlement housing development projects, the following table shows the detailed information of these projects:

<b>No.</b>	<b>Project</b>	<b>Total Estimated Investment Amount</b>	<b>Invested Amount</b>
		<i>(RMB in '000)</i>	<i>(RMB in '000)</i>
1.	Tongde resettlement (同德安置小區)	223,665	223,665
2.	Wanqing Liangtian resettlement phase 1 (萬頃良田安置小區一期)	93,126	93,126
3.	Hongxing Huayuan resettlement (虹興華苑安置小區項目工程)	103,233	103,233
4.	Sihai Jiayuan resettlement (四海家園安置小區項目工程)	731,485	731,485

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

As at 31 December 2020, we had two projects in progress, the following table shows the detailed information of these projects:

<b>No.</b>	<b>Project</b>	<b>Total Estimated Investment Amount</b>	<b>Invested Amount</b>
		<i>(RMB '000)</i>	<i>(RMB '000)</i>
1.	Hongqiao New Town Project (虹橋新城項目)	771,030	517,566
2.	Wanqing Liangtian resettlement phase 2 (萬頃良田安置小區二期)	280,000	98,386

### ***Other Businesses***

We also engaged into guarantee business, sewage treatment, property management and leasing and miscellaneous businesses. We engaged in the sewage treatment business through our wholly-owned subsidiary, Taixing Hongqiao Zhongjian Sewage Treatment Co., Ltd. (泰興市虹橋中劍污水處理有限公司), a company mainly responsible for the construction and operation of sewage treatment facilities. For the years ended 31 December 2018, 2019 and 2020, our revenue generated from other businesses was approximately RMB0.20 million, RMB0.62 million and RMB6.89 million, respectively, representing approximately 0.01 per cent., 0.05 per cent. and 0.40 per cent. of our total revenue, respectively.

## **ENVIRONMENT MATTERS**

We are 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. We believe that we are in compliance in all material respects with applicable environmental laws and regulations. As at the date of this Information Memorandum, we are not aware of any material environmental proceedings or investigations to which we are or might become a party.

## **INSURANCE**

We maintain insurance policies, which we believe to be consistent with the relevant law and industry and business practice in the PRC. We also purchase pension insurance, unemployment insurance and medical insurance for our employees according to the relevant PRC laws and regulations. We maintain insurance coverage in the types which we believe are commensurate with its risk of loss and industry practice. Consistent with what we believe to be customary practice in the PRC, we do not carry any business interruption insurance, key-man insurance or insurance covering potential environmental damage claims. Such insurance is not mandatory under the laws and regulations of the PRC, and such insurance is either unavailable in the PRC or requires substantial cost.

## **EMPLOYEES**

As at 31 December 2020, we had around 45 full-time employees. In accordance with the applicable regulations of local governments in regions where we have business operations, we make contributions to the pension contribution plan, medical insurance, unemployment insurance, maternity insurance and personal injury insurance. The amount of contributions is based on the specified percentages of employees' aggregate salaries as required by relevant PRC authorities. We also make contributions to an employee housing fund according to applicable PRC regulations. In addition to statutory contributions, we provide annual bonuses to employees. We enter into an employment contract with each of our employees in accordance with applicable PRC laws. Such contracts include provisions on wages, vacation, employee benefits, training programmes, health and safety, confidentiality obligations and grounds for termination.

## **LEGAL PROCEEDINGS**

From time to time, we, together with our subsidiaries, may be involved in legal proceedings or other disputes in the ordinary course of our business. As at the date of this Information Memorandum, we are not aware of any material legal proceedings, claims, disputes, penalties or liabilities currently pending or threatened against us that may have a material adverse impact on our business, financial condition or results of operations.

## PRC LAWS AND REGULATION

*This section summarises the principal PRC laws and regulations which are relevant to our 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 our business and operations.*

### MAIN REGULATORY AUTHORITIES AND CONTENTS OF SUPERVISION

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

- Ministry of Housing and Urban-Rural Development of the People's Republic of China (the "MOHURD") (formerly Ministry of Construction of the People's Republic of China, the "MOC") and the competent local departments of MOHURD at various levels are responsible for the comprehensive supervision over the construction industry as well as the real estate development qualifications. Such management mainly includes: management on the competency and qualification of market players, approval and verification of the qualifications of various construction enterprises for access to market, examination and approval of occupational qualifications of individuals in the construction industry, supervision over and management on construction projects, and establishment of industrial standards, etc.
- Ministry of Transport of the People's Republic of China (the "MOT") and the competent local departments of MOT at various levels are responsible for the construction projects of ports and highways nationwide.
- National Railway Administration of the People's Republic of China (formerly Ministry of Railways, the "MOR") and the competent local departments of MOR at various levels are responsible for the railway construction projects nationwide.
- NDRC and the local development and reform commissions at various levels are responsible for the investment planning, examination and approval of city infrastructure construction projects.
- Ministry of Ecology and Environment of the People's Republic of China (former Ministry of Environmental Protection) and the competent local departments of environmental protection at various levels are responsible for the environmental protection management of construction projects.

### OTHER MAJOR LAWS AND REGULATIONS

#### Regulation on Fiscal Debts of Local Governments

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

On 21 September 2014, Several Opinions of the State Council on Strengthening the Administration of Local Government Debts (國務院關於加強地方政府性債務管理的意見) (the "Circular 43") was

promulgated by the State Council. Circular 43 aims at regulating financing system of local government and the three channels are presented. In accordance with Circular 43, financing platforms shall no longer serve the fiscal financing functions nor incur new government debts. Public interest projects may be funded by the government through issuing government bonds, since the new Budget Law of the PRC (中華人民共和國預算法), which took effect on 1 January 2015 and was amended on 29 December 2018, empowers local governments to issue government bonds, and public interest projects with income generated, such as city infrastructure construction, may be operated independently by social investors or jointly by the government and social investors through the establishment of special purpose companies. Social investors or such special purpose companies shall invest in accordance with market-oriented principles and may be funded by, among other market-oriented approaches, bank loans, enterprise bonds, project revenue bonds and asset-backed securitisation. Social investors or the special purpose companies shall bear the obligation to pay off such debts and the government shall not be liable for any of the social investors' or special purpose companies' debts. Circular 43 also sets forth the general principles of dealing with existing debts of financing platforms. Based on the auditing results of such debts run by the local governments, the existing debts that should be repaid by the local governments shall be identified, reported to State Council for approval, and then included in the budget plan of local governments.

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

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

1. *Support stock financing needs for projects under construction.* Local governments at all levels and banking financial institutions shall ensure the orderly development of projects under construction. For the loans to the projects under construction of financing platform companies, if the loan contracts with legal effect have been signed before 31 December 2014 and the loans have been granted but the contracts have not yet expired, banking financial institutions shall, under the premise of fully controlling risks and implementing credit conditions, continue to grant loans as agreed in the contracts, and shall not blindly call in loans in advance, delay or suspend the granting of loans.
2. *Regulate increment financing for projects under construction.* Local governments at all levels shall pay close attention to the increment financing needs which are expected to be given fiscal support for the projects under construction of the financing platform companies, and shall, under the premise of compliance with laws and regulations and standard administration, make overall arrangements for various kinds of capitals such as fiscal capital and social capital and ensure the continuation and completion of projects under construction. For the projects under construction of financing platform companies for which the loan amount in the contracts that have been signed fails to meet the construction needs, if it is suitable for them to adopt government and social capital cooperation mode, they shall prioritise such mode to make up the needs. And if they are in compliance with the relevant state provisions without any other funding sources for construction, but temporarily the government and social capital cooperation mode is not suitable, the increment financing needs shall be incorporated into government budget management and solved through issuing government bonds by local governments as required by laws and relevant regulations.
3. *Administer in an effective and proper manner follow-up financing for projects under construction.* Banking financial institutions shall carefully check the destinations of the loans, and focus on supporting the projects under construction of financing platform companies in respects such as farmland water conservancy facilities, affordable housing projects and urban railway systems.
4. *Improve supporting measures.* Under the premise of ensuring fiscal expenditure needs, in the regions where there are corresponding amount of government bonds issuance and where the treasury balances exceed the treasury payment for one and a half months, the local financial departments are allowed to, within the limit of the amount of government bonds issuance, make

more efforts to effectively use the stock of fiscal funds in the previous years and use the surplus amount of the treasury for capital flow before government bond issuance, so as to address the time difference between the financing for projects under construction and government bonds issuance.

## **Laws and Regulations Relating to Importation and Exportation of Goods**

Pursuant to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》), which was promulgated on 12 May 1994 and last amended on 7 November 2016, and the Measures for the Record-keeping and Registration by Foreign Trade Dealers (《對外貿易經營者備案登記辦法》) (the “**Record-keeping and Registration Measures**”), which was promulgated on 25 June 2004 and came into effect on 1 July in the same year, foreign trade dealers who are engaged in the import or export of goods or technologies shall register with the Ministry of Commerce or its authorized bodies unless such registration is not required under the laws and administrative regulations and/or by the Ministry of Commerce.

Pursuant to the Administrative Provisions for the Registration of Customs Declaration Entities by the PRC Customs Authorities (《中華人民共和國海關報關單位註冊登記管理規定》), which was promulgated on 13 March 2014 and last amended on 29 May 2018, “consignor or consignee of export or import goods” means any legal person, other organisation or individual that directly imports or exports goods within the territory of the PRC. Consignors or consignees of import or export goods shall go through registration formalities with their local Customs authorities in accordance with the applicable provisions. After completing the registration formalities with Customs authorities, consignors or consignees of import or export goods may handle their own declarations at any customs port or any locality where customs supervisory affairs are concentrated within the customs territory of the PRC. Also, a PRC Customs Declaration Registration Certificate for Consignor or Consignee of Import or Export Goods shall be valid for a period of two years.

Pursuant to the Customs Law of the PRC\* (中華人民共和國海關法) promulgated by the Standing Committee of the NPC on 22 January 1987 and amended on 8 July 2000, 29 June 2013, 28 December 2013 and 4 November 2017 and related regulations, unless otherwise stipulated the declaration of import and export goods may be made by consignees and consignors themselves, and such formalities may also be completed by their entrusted PRC Customs brokers that have registered with the PRC Customs. The consignees and consignors for import or export goods and the PRC Customs brokers engaged in the PRC Customs declaration shall register with the PRC Customs, and no enterprises or persons can make declarations without registering with the PRC Customs or obtaining the relevant qualifications for declaration in accordance with the law.

Principal regulations on the inspection of import and export commodities are set out in the Law of the PRC on Import and Export Commodity Inspection\* (中華人民共和國進出口商品檢驗法) promulgated by the Standing Committee of the NPC on 21 February 1989 and last amended on 27 April 2018 and its implementation rules. According to the aforesaid law and its implementation regulations, the Administration of Quality Supervision, Inspection and Quarantine of the PRC\* (中華人民共和國國家質量監督檢驗檢疫總局) (“**AQSIQ**”) shall be in charge of the inspection of import and export commodities throughout the country. The local inspection and quarantine authorities set up by AQSIQ shall be responsible for the inspection of import and export commodities within areas under their jurisdiction. The import and export commodities that are subject to compulsory inspection listed in the catalogue compiled by the state administration shall be inspected by the commodity inspection authorities, and the consignor shall apply to the inspection and quarantine authorities for inspection in the places and within the time limit specified by AQSIQ. No permission shall be granted for the export of export commodities subject to mandatory inspection by the inspection and quarantine authorities until they have been found to be up to standard through inspection. While the import and export commodities that are not subject to statutory inspection shall be subject to random inspection. Consignees and consignors themselves or its entrusted agent may apply for inspection to the commodity inspection authorities.

## **Laws and Regulations Relating to Market Competition, Product Quality and Consumer Right Protection**

### *Anti-Unfair Market Competition*

Competitions among the business operators in the PRC are generally governed by the Anti-Unfair Competition Law of the PRC(《中華人民共和國反不正當競爭法》) (the “**Anti-Unfair Competition Law**”) which was promulgated on 2 September 1993 and as amended on 4 November 2017.

According to the Anti-Unfair Competition Law, corporations, other economic organizations and individuals who are engaging in the trading of goods or profit-making services shall abide by the principles of voluntariness, equality, fairness, honesty and credibility, and observe generally recognised business ethics. Operators shall not conduct acts that damage the lawful rights and interests of other operators or that disturb the socio-economic order. Such acts include, but do not limit to counterfeit, libel, malicious exclusion, commercial bribery and secret infringement.

### ***Product Quality***

Product quality supervision in the PRC is generally governed by the Product Quality Law of the PRC (《中華人民共和國產品質量法》) (the “**Product Quality Law**”), which was promulgated on 22 February 1993 and last amended on 29 December 2018. Producers and sellers shall be liable for product quality in accordance with the Product Quality Law.

Under the Product Quality Law, consumers or other victims who suffer personal injury or property damage due to product defects may claim compensation from the producer as well as the seller. The producer and the seller shall be jointly liable for the compensation. In case of violations of the Product Quality Law, the responsible authorities have the right to impose fines on the violators, order them to suspend operation, and revoke their business licenses. In serious cases, even criminal liability may be incurred.

### **Qualification of Construction Enterprises**

In accordance with the Construction Law of the People’s Republic of China (中華人民共和國建築法) promulgated on 23 April 1997, Regulations on Qualification Management of Construction Enterprises (建築業企業資質管理規定) promulgated by MOHURD on 22 January 2015 which became effective on 1 March 2015 which was amended by MOHURD on 22 December 2018 becoming effective on the same date. Detailed Rules of Regulations on Qualification Management and Implementing Opinions of Qualification Standard of Construction Enterprises (建築業企業資質管理規定和資質標準實施意見) issued by MOHURD on 31 January 2015 and became effective on 1 March 2015 which was amended on 16 January 2020 becoming effective on the same date. Criterion for Qualification of Construction Enterprises (建築業企業資質標準) promulgated by MOHURD on 6 November 2014 which became effective on 1 January 2015 and was recently amended on 14 October 2016 becoming effective on 1 November 2016, and Criterion for Premium Qualification of Construction General Contracting Enterprises (施工總承包企業特級資質標準) issued by MOC on 13 March 2007 and became effective on the same date, Provisions on the Management of Survey and Design Qualification of Construction Projects (建設工程勘察設計資質管理規定) promulgated by MOC on 26 June 2007 which became effective on 1 September 2007 and was amended on 13 September 2016 becoming effective on 20 October 2016, Detailed Rules of Provisions on the Management of Survey and Design Qualification of Construction Projects (建設工程勘察設計資質管理規定實施意見) issued by MOC on 21 August 2007 and became effective on the same date and was amended on 16 June 2016 becoming effective on the same date, Provisions on Qualification Management of Project Supervision Enterprises (工程監理企業資質管理規定) promulgated by MOC on 26 June 2007 and became effective on 1 August 2007 which was recently amended on 22 December 2018 becoming effective on the same date, Detailed Rules of Provisions on Qualification Management of December Project Supervision Enterprises (工程監理企業資質管理規定實施意見) issued by MOC on 31 July 2007 and became effective on the same date which was amended on 16 June 2016 becoming effective on the same date, as well as other relevant laws and regulations, enterprises engaging in the business of construction, survey, design and supervision of construction projects may only carry out construction activities within the scope of their qualification grade certificates.

In accordance with the Regulations on Qualification Management of Construction Enterprises, construction enterprises shall apply for their qualifications according to their assets, professionals, projects completed, and technical equipment. Qualifications of construction enterprises include qualification of general contractor, qualification of professional contractor and qualification of construction labour service.

Any enterprise that has obtained the qualification of a general contractor may enter into a contract to make contracting to the whole project or main works. The enterprise undertaking the general contracting work may carry out the whole construction project by itself or subcontract the work other than the main work or the labour service to other construction enterprises that have requisite qualifications.

Any enterprise that has obtained the qualification of a professional contractor may undertake the professional work subcontracted by the general contractor or the professional work contracted by a



construction unit. A professional contracting enterprise may carry out construction by itself or subcontract the labour service work to a labour service enterprise that has the corresponding qualification.

### **Bidding and Tendering Management**

Bidding and tendering of various construction projects have been provided in the Bidding and Tendering Law of the People's Republic of China (中華人民共和國招標投標法) promulgated by SCNPC on 30 August 1999 which became effective on 1 January 2000 and was amended on 27 December 2017 which became effective on 28 December 2017, Regulation on the Implementation of the Bidding and Tendering Law of the People's Republic of China (中華人民共和國招標投標法實施條例) promulgated by State Council on 20 December 2011 which became effective on 1 February 2012 and was amended respectively on 1 March 2017, 19 March 2018 and 2 March 2019 which became effective on the corresponding same date, Measures for the Construction Bidding and Tendering of Construction Projects (工程建設項目施工招標投標辦法) jointly promulgated by NDRC, MOC, MOR, MOT, Ministry of Information Industry of the People's Republic of China, Ministry of Water Resources of the People's Republic of China, and Civil Aviation Administration of China in 8 March 2003 which became effective on 1 May 2003 and was amended on 11 March 2013 becoming effective on 1 May 2013, Administrative Measures for the Bidding and Tendering of Design of Construction Projects (建設工程設計招標投標管理辦法) issued by MOC on 18 October 2000 and became effective on the same date and was amended on 24 January 2017 becoming effective on 1 May 2017, and Administrative Measures for the Bidding and Tendering of Housing Construction and Municipal Infrastructure Work (房屋建築和市政基礎設施工程施工招標投標管理辦法) issued by MOC on 1 June 2001 and became effective on the same date and was amended on 28 September 2018.

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

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

In accordance with the Bidding and Tendering Law of the People's Republic of China and Measures for the Construction Bidding and Tendering of Construction Projects, if any project that shall undergo bidding as required by law fails to go through the bidding process, or the items subject to bidding are broken up into pieces or the bidding requirement is otherwise evaded, the relevant administrative supervision department shall order rectification within a specified period, and may impose a fine of 0.5 per cent. up to 1 per cent. of the contract amount of the project. For projects using the state-owned funds in whole or in part, the project approval authority may suspend the implementation of the project or suspend the fund appropriation, and impose punishment on the person direct in charge of the entity or other person directly liable. Further, in accordance with the provisions of the Interpretations of the Supreme People's Court on Issues of Law Application during the Trial of Construction Contracts for Building Projects (最高人民法院關於審理建設工程施工合同糾紛案件適用法律問題的解釋) issued by the Supreme People's Court on 25 October and became effective on 1 January 2005, if any project that is required to undergo a bidding process fails to go through the bidding process or the bid award is invalid, the construction contract for building projects shall become invalid.

### **Quality Management**

Laws and regulations on project quality mainly include Construction Law of the People's Republic of China, Regulation on Quality Management of Construction Projects (建設工程質量管理條例) issued by the State Council on 30 January 2000 and became effective on the same date and was amended on 23 April 2019 becoming effective on the same date, 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

became effective on the same date, Measures for the Administration of Quality Warranty Funds of Construction Projects (建設工程質量保證金管理辦法) issued jointly by MOC and MOF on 20 June 2017 and became effective on 1 July 2017, Administrative Measures for Completion Acceptance Record of Building Construction and Municipal Infrastructure Projects (房屋建築和市政基礎設施工程竣工驗收備案管理辦法) issued by MOHURD on 19 October 2009 and became effective on the same date, and Measures for Quality Warranty of Building Construction Projects (房屋建築工程質量保修辦法) issued by MOC on 30 June 2000 and became effective on the same date.

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

### **Work Safety Management**

Major laws and regulations on work safety during the project contracting process include Work Safety Law of the People's Republic of China (中華人民共和國安全生產法) promulgated by SCNPC on 29 June 2002 which became effective on 1 November 2002, and amended on 31 August 2014 which amendment became effective on 1 December 2014, Regulation on Work Safety Management of Construction Projects (建設工程安全生產管理條例) promulgated by State Council on 24 November 2003 which became effective on 1 February 2004, Regulation on Work Safety Licenses (安全生產許可證條例) by State Council on 13 January 2004 and became effective on the same date, and amended on 29 July 2014 which amendment became effective on the same date. Interim Regulation of Penalty and Fine on Regulation on Work Safety Accident Report and Investigation (《生產安全事故報告和調查處理條例》罰款處罰暫行規定) promulgated by State Council on 12 July 2007 which became effective on the same date, and amended on 2 April 2015 which amendment became effective on 1 May 2015, and Administrative Provisions on Work Safety Licenses of Construction Enterprises (建築施工企業安全生產許可證管理規定) issued by MOC on 5 July 2004 and became effective on the same date and amended on 22 January 2015.

In accordance with the Work Safety Law of the People's Republic of China, Regulation on Work Safety Licenses and other related regulations, the state implements the work safety license system to construction enterprises. Any enterprise failing to obtain the work safety license shall not carry out production activities. In accordance with the Regulation on Work Safety Management of Construction Projects, all the building, surveying, designing, construction and supervision units shall be responsible for the work safety of construction projects. For general contracting projects, the general contractor shall assume full responsibility for the work safety of the construction site, and the subcontractor shall be jointly liable for the work safety of the subcontracted portions of work.

### **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 was amended on 29 December 2018 becoming effective on the same date, Administrative Regulations on Environmental Protection of Construction Projects (建設項目環境保護管理條例) issued by State Council on 29 November 1998 and became effective on the same date and was amended on 16 July 2017 becoming effective on 1 October 2017, and Administrative Measures for Environmental Protection Acceptance of Construction Projects upon Completion (建設項目竣工環境保護驗收管理辦法) promulgated by SEPA on 27 December 2001 which became effective on 1 February 2002 and amended on 22 December 2010 which amendment became effective on the same date.

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

## **Environmental Protection**

The Environmental Protection Law (環境保護法), 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 environmental protection department of the State Council supervises environmental protection work in the PRC, and establishes national standards for the discharge of pollutants. Each of the local environmental protection bureaus is responsible for the environmental protection work within their respective jurisdictions.

### ***Air Pollution***

The Air Pollution Prevention Law (大氣污染防治法), promulgated on 29 April 2000 by the Standing Committee of the National People's Congress, which became effective on 1 September 2000, as recently amended on 26 October 2018, establishes the legal framework for air pollution prevention in the PRC. The environmental protection department of the State Council formulates national air quality standards. Each of the local environmental protection bureaus is authorised to regulate air pollution within each of their respective jurisdictions by formulating more specific local standards, and may impose penalties for violation.

### ***Water Pollution***

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

### ***Noise Pollution***

The Noise Pollution Prevention Law (環境噪聲污染防治法), promulgated by the Standing Committee of the National People's Congress on 29 October 1996, which became effective on 1 March 1997, and was amended on 29 December 2018 becoming effective on the same date, 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 recently amended on 29 December 2018 becoming effective on the same date, the Administration Rules on Environmental Protection of Construction Projects (建設項目環境保護管理條例), promulgated by the State Council on 29 November 1998, which became effective on 29 November 1998 and was amended on 16 July 2017 becoming effective on 1 October 2017, and the Measures for the Administration of Examination and Approval of Environmental Protection Facilities of Construction Projects (建設項目竣工環境保護驗收管理辦法), promulgated by the Ministry of Environmental Protection on 27 December 2001, which became effective on 1 February 2002 and was amended on 22 December 2010 becoming effective on the same date, require enterprises planning construction projects to engage qualified professionals to provide assessment reports on the environmental impact of such projects. The assessment report shall be filed with and approved by the relevant environmental protection bureau, prior to the commencement of any construction work. The construction project shall not commence operation, unless inspected and approved by the relevant environmental protection bureau.

## **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 amended on 29 December 2018, the Interim Regulations on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例), promulgated by the State Council on 22 January 1999, which became effective on 22 January 1999 and was 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 recently amended on 24 March 2019, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance, and to housing provident funds. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to pay the outstanding amount within a stipulated time period.

## **REGULATIONS REGARDING OVERSEAS INVESTMENT, FINANCING AND ACQUISITION ACTIVITIES**

### **NDRC Supervision**

According to the Measures for the Administration of Overseas Investment by Enterprises (企業境外投資管理辦法) effective from 1 May 2018, the procedure of approval and filing shall be respectively applied to different overseas investment projects. Specifically, if the investment is related to sensitive countries, regions or industries, the projects shall be subject to the approval of NDRC. Investments other than as specified above shall be subject to the filing with the competent governmental body.

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

Except directly carried out by domestic natural persons, investments to be carried out in Hong Kong, Macau and/or Taiwan shall be governed by the Measures for the Administration of Overseas Investment by Enterprises.

### **MOFCOM Supervision**

The Ministry of Commerce of the PRC (“**MOFCOM**”) issued the new version of the Overseas Investment Administration Rules (境外投資管理辦法) on 6 September 2014, effective from 6 October 2014 (the “**New Overseas Investment Rules**”). Under the New Overseas Investment Rules, a domestic enterprise intending to carry out overseas investment shall report to the competent department of commerce for verification or filing and the competent department of commerce shall, with regard to an enterprise so

verified or filed, issue thereto an Enterprise Overseas Investment Certificate (企業境外投資證書). If two or more enterprises make joint investment to establish an overseas enterprise, the larger (or largest) shareholder shall be responsible for the verification or filing procedure after obtaining written consent of other investing parties.

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

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

Where such filing form is filled out truthfully and completely and complies with the statutory format, and the investing enterprise has declared in such filing form that its overseas investment does not fall within certain circumstances prohibited under the New Overseas Investment Rules, MOFCOM or the provincial department of commerce shall accept the filing and issue the Enterprise Overseas Investment Certificate within three working days upon receipt of such filing form.

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

If an overseas invested company carries out a re-investment activity offshore, the investing enterprise shall report such re-investment activity to MOFCOM or the provincial department of commerce (as the case may be) after the legal process of the investment is completed offshore. The investing enterprise shall complete and print out a copy of the Overseas Chinese-invested Enterprise Re-investment Report Form (境外中資企業再投資報告表) from the Overseas Investment Management System and stamp and submit such form to MOFCOM or the provincial department of commerce.

### **Foreign Exchange Administration**

According to Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) effective from June 1 2015, the banks will review and carry out foreign exchange registration under overseas direct investment directly, and the SAFE and its branches shall implement indirect supervision over foreign exchange registration of direct investment via the banks. The domestic institution may select the banks in the places where they are registered for carrying out foreign exchange registration before proceeding with such operations as opening of the direct investment related account and fund remittance/settlement (including outbound remittance or inbound remittance of profits and dividends).

### **State-owned Assets Supervision**

The Measures for the Financial Management of the Overseas Investments by State-owned Enterprises (國有企業境外投資財務管理辦法) issued on 12 June 2017, effective from 1 August 2017, and Measures for

Implementation of the Administration of the Property Rights Registration of State-Funded Enterprises of Jiangsu Province (江蘇省國家出資企業產權登記管理實施辦法) issued on 9 April 2013 becoming effective on the same date also apply to overseas investment projects.

Where the state-owned enterprises, including the state wholly owned and stated controlled enterprises at all levels, conduct overseas investment through mergers and acquisitions, joint venture, or minority equity investment, they shall, among others, appoint professional agencies with corresponding capability and clear of conflicts of interest to conduct due diligence on the financial risks. Pursuant to the Measures for Implementation of the Administration of the Property Rights Registration of State-Funded Enterprises of Jiangsu Province, state-funded enterprises and the enterprises controlled by state-funded enterprises, and the enterprises into which the foregoing entities made equity investment, including the overseas ones, shall be included into the scope of property rights registration of state-funded enterprises with limited exceptions; the state-funded enterprises shall be responsible for relevant work and file for such registration with the SASAC.

### **Qualification of a Real Estate Developer**

Under the Provisions on Administration of Qualifications of Real Estate Developers (房地產開發企業資質管理規定) promulgated by MOC on 16 November 1993 which became effective on 1 December 1993 and was amended on 29 March 2000 and last amended on 22 December 2018 which amendment became effective on the same date, a real estate developer must apply for a qualification classification certificate. An enterprise may not engage in the development and operation of properties without a qualification classification certificate for real estate development. MOC is in charge of monitoring the qualifications of all real estate developers within the PRC, and local real estate development authorities at or above the county level are in charge of monitoring the qualifications of local real estate developers.

Engagement in real estate development and operation by a developer without obtaining the required provisional or formal qualification certificate, or by overstepping its qualification class, may result in a fine ranging from RMB50,000 to RMB100,000. If the developer fails to rectify within the specified time limit, the authorities shall revoke the qualification certificate, and submit the matters to administrative authorities for industry and commerce for the revocation of the business license. Pursuant to the Provisions on Administration of Qualifications, the qualification of a real estate developer should be annually inspected.

### **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 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, 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, 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, among others, have lowered the eligibility requirements for multinational enterprise groups and increased the cap for net cash inflow. Under the Administrative Provisions on Centralised Operation of Cross-border Funds by Multinational Corporations (跨國公司跨境資金集中運營管理規定) (the “**2019 SAFE Provisions**”) promulgated by SAFE on 15 March 2019 a centralized operation arrangement of cross-border funds for qualified multinational enterprise group

companies is also introduced by SAFE, under which the receipt/payment and netting settlement in various currencies (including Renminbi) for current account items of eligible member companies could be processed on a collective basis. However, since the 2019 SAFE Provisions is relatively new, it will be subject to the interpretation and application by relevant PRC authorities in practice.

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 approval of, and/or registration or filing with, the relevant PRC authorities.

In the past, 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 PBOC, the MOFCOM and the State Administration of Foreign Exchange of the PRC (“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. In addition, the Circular on Reforming 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) which was promulgated on 30 March 2015 becoming effective on 1 July 2015, allows foreign-invested enterprises to settle 100 per cent. (subject to future adjustment at discretion of SAFE) of the foreign currency capital into Renminbi according to their actual operational needs. A negative list with respect to the usage of the capital and the Renminbi proceeds through the aforementioned settlement procedure is set forth under the Circular.

In particular, a foreign invested enterprise with investment as its main business is permitted to use such Renminbi proceeds to make equity contribution to its invested enterprises directly, without further filings with SAFE. On 23 October 2019, SAFE promulgated the Notice of the State Administration of Foreign Exchange on Further Promoting the Facilitation of Cross-border Trade and Investment (國家外匯管理局關於進一步促進跨境貿易投資便利化的通知), which, among others, further allows the foreign invested enterprises which main businesses are not investment to use their foreign currency capital and/or the Renminbi proceeds of their foreign currency capital to make equity investment in PRC.

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 remain 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 securities, financial derivatives, or non-self-use real estate assets, or purchase wealth management products or extend entrusted loans to enterprises outside the group.

Notwithstanding the above, 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.

### ***Cross-Border Security Laws***

On 12 May 2014, the SAFE promulgated the Circular concerning Promulgation of the Foreign Exchange Administration Rules on Cross-Border Guarantees and the Relating Implementation Guidelines (國家外匯管理局關於發布《跨境擔保外匯管理規定》的通知) (collectively, “**Circular 29**”). Circular 29, which came into force on 1 June 2014, replaced 12 other regulations regarding cross-border security and introduces a number of significant changes, including: (i) abolishing prior SAFE approval and quota requirements for cross-border security; (ii) requiring SAFE registration or filing for two specific types of cross-border security only; (iii) removing eligibility requirements for providers of cross-border security; (iv) the validity of any cross-border security agreement is no longer subject to SAFE approval, registration, filing, and any other SAFE administrative requirements; and (v) removing SAFE verification requirement for performance of cross-border security. A cross-border guarantee is a form of security under Circular 29. Circular 29 classifies cross-border security into three types:

- Nei Bao Wai Da (內保外貸) (“**NBWD**”): security/guarantee provided by an onshore security provider for a debt owing by an offshore debtor to an offshore creditor.
- Wai Bao Nei Da (外保內貸) (“**WBND**”): security/guarantee provided by an offshore security provider for a debt owing by an onshore debtor to an onshore creditor.
- Other Types of Cross-border Security (其他形式跨境擔保): any cross-border security guarantee other than NBWD and WBND.

In respect of NBWD, in the case where the onshore security provider is a non-financial institution, it shall conduct a registration of the relevant security/guarantee with SAFE within 15 business days after the execution of the Deed of Guarantee. In the event of changes to the major clauses of the Deed of Guarantee, it shall conduct a change registration for the relevant security/guarantee. According to Circular 29, the funds borrowed offshore shall not be directly or indirectly repatriated to or used onshore by means of loans, equity investments or securities investments without SAFE approval. According to Circular of the State Administration of Foreign Exchange on Further Advancing Foreign Exchange Administration Reform to Enhance Authenticity and Compliance Reviews (國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知) issued by the SAFE on 26 January 2017 which became effective on the same date, funds for overseas loans under domestic guarantees are allowed to be repatriated into the PRC for domestic use. Debtors can repatriate, directly or indirectly, the funds under guarantees for domestic use through issuing loans to or equity participation in domestic institutions. Further, according to the Policy Q&As (Issue II) on the Circular of the State Administration of Foreign Exchange on Further Advancing the Reform of Foreign Exchange Administration and Improving Examination of Authenticity and Compliance (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》政策問答(第二期)) issued by the SAFE on 27 April 2017 which became effective on the same date, in the case where the offshore debtor transfers the funds borrowed offshore by means of foreign loans onshore, the onshore borrower shall meet the relevant requirements for foreign debt administration and control the scale of funds repatriated according to the relevant requirements of the mode of macro-prudential management of full-covered cross-border financing or the mode required in the Administration Measures for Registration of Foreign Debts. In the case where the offshore debtor transfers the funds by means of equity investment onshore, it shall meet the requirements from the competent authorities in the area of foreign direct investment.

Upon enforcement, the onshore security provider can pay to the offshore creditor directly (by effecting remittance through an onshore bank) where the NBWD has been registered with SAFE. In addition, if any onshore security provider under a NBWD provides any security or guarantee for an offshore bond issuance, the offshore issuer’s equity shares must be fully or partially held directly or indirectly by the onshore security provider. Moreover, the proceeds from any such offshore bond issuance must be applied towards the offshore project (s), where an onshore entity holds equity interest, and in respect of which the related approval, registration, record, or confirmation have been obtained from or made with the competent authorities subject to PRC laws.



## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### DIRECTORS

Our board of directors currently consists of five directors. The table below shows certain information in respect of the directors:

Name	Age	Position
ZHU Haibing (朱海兵) . . . . .	43	Chairman of the Board and General Manager
YIN Chunguo (印春國) . . . . .	48	Director
LU Yun (陸雲) . . . . .	47	Director
CHANG Jie (常傑) . . . . .	53	Director
ZHU Caixia (朱彩霞) . . . . .	39	Employee Director

**Mr. ZHU Haibing (朱海兵)** has been our Chairman of the Board and General Manager since August 2018. He has the accountant qualification. He previously worked in Taixing Municipal Finance Bureau and Hongqiao Industrial Park Finance Bureau Branch. Mr. Zhu obtained a bachelor degree.

**Mr. YIN Chunguo (印春國)** has been our Director since August 2018. He previously worked in Taixing Hongqiao Town Planning and Construction Bureau. Mr. Yin obtained a college degree.

**Ms. LU Yun (陸雲)** has been our Director since August 2018. She previously worked in Qixu Town Industry No.2 Company (七圩鎮工業二公司), Qixu Town Third Industry Office (七圩鎮三產辦), Qixu Town Village Building Research Division (七圩鎮村建科), Qixu Town Home Affairs Division (七圩鎮民政科) and Hongqiao Office of the Party and Government (虹橋鎮黨政辦). Ms. Lu obtained a bachelor degree.

**Mr. CHANG Jie (常傑)** has been our Employee Director since August 2018. He previously worked in Jiangsu Huajian Construction Co. Ltd. and Hongqiao Industrial Park Relocation Management Office (虹橋工業園區動遷管理辦公室). Mr. Chang obtained a bachelor degree.

**Ms. ZHU Caixia (朱彩霞)** has been our Employee Director since August 2018. She previously worked in Hongqiao Industrial Park Finance Bureau Branch. Ms. Zhu obtained a bachelor degree.

### SUPERVISORS

Our supervising council currently consists of five members. The table below shows certain information in respect of the supervising council:

Name	Age	Position
WANG Boqing (汪波清) . . . . .	56	Chairman of the Supervising Council
SUN Jigang (孫紀剛) . . . . .	46	Supervisor
LIU Chang (劉暢) . . . . .	30	Supervisor
CHEN Jiansheng (陳建生) . . . . .	46	Employee Supervisor
PEI Weiping (裴衛萍) . . . . .	44	Employee Supervisor

**Mr. WANG Boqing (汪波清)** has been the Chairman of our Supervising Council since August 2018. He previously worked in the Party Committee of Qixu Town (七圩鎮黨委), the Party Committee of Hongqiao Town (虹橋鎮黨委), Hongqiao Industrial Park Party Committee (泰興市虹橋園區黨工委) and Jianghua Town government. Mr. Wang obtained a bachelor degree.

**Mr. SUN Jigang (孫紀剛)** has been our Supervisor since August 2018. He previously worked in Taixing Municipal Propaganda, Taixing Municipal Radio Broadcasting Station, Taixing Municipal Network Media Center. Mr. Sun obtained a college degree.

**Ms. LIU Chang (劉暢)** has been our Supervisor since August 2018. She previously worked in Hongqiao Industrial Park Finance Bureau Branch. Ms. Liu obtained a bachelor degree.

**Mr. CHEN Jiansheng (陳建生)** has been our Employee Supervisor since August 2018. He previously worked in Taixing Hongqiao Town Justice Institute (泰興市虹橋鎮司法所). Mr. Chen obtained a bachelor degree.

**Ms. PEI Weiping (裴衛萍)** has been our Employee Supervisor since August 2018. She previously worked in Hongqiao Industrial Park Finance Bureau Branch. Ms. Pei obtained a secondary vocational school diploma.

**SENIOR MANAGEMENT**

Our senior management team currently consists of two members. The table below shows certain information in respect of the senior management team:

<b>Name</b>	<b>Age</b>	<b>Position</b>
ZHU Haibing (朱海兵) . . . . .	43	Chairman of the Board and General Manager
WAN Ling (萬靈) . . . . .	46	Chief Finance Officer

**Mr. ZHU Haibing (朱海兵)**, please refer to the section above under “**Directors**”.

**Mr. WAN Ling (萬靈)**, he has been the Chief Financial Officer since August 2018. He worked in Taixing Jichuan Street Finance Bureau Branch. Mr. Wan obtained a bachelor degree.

## EXCHANGE RATE INFORMATION

The People’s Bank of China sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi with reference to a basket of currencies in the market during the prior day. 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. 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 interbank foreign exchange spot 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. On 20 June 2010, the PBOC announced that it intended to further reform the Renminbi exchange rate regime by allowing greater flexibility in the Renminbi exchange rate and on 16 April 2012, the band was expanded to 1.0 per cent. The band was further expanded to 2.0 per cent. on 14 March 2014. 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 (the “CFETS”) 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. From 1 January 2017, according to the sampling rule of “CNY versus FX currency pair listed on CFETS”, CFETS will add 11 currencies newly listed on CFETS in 2016 and the number of basket currencies will increase from 13 to 24. Following the gradual appreciation against U.S. dollar in 2017, Renminbi experienced a recent depreciation in value against U.S. dollar followed by a fluctuation in 2018 and early 2019. On 5 August 2019, the PBOC set the Renminbi’s daily reference rate above RMB7 per U.S. dollar for the first time in over a decade amidst an uncertain trade and global economic climate. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future.

The following table sets forth the exchange rate of the Renminbi against the U.S. dollar for the periods presented.

	<b>Noon Buying Rate<sup>(1)</sup></b>			
	<b>Period End</b>	<b>Average<sup>(2)</sup></b>	<b>High</b>	<b>Low</b>
	<i>(RMB per U.S.\$1.00)</i>			
2015 . . . . .	6.4778	6.2869	6.4896	6.1870
2016 . . . . .	6.9430	6.6549	6.9580	6.4480
2017 . . . . .	6.5063	6.7350	6.9575	6.4773
2018 . . . . .	6.8755	6.6292	6.9737	6.2649
2019 . . . . .	6.9618	6.9014	7.1786	6.6822
2020 . . . . .	6.5250	6.8874	7.1681	6.5208
2021				
January . . . . .	6.4282	6.4672	6.4822	6.4282
February . . . . .	6.4730	6.4601	6.4869	6.4344
March . . . . .	6.5518	6.5108	6.5716	6.4648
April . . . . .	6.4749	6.5186	6.5649	6.4710
May . . . . .	6.3674	6.4321	6.4749	6.3674
June (through 4 June) . . . . .	6.3945	6.3896	6.4036	6.3796

*Notes:*

1. Exchange rates between Renminbi and U.S. dollar represent the noon buying rates as set forth in the H.10 statistical release of the Federal Reserve Board.
2. Annual averages have been calculated from month-end rate. Monthly averages have been calculated using the average of the daily rates during the relevant period.

## 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 Information Memorandum, 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 Information Memorandum 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

The following summary describes the principal PRC tax consequences of ownership of the Bonds by beneficial owners who, or which, are not residents of China for PRC tax purposes. These beneficial owners are referred to as non-PRC holders of the Bonds in this section. Reference is made to PRC taxes from the taxable year beginning on or after 1 January 2008.

#### Income Tax

Pursuant to the EIT Law, effective on 1 January 2008 and amended on 24 February 2017, 29 December 2018 and its implementation regulations, effective on 1 January 2008 and amended on 23 April 2019 enterprises that are established under the laws of foreign countries and territories (including Hong Kong, Macau and Taiwan) but whose “de facto management bodies” are within the territory of PRC are treated as PRC tax resident enterprises for the purpose of the EIT Law and must pay PRC enterprise income tax at the rate of 25 per cent. in respect of their taxable income sourced from both within and outside of the PRC. The implementation regulations of the EIT Law define the location of the “de facto management body” as an “organizational body which effectively manages and controls the production and business operation, personnel, accounting, properties and other aspects of operations of an enterprise.”

In addition, the Notice on Issues Concerning the Determination of Chinese-controlled Enterprises Incorporated Overseas as Resident Enterprises on the Basis of Their De Facto Management Bodies issued by the SAT on 22 April 2009 provides that a foreign enterprise controlled by a PRC company or a PRC company group would be classified as a “resident enterprise” with a “de facto management body” located within the PRC if all of the following requirements are satisfied: (i) the senior management and core management departments in charge of daily operations are located mainly within the PRC; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (iii) main assets, accounting books, company seal and minutes and files of board and shareholders’ meetings are located or kept within the PRC; and (iv) at least half of the enterprise’s directors with voting rights, or senior management, reside within the PRC. Pursuant to a circular issued by the SAT which became effective on 1 September 2011 and was most recently amended on 15 June 2018, and relevant rules, a foreign enterprise controlled by a PRC company or a PRC company group shall be deemed a “resident enterprise” by the final decision of the provincial or local tax authorities through the application of the foreign enterprise or the investigation of the relevant tax authorities.

If the relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the “de facto management body” of the Issuer is within the territory of the PRC, the Issuer may be held to be a PRC tax resident enterprise for the purpose of the EIT Law and be subject to PRC enterprise income tax at the rate of 25 per cent. on its taxable income from sources both within and outside of the PRC. If a holder of Bonds is required to pay any PRC income tax on interest or gains on the transfer of the Bonds, the value of the relevant holder’s investment in the Bonds may be materially and adversely affected. As confirmed by the Issuer, as at the date of this Information Memorandum, the Issuer has not been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law. However, we cannot assure you that the Issuer will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future.

Pursuant to the EIT Law and its implementation regulations, any non-resident enterprise without an establishment or place of business within the PRC or whose income has no connection to its

establishment or place of business inside the PRC must pay enterprise income tax on income sourced within the PRC, and such income tax must be withheld at source by the PRC payer acting as a withholding agent. Accordingly, in the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, the Issuer may be required to withhold income tax from the payments of interest in respect of the Bonds to any non-resident enterprise holder of Bonds (the tax would be withheld at source), and gain from the disposition of the Bonds may be subject to PRC tax, if the interest or gain is treated as PRC-sourced. Further, in accordance with the Individual Income Tax Law of the PRC which took effect on 1 September 2011, was amended on 31 August 2018 and took effect on 1 January 2019 and its implementation regulations which was amended on 18 December 2018 and took effect on 1 January 2019, if the Issuer is considered to be a PRC tax resident enterprise, the interest payable to the non-resident individual holder of Bonds, and gains realized on the transfer of the Bonds by the non-resident individual holder of Bonds may be subject to PRC individual income tax if such interest or gains are treated as income derived from sources within the PRC (and in the case of interest payments, the tax would be withheld at source). The tax rate is generally 10 per cent. for non-resident enterprise holders of Bonds and 20 per cent. in the case of non-resident individual holders of Bonds, subject to the provisions of any applicable income tax treaty. If the Issuer is required under the EIT Law to withhold PRC income tax from interest payments made to the Issuer's non-resident holders of Bonds, the Issuer will be required to pay these additional amounts which will result in receipt by these holders of Bonds of interest payment amounts as if no such withholding had been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Bonds, and could have a material adverse effect on our ability to pay interest on, and repay the principal amount of, the Bonds, as well as our profitability and cash flow.

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

## VAT

On 23 March 2016, the Ministry of Finance and the Circular 36 which confirms that business tax will be completely replaced by VAT from 1 May 2016. Since then, the income derived from the provision of financial services which attracted business tax will be entirely replaced by, and subject to, VAT.

According to Circular 36, the entities and individuals providing the services within China shall be subject to VAT. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the "loans" refers to the activity of lending capital for another's use and receiving the interest income thereon. Based on the definition of "loans" under Circular 36, the issuance of Bonds is likely to be treated as the holders of the Bonds providing loans to the Issuer, which thus shall be regarded as financial services subject to VAT for VAT purposes. In the event the Issuer is deemed to be in the PRC by the PRC tax authorities, the holders of Bonds may be regarded as providing the financial services within the PRC and consequently, the amount of interest payable by the Issuer to any non-resident holders of Bonds may be subject to withholding VAT and surcharges at the rate of around 6.72 per cent. In addition, as the Parent Guarantor is located in the PRC, in the event that the Parent Guarantor is required to fulfil its obligations under the Parent Guarantee by making interest payments on behalf of the Issuer, the Parent Guarantor may be required to withhold VAT and surcharges at a rate of around 6.72 per cent. on such payments to non-resident holders of Bonds if the holders of Bonds are regarded as providing financial services within the PRC.

Where a holder of the Bonds who is an entity or individual located outside of the PRC resells the Bonds to an entity or individual located outside of the PRC and derives any gain, since neither the service provider nor the service recipient is located in the PRC, theoretically Circular 36 does not apply and the Issuer does not have the obligation to withhold the VAT or the local levies. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC.

Recently, the Circular of the Ministry of Finance and the State Administration of Taxation on the Adjustment to VAT Rates (關於調整增值稅稅率的通知) (Caishui [2018] No. 32, "**Circular 32**"), which

was issued on 4 April 2018 and effective on 5 May 2018, confirms the major relevant policies for adjusting VAT rates as follows: (i) the deduction rates of 17 per cent. and 11 per cent. applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16 per cent. and 10 per cent., respectively, and (ii) for the export goods to which a tax rate of 17 per cent. was originally applicable and the export rebate rate was 17 per cent., the export rebate rate is adjusted to 16 per cent., and for the export goods and cross-border taxable activities to which a tax rate of 11 per cent. was originally applicable and the export rebate rate was 11 per cent., the export rebate rate is adjusted to 10 per cent. According to the Circular on Policies Concerning Deepening the Reform of Value Added Tax (關於深化增值稅改革有關政策的公告) (Announcement [2019] No. 39, “**Announcement 39**”) promulgated by MOF, SAT and General Administration of Customs on 20 March 2019, which took effect on 1 April 2019, the deduction rates of 16 per cent. and 10 per cent. applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 13 per cent. and 9 per cent., respectively, and (ii) for the export goods to which a tax rate of 16 per cent. was originally applicable and the export rebate rate was 16 per cent., the export rebate rate is adjusted to 13 per cent., and for the export goods and cross-border taxable activities to which a tax rate of 10 per cent. was originally applicable and the export rebate rate was 10 per cent., the export rebate rate is adjusted to 9 per cent. As Circular 32 and Announcement 39 are relatively new regulations, these confirmatory statements may be subject to further changes upon the issuance of further clarification rules and/or different interpretation by the competent tax authority.

### **Stamp Duty**

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

However, despite the withholding of the PRC tax by us, we have 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 “Description of the Bonds.”

## **HONG KONG**

### **Withholding tax**

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

### **Profits tax**

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

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

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and

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

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

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

### **Stamp Duty**

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

### **BRITISH VIRGIN ISLANDS**

There is no income or other tax of the British Virgin Islands imposed by withholding or otherwise on any payment by the Issuer to persons who are not resident in the British Virgin Islands with respect to the Bonds.

Capital gains realised with respect to the Bonds by persons who are not persons resident in the British Virgin Islands are also exempt from all provisions of the Income Tax Ordinance of the British Virgin Islands.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in the British Virgin Islands with respect to the Bonds.

All instruments relating to transactions in respect of the Bonds are exempt from payment of stamp duty in the British Virgin Islands. This assumes that the Issuer does not hold an interest in real estate in the British Virgin Islands.

## 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 Information Memorandum. 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, Luxembourg.

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, save that the calculation is made in respect of the total aggregate amount of the Bonds represented by the Global Certificate. So long as the Bonds are represented by a Global Certificate and the relevant Global Certificate is held on behalf of a clearing system, the Issuer has promised, *inter alia*, to pay interest in respect of such Bonds from the Issue Date in arrear at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the Terms and Conditions, save that the calculation is made in respect of the total aggregate amount of the Bonds represented by such 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, Luxembourg or any other clearing system (an “**Alternative Clearing System**”) is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so. In such circumstances, the Issuer will cause sufficient individual definitive Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant holders of the Bonds. A person with an interest in the Bonds in respect of which the Global Certificate is issued must provide the Registrar not less than 30 days’ notice at its specified office of such holder’s intention to effect such exchange and a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Certificates.

### **Payment**

So long as the Bonds are represented by the Global Certificate, each payment in respect of the Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the due date for such payments, 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 the Bondholders whilst 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) may consider such interests on the basis that such account holders were the holder of the Bonds in respect of which such 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, Luxembourg or any Alternative Clearing System, notices to holders of the Bonds shall be given by delivery of the relevant notice to Euroclear or Clearstream, Luxembourg or such Alternative Clearing System, for communication by it to accountholders entitled to an interest in the Bonds in substitution for notification as required by the Terms and Conditions of the Bonds.

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



**Bondholder's Redemption**

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

**Transfers**

Transfers of beneficial interests in the Bonds represented by the Global Certificate will be effected through the records of Euroclear and Clearstream, Luxembourg (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (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 respective subsidiaries will be effected by reduction in the principal amount of the Bonds in the register of the Bondholders.

**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.

## PLACEMENT AND SALE

We have entered into a placing and subscription agreement, among others, with the Placing Agents dated 17 June 2021 (the “**Placing Agreement**”), pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to sell to the investors identified by the Placing Agents, and the Placing Agents has agreed to use reasonable efforts to procure subscribers, on a several and not joint basis, for the placement of the Bonds and facilitate the subscription and payment for the aggregate principal amount of the Bonds.

The Placing Agreement provides that the obligations of the Placing Agents are subject to certain conditions precedent, and entitles the Placing Agents to terminate it in certain circumstances prior to payment being made by such investor to the Issuer and the Bonds being issued.

### General

The distribution of this Information Memorandum 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 Information Memorandum 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 Information Memorandum may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

### United States

The Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each of the Placing Agents has represented and warranted that it has not offered or sold, and has agreed that it will not offer or sell, any of the Bonds constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Bonds. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each of the Placing Agents has represented and agreed that neither it nor any of their respective affiliates (as defined in Rule 501(b) of Regulation D under the Securities Act (“**Regulation D**”)), nor any person acting on its or their behalf, has engaged or will engage in any form of general solicitation or general advertising (within the meaning of Regulation D) in connection with any offer and sale of the Bonds in the United States.

### United Kingdom

Each of the Placing Agents 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 of the Placing Agents has represented, warranted 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 and any rules made under that Ordinance; 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 or which do not constitute an offer to the public within the meaning of that Ordinance; 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 Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

## Singapore

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

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

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

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA, except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law; or
- (iv) as specified in Section 276(7) of the SFA.

Singapore SFA Product Classification: In connection with 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 of the Placing Agents 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 of the Placing Agents has agreed that the offer of the Bonds is not an offer of securities within the meaning of the PRC Securities Law or other pertinent laws and regulations of the PRC and 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 the securities laws of the People's Republic of China.

### **British Virgin Islands**

Each of the Placing Agents has represented, warranted and agreed that it has not made and will not make, directly or indirectly, any offer to any person in the British Virgin Islands to purchase or subscribe for any of the Bonds.

## GENERAL INFORMATION

1. **Clearing System:** The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code 228254045 and the ISIN for the Bonds is XS2282540454. Our Legal Entity Identifier is 6556002537K5U74MRC45.
2. **Authorisations:** We have obtained all necessary consents, approvals and authorisations in connection with the issue and performance of their respective obligations under the Bonds, the Guarantee, the Trust Deed and the Agency Agreement. The issue of the Bonds was authorised by a resolution of the sole director of the Issuer dated 10 May 2021. The giving of the Guarantee was authorized by a resolution of the board of directors of the Guarantor on 30 December 2020 and a resolution of the shareholders of the Guarantor on 30 December 2020.
3. **Registrations and Filings:** We will undertake to file or cause to be filed with SAFE after the Issue Date, within the time period prescribed by SAFE pursuant to relevant laws and regulations, the requisite information and documents as required by the relevant regulatory authority.
4. **No Material and Adverse Change:** There has been no material adverse change, or any development or event likely to involve a prospective material adverse change, in our condition (financial or otherwise), prospects, properties, results of operations, business or general affairs since 31 December 2020.
5. **Litigation:** None of us is involved in any litigation or arbitration proceedings which we believe is material in the context of the Bonds nor are we aware that any such proceedings are pending or threatened.
6. **Available Documents:** So long as any of the Bonds is outstanding, copies of the Trust Deed and the Agency Agreement will be available for inspection by the Bondholders from the Issue Date upon prior written request and proof of identity and holding to the satisfaction of the Principal Paying Agent during usual 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 specified office of the Principal Paying Agent, which at the date of this Information Memorandum is at 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong.
7. **Our Financial Statement:** Our audited consolidated financial information as at and for the years ended 31 December 2019 and 2020 included elsewhere in this Information Memorandum has been extracted from the Historical Financial Statement. The Audited Consolidated Financial Statements have been audited by our independent auditor.
8. **Listing of Bonds:** Application will be made to the HKSE 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 23 June 2021.

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**ZHONGXINGHUA CERTIFIED PUBLIC ACCOUNTANTS LLP (Special  
General Partnership)**

ZHONGXINGHUA CERTIFIED PUBLIC ACCOUNTANTS LLP

Address: 15/F, Sichuan Building East, No. 1 Fu Wai Da Jie, Xicheng District, Beijing, China

**Auditor's Report**

Zhong Xing Hua Sheng Zi [2020] No. 020873

**To all members of Taixing Hongqiao Park Industrial Development Co., Ltd.,**

**I. Auditor's Opinion**

We have audited the accompanying financial statements of Taixing Hongqiao Park Industrial Development Co., Ltd. (hereinafter referred to as "Hongqiao Development"), which comprise the Company's and consolidated balance sheets as at 31 December 2019, and the Company's and consolidated income statements, the Company's and consolidated cash flow statements, and the Company's and consolidated statements of changes in shareholders' equity for 2019, and the notes to these financial statements.

In our opinion, the accompanying financial statements of HONGQIAO DEVELOPMENT present fairly, in all material respects, the Company's and consolidated financial position as of 31 December 2019, and the Company's and consolidated results of operations and cash flows for 2019 in accordance with Accounting Standards for Business Enterprises.

**II. Basis for the Auditor's Opinion**

We conducted our audit in accordance with the Auditing Standards for PRC Certified Public Accountants. Our responsibilities under those standards are further described in the "Certified Public Accountants' Responsibilities for the Audit of the Financial Statements" section of the audit report. We are independent of HONGQIAO DEVELOPMENT in accordance with the Ethical Codes of Chinese Certified Public Accountants, and we have fulfilled our other responsibilities under the Ethical Codes. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for audit opinion.

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

The Management is responsible for preparing and presenting fairly the financial statements in accordance with China Accounting Standards for Business Enterprises, as well as designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing HONGQIAO DEVELOPMENT's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and use the going concern basis of accounting unless the Management either intend to liquidate HONGQIAO DEVELOPMENT or to cease operations, or have no realistic alternative but to do so.



The governance panel is responsible for overseeing the financial reporting process of HONGQIAO DEVELOPMENT.

#### **IV. The Responsibilities of the Certified Public Accountants 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 CAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are generally considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

As part of an audit in accordance with audit standards, we exercised our professional judgement and maintain professional scepticism. In addition, we performed the following tasks:

(1) to 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 audit opinion. As fraud could involve collusion, forgery, intentional omission, false statements or overriding internal controls, thus risks of inability to discover major misrepresentation are more severe than risks of inability to spot misrepresentation due to mistake.

(2) to understand and design relative internal control, to design appropriate auditing procedures, but not for the purpose of expressing an opinion on the effectiveness of internal control.

(3) to evaluate appropriateness of the Management choosing Accounting Policies, and their accounting estimates and relative disclosures.

(4) to conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the HONGQIAO DEVELOPMENT's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. Our conclusions are based on the information obtained up to the date of audit report. However, future events or conditions may cause HONGQIAO DEVELOPMENT to cease to continue as a going concern.

(5) to evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(6) to obtain sufficient and appropriate audit evidences regarding the financial information of the entities or business activities within HONGQIAO DEVELOPMENT to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsibility for our audit opinion.

We communicate with the Governance panel regarding the planned scope, timing of the audit and significant audit findings, including deficiencies worth of attention in internal control that we identify during our audit.





ZHONGXINGHUA CERTIFIED PUBLIC ACCOUNTANTS LLP  
(Special General Partnership)

PRC certified public accountant: Li Lulu

Beijing - China

PRC certified public accountant: Sheng Tingting

24 April, 2020

**Combined Balance Sheet**  
**31 December, 2019**

**Prepared by: Taixing Hongqiao Park Industrial  
Development Co., Ltd.**

**In: RMB**

Item	Notes	Closing balance	Opening balance
<b>Current assets:</b>			
Cash at bank and on hand	Note VIII. 1	2,164,741,498.93	2,228,154,939.61
Financial assets measured at fair value through changes in profit or loss.			
Derivative financial assets			
Notes Receivable	Note VIII. 2	75,134,000.00	2,000,000.00
Accounts receivable	Note VIII. 3	1,209,429,043.69	847,657,989.30
Advance receipts	Note VIII. 4	342,351,781.26	315,478,971.27
Other receivables	Note VIII. 5	9,393,425,513.88	6,449,276,314.49
Inventories	Note VIII. 6	7,227,094,628.41	6,939,661,150.16
Assets held for sales			
Non-current assets due within one year			
Other current assets	Note VIII. 7	259,840,914.51	323,427,171.15
<b>Total current assets</b>		<b>20,672,017,380.68</b>	<b>17,105,656,535.98</b>
<b>Non-current assets:</b>			
Available-for-sale financial assets	Note VIII. 8	18,082,515.00	
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	Note VIII. 9	500,000,000.00	500,000,000.00
Investment Properties			
Fixed assets	Note VIII. 10	744,320.18	7,218,287.78
Construction in progress			
Productive biological assets			
Oil and gas assets			
Intangible assets			
Development expenditures,			
Goodwill			
Long-term deferred expenses			
Deferred tax assets	Note VIII. 11	17,403,205.65	16,360,958.87
Other non-current assets	Note VIII. 12	50,000,000.00	50,000,000.00
<b>Total non-current assets</b>		<b>586,230,040.83</b>	<b>573,579,246.65</b>
<b>Total Assets</b>		<b>21,258,247,421.51</b>	<b>17,679,235,782.63</b>

**(The accompanying notes form an integral part of these financial statements)**

**Legal  
Representative:**

**Chief Financial Officer:**

**Head of Accounting:**

(Continued from previous page)

**Combined Balance sheet (Continued)**  
**31 December, 2019**

Prepared by: Taixing Hongqiao Park Industrial  
Development Co., Ltd.

In: RMB

Item	Notes	Closing balance	Opening balance
<b>Current liabilities:</b>			
Short-term borrowings	Note VIII. 13	628,670,000.00	997,750,000.00
Financial liabilities measured at fair value through changes in profit or loss			
Derivative financial liabilities			
Notes payable	Note VIII. 14	1,090,001,000.00	950,000,000.00
Accounts Payable	Note VIII. 15	571,737,260.90	259,303,173.30
Advance receipts	Note VIII. 16	291,206,093.39	219,393,291.15
Employee benefits payable	Note VIII. 17		
Taxes payable	Note VIII. 18	103,467,317.97	117,836,342.60
Other payables	Note VIII. 19	955,228,158.71	1,722,362,656.22
Liabilities held for sales			
Non-current liabilities due within one year	Note VIII. 20	2,343,714,076.85	2,134,971,021.87
Other current liabilities			
<b>Total current liabilities</b>		<b>5,984,023,907.82</b>	<b>6,401,616,485.14</b>
<b>Non-current liabilities:</b>			
Long-term borrowings	Note VIII. 21	4,915,578,017.31	2,977,502,000.25
Bonds payable	Note VIII. 22	2,480,044,621.29	1,290,531,563.15
Where: Preference shares			
Perpetual bonds			
Long-term payables	Note VIII. 23	1,332,102,479.54	1,973,561,988.79
Long-term employee benefits payable			
Estimated liabilities			
Deferred income			
Deferred tax liabilities			
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>8,727,725,118.14</b>	<b>6,241,595,552.19</b>
<b>Total liabilities</b>		<b>14,711,749,025.96</b>	<b>12,643,212,037.33</b>
<b>Owners' Equity:</b>			
Paid-in capital	Note VIII. 24	2,000,000,000.00	500,000,000.00
Other equity instruments			
Where: Preference shares			
Perpetual bonds			
Capital reserves	Note VIII. 25	3,131,694,637.88	3,272,451,037.88
Less: Treasury shares			
Other comprehensive income			
Special Reserves			
Surplus reserves	Note VIII. 26	142,433,012.70	126,295,344.87

Retained profits	Note VIII. 27	1,253,029,174.72	1,117,883,307.74
Total equity attributable to owners of Company		6,527,156,825.30	5,016,629,690.49
Minority interests		19,341,570.25	19,394,054.81
<b>Total Owners' Equity</b>		<b>6,546,498,395.55</b>	<b>5,036,023,745.30</b>
<b>Total liabilities and owner's equity</b>		<b>21,258,247,421.51</b>	<b>17,679,235,782.63</b>

(The accompanying notes form an integral part of these financial statements)

Legal  
Representative:

Chief Financial Officer:

Head of Accounting:

**Combined Income Statement**  
**Year 2019**

Prepared by: Taixing Hongqiao Park Industrial  
Development Co., Ltd.

In: RMB

Item	Notes	Current Period	Previous Period
<b>I. Total operating revenue</b>	Note VIII. 28	<b>1,272,789,090.67</b>	<b>1,458,393,385.57</b>
Where: Operating revenue	Note VIII. 28	<b>1,272,789,090.67</b>	1,458,393,385.57
<b>II. Total operating costs</b>		<b>1,204,178,453.18</b>	<b>1,395,450,864.55</b>
Where: Operating Costs	Note VIII. 28	1,188,949,048.60	1,370,584,239.19
Tax and Surcharges	Note VIII. 29	7,443,678.18	4,054,426.37
Cost of Sales		32,657.00	1,781,280.00
Administrative expenses		13,821,502.07	24,720,526.45
R&D expenses			
Finance Costs	Note VIII. 30	-6,068,432.67	-5,689,607.46
Where: Interest expenses		5,757,422.39	3,018,009.05
Interest income		13,119,950.42	14,263,203.68
Plus: Other gains	Note VIII. 31	110,067,347.00	172,449,952.60
Gains from investments (loss denoted by "-")	Note VIII. 32	3,055,676.40	4,147,414.69
Where: Gains from investments in associates and joint ventures			
Gain on changes in fair value (loss is denoted as "-")			
Loss on Asset Impairment (loss is denoted as "-")	Note VIII. 33	-5,358,031.18	-3,120,480.58
Gain on disposal of assets (loss denoted by "-")	Note VIII. 34	-5,257.03	
<b>III. Operating profit (loss denoted by "-")</b>		<b>176,370,372.68</b>	<b>236,419,407.73</b>
Plus: Non-operating income			
Less: Non-operating expenses	Note VIII. 35	6,762,031.28	506,172.18
<b>IV. Total profit (losses denoted by a "-")</b>		<b>169,608,341.40</b>	<b>235,913,235.55</b>
Less: Income tax expenses	Note VIII. 36	18,377,291.15	19,507,953.23
<b>V. Net profit (net loss denoted by "-")</b>		<b>151,231,050.25</b>	<b>216,405,282.32</b>
(1) By continuity of operations:			
1、Net profit from continuing operations (net loss denoted by "-")		151,231,050.25	216,405,282.32
2、Net profit from discontinued operations (net loss denoted by "-")			
(2) By Ownership:			
1、Net profit attributable to shareholders of Company (net loss denoted by "-")		151,283,534.81	216,598,697.37
2、Minority Interest Income (net loss denoted by "-")		-52,484.56	-193,415.05
<b>VI. Other comprehensive income, net of tax</b>			
(1) Other comprehensive income attributable to the owners of Company, net of tax			
1. Other comprehensive income that will not be reclassified to profit or loss			
(1) Remeasurement of changes in defined benefit plans			
(2) Other comprehensive income that will not be reclassified to profit or loss under the equity method			
2. Other comprehensive income that will be reclassified to profit or			

loss			
(1) Other comprehensive income that may be reclassified to profit or loss under the equity method			
(2) Gains or losses from changes in fair value 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 adjusted for hedging gains or losses			
(5) Exchange differences from retranslation of financial statements			
(6) Other			
(2) Other comprehensive income attributable to minority shareholders, net of tax			
<b>VII. Total comprehensive income</b>		<b>151,231,050.25</b>	<b>216,405,282.32</b>
(1) Total comprehensive income attributable to owners of Company		<b>151,283,534.81</b>	<b>216,598,697.37</b>
(2) Total comprehensive income attributable to minority shareholders		<b>-52,484.56</b>	<b>-193,415.05</b>

**(The accompanying notes form an integral part of these financial statements)**

**Legal**

**Representative:**

**Chief Financial Officer:**

**Head of Accounting:**

**Combined Cash Flow Statement**  
**Year 2019**

Prepared by: Taixing Hongqiao Park Industrial  
Development Co., Ltd.

In: RMB

Item	Notes	Current Period	Previous Period
<b>I. Cash flows from operating activities:</b>			
Cash generated from sale of goods and rendering of services		907,640,502.62	1,769,167,610.54
Tax rebates received			
Other cash received relating to operating activities	Note VIII. 37	1,406,663,750.68	2,291,033,548.68
<b>Sub-total of cash inflows from operating activities</b>		<b>2,314,304,253.30</b>	<b>4,060,201,159.22</b>
Cash paid for goods and services		1,109,888,232.96	1,779,982,087.44
Cash paid to and for employees		2,265,082.18	2,312,925.01
Cash paid for taxes and surcharges		50,536,662.78	27,400,943.12
Other cash payments relating to operating activities	Note VIII. 37	3,720,513,461.54	1,735,328,864.94
<b>Sub-total of cash outflows from operating activities</b>		<b>4,883,203,439.46</b>	<b>3,545,024,820.51</b>
<b>Net cash flow from operating activities</b>		<b>-2,568,899,186.16</b>	<b>515,176,338.71</b>
<b>II. Cash flow from investing activities:</b>			
Cash received from disposal of investments		250,020,000.00	503,500,000.00
Cash received from returns on investments		3,800,013.98	4,147,414.69
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		4,930,000.00	
Net cash received from disposal of subsidiaries and other operating entities			
Other cash received concerning investing activities			
<b>Sub-total of cash inflows from investing activities</b>		<b>258,750,013.98</b>	<b>507,647,414.69</b>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		461,700.00	107,816.87
Cash paid to acquire investments		211,702,515.00	512,000,000.00
Net cash paid to acquire subsidiaries and other operating entities			
Cash paid relating to other investing activities		14,454,170.11	
<b>Sub-total of cash outflows from investing activities</b>		<b>226,618,385.11</b>	<b>512,107,816.87</b>
<b>Net cash flows from investing activities</b>		<b>32,131,628.87</b>	<b>-4,460,402.18</b>
<b>III. Cash flows from financing activities:</b>			
Cash received from capital contributions		1,500,000,000.00	
Where: Cash received by subsidiaries from minority shareholders' investments			
Cash received from borrowings		5,869,445,000.00	2,837,730,000.00
Cash received from other financing activities	Note VIII. 37	2,065,620,000.00	2,145,000,000.00
<b>Sub-total of cash inflow from financing activities</b>		<b>9,435,065,000.00</b>	<b>4,982,730,000.00</b>
Cash repayments of amounts borrowed		2,756,162,301.85	2,167,912,051.67
Cash paid for dividends, profit and interest		514,222,111.83	312,937,745.80
Where: Dividends and profits paid by subsidiaries to minority shareholders			
Cash paid for other financing activities	Note VIII. 37	3,220,507,469.71	3,867,297,828.49
<b>Sub-total of cash outflow from financing activities</b>		<b>6,490,891,883.39</b>	<b>6,348,147,625.96</b>
<b>Net cash flows from financing activities</b>		<b>2,944,173,116.61</b>	<b>1,365,417,625.96</b>
<b>IV. Effect of changes in foreign exchange rate on cash and cash equivalents</b>			
<b>V. Net increase in cash and cash equivalents</b>			
Plus: Cash and cash equivalents at beginning of period		407,405,559.32	-854,701,689.43
		601,334,939.61	1,456,036,629.04
<b>VI. Closing balance of cash and cash equivalents</b>			
		<b>1,008,740,498.93</b>	<b>601,334,939.61</b>

(The accompanying notes form an integral part of these financial statements)

**Legal  
Representative:**

**Chief Financial Officer:**

**Head of Accounting:**



**Combined Statement of Changes in Owners' Equity  
Year 2019**

Item	Current Period											Total Owners' Equity	
	Owners' Equity attributable to owners of Company										Minority interests		
	Paid-in capital	Preference shares	Perpetual bonds	Other equity instruments	Capital reserves	Less: Treasury shares	Other comprehensive income	Special Reserves	Surplus reserves	Retained profits			Subtotal
I. Closing balance previous year	500,000,000.00				3,272,451,037.88				126,295,344.87	1,117,883,307.74	5,016,629,690.49	19,394,054.81	5,036,023,745.30
Plus: Change in Accounting Policies													
Correction of Errors in the Previous Period													
Other													
II. Opening balance current year	500,000,000.00				3,272,451,037.88				126,295,344.87	1,117,883,307.74	5,016,629,690.49	19,394,054.81	5,036,023,745.30
III. Movements during the period (decrease denoted by "-")	1,500,000,000.00				-140,756,400.00				16,137,667.83	135,145,866.98	1,510,527,134.81	-52,484.56	1,510,474,650.25
(1) Total comprehensive income										151,283,534.81	151,283,534.81	-52,484.56	151,231,050.25
(2) Owners' contribution and withdrawal of capital	1,500,000,000.00				-140,756,400.00						1,359,243,600.00		1,359,243,600.00
1. Owners' contribution of capital	1,500,000,000.00										1,500,000,000.00		1,500,000,000.00
2. Proceeds from other equity instruments holders													
3. Share-based payment recorded in owner's equity													
4. Other					-140,756,400.00				16,137,667.83	-16,137,667.83	-140,756,400.00		-140,756,400.00
(3) Profit distribution									16,137,667.83	-16,137,667.83			
1. Appropriation to surplus reserves									16,137,667.83	-16,137,667.83			
2. Appropriation to general reserves													
3. Distribution to owners													
4. Other													
(4) Internal transfer of shareholders' equity													
1. Transfer of capital reserve to share capital													
2. Transfer of surplus reserves to share capital													
3. Surplus reserves making up of losses													
4. Transfer of changes in defined benefit plans to retained earnings													
5. Other													
(5) Special Reserves													
1. Appropriation during the period													
2. Utilization during the period													
(6) Other													
IV. Closing balance of the year	2,000,000,000.00				3,131,694,637.88				142,433,012.70	1,253,029,174.72	6,527,156,825.30	19,341,570.25	6,546,498,395.55

Prepared by: Taiking Hongqiao Park Industrial Development Co., Ltd.

In: RMB

(The accompanying notes form an integral part of these financial statements)

Legal Representative:

Chief Financial Officer:

Head of Accounting:

**Combined Statement of Changes in Owners' Equity (Continued)**  
**Year 2019**

In: RMB

Item	Previous Period										Total Owners' Equity		
	Owners' Equity attributable to owners of Company												
	Paid-in capital	Preference shares	Perpetual bonds	Other equity instruments	Capital reserves	Less: Treasury shares	Other comprehensive income	Special Reserves	Surplus reserves	Retained profits	Subtotal	Minority interests	
I. Closing balance previous year	500,000,000.00				3,654,095,937.88				104,643,589.53	922,936,365.71	5,181,675,893.12	19,587,469.86	5,201,263,362.98
Plus: Change in Accounting Policies													
Correction of Errors in the Previous Period													
Other													
II. Opening balance current year	500,000,000.00				3,654,095,937.88				104,643,589.53	922,936,365.71	5,181,675,893.12	19,587,469.86	5,201,263,362.98
III. Movements during the period (decrease denoted by "-")					-381,644,900.00				21,651,755.34	194,946,942.03	-165,046,202.63	-193,415.05	-165,239,617.68
(1) Total comprehensive income													
(2) Owners' contribution and withdrawal of capital					-381,644,900.00					216,598,697.37	216,598,697.37	-193,415.05	216,405,282.32
1. Owners' contribution of capital													
2. Proceeds from other equity instruments holders													
3. Share-based payment recorded in owner's equity													
4. Other					-381,644,900.00						-381,644,900.00		-381,644,900.00
(3) Profit distribution													
1. Appropriation to surplus reserves									21,651,755.34	-21,651,755.34			-763,289,800.00
2. Appropriation to general reserves									21,651,755.34	-21,651,755.34			
3. Distribution to owners													
4. Other													
(4) Internal transfer of shareholders' equity													
1. Transfer of capital reserve to share capital													
2. Transfer of surplus reserves to share capital													
3. Surplus reserves making up of losses													
4. Transfer of changes in defined benefit plans to retained earnings													
5. Other													
(5) Special Reserves													
1. Appropriation during the period													
2. Utilization during the period													
(6) Other													
IV. Closing balance of the year	500,000,000.00				3,272,451,037.88				126,295,344.87	1,117,883,307.74	5,016,629,690.49	19,394,054.81	5,036,023,745.30

The accompanying notes form an integral part of these financial statements)

Legal Representative:

Chief Financial Officer:

Head of Accounting:

**Balance Sheet**  
**31 December, 2019**

Prepared by: Taixing Hongqiao Park Industrial  
Development Co., Ltd.

In: RMB

Item	Notes	Closing balance	Opening balance
<b>Current assets:</b>			
Cash at bank and on hand		746,347,017.95	722,622,946.69
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes Receivable		130,000.00	
Accounts receivable	Note XIII. 1	1,142,431,002.18	736,089,710.94
Advance receipts		296,106,237.39	235,291,815.46
Other receivables	Note XIII. 2	5,763,366,146.32	4,023,055,345.03
Inventories		5,289,861,065.83	5,390,456,707.64
Assets held for sales			
Non-current assets due within one year			
Other current assets		54,580,911.30	173,427,171.15
<b>Total current assets</b>		<b>13,292,822,380.97</b>	<b>11,280,943,696.91</b>
<b>Non-current assets:</b>			
Available-for-sale financial assets		18,082,515.00	500,000,000.00
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	Note XIII. 3	2,555,277,925.86	2,269,777,925.86
Investment Properties			
Fixed assets		744,320.18	6,483,755.82
Construction in progress			
Productive biological assets			
Oil and gas assets			
Intangible assets			
Development expenditures			
Goodwill			
Long-term deferred expenses			
Deferred tax assets		14,669,096.90	13,771,975.72
Other non-current assets		50,000,000.00	50,000,000.00
<b>Total non-current assets</b>		<b>2,638,773,857.94</b>	<b>2,840,033,657.40</b>
<b>Total Assets</b>		<b>15,931,596,238.91</b>	<b>14,120,977,354.31</b>

(The accompanying notes form an integral part of these financial statements)

Legal  
Representative:

Chief Financial Officer:

Head of Accounting:

(Continued from previous page)

**Balance sheet (Continued)**

**31 December, 2019**

**Prepared by: Taixing Hongqiao Park Industrial  
Development Co., Ltd.**

**In: RMB**

<b>Item</b>	<b>Notes</b>	<b>Closing balance</b>	<b>Opening balance</b>
<b>Current liabilities:</b>			
Short-term borrowings		63,720,000.00	300,000,000.00
Financial liabilities measured at fair value through changes in profit or loss			
Derivative financial liabilities			
Notes payable		60,000,000.00	280,000,000.00
Accounts Payable		140,068,915.48	179,205,893.93
Advance receipts		154,356,502.84	113,531,225.80
Employee benefits payable			
Taxes payable		102,908,118.95	110,987,674.34
Other payables		4,972,737,023.58	4,707,182,028.02
Liabilities held for sales			
Non-current liabilities due within one year		874,067,842.47	917,288,392.07
Other current liabilities			
<b>Total current liabilities</b>		<b>6,367,858,403.32</b>	<b>6,608,195,214.16</b>
<b>Non-current liabilities:</b>			
Long-term borrowings		2,048,608,017.31	1,434,095,043.27
Bonds payable		736,301,031.30	755,878,980.65
Where: Preference shares			
Perpetual bonds			
Long-term payables		130,972,168.67	336,328,176.22
Long-term employee benefits payable			
Estimated liabilities			
Deferred income			
Deferred tax liabilities			
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>2,915,881,217.28</b>	<b>2,526,302,200.14</b>
<b>Total liabilities</b>		<b>9,283,739,620.60</b>	<b>9,134,497,414.30</b>
<b>Owners' Equity:</b>			
Paid-in capital		2,000,000,000.00	500,000,000.00
Other equity instruments			
Where: Preference shares			
Perpetual bonds			
Capital reserves		3,209,460,774.88	3,209,460,774.88
Less: Treasury shares			
Other comprehensive income			
Special Reserves			
Surplus reserves		142,433,012.70	126,295,344.87
Retained profits		1,295,962,830.73	1,150,723,820.26
<b>Total Owners' Equity</b>		<b>6,647,856,618.31</b>	<b>4,986,479,940.01</b>
<b>Total liabilities and owner's equity</b>		<b>15,931,596,238.91</b>	<b>14,120,977,354.31</b>

(The accompanying notes form an integral part of these financial statements)

**Legal  
Representative:**

**Chief Financial Officer:**

**Head of Accounting:**

**Income Statement**  
**Year 2019**

Prepared by: Taixing Hongqiao Park Industrial  
Development Co., Ltd.

In: RMB

Item	Notes	Current Period	Previous Period
<b>I. Operating revenue</b>	Note VII. 4	<b>476,158,472.01</b>	<b>464,565,329.41</b>
Less: Operating Costs	Note VII. 4	396,280,942.09	387,036,076.67
Tax and Surcharges		7,041,831.42	379,018.07
Cost of Sales			
Administrative expenses		7,413,551.58	9,518,955.31
R&D expenses			
Finance Costs		-6,425,533.71	-9,971,402.05
Where: Interest expenses			
Interest income		6,528,140.84	11,620,680.78
Plus: Other gains		110,067,347.00	172,449,952.60
Gains from investments (loss denoted by "-")	Note VII. 5	3,800,000.00	1,612,455.40
Where: Gains from investments in associates and joint ventures			
Gain on changes in fair value (loss is denoted as "-")			
Loss on Asset Impairment (loss is denoted as "-")		-3,588,484.70	-20,438,893.69
Gain on disposal of assets (loss denoted by "-")		-5,257.03	
<b>II. Operating profit (loss denoted by "-")</b>		<b>182,121,285.90</b>	<b>231,226,195.72</b>
Plus: Non-operating income			
Less: Non-operating expenses		2,729,806.88	12,141.58
<b>III. Total profit (losses denoted by a "-")</b>		<b>179,391,479.02</b>	<b>231,214,054.14</b>
Less: Income tax expenses		18,014,800.72	14,696,500.78
<b>IV. Net profit (net loss denoted by "-")</b>		<b>161,376,678.30</b>	<b>216,517,553.36</b>
(1) Net profit from continuing operations (net loss denoted by "-")		<b>161,376,678.30</b>	<b>216,517,553.36</b>
(2) Net profit from discontinued operations (net loss denoted by "-")			
<b>V. Other comprehensive income, net of tax</b>			
(1) Other comprehensive income that will not be reclassified to profit or loss			
1、Remeasurement of changes in defined benefit plans			
2、Other comprehensive income that will not be reclassified to profit or loss under the equity method			
(2) Other comprehensive income that will be reclassified to profit or loss			
1、Other comprehensive income that may be reclassified to profit or loss under the equity method			
2、Gains or losses from changes in fair value 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 adjusted for hedging gains or losses			
5、Exchange differences from retranslation of financial statements			
6、Other			
<b>VI. Total comprehensive income</b>		<b>161,376,678.30</b>	<b>216,517,553.36</b>

(The accompanying notes form an integral part of these financial statements)

Legal  
Representative:

Chief Financial Officer:

Head of Accounting:

**Cash flow statement**  
**Year 2019**

Prepared by: Taixing Hongqiao Park Industrial  
Development Co., Ltd.

In: RMB

Item	Notes	Current Period	Previous Period
<b>I. Cash flows from operating activities:</b>			
Cash generated from sale of goods and rendering of services		103,192,153.12	830,913,998.05
Tax rebates received			
Other cash received relating to operating activities		11,822,323,143.64	5,568,237,988.31
<b>Sub-total of cash inflows from operating activities</b>		<b>11,925,515,296.76</b>	<b>6,399,151,986.36</b>
Cash paid for goods and services		337,655,547.04	503,189,545.93
Cash paid to and for employees		2,020,173.49	1,678,700.93
Cash paid for taxes and surcharges		45,428,647.26	25,480,824.30
Other cash payments relating to operating activities		13,016,733,737.65	4,625,584,695.86
<b>Sub-total of cash outflows from operating activities</b>		<b>13,401,838,105.44</b>	<b>5,155,933,767.02</b>
<b>Net cash flow from operating activities</b>		<b>-1,476,322,808.68</b>	<b>1,243,218,219.34</b>
<b>II. Cash flow from investing activities:</b>			
Cash received from disposal of investments		100,000,000.00	253,500,000.00
Cash received from returns on investments		3,800,000.00	1,612,455.40
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		4,930,000.00	
Other cash received concerning investing activities			
<b>Sub-total of cash inflows from investing activities</b>		<b>108,730,000.00</b>	<b>255,112,455.40</b>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		461,700.00	106,658.87
Cash paid to acquire investments		97,082,515.00	331,000,000.00
Cash paid relating to other investing activities			
<b>Sub-total of cash outflows from investing activities</b>		<b>97,544,215.00</b>	<b>331,106,658.87</b>
<b>Net cash flows from investing activities</b>		<b>11,185,785.00</b>	<b>-75,994,203.47</b>
<b>III. Cash flows from financing activities:</b>			
Cash received from capital contributions		1,500,000,000.00	
Cash received from borrowings		2,098,690,000.00	1,210,000,000.00
Cash received from other financing activities		836,000,000.00	330,000,000.00
<b>Sub-total of cash inflow from financing activities</b>		<b>4,434,690,000.00</b>	<b>1,540,000,000.00</b>
Cash repayments of amounts borrowed		1,685,425,344.87	1,426,819,008.65
Cash paid for dividends, profit and interest		255,973,425.79	172,502,234.27
Cash paid for other financing activities		934,430,134.40	1,325,898,393.19
<b>Sub-total of cash outflow from financing activities</b>		<b>2,875,828,905.06</b>	<b>2,925,219,636.11</b>
<b>Net cash flows from financing activities</b>		<b>1,558,861,094.94</b>	<b>-1,385,219,636.11</b>
<b>IV. Effect of changes in foreign exchange rate on cash and cash equivalents</b>			
<b>V. Net increase in cash and cash equivalents</b>			
Plus: Cash and cash equivalents at beginning of period		93,724,071.26	-217,995,620.24
		492,622,946.69	710,618,566.93
<b>VI. Closing balance of cash and cash equivalents</b>			
		<b>586,347,017.95</b>	<b>492,622,946.69</b>

(The accompanying notes form an integral part of these financial statements)

Legal  
Representative:

Chief Financial Officer:

Head of Accounting:

**Statement of Changes in Owners' Equity**  
**Year 2019**

In: RMB

Item	Current Period										
	Paid-in capital		Other equity instruments		Capital reserves	Less: Treasury shares	Other comprehensive income	Special Reserves	Surplus reserves	Retained profits	Total Owners' Equity
	Preference shares	Perpetual bonds	Other	Other							
<b>I. Closing balance previous year</b>	500,000,000.00				3,209,460,774.88				126,295,344.87	1,150,723,820.26	4,986,479,940.01
Plus: Change in Accounting Policies											
Correction of Errors in the Previous Period											
Other											
<b>II. Opening balance current year</b>	500,000,000.00				3,209,460,774.88				126,295,344.87	1,150,723,820.26	4,986,479,940.01
<b>III. Movements during the period (decrease denoted by "-")</b>	1,500,000,000.00								16,137,667.83	145,239,010.47	1,661,376,678.30
<b>(1) Total comprehensive income</b>										161,376,678.30	161,376,678.30
<b>(2) Owners' contribution and withdrawal of capital</b>	1,500,000,000.00										1,500,000,000.00
1、Owners' contribution of capital	1,500,000,000.00										1,500,000,000.00
2、Proceeds from other equity instruments holders											
3、Share-based payment recorded in owner's equity											
4、Other											
<b>(3) Profit distribution</b>											
1、Appropriation to surplus reserves									16,137,667.83	-16,137,667.83	
2、Appropriation to general reserves									16,137,667.83	-16,137,667.83	
3、Distribution to owners											
4、Other											
<b>(4) Internal transfer of shareholders' equity</b>											
1、Transfer of capital reserve to share capital											
2、Transfer of surplus reserves to share capital											
3、Surplus reserves making up of losses											
4、Transfer of changes in defined benefit plans to retained earnings											
5、Other											
<b>(5) Special Reserves</b>											
1、Appropriation during the period											
2、Utilization during the period											
<b>(6) Other</b>											
<b>IV. Closing balance of the year</b>	2,000,000,000.00				3,209,460,774.88				142,433,012.70	1,295,962,830.73	6,647,856,618.31

The accompanying notes form an integral part of these financial statements)

Legal Representative:

Chief Financial Officer:

Head of Accounting:

**Statement of Changes in Owners' Equity (Continued)**  
**Year 2019**

In: RMB

Item	Current period							Total Owners' Equity		
	Paid-in capital	Other equity instruments		Capital reserves	Less: Treasury shares	Other comprehensive income	Special Reserves		Surplus reserves	Retained profits
		Preference shares	Perpetual bonds							
<b>I. Closing balance previous year</b>	500,000,000.00			3,591,105,674.88				104,643,589.53	955,858,022.24	5,151,607,286.65
Plus: Change in Accounting Policies										
Correction of Errors in the Previous Period										
Other										
<b>II. Opening balance current year</b>	500,000,000.00			3,591,105,674.88				104,643,589.53	955,858,022.24	5,151,607,286.65
<b>III. Movements during the period (decrease denoted by "-")</b>				-381,644,900.00				21,651,755.34	194,865,798.02	-165,127,346.64
<b>(1) Total comprehensive income</b>									216,517,553.36	216,517,553.36
<b>(2) Owners' contribution and withdrawal of capital</b>										
1、Owners' contribution of capital										
2、Proceeds from other equity instruments holders										
3、Share-based payment recorded in owner's equity										
4、Other										
<b>(3) Profit distribution</b>				-381,644,900.00				21,651,755.34	-21,651,755.34	-381,644,900.00
1、Appropriation to surplus reserves										
2、Appropriation to general reserves										
3、Distribution to owners										
4、Other				-381,644,900.00						-381,644,900.00
<b>(4) Internal transfer of shareholders' equity</b>										
1、Transfer of capital reserve to share capital										
2、Transfer of surplus reserves to share capital										
3、Surplus reserves making up of losses										
4、Transfer of changes in defined benefit plans to retained earnings										
5、Other										
<b>(5) Special Reserves</b>										
1、Appropriation during the period										
2、Utilization during the period										
<b>(6) Other</b>										
<b>IV. Closing balance of the year</b>	500,000,000.00			3,209,460,774.88				126,295,344.87	1,150,723,820.26	4,986,479,940.01

(The accompanying notes form an integral part of these financial statements)

Legal Representative:

Chief Financial Officer:

Head of Accounting:



# Taixing Hongqiao Park Industrial Development Co., Ltd.

## Notes to FY2019 Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### I. Basic information about the company

#### (1) Place of incorporation and form of organization

Taixing Hongqiao Park Industrial Development Co., Ltd. (hereinafter referred to as the Company individually and collectively together with its subsidiaries) was established on 24 March 2003 and has a registered capital of RMB2000 million yuan as at 31 December 2019 after all capital increases.

On 30 August 2019, the registered capital of the Company was changed from the original RMB500 million yuan to RMB2000 million yuan; the Company's shareholder, Taixing Municipal People's Government, increased its capital by RMB1500 million yuan in cash on 28 August 2019, which was verified through the capital verification report "Su Han Yan [2019] T-0046" produced by Suzhou Hanlin Accounting Firm (General Partnership).

On 24 December 2019, there was a change in the shareholders of the Company and pursuant to the Equity Transfer Agreement and the resolution of the shareholders, Taixing Zhongxin Investment Group Co., Ltd. was transferred 100% of the equity interest in the Company held by Taixing Municipal People's Government. After the transfer, Taixing Zhongxin Investment Group Co., Ltd is the sole shareholder of the Company.

The Company's Uniform Social Credit Code: 91321283747328784E; Domicile: Taixing Hongqiao Industrial Park; Legal Representative: Zhu Haibing; Business Nature: Limited liability company (wholly owned by a legal person and not invested or controlled by a natural person).

Period of operation of the Company: 24 March 2003 to 23 March 2033.

#### (2) Nature of Business and Principal Activities

Scope of Business: Industrial project development; land preparation and development; investment and operation of state-owned assets; agency services for government construction projects; construction of civil works; housing demolition services; wholesale of building materials and agricultural and sideline products; sale of metal materials and products, jewellery, household appliances and timber; self-dealing and brokering in the import and export of all kinds of commodities and technologies, except for commodities and technologies that are restricted by the State and prohibited by the State from import and export. (The items that requires approval by law can only be dealt in after being approved by the relevant departments)

#### (3) Approval of Financial Report

These financial statements were approved by the Board of Directors of the Company on 24 April 2020.

#### (4) Scope of Consolidated Statement

A total of 10 subsidiaries are included in the scope of consolidation under the Company in 2019. This represents a decrease of 3 entities compared to the previous period, as detailed in Note VII. "Changes in scope of consolidation".

### II. Basis of Preparation of Financial Statements

#### (1) Basis of Preparation

The Company prepares its financial statements on a going concern basis, based on actual transactions and events, in accordance with the Basic Accounting Standards for Business Enterprises and its Guidelines for the Application, Explanation and other relevant regulations issued by the Ministry of Finance (collectively "Accounting Standards for Business Enterprises").

The Company's accounting is based on an accrual basis according to the relevant provisions of the Accounting Standards for Business Enterprises. Except for certain financial instruments, the financial statements are measured based on historical cost. If an asset is impaired, the corresponding provision for impairment shall be accrued in accordance with the relevant policies.

#### (2) A Going Concern

These financial statements are presented on a going concern basis and the Company has the ability to continue operations for at least 12 months since the end of the reporting period.

### **III. Statement of compliance with corporate accounting standards**

These financial statements prepared by the Company conform to the requirements of the Accounting Standards for Business Enterprises and reflect truthfully and completely the Company's and consolidated financial position as at 31 December 2019, and the company's and consolidated operating results and cash flows in 2019, as well as other relevant information.

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

#### **(1) Accounting Period**

The Company's accounting period is divided into annual and interim periods, with an accounting interim period being a reporting period shorter than a full accounting year. The Company's accounting year is a calendar year, which commences on 1 January and ends on 31 December each year.

#### **(2) Operating Cycle**

A normal operating cycle starts from purchasing assets used to produce, and ends when cash or equivalent is realised. The operating cycle of the Company lasts for 12 months, and acts as an indicator for classification of liquidity of assets and liabilities.

#### **(3) Reporting Currency**

The Company uses Renminbi as its reporting currency.

#### **(4) Accounting treatments of business combination under and not under common control**

Business combination refers to a transaction or event bringing together two or more separate enterprises into one reporting entity. Business combinations are classified into business combinations under common control and not under common control.

##### **1. Business combination under common control:**

Business combinations under common control refers to combinations where the combined entities are ultimately controlled by the same party or parties before and after the combination and that control is not transitory. In a business combination under common control, the party that obtains control over other involved entities on the combination date is the combining party, and the other involved parties is (are) the combined party(ies). The combination date is the date on which the combining party actually acquires the control over the combined party(ies).

The assets acquired and liabilities assumed by the combining party shall be measured at their book values of the combined party on the combination date. If there is any difference between the book value of net assets acquired in the combination and the book value of the consideration for the combination paid (or the total value of the issued shares), it is adjusted against the capital reserve (equity premium) and if the capital reserve (equity premium) is not enough, then adjusted against the retained earnings.

All direct costs incurred in connection with a business combination, shall be recognised in profit or loss for the period upon occurrence.

##### **2. Combination not under common control**

Business combinations not under common control refers to combinations where the combining entities are not ultimately controlled by the same party or parties before and after the combination. For business combination not under common control, the party obtains the control over the other involved parties on the combination date is the acquirer, and the other involved parties are the acquirees. The acquisition date is the date on which the acquirer effectively obtains control over the acquiree(s).

For business combinations not under common control, the cost of the combination comprises the fair value of assets paid, liabilities incurred or assumed and equity securities issued by the acquirer to obtain control over the acquiree on the date of acquisition, and the costs of intermediary fees such as audit, legal services, and valuation advice and other administrative expenses incurred for the business combination are recognised in profit or loss for the period when incurred. Transaction costs of equity or debt securities issued by the acquirer as the considerations for business combination are included in their initial recognised amounts. The contingent consideration involved is included in the cost of the combination at its fair value on the date of acquisition, and if new or further evidence of conditions existing on the date of acquisition arises within 12 months of the date of acquisition that requires an adjustment to the contingent consideration, the goodwill on the combination is adjusted accordingly. The cost of the combination incurred by the acquirer and the identifiable net assets acquired in the combination are measured at their fair values on the date of acquisition. 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 on the date of acquisition is recognised as goodwill.

Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the current period if the cost of combination is verified less than the fair value of the identifiable net assets acquired from the acquiree during the combination after reviewing the fair value of various identifiable assets, liabilities and contingent liabilities acquired from the acquiree and the measurement of combination costs.

Where deductible temporary differences that the acquirer acquired from the acquiree in business combination are not recognised as they fail to satisfy the criteria for recognition of deferred tax assets on the date of acquisition, relevant deferred income tax assets shall be recognised if new or additional information becomes available within 12 months of the acquisition date that indicates that the relevant circumstances have existed at the acquisition date, and the economic benefits arising from the temporary deductible differences of the acquiree at the acquisition date are expected to be realised, and goodwill shall be reduced; in case of insufficient goodwill, the difference shall be recognised in profit or loss for the period; in addition to the above circumstances, the deferred income tax assets related to the business combination shall be recognised and recorded into the profit or loss for the period.

For business combinations not under common control achieved in stages through multiple transactions, the Company shall determine whether the multiple transactions shall be regarded as a "package deal" according to the "Notice of the Ministry of Finance on Issuing the Accounting Standards for Business Enterprises Interpretation No. 5" (Cai Kuai (2012) No. 19) and the judgmental criteria for package deal in Article 51 of the Accounting Standards for Business Enterprises No. 33 - Consolidated Financial Statements (please refer to Note IV.5(2) herein). If the transactions are a "package deal", they shall be accounted for by reference to the descriptions in the preceding paragraphs of this section and Note IV.13 "Long-term equity investments" in this note; if the transactions are not a "package deal", they are accounted for by distinguishing between individual financial statements and consolidated financial statements.

In individual financial statements, the sum of the book value of the equity investment in the acquiree held prior to the date of acquisition and the cost of the additional investment at the date of acquisition is used as the initial investment cost of that investment; if the equity interest in the acquiree held prior to the date of acquisition relates to other comprehensive income, the other comprehensive income relating to that investment is accounted for on the same basis as the disposal of the related assets or liabilities directly by the acquiree upon disposal of that investment (i.e., except for the corresponding share of the change resulting from the remeasurement of the net liabilities or net assets under the defined benefit plan at the acquiree accounted for using the equity method, the rest is credited into investment income for the current period).

In consolidated financial statements, the equity interest in the acquiree held prior to the date of acquisition is remeasured at its fair value at the date of acquisition, and the difference between the fair value and its book value is included in investment income for the current period; if the equity interest in the acquiree held prior to the date of acquisition relates to other comprehensive income, the other comprehensive income relating to that investment shall be accounted for on the same basis as the disposal of the related assets or liabilities directly by the acquiree (i.e., except for the corresponding share of the change resulting from the remeasurement of the net liabilities or net assets under the defined benefit plan at the acquiree accounted for using the equity method, the rest is credited into investment income for the period that the date of acquisition falls into).

#### (5) Preparation of Consolidated Financial Statements

##### 1. Principles for determining the scope of consolidation

The scope of consolidated financial statements is determined on the basis of control. Control is the power the Company has over the acquiree(s) and is entitled to variable returns from its involvement in the operating activities of the acquiree and able to affect the amount of the returns by leveraging such power. The scope of the consolidation includes the Company and all of its subsidiaries. A subsidiary, being an entity controlled by the Company.

The Company will conduct reassessment in the event there are changes in relevant facts and circumstances causing changes in relevant elements involved in the definition of control above.

## 2. Preparation of Consolidated Financial Statements

Subsidiaries are consolidated from the date on which the company obtains effective control of their net assets and production and operating decisions and are deconsolidated from the date that such control ceases. For disposed subsidiaries, operating results and cash flows prior to the date of disposal have been appropriately included in consolidated income statements and consolidated cash flow statements; no adjustment is made to the opening balance sheet of the consolidated balance sheet for the current period when subsidiaries are disposed. For additional subsidiaries acquired through business combination not under common control, their operating results and cash flows have been included in the consolidated income statement and the consolidated cash flow statement after the date of acquisition as appropriate, and are not adjusted against the opening and comparative figures in the consolidated financial statements. For additional subsidiaries acquired through business combination under common control, their operating results and cash flows from the beginning of the period of combination to the date of combination have been appropriately included in the consolidated income statement and the consolidated cash flow statement and the comparative figures in the consolidated financial statements have been adjusted at the same time.

In preparing consolidated financial statements, if the accounting policies or accounting periods adopted by a subsidiary are different from those of the Company, the necessary adjustments are made to the financial statements of the subsidiary in accordance with the Company's accounting policies and accounting periods. For subsidiaries acquired through business combination not under common control, their financial statements are adjusted based on the fair value of identifiable net assets as at the acquisition date.

All significant intra-company balances, transactions and unrealised profits are offset in the consolidated financial statements.

For a subsidiary, its shareholders' equity and the portion of its profits or losses for the period that is not attributable to the Company are presented separately under shareholders' equity and net profit as Minority Interests and Minority Interest Income in the consolidated financial statements. The portion of net profits or losses of a subsidiary for the period attributable to minority interests is presented in the consolidated income statement under the "net profit" as "minority interest income". Where the losses of a subsidiary assumed by a minority shareholder exceeds the share of the shareholder's equity of the subsidiary attributable to the minority shareholders at the beginning of the period, the balance of the loss is still offset against the Minority Interests.

For the loss of control over a subsidiary due to partial disposal of the equity investment or other reasons, the remaining equity is remeasured at fair value on the date when the control is lost. The difference between the sum of the consideration received from disposal of equity interest and the fair value of the remaining equity interest, and the net assets of the former subsidiary attributable to the Company calculated on a continuous basis since the acquisition date, is recognised as the investment income for the period when the control is lost. Other comprehensive income related to the equity investment in the former subsidiary is accounted for on the same basis as if the assets or liabilities had been disposed of directly by the acquiror upon loss of control (i.e., except for changes in net liabilities or net assets aside from the remeasurement of the former subsidiary's defined benefit plan, the remainder is added to investment income of the period). The remaining interests shall be subsequently measured in accordance with relevant accounting standards such as "Accounting Standards for Business Enterprises No. 2 – Long-term Equity Investments" or "Accounting Standards for Business Enterprises No. 22 – Financial Instruments Recognition and Measurement".

Where the Company disposes of the equity investment in the subsidiary through several transactions until the Company loses control, it shall be determined whether such transactions are a package deal. If the terms, conditions and economic effects of transactions through which the equity investment in the subsidiary is disposed fall in one or more of the following circumstances, the multiple transactions shall be accounted for as a package deal: ① These transactions are entered into at the same time or after considering the effects on each other; ② These transactions, taken as a whole, lead to a complete commercial outcome. The occurrence of one transaction depends on the occurrence of at least one other transaction; ④ one transaction is not economical on its own but is economical when considering together with other transactions. When the transactions are accounted for as a package deal, the individual transactions involved shall be accounted for separately depending on the specific circumstances using the principle applicable to partial disposal of a long-term equity investment in a subsidiary without loss of control. When the transactions are regarded for as a package deal, the transactions shall be accounted for as a single disposal transaction with loss of control; however, the difference between the consideration received from disposal and the share of net assets disposed of in each individual transaction before loss of control shall be recognised as other comprehensive income in the consolidated financial statements, and be all reclassified as profit or loss arising from the loss of control for the period when control is lost.

#### (6) Classification of joint arrangements and accounting treatment for joint operations

The joint venture arrangement refers to the arrangement jointly controlled by two or more parties. The Company classifies such arrangement as joint-operation and joint venture according to the rights and obligations set out in the arrangement. Joint operation refers to an arrangement that the Company shares the assets as well as the liabilities of the invested entity. Joint venture refers to the arrangement that the Company shares only the net asset of the invested entity.

Equity method is adopted to account for investment in the joint ventures by the Company in accordance with the accounting policy as set out in Note IV.( 15.(2)) "Long term equity investments accounted for under the equity method".

As a party to a joint operation, the Company recognises assets held separately, liabilities assumed separately and, in the Company's share, assets held jointly and liabilities assumed jointly; recognises the income generated from the sale of the outputs of the joint operation attributable to the Company; recognises the income generated by the joint operation from the sale of outputs on a pro-rata basis; expenses incurred individually by the Company and those incurred by the joint operation on a pro-rata basis.

When the Company, as a party to the joint operation, transfers or sells assets (which don't constitute a business, same below) to, or purchases assets from the joint operation, only the profit or loss arising from such transaction attributable to other participating parties in the joint operation will be recognised by the Company before such asset is sold to a third party. If any loss occurs due to such transaction and meets the criteria of "Accounting Standard for Business Enterprise No.8 – Impairment of assets", the Company will recognise such loss in full amount if the Company transfers or sells assets to the joint operation, and will recognise its prorata loss if the Company purchases the assets from joint operation.

#### (7) Foreign currency transaction

The Company has its foreign currency transactions translated into RMB at the spot exchange rate at the date of transaction. At the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rates at the balance sheet date. The resulting translation differences are credited directly to profit or loss for the period, except for exchange differences arising on specialised borrowings in foreign currencies for the purpose of acquiring or producing assets eligible for capitalisation, which are accounted for in accordance with the principle of capitalisation.

#### (8) Recognition Criteria for cash and cash equivalents

The Company's cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term (usually mature within three months since acquisition) and highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

#### (9) Financial Instruments

A financial asset or financial liability shall be recognised when the Company becomes a party to a contract in respect of the financial instrument. Financial assets and financial liabilities are measured at fair value on initial recognition. For the financial assets and liabilities at fair value through profit or loss (FVTPL), relevant transaction expenses are directly charged to the profit or loss; and for other financial assets and liabilities, relevant transaction expenses are included in the initial recognised amount.

## (1) Recognition Criteria for Fair Value of Financial Assets and Financial Liabilities

Fair value is the price that will be received when selling an asset or the price to be paid to transfer a liability in an orderly transaction between market participants on the date of measurement. The Company measures the fair value of financial assets and financial liabilities at prices in the principal market or, where no principal market exists, at prices in the most advantageous market, using valuation techniques that are appropriate at the time and supported by sufficiently available data and other information. There are three levels of inputs used in the fair value measurement. Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Company can access on the measurement date; Level 2 inputs are inputs other than those included within Level 1 that are observable for the assets or liabilities, either directly or indirectly; and Level 3 inputs are the non-observable inputs of relevant assets or liabilities. The Level 1 inputs are the first priority to use by the Company, and level 3 inputs will be the last one to use. The level of the result from calculation for the fair value is determined by the lowest level to which the most important inputs of the fair value calculation belong.

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

Financial assets bought and sold in regular way are recognised and derecognised on their transaction dates. On initial recognition, the Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, held-to-maturity investments, loan and receivables, and available-for-sale financial assets.

### ① Financial assets at fair value through profit or loss for the period.

It includes held for trading financial assets and financial assets designated as at fair value through profit or loss.

An held for trading financial asset is a financial asset that meets one of the following conditions: A. it has been acquired principally for the purpose of selling in the near future; B. on initial recognition, it is a part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or C. Being a derivative instrument, excluding those designated as effective hedging instruments, under financial guarantee contracts, and derivative instruments connected with the equity instrument investments with no quoted price in the active market, whose fair value cannot be reliably measured, and which shall be settled by delivering the said equity instruments.

A financial asset that meets one of the following conditions may be designated on initial recognition as a financial asset at fair value through profit or loss: A. The designation eliminates or obviously reduces the discrepancies in the recognition or measurement of relevant gains or losses arising from the different measurement basis of financial instruments; B. The formal written documents for risk management or investment strategies at the Company provide that such portfolio of financial instruments or financial assets and financial liabilities to which the financial assets belong is managed, assessed and reported to key managers on a fair value basis.

Financial assets at fair value through profit and loss for the period are subsequently measured at fair value, and all gains and losses arising from changes in fair value and dividends and interests relating to such financial assets are recognised in profit and loss for the period.

### ② Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturity and fixed or determinable payments that the management has the positive intention and ability to hold to maturity.

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method; gains and losses arising from derecognition, impairment or amortisation is recognised in profit or loss for the period.

Effective interest rate method is a method of calculating the amortised cost, periodic interest income or payment of financial assets or financial liabilities (including a portfolio of financial assets or financial liabilities) at their effective interest rates. Effective interest rate is a rate used for discounting the estimated future cash flows of a financial asset or financial liability to its current carrying amount through the expected life of the financial asset or financial liability or, where appropriate, a shorter period.

When calculating an effective interest rate, the Company will estimate the future cash flows (without considering future credit losses) of financial assets and liabilities based on all terms and conditions of the underlying contracts, at the same time considering the charges, transaction costs, discounts or premiums among others paid or received by the parties involved in the financial assets or financial liabilities.

### ③ Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified by the Company as loans and receivables include bills receivable, accounts receivable, interest receivable, divided receivable and other receivables.

Loans and receivables are subsequently measured at amortised cost using the effective interest method; gains and losses arising from derecognition, impairment or amortisation is recognised in profit or loss for the period.

### ④ Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as this category or not classified as financial assets at fair value through profit or loss, loans and receivables and held-to-maturity investments at initial recognition.

The closing cost of available-for-sale debt instruments are determined based on amortized cost method, which means the amount of initial recognition less the amount of principle already repaid, add or less the accumulated amortized amount arising from the difference between the amount due on maturity and the amount initially recognised using effective interest rate method, and less the amount of impairment losses recognised. The closing cost of available-for-sale equity instruments is equal to its initial acquisition cost.

Available-for-sale financial assets subsequently measured at fair value, the gains or losses arising from changes in fair value, except for impairment losses and exchange difference related to monetary financial assets and amortized cost which are recognised in Profit & Loss for the period, are recognised as other comprehensive income and reclassified to Profit & Loss for the period when the financial assets are de-recognised. However, the equity instrument investment that is not quoted in an active market and whose fair value cannot be measured reliably and the derivative financial assets that are linked with and settled by such equity instruments shall be subsequently measured at cost.

Interests earned during the holding period of available-for-sale financial assets and cash dividends declared by the investees are included in investment income.

### (3) Impairment of financial assets

With the exception of financial assets at fair value through profit or loss, the Company examines the carrying value of other financial assets on each balance sheet date and sets aside provisions for impairment if there is objective evidence that a financial asset is impaired.

Financial assets that are individually significant are tested for impairment separately by the Company; financial assets with individually insignificant amount may be tested for impairment separately or included in a group of financial assets with similar credit risk characteristics: Financial assets that are not individually tested and not impaired (both individually significant and immaterial) include a further test for impairment in a portfolio of financial assets with similar credit risk characteristics. Financial assets whose impairment loss is recognised recognition will not be included in a group of financial assets with similar credit risk characteristics for further impairment testing.

### ① Impairment of held-to-maturity investments, loans and receivables

Financial assets carried at cost or amortised cost are written down to the present value of estimated future cash flows and the amount of the write-down is recognised as an impairment loss in profit or loss for the period. After the impairment loss is recognised, if there is objective evidence that the value of the financial asset has been restored, and the objective evidence is related to an event that occurs after the impairment loss is recognised, the original impairment loss is reversed and the carrying amount of the financial asset after the reversal of the impairment loss does not exceed what the amortized cost of the financial asset would have been at the date of the reversal assuming no provision for impairment had been made.



## ② Impairment on available-for-sale financial assets

An impairment on an available-for-sale equity instrument occurs when the Company determines, based on a combination of relevant factors, that a decline in the fair value of the investment in the available-for-sale equity instrument is either significant or other than temporary. A "significant decline" is a decline in fair value of more than 20% in aggregate; an "other-than-temporary decline" is a decline in fair value of more than 12 consecutive months.

When an available-for-sale financial asset is impaired, the cumulative loss arising from the decline in fair value that was previously included in other comprehensive income is transferred out and included in profit or loss for the period. The cumulative loss transferred out is the initial acquisition cost of the asset less the principal recovered and the amount amortised, the current fair value and the impairment loss previously included in profit or loss.

After the recognition of an impairment loss, if there is subsequently objective evidence that the value of the financial asset has recovered and can be objectively related to an event occurring after the recognition of the loss, the impairment loss originally recognised is reversed, with the reversal of the impairment loss on an investment in an available-for-sale equity instrument recognised in other comprehensive income and the reversal of the impairment loss on an available-for-sale debt instrument included in profit or loss for the period.

For the equity investment that is not quoted in an active market and whose fair value cannot be measured reliably and the derivative financial instruments that are linked with and settled by such equity instruments, their impairment losses shall be reversed.

### (4) Recognition and measurement of transfer of financial assets

A financial asset is derecognised when one of the following conditions is met: ① the contractual right to receive cash flows from the financial asset is terminated; ① the financial asset is transferred and substantially all the risks and rewards of ownership of the financial asset are transferred to the transferee; ① the financial asset is transferred and the business gives up the control of the financial asset although it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, and the control over the financial asset is not ceased, the financial asset and the related financial liabilities should be recognised based on the degree of continuing involvement. The degree of continuing involvement means the level of risks born by the business resulting from the change in value of the financial asset.

If the derecognition criteria are met for an overall transfer of financial assets, the difference between the book value of the financial assets transferred and the sum of the consideration received for the transfer and the cumulative amount of changes in fair value previously included in other comprehensive income is included in profit or loss for the period.

If the derecognition criteria are met for a partial transfer of a financial asset, the book value of the financial asset transferred is apportioned between the derecognised and unrecognised portions at their relative fair values, and the difference between the sum of the consideration received for the transfer and the cumulative amount of changes in fair value previously included in other comprehensive income that is apportioned to the derecognised portion and the previously apportioned book value is included in profit or loss for the period.

Where the Company transfers by endorsement the financial assets sold with the right of recourse or the financial assets held, it shall be determined that whether almost all the risks and rewards of ownership of the financial assets have been transferred. If substantially all the risks and rewards of ownership of the financial asset have been transferred to the transferee, the financial asset is derecognised; if substantially all the risks and rewards of ownership of the financial asset have been retained, the financial asset is not derecognised; if all the risks and rewards of ownership of the financial asset haven't been substantially transferred or retained, the Company continues to determine whether it retains control over the asset and accounts for it in accordance with the principles set out in the preceding paragraphs.

### (5) Classification and measurement of financial liabilities

On initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities. Financial liabilities are measured at fair value on initial recognition. For financial liabilities at fair value through profit or loss for the period, the relevant trading expenses are included directly in profit and loss for the period, for other financial liabilities, and the relevant trading expenses are included in the amount of initial recognition.

① Financial liabilities at fair value through profit or loss for the period

The criteria for financial liabilities classified as trading financial liabilities and those designated at fair value through profit or loss on initial recognition are the same as those for financial assets classified as trading financial assets and those designated at fair value through profit or loss on initial recognition.

Financial liabilities at fair value through profit and loss are subsequently measured at fair value, and all gains and losses arising from changes in fair value and dividends and interests relating to such financial liabilities are recognised in profit and loss for the period.

② Other financial liabilities

Derivative financial liabilities linked to equity instruments that are not quoted in an active market and whose fair value cannot be reliably measured, and that are required to be settled through delivery of such equity instruments, are subsequently measured at cost. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with any gain or loss arising from derecognition or amortisation being recognised in profit or loss.

③ Financial guarantee contracts

Financial guarantee contracts that are not financial liabilities designated as at fair value through profit or loss (or loan commitments that are not designated as fair value through profit or loss and will be lent at below market interest rates) are initially recognised at fair value and subsequently measured at the higher of the amount determined in accordance with Accounting Standards for Business Enterprises No. 13 - Contingencies after initial recognition and the balance of the initial recognition amount less accumulated amortisation determined in accordance with the principles of Accounting Standards for Business Enterprises No. 14 - Revenue.

(6) Derecognition of financial liabilities

Derecognition of a financial liability, or part thereof, occurs when the current obligation of the financial liability has been discharged in whole or in part. An agreement is entered between the Company (debtor) and a creditor to replace the original financial liabilities with new financial liabilities with substantially different terms, derecognise the original financial liabilities as well as recognise the new financial liabilities.

When financial liabilities is derecognised in full or in part, the difference between the book value of the financial liabilities derecognised and the consideration paid (including transferred non-cash assets or new financial liability) is recognised in profit or loss for the period.

(7) Derivatives and embedded derivatives

Derivatives are initially measured at fair value on the date of its underlying contract and subsequently measured at fair value. Changes in the fair value of the derivatives are included in profit or loss for the period, except for those derivatives designated as hedging instruments with highly effective hedges, for which gains or losses resulting from changes in fair value are determined in accordance with hedge accounting requirements based on the nature of the hedging relationship.

For hybrid instruments containing an embedded derivative that are not designated as a financial asset or financial liability at fair value through profit or loss, the embedded derivative is not closely related to that host contract in terms of economic characteristics and risks, and is subject to the same conditions as the embedded derivative, where the separately existing instrument meets the definition of a derivative, the embedded derivative is separated from the hybrid instrument and treated as a separate derivative financial instrument. If it is not possible to measure the embedded derivatives individually at acquisition or on subsequent balance sheet dates, the hybrid instrument is designated as a financial asset or financial liability at fair value through profit or loss in its entirety.

#### (8) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are presented in the balance sheet after offsetting when the Company has a legal right to offset the recognised financial assets and financial liabilities and such legal right is currently enforceable, and meanwhile the Company intends to settle them on a net basis or realise the financial assets for cash and settle the financial liabilities. Otherwise, the financial assets and financial liabilities are presented separately in the balance sheet without offsetting each other.

#### (9) Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued (including refinancing), repurchased, sold or cancelled by the Company are treated as changes in equity. The Company does not recognise changes in the fair value of equity instruments. Transaction costs associated with equity-settled transactions are deducted from equity.

Various distributions by the Company to holders of equity instruments, excluding stock dividends, reduce shareholders' equity. The Company does not recognise changes in the fair value of equity instruments.

#### (10) Receivables

Receivables include notes receivable, accounts receivable and other receivables.

##### 1、Recognition criteria for provision for bad debts

The Company checks the book value of receivables at the balance sheet date and provides for impairment where objective evidence indicates that the receivables are impaired as follows: ① the debtor experiences serious financial difficulties; ② Breach of contractual terms by the debtor (e.g., default or overdue payment of interest or principal); ③ Probable bankruptcy or other financial reorganization of the debtor; ④ Other objective bases indicating that the receivables are impaired.

##### 2、Method of provision for bad debts

###### (1) Criteria for recognition of bad debt provision for individually significant receivables and method of provision

The Company recognises receivables with an amount of RMB 1 million or more as individually significant receivables.

The Company assesses individually significant receivables for impairment on individual basis, financial assets which is not impaired on individual basis will be assessed for impairment collectively with a portfolio of financial assets which share similar credit risk characteristics. Receivables for which an impairment loss has been recognised in a single test are no longer included in the impairment test for groups of receivables with similar credit risk characteristics.

(2) Basis for determining receivables for which bad debt provision is made on the basis of credit risk profile and method of provision

###### A. Basis for determining credit risk profile

###### a. Ageing group

Receivables that are individually significant but have not been individually tested for bad debt provision, together with receivables that are individually insignificant net of individual bad debt provision are grouped together using the ageing of the receivables as a similar credit risk profile.

###### b. Other group

Receivables from related parties and government departments, personal allowances, and deposits belong to the Other group.

###### B. Method of provision for bad debts by group

a. For the ageing group, the Company makes provision for bad debts under the ageing analysis method at the following ratios:

Provision ratio for accounts receivable by ageing (%) Provision ratio for other receivables (%)

Account age	Ratio for accounts receivable (%)	Provision ratio for other receivables (%)
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Account age	Ratio for accounts receivable (%)	Provision ratio for other receivables (%)
Less than 1 year	0	0
1-2 years	5	5
2-3 years	10	10
More than 3 years	30	30

b. Other group: No bad debt provision is made for amounts due from related parties, government departments, personal allowances and security deposits, unless evidence exists that the receivable is impaired.

(3) Criteria for recognition of bad debt provision for individually insignificant receivables and method of provision

A. Recognition criteria for individually insignificant amounts

Accounts receivable with an individually insignificant amount are those individually with a closing balance of less than RMB 1.0 million; other receivables with an individually insignificant amount are those individually with a single closing balance of less than RMB 1.0 million.

B. Method of bad debt provision for individually insignificant

The Company performs a separate impairment test for receivables that are not individually significant but have the following characteristics (receivables in dispute with the counterparty or involved in litigation or arbitration; receivables for which there are clear indications that it is probable that the debtor will not be able to meet its repayment obligations, etc.) and recognises an impairment loss for the difference between the present value of future cash flows and its book value if there is objective evidence that the receivables are impaired, and makes a bad debt provision for it. At the same time, the Company makes a bad debt provision for receivables that are not individually significant net of individual bad debt provisions, using the ageing of the receivables as a similar credit risk profile.

3、Reversal of bad debt provision

When there is objective evidence that the value of the receivable has been restored and the objective evidence relates to an event occurring after the loss was recognised, the previously recognised impairment loss is reversed and credited to profit or loss. However, the book value upon the reversal will not exceed the amortised cost of the receivables on the reversal date as if no impairment loss provision had been made.

(11) Inventories

(1) Classification of inventories

The inventories of the Company mainly comprise raw materials, goods in stock, low value consumables, construction work and development costs in the course of development.

(2) Valuation methods for acquiring and dispatching inventories

Inventories are initially valued at their actual cost upon acquisition. The cost of inventories includes purchase costs, processing costs and other costs. Inventories are valued on a weighted average basis when collected and dispatched.

(3) Recognition of net realisable value of inventories and method of provision for write-down of inventories

Net realisable value is the estimated selling price of the goods less the estimated costs to be incurred on completion, estimated selling expenses and relevant taxes. In determining the net realisable value of inventories, it is based on firm evidence obtained, taking into account the purpose for which the inventories are held and the impact of subsequent events on the balance sheet date.

On balance sheet dates, inventories are measured at the lower of cost and net realisable value. Provision for inventory write-down is made when the net realisable value is lower than the cost. For individual inventory items, write-down provisions are made for any excess of the cost over their net realisable value.

After making the provision for inventory write-down, in case the factors causing inventory write-down no longer exists, and the net realisable value of the inventory is higher than its book-value, the original provision for inventory write-down shall be reversed and incorporated into the profit or loss for the period.

(4) The Company adopts a perpetual inventory system.

(5) Amortization of low value consumables and packaging materials

Low value consumables are amortised on a lump sum basis when collected; packaging is amortised on a lump sum basis when claimed.

(12) Assets held for sales

A non-current asset or disposal group for which the Company recovers its book value primarily through sale (including a non-monetary asset exchange with a commercial substance, the same applies below) and not through the ongoing use of the asset or disposal group is classified as held for sale. The following conditions must be all met: A non-current asset or disposal group is ready for immediate sale in its current condition in accordance with the practice of selling such assets or disposal groups in similar transactions; the Company has resolved on a plan of sale with an undertaking to purchase obtained; the sale is expected to be completed within one year. Of these, a disposal group is a group of assets that are disposed of as a whole in a transaction by sale or otherwise together, and liabilities directly related to those assets that are transferred in that transaction. If the asset group or group of asset groups to which a disposal group belongs has been allocated with goodwill acquired in a business combination in accordance with Accounting Standards for Business Enterprises No. 8 - Impairment of Assets, the disposal group shall include the goodwill allocated to the disposal group.

If the book value of a non-current asset held for sale or disposal group is greater than the net value of its fair value less costs to sell as measured at its initial measurement or as remeasured on the balance sheet date, the book value is written down to the net value of fair value less costs to sell, and the amount of the write-down is recognised in profit or loss for the period as asset impairment loss, and an impairment charge on the asset held for sale is recorded. For the disposal group, the impairment loss recognised on the asset is first set off against the book value of goodwill in the disposal group and then proportionately against the book value of each non-current asset in the disposal group to which the measurement requirements of Accounting Standards for Business Enterprises No. 42 - "Non-current Assets Held for Sale, Disposal Groups and Discontinued Operations" (the "held for sale standard") applies. If, at a subsequent balance sheet date, the fair value (net) of the disposal group held for sale after the disposal fee increases, the amount previously written down may be reinstated and reversed within the amount of the impairment loss recognised for non-current assets to which the held for sale measurement requirement applies after classification as held for sale, and the amount reversed is credited to the profit or loss for the period and added proportionately to the book value of the disposal group other than goodwill to which the held for sale measurement requirement applies. The book value of non-current assets other than goodwill is increased by their proportionate share of the carrying value of the asset; The impairment losses, which have been deducted by the book value of the good will or have been recognised on non-current assets subject to the measurement requirements of the held-for-sale rules before classification as held-for-sale, are not reversed.

Non-current assets held for sale or non-current assets in the disposal group are not depreciated or amortised, and interest and other charges on liabilities in the disposal group held for sale continue to be recognised.

When a non-current asset or disposal group no longer satisfies the criteria for classification as held for sale and is no longer classified as held for sale or a non-current asset is removed from the disposal group held for sale, it is measured at the lower of (1) the carrying amount before classification as held for sale, adjusted for depreciation, amortisation or impairment that would have been recognised had it not been classified as held for sale and (2) the recoverable amount.

(13) Long-term equity investments

Long-term equity investments referred to in this section are long-term equity investments in which the Company has control, joint control or significant influence over an investee. Long-term equity investments in which the Company does not have control, joint control or significant influence over the investee are accounted for as available-for-sale financial assets or financial assets at fair value through profit or loss, the accounting policies of which are described in Note IV. (9) "Financial Instruments" herein.

Joint control is control that is shared with the Company over an arrangement according to the relevant agreement, and the activities related to the arrangement can only be decided upon with the unanimous consent of the participants sharing control. Significant influence is the right to participate in the financial and operating decisions of the investee, but not to control, or have joint control with other parties over, the formulation of those policies.

#### (1) Recognition of investment costs

For long-term equity investments acquired through business combination under common control, the initial investment cost of the long-term equity investment at the date of the merger is based on the share of the ownership interest of the combined party in the consolidated financial statements of the ultimate controlling party. The difference between the initial investment cost of a long-term equity investment and the total amount of cash paid, non-cash assets transferred, and the book value of liabilities assumed is adjusted against capital surplus; and if capital surplus is insufficient, adjusted against retained earnings. If equity securities are issued as consideration for combination, the initial investment cost of the long-term equity investment at the date of the combination is based on the share of the book value of the ownership interest of the combined party in the consolidated financial statements of the ultimate controlling party, and the difference between the initial investment cost of the long-term equity investment and the total nominal value of the shares issued is adjusted against capital surplus; and if capital surplus is not sufficient, adjusted against retained earnings. If the Company acquires the equity interests of the combined party under common control in stages through multiple transactions, resulting in a business combination under common control, the Company should determine whether these transactions should be treated as a "package deal": If it constitutes a "Package Deal", the Company accounts for all transactions as if they are a transaction that obtained control. For transactions that do not qualify as a "package deal," the initial investment cost of the long-term equity investment is determined according to the book value of the combined party's owners' interest in the consolidated financial statements of the ultimate controller at the date of combination. The difference between the initial cost of the long-term investment and the sum of the book value of the long-term investment before the combination and the book value of the new consideration paid for the shares acquired on the combination date is adjusted against capital surplus; and if capital surplus is insufficient, adjusted against retained earnings. Equity investment acquired before the date of combination are not accounted for the period as they were accounted with the equity method or as other comprehensive income due to available-for-sale financial assets.

For long-term equity investments acquired through business combination not under common control, the initial investment cost of the long-term equity investment at the date of acquisition is based on the cost of the combination, which includes the sum of the fair value of the assets paid, liabilities incurred or assumed and equity securities issued by the acquirer. If the Company acquires the equity interests of an acquiree in stages through multiple transactions, resulting in business combination not under common control, the Company should determine whether these transactions should be treated as a "package deal": If it constitutes a "Package Deal", the Company accounts for all transactions as if they are a transaction that obtained control. For transactions that do not qualify as "package deals", the initial investment cost of a long-term equity investment accounted for under the cost method is the sum of the book value of the equity investment originally held in the acquiree and the cost of the new investment. If the equity method is used to account for the equity interests originally held, the related other comprehensive income is not currently accounted for. The difference between the fair value and the book value of an equity investment previously held as an available-for-sale financial asset, and the cumulative fair value change originally included in other comprehensive income, is transferred to profit or loss.

For the combining parties or the acquirer, any audit, legal service, appraisal and consultation and other intermediary and administrative expenses occurred during combination shall be recognised in profit or loss for the period.

Long-term equity investments other than those resulting from business combinations are initially measured at cost, which is determined, depending on the method of acquisition, by the actual cash purchase price paid by the Company, the fair value of equity securities issued by the Company, the contractual value of the investment, the fair value or original book value of the asset exchanged in a non-monetary asset exchange transaction, or the fair value of the long-term equity investment itself. Fees, taxes and other necessary expenses directly related to the acquisition of the long-term equity investments are also included in the cost of investment. For investments in which the additional investment enables the Company to exert significant influence over the investee or exercise joint control but not control, the cost of the long-term equity investment is the sum of the fair value of the originally held equity investment plus the cost of the additional investment, determined in accordance with Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments.

## (2) Subsequent measurement and recognition of profit or loss

Long-term equity investments that come with joint control (other than those constituting joint operation) or significant influence over the investee are accounted for using the equity method. In addition, the financial statements of the Company use the cost method to account for long-term investments with control over the investee

### ① Long-term equity investments accounted for under the cost method

Under the cost method, long-term equity investments are carried at initial investment cost, with additional or recovered investments adjusted against or for the cost of long-term equity investments. Except for the price actually paid for obtaining the investment or the cash dividends or profits declared but not yet distributed which is included in the consideration, the Company recognises cash dividends or profits declared by the investee in investment gains for the period.

### ② Long-term equity investments accounted for under the equity method

If the initial investment cost of a long-term equity investment accounted for under the equity method is greater than the share of the fair value of the investee's identifiable net assets, which is attributable to the Company, at the time of investment, no adjustment is made to the initial investment cost of the long-term equity investment; if the initial investment cost is less than the share of the fair value of the investee's identifiable net assets, which is attributable to the Company, at the time of investment, the difference is included in profit or loss, and the cost of the long-term equity investment is adjusted at the same time.

Under the equity method, the Company recognises its share of the net profits or losses and other comprehensive income made by the investee as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the investment accordingly; The investor's share of profits distribution or cash dividends declared by the investee is deducted from the book value of the investment; For changes in shareholders' equity of the investee other than those arising from its net profit or loss, the Group records its proportionate share directly into capital surplus other comprehensive income, and profit distribution. The Company shall, based on the fair value of identifiable net assets of the investee at the time of acquisition, recognise its attributable share of the net profit or loss of the investee after the net profit of the investee is adjusted. If the accounting policies and accounting periods adopted by the investee are different from those of the Company, the financial statements of the investee shall be adjusted in accordance with the accounting policies and accounting periods of the Company, and the profit or loss and other comprehensive income of the investee shall be recognised accordingly. For transactions between the Company and its associates and joint ventures, where the assets invested or disposed of do not constitute business, unrealised gains or losses on internal transactions are offset to the extent that they are attributable to the Company proportionately, on the basis of which investment gains or losses are recognised. Losses from unrealised internal transactions with investees are not offset if they constitute impairment losses on the assets transferred. Where the assets invested by the Company in joint ventures or associates constitute a business, and the investor thus acquires a long-term equity investment but control, the fair value of the invested business is used as the initial investment cost of the new long-term equity investment, and the difference between the initial investment cost and the carrying value of the invested business is fully credited to current profit or loss. Where the assets sold by the Company to a joint venture or an associate constitute a business, the difference between the consideration received and the carrying value of the business is fully credited to current profit or loss. Where assets acquired from associates and joint ventures constitute a business, the Company applies the accounting treatment in accordance with "Accounting Standards for Business Enterprises No. 20 - Business Combinations" and recognises the full amount of the gain or loss associated with the transaction.

The share of net losses incurred by an investee is recognised to an extent that the book value of the long-term equity investment and other long-term interests that in substance constitute the net investment in the investee are written down to zero. In addition, if the Company has an obligation to the investee to incur additional losses, it recognises a projected liability based on the projected obligation, which is included in the investment loss for the period. Where net profits are subsequently made by the investee, the Company resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

### ③ Acquisition of minority interests

When preparing consolidated financial statements, the difference between the increase in long-term equity investment due to acquisition of minority interest of a subsidiary and the share of net asset of the subsidiary since the acquisition date (or combination date) continuously calculated under the new ownership ratio shall be adjusted against the capital reserve, and when capital reserve is insufficient, adjusted against retained profits.

### ④ Disposal of Long-term equity investments

In the consolidated financial statements, if the parent company partially disposes of its long-term equity investment in a subsidiary without loss of control, the difference between the disposal price and the net assets of the subsidiary corresponding to the disposal of the long-term equity investment is recognised in shareholders' equity; if the parent company partially disposes of its long-term equity investment in a subsidiary resulting in the loss of control over the subsidiary, it is accounted for in accordance with the relevant accounting policies described in Note IV.5(2) "Method for Preparation of consolidated financial statements".

For disposal of long-term equity investments in other cases, the difference between the book value of the equity interest disposed of and the actual acquisition price is credited to profit or loss for the period.

For the long-term equity investment under the equity method, if the residual equity after disposal is still accounted for using the equity method, when disposing of such investment, part of amounts that shall be originally included in other comprehensive income shall be accounted for in proportion by using the same basis as the investee used for direct disposal of relevant assets or liabilities. Changes in equity recognised as a result of changes in ownership interests other than net income or loss, other comprehensive income and profit distribution by the investee are carried forward into profit or loss on a pro rata basis.

For long-term equity investments accounted for by the cost method, if the residual equity is still accounted for by the cost method after disposal, other comprehensive income recognised as a result of the use of equity method or accounted for using financial instruments recognition and measurement standards before the acquisition of control over the investee is treated on the same basis as if the relevant assets or liabilities had been disposed of directly by the investee, and is carried forward in the current period on a pro rata basis as follows; Changes in ownership interests in the net assets of the investee recognised under the equity method, other than net income or loss, other comprehensive income and profit distribution, are carried forward to profit or loss on a pro rata basis in the current period.

If the Company loses control over an existing subsidiary due to the disposal of a portion of its equity investment or for other reasons, in preparing individual financial statements, if the remaining equity interest after disposal enables the Company to exercise joint control or exert significant influence over the investee, the Company shall change to the equity method for accounting, and the remaining equity interest is deemed to be adjusted for the adoption of the equity method from the time the investment is acquired; otherwise, refer to provisions in Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments for accounting treatment. For other comprehensive income accounted for and recognised under the equity method or under the Standard for Recognition and Measurement of financial instruments, before the Company obtains control over the investee, the same basis of accounting is used to account for the loss of control over the investee as for the direct disposal of the related assets or liabilities of the investee, and changes in owners' equity other than net profit or loss, other comprehensive income and profit distribution in the net assets of the investee accounted for and recognised under the equity method are carried forward to profit or loss for the period when control over the investee is lost. In particular, other comprehensive income and other owners' equity shall be carried forward on a pro-rata basis if the residual equity after disposal is accounted for using the equity method; other comprehensive income and other owners' equity shall be carried forward in full if the residual equity after disposal is accounted for under the standard for recognition and measurement criteria of financial instruments.

When the Company loses its control or material influence over the investee due to partial disposal of equity investment, the remaining equities shall be accounted for in accordance with the standards on recognition and measurement of financial instruments, and the difference between the fair value and the book value at the date of losing control or material influence shall be included in the profit or loss. Other comprehensive income recognised as a result of the equity method being used to account for the original equity investment is accounted for on the same basis as the direct disposal of the related asset or liability by the investee when the equity method of accounting is discontinued. All owner's equities recognised due to changes of owner's equity other than net profits and losses, other comprehensive income and profit distributions shall be transferred into the profit or loss for the period when he equity method of accounting is discontinued.



The Company disposes of its equity investment in a subsidiary in stages through multiple transactions until it loses control, and if the above transactions are part of a package deal, each transaction is accounted for as a disposal of the equity investment in the subsidiary with loss of control, with the difference between the disposal price and the book value of the corresponding long-term equity investment disposed of prior to the loss of control being recognised first in other comprehensive income, and then altogether in profit or loss in the period in which control is lost.

(14) Fixed assets

(1) Criteria for recognition of fixed assets

Fixed assets are tangible assets that are held for producing goods, rendering of services, leasing out to other parties or administrative purposes, with useful life more than one year. Fixed assets are recognised only if the Company is very likely to receive economic benefits from the asset and its cost can be measured reliably. Fixed assets are initially measured at cost, taking into account the effect of expected disposal costs.

(2) Depreciation methods for various types of fixed assets

A fixed asset is depreciated over its useful life using the straight-line method since the month subsequent to the one in which it is ready for intended use. The useful lives, estimated net residual values and annual depreciation rates for each category of fixed assets are as follows:

Fixed Asset Category	Useful life (years)	Estimated residual value	Annual depreciation rate
Buildings and constructions	20-30	5%	3.17%-4.75%
Transport equipment	8	5%	11.875%
Electronic equipment	4-5	5%	19-23.75%
Other	5	5%	19%

Estimated net residual value is the amount received by the Company at present from the disposal of a fixed asset, net of estimated disposal costs, assuming the asset has reached the end of its expected useful life and is in the expected condition at the end of its useful life.

(3) Methods of impairment testing and provision for impairment of fixed assets

Please refer to Note IV. (20) Impairment of Long-Term Assets for the details of Methods of impairment testing and provision for impairment of fixed assets.

(4) Basis for Recognition and Valuation of Fixed Assets Through Finance Lease

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset, and the ownership of the asset may or may not be transferred at the end of the lease. Fixed assets that are held under finance leases shall be depreciated by applying the same policy as that for the fixed assets owned by the Company. If it can be reasonably determined that the ownership of the leased assets can be obtained at the end of the lease period, the leased assets are depreciated over their useful lives; otherwise, the leased assets are depreciated over the shorter of the lease terms and the useful lives of the leased assets.

(5) Other notes

Subsequent expenditure relating to a fixed asset is included in the cost of the fixed asset and the book value of the replaced part is derecognised if it is probable that the economic benefits associated with the fixed asset will flow to the Company and the cost of the asset can be measured reliably. Other subsequent expenditure is charged to profit or loss for the period in which it is incurred.

A fixed asset is derecognised when it is in a state of disposal or when no economic benefits are expected to arise from its use or disposal. Income from the sale, transfer, retirement or destruction of fixed assets is recognised in profit or loss for the period, net of the its book value and related taxes and fees.

The Company reviews the useful life, estimated net residual value and depreciation method of fixed assets at least annually, and any changes are treated as changes in accounting estimates.

#### (15) Construction in progress

The cost of construction in progress is recognised on the basis of actual construction expenditure, including all construction expenditure incurred during the period of construction, borrowing costs capitalised before the construction reaches its intended serviceable condition and other related costs. Construction in progress is carried forward to fixed assets when it reaches its intended useable condition.

Please refer to Note IV. (20) Impairment of Long-Term Assets for the details of Methods of impairment testing and provision for impairment of Construction in progress.

#### (16) Borrowing costs

Borrowing costs refer to interest on borrowings, amortization of discounts or premiums, ancillary costs and exchange differences arising from foreign currency borrowings among others. The capitalisation of borrowing costs directly attributable to the acquisition or production of assets eligible for capitalisation starts when expenditure on the assets has been incurred, borrowing costs have been incurred or the acquisition or production activities necessary to bring the assets to their intended use or saleable condition have commenced, and stops when the assets eligible for capitalisation are constructed or produced to their intended use or saleable condition. The remaining borrowing costs are recognised as an expense in the period in which they are incurred.

Interest expenses actually incurred in the period on special borrowings are capitalised, after deduction of interest income earned on unused borrowed funds deposited with banks or investment income earned on temporary investments; for general borrowings, the amount capitalised is determined by multiplying the weighted average of excesses of the cumulative asset expenditures over the portion of asset expenditures using the special borrowings by the capitalisation rate of the general borrowings used. The capitalisation rate is determined based on the weighted average interest rate of general borrowings.

During the capitalisation period, all exchange differences on special borrowings in foreign currencies are capitalised; exchange differences on general borrowings in foreign currencies are included in profit or loss for the period.

Assets eligible for capitalisation are fixed assets, investment properties and inventories that require a substantial period of acquisition, construction or production activity to reach their intended useable or saleable condition.

The capitalisation of borrowing costs is suspended when an abnormal interruption occurs in the process of acquiring or producing an asset eligible for capitalisation and the interruption lasts for more than three consecutive months until the asset acquisition or production activity is resumed.

#### (17) Intangible assets

An intangible asset is an identifiable non-monetary asset that is not in physical form and is owned or controlled by the Company.

Intangible assets are initially measured at cost. Expenditures related to an intangible asset shall be included in cost of intangible asset only when the economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. Other expenditures shall be charged to profit or loss for the period when incurred.

Land use rights acquired are generally accounted for as intangible assets. Expenditure on land use rights and construction costs for self-developed buildings, such as factories, are accounted for as intangible assets and fixed assets, respectively. In the case of acquired houses and buildings, the cost is allocated between the land use right and the building. If it is difficult to allocate the land use right and the building, all of them are treated as fixed assets.

Intangible assets with finite useful lives are amortised using the straight-line method over their estimated useful lives from the time they are available for use, less the estimated net residual value and the cumulative amount of the provision for impairment. Intangible assets with indefinite useful lives are not amortised.

For intangible assets with a finite useful life, the useful life and amortization method adopted are reviewed at the end of the period, and any changes will be treated as changes in accounting estimates. In addition, the useful life of an intangible asset with an indefinite useful life is reviewed and if there is evidence that the intangible asset will provide economic benefits to the Company over a foreseeable period, its useful life is estimated and amortised in accordance with the amortisation policy for intangible assets with finite useful lives

#### (18) Long-term deferred expenses

The Company's long-term prepaid expenses are expenses that have been incurred but are attributable to both current and future periods and are amortised over the period of benefit evenly. If the Long-term prepaid expenses are no longer beneficial to the subsequent accounting periods, the full unamortized balance is then transferred to profit or loss.

#### (19) Goodwill

Goodwill is the excess of the cost of an equity investment or the cost of a business combination not under common control over the share of the fair value of the identifiable net assets of the investee or the acquiree acquired in the business combination at the date of acquisition or the date of combination.

#### (20) Impairment of long-term assets

For non-current non-financial assets such as fixed assets, construction in progress, intangible assets with finite useful lives, investment properties measured at cost and long-term equity investments in subsidiaries, joint ventures and associates, the Company determines at the balance sheet date whether there is any indication of impairment. Where there is an indication of impairment, the recoverable amount is estimated and an impairment test is conducted. Goodwill, intangible assets with indefinite useful lives and intangible assets not yet in a serviceable condition are tested annually for impairment whether or not there is any indication of impairment.

If, as a result of an impairment test, the recoverable amount of an asset is less than its book value, an impairment charge is made for the difference and included in the impairment loss. The recoverable amount is the higher of the asset's net fair value less disposal expenses and the present value of the asset's estimated future cash flows. The fair value of an asset is determined based on the price of the sale agreement in an arm's length transaction; where there is no sale agreement but an active market for the asset, the fair value is determined based on the buyer's bid for the asset; where there is neither sale agreement nor active market for the asset, the fair value of the asset is estimated based on the best available information. Disposal expenses include legal fees, related taxes, moving expenses and direct costs incurred in bringing the asset to marketable condition; the present value of the asset's estimated future cash flows is determined by discounting the estimated future cash flows from the asset's ongoing use and final disposal, using an appropriate discount rate. The asset impairment charge is calculated and recognised on an individual asset basis. Where it is difficult to estimate the recoverable amount of an individual asset, the recoverable amount of that asset group is determined by reference to the asset group to which that asset group belongs. An asset group is the smallest group of assets that can generate cash inflows independently.

Goodwill, which is presented separately in the financial statements, is tested for impairment by allocating the carrying value of the goodwill to the asset group or the group of asset groups that are expected to benefit from the synergies of the business combination. If the test results indicate that the recoverable amount of the asset group or the group of asset groups containing the allocated goodwill is less than its carrying amount, a corresponding impairment loss is recognised. The impairment loss is first deducted from the book value of goodwill that is allocated to the asset group or the group of asset groups, and then deducted from the book value of other assets within the asset groups or the group of asset groups in proportion to the book value of other assets.

An impairment loss of the above assets once recognised shall not be reversed in a subsequent period.

#### (21) Employee Benefits

The Company's employee benefits are defined as all forms of remuneration or compensation given by the Company for services rendered by employees or for the termination of a labour relationship, including short-term remuneration, post-employment benefits, termination benefits and other long-term employee benefits. The benefits provided by the company to the spouse, children, dependents, survivors and other beneficiaries of the deceased employee are also considered as employee benefits.

1. Short-term remuneration is defined as remuneration payable in full by the Company to its employees within twelve months of the end of the annual reporting period in which the employees render the relevant services, except for compensation for termination of the labour relationship with the employees. The Company's short-term pay specifically includes: staff wages, bonuses, allowances and subsidies, staff welfare payments, social insurance premiums such as medical insurance premiums, labour's compensation insurance premiums and maternity insurance premiums, housing provident fund, trade union funds and staff education funds, short-term paid absences, non-monetary benefits and other short-term remuneration.

In the accounting period in which employees render services to the Company, the actual short-term remuneration incurred is recognised as liabilities and recognised in profit or loss or in the cost of related assets depending on the beneficiaries for which employees provide services.

Post-employment benefits are all forms of remuneration and benefits, other than short-term remuneration and termination benefits, provided by the Company to employees upon their retirement or termination of employment with the Company for services rendered by the employees.

2. Termination benefits refer to compensation given to employees by the Company for the termination of their labour relationship before the expiry of their labour contracts or to encourage voluntary redundancy. The Company undertakes to provide financial compensation in the nature of termination benefits to an employee who has not terminated his or her employment contract with the Company but who will no longer provide services to the Company and cannot bring economic benefits to the Company in the future, and in the case of an "internal retirement, the compensation for such employees shall be treated as termination benefits before his or her official retirement date and as post-employment benefits after his or her official retirement date.

The employee compensation liability arising from the termination benefits is recognised and included in profit and loss at the earlier of the date when the Company is unable to unilaterally revoke the termination benefits provided under the Labour Dissolution Plan or the proposed redundancy plan, or the date when the Company recognises the costs or expenses of the reorganization leading to the payment of the termination benefits.

For termination benefits that are not expected to be fully paid within twelve months after the end of the annual reporting period, and for termination plans where the substantive termination is completed within one year but compensation payments are made over one year, the Company applies the appropriate discount rate and uses the discounted amount to measure the amount of termination benefits, which is creditable to profit or loss for the period.

3. Other long-term employee benefits refer to all employee remuneration other than short-term remuneration, post-employment benefits and termination benefits, including long-term paid absence, long-term disability benefits and long-term profit-sharing plans.

Other long-term employee benefits provided by the Company to its employees that meet the conditions of the defined contribution plan are accounted for in accordance with the relevant provisions of the defined contribution plan. Where the Company provides other long-term employee benefits to employees that meet the conditions of a defined benefit plan, the Company recognises and measures a net liability or net asset for other long-term employee benefits in accordance with the relevant provisions of the defined benefit plan. At the end of the reporting period, the Company recognised employee compensation costs arising from other long-term employee benefits as the following components: Cost of services; net interest on net liabilities or net assets of other long-term employee benefit; changes arising from remeasurement of net liabilities or net assets of other long-term employee benefit. The total net amount is included in the profit or loss for the period or the cost of the related assets.

#### (22) Bonds payable

The Company's bonds payable are measured at fair value on initial recognition and the related transaction costs are included in the initial recognition amount. Subsequent measurement is at amortised cost.

The difference between the price paid for the bonds and the aggregate nominal value of the bonds is accounted for as a premium or discount on the bonds and is amortised over the life of the bonds as interest is accrued using the effective interest rate method and is treated in accordance with the principles governing the treatment of borrowing costs.

#### (23) Estimated liabilities

A contingent obligation is recognised as estimated liabilities when it relates to a contingent item and the following conditions are also met: (1) the obligation is a present obligation of the Company; (2) it is probable that an outflow of economic benefits will result from the performance of the obligation; and (3) the amount of the obligation can be measured reliably.

At balance sheet dates, estimated liabilities are initially measured at the best estimate of the expenditure required to settle the related present obligation, taking into account the risks, uncertainties and time value of money associated with the contingency.

Where all or part of the expenditure required to settle an estimated liability is expected to be reimbursed by a third party, the amount of reimbursement is recognised separately as an asset when it is virtually certain that it will be received, and the amount of reimbursement recognised does not exceed the book value of the estimated liabilities.

##### (1) Loss-making contracts

A loss-making contract is a contract in which the costs arising from the performance of contract obligations inevitably exceed the expected economic benefits. When the executive contract becomes a loss-making contract and the obligation arising from this loss contract satisfies the conditions for recognition of the estimated liabilities as described above, the part which the estimated loss of the contract exceeds the recognised impairment loss (if any) of the contract subject assets is recognised as expected liabilities.

##### (2) Restructuring Obligations

For reorganization plans that are detailed, formal and externally announced, if the conditions for recognising the aforesaid estimated liabilities are met, the amount of the estimated liabilities is determined according to the direct expenses related to the reorganization. For the reorganization obligations of the business which plans to be partly sold, the obligation related to the reorganization is not recognised until the Company undertakes to sell part of the business (i.e. when a binding sale agreement is entered into).

#### (24) Criteria For Recognition of Revenue

The Company's operating revenue mainly comprises revenue from sale of goods, provision of labour services, transfer of rights to use assets and construction contracts.

##### (1) Revenue from sale of goods

Revenue from sale of goods is recognised when: The Company has transferred the key risks and return on the ownership of goods to the acquirer; the Company has not retained continued management rights associated with ownership and no longer exercises effective control over the goods sold; the amount of income can be reliably measured; the relevant economic benefits are very likely to flow to the Company; and the costs incurred or to be incurred can be reliably measured.

##### (2) Revenue from provision of services

Revenue from the provision of services is recognised using the percentage of completion method if the result of the provision of services can be estimated reliably at the balance sheet date. Progress of completion of labour services is determined as a measure of work performed to total work to be performed/ a proportion of labour cost incurred to estimated total cost.

A reliable estimate of the outcome of labour services is one that satisfies both: ①the amount of revenue can be reliably measured; ①it is probable that the related economic benefits will flow to the Company; ③the degree of completion of the transaction can be determined reliably; ①and the related costs incurred or to be incurred can be reliably measured.

If the outcome of labour services cannot be estimated reliably, revenue from provision of service is recognised at the amount of labour costs incurred and expected to be reimbursed, and the labour costs incurred are recognised as expenses. Revenue is not recognised for labour costs already incurred that are not expected to be reimbursed.

When the Company enters into contracts or agreements with other businesses that include the sale of goods and the provision of labour services, if the sale of goods and the provision of labour services can be distinguished and measured separately, the sale of goods and the provision of labour services are treated separately; if the sale of goods and the provision of labour services cannot be distinguished, or if they can be distinguished but cannot be measured separately, the contract is treated as sale of goods in its entirety.

### (3) Revenue of construction contracts

Revenues and expenses from a construction contract are recognised on a measurement or interim basis at balance sheet dates when the outcome of the construction contract can be estimated reliably.

The result of a construction contract can be reliably estimated when it satisfies all: ① the total revenue of the contract can be reliably measured; ① the economic benefits associated with the contract will flow to the Company; ① the contract cost actually incurred can be distinguished and reliably measured, and ① the progress of completion of the contract and further costs required for completing the contract can be reliably measured.

If the outcome of the contract can't be reliably estimated, revenue is recognised as the actual recoverable contract cost with the contract cost recognised as contract expense for the period in which it is incurred if such cost is recoverable, or not recognised with the contract cost directly recognised as contract expense if such cost is unrecoverable. Contract revenue and contract cost are recognised on a measurement or interim basis when uncertainties that prevent a reliable estimate of the outcome of the construction contract have ceased to exist.

If the estimated total contract cost exceeds the total contract revenue, the estimated loss is recognised as expense for the period.

The cumulative costs incurred and the cumulative gross profit (loss) recognised on a contract in progress and the price settled are shown in the balance sheet as a net amount after offsetting. The excess of the sum of the cumulative costs incurred and the cumulative gross profit (loss) recognised on a contract in progress over the settled price is presented as inventories; the excess of the settled price on a contract in progress over the sum of the cumulative costs incurred and the cumulative gross profit (loss) recognised is presented as receipts in advance.

### (4) Revenue from rights to use

Revenue is recognised on an accrual basis in accordance with relevant contracts or agreements.

### (5) Interest income

The amount of interest income is determined on a time proportion basis and the effective interest rate at which the Company's monetary capital are used by others.

### (25) Government subsidies

Government subsidies represent monetary and non-monetary assets acquired by the Company from the Government at no cost, excluding capital invested by the Government in its capacity as an investor with a corresponding ownership interest. There are two types of government subsidies: asset-related government subsidies and revenue-related government subsidies. Government subsidies obtained by the Company for the acquisition or other formation of long-lived assets are defined as asset-related government subsidies. Other government subsidies are defined as revenue-related government subsidies. If the subject of the government subsidy is not explicitly specified in the government file, the government subsidy is classified as an asset-related government subsidy or a revenue-related government subsidy in the following manner: 1) If the government file specifies the specific project for which the subsidy is intended, the amount of expenses that result in the formation of assets and the amount of expenses that are included in expenses will be divided according to the relative ratio set out in the budget of the specific project, which is reviewed on balance sheet dates and adjusted when necessary; 2) If only general description is provided and no specific project is specified in the government file, it is treated as a revenue-related government subsidy. Where government grants are monetary assets, they are measured at the amount received or receivable. Government grants are measured at fair value if they are non-monetary assets, or at nominal amounts if the fair value cannot be reliably obtained. Government subsidies that are measured at nominal amounts are recorded directly in profit or loss for the period.

Government subsidies are generally recognised and measured at the actual amount received when they are received. However, if there is concrete evidence that the Company expects to receive financial assistance as of the end of the period in which it meets the relevant conditions set forth in the financial aid policy, it is measured at the amount of financial assistance that should be received. Government subsidies measured at the amount receivable should also meet the following conditions: (1) The amount of the subsidy receivable has been confirmed by a document issued by an authorized governmental authority or may be reasonably estimated by the authority itself in accordance with the relevant provisions of a duly published fiscal fund management practice, and there is no material uncertainty as to the estimated amount; (2) It is based on a fiscal support project and its fiscal fund administration measures that have been officially issued by the local fiscal department and voluntarily made public in accordance with the provisions of the Regulations on the Disclosure of Government Information, and such administration measures shall be universal (any qualified company may apply) rather than specifically targeted at a particular company; (3) a deadline of appropriation is expressly committed to in the relevant subsidy approval document, and the appropriation is secured through a corresponding fiscal budget so that there is reasonable assurance that it will be received within the prescribed period; (4) Other relevant conditions, if any, that should be met based on the specific circumstances of the Company and the subsidy.

Asset-related government subsidy is recognised as deferred income and is included in profit or loss over the useful lives of related assets in reasonable and systematic methods; Government subsidies to compensate the Company for related costs or losses in future periods are recognised as deferred income and charged to profit or loss in the period in which they are recognised; government subsidies to compensate the Company for related costs or losses incurred by the Company are charged directly to profit or loss.

Government subsidies that include both asset-related and revenue-related components are accounted for separately; if it is difficult to distinguish between the two, they are classified as revenue-related government subsidies.

Government subsidies related to the day-to-day activities of the Company are included in other income or offset against related costs and expenses, based on the nature of the economic activity; Government subsidies that are not related to the Company's day-to-day activities are recognised as in non-operating income and expenses.

Where government subsidies recognised are required to be returned, the related deferred revenue balance is reduced by the book value of the deferred revenue and the difference is credited to profit or loss; in other cases, it is credited directly to profit or loss.

#### (26) Deferred income tax assets and deferred income tax liabilities

##### (1) Current income tax

At the balance sheet date, current income tax liabilities (or assets) arising in the current and prior periods are measured at the amount of income tax expected to be paid (or refunded) in accordance with the provisions of the Tax Act. The taxable income on which the current income tax expense is based is calculated by adjusting the pre-tax accounting profit for the year accordingly in accordance with the relevant tax laws.

##### (2) Deferred income tax assets and deferred income tax liabilities

Deferred income tax assets and deferred income tax liabilities are recognised using the balance sheet liability method for differences arising from differences between the book value of certain items of assets and liabilities and their tax bases, as well as temporary differences between the book value of items that are not recognised as assets and liabilities but whose tax bases can be determined in accordance with the provisions of the Tax Act.

Deferred income tax liabilities are not recognised for taxable temporary differences associated with the initial recognition of goodwill and for taxable temporary differences associated with the initial recognition of assets or liabilities arising from transactions that are neither business combinations nor transactions that, when incurred, would affect accounting profit or taxable income (or deductible losses). In addition, deferred income tax liabilities are also not recognised for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures where the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Company recognises deferred income tax liabilities arising from all other taxable temporary differences, with the exception of the above.

Deferred income tax assets are not recognised for deductible temporary differences associated with the initial recognition of assets or liabilities arising from transactions that are neither business combinations nor transactions that, when they occur, affect accounting profit and taxable income (or deductible losses). In addition, deferred income tax assets are not recognised for deductible temporary differences associated with investments in subsidiaries, associates and joint ventures where it is not probable that the temporary differences will reverse in the foreseeable future or it is not probable that future taxable income will be available against which the deductible temporary differences can be utilised. With the exception of the above, the Company recognises deferred income tax assets arising from other deductible temporary differences to the extent that it is probable that taxable income will be available against which the deductible temporary differences can be utilised.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilized.

At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the related asset is realised or the liability is settled, in accordance with the provisions of the tax laws.

At the balance sheet date, the book value of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred income tax assets to be utilised. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

### (3) Income tax expenses

Income tax expense comprises current income tax and deferred income tax.

Current and deferred income tax expenses are recognised in profit or loss for the period, except when they arise from transactions or events that are directly credited into other comprehensive income or in shareholders' equity, in which case they are recognised in other comprehensive income or in shareholders equity; and when they arise from business combinations, in which case they adjust the book value of goodwill.

### (4) Offsetting of income tax

When the Company has a legal right to settle on a net basis and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When there is a legal right to net-settle current tax assets and current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxing authority on the same taxable entity or on different taxable entities, the Company's deferred tax assets and deferred tax liabilities are presented net of offsetting when, in each future period in which significant deferred tax assets and liabilities are reversed, the taxable entity involved intends to either settle current tax assets and liabilities on a net basis or acquire assets and settle liabilities simultaneously.

## **V. Changes in significant accounting policies and accounting estimates**

### (1) Change in Accounting Policies

#### 1、Overview of Changes in Accounting Policies

On 30 April 2019, the Ministry of Finance promulgated Notice on Revising and Publishing the Format of Financial Statements for General Enterprises in 2019 (Cai Kuai (2019) No. 6) and the Notice on Revising and Publishing the Formats of Consolidated Financial Statements (2019 Edition) (Cai Kuai (2019) No. 16) (the "Revision Notice"), which revised the formats of financial statements for general enterprises and required non-financial enterprises implementing ASBEs to prepare their interim financial statements and annual financial statements for 2019 and subsequent periods in accordance with the requirements of Accounting Standards for Business Enterprises and the Revision Notice. In accordance with the requirements of the Revision Notice, the Company should make corresponding adjustments to the presentation of the financial statements and certain accounts in conjunction with the requirements of the Revision Notice.



(1) The previously items "Notes and accounts receivable" are included in the items "Notes receivable" and "Accounts receivable" respectively.

(2) The previously items "bills payable and accounts payable" are included in the items "bills payable" and "accounts payable" respectively.

(3) After the item "Impairment loss on assets" is moved from the item "Other gains" to the item "Gain on changes in fair value", the loss item has changed to a gain item in the income statement (loss denoted by "-")

## 2、Effect of the changes in accounting policy on the Company

The Company has applied retrospectively this change in accounting policy.

(1) The retrospective adjustments to the presentation of the 2018 consolidated financial statements are as follows:

Scope and reasons of changes in accounting policies	Name of items affected in the financial statements	Opening figures in balance sheet and income statement Amount affected in the same period of the previous year (Yuan)
The Company split and included the item "notes and accounts receivable" in the items "notes receivable" and "accounts receivable" respectively	Accounts receivable	2,000,000.00
	Notes Receivable	847,657,989.30
	Notes receivable and accounts receivable	849,657,989.30
The Company split and included the item "notes payable and accounts payable" in items "notes payable" and "accounts payable" respectively	Accounts Payable	950,000,000.00
	Notes payable	259,303,173.30
	Notes payable and accounts payable	1,209,303,173.30
After the item "Impairment loss on assets" is moved from the item "Other gains" to the item "Gain on changes in fair value", the loss item has changed to a gain item in the income statement (loss denoted by "-")	Loss on Asset Impairment (loss is denoted as "-")	-3,120,480.58
	Asset impairment loss	3,120,480.58

(2) The retrospective adjustments to the presentation of the parent company's financial statements for 2018 are as follows:

Scope and reasons of changes in accounting policies	Name of items affected in the financial statements	Opening figures in balance sheet and income statement Amount affected in the same period of the previous year (Yuan)
The Company split and included the item "notes payable and accounts payable" in the items "notes payable" and "accounts payable" respectively	Accounts Payable	179,205,893.93
	Notes payable	280,000,000.00
	Notes payable and accounts payable	459,205,893.93
After the item "Impairment loss on assets" is moved from the item "Other gains" to the item "Gain on changes in fair value", the loss item has changed to a gain item in the income statement (loss denoted by "-")	Loss on Asset Impairment (loss is denoted as "-")	-20,438,893.69
	Asset impairment loss	20,438,893.69

Other than the effect of the above item changes, this change in accounting policy does not involve retrospective adjustments to the Company's prior years. The change in accounting policy will not have any impact on the Company's total assets, total liabilities, net assets and net profit for the current period and prior to the changes in accounting policy.

(2) Change in Accounting Estimates

There are no changes in the Company's major accounting estimates during the reporting period.

**Note VI. Taxes**

1. Main tax types and rates

Taxes	Tax basis	Tax rate
VAT	Amount after offsetting input taxes against sales taxes	3%、13%、16%
Urban maintenance and construction tax	Turnover tax payable	7%
Education surcharge	Turnover tax payable	5%
Property tax	By amount of revenue from lease	12%
Land use tax	By the actual area of land occupied	RMB 4 yuan/sqm
Enterprise income tax	Income tax payable	25%

**Note VII. Scope of Consolidation**

The scope of consolidated financial statements of the Group is determined on the basis of control.

(1) Information on Subsidiaries

S N	Business Name	Level	Type of Business	Registration place	Main place of operation	Nature of business	Registered Capital	Shareholding	Voting rights	Amount invested	Means of acquisition
1	Jiangsu Jiangtian Agricultural Technology Development Co., Ltd.	1	1	Taixing	Taixing	Infrastructure development and construction	20,000.00	100%	100%	20,000.00	Transferred at no consideration
2	Taixing Hongqiao New Countryside Development Co., Ltd.	1	1	Taixing	Taixing	Investment in new countryside construction; road infrastructure construction	20,000.00	90%	90%	18,000.00	Set-up through investment
3	Taixing Hongyue Hydro Construction and Development Co., Ltd.	1	1	Taixing	Taixing	Infrastructure Construction	10,000.00	100%	100%	10,000.00	Set-up through investment
4	Taixing Hongqiao Zhongjian Wastewater Treatment Co., Ltd.	1	1	Taixing	Taixing	Waste Water Treatment	20,000.00	100%	100%	20,000.00	Set-up through investment
5	Taixing Xinghong	1	1	Taixing	Taixing	Infrastructure	60,000.00	100%	100%	60,000.00	Set-up through

Township Construction and Comprehens ive Developmen t Co., Ltd.					Constructio n					investment
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6	Taixing Runhong Financing Guarantee Co., Ltd.	1	1	Taixing	Taixing	Loan Guarantee	10,000.00	100%	100%	10,000.00	Set-up through investment
7	Taixing Dingjifu Trading Co., Ltd.	1	1	Taixing	Taixing	Merchandising	10,000.00	100%	100%	2,000.00	Set-up through investment
8	Taixing Xinlesheng Industrial Co., Ltd.	1	1	Taixing	Taixing	Merchandising	10,000.00	100%	100%	0.00	Set-up through investment
9	Taixing Hongxing Property Co., Ltd.	1	1	Taixing	Taixing	Property development and sales	10,000.00	100%	100%	0.00	Set-up through investment
10	Taixing Hongxing Standard House Construction Co., Ltd.	2	1	Taixing	Taixing	Standard plant construction, operation and management	10,000.00	90%	90%	10,000.00	Set-up through investment

Note: Type of Business: 1. Domestic non-financial subsidiaries, 2. Domestic financial subsidiaries, 3. Overseas subsidiaries, 4. public services institutions, 5. infrastructure developers.

(2) Changes to the scope of consolidation

1、On 27 March 2019, pursuant to the resolution of the shareholders of Taixing Yangzi Xinfu Ship Part Processing Co., Ltd (hereinafter referred to as Yangzi Xinfu) and the Equity Transfer Agreement, 100% equity interest in Yangzi Xinfu held by the Company's subsidiary Taixing Xinghong Township Construction and Comprehensive Development Co., Ltd. was transferred to Taixing Shuangyue Investment Co., Ltd.

2、On 2 July 2019, pursuant to the resolution of the shareholders of Taixing Hongqiao Environmental Engineering Co., Ltd (hereinafter referred to as the Environmental Engineering Company) and the Equity Transfer Agreement, 100% of the equity interest in the Environmental Engineering Company held by the Company was transferred to Taixing Shuangyue Investment Co., Ltd.

3、On 8 October 2019, pursuant to the resolution of the shareholders of Taixing Hongfutai Industrial Co., Ltd. (hereafter referred to as "Hongfutai") and the Equity Transfer Agreement, 100% of the equity interest in Hongfutai held by the the Company was transferred to Taixing Hongqiao Zhongjian Wastewater Treatment Co., Ltd. (hereafter referred to as "Zhongjian Wastewater"), a subsidiary of the Company; On 28 October 2019, pursuant to the resolution of the shareholders of Hongfuta and the Equity Transfer Agreement, 100% of the equity interest in Hongfutai held by Zhongjian Wastewater was transferred to Zhang Guangjie.

**VIII. Notes to the Key Items of the Consolidated Financial Statements**

In the following notes (including notes to key items in the Company's financial statements), "beginning of year" refers to 1 January 2019 and "end of year" refers to 31 December 2019, this year refers to FY2019 and the previous year refers to FY2018 unless otherwise stated.

**1、Cash at bank and on hand**

(1) Cash at bank and on hand balance

Item	Closing balance	Opening balance
Cash	71,676.63	433,840.82
Bank deposit	1,008,668,822.30	491,926,098.79
Other cash at bank and on hand	1,156,001,000.00	1,735,795,000.00
Total	2,164,741,498.93	2,228,154,939.61

(2) Restriction on use of monetary capital at year end

Item	Closing balance	Opening balance	Reasons for restriction
------	-----------------	-----------------	-------------------------

Item	Closing balance	Opening balance	Reasons for restriction
Other cash at bank and on hand	1,156,001,000.00	1,626,820,000.00	Deposit for bank drafts and pledged certificates of deposit
Total	1,156,001,000.00	1,626,820,000.00	

## 2、Notes Receivable

### (1) Notes Receivable

#### ① Notes receivable by type

Item	Closing balance	Opening balance
Bank's acceptance bill	75,134,000.00	2,000,000.00
Total	75,134,000.00	2,000,000.00

### (2) Provisions for bad debts that are made, recovered or reversed for the period

The amount of bad debt provision made during the period was RMB 0.00 yuan; the amount of bad debt provision recovered or reversed during the period was RMB 0.00 yuan.

### (3) Actual write-off of notes receivable for the period

There were no actual write-offs of notes receivable during the period.

### (4) Notes receivable pledged at the end of the period

As at 31 December 2019, there were no notes receivable used for pledge purposes at the end of the period.

### (5) Notes receivable endorsed or discounted at the end of the period and not yet due at the balance sheet date

Item	Amount derecognised at the end of the period	Amount not yet derecognised at the end of the period
Bank's acceptance bill	321,584,000.00	
Total	321,584,000.00	

### (6) Notes transferred to accounts receivable at the end of the period due to non-performance by the drawers

As at 31 December 2019, there were no notes that were transferred to accounts receivable at the end of the period due to non-performance by the drawers.

## 3、Accounts receivable

### (1) Accounts receivable

#### ① Accounts receivable disclosed by category

Categories	Closing balance				Book value
	Book balance		Bad debt provision		
	Amount	Percentage (%)	Amount	Provision ratio (%)	
Receivables with individually significant amounts and subject to separate provision					
Accounts receivable for which bad debt provision is made by groups of credit risk characteristics:	1,209,429,043.69	100.00			1,209,429,043.69

Categories	Closing balance				Book value
	Book balance		Bad debt provision		
	Amount	Percentage (%)	Amount	Provision ratio (%)	
Group 1: Ageing analysis	63,338,041.51	5.24			63,338,041.51
Group 2: Other	1,146,091,002.18	94.76			1,146,091,002.18
Receivables with individually insignificant amounts but subject to separate provision					
Total	1,209,429,043.69	100.00			1,209,429,043.69

Continued

Categories	Opening balance				Book value
	Book balance		Bad debt provision		
	Amount	Percentage (%)	Amount	Provision ratio (%)	
Receivables with individually significant amounts and subject to separate provision					
Accounts receivable for which bad debt provision is made by groups of credit risk characteristics:					
Group 1: Ageing analysis	847,672,541.79	100.00	14,552.49		847,657,989.30
Group 2: Other	107,832,830.85	12.72	14,552.49	<0.01	107,818,278.36
Receivables with individually insignificant amounts but subject to separate provision					
Total	847,672,541.79	100.00	14,552.49		847,657,989.30

A. In the group, provision for bad debts is made on an ageing basis:

Account age	Closing balance		
	Book balance	Bad debt provision	Book value
Less than 1 year	63,338,041.51		63,338,041.51
Total	63,338,041.51		63,338,041.51

Continued

Account age	Opening balance		
	Book balance	Bad debt provision	Book value
Less than 1 year	107,667,305.93		107,667,305.93
1 to 2 years	40,000.00	2,000.00	38,000.00
2-3 years	125,524.92	12,552.49	112,972.43
Total	107,832,830.85	14,552.49	107,818,278.36

B. Other group

Group Name	Closing balance		
	Accounts receivable	Bad debt provision	Provision ratio (%)
Government entity group	1,146,091,002.18		
Total	1,146,091,002.18		

Continued

Group Name	Opening balance		
	Accounts receivable	Bad debt provision	Provision ratio (%)
Government entity group	739,839,710.94		
Total	739,839,710.94		

④ Actual write-off of accounts receivable during the period

There were no actual write-off of accounts receivable during the period.

④ Top five accounts receivable balances at the end of the period grouped by defaulting party

Name of debtors	Closing balance of accounts receivable	Percentage to total closing balance of accounts receivable (%)	Closing balance of bad debt provision
Jiangsu Taixing Hongqiao Industrial Park Management Committee	1,146,091,002.18	94.76	
Yancheng Olushan Trading Co., Ltd.	62,233,041.51	5.15	
Binhai Shouya Fufeng Industrial Co., Ltd.	1,015,000.00	0.08	
CRCC Port and Maritime Bureau Group Co., Ltd.	90,000.00	0.01	
Total	1,209,429,043.69	100.00	

⑥ Accounts receivable derecognised due to transfer of financial assets

As at 31 December 2019, the Company had no accounts receivable derecognised as a result of the transfer of financial assets.

⑦ Amount of assets or liabilities developed as accounts receivable have been transferred but the involvement continues

The amount of assets and liabilities developed as a result of the transfer of accounts receivable and continued involvement was RMB 0.00 yuan.

#### 4 · Prepayments

(1) The ageing profile of prepayments is shown below:

Account age	Closing balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Less than 1 year	137,537,944.74	40.17	108,969,453.95	34.54
1 to 2 years	30,801,156.55	9.00	180,634,322.37	57.26
2 to 3 years	148,162,395.70	43.28	10,092,554.67	3.20
More than 3 years	25,850,284.27	7.55	15,782,640.28	5.00
Total	342,351,781.26	100.00	315,478,971.27	100.00

(2) Top five prepayment balances at the end of the period, grouped by prepayment recipients

The aggregate amount of the top five prepayments grouped by prepayment recipients at the end of the period was RMB 159,714,934.07-yuan, accounting for 46.65% of the total prepayments at the end of the period.

Name of debtors	Amount owed	Nature of business	Percentage of the closing balance of total prepayments (%)
Jiangsu Hengjian Investment Co., Ltd.	83,694,704.00	Project advance payment	24.44
Jiangsu Guoyu Construction Co., Ltd.	37,402,494.76	Project advance payment	10.93
Taixing Hongqiao Gardening & Landscaping Works Co., Ltd.	16,550,906.85	Project advance payment	4.83
Beijing Gongke Feida Traffic Works Development Co., Ltd.	11,981,655.00	Prepayments for equipment	3.50
Jiangsu Minsheng Construction Co., Ltd.	10,085,173.46	Project advance payment	2.95
Total	159,714,934.07		46.65

#### 5、Other receivables

Item	Closing balance	Opening balance
Other receivables	9,393,425,513.88	6,449,276,314.49
Total	9,393,425,513.88	6,449,276,314.49

(1) Other receivables

① Other receivables disclosed by categories

Categories	Closing balance				Book value
	Book balance		Bad debt provision		
	Amount	Percentage (%)	Amount	Provision ratio (%)	
Other receivables with individually significant amounts and subject to separate provision					
Other receivables for which bad debt provision is made by the group of credit risk characteristics	9,463,741,267.95	100.00	70,315,754.07		9,393,425,513.88
Group 1: Ageing analysis	682,497,597.36	7.21	70,315,754.07	10.30	612,181,843.29
Group 2: Other	8,781,243,670.59	92.79			8,781,243,670.59
Other receivables that are not individually significant but for which individual bad debt provision is made					
Total	9,463,741,267.95	100.00	70,315,754.07		9,393,425,513.88

Continued

Categories	Opening balance				Book value
	Book balance		Bad debt provision		
	Amount	Percentage (%)	Amount	Provision ratio (%)	
Other receivables with individually significant amounts and subject to separate provision					
Other receivables for which bad debt provision is made by the group of credit risk characteristics	6,514,999,022.48	100.00	65,722,707.99		6,449,276,314.49



Group 1: Ageing analysis	848,053,396.33	13.02	65,722,707.99	7.75	782,330,688.34
Group 2: Other	5,666,945,626.15	86.98			5,666,945,626.15
Other receivables that are not individually significant but for which individual bad debt provision is made					
Total	6,514,999,022.48	100.00	65,722,707.99		6,449,276,314.49

A. (3) Group 1, other receivables for which provision for bad debts is made under the ageing analysis method

Account age	Closing balance		
	Book balance	Bad debt provision	Book value
Less than 1 year	397,860,656.67		397,860,656.67
1 to 2 years	26,193,339.46	1,309,666.97	24,883,672.49
2-3 years	42,634,966.34	4,263,496.63	38,371,469.71
More than 3 years	215,808,634.89	64,742,590.47	151,066,044.42
Total	682,497,597.36	70,315,754.07	612,181,843.29

Continued

Account age	Opening balance		
	Book balance	Bad debt provision	Book value
Less than 1 year	302,042,195.26		302,042,195.26
1 to 2 years	273,491,991.35	13,674,599.56	259,817,391.79
2-3 years	148,538,272.40	14,853,827.24	133,684,445.16
More than 3 years	123,980,937.32	37,194,281.19	86,786,656.13
Total	848,053,396.33	65,722,707.99	782,330,688.34

B. Other group

Group Name	Closing balance		
	Other receivables	Bad debt provision	Provision ratio (%)
Transaction with governments	2,669,288,040.75		
Transactions with related parties	5,786,248,647.73		
Security deposit and guarantee	325,706,982.11		
Total	8,781,243,670.59		

Continued

Group Name	Opening balance		
	Other receivables	Bad debt provision	Provision ratio (%)
Transaction with governments	1,863,406,645.89		
Transactions with related parties	3,472,611,547.54		
Security deposit and guarantee	330,927,432.72		
Total	5,666,945,626.15		

② Actual write-off of other receivables during the period

There were actually no other receivables written off during the period.

④ Top five other receivables balances at the end of the period grouped by defaulting party

Entity name	Nature of amount	Closing balance	Account age	Percentage of other receivables to total closing balance (%)	Closing balance of bad debt provision
Jiangsu Taixing Hongqiao Industrial Park Management Committee	Current accounts	2,650,102,900.21	Within 1 year / 1-2 years / 2-3 years	28.00	
Jiangsu Hongyue Civil Work Co., Ltd.	Current accounts	1,315,868,778.12	Within one year/ 1 to 2 years	13.90	
Taixing Shuangyue Investment Co., Ltd.	Current accounts	725,471,381.77	Within one year/ 1 to 2 years	7.67	
Taixing Changjiang New Countryside Development Co., Ltd.	Current accounts	570,584,042.07	Within 1 year / 1-2 years / 2-3 years	6.03	
Taixing Hongqiao Ecological Park Construction and Development Co., Ltd.	Current accounts	388,578,231.29	Within one year/ 1 to 2 years	4.11	
Total		5,650,605,333.46		59.71	

④ and receivables in relation to government subsidies

As at 31 December, 2019, the Company had no government subsidy-related receivables.

⑥ Other receivables derecognised due to transfer of financial assets

As at 31 December 2019, the Company had no other receivables derecognised as a result of the transfer of financial assets.

⑥ Amount of assets or liabilities developed as Other receivables have been transferred but the involvement continues

The amount of assets and liabilities developed as a result of the transfer of other receivables and continued involvement was RMB 0.00 yuan.

**6、Inventories and provision for write-down of inventories**

(1) Inventories by Category:

Item	Closing balance		
	Book balance	Provisions for write-down	Book value
Development costs [Note 1]	7,227,094,628.41		7,227,094,628.41
Total	7,227,094,628.41		7,227,094,628.41

Continued

Item	Opening balance		
	Book balance	Provisions for write-down	Book value
Products in stock	12,958,411.64		12,958,411.64
Development costs	6,926,702,738.52		6,926,702,738.52
Total	6,939,661,150.16		6,939,661,150.16

(2) Provision for decline in value of inventories

As at 31 December, 2019, the amount of the Company's provision for the write-down of inventories was RMB 0.00 yuan

(3) The closing balance of inventories includes the capitalised amount of borrowing costs of RMB 1,021,352,647.42 yuan.

Note 1: As at 31 December 2019, the book value of development costs is RMB 1,277,948,495.65 yuan. And a charge has been created on land use rights.

Note 2: The land parcel with an area of 4,852.00 sqm located at Kouqiao Group, Jiuwei Village, Hongqiao Town, which was purchased by Taixing Hongxing Standard House Construction Co., Ltd, a subsidiary of the Company, by paying in full the land premium of RMB2,062,100.00 yuan and the deed tax of RMB61,863.00 yuan as at 31 December 2019. The certificate of right to use the land is being processed.

#### 7、Other current assets

The breakdown other current assets is shown below:

Item	Closing balance	Opening balance
Wealth management products	201,100,000.00	250,000,000.00
Prepaid tax	58,740,914.51	73,427,171.15
Total	259,840,914.51	323,427,171.15

#### 8、Available-for-sale financial assets

(1) Information on available-for-sale financial assets

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Available-for-sale equity tools	18,082,515.00		18,082,515.00			
Where: Measured at cost	18,082,515.00		18,082,515.00			
Total	18,082,515.00		18,082,515.00			

(2) Details of available-for-sale financial assets

Investee	Book balance			
	Opening balance	Increase during the period	Decrease during the period	Closing balance
Jiangsu Wochan Housing Industry Co., Ltd.		18,082,515.00		18,082,515.00
Taixing Yuxing Port Services Co., Ltd.				
Total		18,082,515.00		18,082,515.00

Continued:

Investee	Provision for impairment				Ratio of ownership in the investee (%)	Cash dividends this year
	Opening balance	Increase during the period	Decrease during the period	Closing balance		
Jiangsu Wochan Housing Industry Co., Ltd.					15.00	
Taixing Yuxing Port Services Co., Ltd.					2.00	
Total						

Notes: The Company invested in Taixing Yuxing Port Services Co., Ltd with a 2.00% shareholding ratio, and had not make any capital contribution as at 31 December 2019.

#### 9、Long-term equity investments

1、The breakdown of long term equity investments is shown below:

Item	Closing balance	Opening balance
Long-term equity investments	500,000,000.00	500,000,000.00

Where: Investments in associates	500,000,000.00	500,000,000.00
Less: Provision for impairment		
Total	500,000,000.00	500,000,000.00

(1) The breakdown of investments in associates is shown below:

SN	Investee name	Percentage of investment (%)	Closing balance	Opening balance
1	Taixing Port Group Co., Ltd.	35.06	500,000,000.00	500,000,000.00
	Total		500,000,000.00	500,000,000.00

Notes: Taixing Port Group Co., Ltd. (hereinafter referred to as the Port Company) is effectively controlled by the Taixing Municipal State-owned Assets Management Office. The Company has not appointed any member to the Board of Directors or Supervisory Board and has no operating and decision-making power over the Port Company and is not entitled to the operating income of the Port Company.

#### 10、Fixed assets

Item	Closing balance	Opening balance
Fixed assets	744,320.18	7,218,287.78
Total	744,320.18	7,218,287.78

#### ① Information on fixed assets

Item	Buildings and constructions	Machinery and equipment	Transport equipment	Electronic and office equipment	Other	Total
Original value of fixed assets						
Opening balance	12,247,739.81	1,015,158.00	1,400,178.32	2,265,648.87	53,000.00	16,981,725.00
Increase during the period			461,700.00			461,700.00
(1) Procurement			461,700.00			461,700.00
Decrease during the period	12,247,739.81	1,015,158.00				13,262,897.81
(1) Decommissioning or disposal	12,247,739.81					12,247,739.81
(2) Decrease due to business combinations		1,015,158.00				1,015,158.00
Closing balance:			1,861,878.32	2,265,648.87	53,000.00	4,180,527.19
Depreciation of Fixed assets						
Opening balance	6,302,482.78	280,626.04	1,233,859.71	1,924,965.04	21,503.65	9,763,437.22
Increase during the period			132,978.15	116,606.71	6,293.75	255,878.61
(1) Provision			132,978.15	116,606.71	6,293.75	255,878.61
Decrease during the period	6,302,482.78	280,626.04				6,583,108.82
(1) Decommissioning or disposal	6,302,482.78					6,302,482.78
(2) Decrease due to business combinations		280,626.04				280,626.04
Closing balance			1,366,837.86	2,041,571.75	27,797.40	3,436,207.01
Provision for impairment of fixed						

assets						
Opening balance						
Increase during the period						
Decrease during the period						

Item	Buildings and constructions	Machinery and equipment	Transport equipment	Electronic and office equipment	Other	Total
Closing balance						
Net value of fixed assets						
Opening balance	5,945,257.03	734,531.96	166,318.61	340,683.83	31,496.35	7,218,287.78
Closing balance			495,040.46	224,077.12	25,202.60	744,320.18

② Information on fixed assets temporarily idle

As at 31 December, 2019, the Company had no temporarily idle fixed assets.

③ Information on fixed assets leased-in through finance leases

As at 31 December, 2019, the Company had no fixed assets leased in through finance leases.

④ Fixed assets leased out through operating leases

As of 31 December, 2019, the Company had no fixed assets leased out through operating leases.

⑤ Information on fixed assets without certificates of title

As at 31 December 2019, the Company had no fixed assets for which certificates of title had not been issued

⑥ Information on charge on fixed assets

As at 31 December, 2019, the Company had no charges on fixed assets.

### 11、Deferred income tax assets

(1) The breakdown of deferred income tax assets is shown below:

Item	Deductible temporary differences		Deferred tax assets	
	Closing balance	Opening balance	Closing balance	Opening balance
Bad debt provision	69,612,822.60	65,443,835.48	17,403,205.65	16,360,958.87
Total	69,612,822.60	65,443,835.48	17,403,205.65	16,360,958.87

(2) The breakdown of unrecognised deferred income tax assets is shown below:

Item	Closing balance	Opening balance
Bad debt provision	702,931.47	278,872.51
Total	702,931.47	278,872.51

### 12、Other non-current assets

The breakdown of other non-current assets is shown below:

Item	Closing balance	Opening balance
Assets under Bankruptcy Liquidation from Jiangsu Zhongxu Shipbuilding and Heavy Industry Co., Ltd.	50,000,000.00	50,000,000.00
Total	50,000,000.00	50,000,000.00

### 13、Short-term borrowings

(1) The breakdown of short-term borrowings is shown below:

Type of borrowings	Closing balance	Opening balance
Credit loan	88,000,000.00	300,000,000.00
Guaranteed loan	461,820,000.00	387,000,000.00

Type of borrowings	Closing balance	Opening balance
Pledged loan	78,750,000.00	250,750,000.00
Mortgage loan		5,000,000.00
Guarantee + Pledge borrowings	100,000.00	55,000,000.00
Total	628,670,000.00	997,750,000.00

(2) Information on overdue and outstanding short-term borrowings

As at 31 December 2019, the Company had no short-term borrowings that were past due and outstanding.

#### 14、Notes payable

(1) Notes payable

Item	Closing balance	Opening balance
Bank's acceptance bill	650,001,000.00	660,000,000.00
Commercial acceptance bill	400,000,000.00	
Letter of Credit	40,000,000.00	290,000,000.00
Total	1,090,001,000.00	950,000,000.00

As of 31 December, 2019, the Company had no outstanding notes payable that were due and payable.

#### 15、Accounts Payable

(1) Accounts Payable

① Accounts payable breakdown

Item	Closing balance		Opening balance	
	Amount	Proportion of total amount (%)	Amount	Proportion of total amount (%)
Construction payables	164,752,184.99	28.82	179,441,693.93	69.20
Goods payables	406,985,075.91	71.18	79,861,479.37	30.80
Total	571,737,260.90	100.00	259,303,173.30	100.00

② significant accounts payable aged over one year

Entity name	Amount	Reasons for non-repayment or carry-forward
Taixing Fuli Construction & Installation Co., Ltd.	7,333,533.99	No settlement for works
Taixing Xinxing Construction Engineering Co., Ltd.	3,734,355.29	No settlement for works
Jiangsu Daoyuan Civil Works Co., Ltd.	2,920,394.24	No settlement for works
Yangzhou Feili Lighting & Electrical Co., Ltd.	1,865,078.00	No settlement for works
Taizhou Hongtai Civil Works Co., Ltd.	1,575,169.03	No settlement for works
Total	17,428,530.55	

#### 16、Advance receipts

(1) The breakdown of the Advance receipts is shown below:

Item	Closing balance		Opening balance	
	Amount	Proportion of total amount (%)	Amount	Proportion of total amount (%)
Advance payment for housing	267,206,093.39	91.76	202,280,794.35	92.20
Advance payment for goods			17,112,496.80	7.80



Advance payment for construction projects	24,000,000.00	8.24		
Total	291,206,093.39	100.00	219,393,291.15	100.00

(2) Significant Advance receipts aged over 1 year:

Entity name	Amount	Reasons for non-repayment or carry-forward
Advance payment for housing from relocated households	202,280,794.35	Not delivered
Total	202,280,794.35	

## 17、Employee benefits payable

(1) Employee benefits payable breakdown

Item	Opening balance	Increment during the year	Decrease during the year	Closing balance
Short-term remuneration		2,090,874.67	2,090,874.67	
Post-employment benefits - defined contribution plan		174,469.04	174,469.04	
Total		2,265,343.71	2,265,343.71	

(2) Short-term remuneration

Item	Opening balance	Increment during the year	Decrease during the year	Closing balance
Wages, bonuses, allowances and subsidies		1,975,199.89	1,975,199.89	
Social insurance premiums		115,674.78	115,674.78	
Where: Medical insurance premiums		102,143.18	102,143.18	
Worker's compensation insurance premiums		11276.33	11276.33	
Maternity insurance premiums		2,255.27	2,255.27	
Total		2,090,874.67	2,090,874.67	

(3) Defined contribution plan

Item	Opening balance	Increment during the year	Decrease during the year	Closing balance
Basic pension insurance		168,904.00	168,904.00	
Unemployment insurance premiums		5,565.04	5,565.04	
Total		174,469.04	174,469.04	

## 18、Taxes and rate payable

The breakdown of tax payable is shown below:

Item	Closing balance	Opening balance
VAT	3,030,906.15	5,124,965.67
Urban maintenance and construction tax		314,878.21
Education surcharge		224,913.02
Land use tax	4,757.16	
Enterprise income tax	100,315,407.31	112,090,887.75
Personal income tax	1,453.93	

Stamp duty	114,793.42	80,697.95
Total	103,467,317.97	117,836,342.60

#### 19、Other payables

Item	Closing balance	Opening balance
Other payables	891,609,710.90	1,686,096,262.80
Interest payable	63,618,447.81	36,266,393.42
Total	955,228,158.71	1,722,362,656.22

##### (1) Other payables

###### ① Other payables by nature of amount

Entity name	Closing balance	Opening balance
Current accounts	170,267,861.28	1,342,059,511.49
Security deposit and guarantee	61,650,470.26	22,654,136.15
Withholding amount	1,691,379.36	1,382,615.16
Provisional borrowings	658,000,000.00	320,000,000.00
Total	891,609,710.90	1,686,096,262.80

###### ② Significant other payables aged over 1 year

Item	Closing balance	Reasons for non-repayment or carry-forward
Jiangxi Huaxing Industrial Co., Ltd.	10,000,000.00	Borrowings, not yet due
Taixing Huxin Shipbuilding Co., Ltd.	8,010,600.00	Current accounts
China Resources Power Investment Co., Ltd. Jiangsu Branch	5,000,000.00	Security deposit
Jingjiang Lanshen Chemical Pump Factory	4,740,260.00	Current accounts
Taixing Qiping Lianyun Co Ltd	2,000,000.00	Current accounts
Total	29,750,860.00	

##### (2) Interest payable

Item	Closing balance	Opening balance
Interest on long-term loans payable in instalments and principal repayments	3,967,613.15	339,150.00
Corporate bond interest	32,486,074.52	4,167,320.55
Interest on finance leases with interest and capital repayments in instalments	27,164,760.14	31,759,922.87
Total	63,618,447.81	36,266,393.42

#### 20、Non-current liabilities due within one year

The breakdown of non-current liabilities due within one year is shown below:

Item	Closing balance	Opening balance
Long-term borrowings due within one year	885,131,681.09	701,000,000.00
Long-term payables due within one year	1,117,842,395.76	1,158,201,021.87

Item	Closing balance	Opening balance
Bonds payables due within one year	340,740,000.00	275,770,000.00
Total	2,343,714,076.85	2,134,971,021.87

## 21、Long-term borrowings

Long-term borrowings by type

Type of borrowings	Closing balance	Opening balance
Credit loan		70,000,000.00
Guaranteed loan	3,073,040,000.00	2,148,500,000.00
Pledged loan	248,700,000.00	
Guaranteed + Mortgage Loan	1,108,700,000.00	305,906,956.98
Guarantee + Pledge borrowings	570,269,698.40	529,095,043.27
Guaranteed + Mortgage + Pledged Borrowings	800,000,000.00	625,000,000.00
Less: Long-term borrowings due within one year	885,131,681.09	701,000,000.00
Total	4,915,578,017.31	2,977,502,000.25

## 22、Bonds payable

(1) The breakdown of bonds payable is shown below:

Item	Closing balance	Opening balance
1、Taixing Hongqiao Bonds 2015 - Principal	360,000,000.00	480,000,000.00
Interest adjustment	-2,198,968.70	-4,121,019.35
2、Bank of Nanjing - Taixing Sub-branch		400,000,000.00
3、Bank of Nanjing - Taixing Sub-branch	300,000,000.00	
Interest adjustment	-1,125,000.00	
4、Bank of Jiangsu Taixing Sub-branch	200,000,000.00	
Interest adjustment	-375,000.00	
5、Privately placed financing instruments	1,995,135,000.00	698,980,000.00
Interest adjustment	-30,651,410.01	-8,557,417.50
Less: Bonds payables due within one year	340,740,000.00	275,770,000.00
Total	2,480,044,621.29	1,290,531,563.15

(2) Increase/decrease in bonds payable:

Name of bonds	Total nominal value of bonds	Issue date	Bond period	Opening balance	Interest adjustment
Taixing Hongqiao Bonds 2015	600,000,000.00	29 October, 2015	7 years	480,000,000.00	-2,198,968.70
Bank of Nanjing - Taixing Sub-branch	400,000,000.00	29 March, 2017	5 years	400,000,000.00	
Bank of Nanjing Taixing Sub-branch	300,000,000.00	20 March, 2019	3 years		-1,125,000.00
Bank of Jiangsu Taixing Sub-branch	200,000,000.00	29 March, 2019	2 years		-375,000.00
Privately placed financing instruments	220,740,000.00		1 years	155,770,000.00	

Name of bonds	Total nominal value of bonds	Issue date	Bond period	Opening balance	Interest adjustment
Privately placed financing instruments	705,280,000.00		3 years	543,210,000.00	-8,588,296.08
Privately placed financing instruments	618,275,000.00		5 years		-14,223,634.32
Privately placed financing instruments	450,840,000.00		2 years		-7,839,479.61
Total	3,495,135,000.00			1,578,980,000.00	-34,350,378.71

(Continued)

Name of bonds	Bond period	Current issue	Repayment this year	Where: Non-current liabilities due within one year	Closing balance
Taixing Hongqiao Bonds 2015	7 years		120,000,000.00	120,000,000.00	237,801,031.30
Bank of Nanjing - Taixing Sub-branch	5 years		400,000,000.00		
Bank of Nanjing - Taixing Sub-branch	3 years	300,000,000.00			298,875,000.00
Bank of Jiangsu Taixing Sub-branch	2 years	200,000,000.00			199,625,000.00
Privately placed financing instruments	1 years	220,740,000.00	155,770,000.00	220,740,000.00	
Privately placed financing instruments	3 years	162,070,000.00			696,691,703.92
Privately placed financing instruments	5 years	618,275,000.00			604,051,365.68
Privately placed financing instruments	2 years	450,840,000.00			443,000,520.39
Total		1,951,925,000.00	675,770,000.00	340,740,000.00	2,480,044,621.29

### 23、Long-term payables

The breakdown of Special payables is shown below:

Item	Closing balance	Opening balance
Finance Lease	2,449,944,875.30	3,131,763,010.66
Less: Finance lease due within one year	1,117,842,395.76	1,158,201,021.87
Total	1,332,102,479.54	1,973,561,988.79

### 24、Paid-in capital

The breakdown of paid-in capital is shown below:

Investor Name	Opening balance		Increment during the year	Decrease during the year	Closing balance	
	Amount invested	Shareholding (%)			Amount invested	Shareholding (%)
Taixing Municipal People's Government	500,000,000.00	100.00	1,500,000,000.00	2,000,000,000.00		
Taixing Zhongxin Investment Group Co., Ltd.			2,000,000,000.00		2,000,000,000.00	100.00
Total	500,000,000.00	100.00	3,500,000,000.00	2,000,000,000.00	2,000,000,000.00	100.00

Note 1: On 30 August 2019, the registered capital of the Company was changed from the original RMB500 million

yuan to RMB2000 million yuan; the Company's shareholder, Taixing Municipal People's Government, increased its capital by RMB1500 million yuan in cash on 28 August 2019, which was verified through the capital verification report "Su Han Yan [2019] T-0046" produced by Suzhou Hanlin Accounting Firm (General Partnership).

Note: On 24 December 2019, there was a change in the shareholders of the Company and pursuant to the Equity Transfer Agreement and the resolution of the shareholders, Taixing Zhongxin Investment Group Co., Ltd. was transferred 100% of the equity interest in the Company held by Taixing Municipal People's Government. After the transfer, Taixing Zhongxin Investment Group Co., Ltd is the sole shareholder of the Company and the Company completed the related industrial administration procedure.

## 25、Capital reserves

The breakdown of the capital reserve is shown below:

Item	Opening balance	Increment during the year	Decrease during the year	Closing balance
Other capital reserve	3,272,451,037.88		140,756,400.00	3,131,694,637.88
Total	3,272,451,037.88		140,756,400.00	3,131,694,637.88

Notes: According to the document "Notice on Transfer of Land Plots coded Tai Guo Yong (2011) 331536": due to the integration of the optimized assets of the whole region, the plots of land held by the Company, which is coded Tai Guo Yong (2011) 331536, have been transferred after some study.

## 26、Surplus reserves

The breakdown of the surplus reserves is shown below:

Item	Opening balance	Increment during the year	Decrease during the year	Closing balance
Statutory surplus reserve	126,295,344.87	16,137,667.83		142,433,012.70
Total	126,295,344.87	16,137,667.83		142,433,012.70

## 27、Retained profits

The breakdown of retained profits is shown below:

Item	Current Period	Previous Period
Retained profits at the end of the previous year before adjustment	1,117,883,307.74	922,936,365.71
Adjustments to total retained profits at the beginning of the period (increase +, and decrease -)		
Retained profits at the beginning of the period after adjustment	1,117,883,307.74	922,936,365.71
Increase during the period	151,283,534.81	216,598,697.37
Where: Inbound net profit attributable to the owners of parent company for the period	151,283,534.81	216,598,697.37
Decrease during the period	16,137,667.83	21,651,755.34
Where: Appropriation to surplus reserves for the period	16,137,667.83	21,651,755.34
Appropriation to general reserves for the period		
Cash dividends distributed for the period		
Capital Increase		
Other decreases		
Closing Balance of the period	1,253,029,174.72	1,117,883,307.74

## 28、Operating revenue and cost

(1) Operating income and costs comprise:

Item	Operating revenue		Operating Costs	
	Current Period	Previous Period	Current Period	Previous Period
Main businesses	1,272,167,749.17	1,458,196,008.38	1,188,949,048.60	1,370,584,239.19
Other businesses	621,341.50	197,377.19		
Total	1,272,789,090.67	1,458,393,385.57	1,188,949,048.60	1,370,584,239.19

(2) Business Category Breakdown:

Item	Operating revenue	
	Current Period	Previous Period
I. Main businesses		
Project Construction	253,329,070.07	235,155,739.30
Resettlement Housing Development	222,208,060.44	229,287,552.70
Sale of Supplies	796,630,618.66	993,752,716.38
Subtotal	1,272,167,749.17	1,458,196,008.38
II. Other businesses		
Property and Lease	621,341.50	197,377.19
Subtotal	621,341.50	197,377.19
Total	1,272,789,090.67	1,458,393,385.57

Continued

Item	Operating Costs	
	Current Period	Previous Period
I. Main businesses		
Project Construction	211,107,558.39	195,963,116.08
Resettlement Housing Development	185,173,383.70	191,072,960.59
Sale of Supplies	792,668,106.51	983,548,162.52
Total	1,188,949,048.60	1,370,584,239.19

### 29、Tax and Surcharges

Item	Current Period	Previous Period
Urban maintenance and construction tax	1,744,037.42	1,988,178.74
Education surcharge	1,268,500.28	1,422,065.18
Stamp duty	198,293.56	342,236.45
Land use tax	4,117,274.12	301,946.00
Property tax	115,572.80	
Total	7,443,678.18	4,054,426.37

### 30、Finance Costs

The breakdown of finance costs is shown below:

Item	Current Period	Previous Period
Interest expense	5,757,422.39	3,018,009.05
Interest income	-13,119,950.42	-14,263,203.68
Other	1,294,095.36	5,555,587.17
Total	-6,068,432.67	-5,689,607.46

Notes: Other finance costs mainly include handling fees and discounts on bills.

### 31、Other gains

The breakdown of other gains is shown below:

Item	Current Period	Previous Period
Fiscal subsidies for resettlement housing and project construction	110,067,347.00	172,449,952.60
Total	110,067,347.00	172,449,952.60

### 32、Investment income

The breakdown of investment income is shown below:

Item	Current Period	Previous Period
Gain on disposal of long-term equity investments	-744,337.58	
Investment income from the purchase of wealth management products	3,800,013.98	4,147,414.69
Total	3,055,676.40	4,147,414.69

### 33、Asset impairment losses

A breakdown of the asset impairment loss is shown below:

Item	Current Period	Previous Period
Provision for Bad Debts	-5,358,031.18	-3,120,480.58
Total	-5,358,031.18	-3,120,480.58

### 34、Gains on Disposal of Assets

The breakdown of the gain on disposal of assets is shown below:

Item	Current Period	Previous Period
Total gain on disposal of non-current assets	-5,257.03	
Where: Gains on Disposal of Fixed Assets	-5,257.03	
Total	-5,257.03	

### 35、Non-operating expenses

The breakdown of non-operating expenses is shown below:

Item	Current Period	Previous Period
Late payment	2,762,031.28	145,826.28
Fines	3,800,000.00	
Donation expenses	200,000.00	360,000.00
Other		345.90
Total	6,762,031.28	506,172.18

### 36、Income tax expenses

The breakdown of income tax expense is shown below:

Item	Current Period	Previous Period
Current income tax expenses	19,614,422.33	21,475,944.63
Deferred income tax expenses	-1,237,131.18	-1,967,991.40
Total	18,377,291.15	19,507,953.23



### 37 、 Items in cash flow statement

#### (1) Other cash received relating to operating activities

Item	Current Period	Previous Period
Current accounts	1,283,476,453.26	2,104,320,391.53
Interest income	13,119,950.42	14,263,203.68
Government subsidies	110,067,347.00	172,449,953.47
Total	1,406,663,750.68	2,291,033,548.68

#### (2) Other cash payments relating to operating activities

Item	Current Period	Previous Period
Current accounts	3,701,457,421.80	1,705,650,063.95
Cash payment expenses	11,199,913.10	23,977,387.54
Handling fee expenses	1,294,095.36	5,555,587.17
Fine expenses	6,562,031.28	145,826.28
Total	3,720,513,461.54	1,735,328,864.94

#### (3) Cash paid relating to other investing activities

Item	Current Period	Previous Period
Cash and cash equivalents of subsidiaries disposed of at the beginning of the period	14,454,170.11	
Total	14,454,170.11	

#### (4) Cash received from other financing activities

Item	Current Period	Previous Period
Cash received from inter-business borrowings	806,000,000.00	1,000,000,000.00
Raised funds received from finance lease	539,000,000.00	1,075,000,000.00
Other monetary funds, deposit, and time deposits	687,820,000.00	70,000,000.00
Return of deposit from Finance Lease	32,800,000.00	
Total	2,065,620,000.00	2,145,000,000.00

#### (5) Cash paid for other financing activities

Item	Current Period	Previous Period
Cash paid for repayment of inter-company borrowings	652,135,000.00	761,165,000.00
Debt servicing on finance leases	1,398,269,974.71	1,449,773,433.49
Deposit and handling fees paid on finance lease and trust	100,939,700.00	115,617,000.00
Time deposit certificates and security deposits issued by banks	1,017,001,000.00	1,526,820,000.00
Underwriting fees paid for bond financing	52,161,795.00	13,922,395.00
Total	3,220,507,469.71	3,867,297,828.49

### 38 、 Notes to Cash flow statement

#### (1) The breakdown of the notes to the cash flow statement is shown below:

Item	Current Period	Previous Period
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Item	Current Period	Previous Period
Net profit	151,231,050.25	216,405,282.32
Plus: Provision for asset impairment	5,358,031.18	3,120,480.58
Depreciation of Fixed assets	255,878.61	1,052,374.39
Intangible asset amortization		
Amortization of long-term deferred expenses		
Loss on disposal of fixed assets, intangible assets and other long-term assets	5,257.03	
Loss on retirement of fixed assets		
Loss on changes in fair value		
Finance Costs	5,757,418.39	3,018,009.05
Investment losses	-3,055,676.40	-4,147,414.69
Decrease in deferred income tax assets	-1,237,131.18	-1,967,991.40
Increase in deferred income tax liabilities		
Decrease in inventories	61,934,539.87	-494,240,718.32
Decrease in operating receivables	-3,166,540,867.22	-1,844,123,692.81
Increase in operating payables	377,392,313.31	2,636,060,009.59
Other		
Net cash flow from operating activities	-2,568,899,186.16	515,176,338.71
Item		
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Fixed assets leased-in under Finance Lease		
Item		
Closing cash balance	1,008,740,498.93	601,334,939.61
Less: Opening cash balance	601,334,939.61	1,456,036,629.04
Plus: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase (decrease) in cash and cash equivalents	407,405,559.32	-854,701,689.43

(2) Components of cash and cash equivalents

Item	Current Period	Previous Period
I. Cash	1,008,740,498.93	601,334,939.61
Where: Cash on hand	71,676.63	433,840.82
Bank deposits readily available for payment	1,008,668,822.30	491,926,098.79
Other monetary funds readily available for payment		108,975,000.00
II. Cash equivalents		
Where: Debt investments due within three months		
III. Closing balance of cash and cash equivalents	1,008,740,498.93	601,334,939.61

(3) Net cash received during the period from the disposal of subsidiaries [Break] There were no disposals of subsidiaries during the period.

### 39、Assets with restricted ownership or right to use

Item	Closing book value	Reasons for restrictions
Cash at bank and on hand	1,156,001,000.00	Pledged Time Deposit and Bank Deposit
Inventories	1,277,948,495.65	Land, used as security for loans
Other current assets	200,000,000.00	Pledged wealth management products
Total	2,633,949,495.65	

## IX. Commitments and Contingencies

### 1、Significant Commitments

#### (1) Capital Commitment

As at 31 December 2019, the Company had no asset commitments.

#### (2) Operating lease commitments

As at 31 December, 2019, the Company had no operating lease commitments.

#### (3) Unrecognised commitments in relation to investments in joint ventures

As at 31 December 2019, the Company had no unrecognised commitments in relation to its investments in joint ventures.

### 2、Contingencies

#### (1) Contingent liabilities arising from pending litigation and arbitration and their financial effects

As at 31 December 2019, there were no pending litigation and arbitration against the Company.

(2) Contingent liabilities arising from provision of guarantees for indebtedness to other entities and their financial effects

Guaranteed Party	Guarantor	Type of Guarantee	Guarantee Period	Amount of Guarantee (10 thousand yuan)
I. Within the Group				
Taixing Hongqiao Zhongjian Wastewater Treatment Co., Ltd.	The Company	PingAn Trust	2019.6-2021.6	60,000.00
Taixing Hongqiao New Countryside Development Co., Ltd.	The Company	Taixing Agricultural Development Bank	2016.9.4-2024.9.6	50,000.00
Jiangsu Jiangtian Agricultural Technology Development Co., Ltd.	The Company	Guolian Trust	2019.12-2021.12	30,000.00
Taixing Hongqiao New Countryside Development Co., Ltd.	The Company	Bank of Suzhou Taizhou Branch	2016.12.27-2022.6.30	25,000.00
Taixing Hongqiao New Countryside Development Co., Ltd.	The Company	Ningbo Bank Suzhou Branch	2017.1.5-2020.1.3	25,000.00
Taixing Hongqiao New Countryside Development Co., Ltd.	The Company	Huarong Lease	2016.8.15-2021.8.15	20,000.00
Taixing Hongqiao New Countryside Development Co., Ltd.	The Company	Jiangnan Lease	2017.8.16-2022.8.15	20,000.00
Jiangsu Jiangtian Agricultural Technology Development Co., Ltd.	The Company	Suzhou Trust	2019.5.10-2021.5.10	20,000.00
Taixing Hongqiao Zhongjian Wastewater Treatment Co., Ltd.	The Company	Zhejiang Trust	2019.4.12-2020.10.11	20,000.00
Taixing Hongqiao Zhongjian Wastewater Treatment Co., Ltd.	The Company	Wukuang Trust	2019.12.31-2021.12.31	20,000.00

Taixing Hongqiao New Countryside Development Co., Ltd.	The Company	National Development Bank	2016.3.29-2025.3.29	20,000.00
Taixing Xinghong Township Construction and Comprehensive Development Co., Ltd.	The Company	CITIC Bank	2018.2.3-2021.2.3	20,000.00
Taixing Hongqiao New Countryside Development Co., Ltd.	The Company	Taixing Agricultural Bank	2016.12.20-2024.12.7	20,000.00
Taixing Hongqiao Zhongjian Wastewater Treatment Co., Ltd.	The Company	Suzhou Trust	2019.6.6-2021.6.6	20,000.00
Taixing Hongqiao Zhongjian Wastewater Treatment Co., Ltd.	The Company	PingAn Trust	2019.11.22-2021.11.22	20,000.00
Jiangsu Jiangtian Agricultural Technology Development Co., Ltd.	The Company	Huarong Lease	2015.7.17-2020.7.16	19,000.00
Taixing Hongqiao Zhongjian Wastewater Treatment Co., Ltd.	The Company	Xingye Bank Taixing Sub-branch	2016.3.10-2020.12.31	18,000.00
Jiangsu Jiangtian Agricultural Technology Development Co., Ltd.	The Company	Luoying Finance Lease	2016.2.1-2020.8.1	18,000.00
Taixing Hongqiao Zhongjian Wastewater Treatment Co., Ltd.	The Company	Yueke Lease	2018.6.12-2023.4.18	17,760.10
Jiangsu Jiangtian Agricultural Technology Development Co., Ltd.	The Company	Guangrui Lease	2017.6.7-2022.6.7	15,000.00
Taixing Hongqiao New Countryside Development Co., Ltd.	The Company	Agricultural Bank	2017.1.3-2024.12.7	15,000.00
Taixing Hongqiao Zhongjian Wastewater Treatment Co., Ltd.	The Company	Sichuan Trust	2018.2.1-2021.2.1	15,000.00
Jiangsu Jiangtian Agricultural Technology Development Co., Ltd.	The Company	PingAn Lease	2018.1.3-2026.1.3	10,000.00
Taixing Hongqiao Zhongjian Wastewater Treatment Co., Ltd.	The Company	Yuexiu Lease	2018.10.18-2023.10.18	10,000.00
Jiangsu Jiangtian Agricultural Technology Development Co., Ltd.	The Company	Zhong An Lease	2016.6.28-2020.6.28	8,000.00
Taixing Hongqiao Zhongjian Wastewater Treatment Co., Ltd.	The Company	Suyin Finance Lease	2018.4.18-2023.4.18	7,444.60
Taixing Xinghong Township Construction and Comprehensive Development Co., Ltd.	The Company	Bank of Nanjing - Taixing Sub-branch	2019.6.17-2020.6.14	6,000.00
Taixing Hongqiao Zhongjian Wastewater Treatment Co., Ltd.	The Company	Bank of Jiangsu Taixing Sub-branch	2019.01.04-2020.01.02	5,200.00
Taixing Hongqiao New Countryside Development Co., Ltd.	The Company	Agricultural Bank Taixing Sub-branch	2016.12.8-2024.12.7	5,000.00
Taixing Hongqiao New Countryside Development Co., Ltd.	The Company	Yangzhou Hengfeng Bank	2019.10.25-2020.10.23	4,700.00
Taixing Hongqiao New Countryside Development Co., Ltd.	The Company	Bank of Nanjing - Taixing Sub-branch	2019.8.27-2020.8.26	4,000.00
Jiangsu Jiangtian Agricultural Technology Development Co., Ltd.	The Company	Bank of Jiangsu Taixing Sub-branch	2019.3.15-2020.3.14	3,800.00
Taixing Hongyue Hydro Construction and Development Co., Ltd.	The Company	Hang Feng Bank Yangzhou Branch	2019.10.22-2020.10.21	2,800.00

Taixing Dingjifu Trading Co., Ltd.	The Company	Taixing Rural Commercial Bank	2019.11.8-2020.9.18	2,000.00
Taixing Hongqiao Zhongjian Wastewater Treatment Co., Ltd.	The Company	Suzhou Rural Commercial Bank	2019.9.30-2020.9.30	1,000.00
Taixing Hongqiao Zhongjian Wastewater Treatment Co., Ltd.	Taixing Hongqiao New Countryside Development Co., Ltd.	Qinyu Lease	2018.07.20-2023.07.16	10,000.00
Taixing Hongqiao Park Industrial Development Co., Ltd.	Jiangsu Jiangtian Agricultural Technology Development Co., Ltd.	Huaxia Bank Taixing Sub-branch	2017.01.03-2023.12.28	16,800.00
Taixing Hongqiao Park Industrial Development Co., Ltd.	Jiangsu Jiangtian Agricultural Technology Development Co., Ltd.	Hangcheng Lease	2017.12.04-2022.12.04	10,000.00
Taixing Hongqiao Park Industrial Development Co., Ltd.	Jiangsu Jiangtian Agricultural Technology Development Co., Ltd.	Huaxia Bank Taixing Sub-branch	2016.12.28-2023.12.28	8,200.00
Taixing Hongqiao Park Industrial Development Co., Ltd.	Taixing Xinghong Township Construction and Comprehensive Development Co., Ltd.	Bank of Nanjing - Taixing Sub-branch	2019.12.18-2024.12.17	60,000.00

Intra-group guarantee - Subtotal					<b>682,704.70</b>
II. Outside the Group					
Taixing Chengxing State-owned Assets Operation and Investment Co., Ltd.	The Company	Zhongrong International Trust	2019.3-2021.3		90,000.00
Taixing Shuangyue Investment Co., Ltd.	The Company	Bank of Nanjing - Taixing Sub-branch	2015.12.31-2020.12.30		50,000.00
Taixing Chengxing State-owned Assets Operation and Investment Co., Ltd.	The Company	Wukuang Trust	2019.1.11-2020.1.11		40,000.00
Taixing Chengxing State-owned Assets Operation and Investment Co., Ltd.	The Company	CITIC Trust	2019.8-2021.8		40,000.00
Taixing Chengxing State-owned Assets Operation and Investment Co., Ltd.	The Company	Huabao Trust	2018.9.28-2020.9.28		35,000.00
Taixing Chuangyuan Construction Co., Ltd.	The Company	Aijian Trust	2019.5.31-2021.5.31		30,000.00
Taixing Binjiang Corridor Construction Co., Ltd.	The Company	China Merchants Bank Taixing Sub-branch	2015.12.27-2020.11.13		30,000.00
Taixing Chengxing State-owned Assets Operation and Investment Co., Ltd.	The Company	CIB Trust	2019.8-2021.8		30,000.00
Taixing Chengxing State-owned Assets Operation and Investment Co., Ltd.	The Company	Suying Finance Lease	2016.1.5-2021.1.5		23,924.86
Taixing Chengxing State-owned Assets Operation and Investment Co., Ltd.	The Company	Huaxia Finance Lease	2016.4.1-2020.3.29		22,700.70
Taixing Chuangyuan Construction Co., Ltd.	The Company	Hunan Trust	2019.4.26-2021.4.26		19,800.00
Taixing Binjiang Corridor Construction Co., Ltd.	The Company	Everbright Bank	2019,11.19-2023.11.17		18,000.00
Taixing Hongfutai Industrial Co., Ltd.	The Company	Suzhou Trust	2019.4.17-2020.4.17		5,618.50
Taixing Hongfutai Industrial Co., Ltd.	The Company	Bank of Jiangsu Taixing Sub-branch	2019.01.04-2020.01.02		5,400.00
Taixing Chengxing State-owned Assets Operation and Investment Co., Ltd.	The Company	Xiamen International Bank	2019.11-2020.11		5,000.00
Taixing Chengxing State-owned Assets Operation and Investment Co., Ltd.	The Company	Xiamen International Bank	2019.11-2020.11		5,000.00
Jiangsu Hongyue Civil Work Co., Ltd.	The Company	Bank of Communications Taixing Sub-branch	2019.1.23-2020.1.18		4,969.00
Taixing Hongqiao Ecological Park Construction and Development Co., Ltd.	The Company	Pudong Bank Taixing Sub-branch	2019.5.24-2020.5.24		4,500.00
Jiangsu Guanghui Eco-Tech Co., Ltd.	The Company	Bank of Jiangsu Taixing Sub-branch	2019.3.13-2020.3.12		4,300.00
Jiangsu Yuanfeng Civil Works Co., Ltd.	The Company	Heng Feng Bank Yangzhou Sub-branch	2019.1.17-2020.1.16		4,000.00
Taixing Hongbai Heavy Machinery Manufacturing Co., Ltd.	The Company	Bank of Jiangsu Taixing Sub-branch	2019.01.04-2020.01.02		3,900.00
Jiangsu Hongyue Civil Work Co., Ltd.	The	Bank of Jiangsu	2019.5.17-2020.5.16		3,800.00

	Company	Branch		
Jiangsu Shengzhong Machinery Manufacturing Equipment Co., Ltd.	The Company	Bank of Jiangsu Taixing Sub-branch	2019.10.9-2020.10.8	3,500.00
Jiangsu Hongyue Civil Work Co., Ltd.	The Company	Pudong Bank Taixing Sub-branch	2019.12.13-2020.12.12	3,200.00
Taixing Hongqiao Ecological Park Construction and Development Co., Ltd.	The Company	Heng Feng Bank Yangzhou Sub-branch	2019.1.17-2020.1.16	3,000.00
Taixing Hongqiao Ecological Park Construction and Development Co., Ltd.	The Company	Taixing Rural Commercial Bank Qixu Sub-branch	2017.4.14-2020.3.10	2,900.00
Jiangsu Shengzhong Machinery Manufacturing Equipment Co., Ltd.	The Company	Pudong Bank Taixing Sub-branch	2019.9.4-2020.9.3	2,800.00
Taixing Shengqin Electric Equipment Co., Ltd.	The Company	Pudong Bank Taixing Sub-branch	2019.3.18-2020.3.18	2,800.00

Jiangsu Zhengong Machinery Parts Manufacturing Co., Ltd.	The Company	Pudong Bank Taixing Sub-branch	2019.8.7-2020.8.6	2,800.00
Jiangsu Yuanfeng Civil Works Co., Ltd.	The Company	Bank of Jiangsu Taixing Sub-branch	2019.3.8-2020.3.6	2,800.00
Taixing Fourth People's Hospital	The Company	Bank of Communications Taixing Sub-branch	2019.3.29-2020.3.28	2,000.00
Jiangsu Jiangda Power Equipment Manufacturing Co., Ltd.	The Company	Agricultural Commercial Bank, Qiping Sub-branch	2019.10.10-2020.10.10	1,950.00
Hehai Technology & Engineering Group Co., Ltd.	Jiangsu Jiangtian Agricultural Technology Development Co., Ltd.	Bank of Nanjing - Taixing Sub-branch	2019.10.12-2020.9.20	3,000.00
Hehai Technology & Engineering Group Co., Ltd.	Jiangsu Jiangtian Agricultural Technology Development Co., Ltd.	Bank of Nanjing - Taixing Sub-branch	2019.10.12-2020.9.20	2,250.00
Hehai Technology & Engineering Group Co., Ltd.	Jiangsu Jiangtian Agricultural Technology Development Co., Ltd.	Bank of Nanjing - Taixing Sub-branch	2019.10.12-2020.9.20	2,250.00
Taizhou Auda Electric Appliance Co., Ltd.	Jiangsu Jiangtian Agricultural Technology Development Co., Ltd.	Bank of Nanjing - Taixing Sub-branch	2019.9.26-2020.9.25	1,800.00
Taizhou Jingyang Gardening and Landscaping Works Co., Ltd.	Jiangsu Jiangtian Agricultural Technology Development Co., Ltd.	Bank of Nanjing - Taixing Sub-branch	2019.6.25-2020.6.18	800.00
Outside the Group Guarantees - Subtotal				<b>513,763.06</b>
Total				<b>1,196,467.76</b>

As at 31 December 2019, the Company had no other material contingencies to disclose other than the above ones.

(3) Contingent liabilities relating to investments in joint ventures or associates

As at 31 December 2019, the Company had no contingent liabilities relating to investments in joint ventures or associates.

**X. Events after the balance sheet date**

As at the date of approval of the financial statements, there were no material post balance sheet events that affect the interpretation and understanding of these financial statements.

**XI. Related-party relations and transactions**

**(1) Related-party relations**

1. controlling shareholder and ultimate controlling party

Name of controlling	Registration place	Registered capital	Shareholding	Voting rights held
---------------------	--------------------	--------------------	--------------	--------------------



shareholder and ultimate controlling party			(%)	(%)
Taixing Zhongxin Investment Group Co., Ltd.	Taixing	2,000,000,000.00	100.00	100.00

## 2. Subsidiaries

For details of the Company's subsidiaries, please refer to Note VII(1) of this notes for information on the scope of consolidation.

## 3. Joint ventures and associates

SN	Investee name	Percentage of investment (%)	Closing balance	Opening balance
1	Taixing Port Group Co., Ltd.	35.06	500,000,000.00	500,000,000.00
	Total		500,000,000.00	500,000,000.00

## XII. Other significant matters

### 1、Correction of Errors in the Previous Period

The Company had no material accounting error corrections during the reporting period.

2、Debt restructuring

The Company had no debt restructuring during the reporting period.

3、Asset Replacement

The Company had no asset replacement during the reporting period.

4、Other significant matters affecting investors' decisions

There were no other significant matters to the Company during the reporting period that would have affected investors' decisions.

**XIII. Notes to main items of the company financial statements**

**1、Accounts receivable**

(1) Accounts receivable

① Accounts receivable disclosed by category

Categories	Closing balance				Book value
	Book balance		Bad debt provision		
	Amount	Percentage (%)	Amount	Provision ratio (%)	
Receivables with individually significant amounts and subject to separate provision					
Accounts receivable for which bad debt provision is made by groups of credit risk characteristics, where:	1,142,431,002.18	100.00			1,142,431,002.18
Group 1: Ageing analysis	90,000.00	0.01			90,000.00
Group 2: Other	1,142,341,002.18	99.99			1,142,341,002.18
Receivables with individually insignificant amounts but subject to separate provision					
Total	1,142,431,002.18	100.00			1,142,431,002.18

Continued

Categories	Opening balance				Book value
	Book balance		Bad debt provision		
	Amount	Percentage (%)	Amount	Provision ratio (%)	
Receivables with individually significant amounts and subject to separate provision					
Accounts receivable for which bad debt provision is made by groups of credit risk characteristics, where:	736,089,710.94	100.00			736,089,710.94
Group 1: Ageing analysis					
Group 2: Other	736,089,710.94	100.00			736,089,710.94
Receivables with individually insignificant amounts but subject to separate provision					
Total	736,089,710.94	100.00			736,089,710.94

② Other Group

Group Name	Closing balance		
	Accounts receivable	Bad debt provision	Provision ratio (%)
Transaction with governments:	1,142,341,002.18		
Total	1,142,341,002.18		

Continued

Group Name	Opening balance		
	Accounts receivable	Bad debt provision	Provision ratio (%)
Transaction with governments:	736,089,710.94		
Total	736,089,710.94		

③ Actual write-off of accounts receivable during the period

There were no actual write-off of accounts receivable during the period.

④ Top five accounts receivable balances at the end of the period grouped by defaulting party

Name of debtors	Closing balance of accounts receivable	Percentage to total closing balance of accounts receivable (%)	Closing balance of bad debt provision
Jiangsu Taixing Hongqiao Industrial Park Management Committee	1,142,341,002.18	99.99	
CRCC Port and Maritime Bureau Group Co., Ltd.	90,000.00	0.01	
Total	1,142,431,002.18	100.00	

⑤ Accounts receivable derecognised due to transfer of financial assets

As at 31 December 2019, the Company had no accounts receivable derecognised as a result of the transfer of financial assets.

⑦ Amount of assets or liabilities developed as accounts receivable have been transferred but the involvement continues

The amount of assets and liabilities developed as a result of the transfer of accounts receivable and continued involvement was RMB 0.00 yuan.

**2、Other receivables**

Item	Closing balance	Opening balance
Other receivables	5,763,366,146.32	4,023,055,345.03
Total	5,763,366,146.32	4,023,055,345.03

(1) Other receivables

① Other receivables disclosed by categories

Categories	Closing balance				Book value
	Book balance		Bad debt provision		
	Amount	Percentage (%)	Amount	Provision ratio (%)	
Other receivables with individually significant amounts and subject to separate provision					

Other receivables for which bad debt provision is made by the group of credit risk characteristics	5,822,042,533.92	100.00	58,676,387.60		5,763,366,146.32
Group 1: Ageing analysis	289,361,955.99	4.97	58,676,387.60	20.28	230,685,568.39
Group 2: Other	5,532,680,577.93	95.03			5,532,680,577.93
Other receivables that are not individually significant but for which individual bad debt provision is made					
Total	5,822,042,533.92	100.00	58,676,387.60		5,763,366,146.32

Continued

Categories	Opening balance				Book value
	Book balance		Bad debt provision		
	Amount	Percentage (%)	Amount	Provision ratio (%)	
Other receivables with individually significant amounts and subject to separate provision					
Other receivables for which bad debt provision is made by the group of credit risk characteristics	4,078,143,247.93	100.00	55,087,902.90		4,023,055,345.03
Group 1: Ageing analysis	787,744,381.31	19.32	55,087,902.90	6.99	732,656,478.41
Group 2: Other	3,290,398,866.62	80.68			3,290,398,866.62
Other receivables that are not individually significant but for which individual bad debt provision is made					
Total	4,078,143,247.93	100.00	55,087,902.90		4,023,055,345.03

A. (3) Group 1, other receivables for which provision for bad debts is made under the ageing analysis method

Account age	Closing balance		
	Book balance	Bad debt provision	Book value
Less than 1 year	46,675,328.24	-	46,675,328.24
1 to 2 years	25,668,109.83	1,283,405.49	24,384,704.34
2-3 years	38,562,866.34	3,856,286.63	34,706,579.71
More than 3 years	178,455,651.58	53,536,695.48	124,918,956.10
Total	289,361,955.99	58,676,387.60	230,685,568.39

Continued

Account age	Opening balance		
	Book balance	Bad debt provision	Book value
Less than 1 year	298,457,965.63		298,457,965.63
1 to 2 years	254,120,189.27	12,706,009.46	241,414,179.81
2-3 years	140,839,872.40	14,083,987.24	126,755,885.16
More than 3 years	94,326,354.01	28,297,906.20	66,028,447.81
Total	787,744,381.31	55,087,902.90	732,656,478.41

B. Other group

Group Name	Closing balance		
	Other receivables	Bad debt provision	Provision ratio (%)
Transaction with governments:	1,147,943,535.22		
Transactions with related parties:	4,309,853,426.88		
Security deposit and guarantee	74,883,615.83		
Total	5,532,680,577.93		

Continued

Group Name	Opening balance		
	Other receivables	Bad debt provision	Provision ratio (%)
Transaction with governments:	395,701,276.48		
Transactions with related parties:	2,805,656,490.14		
Security deposit and guarantee	89,041,100.00		
Total	3,290,398,866.62		

② Actual write-off of other receivables during the period

There were actually no other receivables written off during the period.

④ Top five other receivables balances at the end of the period grouped by defaulting party

Entity name	Nature of amount	Closing balance	Account age	Percentage of other receivables to total closing balance (%)	Closing balance of bad debt provision
Jiangsu Taixing Hongqiao Industrial Park Management Committee	Current accounts	1,131,465,435.22	Within 1 year / 1-2 years / 2-3 years	19.44	
Taixing Changjiang New Countryside Development Co., Ltd.	Current accounts	758,512,542.07	Within 1 year / 1-2 years / 2-3 years	13.03	
Taixing Shuangyue Investment Co., Ltd.	Current accounts	724,471,381.77	Within one year / 1 to 2 years	12.44	
Jiangsu Hongyue Civil Work Co., Ltd.	Current accounts	443,258,778.12	Within one year / 1 to 2 years	7.61	
Taixing Hongqiao Ecological Park Construction and Development Co., Ltd.	Current accounts	388,578,231.29	Within one year / 1 to 2 years	6.67	
Total		3,446,286,368.47		59.19	

④ and receivables in relation to government subsidies

As at 31 December, 2019, the Company had no government subsidy-related receivables.

⑥ Other receivables derecognised due to transfer of financial assets

As at 31 December 2019, the Company had no other receivables derecognised as a result of the transfer of financial assets.

⑥ Amount of assets or liabilities developed as Other receivables have been transferred but the involvement continues

The amount of assets and liabilities developed as a result of the transfer of other receivables and continued involvement was RMB 0.00 yuan.

### 3、Long-term equity investments

(1) Long-term equity investments by category

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investments in subsidiaries	2,055,277,925.86		2,055,277,925.86	2,269,777,925.86		2,269,777,925.86
Total	2,055,277,925.86		2,055,277,925.86	2,269,777,925.86		2,269,777,925.86

(2) Investments in subsidiaries

Investee	Shareholding (%)	Opening balance	Increase during the period	Decrease during the period	Closing balance	Provision for impairment this period	Closing balance of provision for impairment
Jiangsu Jiangtian Agricultural Technology Development Co., Ltd.	100.00	768,777,925.86			768,777,925.86		
Taixing Hongqiao New Countryside Development Co., Ltd.	90.00	180,000,000.00			180,000,000.00		
Taixing Hongyue Hydro Construction and Development Co., Ltd.	100.00	100,000,000.00			100,000,000.00		
Taixing Hongqiao Zhongjian Wastewater Treatment Co., Ltd.	100.00	200,000,000.00			200,000,000.00		
Taixing Xinghong Township Construction and Comprehensive Development Co., Ltd.	100.00	600,000,000.00			600,000,000.00		
Taixing Hongtai Industrial Co., Ltd.	100.00	300,000,000.00		300,000,000.00			
Taixing Hongqiao Environmental Engineering Co., Ltd.	100.00	1,000,000.00		1,000,000.00			i
Taixing Runhong Financing Guarantee Co., Ltd.	100.00	100,000,000.00			100,000,000.00		
Taixing Dingjifu Trading Co., Ltd.	100.00	20,000,000.00	80,000,000.00		100,000,000.00		
Taixing Xinlesheng Industrial Co., Ltd.	100.00		6,500,000.00		6,500,000.00		
Total		2,269,777,925.86	86,500,000.00	301,000,000.00	2,055,277,925.86		

4、Operating revenue and cost

(1) Operating income and costs comprise:

Item	Operating revenue		Operating Costs	
	Current Period	Previous Period	Current Period	Previous Period
Main businesses	475,537,130.51	464,443,292.00	396,280,942.09	387,036,076.67
Other businesses	621,341.50	122,037.41		
Total	476,158,472.01	464,565,329.41	396,280,942.09	387,036,076.67

(2) Business Category Breakdown:

Item	Operating revenue	
	Current Period	Previous Period
I. Main businesses		
Project Construction	253,329,070.07	235,155,739.30

Resettlement Housing Development	222,208,060.44	229,287,552.70
----------------------------------	----------------	----------------

Item	- Operating revenue	
Subtotal	475,537,130.51	464,443,292.00
II. Other businesses		
Property and Lease	621,341.50	122,037.41
Subtotal	621,341.50	122,037.41
Total	476,158,472.01	464,565,329.41

Continued

Item	Operating Costs	
	Current Period	Previous Period
I. Main businesses		
Project Construction	211,107,558.39	191,072,960.59
Resettlement Housing Development	185,173,383.70	195,963,116.08
Total	396,280,942.09	387,036,076.67

**5、Investment income**

Item	Current Period	Previous Period
Investment income earned on investments in wealth management products	3,800,000.00	1,612,455.40
Total	3,800,000.00	1,612,455.40

Taixing Hongqiao Park Industrial Development  
Co., Ltd.

24 April, 2020

Legal  
Representative:

Chief Financial Officer:

Head of Accounting:





ZHONGXINGHUA CERTIFIED PUBLIC ACCOUNTANTS LLP (Special General Partnership)

ZHONGXINGHUA CERTIFIED PUBLIC ACCOUNTANTS LLP

20/F, Tower B, Lize SOHO, 20 Lize Road, Fengtai District, Beijing, PR. China.

## Auditor's Report

Zhong Xing Hua Sheng Zi [2021] No. 020744

To all members of Taixing Hongqiao Park Industrial Development Co., Ltd.,

### I. Auditor's Opinion

We have audited the accompanying financial statements of Taixing Hongqiao Park Industrial Development Co., Ltd. (hereinafter referred to as "Taixing Hongqiao"), which comprise the Company's and consolidated balance sheets as at 31 December 2020, and the Company's and consolidated income statements, the Company's and consolidated cash flow statements, and the Company's and consolidated statements of changes in shareholders' equity for 2020, and the notes to these financial statements.

In our opinion, the accompanying financial statements of Taixing Hongqiao present fairly, in all material respects, the Company's and consolidated financial position as of 31 December 2020, and the Company's and consolidated results of operations and cash flows for 2020 in accordance with Accounting Standards for Business Enterprises.

### II. Basis for the Auditor's Opinion

We conducted our audit in accordance with the Auditing Standards for PRC Certified Public Accountants. Our responsibilities under those standards are further described in the "Certified Public Accountants' Responsibilities for the Audit of the Financial Statements" section of the audit report. We are independent of Taixing Hongqiao in accordance with the Ethical Codes of Chinese Certified Public Accountants, and we have fulfilled our other responsibilities under the Ethical Codes. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for audit opinion.

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

The Management is responsible for preparing and presenting fairly the financial statements in accordance with China Accounting Standards for Business Enterprises, as well as designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing Taixing Hongqiao's ability to continue as a going concern, disclosing, matters related to going concern and use the going concern basis of accounting unless the Management either intend to liquidate Taixing Hongqiao or to cease operations, or have no realistic alternative but to do so.



The governance panel is responsible for overseeing the financial reporting process of Taixing Hongqiao.

#### IV. The Responsibilities of the Certified Public Accountants 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 CAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are generally considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

As part of an audit in accordance with audit standards, we exercised our professional judgement and maintain professional scepticism.

In addition, we performed the following tasks:

(1) to 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 audit opinion. As fraud could involve collusion, forgery, intentional omission, false statements or overriding internal controls, thus risks of inability to discover major misrepresentation are more severe than risks of inability to spot misrepresentation due to mistake.

(2) to understand and design relative internal control, to design appropriate auditing procedures, but not for the purpose of expressing an opinion on the effectiveness of internal control.

(3) to evaluate appropriateness of the Management choosing Accounting Policies, and their accounting estimates and relative disclosures.

(4) to conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Taixing Hongqiao's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the information obtained up to the date of audit report. However, future events or conditions may cause Taixing Hongqiao to cease to continue as a going concern.

(5) to evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(6) to obtain sufficient and appropriate audit evidences regarding the financial information of the entities or business activities within Taixing Hongqiao to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsibility

for our audit opinion.

We communicate with the Governance Level regarding the planned scope, timing of the audit and significant audit findings, including deficiencies worth of attention in internal control that we identify during our audit.



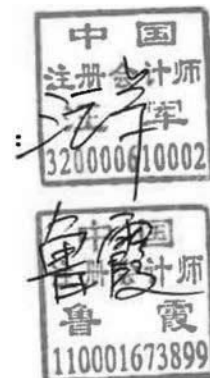
ZHONGXINGHUA CERTIFIED PUBLIC ACCOUNTANTS LLP (Special General Partnership)

ZHONGXINGHUA CERTIFIED PUBLIC ACCOUNTANTS LLP (Special General Partnership) PRC certified public accountant: Wang Jun



PRC certified public accountant: Lu Xia

9 April, 2021



4月9日

**Combined Balance Sheet**

**31 December, 2020**

Entity name: Taixing Hongqiao Park Industrial Development Co.,

Ltd.

Unit: RMB

<b>Assets</b>	<b>Note VIII</b>	<b>Closing balance</b>	<b>Opening balance</b>
<b>Current assets:</b>			
Monetary Funds	1	2,244,255,555.55	2,164,741,498.93
Financial assets measured at fair value through changes in profit or loss.			
Derivative financial assets			
Notes Receivable	2	21,000,000.00	75,134,000.00
Accounts receivable	3	1,472,700,358.04	1,209,429,043.69
Prepayments	4	356,858,708.74	342,351,781.26
Other receivables	5	9,313,817,744.99	9,393,425,513.88
Inventories	6	8,457,263,635.05	7,227,094,628.41
Assets held for sales			
Non-current assets due within one year			
Other current assets	7	373,920,392.78	259,840,914.51
<b>Total current assets</b>		<b>22,239,816,395.15</b>	<b>20,672,017,380.68</b>
<b>Non-current assets:</b>			
Available-for-sale financial assets	8	29,932,515.00	18,082,515.00
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	9	500,000,000.00	500,000,000.00
Investment Properties			
Fixed assets	10	135,250,453.48	744,320.18
Construction in progress			
Productive biological assets			
Oil and gas assets			
Intangible assets			
Development expenditures			
Goodwill			
Long-term deferred expenses	11	46,875,000.00	
Deferred tax assets	12	12,402,951.85	17,403,205.65
Other non-current assets	13		50,000,000.00
<b>Total non-current assets</b>		<b>724,460,920.33</b>	<b>586,230,040.83</b>
<b>Total Assets</b>		<b>22,964,277,315.48</b>	<b>21,258,247,421.51</b>

(The accompanying notes form an integral part of these financial statements)

Legal  
Representative:



Chief Financial  
Officer:



Head of  
Accounting:



Combined Balance sheet (Continued)

31 December, 2020

Entity name: Taixing Hongqiao Park Industrial Development Co., Ltd. Unit: RMB

Liabilities and owner's equity	Note VIII	Closing balance	Opening balance
Current liabilities:			
Short-term borrowings	14	1,160,350,000.00	628,670,000.00
Financial liabilities measured at fair value through changes in profit or loss			
Derivative financial liabilities			
Notes payable	15	1,803,000,000.00	1,090,001,000.00
Accounts Payable	16	220,807,669.35	571,737,260.90
Advance receipts	17	308,923,573.01	291,206,093.39
Staff remuneration payables	18		
Taxes payable	19	113,687,933.50	103,467,317.97
Other payables	20	1,726,405,077.32	955,228,158.71
Liabilities held for sales			
Non-current liabilities due within one year	21	4,269,039,006.61	2,343,714,076.85
Other current liabilities			
<b>Total current liabilities</b>		9,602,213,259.79	5,984,023,907.82
<b>Non-current liabilities:</b>			
Long-term borrowings	22	3,216,810,000.00	4,915,578,017.31
Bonds payable	23	1,915,260,367.14	2,480,044,621.29
Where: Preference shares			
Perpetual bonds			
Long-term payables	24	1,121,264,487.01	1,332,102,479.54
Estimated liabilities			
Deferred income			
Deferred tax liabilities	12		
Other non-current liabilities			
<b>Total non-current liabilities</b>		6,253,334,854.15	8,727,725,118.14
<b>Total liabilities</b>		15,855,548,113.94	14,711,749,025.96
Owners' Equity:			
Paid-in capital	25	2,500,000,000.00	2,000,000,000.00
Other equity instruments			
Where: Preference shares			
Perpetual bonds			
Capital reserves	26	3,002,855,008.13	3,131,694,637.88
Less: Treasury shares			
Other comprehensive income			

Special Reserves			
Surplus reserves	27	146,816,996.23	142,433,012.70
Retained profits	28	1,459,057,679.70	1,253,029,174.72
<b>Total equity attributable to owners of Company</b>		7,108,729,684.06	6,527,156,825.30
Minority Stockholder's Interest		-482.52	19,341,570.25
<b>Total Owners' Equity</b>		7,108,729,201.54	6,546,498,395.55
<b>Total liabilities and owner's equity</b>		22,964,277,315.48	21,258,247,421.51

(The accompanying notes form an integral part of these financial statements)

Legal

Representative:



Chief Financial

Officer:



Head of

Accounting:





## Income Statement

Year 2020

Entity name: Taixing Hongqiao Park Industrial Development Co., Ltd. Unit: RMB

Item	Note VIII	Current Period	Previous Period
<b>I. Total operating revenue</b>		1,702,092,338.28	1,272,789,090.67
Where: Operating Income	29	1,702,092,338.28	1,272,789,090.67
<b>II. Total operating costs</b>		1,678,375,701.93	1,204,178,453.18
Where: Operating Costs	29	1,606,430,594.30	1,188,949,048.60
Tax and Surcharges	30	1,111,881.34	7,443,678.18
Selling expenses		24,038,569.58	32,657.00
Administrative expenses		35,466,982.68	13,821,502.07
R&D expenses			
Financial expenses	31	11,327,674.03	-6,068,432.67
Where: Interest expenses	31	17,529,018.25	5,757,422.39
Interest income	31	10,170,981.94	13,119,950.42
Plus: Other gains	32	188,134,870.51	110,067,347.00
Gains from investments (loss denoted by a "-")	33	7,523,433.80	3,055,67640
Where: Gains from investments in associates and joint ventures			
Gain on changes in fair value (loss is denoted by a "-")			
Loss on Asset Impairment (loss is denoted by a "-")	34	7,923,632.29	-5,358,031.18
Gain on disposal of assets (loss denoted by a "-")	35		-5,257.03
<b>III. Operating profit (loss denoted by a "-")</b>		227,298,572.95	176,370,372.68
Plus: Non-operating income			
Less: Non-operating expenses	36	1,437,520.82	6,762,031.28
<b>IV. Total profit (losses denoted by a "-")</b>		225,861,052.13	169,608,341.40
Less: Income tax expenses	37	15,449,046.14	18,377,291.15
<b>V. Net profit (net loss denoted by a "-")</b>		210,412,005.99	151,231,050.25
(1) By continuity of operations:			
1. Net profit from continuing operations (net loss denoted by a "-")		210,412,005.99	151,231,050.25
2. Net profit from discontinued operations (net loss denoted by a "-")			
(2) By Ownership:			
1. Net profit attributable to the shareholders of the listed company		210,412,488.51	151,283,534.81
2. Minority interests		-482.52	-52,484.56
<b>VI. Other comprehensive income, net of tax</b>			
(1) Other comprehensive income attributable to the			

<b>owners of the Company, net of tax</b>			
1. Other comprehensive income that will not be reclassified to profit or loss			
(1) Remeasurement of changes in defined benefit plans			
(2) Other comprehensive income that will not be reclassified to profit or loss under the equity method			
2. Other comprehensive income that will be reclassified to profit or loss			
(1) Other comprehensive income that may be reclassified to profit or loss under the equity method			
(2) Gains or losses from changes in fair value 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 adjusted for hedging gains or losses			
(5) Exchange differences from retranslation of financial statements			
<b>(2) Other comprehensive income attributable to minority shareholders, net of tax</b>			
<b>VII. Total comprehensive income</b>		210,412,005.99	151,231,050.25
(1) Total comprehensive income attributable to owners of Company		210,412,488.51	151,283,534.81
(2) Total comprehensive income attributable to minority shareholders		-482.52	-52,484.56

(The accompanying notes form an integral part of these financial statements)

Legal

Representative:



Chief Financial

Officer:



Head of

Accounting:



Combined Cash Flow Statement

Year 2020

Entity name: Taixing Hongqiao Park Industrial Development Co., Ltd. Unit: RMB

Item	Note VIII	Current Period	Previous Period
<b>I. Cash flows from operating activities</b>			
Cash generated from sale of goods and rendering of services		1,689,726,690.20	907,640,502.62
Tax rebates received			
Other cash received relating to operating activities	38	3,127,913,932.33	1,406,663,750.68
<b>Sub-total of cash inflows from operating activities</b>		4,817,640,622.53	2,314,304,253.30
Cash paid for goods and services		1,897,122,303.95	1,109,888,232.96
Cash paid to and for employees		2,455,981.37	2,265,082.18
Cash paid for taxes and surcharges		42,748,094.15	50,536,662.78
Other cash payments relating to operating activities	38	4,511,588,071.67	3,720,513,461.54
<b>Sub-total of cash outflows from operating activities</b>		6,453,914,451.14	4,883,203,439.46
<b>Net cash flow from operating activities</b>		-1,636,273,828.61	-2,568,899,186.16
<b>II. Cash flow from investing activities</b>			
Cash received from disposal of investments		200,100,000.00	250,020,000.00
Cash received from returns on investments		7,523,433.80	3,800,013.98
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			4,930,000.00
Net cash received from disposal of subsidiaries and other operating entities			
Other cash received concerning investing activities			
<b>Sub-total of cash inflows from investing activities</b>		207,623,433.80	258,750,013.98
Cash paid to acquire fixed assets, intangible assets and other long-term assets		91,732,279.00	461,700.00
Cash paid to acquire investments		311,850,000.00	211,702,515.00
Net cash paid to acquire subsidiaries and other operating entities			
Cash paid relating to other investing activities	38	476,158,370.39	14,454,170.11
<b>Sub-total of cash outflows from investing activities</b>		879,740,649.39	226,618,385.11
<b>Net cash flows from investing activities</b>		-672,117,215.59	32,131,628.87
<b>III. Cash flows from financing activities</b>			
Cash received from capital contributions		500,000,000.00	1,500,000,000.00
Where: Cash received by subsidiaries from minority shareholders' investments			
Cash received from borrowings		6,779,126,757.08	5,869,445,000.00
Cash received from other financing activities	38	2,426,001,000.05	2,065,620,000.00

<b>Sub-total of cash inflow from financing activities</b>		9,705,127,757.13	9,435,065,000.00
Cash repayments of amounts borrowed		3,423,891,681.09	2,756,162,301.85
Cash paid for dividends, profit and interest		1,072,677,404.06	514,222,111.83
Where: Dividends and profits paid by subsidiaries to minority shareholders			
Cash paid for other financing activities	38	2,869,652,572.16	3,220,507,469.71
Where: Cash paid by subsidiaries to minority shareholders for capital decrease according to the law			
<b>Sub-total of cash outflow from financing activities</b>		7,366,221,657.31	6,490,891,883.39
<b>Net cash flows from financing activities</b>		2,338,906,099.82	2,944,173,116.61
<b>IV. Effect of changes in foreign exchange rate on cash and cash equivalents</b>			
<b>V. Net increase in cash and cash equivalents</b>		30,515,055.62	407,405,559.32
Plus: Cash and cash equivalents at beginning of period		1,008,740,498.93	601,334,939.61
<b>VI. Closing balance of cash and cash equivalents</b>		1,039,255,554.55	1,008,740,498.93

(The accompanying notes form an integral part of these financial statements)

Legal

Representative:



Chief Financial

Officer:



Head of

Accounting:



Combined Statement of Changes in Owners' Equity

Year 2020

Entity name: Taixing Hongqiao Park Industrial Development Co., Ltd.

Unit: RMB

Item	Current Period											Total Owners' Equity
	Shareholders' Equity attributable to the Company											
	Paid-in capital	Other equity instruments			Less: Treasury shares	Capital reserves	Other comprehensive income	Special Reserves	Surplus reserves	Retained profits	Subtotal	
Preference shares		Perpetual bonds	Other									
<b>I. Closing balance previous year</b>	2,000,000.00 0.00				3,131,694.63 7.88			142,433.01 2.70	1,253,029.17 4.72	6,527,156.82 5.30	19,341,570.25	6,546,498.39 5.55
Plus: Change in Accounting Policies												
Correction of Errors in the Previous Period												
Other												
<b>II. Opening balance current</b>	2,000,000.00 0.00				3,131,694.63 7.88			142,433.01 2.70	1,253,029.17 4.72	6,527,156.82 5.30	19,341,570.25	6,546,498.39 5.55











Consolidated Statement of Changes in Owners' Equity (Continued)

Year 2020

Entity name: Taixing Hongqiao Park Industrial Development

Co., Ltd.

Unit: RMB

Item	Previous Period											Total Owners' Equity	
	Shareholders' Equity attributable to the Company												Minority interests
	Paid-in capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Special Reserves	Surplus reserves	Retained profits	Subtotal		
Preference shares		Perpetual bonds	Other										
<b>I. Closing balance previous year</b>	500,000,000.				3,272,451,037.88				126,295,344.87	1,117,883,307.74	1,117,883,307.74	19,394,054.81	1,137,277,362.55
Plus: Change in Accounting Policies													
Correction of Errors in the Previous Period													
Other													
<b>II. Opening balance</b>	500,000,000.				3,272,451,037.88				126,295,344.87	1,117,883,307.74	5,016,629,690.49	19,394,054.81	5,036,023,745.30









**Balance Sheet**

31 December, 2020

Entity name: Taixing Hongqiao Park Industrial Development Co.,  
Ltd.

Unit: RMB

Assets	Note XIII	Closing balance	Opening balance
<b>Current assets:</b>			
Monetary Funds		789,210,042.03	746,347,017.95
Financial assets measured at fair value through changes in profit or loss.			
Derivative financial assets			
Notes Receivable		1,000,000.00	130,000.00
Accounts receivable	1	1,354,261,142.39	1,142,431,002.18
Prepayments		190,276,336.20	296,106,237.39
Other receivables	2	7,632,210,822.90	5,763,366,146.32
Inventories		6,243,215,192.61	5,289,861,065.83
Assets held for sales			
Non-current assets due within one year			
Other current assets		70,771,923.89	54,580,911.30
<b>Total current assets</b>		<b>16,280,945,460.02</b>	<b>13,292,822,380.97</b>
<b>Non-current assets:</b>			
Available-for-sale financial assets		29,932,515.00	18,082,515.00
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	3	2,745,000,000.00	2,555,277,925.86
Investment Properties			
Fixed assets		135,250,453.48	744,320.18
Construction in progress			
Productive biological assets			
Oil and gas assets			
Intangible assets			
Development expenditures			
Goodwill			
Long-term deferred expenses		46,875,000.00	
Deferred tax assets		12,402,951.85	14,669,096.90
Other non-current assets			50,000,000.00
<b>Total non-current assets</b>		<b>2,969,460,920.33</b>	<b>2,638,773,857.94</b>
<b>Total Assets</b>		<b>19,250,406,380.35</b>	<b>15,931,596,238.91</b>

(The accompanying notes form an integral part of these financial statements)

Legal  
Representative:



Chief Financial  
Officer:



Head of  
Accounting:





Balance sheet (Continued)

31 December, 2020

Entity name: Taixing Hongqiao Park Industrial Development  
Co., Ltd.

Unit: RMB

Liabilities and owner's equity	Note XIII	Closing balance	Opening balance
<b>Current liabilities:</b>			
Short-term borrowings		150,000,000.00	63,720,000.00
Financial liabilities measured at fair value through changes in profit or loss			
Derivative financial liabilities			
Notes payable		277,000,000.00	60,000,000.00
Accounts Payable		198,416,057.04	140,068,915.48
Advance receipts		168,745,981.86	154,356,502.84
Staff remuneration payables			
Taxes payable		112,743,346.06	102,908,118.95
Other payables		6,634,089,834.29	4,972,737,023.58
Liabilities held for sales			
Non-current liabilities due within one year		1,519,862,027.33	874,067,842.47
Other current liabilities			
<b>Total current liabilities</b>		9,060,857,246.58	6,367,858,403.32
<b>Non-current liabilities:</b>			
Long-term borrowings		1,898,370,000.00	2,048,608,017.31
Bonds payable		1,211,528,373.76	736,301,031.30
Where: Preference shares			
Perpetual bonds			
Long-term payables		120,144,214.63	130,972,168.67
Estimated liabilities			
Deferred income			
Deferred tax liabilities			
Other non-current liabilities			
<b>Total non-current liabilities</b>		3,230,042,588.39	2,915,881,217.28
<b>Total liabilities</b>		12,290,899,834.97	9,283,739,620.60
<b>Owners' Equity:</b>			
Paid-in capital		2,500,000,000.00	2,000,000,000.00
Other equity instruments			
Where: Preference shares			
Perpetual bonds			
Capital reserves		2,977,270,866.61	3,209,460,774.88
Less: Treasury shares			

Other comprehensive income			
Special Reserves			
Surplus reserves		146,816,996.23	142,433,012.70
Retained profits		1,335,418,682.54	1,295,962,830.73
<b>Total Owners' Equity</b>		<b>6,959,506,545.38</b>	<b>6,647,856,618.31</b>
<b>Total liabilities and owner's equity</b>		<b>19,250,406,380.35</b>	<b>15,931,596,238.91</b>

(The accompanying notes form an integral part of these financial statements)

Legal

Representative:



Chief Financial

Officer:



Head of

Accounting:



## Income Statement

Year 2020

Entity name: Taixing Hongqiao Park Industrial Development Co.,  
Ltd.

Unit: RMB

Item	Note XIII	Current Period	Previous Period
<b>I. Operating revenue</b>	4	539,127,733.10	476,158,472.01
Less: Operating Costs	4	452,747,098.05	396,280,942.09
Tax and Surcharges		238,484.00	7,041,831.42
Selling expenses		23,310,319.58	
Administrative expenses		17,122,021.26	7,413,551.58
R&D expenses			
Financial expenses		-3,855,294.59	-6,425,533.71
Where: Interest expenses			
Interest income		4,302,241.98	6,528,140.84
Plus: Other gains			110,067,347.00
Gains from investments (loss denoted by a "-")	5		3,800,000.00
Where: Share of profits in associates and joint ventures			
Gain on changes in fair value (loss is denoted by a "-")			
Loss on Asset Impairment (loss is denoted by a "-")		9,064,580.19	-3,588,484.70
Gain on disposal of assets (loss denoted by a "-")			-5,257.03
<b>II. Operating profit (loss denoted by a "-")</b>		58,629,684.99	182,121,285.90
Plus: Non-operating income			
Less: non-operating expenses		176,571.20	2,729,806.88
<b>III. Total profit (losses denoted by a "-")</b>		58,453,113.79	179,391,479.02
Less: Income tax expenses		14,613,278.45	18,014,800.72
<b>IV. Net profit (net loss denoted by a "-")</b>		43,839,835.34	161,376,678.30
(1) Net profit from continuing operations (net loss denoted by a "-")		43,839,835.34	161,376,678.30
(2) Net profit from discontinued operations (net loss denoted by a "-")			
<b>V. Other comprehensive income, net of tax</b>			
(1) Other comprehensive income that will not be reclassified to profit or loss			
1. Remeasurement of changes in defined benefit plans			
2. Other comprehensive income that will not be reclassified to profit or loss under the equity method			
(2) Other comprehensive income that will be			

reclassified to profit or loss			
1. Other comprehensive income that may be reclassified to profit or loss under the equity method			
2. Gains or losses from changes in fair value 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 adjusted for hedging gains or losses			
5. Exchange differences from retranslation of financial statements			
<b>VI. Total comprehensive income</b>		43,839,835.34	161,376,678.30

(The accompanying notes form an integral part of these financial statements)

Legal



Representative:

Chief Financial



Officer:

Head of



Accounting:

## CASH FLOW STATEMENT

Year 2020

Entity name: Taixing Hongqiao Park Industrial Development Co.,  
Ltd.

Unit: RMB

Item	Note XIII	Current Period	Previous Period
<b>I. Cash flows from operating activities</b>			
Cash generated from sale of goods and rendering of services		368,956,458.71	103,192,153.12
Tax rebates received			
Other cash received relating to operating activities		1,267,092,520.71	11,822,323,143.64
<b>Sub-total of cash inflows from operating activities</b>		1,636,048,979.42	11,925,515,296.76
Cash paid for goods and services		319,839,515.74	337,655,547.04
Cash paid to and for employees		2,455,981.37	2,020,173.49
Cash paid for taxes and surcharges		41,095,668.04	45,428,647.26
Other cash payments relating to operating activities		1,252,008,038.35	13,016,733,737.65
<b>Sub-total of cash outflows from operating activities</b>		1,615,399,203.50	13,401,838,105.44
<b>Net cash flow from operating activities</b>		20,649,775.92	-1,476,322,808.68
<b>II. Cash flow from investing activities</b>			
Cash received from disposal of investments			100,000,000.00
Cash received from returns on investments			3,800,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			4,930,000.00
Net cash received from disposal of subsidiaries and other operating entities			
Other cash received concerning investing activities			
<b>Sub-total of cash inflows from investing activities</b>			108,730,000.00
Cash paid to acquire fixed assets, intangible assets and other long-term assets		91,732,279.00	461,700.00
Cash paid to acquire investments		946,850,000.00	97,082,515.00
Net cash paid to acquire subsidiaries and other operating entities			
Cash paid relating to other investing activities			
<b>Sub-total of cash outflows from investing activities</b>		1,038,582,279.00	97,544,215.00
<b>Net cash flows from investing activities</b>		-1,038,582,279.00	11,185,785.00
<b>III. Cash flows from financing activities</b>			
Cash received from capital contributions		500,000,000.00	1,500,000,000.00
Cash received from borrowings		2,393,133,000.00	2,098,690,000.00
Cash received from other financing activities		235,200,000.00	836,000,000.00
<b>Sub-total of cash inflow from financing activities</b>		3,128,333,000.00	4,434,690,000.00

Cash repayments of amounts borrowed		1,240,101,681.09	1,685,425,344.87
Cash paid for dividends, profit and interest		463,159,630.37	255,973,425.79
Cash paid for other financing activities		504,276,161.38	934,430,134.40
<b>Sub-total of cash outflow from financing activities</b>		<b>2,207,537,472.84</b>	<b>2,875,828,905.06</b>
<b>Net cash flows from financing activities</b>		<b>920,795,527.16</b>	<b>1,558,861,094.94</b>
<b>IV. Effect of changes in foreign exchange rate on cash</b>			
<b>V. Net increase in cash and cash equivalents</b>		<b>-97,136,975.92</b>	<b>93,724,071.26</b>
Plus: Cash and cash equivalents at beginning of period		586,347,017.95	492,622,946.69
<b>VI. Closing balance of cash and cash equivalents</b>		<b>489,210,042.03</b>	<b>586,347,017.95</b>

(The accompanying notes form an integral part of these financial statements)

Legal



Representative:

Chief Financial



Officer:

Head of



Accounting:

Statement of Changes in Owners' Equity

Year 2020

Entity name: Taixing Hongqiao Park Industrial Development

Unit: RMB

Co., Ltd.

Item	Current Period							Less: Treasury shares	Other comprehensive income	Special Reserves	Surplus reserves	Retained profits	Total Owners' Equity
	Paid-in capital	Preference shares	Perpetual bonds	Other	Capital reserves	Other comprehensive income	Special Reserves						
<b>I. Closing balance previous year</b>	2,000,000,000.00				3,209,460,774.88					142,433,012.70	1,295,962,830.73	6,647,856,618.31	
Plus: Change in Accounting Policies													
Correction of Errors in the Previous Period													
Other													
<b>II. Opening balance current year</b>	2,000,000,000.00				3,209,460,774.88					142,433,012.70	1,295,962,830.73	6,647,856,618.31	
<b>III. Movements during the period</b>	500,000,000.00				-232,189,908.27					4,383,983.53	39,455,851.81	311,649,927.07	

<b>(decrease denoted by a "-")</b>																				
(1) Total comprehensive income																			43,839,835.34	43,839,835.34
(2) Owners' contribution and withdrawal of capital																				267,810,091.73
1. Owners' contribution of capital																				500,000,000.00
2. Proceeds from other equity instruments holders																				
3. Share-based payment recorded in Shareholders' equity																				
4. Other																				-232,189,908.27







Statement of Changes in Owners' Equity (Continued)

Year 2020

Entity name: Taixing Hongqiao Park Industrial Development Co.,

Ltd.

Unit: RMB

Item	Previous Period			Less: Treasury shares	Other comprehensive income	Special Reserves	Surplus reserves	Retained profits	Total Owners' Equity
	Paid-in capital	Other equity instruments	Capital reserves						
	Preference shares	Perpetual bonds	Other						
<b>I. Closing balance of previous year</b>	500,000,000.00			3,209,460,774.88			126,295,344.87	1,150,723,820.26	4,986,479,940.01
Plus: Change in Accounting Policies									
Correction of Errors in the Previous Period									
Correction of Errors in the Previous Period									
<b>II. Balance at the beginning of the year</b>	500,000,000.00			3,209,460,774.88			126,295,344.87	1,150,723,820.26	4,986,479,940.01
<b>III.</b>	1,500,000,000.00						16,137,667.83	145,239,010.47	1,661,376,678.3

<b>Movements during the period (decrease denoted by a "-")</b>	0																				0
(1) Total comprehensive income																					161,376,678.30
(2) Owners' contribution and withdrawal of capital																					1,500,000,000.00
1. Owners' contribution of capital																					1,500,000,000.00
2. Proceeds from other equity instruments holders																					0
3. Share-based payment recorded in Shareholders'																					0





Taixing Hongqiao Park Industrial Development Co., Ltd.

Notes to FY2020 Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## **I. Basic information about the company**

### (1) Place of incorporation and form of organization

Taixing Hongqiao Park Industrial Development Co., Ltd. (hereinafter referred to as the Company individually and collectively together with its subsidiaries) was established on 24 March 2003 and has a registered capital of RMB2,500 million yuan now after all capital increases.

The Company's Uniform Social Credit Code: 91321283747328784E; Domicile: Taixing Hongqiao Industrial Park; Legal Representative: Zhu Haibing; Business Nature: Limited liability company (wholly owned by a legal person and not invested or controlled by a natural person).

Period of Operation: 24 March 2003 — 23 March 2033

### (2) Nature of Business and Principal Activities

Scope of Business: Industrial project development; land preparation and development; investment and operation of state-owned assets; agency services for government construction projects; construction of civil works; housing demolition services; wholesale of building materials, agricultural products food, and fertilizer; sale of metal materials and products, jewellery, household appliances and timber; self-dealing and brokering in the import and export of all kinds of commodities and technologies, except for commodities and technologies that are restricted by the State and prohibited by the State from import and export. (The items

that requires approval by law can only be dealt in after being approved by the relevant departments)

### (3) Approval of Financial Report

The financial statements were considered, approved and issued by the Board of the Company on 9 April 2021.

### (4) Scope of Consolidated Statement

A total of 11 subsidiaries are included in the scope of consolidation under the Company in 2020. 2 existing entities were removed and 3 new entities were added compared to the previous period, as detailed in Note VII. 2 "Changes in scope of consolidation".

## **II. Basis of Preparation of Financial Statements**

### (1) Basis of Preparation

The Company prepares its financial statements on a going concern basis, based on actual transactions and events, in accordance with the Basic Accounting Standards for Business Enterprises and its Guidelines for the Application, Explanation and other relevant regulations issued by the Ministry of Finance (collectively "Accounting Standards for Business Enterprises").

The Company's accounting is based on an accrual basis according to the relevant provisions of the Accounting Standards for Business Enterprises. Except for certain financial instruments, the financial statements are measured based on historical cost. If an asset is impaired, the corresponding provision for impairment shall be accrued in accordance with the relevant policies.

### (2) A Going Concern



These financial statements are presented on a going concern basis and the Company has the ability to continue operations for at least 12 months since the end of the reporting period.

### **III. Statement of compliance with corporate accounting standards**

These financial statements prepared by the Company conform to the requirements of the Accounting Standards for Business Enterprises and reflect truthfully and completely the Company's and consolidated financial position as at 31 December 2020, and the company's and consolidated operating results and cash flows in 2020, as well as other relevant information.

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

##### **(1) Accounting Period**

The Company's accounting period is divided into annual and interim periods, with an accounting interim period being a reporting period shorter than a full accounting year. The Company's accounting year is a calendar year, which commences on 1 January and ends on 31 December each year.

##### **(2) Operating Cycle**

A normal operating cycle starts from purchasing assets used to produce, and ends when cash or equivalent is realised. The operating cycle of the Company lasts for 12 months, and acts as an indicator for classification of liquidity of assets and liabilities.

##### **(3) Reporting Currency**

The Company uses Renminbi as its reporting currency.

##### **(4) Accounting treatments of business combination under and not under common control**

Business combination refers to a transaction or event bringing together two or more separate enterprises into one reporting entity. Business combinations are classified into business combinations under common control and not under common control.

###### **1. Business combination under common control:**

Business combinations under common control refers to combinations where the combined entities are ultimately controlled by the same party or parties before and after the combination and that control is not transitory. In a business combination under common control, the party that obtains control over other involved entities on the combination date is the combining party,

and the other involved parties is (are) the combined party(ies). The combination date is the date on which the combining party actually acquires the control over the combined party(ies). The assets acquired and liabilities assumed by the combining party shall be measured at their book values of the combined party on the combination date. If there is any difference between the book value of net assets acquired in the combination and the book value of the consideration for the combination paid (or the total value of the issued shares), it is adjusted against the capital reserve (equity premium) and if the capital reserve (equity premium) is not enough, then adjusted against the retained earnings.

All direct costs incurred in connection with a business combination, shall be recognised in profit or loss for the period upon occurrence.

## 2. Combination not under common control

Business combinations not under common control refers to combinations where the combining entities are not ultimately controlled by the same party or parties before and after the combination. For business combination not under common control, the party obtains the control over the other involved parties on the combination date is the acquirer, and the other involved parties are the acquirees. The acquisition date is the date on which the acquirer effectively obtains control over the acquiree(s).

For business combinations not under common control, the cost of the combination comprises the fair value of assets paid, liabilities incurred or assumed and equity securities issued by the acquirer to obtain control over the acquiree on the date of acquisition, and the costs of intermediary fees such as audit, legal services, and valuation advice and other administrative expenses incurred for the business combination are recognised in profit or loss for the period

when incurred. Transaction costs of equity or debt securities issued by the acquirer as the considerations for business combination are included in their initial recognised amounts. The contingent consideration involved is included in the cost of the combination at its fair value on the date of acquisition, and if new or further evidence of conditions existing on the date of acquisition arises within 12 months of the date of acquisition that requires an adjustment to the contingent consideration, the goodwill on the combination is adjusted accordingly. The cost of the combination incurred by the acquirer and the identifiable net assets acquired in the combination are measured at their fair values on the date of acquisition. 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 on the date of acquisition is recognised as goodwill. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the current period if the cost of combination is verified less than the fair value of the identifiable net assets acquired from the acquiree during the combination after reviewing the fair value of various identifiable assets, liabilities and contingent liabilities acquired from the acquiree and the measurement of combination costs.

Where deductible temporary differences that the acquirer acquired from the acquiree in business combination are not recognised as they fail to satisfy the criteria for recognition of deferred tax assets on the date of acquisition, relevant deferred income tax assets shall be recognised if new or additional information becomes available within 12 months of the acquisition date that indicates that the relevant circumstances have existed at the acquisition date, and the economic benefits arising from the temporary deductible differences of the acquiree at the acquisition date are expected to be realised, and goodwill shall be reduced; in case of insufficient goodwill, the difference shall be recognised in profit or loss for the period; in addition to the above circumstances, the deferred income tax assets related to the business combination shall be recognised and recorded into the profit or loss for the period.

For business combinations not under common control achieved in stages through multiple transactions, the Company shall determine whether the multiple transactions shall be regarded as a "package deal" according to the "Notice of the Ministry of Finance on Issuing the Accounting Standards for Business Enterprises Interpretation No. 5" (Cai Kuai (2012) No. 19) and the judgmental criteria for package deal in Article 51 of the Accounting Standards for Business Enterprises No. 33 - Consolidated Financial Statements (please refer to Note IV.5(2) herein). If the transactions are a "package deal", they shall be accounted for by reference to the descriptions in the preceding paragraphs of this section and Notes IV, XIII "Long-term equity investments" in this note; if the transactions are not a "package deal", they are accounted for by distinguishing between individual financial statements and consolidated financial statements.

In individual financial statements, the sum of the book value of the equity investment in the acquiree held prior to the date of acquisition and the cost of the additional investment at the date of acquisition is used as the initial investment cost of that investment; if the equity interest in the acquiree held prior to the date of acquisition relates to other comprehensive income, the other comprehensive income relating to that investment is accounted for on the same basis as the disposal of the related assets or liabilities directly by the acquiree upon disposal of that investment (i.e., except for the corresponding share of the change resulting from the remeasurement of the net liabilities or net assets under the defined benefit plan at the acquiree accounted for using the equity method, the rest is credited into investment income for the current period).

In consolidated financial statements, the equity interest in the acquiree held prior to the date of acquisition is remeasured at its fair value at the date of acquisition, and the difference between the fair value and its book value is included in investment income for the current period; if the equity interest in the acquiree held prior to the date of acquisition relates to other comprehensive income, the other comprehensive income relating to that investment shall be accounted for on the same basis as the disposal of the related assets or liabilities directly by the acquiree (i.e., except for the corresponding share of the change resulting from the remeasurement of the net liabilities or net assets under the defined benefit plan at the acquiree accounted for using the equity method, the rest is credited into investment income for the period that the date of acquisition falls into).

#### (5) Preparation of Consolidated Financial Statements

##### 1. Principles for determining the scope of consolidation

The scope of consolidated financial statements is determined on the basis of control. Control is the power the Company has over the acquiree(s) and is entitled to variable returns from its involvement in the operating activities of the acquiree and able to affect the amount of the returns by leveraging such power. The scope of the consolidation includes the Company and all of its subsidiaries. A subsidiary, being an entity controlled by the Company.

The Company will conduct reassessment in the event there are changes in relevant facts and circumstances causing changes in relevant elements involved in the definition of control above.

## 2. Preparation of Consolidated Financial Statements

Subsidiaries are consolidated from the date on which the company obtains effective control of their net assets and production and operating decisions and are deconsolidated from the date that such control ceases. For disposed subsidiaries, operating results and cash flows prior to the date of disposal have been appropriately included in consolidated income statements and consolidated cash flow statements; no adjustment is made to the opening balance sheet of the consolidated balance sheet for the current period when subsidiaries are disposed. For additional subsidiaries acquired through business combination not under common control, their operating results and cash flows have been included in the consolidated income statement and the consolidated cash flow statement after the date of acquisition as appropriate, and are not adjusted against the opening and comparative figures in the consolidated financial statements. For additional subsidiaries acquired through business combination under common control, their operating results and cash flows from the beginning of the period of combination to the date of combination have been appropriately included in the

consolidated income statement and the consolidated cash flow statement and the comparative figures in the consolidated financial statements have been adjusted at the same time.



In preparing consolidated financial statements, if the accounting policies or accounting periods adopted by a subsidiary are different from those of the Company, the necessary adjustments are made to the financial statements of the subsidiary in accordance with the Company's accounting policies and accounting periods. For subsidiaries acquired through business combination not under common control, their financial statements are adjusted based on the fair value of identifiable net assets as at the acquisition date.

All significant intra-company balances, transactions and unrealised profits are offset in the consolidated financial statements.

For a subsidiary, its shareholders' equity and the portion of its profits or losses for the period that is not attributable to the Company are presented separately under shareholders' equity and net profit as Minority Interests and Minority Interest Income in the consolidated financial statements. The portion of net profits or losses of a subsidiary for the period attributable to minority interests is presented in the consolidated income statement under the "net profit" as "minority interest income". Where the losses of a subsidiary assumed by a minority shareholder exceeds the share of the shareholder's equity of the subsidiary attributable to the minority shareholders at the beginning of the period, the balance of the loss is still offset against the Minority Interests.

For the loss of control over a subsidiary due to partial disposal of the equity investment or other reasons, the remaining equity is remeasured at fair value on the date when the control is lost. The difference between the sum of the consideration received from disposal of equity interest and the fair value of the remaining equity interest, and the net assets of the former subsidiary attributable to the Company calculated on a continuous basis since the acquisition

date, is recognised as the investment income for the period when the control is lost. Other comprehensive income related to the equity investment in the former subsidiary is accounted for on the same basis as if the assets or liabilities had been disposed of directly by the acquirer upon loss of control (i.e., except for changes in net liabilities or net assets aside from the remeasurement of the former subsidiary's defined benefit plan, the remainder is added to investment income of the period). The remaining interests shall be subsequently measured in accordance with relevant accounting standards such as "Accounting Standards for Business Enterprises No. 2 – Long-term Equity Investments" or "Accounting Standards for Business Enterprises No. 22 – Financial Instruments Recognition and Measurement".

Where the Company disposes of the equity investment in the subsidiary through several transactions until the Company loses control, it shall be determined whether such transactions are a package deal. If the terms, conditions and economic effects of transactions through which the equity investment in the subsidiary is disposed fall in one or more of the following circumstances, the multiple transactions shall be accounted for as a package deal: ① These transactions are entered into at the same time or after considering the effects on each other; ② These transactions, taken as a whole, lead to a complete commercial outcome. ③ The occurrence of one transaction depends on the occurrence of at least one other transaction; ④ one transaction is not economical on its own but is economical when considering together with other transactions. When the transactions are accounted for as a package deal, the individual transactions involved shall be accounted for separately depending on the specific circumstances using the principle applicable to partial disposal of a long term equity investment in a subsidiary without loss of control. When the transactions are regarded for as a

package deal, the transactions shall be accounted for as a single disposal transaction with loss of control; however, the difference between the consideration received from disposal and the share of net assets disposed of in each individual transaction before loss of control shall be recognised as other comprehensive income in the consolidated financial statements, and be all reclassified as profit or loss arising from the loss of control for the period when control is lost.

(6) Classification of joint arrangements and accounting treatment for joint operations

The joint venture arrangement refers to the arrangement jointly controlled by two or more parties. The Company classifies such arrangement as joint-operation and joint venture according to the rights and obligations set out in the arrangement. Joint operation refers to an arrangement that the Company shares the assets as well as the liabilities of the invested entity. Joint venture refers to the arrangement that the Company shares only the net asset of the invested entity.

Equity method is adopted to account for investment in the joint ventures by the Company in accordance with the accounting policy as set out in Note IV.13(2) "Long term equity investments accounted for under the equity method".

As a party to a joint operation, the Company recognises assets held separately, liabilities assumed separately and, in the Company's share, assets held jointly and liabilities assumed jointly; recognises the income generated from the sale of the outputs of the joint operation attributable to the Company; recognises the income generated by the joint operation from the sale of outputs on a pro-rata basis; expenses incurred individually by the Company and those incurred by the joint operation on a pro-rata basis.

When the Company, as a party to the joint operation, transfers or sells assets (which don't constitute a business, same below) to, or purchases assets from the joint operation, only the profit or loss arising from such transaction attributable to other participating parties in the joint operation will be recognised by the Company before such asset is sold to a third party. If any loss occurs due to such transaction and meets the criteria of "Accounting Standard for Business Enterprise No.8 – Impairment of assets", the Company will recognise such loss in full

amount if the Company transfers or sells assets to the joint operation, and will recognise its pro-rata loss if the Company purchases the assets from joint operation.

#### (7) Foreign currency transaction

The Company has its foreign currency transactions translated into RMB at the spot exchange rate at the date of transaction. At the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rates at the balance sheet date. The resulting translation differences are credited directly to profit or loss for the period, except for exchange differences arising on specialised borrowings in foreign currencies for the purpose of acquiring or producing assets eligible for capitalisation, which are accounted for in accordance with the principle of capitalisation.

#### (8) Recognition Criteria for cash and cash equivalents

The Company's cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term (usually mature within three months since acquisition) and highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

#### (9) Financial Instruments

A financial asset or financial liability shall be recognised when the Company becomes a party to a contract in respect of the financial instrument. Financial assets and financial liabilities are measured at fair value on initial recognition. For the financial assets and liabilities at fair value through profit or loss (FVTPL), relevant transaction expenses are directly charged to the profit or loss; and for other financial assets and liabilities, relevant transaction expenses are included in the initial recognised amount.

(1) Recognition Criteria for Fair Value of Financial Assets and Financial Liabilities

Fair value is the price that will be received when selling an asset or the price to be paid to transfer a liability in an orderly transaction between market participants on the date of measurement. The Company measures the fair value of financial assets and financial liabilities at prices in the principal market or, where no principal market exists, at prices in the most advantageous market, using valuation techniques that are appropriate at the time and supported by sufficiently available data and other information. There are three levels of inputs used in the fair value measurement. Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Company can access on the measurement date; Level 2 inputs are inputs other than those included within Level 1 that are observable for the assets or liabilities, either directly or indirectly; and Level 3 inputs are the non-observable inputs of relevant assets or liabilities. The Level 1 inputs are the first priority to use by the Company, and level 3 inputs will be the last one to use. The level of the result from calculation for the fair value is determined by the lowest level to which the most important inputs of the fair value calculation belong.

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

Financial assets bought and sold in regular way are recognised and derecognised on their transaction dates. On initial recognition, the Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, held-to-maturity investments, loan and receivables, and available-for-sale financial assets.

### ① Financial assets at fair value through profit or loss for the period.

It includes held for trading financial assets and financial assets designated as at fair value through profit or loss.

An held for trading financial asset is a financial asset that meets one of the following conditions:

A. it has been acquired principally for the purpose of selling in the near future; B. on initial recognition, it is a part of an identified portfolio of financial instruments that the the Company manages together and has a recent actual pattern of short-term profit-taking; or C. Being a derivative instrument, excluding those designated as effective hedging instruments, under financial guarantee contracts, and derivative instruments connected with the equity instrument investments with no quoted price in the active market, whose fair value cannot be reliably measured, and which shall be settled by delivering the said equity instruments.

A financial asset that meets one of the following conditions may be designated on initial recognition as a financial asset at fair value through profit or loss: A. The designation eliminates or obviously reduces the discrepancies in the recognition or measurement of relevant gains or losses arising from the different measurement basis of financial instruments; B. The formal written documents for risk management or investment strategies at the Company provide that such portfolio of financial instruments or financial assets and financial

liabilities to which the financial assets belong is managed, assessed and reported to key managers on a fair value basis.

Financial assets at fair value through profit and loss for the period are subsequently measured at fair value, and all gains and losses arising from changes in fair value and dividends and interests relating to such financial assets are recognised in profit and loss for the period.

#### ② Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturity and fixed or determinable payments that the management has the positive intention and ability to hold to maturity.

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method; gains and losses arising from derecognition, impairment or amortisation is recognised in profit or loss for the period.

Effective interest rate method is a method of calculating the amortised cost, periodic interest income or payment of financial assets or financial liabilities (including a portfolio of financial assets or financial liabilities) at their effective interest rates. Effective interest rate is a rate used for discounting the estimated future cash flows of a financial asset or financial liability to its current carrying amount through the expected life of the financial asset or financial liability or, where appropriate, a shorter period.

When calculating an effective interest rate, the Company will estimate the future cash flows (without considering future credit losses) of financial assets and liabilities based on all terms and conditions of the underlying contracts, at the same time considering the charges,



transaction costs, discounts or premiums among others paid or received by the parties  
involved in the financial assets or financial liabilities.

### ③ Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified by the Company as loans and receivables include bills receivable, accounts receivable, interest receivable, divided receivable and other receivables.

Loans and receivables are subsequently measured at amortised cost using the effective interest method; gains and losses arising from derecognition, impairment or amortisation is recognised in profit or loss for the period.

### ④ Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as this category or not classified as financial assets at fair value through profit or loss, loans and receivables and held-to-maturity investments at initial recognition.

The closing cost of available-for-sale debt instruments are determined based on amortized cost method, which means the amount of initial recognition less the amount of principle already repaid, add or less the accumulated amortized amount arising from the difference between the amount due on maturity and the amount initially recognised using effective interest rate method, and less the amount of impairment losses recognised. The closing cost of available-for-sale equity instruments is equal to its initial acquisition cost.

Available-for-sale financial assets subsequently measured at fair value, the gains or losses arising from changes in fair value, except for impairment losses and exchange difference related to monetary financial assets and amortized cost which are recognised in Profit & Loss for the period, are recognised as other comprehensive income and reclassified to Profit & Loss

for the period when the financial assets are de-recognised. However, the equity instrument investment that is not quoted in an active market and whose fair value cannot be measured reliably and the derivative financial assets that are linked with and settled by such equity instruments shall be subsequently measured at cost.

Interests earned during the holding period of available-for-sale financial assets and cash dividends declared by the investees are included in investment income.

### (3) Impairment of financial assets

With the exception of financial assets at fair value through profit or loss, the Company examines the carrying value of other financial assets on each balance sheet date and sets aside provisions for impairment if there is objective evidence that a financial asset is impaired.

Financial assets that are individually significant are tested for impairment separately by the Company; financial assets with individually insignificant amount may be tested for impairment separately or included in a group of financial assets with similar credit risk characteristics:

Financial assets that are not individually tested and not impaired (both individually significant and immaterial) include a further test for impairment in a portfolio of financial assets with similar credit risk characteristics. Financial assets whose impairment loss is recognised recognition will not be included in a group of financial assets with similar credit risk characteristics for further impairment testing.

#### ① Impairment of held-to-maturity investments, loans and receivables

Financial assets carried at cost or amortised cost are written down to the present value of estimated future cash flows and the amount of the write-down is recognised as an impairment loss in profit or loss for the period. After the impairment loss is recognised, if there is objective

evidence that the value of the financial asset has been restored, and the objective evidence is related to an event that occurs after the impairment loss is recognised, the original impairment loss is reversed and the carrying amount of the financial asset after the reversal of the impairment loss does not exceed what the amortized cost of the financial asset would have been at the date of the reversal assuming no provision for impairment had been made.

② Impairment on available-for-sale financial assets

An impairment on an available-for-sale equity instrument occurs when the Company determines, based on a combination of relevant factors, that a decline in the fair value of the investment in the available-for-sale equity instrument is either significant or other than temporary. A "significant decline" is a decline in fair value of more than 20% in aggregate; an "other-than-temporary decline" is a decline in fair value of more than 12 consecutive months.

When an available-for-sale financial asset is impaired, the cumulative loss arising from the decline in fair value that was previously included in other comprehensive income is transferred out and included in profit or loss for the period. The cumulative loss transferred out is the initial acquisition cost of the asset less the principal recovered and the amount amortised, the current fair value and the impairment loss previously included in profit or loss.

After the recognition of an impairment loss, if there is subsequently objective evidence that the value of the financial asset has recovered and can be objectively related to an event occurring after the recognition of the loss, the impairment loss originally recognised is reversed, with the reversal of the impairment loss on an investment in an available-for-sale equity instrument recognised in other comprehensive income and the reversal of the impairment loss on an available-for-sale debt instrument included in profit or loss for the period.

For the equity investment that is not quoted in an active market and whose fair value cannot be measured reliably and the derivative financial instruments that are linked with and settled by such equity instruments, their impairment losses shall be reversed.

#### (4) Recognition and measurement of transfer of financial assets

A financial asset is derecognised when one of the following conditions is met: ① the contractual right to receive cash flows from the financial asset is terminated; ① the financial asset is transferred and substantially all the risks and rewards of ownership of the financial asset are transferred to the transferee; ① the financial asset is transferred and the business gives up the control of the financial asset although it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, and the control over the financial asset is not ceased, the financial asset and the related financial liabilities should be recognised based on the degree of continuing involvement. The degree of continuing involvement means the level of risks born by the business resulting from the change in value of the financial asset.

If the derecognition criteria are met for an overall transfer of financial assets, the difference between the book value of the financial assets transferred and the sum of the consideration received for the transfer and the cumulative amount of changes in fair value previously included in other comprehensive income is included in profit or loss for the period.

If the derecognition criteria are met for a partial transfer of a financial asset, the book value of the financial asset transferred is apportioned between the derecognised and unrecognised portions at their relative fair values, and the difference between the sum of the consideration received for the transfer and the cumulative amount of changes in fair value previously included in other comprehensive income that is apportioned to the derecognised portion and the previously apportioned book value is included in profit or loss for the period.

Where the Company transfers by endorsement the financial assets sold with the right of recourse or the financial assets held, it shall be determined that whether almost all the risks and rewards of ownership of the financial assets have been transferred. If substantially all the risks and rewards of ownership of the financial asset have been transferred to the transferee, the financial asset is derecognised; if substantially all the risks and rewards of ownership of the financial asset have been retained, the financial asset is not derecognised; if all the risks and rewards of ownership of the financial asset haven't been substantially transferred or retained,

the Company continues to determine whether it retains control over the asset and accounts for it in accordance with the principles set out in the preceding paragraphs.

(5) Classification and measurement of financial liabilities

On initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities. Financial liabilities are measured at fair value on initial recognition. For financial liabilities at fair value through profit or loss for the period, the relevant trading expenses are included directly in profit and loss for the period, for other financial liabilities, and the relevant trading expenses are included in the amount of initial recognition.

① Financial liabilities at fair value through profit or loss for the period

The criteria for financial liabilities classified as trading financial liabilities and those designated at fair value through profit or loss on initial recognition are the same as those for financial assets classified as trading financial assets and those designated at fair value through profit or loss on initial recognition.

Financial liabilities at fair value through profit and loss are subsequently measured at fair value, and all gains and losses arising from changes in fair value and dividends and interests relating to such financial liabilities are recognised in profit and loss for the period.

#### ② Other financial liabilities

Derivative financial liabilities linked to equity instruments that are not quoted in an active market and whose fair value cannot be reliably measured, and that are required to be settled through delivery of such equity instruments, are subsequently measured at cost. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with any gain or loss arising from derecognition or amortisation being recognised in profit or loss.

#### ③ Financial guarantee contracts

Financial guarantee contracts that are not financial liabilities designated as at fair value through profit or loss (or loan commitments that are not designated as fair value through profit or loss and will be lent at below market interest rates) are initially recognised at fair value and subsequently measured at the higher of the amount determined in accordance with Accounting Standards for Business Enterprises No. 13 - Contingencies after initial recognition and the balance of the initial recognition amount less accumulated amortisation determined in accordance with the principles of Accounting Standards for Business Enterprises No. 14 - Revenue.

#### (6) Derecognition of financial liabilities

Derecognition of a financial liability, or part thereof, occurs when the current obligation of the financial liability has been discharged in whole or in part. An agreement is entered between the



Company (debtor) and a creditor to replace the original financial liabilities with new financial liabilities with substantially different terms, derecognise the original financial liabilities as well as recognise the new financial liabilities.

When financial liabilities is derecognised in full or in part, the difference between the book value of the financial liabilities derecognised and the consideration paid (including transferred non-cash assets or new financial liability) is recognised in profit or loss for the period.

#### (7) Derivatives and embedded derivatives

Derivatives are initially measured at fair value on the date of its underlying contract and subsequently measured at fair value. Changes in the fair value of the derivatives are included in profit or loss for the period, except for those derivatives designated as hedging instruments with highly effective hedges, for which gains or losses resulting from changes in fair value are determined in accordance with hedge accounting requirements based on the nature of the hedging relationship.

For hybrid instruments containing an embedded derivative that are not designated as a financial asset or financial liability at fair value through profit or loss, the embedded derivative is not closely related to that host contract in terms of economic characteristics and risks, and is subject to the same conditions as the embedded derivative, where the separately existing instrument meets the definition of a derivative, the embedded derivative is separated from the hybrid instrument and treated as a separate derivative financial instrument. If it is not possible to measure the embedded derivatives individually at acquisition or on subsequent balance sheet dates, the hybrid instrument is designated as a financial asset or financial liability at fair value through profit or loss in its entirety.

(8) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are presented in the balance sheet after offsetting when the Company has a legal right to offset the recognised financial assets and financial liabilities and such legal right is currently enforceable, and meanwhile the Company intends to settle them on a net basis or realise the financial assets for cash and settle the financial liabilities. Otherwise, the financial assets and financial liabilities are presented separately in the balance sheet without offsetting each other.

#### (9) Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued (including refinancing), repurchased, sold or cancelled by the Company are treated as changes in equity. The Company does not recognise changes in the fair value of equity instruments. Transaction costs associated with equity-settled transactions are deducted from equity.

Various distributions by the Company to holders of equity instruments, excluding stock dividends, reduce shareholders' equity. The Company does not recognise changes in the fair value of equity instruments.

#### (10) Receivables

Receivables include notes receivable, accounts receivable and other receivables.

##### 1. Recognition criteria for provision for bad debts

The Company checks the book value of receivables at the balance sheet date and provides for impairment where objective evidence indicates that the receivables are impaired as follows: ① the debtor experiences serious financial difficulties; ② Breach of contractual terms by the debtor (e.g. default or overdue payment of interest or principal); ③ Probable bankruptcy or other financial reorganization of the debtor; ④ Other objective bases indicating that the receivables are impaired.

##### 2. Method of provision for bad debts

(1) Criteria for recognition of bad debt provision for individually significant receivables and method of provision

The Company recognises receivables with an amount of RMB 1 million or more as individually significant receivables.

The Company assesses individually significant receivables for impairment on individual basis, financial assets which is not impaired on individual basis will be assessed for impairment collectively with a portfolio of financial assets which share similar credit risk characteristics.

Receivables for which an impairment loss has been recognised in a single test are no longer included in the impairment test for groups of receivables with similar credit risk characteristics.

(2) Basis for determining receivables for which bad debt provision is made on the basis of credit risk profile and method of provision

A. Basis for determining credit risk profile

a. Ageing group

Receivables that are individually significant but have not been individually tested for bad debt provision, together with receivables that are individually insignificant net of individual bad debt provision are grouped together using the ageing of the receivables as a similar credit risk profile.

b. Other group

Receivables from related parties and government departments, personal allowances, and deposits belong to the Other group.

B. Method of provision for bad debts by group

a. For the ageing group, the Company makes provision for bad debts under the ageing analysis method at the following ratios:

Account age	Ratio for accounts	Provision ratio relative to
-------------	--------------------	-----------------------------

	receivable (%)	other receivables (%)
Less than 1 year	0	0
1 – 2 years	5	5
2 – 3 years	10	10
More than 3 years	30	30

b. Other group: No bad debt provision is made for amounts due from related parties, government departments, personal allowances and security deposits, unless evidence exists that the receivable is impaired.

(3) Criteria for recognition of bad debt provision for individually insignificant receivables and method of provision

A. Recognition criteria for individually insignificant amounts

Accounts receivable with an individually insignificant amount are those individually with a closing balance of less than RMB 1.0 million; other receivables with an individually insignificant amount are those individually with a single closing balance of less than RMB 1.0 million.

B. Method of bad debt provision for individually insignificant

The Company performs a separate impairment test for receivables that are not individually significant but have the following characteristics (receivables in dispute with the counterparty or involved in litigation or arbitration; receivables for which there are clear indications that it is probable that the debtor will not be able to meet its repayment obligations, etc.) and recognises an impairment loss for the difference between the present value of future cash flows and its book value if there is objective evidence that the receivables are impaired, and makes a bad debt provision for it. At the same time, the Company makes a bad debt provision for receivables that are not individually significant net of individual bad debt provisions, using the ageing of the receivables as a similar credit risk profile.

3. Reversal of bad debt provision

When there is objective evidence that the value of the receivable has been restored and the objective evidence relates to an event occurring after the loss was recognised, the previously recognised impairment loss is reversed and credited to profit or loss. However, the book value upon the reversal will not exceed the amortised cost of the receivables on the reversal date as if no impairment loss provision had been made.

## (11) Inventories

### (1) Classification of inventories

The inventories of the Company mainly comprise raw materials, goods in stock, low value consumables, construction work and development costs in the course of development.

### (2) Valuation methods for acquiring and dispatching inventories

Inventories are initially valued at their actual cost upon acquisition. The cost of inventories includes purchase costs, processing costs and other costs. Inventories are valued on a weighted average basis when collected and dispatched.

### (3) Recognition of net realisable value of inventories and method of provision for write-down of inventories

Net realisable value is the estimated selling price of the goods less the estimated costs to be incurred on completion, estimated selling expenses and relevant taxes. In determining the net realisable value of inventories, it is based on firm evidence obtained, taking into account the purpose for which the inventories are held and the impact of subsequent events on the balance sheet date.

On balance sheet dates, inventories are measured at the lower of cost and net realisable value.

Provision for inventory write-down is made when the net realisable value is lower than the cost.

For individual inventory items, write-down provisions are made for any excess of the cost over their net realisable value.

After making the provision for inventory write-down, in case the factors causing inventory write-down no longer exists, and the net realisable value of the inventory is higher than its

book-value, the original provision for inventory write-down shall be reversed and incorporated into the profit or loss for the period.

(4) The Company adopts a perpetual inventory system.

(5) Amortization of low value consumables and packaging materials

Low value consumables are amortised on a lump sum basis when collected; packaging is amortised on a lump sum basis when claimed.

(12) Assets held for sales



A non-current asset or disposal group for which the Company recovers its book value primarily through sale (including a non-monetary asset exchange with a commercial substance, the same applies below) and not through the ongoing use of the asset or disposal group is classified as held for sale. The following conditions must be all met: A non-current asset or disposal group is ready for immediate sale in its current condition in accordance with the practice of selling such assets or disposal groups in similar transactions; the Company has resolved on a plan of sale with an undertaking to purchase obtained; the sale is expected to be completed within one year. Of these, a disposal group is a group of assets that are disposed of as a whole in a transaction by sale or otherwise together, and liabilities directly related to those assets that are transferred in that transaction. If the asset group or group of asset groups to which a disposal group belongs has been allocated with goodwill acquired in a business combination in accordance with Accounting Standards for Business Enterprises No. 8 - Impairment of Assets, the disposal group shall include the goodwill allocated to the disposal group.

If the book value of a non-current asset held for sale or disposal group is greater than the net value of its fair value less costs to sell as measured at its initial measurement or as remeasured on the balance sheet date, the book value is written down to the net value of fair value less costs to sell, and the amount of the write-down is recognised in profit or loss for the period as asset impairment loss, and an impairment charge on the asset held for sale is recorded. For the disposal group, the impairment loss recognised on the asset is first set off against the book value of goodwill in the disposal group and then proportionately against the book value of each non-current asset in the disposal group to which the measurement

requirements of Accounting Standards for Business Enterprises No. 42 - "Non-current Assets Held for Sale, Disposal Groups and Discontinued Operations" (the "held for sale standard") applies. If, at a subsequent balance sheet date, the fair value (net) of the disposal group held for sale after the disposal fee increases, the amount previously written down may be reinstated and reversed within the amount of the impairment loss recognised for non-current assets to which the held for sale measurement requirement applies after classification as held for sale, and the amount reversed is credited to the profit or loss for the period and added proportionately to the book value of the disposal group other than goodwill to which the held for sale measurement requirement applies. The book value of non-current assets other than goodwill is increased by their proportionate share of the carrying value of the asset; The impairment losses, which have been deducted by the book value of the good will or have been recognised on non-current assets subject to the measurement requirements of the held-for-sale rules before classification as held-for-sale, are not reversed.

Non-current assets held for sale or non-current assets in the disposal group are not depreciated or amortised, and interest and other charges on liabilities in the disposal group held for sale continue to be recognised.

When a non-current asset or disposal group no longer satisfies the criteria for classification as held for sale and is no longer classified as held for sale or a non-current asset is removed from the disposal group held for sale, it is measured at the lower of (1) the carrying amount before classification as held for sale, adjusted for depreciation, amortisation or impairment that would have been recognised had it not been classified as held for sale and (2) the recoverable amount.

(13) Long-term equity investments

Long-term equity investments referred to in this section are long-term equity investments in which the Company has control, joint control or significant influence over an investee.

Long-term equity investments in which the Company does not have control, joint control or significant influence over the investee are accounted for as available-for-sale financial assets or financial assets at fair value through profit or loss, the accounting policies of which are described in Note IV.(9) "Financial Instruments" herein.

Joint control is control that is shared with the Company over an arrangement according to the relevant agreement, and the activities related to the arrangement can only be decided upon with the unanimous consent of the participants sharing control. Significant influence is the right to participate in the financial and operating decisions of the investee, but not to control, or have joint control with other parties over, the formulation of those policies.

(1) Recognition of investment costs

For long-term equity investments acquired through business combination under common control, the initial investment cost of the long-term equity investment at the date of the merger is based on the share of the ownership interest of the combined party in the consolidated financial statements of the ultimate controlling party. The difference between the initial investment cost of a long-term equity investment and the total amount of cash paid, non-cash assets transferred, and the book value of liabilities assumed is adjusted against capital surplus; and if capital surplus is insufficient, adjusted against retained earnings. If equity securities are issued as consideration for combination, the initial investment cost of the long-term equity investment at the date of the combination is based on the share of the book value of the ownership interest of the combined party in the consolidated financial statements of the ultimate controlling party, and the difference between the initial investment cost of the long-term equity investment and the total nominal value of the shares issued is adjusted against capital surplus; and if capital surplus is not sufficient, adjusted against retained earnings. If the Company acquires the equity interests of the combined party under common control in stages through multiple transactions, resulting in a business combination under common control, the Company should determine whether these transactions should be treated as a "package deal": If it constitutes a "Package Deal", the Company accounts for all transactions as if they are a transaction that obtained control. For transactions that do not qualify as a "package deal," the initial investment cost of the long-term equity investment is determined according to the book value of the combined party's owners' interest in the consolidated financial statements of the ultimate controller at the date of combination. The difference between the initial cost of the long-term investment and the sum of the book value of

the long-term investment before the combination and the book value of the new consideration paid for the shares acquired on the combination date is adjusted against capital surplus; and if capital surplus is insufficient, adjusted against retained earnings. Equity investment acquired before the date of combination are not accounted for the period as they were accounted with the equity method or as other comprehensive income due to available-for-sale financial assets.

For long-term equity investments acquired through business combination not under common control, the initial investment cost of the long-term equity investment at the date of acquisition is based on the cost of the combination, which includes the sum of the fair value of the assets paid, liabilities incurred or assumed and equity securities issued by the acquirer. If the Company acquires the equity interests of an acquiree in stages through multiple transactions, resulting in business combination not under common control, the Company should determine whether these transactions should be treated as a "package deal": If it constitutes a "Package Deal", the Company accounts for all transactions as if they are a transaction that obtained control. For transactions that do not qualify as "package deals", the initial investment cost of a long-term equity investment accounted for under the cost method is the sum of the book value of the equity investment originally held in the acquiree and the cost of the new investment. If the equity method is used to account for the equity interests originally held, the related other comprehensive income is not currently accounted for. The difference between the fair value and the book value of an equity investment previously held as an available-for-sale financial asset, and the cumulative fair value change originally included in other comprehensive income, is transferred to profit or loss.

For the combining parties or the acquirer, any audit, legal service, appraisal and consultation and other intermediary and administrative expenses occurred during combination shall be recognised in profit or loss for the period.

Long-term equity investments other than those resulting from business combinations are initially measured at cost, which is determined, depending on the method of acquisition, by the actual cash purchase price paid by the Company, the fair value of equity securities issued by the Company, the contractual value of the investment, the fair value or original book value of the asset exchanged in a non-monetary asset exchange transaction, or the fair value of the long-term equity investment itself. Fees, taxes and other necessary expenses directly related to the acquisition of the long-term equity investments are also included in the cost of investment. For investments in which the additional investment enables the Company to exert significant influence over the investee or exercise joint control but not control, the cost of the long-term equity investment is the sum of the fair value of the originally held equity investment plus the cost of the additional investment, determined in accordance with Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments.

(2) Subsequent measurement and recognition of profit or loss

Long-term equity investments that come with joint control (other than those constituting joint operation) or significant influence over the investee are accounted for using the equity method.

In addition, the financial statements of the Company use the cost method to account for long-term investments with control over the investee

① Long-term equity investments accounted for under the cost method

Under the cost method, long-term equity investments are carried at initial investment cost, with additional or recovered investments adjusted against or for the cost of long-term equity investments. Except for the price actually paid for obtaining the investment or the cash dividends or profits declared but not yet distributed which is included in the consideration, the Company recognises cash dividends or profits declared by the investee in investment gains for the period.

② Long-term equity investments accounted for under the equity method

If the initial investment cost of a long-term equity investment accounted for under the equity method is greater than the share of the fair value of the investee's identifiable net assets, which is attributable to the Company, at the time of investment, no adjustment is made to the initial investment cost of the long-term equity investment; if the initial investment cost is less than the share of the fair value of the investee's identifiable net assets, which is attributable to the Company, at the time of investment, the difference is included in profit or loss, and the cost of the long-term equity investment is adjusted at the same time.

Under the equity method, the Company recognises its share of the net profits or losses and other comprehensive income made by the investee as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the investment accordingly; The investor's share of profits distribution or cash dividends declared by the investee is deducted from the book value of the investment; For changes in shareholders' equity of the investee other than those arising from its net profit or loss, the Group records its proportionate share directly into capital surplus other comprehensive income, and profit

distribution. The Company shall, based on the fair value of identifiable net assets of the investee at the time of acquisition, recognise its attributable share of the net profit or loss of the investee after the net profit of the investee is adjusted. If the accounting policies and accounting periods adopted by the investee are different from those of the Company, the financial statements of the investee shall be adjusted in accordance with the accounting policies and accounting periods of the Company, and the profit or loss and other comprehensive income of the investee shall be recognised accordingly. For transactions between the Company and its associates and joint ventures, where the assets invested or disposed of do not constitute business, unrealised gains or losses on internal transactions are offset to the extent that they are attributable to the Company proportionately, on the basis of which investment gains or losses are recognised. Losses from unrealised internal transactions with investees are not offset if they constitute impairment losses on the assets transferred. Where the assets invested by the Company in joint ventures or associates constitute a business, and the investor thus acquires a long-term equity investment but control, the fair value of the invested business is used as the initial investment cost of the new long-term equity investment, and the difference between the initial investment cost and the carrying value of the invested business is fully credited to current profit or loss. Where the assets sold by the Company to a joint venture or an associate constitute a business, the difference between the consideration received and the carrying value of the business is fully credited to current profit or loss. Where assets acquired from associates and joint ventures constitute a business, the Company applies the accounting treatment in accordance with "Accounting Standards for



Business Enterprises No. 20 - Business Combinations" and recognises the full amount of the gain or loss associated with the transaction.

The share of net losses incurred by an investee is recognised to an extent that the book value of the long-term equity investment and other long-term interests that in substance constitute the net investment in the investee are written down to zero. In addition, if the Company has an obligation to the investee to incur additional losses, it recognises a projected liability based on the projected obligation, which is included in the investment loss for the period. Where net profits are subsequently made by the investee, the Company resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

#### ③ Acquisition of minority interests

When preparing consolidated financial statements, the difference between the increase in long-term equity investment due to acquisition of minority interest of a subsidiary and the share of net asset of the subsidiary since the acquisition date (or combination date) continuously calculated under the new ownership ratio shall be adjusted against the capital reserve, and when capital reserve is insufficient, adjusted against retained profits.

#### ④ Disposal of Long-term equity investments

In the consolidated financial statements, if the parent company partially disposes of its long-term equity investment in a subsidiary without loss of control, the difference between the disposal price and the net assets of the subsidiary corresponding to the disposal of the long-term equity investment is recognised in shareholders' equity; if the parent company partially disposes of its long-term equity investment in a subsidiary resulting in the loss of control over the subsidiary, it is accounted for in accordance with the relevant accounting policies described in Note IV.5(2) "Method for Preparation of consolidated financial statements".

For disposal of long-term equity investments in other cases, the difference between the book value of the equity interest disposed of and the actual acquisition price is credited to profit or loss for the period.

For the long-term equity investment under the equity method, if the residual equity after disposal is still accounted for using the equity method, when disposing of such investment, part of amounts that shall be originally included in other comprehensive income shall be accounted for in proportion by using the same basis as the investee used for direct disposal of relevant assets or liabilities. Changes in equity recognised as a result of changes in ownership interests other than net income or loss, other comprehensive income and profit distribution by the investee are carried forward into profit or loss on a pro rata basis.

For long-term equity investments accounted for by the cost method, if the residual equity is still accounted for by the cost method after disposal, other comprehensive income recognised as a result of the use of equity method or accounted for using financial instruments recognition and measurement standards before the acquisition of control over the investee is treated on the

same basis as if the relevant assets or liabilities had been disposed of directly by the investee, and is carried forward in the current period on a pro rata basis as follows; Changes in ownership interests in the net assets of the investee recognised under the equity method, other than net income or loss, other comprehensive income and profit distribution, are carried forward to profit or loss on a pro rata basis in the current period.

If the Company loses control over an existing subsidiary due to the disposal of a portion of its equity investment or for other reasons, in preparing individual financial statements, if the remaining equity interest after disposal enables the Company to exercise joint control or exert significant influence over the investee, the Company shall change to the equity method for accounting, and the remaining equity interest is deemed to be adjusted for the adoption of the equity method from the time the investment is acquired; otherwise, refer to provisions in Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments for accounting treatment. For other comprehensive income accounted for and recognised under the equity method or under the Standard for Recognition and Measurement of financial instruments, before the Company obtains control over the investee, the same basis of accounting is used to account for the loss of control over the investee as for the direct disposal of the related assets or liabilities of the investee, and changes in owners' equity other than net profit or loss, other comprehensive income and profit distribution in the net assets of the investee accounted for and recognised under the equity method are carried forward to profit or loss for the period when control over the investee is lost. In particular, other comprehensive income and other owners' equity shall be carried forward on a pro-rata basis if the residual equity after disposal is accounted for using the equity method; other

comprehensive income and other owners' equity shall be carried forward in full if the residual equity after disposal is accounted for under the standard for recognition and measurement criteria of financial instruments.

When the Company loses its control or material influence over the investee due to partial disposal of equity investment, the remaining equities shall be accounted for in accordance with the standards on recognition and measurement of financial instruments, and the difference between the fair value and the book value at the date of losing control or material influence shall be included in the profit or loss. Other comprehensive income recognised as a result of the equity method being used to account for the original equity investment is accounted for on the same basis as the direct disposal of the related asset or liability by the investee when the equity method of accounting is discontinued. All owner's equities recognised due to changes of owner's equity other than net profits and losses, other comprehensive income and profit distributions shall be transferred into the profit or loss for the period when the equity method of accounting is discontinued.

The Company disposes of its equity investment in a subsidiary in stages through multiple transactions until it loses control, and if the above transactions are part of a package deal, each transaction is accounted for as a disposal of the equity investment in the subsidiary with loss of control, with the difference between the disposal price and the book value of the corresponding long-term equity investment disposed of prior to the loss of control being recognised first in other comprehensive income, and then altogether in profit or loss in the period in which control is lost.

#### (14) Fixed assets

##### (1) Criteria for recognition of fixed assets

Fixed assets are tangible assets that are held for producing goods, rendering of services, leasing out to other parties or administrative purposes, with useful life more than one year.

Fixed assets are recognised only if the Company is very likely to receive economic benefits from the asset and its cost can be measured reliably. Fixed assets are initially measured at cost, taking into account the effect of expected disposal costs.

##### (2) Depreciation methods for various types of fixed assets

A fixed asset is depreciated over its useful life using the straight-line method since the month subsequent to the one in which it is ready for intended use. The useful lives, estimated net residual values and annual depreciation rates for each category of fixed assets are as follows:

Fixed Asset Category	Useful life (years)	Estimated residual value	Annual depreciation rate
Buildings and constructions	20-30	5%	3.17%-4.75%
Transport equipment	8	5%	11.88%
Electronic equipment	4-5	5%	19.00-23.75%
Other	5	5%	19.00%

Estimated net residual value is the amount received by the Company at present from the disposal of a fixed asset, net of estimated disposal costs, assuming the asset has reached the end of its expected useful life and is in the expected condition at the end of its useful life.

##### (3) Methods of impairment testing and provision for impairment of fixed assets

Please refer to Note IV.20 Impairment of Long Term Assets for the details of Methods of impairment testing and provision for impairment of fixed assets.

#### (4) Basis for Recognition and Valuation of Fixed Assets Through Finance Lease

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset, and the ownership of the asset may or may not be transferred at the end of the lease. Fixed assets that are held under finance leases shall be depreciated by applying the same policy as that for the fixed assets owned by the Company. If it can be reasonably determined that the ownership of the leased assets can be obtained at the end of the lease period, the leased assets are depreciated over their useful lives; otherwise, the leased assets are depreciated over the shorter of the lease terms and the useful lives of the leased assets.

#### (5) Other Description

Subsequent expenditure relating to a fixed asset is included in the cost of the fixed asset and the book value of the replaced part is derecognised if it is probable that the economic benefits associated with the fixed asset will flow to the Company and the cost of the asset can be measured reliably. Other subsequent expenditure is charged to profit or loss for the period in which it is incurred.

A fixed asset is derecognised when it is in a state of disposal or when no economic benefits are expected to arise from its use or disposal. Income from the sale, transfer, retirement or destruction of fixed assets is recognised in profit or loss for the period, net of the its book value and related taxes and fees.

The Company reviews the useful life, estimated net residual value and depreciation method of fixed assets at least annually, and any changes are treated as changes in accounting estimates.

(15) Construction in progress

The cost of construction in progress is recognised on the basis of actual construction expenditure, including all construction expenditure incurred during the period of construction, borrowing costs capitalised before the construction reaches its intended serviceable condition and other related costs. Construction in progress is carried forward to fixed assets when it reaches its intended useable condition.

Please refer to Note IV.20 Impairment of Long Term Assets for the details of Methods of impairment testing and provision for impairment of Construction in progress.

#### (16) Borrowing costs

Borrowing costs refer to interest on borrowings, amortization of discounts or premiums, ancillary costs and exchange differences arising from foreign currency borrowings among others. The capitalisation of borrowing costs directly attributable to the acquisition or production of assets eligible for capitalisation starts when expenditure on the assets has been incurred, borrowing costs have been incurred or the acquisition or production activities necessary to bring the assets to their intended use or saleable condition have commenced, and stops when the assets eligible for capitalisation are constructed or produced to their intended use or saleable condition. The remaining borrowing costs are recognised as an expense in the period in which they are incurred.

Interest expenses actually incurred in the period on special borrowings are capitalised, after deduction of interest income earned on unused borrowed funds deposited with banks or investment income earned on temporary investments; for general borrowings, the amount capitalised is determined by multiplying the weighted average of excesses of the cumulative asset expenditures over the portion of asset expenditures using the special borrowings by the



capitalisation rate of the general borrowings used. The capitalisation rate is determined based on the weighted average interest rate of general borrowings.

During the capitalisation period, all exchange differences on special borrowings in foreign currencies are capitalised; exchange differences on general borrowings in foreign currencies are included in profit or loss for the period.

Assets eligible for capitalisation are fixed assets, investment properties and inventories that require a substantial period of acquisition, construction or production activity to reach their intended useable or saleable condition.

The capitalisation of borrowing costs is suspended when an abnormal interruption occurs in the process of acquiring or producing an asset eligible for capitalisation and the interruption lasts for more than three consecutive months until the asset acquisition or production activity is resumed.

#### (17) Intangible assets

An intangible asset is an identifiable non-monetary asset that is not in physical form and is owned or controlled by the Company.

Intangible assets are initially measured at cost. Expenditures related to an intangible asset shall be included in cost of intangible asset only when the economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. Other expenditures shall be charged to profit or loss for the period when incurred.

Land use rights acquired are generally accounted for as intangible assets. Expenditure on land use rights and construction costs for self-developed buildings, such as factories, are accounted for as intangible assets and fixed assets, respectively. In the case of acquired

houses and buildings, the cost is allocated between the land use right and the building. If it is difficult to allocate the land use right and the building, all of them are treated as fixed assets.

Intangible assets with finite useful lives are amortised using the straight-line method over their estimated useful lives from the time they are available for use, less the estimated net residual value and the cumulative amount of the provision for impairment. Intangible assets with indefinite useful lives are not amortised.

For intangible assets with a finite useful life, the useful life and amortization method adopted are reviewed at the end of the period, and any changes will be treated as changes in accounting estimates. In addition, the useful life of an intangible asset with an indefinite useful life is reviewed and if there is evidence that the intangible asset will provide economic benefits to the Company over a foreseeable period, its useful life is estimated and amortised in accordance with the amortisation policy for intangible assets with finite useful lives

(18) Long-term deferred expenses

The Company's long-term prepaid expenses are expenses that have been incurred but are attributable to both current and future periods and are amortised over the period of benefit evenly. If the Long-term prepaid expenses are no longer beneficial to the subsequent accounting periods, the full unamortized balance is then transferred to profit or loss.

(19) Goodwill

Goodwill is the excess of the cost of an equity investment or the cost of a business combination not under common control over the share of the fair value of the identifiable net assets of the investee or the acquiree acquired in the business combination at the date of acquisition or the date of combination.

(20) Impairment of long term assets

For non-current non-financial assets such as fixed assets, construction in progress, intangible assets with finite useful lives and long-term equity investments in subsidiaries, joint ventures and associates, the Company determines at the balance sheet date whether there is any indication of impairment. Where there is an indication of impairment, the recoverable amount is estimated and an impairment test is conducted. Goodwill, intangible assets with indefinite useful lives and intangible assets not yet in a serviceable condition are tested annually for impairment whether or not there is any indication of impairment.

If, as a result of an impairment test, the recoverable amount of an asset is less than its book value, an impairment charge is made for the difference and included in the impairment loss.

The recoverable amount is the higher of the asset's net fair value less disposal expenses and the present value of the asset's estimated future cash flows. The fair value of an asset is

determined based on the price of the sale agreement in an arm's length transaction; where there is no sale agreement but an active market for the asset, the fair value is determined based on the buyer's bid for the asset; where there is neither sale agreement nor active market for the asset, the fair value of the asset is estimated based on the best available information. disposal expenses include legal fees, related taxes, moving expenses and direct costs incurred in bringing the asset to marketable condition; the present value of the asset's estimated future cash flows is determined by discounting the estimated future cash flows from the asset's ongoing use and final disposal, using an appropriate discount rate. The asset impairment charge is calculated and recognised on an individual asset basis. Where it is difficult to estimate the recoverable amount of an individual asset, the recoverable amount of that asset group is determined by reference to the asset group to which that asset group belongs. An asset group is the smallest group of assets that can generate cash inflows independently.

Goodwill, which is presented separately in the financial statements, is tested for impairment by allocating the carrying value of the goodwill to the asset group or the group of asset groups that are expected to benefit from the synergies of the business combination. If the test results indicate that the recoverable amount of the asset group or the group of asset groups containing the allocated goodwill is less than its carrying amount, a corresponding impairment loss is recognised. The impairment loss is first deducted from the book value of goodwill that is allocated to the asset group or the group of asset groups, and then deducted from the book value of other assets within the asset groups or the group of asset groups in proportion to the book value of other assets.

An impairment loss of the above assets once recognised shall not be reversed in a subsequent period.

#### (21) Employee Benefits

The Company's employee benefits are defined as all forms of remuneration or compensation given by the Company for services rendered by employees or for the termination of a labour relationship, including short-term remuneration, post-employment benefits, termination benefits and other long-term employee benefits. The benefits provided by the company to the spouse, children, dependents, survivors and other beneficiaries of the deceased employee are also considered as employee benefits.

1. Short-term remuneration is defined as remuneration payable in full by the Company to its employees within twelve months of the end of the annual reporting period in which the employees render the relevant services, except for compensation for termination of the labour relationship with the employees. The Company's short-term pay specifically includes: staff wages, bonuses, allowances and subsidies, staff welfare payments, social insurance premiums such as medical insurance premiums, labour's compensation insurance premiums and maternity insurance premiums, housing provident fund, trade union funds and staff education funds, short-term paid absences, non-monetary benefits and other short-term remuneration.

In the accounting period in which employees render services to the Company, the actual short-term remuneration incurred is recognised as liabilities and recognised in profit or loss or in the cost of related assets depending on the beneficiaries for which employees provide services.

Post-employment benefits are all forms of remuneration and benefits, other than short-term remuneration and termination benefits, provided by the Company to employees upon their retirement or termination of employment with the Company for services rendered by the employees.

2. Termination benefits refer to compensation given to employees by the Company for the termination of their labour relationship before the expiry of their labour contracts or to encourage voluntary redundancy. The Company undertakes to provide financial compensation in the nature of termination benefits to an employee who has not terminated his or her employment contract with the Company but who will no longer provide services to the Company and cannot bring economic benefits to the Company in the future, and in the case of an "internal retirement, the compensation for such employees shall be treated as termination benefits before his or her official retirement date and as post-employment benefits after his or her official retirement date.

The employee compensation liability arising from the termination benefits is recognised and included in profit and loss at the earlier of the date when the Company is unable to unilaterally revoke the termination benefits provided under the Labour Dissolution Plan or the proposed redundancy plan, or the date when the Company recognises the costs or expenses of the reorganization leading to the payment of the termination benefits.

For termination benefits that are not expected to be fully paid within twelve months after the end of the annual reporting period, and for termination plans where the substantive termination is completed within one year but compensation payments are made over one year, the Company applies the appropriate discount rate and uses the discounted amount to measure the amount of termination benefits, which is creditable to profit or loss for the period.

3. Other long-term employee benefits refer to all employee remuneration other than short-term remuneration, post-employment benefits and termination benefits, including long-term paid absence, long-term disability benefits and long-term profit-sharing plans.

Other long-term employee benefits provided by the Company to its employees that meet the conditions of the defined contribution plan are accounted for in accordance with the relevant provisions of the defined contribution plan. Where the Company provides other long-term employee benefits to employees that meet the conditions of a defined benefit plan, the Company recognises and measures a net liability or net asset for other long-term employee benefits in accordance with the relevant provisions of the defined benefit plan. At the end of the reporting period, the Company recognised employee compensation costs arising from other long-term employee benefits as the following components: Cost of services; net interest on net liabilities or net assets of other long-term employee benefit; changes arising from remeasurement of net liabilities or net assets of other long-term employee benefit. The total net amount is included in the profit or loss for the period or the cost of the related assets.

(22) Bonds payable

The Company's bonds payable are measured at fair value on initial recognition and the related transaction costs are included in the initial recognition amount. Subsequent measurement is at amortised cost.

The difference between the price paid for the bonds and the aggregate nominal value of the bonds is accounted for as a premium or discount on the bonds and is amortised over the life of the bonds as interest is accrued using the effective interest rate method and is treated in accordance with the principles governing the treatment of borrowing costs.

#### (23) Estimated liabilities

A contingent obligation is recognised as estimated liabilities when it relates to a contingent item and the following conditions are also met: (1) the obligation is a present obligation of the Company; (2) it is probable that an outflow of economic benefits will result from the performance of the obligation; and (3) the amount of the obligation can be measured reliably.

At balance sheet dates, estimated liabilities are initially measured at the best estimate of the expenditure required to settle the related present obligation, taking into account the risks, uncertainties and time value of money associated with the contingency.



Where all or part of the expenditure required to settle an estimated liabilities is expected to be reimbursed by a third party, the amount of reimbursement is recognised separately as an asset when it is virtually certain that it will be received, and the amount of reimbursement recognised does not exceed the book value of the estimated liabilities.

#### (1) Loss-making contracts

A loss-making contract is a contract in which the costs arising from the performance of contract obligations inevitably exceed the expected economic benefits. When the executive contract becomes a loss-making contract and the obligation arising from this loss contract satisfies the conditions for recognition of the estimated liabilities as described above, the part which the estimated loss of the contract exceeds the recognised impairment loss (if any) of the contract subject assets is recognised as expected liabilities.

#### (2) Restructuring Obligations

For reorganization plans that are detailed, formal and externally announced, if the conditions for recognising the aforesaid estimated liabilities are met, the amount of the estimated liabilities is determined according to the direct expenses related to the reorganization. For the reorganization obligations of the business which plans to be partly sold, the obligation related to the reorganization is not recognised until the Company undertakes to sell part of the business (i.e. when a binding sale agreement is entered into).

#### (24) Criteria For Recognition of Revenue

The Company's operating revenue mainly comprises revenue from sale of goods, provision of labour services, transfer of rights to use assets and construction contracts.

#### (1) Revenue from sale of goods

Revenue from sale of goods is recognised when: the Company has transferred the key risks and return on the ownership of goods to the acquirer; the Company has not retained continued management rights associated with ownership and no longer exercises effective control over the goods sold; the amount of income can be reliably measured; the relevant economic benefits are very likely to flow to the Company; and the costs incurred or to be incurred can be reliably measured.

## (2) Revenue from provision of services

Revenue from the provision of services is recognised using the percentage of completion method if the result of the provision of services can be estimated reliably at the balance sheet date. The progress to completion of the provision of services is recognised based on the proportion of current costs among the estimated total cost.

A reliable estimate of the outcome of labour services is one that satisfies both: ①the amount of revenue can be reliably measured; ①it is probable that the related economic benefits will flow to the Company; ③the degree of completion of the transaction can be determined reliably; ①and the related costs incurred or to be incurred can be reliably measured.

If the outcome of labour services cannot be estimated reliably, revenue from provision of service is recognised at the amount of labour costs incurred and expected to be reimbursed, and the labour costs incurred are recognised as expenses. Revenue is not recognised for labour costs already incurred that are not expected to be reimbursed.

When the Company enters into contracts or agreements with other businesses that include the sale of goods and the provision of labour services, if the sale of goods and the provision of labour services can be distinguished and measured separately, the sale of goods and the

provision of labour services are treated separately; if the sale of goods and the provision of labour services cannot be distinguished, or if they can be distinguished but cannot be measured separately, the contract is treated as sale of goods in its entirety.

### (3) Revenue of construction contracts

Revenues and expenses from a construction contract are recognised on a measurement or interim basis at balance sheet dates when the outcome of the construction contract can be estimated reliably.

The result of a construction contract can be reliably estimated when it satisfies all: ① the total revenue of the contract can be reliably measured; ① the economic benefits associated with the contract will flow to the Company; ① the contract cost actually incurred can be distinguished and reliably measured, and ① the progress of completion of the contract and further costs required for completing the contract can be reliably measured.

If the outcome of the contract can't be reliably estimated, revenue is recognised as the actual recoverable contract cost with the contract cost recognised as contract expense for the period in which it is incurred if such cost is recoverable, or not recognised with the contract cost directly recognised as contract expense if such cost is unrecoverable. Contract revenue and contract cost are recognised on a measurement or interim basis when uncertainties that prevent a reliable estimate of the outcome of the construction contract have ceased to exist. If the estimated total contract cost exceeds the total contract revenue, the estimated loss is recognised as expense for the period.

The cumulative costs incurred and the cumulative gross profit (loss) recognised on a contract in progress and the price settled are shown in the balance sheet as a net amount after offsetting. The excess of the sum of the cumulative costs incurred and the cumulative gross profit (loss) recognised on a contract in progress over the settled price is presented as inventories; the excess of the settled price on a contract in progress over the sum of the cumulative costs incurred and the cumulative gross profit (loss) recognised is presented as receipts in advance.

#### (4) Revenue from rights to use

Revenue is recognised on an accrual basis in accordance with relevant contracts or agreements.

#### (5) Interest income

The amount of interest income is determined on a time proportion basis and the effective interest rate at which the Company's monetary capital are used by others.

#### (25) Government subsidies

Government subsidies represent monetary and non-monetary assets acquired by the Company from the Government at no cost, excluding capital invested by the Government in its capacity as an investor with a corresponding ownership interest. There are two types of government subsidies: asset-related government subsidies and revenue-related government subsidies. Government subsidies obtained by the Company for the acquisition or other formation of long-lived assets are defined as asset-related government subsidies. Other government subsidies are defined as revenue-related government subsidies. If the subject of the government subsidy is not explicitly specified in the government file, the government subsidy is classified as an asset-related government subsidy or a revenue-related government subsidy in the following manner: 1) If the government file specifies the specific project for which the subsidy is intended, the amount of expenses that result in the formation of assets and the amount of expenses that are included in expenses will be divided according to the relative ratio set out in the budget of the specific project, which is reviewed on balance sheet dates and adjusted when necessary; 2) If only general description is provided and no specific project is specified in the government file, it is treated as a revenue-related government subsidy. Where government grants are monetary assets, they are measured at the amount received or receivable. Government grants are measured at fair value if they are non-monetary assets, or at nominal amounts if the fair value cannot be reliably obtained. Government subsidies that are measured at nominal amounts are recorded directly in profit or loss for the period.

Government subsidies are generally recognised and measured at the actual amount received when they are received. However, if there is concrete evidence that the Company expects to

receive financial assistance as of the end of the period in which it meets the relevant conditions set forth in the financial aid policy, it is measured at the amount of financial assistance that should be received. Government subsidies measured at the amount receivable should also meet the following conditions: (1) The amount of the subsidy receivable has been confirmed by a document issued by an authorized governmental authority or may be reasonably estimated by the authority itself in accordance with the relevant provisions of a duly published fiscal fund management practice, and there is no material uncertainty as to the estimated amount; (2) It is based on a fiscal support project and its fiscal fund administration measures that have been officially issued by the local fiscal department and voluntarily made public in accordance with the provisions of the Regulations on the Disclosure of Government Information, and such administration measures shall be universal (any qualified company may apply) rather than specifically targeted at a particular company; (3) a deadline of appropriation is expressly committed to in the relevant subsidy approval document, and the appropriation is secured through a corresponding fiscal budget so that there is reasonable assurance that it will be received within the prescribed period; (4) Other relevant conditions, if any, that should be met based on the specific circumstances of the Company and the subsidy.

Asset-related government subsidy is recognised as deferred income and is included in profit or loss over the useful lives of related assets in reasonable and systematic methods;

Government subsidies to compensate the Company for related costs or losses in future periods are recognised as deferred income and charged to profit or loss in the period in which they are recognised; government subsidies to compensate the Company for related costs or losses incurred by the Company are charged directly to profit or loss.

Government subsidies that include both asset-related and revenue-related components are accounted for separately; if it is difficult to distinguish between the two, they are classified as revenue-related government subsidies.

Government subsidies related to the day-to-day activities of the Company are included in other income or offset against related costs and expenses, based on the nature of the economic activity; Government subsidies that are not related to the Company's day-to-day activities are recognised as in non-operating income and expenses.

Where government subsidies recognised are required to be returned, the related deferred revenue balance is reduced by the book value of the deferred revenue and the difference is credited to profit or loss; in other cases, it is credited directly to profit or loss.

## (26) Deferred income tax assets and deferred income tax liabilities

### (1) Current income tax

At the balance sheet date, current income tax liabilities (or assets) arising in the current and prior periods are measured at the amount of income tax expected to be paid (or refunded) in accordance with the provisions of the Tax Act. The taxable income on which the current

income tax expense is based is calculated by adjusting the pre-tax accounting profit for the year accordingly in accordance with the relevant tax laws.

(2) Deferred income tax assets and deferred income tax liabilities

Deferred income tax assets and deferred income tax liabilities are recognised using the balance sheet liability method for differences arising from differences between the book value of certain items of assets and liabilities and their tax bases, as well as temporary differences between the book value of items that are not recognised as assets and liabilities but whose tax bases can be determined in accordance with the provisions of the Tax Act.

Deferred income tax liabilities are not recognised for taxable temporary differences associated with the initial recognition of goodwill and for taxable temporary differences associated with the initial recognition of assets or liabilities arising from transactions that are neither business combinations nor transactions that, when incurred, would affect accounting profit or taxable income (or deductible losses). In addition, deferred income tax liabilities are also not recognised for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures where the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Company recognises deferred income tax liabilities arising from all other taxable temporary differences, with the exception of the above.

Deferred income tax assets are not recognised for deductible temporary differences associated with the initial recognition of assets or liabilities arising from transactions that are neither business combinations nor transactions that, when they occur, affect accounting profit and taxable income (or deductible losses). In addition, deferred income tax assets are not



recognised for deductible temporary differences associated with investments in subsidiaries, associates and joint ventures where it is not probable that the temporary differences will reverse in the foreseeable future or it is not probable that future taxable income will be available against which the deductible temporary differences can be utilised. With the exception of the above, the Company recognises deferred income tax assets arising from other deductible temporary differences to the extent that it is probable that taxable income will be available against which the deductible temporary differences can be utilised.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilized.

At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the related asset is realised or the liability is settled, in accordance with the provisions of the tax laws.

At the balance sheet date, the book value of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred income tax assets to be utilised. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

### (3) Income tax expenses

Income tax expense comprises current income tax and deferred income tax.

Current and deferred income tax expenses are recognised in profit or loss for the period, except when they arise from transactions or events that are directly credited into other comprehensive income or in shareholders' equity, in which case they are recognised in other comprehensive income or in shareholders equity; and when they arise from business combinations, in which case they adjust the book value of goodwill.

### (4) Offsetting of income tax

When the Company has a legal right to settle on a net basis and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When there is a legal right to net-settle current tax assets and current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxing authority on the same taxable entity or on different taxable entities, the Company's deferred tax assets and deferred tax liabilities are presented net of offsetting when, in each future period in which significant deferred tax assets and liabilities are reversed, the taxable entity involved intends to either settle current tax assets and liabilities on a net basis or acquire assets and settle liabilities simultaneously.

## V. Changes in significant accounting policies and accounting estimates

### (1) Change in Accounting Policies

There are no changes in the Company's major accounting policies during the reporting period.

### (2) Change in Accounting Estimates

There are no changes in the Company's major accounting estimates during the reporting period.

## VI. Taxation

### Main tax types and rates

Taxes	Tax basis	Tax rate
VAT	Amount after offsetting input taxes against sales taxes	3%. 13%. 16%
Urban maintenance and construction tax	Turnover tax payable	7%
Education surcharge	Turnover tax payable	5%
Property tax	By amount of revenue from lease	12%

Land use tax	By the actual area of land occupied	RMB 4 yuan/sqm
Enterprise income tax	Income tax payable	25%

## VII. Scope of Consolidation

The scope of consolidated financial statements of the Group is determined on the basis of control.

### (1) Information on Subsidiaries

S	Business	Le	Type	Registr	Main	Regist	Shareh	Voti	Amoun	Means
N	Name	vel	of	ation	place	ered	olding	ng	t	of
		(N	Busin	place	of	capital	(%)	right	investe	acquisiti
		ote	ess	of	opera	(RMB		ts	d	on
		1)		tion		10,000				
						yuan)				
1	Jiangsu Jiangtian Agricultur al Technolo gy Develop ment Co., Ltd. (Note 2)	1	1	Taixing	Taixi ng	20,000 .00	100%	100 %	20,000 .00	Transfer red at nil conside ration
2	Taixing Hongqiao	1	1	Taixing	Taixi ng	20,000 .00	100%	100 %	20,000 .00	Set-up through

	New Countryside Development Co., Ltd.					countryside construction; road infrastructure construction					investment
3	Taixing Hongyue Hydro Construction and Development Co., Ltd.	1	1	Taixing	Taixing	Infrastructure Construction	10,000 .00	100%	100%	10,000 .00	Set-up through investment
4	Taixing Hongqiao Zhongjian Wastewater Treatment	1	1	Taixing	Taixing	Waste Water Treatment	20,000 .00	100%	100%	20,000 .00	Set-up through investment

	t Co., Ltd.										
5	Taixing Xinghong Township Construct ion and Compreh ensive Develop ment Co., Ltd.	1	1	Taixing	Taixi ng	Infrastru cture Construc tion	100,00 0,00	100%	100 %	100,00 0.00	Set-up through investm ent
6	Taixing Runhong Financing Guarante e Co., Ltd.	1	1	Taixing	Taixi ng	Loan Guarant ee	10,000 .00	100%	100 %	10,000 .00	Set-up through investm ent
7	Taixing Dingjifu Industrial Develop ment Co.,	1	1	Taixing	Taixi ng	Merchan dising	100,00 0.00	100%	100 %	100,00 0.00	Set-up through investm ent

	Ltd.										
8	Taixing Xinleshen g Industrial Co., Ltd. (Note 2)	1	1	Taixing	Taixi ng	Merchan dising	10,000 .00	100%	100 %	100,00 0.00	Set-up through investm ent
9	Jiangsu Hongfu Shipbuildi ng Co., Ltd.	1	1	Taixing	Taixi ng	Railway, shipbuild ing, aerospac e and other transport ation equipme nt manufact uring	10,000 .00	100%	100 %	100,00 0.00	Set-up through investm ent
10	Taixing Hongxing Property	1	1	Taixing	Taixi ng	Property develop ment	10,000 .00	100%	100 %	10,000 .00	Set-up through investm



	Co., Ltd.					and sales				ent	
1 1	Taixing Hongqiao Property Management Service Co., Ltd.	2	1	Taixing	Taixing	Real estate	100.00	100%	100 %	100.00	Set-up through investm ent
1 2	Taixing Hongxing Standard House Construction Co., Ltd.	2	1	Taixing	Taixing	Standard plant construct ion, operatio n and manage ment	10,000 .00	100%	100 %	10,000 .00	Set-up through investm ent
1 3	Jiangsu Zhongtai Youwei Internatio nal Trade	1	1	Taixing	Taixing	Merchan dising	10,000 .00	40%	40 %	4,000. 00	Set-up through investm ent

Group										
Co., Ltd.										

Note 1: Business Nature: 1. Domestic non-financial subsidiaries, 2. Domestic financial subsidiaries, 3. Overseas subsidiaries, 4. public services institutions, 5. infrastructure developers.

Note 2: The equity in Jiangsu Jiangtian Agricultural Technology Development Co., Ltd. and Taixing Xinlesheng Industrial Co., Ltd. was transferred out during the period.

(2) Changes to the scope of consolidation

2 entities were removed from the scope of consolidation during the period, i.e. the equity in Jiangsu Jiangtian Agricultural Technology Development Co., Ltd. and Taixing Xinlesheng Industrial Co., Ltd. was transferred. 3 entities were added to the scope of consolidation during the period, i.e. Jiangsu Hongfu Shipbuilding Co., Ltd., Taixing Hongqiao Property Management Service Co., Ltd. and Jiangsu Zhongtai Youwei International Trade Group Co., Ltd., where accounts haven't been created for Jiangsu Hongfu Shipbuilding Co., Ltd. and Taixing Hongqiao Property Management Service Co., Ltd. during the period.

**VIII. Notes to the Key Items of the Consolidated Financial Statements**

In the following notes (including notes to key items in the Company's financial statements), "beginning of year" refers to 1 January 2019 and "end of year" refers to 31 December 2020, this year refers to FY2020 and the previous year refers to FY2019 unless otherwise stated.

**1. Cash at bank and on hand**

(1) Cash at bank and on hand balance

Item	Closing balance	Opening balance
Cash	81,558.67	71,676.63
Bank deposit	854,923,995.88	1,008,668,822.30

Other cash at bank and on hand	1,389,250,001.00	1,156,001,000.00
Total	2,244,255,555.55	2,164,741,498.93

(2) Restriction on use of monetary capital at year end

Item	Closing balance	Opening balance	Reasons for restriction
Other cash at bank and on hand	1,205,000,001.00	1,156,001,000.00	Deposit for bank drafts, pledged certificates of deposit and collateral security
Total	1,205,000,001.00	1,156,001,000.00	

**2. Notes Receivable**

(1) Notes Receivable

① Notes receivable by type

Item	Closing balance	Opening balance
Bank's acceptance bill	21,000,000.00	75,134,000.00
Total	21,000,000.00	75,134,000.00

(2) Provisions for bad debts that are made, recovered or reversed for the period

The amount of bad debt provision made during the period was RMB 0.00 yuan; the amount of bad debt provision recovered or reversed during the period was RMB 0.00 yuan.

(3) Actual write-off of notes receivable for the period

There were no actual write-offs of notes receivable during the period.

(4) Notes receivable pledged at the end of the period

As at 31 December 2020, there were no notes receivable used for pledge purposes at the end of the period.

(5) Notes receivable endorsed or discounted at the end of the period and not yet due at the balance sheet date

Item	Amount derecognised at the end of the period	Amount not yet derecognised at the end of the period
Bank's acceptance bill	736,400,000.00	
Total	736,400,000.00	

(6) Notes transferred to accounts receivable at the end of the period due to non-performance by the drawers

As at 31 December 2020, there were no notes that were transferred to accounts receivable at the end of the period due to non-performance by the drawers.

### 3. Accounts receivable

(1) Accounts receivable

① Accounts receivable disclosed by category

Categories	Closing balance				
	Book balance		Bad debt provision		Book value
	Amount	Percentage (%)	Amount	Provision ratio (%)	
Receivables with					

individually significant amounts and subject to separate provision					
Accounts receivable for which bad debt provision is made by groups of credit risk characteristics:	1,472,704,858.04	100.00	4,500.00	0.00	1,472,700,358.04
Group 1: Ageing analysis	114,779,215.65	7.79	4,500.00	0.00	114,774,715.65
Group 2: Other	1,357,925,642.39	92.21			1,357,925,642.39
Receivables with individually insignificant amounts but subject to separate provision					
Total	1,472,704,858.04	100.00	4,500.00	0.00	1,472,700,358.04

Continued

Categories

Opening balance

	Book balance		Bad debt provision		Book value
	Amount	Percentage (%)	Amount	Provision ratio (%)	
Receivables with individually significant amounts and subject to separate provision					
Accounts receivable for which bad debt provision is made by groups of credit risk characteristics:					
Group 1: Ageing analysis	1,209,429,043.69	100.00			1,209,429,043.69
Group 2: Other	63,338,041.51	5.24			63,338,041.51
	1,146,091,002.18	94.76			1,146,091,002.18



Receivables with individually insignificant amounts but subject to separate provision					
Total	1,209,429,043.69	100.00			1,209,429,043.69

A. In the group, provision for bad debts is made on an ageing basis:

Account age	Closing balance			Opening balance		
	Book balance	Bad debt provision	Provision ratio (%)	Book balance	Bad debt provision	Total proportion (%)
Less than 1 year	114,689,215.65			63,338,041.51		
1 to 2 years	90,000.00	4,500.00	5			
Total	114,779,215.65	4,500.00		63,338,041.51		

B. Other group

Group Name	Closing balance			Opening balance		
	Accounts receivable	Bad debt provision	Provision ratio (%)	Accounts receivable	Bad debt provision	Provision ratio (%)
Government	1,357,925,642.39			1,146,091,002.18		

entity group						
Total	1,357,925,642.39			1,146,091,002.18		

④ Actual write-off of accounts receivable during the period

There were no actual write-off of accounts receivable during the period.

③ Main accounts receivable at the end of the Period grouped by the party in Default

Name of debtors	Closing balance of accounts receivable	Percentage to total closing balance of accounts receivable (%)	Closing balance of bad debt provision
Taixing Hongqiao Industrial Park Management Committee	1,357,925,642.39	92.21	
Jiangxi Chenshunfa Metal Material Co., Ltd.	50,456,576.42	3.43	
Yancheng Sikesai Trade Co., Ltd.	30,467,399.07	2.07	
Changzhou Xunwo Trade Co., Ltd.	30,419,160.93	2.07	
Jiangsu Qili New Material Technology Co., Ltd.	1,798,944.00	0.12	
Total	1,471,067,722.81	99.90	

⑥ Accounts receivable derecognised due to transfer of financial assets

As at 31 December 2020, the Company had no accounts receivable derecognised as a result of the transfer of financial assets.

⑦ Amount of assets or liabilities developed as accounts receivable have been transferred but the involvement continues

The amount of assets and liabilities developed as a result of the transfer of accounts receivable and continued involvement was RMB 0.00 yuan.

#### 4. Prepayments

(1) The ageing profile of prepayments is shown below:

Account age	Closing balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Less than 1 year	212,403,725.45	59.52	137,537,944.74	40.17
1 to 2 years	66,235,442.66	18.56	30,801,156.55	9.00
2 to 3 years	24,174,723.83	6.77	148,162,395.70	43.28
More than 3 years	54,044,816.80	15.14	25,850,284.27	7.55

Account age	Closing balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Total	356,858,708.74	100.00	342,351,781.26	100.00

(2) Top five prepayment balances at the end of the period, grouped by prepayment recipients

Name of debtors	Amount owed	Nature of business	Percentage of the closing balance of total prepayments (%)
Taixing Senxuan Farm	95,000,000.00	Project advance payment	26.62
Jinlong Construction Group Co., Ltd.	35,547,178.34	Project advance payment	9.96
Jiangsu Minsheng Construction Co., Ltd.	19,004,676.66	Prepayments for equipment	5.33
Taixing Hongqiao Gardening & Landscaping Works Co., Ltd.	16,205,505.43	Project advance payment	4.54
Beijing Gongke Feida Traffic Works	11,981,655.00	Project	3.36

Development Co., Ltd.		advance payment	
Total	177,739,015.43		49.81

#### 5. Other receivables

Item	Closing balance	Opening balance
Interest receivable		
Dividend receivable		
Other receivables	9,313,817,744.99	9,393,425,513.88
Total	9,313,817,744.99	9,393,425,513.88

(1) Other receivables

① Other receivables disclosed by categories

Categories	Closing balance				
	Book balance		Bad debt provision		Book value
	Amount	Percentage (%)	Amount	Provision ratio (%)	
Other receivables with individually significant amounts and subject to					

separate provision					
Other receivables for which bad debt provision is made by the group of credit risk characteristics	9,364,968,665.36	100.00	51,150,920.37	0.55	9,313,817,744.99
Group 1: Ageing analysis	422,218,681.74	4.51	51,150,920.37	12.11	371,067,761.37
Group 2: Other	8,942,749,983.62	95.49			8,942,749,983.62
Other receivables that are not individually significant but for which individual bad debt provision is made					

Total	9,364,968,665.36	100.00	51,150,920.37	0.55	9,313,817,744.99
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Continued

Categories	Opening balance				
	Book balance		Bad debt provision		Book value
	Amount	Percentage (%)	Amount	Provision ratio (%)	
Other receivables with individually significant amounts and subject to separate provision					
Other receivables for which bad debt provision is made by the group of credit risk characteristics	9,463,741,267.95	100.00	70,315,754.07	0.74	9,393,425,513.88
Group 1: Ageing	682,497,597.36	7.21	70,315,754.07	10.30	612,181,843.29



analysis					
Group 2: Other	8,781,243,670.59	92.79			8,781,243,670.59
Other receivables that are not individually significant but for which individual bad debt provision is made					
Total	9,463,741,267.95	100.00	70,315,754.07	0.74	9,393,425,513.88

A. (3) Group 1, other receivables for which provision for bad debts is made under the ageing analysis method

Account age	Closing balance			Opening balance		
	Book balance	Bad debt provision	Provision ratio (%)	Book balance	Bad debt provision	Total proportion (%)
Less than 1 year	201,931,603.58			397,860,656.67		

1 to 2 years	44,004,328.24	2,200,216.41	5.00	26,193,339.46	1,309,666.97	5.00
2-3 years	19,670,605.11	1,967,060.51	10.00	42,634,966.34	4,263,496.63	10.00
More than 3 years	156,612,144.8 1	46,983,643.4 5	30.00	215,808,634.8 9	64,742,590.4 7	30.00
Total	422,218,681.7 4	51,150,920.3 7	10.89	682,497,597.3 6	70,315,754.0 7	10.30

B. Other group

Group Name	Closing balance			Opening balance		
	Other receivables	Bad debt provision	Provision ratio (%)	Other receivables	Bad debt provision	Provision ratio (%)
Transaction with governments	2,160,249,033.32			2,669,288,040.75		
Transactions with related parties	6,514,095,381.47			5,786,248,647.73		
Security deposit and	268,405,568.83			325,706,982.11		

guarantee						
Total	8,942,749,983.62			8,781,243,670.59		

② Actual write-off of other receivables during the period

There were actually no other receivables written off during the period.

④ Top five other receivables balances at the end of the period grouped by defaulting party

Entity name	Nature of amount	Closing balance	Account age	Percentage of other receivables to total closing balance (%)	Closing balance of bad debt provision
Taixing Hongqiao Industrial Park Management Committee	Current accounts	2,127,048,932.71	Within 1 year / 1-2 years / 2-3 years / 3-4 years	22.71	
Taixing Shuangyue Investment Co., Ltd.	Current accounts	1,462,787,516.37	Less than 1 year	15.62	
Jiangsu Hongyue Civil Work Co., Ltd.	Current accounts	917,508,778.12	Within 1 year / 4-5 years	9.80	
Taixing Hongqiao Industry Investment Development	Current accounts	886,269,217.59	Less than 1 year	9.46	

Co., Ltd.					
Taixing Changjiang New Countryside Development Co., Ltd.	Current accounts	708,412,542.07	Within one year/ 1 to 2 years	7.56	

Entity name	Nature of amount	Closing balance	Account age	Percentage of other receivables to total closing balance (%)	Closing balance of bad debt provision
Total		6,102,026,986.86		65.15	

④ and receivables in relation to government subsidies

As at 31 December, 2020, the Company had no government subsidy-related receivables.

⑥ Other receivables derecognised due to transfer of financial assets

As at 31 December 2020, the Company had no other receivables derecognised as a result of the transfer of financial assets.

⑥ Amount of assets or liabilities developed as Other receivables have been transferred but the involvement continues

None

**6. Inventories and provision for write-down of inventories**

(1) Inventories by Category:

Item	Closing balance		
	Book balance	Provisions for write-down	Book value
Development costs [Note]	8,457,263,635.05		8,457,263,635.05
Total	8,457,263,635.05		8,457,263,635.05

Continued

Item	Opening balance		
	Book balance	Provisions for write-down	Book value
Development costs	7,227,094,628.41		7,227,094,628.41
Total	7,227,094,628.41		7,227,094,628.41

Notes: As at 31 December 2020, the book value of development costs is RMB 835,013,740.22 yuan. And a charge has been created on land use rights.

## 7. Other current assets

The breakdown other current assets is shown below:

Item	Closing balance	Opening balance
Wealth management products (Note)	300,000,000.00	201,100,000.00
Prepaid tax	73,920,392.78	58,740,914.51
Total	373,920,392.78	259,840,914.51

Notes: The structured deposits of RMB50,000,000.00 from wealth management products were pledged and restricted at the end of the period.

## 8. Available-for-sale financial assets

(1) Information on available-for-sale financial assets

Item	Closing balance			Opening balance		
	Book balance	Provision for	Book value	Book balance	Provision for	Book value

		impairme nt			impairme nt	
Available-for-s	29,932,515.		29,932,515.	18,082,515.		18,082,515.
ale equity tools	00		00	00		00

Item	Closing balance			Opening balance		
Where:						
Measured at cost	29,932,515.00		29,932,515.00	18,082,515.00		18,082,515.00
Total	29,932,515.00		29,932,515.00	18,082,515.00		18,082,515.00

(2) Details of available-for-sale financial assets

Investee	Book balance			
	Opening balance	Increase during the period	Decrease during the period	Closing balance
Jiangsu Wochen Housing Industry Co., Ltd.	18,082,515.00	11,850,000.00		29,932,515.00
Taixing Yuxing Port Services Co., Ltd. (Note)				
Total	18,082,515.00	11,850,000.00		29,932,515.00

Continued:

Investee	Provision for impairment				Ratio of ownership in the investee (%)	Cash dividends this year
	Opening balance	Increase during the period	Decrease during the period	Closing balance		



Jiangsu Wochan Housing Industry Co., Ltd.					15.00	
Taixing Yuxing Port Services Co., Ltd.					2.00	
Total						

Notes: The Company invested in Taixing Yuxing Port Services Co., Ltd with a 2.00% shareholding ratio, and had not make any capital contribution as at 31 December 2020.

### 9. Long-term equity investments

The breakdown of long term equity investments is shown below:

Item	Closing balance	Opening balance
Long-term equity investments	500,000,000.00	500,000,000.00
Where: Investments in associates	500,000,000.00	500,000,000.00
Less: Provision for impairment		
Total	500,000,000.00	500,000,000.00

(1) The breakdown of investments in associates is shown below:

Investee name	Percentage of investment (%)	Closing balance	Opening balance
Taixing Port Group Co., Ltd.	35.06	500,000,000.00	500,000,000.00
Total		500,000,000.00	500,000,000.00

Notes: Taixing Port Group Co., Ltd. (hereinafter referred to as the Port Company) is effectively controlled by the Taixing Municipal State-owned Assets Management Office. The

Company has not appointed any member to the Board of Directors or Supervisory Board and has no operating and decision-making power over the Port Company and is not entitled to the operating income of the Port Company.

#### **10. Fixed assets**

Item	Closing balance	Opening balance
Fixed assets	135,250,453.48	744,320.18
Disposal of fixed assets		
Total	135,250,453.48	744,320.18

① Information on fixed assets

Item	Buildings and constructions	Transport equipment	Electronic and office equipment	Other	Total
Original value of fixed assets					
Opening balance		1,861,878.32	2,265,648.87	53,000.00	4,180,527.19
Increase during the period	134,532,254.00	51,300.00	97,976.00		134,681,530.00
(1) Procurement	134,532,254.00	51,300.00	97,976.00		134,681,530.00
Decrease during the period					
(1) Decommissioning or disposal					
(2) Decrease due to business					

combinations					
Closing balance	134,532,254.00	1,913,178.32	2,363,624.87	53,000.00	138,862,057.19
Depreciation of Fixed assets					
Opening balance		1,366,837.86	2,041,571.75	27,797.40	3,436,207.01
Increase during the period		135,339.38	33,763.57	6,293.75	175,396.70
(1) Provision		135,339.38	33,763.57	6,293.75	175,396.70
Decrease during the period					
(1) Decommissioning or disposal					
(2) Decrease due to business combinations					
Closing balance		1,502,177.24	2,075,335.32	34,091.15	3,611,603.71
Provision for impairment of fixed assets					
Opening balance					

Increase during the period					
Decrease during the period					
Closing balance					
Net value of fixed assets					
Opening balance		495,040.46	224,077.12	25,202.60	744,320.18
Closing balance	134,532,254.00	411,001.08	288,289.55	18,908.85	135,250,453.48

② Information on fixed assets temporarily idle

As at 31 December, 2020, the Company had no temporarily idle fixed assets.

③ Information on fixed assets leased-in through finance leases

As at 31 December, 2020, the Company had no fixed assets leased in through finance leases.

④ Fixed assets leased out through operating leases

As of 31 December, 2020, the Company had no fixed assets leased out through operating leases.

⑤ Information on fixed assets without certificates of title

As at 31 December 2020, the Company had buildings with book value of RMB 51,791,628.00 for which certificates of title had not been issued

⑥ Information on charge on fixed assets

As at 31 December, 2020, the Company had no charges on fixed assets.

**11. Long-term deferred expenses**

Item	Opening balance	Amount increased during the period	Amortisation for the period	Other decreases	Closing balance
Assets under Bankruptcy Liquidation from Jiangsu Zhongxu Shipbuilding and Heavy Industry Co., Ltd.		50,000,000.00	3,125,000.00		46,875,000.00
Total		50,000,000.00	3,125,000.00		46,875,000.00

In this period, the company leased out the assets of Jiangsu Zhongxu Shipbuilding Industry Co., Ltd. under bankruptcy liquidation, and amortize it for the remaining useful life of the land held.

## 12. Deferred income tax assets

(1) The breakdown of deferred income tax assets is shown below:

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for asset impairment	49,611,807.41	12,402,951.85	69,612,822.60	17,403,205.65
Total	49,611,807.41	12,402,951.85	69,612,822.60	17,403,205.65

(2) The breakdown of unrecognised deferred income tax assets is shown below:

Item	Closing balance	Opening balance
Bad debt provision	1,543,612.96	702,931.47
Total	1,543,612.96	702,931.47

## 13. Other non-current assets

The breakdown of other non-current assets is shown below:

Item	Closing balance	Opening balance
Assets under Bankruptcy Liquidation from Jiangsu Zhongxu		50,000,000.00

Shipbuilding and Heavy Industry Co., Ltd.		
Total		50,000,000.00

#### 14. Short-term borrowings

(1) The breakdown of short-term borrowings is shown below:

Type of borrowings	Closing balance	Opening balance
Credit loan		88,000,000.00
Guaranteed loan	533,000,000.00	461,820,000.00
Pledged loan	58,350,000.00	78,750,000.00
Guarantee + Pledge borrowings	569,000,000.00	100,000.00



Type of borrowings	Closing balance	Opening balance
Total	1,160,350,000.00	628,670,000.00

(2) Information on overdue and outstanding short-term borrowings

As at 31 December 2020, the Company had no short-term borrowings that were past due and outstanding.

**15. Notes payable**

(1) Notes payable

Item	Closing balance	Opening balance
Bank's acceptance bill	993,000,000.00	650,001,000.00
Commercial acceptance bill	620,000,000.00	400,000,000.00
Letter of Credit	190,000,000.00	40,000,000.00
Total	1,803,000,000.00	1,090,001,000.00

As of 31 December, 2020, the Company had no outstanding notes payable that were due and payable.

**16. Accounts Payable**

(1) Accounts Payable

① Accounts payable breakdown

Item	Closing balance		Opening balance	
	Amount	Proportion of total amount (%)	Amount	Proportion of total amount (%)

Construction payables	177,794,559.98	80.52	164,752,184.99	28.82
Trade payables	63,858.37	0.03	406,985,075.91	71.18
Long-term assets related payables	42,949,251.00	19.45		
Total	220,807,669.35	100.00	571,737,260.90	100.00

②significant accounts payable aged over one year

Entity name	Amount	Reasons for non-repayment or carry-forward
Jiangsu No. 1 Construction and Installation Co., Ltd.	87,116,700.00	No settlement for works
Taixing Fuli Construction & Installation Co., Ltd.	6,858,934.28	No settlement for works
Taixing Xinxing Construction Engineering Co., Ltd.	3,734,355.29	No settlement for works
Taixing Shenlian Environmental Protection Technology Co., Ltd.	3,385,960.00	No settlement for works
Jiangsu Daoyuan Civil Works Co., Ltd.	2,397,876.59	No settlement for works
Total	103,493,826.16	

**17. Advance receipts**

(1) The breakdown of the Advance receipts is shown below:

Item	Closing balance		Opening balance	
	Amount	Proportion of total amount (%)	Amount	Proportion of total amount (%)
Advance payment for housing	306,840,239.68	99.33	267,206,093.39	91.76
Advance payment for lease	2,083,333.33	0.67		
Advance payment for construction projects			24,000,000.00	8.24
<b>Total</b>	<b>308,923,573.01</b>	<b>100.00</b>	<b>291,206,093.39</b>	<b>100.00</b>

(2) Significant Advance receipts aged over 1 year:

Entity name	Amount	Reasons for non-repayment or carry-forward
Advance payment for housing from relocated households	136,849,590.55	Amount not delivered for settlement
Total	136,849,590.55	

**18. Employee benefits payable**

(1) Employee benefits payable breakdown

Item	Opening balance	Increment during the year	Decrease during the year	Closing balance
Short-term remuneration		2,416,074.23	2,416,074.23	
Post-employment benefits - defined contribution plan		39,872.62	39,872.62	
Total		2,455,946.85	2,455,946.85	

(2) Short-term remuneration

Item	Opening balance	Increment during the year	Decrease during the year	Closing balance
Wages, bonuses,		2,331,665.94	2,331,665.94	

allowances and subsidies				
Social insurance premiums		84,408.29	84,408.29	
Where: Medical insurance premiums		83,342.11	83,342.11	
Worker's compensation insurance premiums		1,066.18	1,066.18	
Total		2,416,074.23	2,416,074.23	

(3) Defined contribution plan

Item	Opening balance	Increment during the year	Decrease during the year	Closing balance
Basic pension insurance		38,920.64	38,920.64	
Unemployment insurance premiums		951.98	951.98	
Total		39,872.62	39,872.62	

**19. Taxes and rate payable**

The breakdown of tax payable is shown below:

Item	Closing balance	Opening balance
VAT	247,961.54	3,030,906.15
Urban maintenance and construction tax	17,357.31	

Education surcharge	12,398.08	
Land use tax	30,242.93	4,757.16
Enterprise income tax	112,872,953.40	100,315,407.31
Personal income tax	1,419.41	1,453.93
Stamp duty	505,600.83	114,793.42
Total	113,687,933.50	103,467,317.97

## 20. Other payables

Item	Closing balance	Opening balance
Other payables	1,666,580,774.51	891,609,710.90
Interest payable	59,824,302.81	63,618,447.81
Dividend payable		
Total	1,726,405,077.32	955,228,158.71

### (1) Other payables

#### ① Other payables by nature of amount

Entity name	Closing balance	Opening balance
Current accounts	1,424,920,366.82	170,267,861.28
Security deposit and guarantee	170,471,425.13	61,650,470.26
Withholding amount	7,788,557.89	1,691,379.36
Provisional borrowings	63,400,424.67	658,000,000.00
Total	1,666,580,774.51	891,609,710.90

#### ② Other significant payables aged over one year

Item	Closing balance	Reasons for non-repayment or carry-forward
Jiangsu Senxuan Pharmaceutical Co., Ltd.	44,000,000.00	Current accounts
Taixing Jingang Chemical Co., Ltd.	15,519,800.00	Current accounts
Taixing Tianxingzhou Development and	14,700,000.00	Current accounts

Investment Co., Ltd.		
Jiangxi Huaxing Industrial Co., Ltd.	10,000,000.00	Current accounts
Jiangsu Fangtai Microfiber Leather Co., Ltd.	8,148,571.02	Current accounts
Total	92,368,371.02	

(2) Interest payable

Item	Closing balance	Opening balance
Interest on long-term loans payable in instalments and principal repayments		3,967,613.15
Corporate bond interest	41,194,154.22	32,486,074.52
Interest on finance leases with interest and capital repayments in instalments	18,630,148.59	27,164,760.14
Total	59,824,302.81	63,618,447.81

**21. Non-current liabilities due within one year**

The breakdown of non-current liabilities due within one year is shown below:

Item	Closing balance	Opening balance
Long-term borrowings due within one year	2,722,028,017.31	885,131,681.09
Long-term payables due within one year	847,987,677.86	1,117,842,395.76
Bonds payables due within one year	699,023,311.44	340,740,000.00





Item	Closing balance	Opening balance
Total	4,269,039,006.61	2,343,714,076.85

## 22. Long-term borrowings

Long-term borrowings by type

Type of borrowings	Closing balance	Opening balance
Credit loan	24,000,000.00	
Guaranteed loan	3,956,110,000.00	3,073,040,000.00
Pledged loan	600,000,000.00	248,700,000.00
Guaranteed + Mortgage Loan	491,290,000.00	1,108,700,000.00
Guarantee + Pledge borrowings	757,438,017.31	570,269,698.40
Guaranteed + Mortgage + Pledged Borrowings	110,000,000.00	800,000,000.00
Less: Long-term borrowings due within one year	2,722,028,017.31	885,131,681.09
Total	3,216,810,000.00	4,915,578,017.31

## 23. Bonds payable

(1) The breakdown of bonds payable is shown below:

Item	Closing balance	Opening balance
Original principal value of bonds payable	2,626,158,757.08	2,855,135,000.00

Where: 1. Taixing Hongqiao		
Bonds 2015 - Principal	240,000,000.00	360,000,000.00
2. Bank of Nanjing - Taixing		
Sub-branch - Principal	300,000,000.00	300,000,000.00
3. Bank of Jiangsu Taixing		
Sub-branch	200,000,000.00	200,000,000.00
4. Bank of Nanjing		
medium-term notes	200,000,000.00	
5. Guojin Securities( Taixing		
01 2020 )	100,000,000.00	
6. Guojin Securities( Taixing	500,000,000.00	
02 2020 )		
7. Privately placed financing		
instruments	1,086,158,757.08	1,995,135,000.00
Plus: Interest adjustment		
using effective interest		
method	-11,875,078.50	-34,350,378.71
Less: Bonds payables due		
within one year	699,023,311.44	340,740,000.00
Total	1,915,260,367.14	2,480,044,621.29

(2) Increase/decrease in bonds payable:

Name of bonds	Total nominal value of bonds	Issue date	Bond period	Opening balance	Interest adjustment
1. Taixing Hongqiao Bonds 2015 - Principal	600,000,000.00	29 October, 2015	7 years	237,801,031.30	1,237,322.55
2. Bank of Nanjing - Taixing Sub-branch	300,000,000.00	20 March, 2019	3 years	298,875,000.00	-334,722.40
3. Bank of Jiangsu Taixing Sub-branch	200,000,000.00	29 March, 2019	2 years	199,625,000.00	219,554.41
4. Bank of Nanjing medium-term notes	200,000,000.00	29 June, 2020	3 years		-1,854,177.12
5. Guojin Securities ( Taixing 01 2020 )	100,000,000.00	23 October, 2020	2 years		-908,921.03
6. Guojin Securities ( Taixing 02 2020 )	500,000,000.00	20 Eleven, 2020	2 years		-3,287,159.54

Name of bonds	Total nominal value of bonds	Issue date	Bond period	Opening balance	Interest adjustment
7. Privately placed financing instruments	1,086,158,757.08		1/2/3/5 years	1,743,743,589.99	-17,962,549.82
Total	2,986,158,757.08			2,480,044,621.29	-22,890,652.95

(Continued)

Name of bonds	Bond period	Current issue	Repayment this year	Reduction/changes in scope of combination	Less: Non-current liabilities due within one year	Closing balance
1. Taixing Hongqiao Bonds 2015 - Principal	7 years				120,000,000.00	119,038,353.85
2. Bank of Nanjing - Taixing Sub-branch	3 years					298,540,277.60

h						
3. Bank of Jiangsu Taixing Sub-branc h	2 years				199,844,554 .41	-0.00
4. Bank of Nanjing medium-te rm notes	3 years	200,000,000. 00				198,145,822. 88
5. Guojin Securities ( Taixing 01 2020 )	2 years	100,000,000. 00				99,091,078.9 7
6. Guojin Securities ( Taixing 02 2020 )	2 years	500,000,000. 00				496,712,840. 46
7. Privately placed financing	1/2/3/ 5 years	1,501,313,75 7.08	28,720,000 .00	2,115,464,046. 84	379,178,757 .03	703,731,993. 38

instrument						
s						
Total		2,301,313,75	28,720,000	2,115,464,046.	699,023,311	1,915,260,36
		7.08	.00	84	.44	7.14

#### 24. Long-term payables

The breakdown of long-term payables is shown below:

Item	Closing balance	Opening balance
Obligations under finance leases	1,969,252,164.87	2,449,944,875.30
Less: Obligations under finance leases due within one year	847,987,677.86	1,117,842,395.76
Total	1,121,264,487.01	1,332,102,479.54

#### 25. Paid-in capital

The breakdown of paid-in capital is shown below:

Investor Name	Opening balance		Increment during the year	Decrease during the year	Closing balance	
	Amount invested	Shareholding (%)			Amount invested	Shareholding (%)
Taixing Zhongxin Investme	2,000,000,000.	100.00	500,000,000.		2,500,000,000.	100.00

nt Group						
Co., Ltd.						
Total	2,000,000,000. 00	100.00	500,000,000. 00		2,500,000,000. 00	100.00

## 26. Capital reserves

The breakdown of the capital reserve is shown below:

Item	Opening balance	Increment during the year	Decrease during the year	Closing balance
Other capital reserve	3,131,694,637.88	19,341,570.25	148,181,200.00	3,002,855,008.13
Total	3,131,694,637.88	19,341,570.25	148,181,200.00	3,002,855,008.13

Notes: 1. According to the equity transfer agreement entered between Taixing Hongqiao Rural Collective Asset Management Committee and the Company, Taixing Hongqiao Rural Collective Asset Management Committee transferred the 10% equity of Taixing Hongqiao New Rural Construction Co., Ltd. to the company at nil consideration. Such 10% net assets increased the capital reserve by RMB 19,341,570.25.



Notes: 2. According to the document "Notice on Transfer of Land Plots coded Tai Guo Yong (2013) 0007": due to the integration of the optimized assets of the whole region, the plots of land held by the Company, which is coded Tai Guo Yong (2011) 0007, have been transferred at nil consideration, with the book value of the land of RMB148,181,200.00 offset in the capital reserves.

## 27. Surplus reserves

The breakdown of the surplus reserves is shown below:

Item	Opening balance	Increment during the year	Decrease during the year	Closing balance
Statutory surplus reserve	142,433,012.70	4,383,983.53		146,816,996.23
Total	142,433,012.70	4,383,983.53		146,816,996.23

## 28. Retained profits

The breakdown of retained profits is shown below:

Item	Current Period	Previous Period
Retained profits at the end of the previous year before adjustment	1,253,029,174.72	1,117,883,307.74
Total retained profits at the beginning of the adjustment period (increase +, decrease -)		
Retained profits at the beginning of the period after adjustment	1,253,029,174.72	1,117,883,307.74

Increase during the period	210,412,488.51	151,283,534.81
Where: Inbound net profit attributable to the owners of parent company for the period	210,412,488.51	151,283,534.81
Decrease during the period	4,383,983.53	16,137,667.83
Where: Appropriation to surplus reserves for the period	4,383,983.53	16,137,667.83
Appropriation to general reserves for the period		
Cash dividends distributed for the period		
Capital Increase		
Other decreases		
Closing Balance of the period	1,459,057,679.70	1,253,029,174.72

## 29. Operating revenue and cost

(1) Operating income and costs comprise:

Item	Current Period		Previous Period	
	Revenue	Cost	Income	Cost
Main businesses	1,698,474,220.54	1,604,607,677.63	1,272,167,749.17	1,188,949,048.60
Other businesses	3,618,117.74	1,822,916.67	621,341.50	
Total	1,702,092,338.28	1,606,430,594.30	1,272,789,090.67	1,188,949,048.60

(2) Business Category Breakdown:

Product Name	Current Period		Previous Period	
	Revenue	Cost	Income	Cost
I. Main businesses	1,698,474,220.54	1,604,607,677.63	1,272,167,749.17	1,188,949,048.60

Product Name	Current Period		Previous Period	
	Revenue	Cost	Income	Cost
Where: Project Construction	296,168,492.66	246,807,077.22	253,329,070.07	211,107,558.39
Resettlement Housing Development	185,294,416.39	154,412,013.66	222,208,060.44	185,173,383.70
Sale of Supplies	1,213,743,857.14	1,200,887,264.75	796,630,618.66	792,668,106.51
Income from Waste Water Treatment	2,983,473.77	2,501,322.00		
Income from guarantee fees	283,980.58			
II. Other businesses	3,618,117.74	1,822,916.67	621,341.50	
Where: Property and Lease	3,618,117.74	1,822,916.67	621,341.50	
<b>Total</b>	<b>1,702,092,338.28</b>	<b>1,606,430,594.30</b>	<b>1,272,789,090.67</b>	<b>1,188,949,048.60</b>

**30. Tax and Surcharges**

Item	Current Period	Previous Period
Urban maintenance and construction tax	17,357.31	1,744,037.42
Education surcharge	12,398.08	1,268,500.28
Stamp duty	771,216.23	198,293.56
Land use tax	309,887.72	4,117,274.12
Other taxes	1,022.00	115,572.80
Total	1,111,881.34	7,443,678.18

### 31. Finance Costs

The breakdown of finance costs is shown below:

Item	Current Period	Previous Period
Interest expense	17,529,018.25	5,757,422.39
Less: Interest income	10,170,981.94	13,119,950.42
Fund-raising related expenses	3,171,447.00	
Other	798,190.72	1,294,095.36
Total	11,327,674.03	-6,068,432.67

Notes: Other finance costs mainly include handling fees and discounts on bills.

### 32. Other gains

The breakdown of other gains is shown below:

Item	Current Period	Previous Period
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Fiscal subsidies for resettlement housing and project construction	188,134,870.51	110,067,347.00
Total	188,134,870.51	110,067,347.00

### 33. Investment income

The breakdown of investment income is shown below:

Item	Current Period	Previous Period
Gain on disposal of long term equity investments		-744,337.58
Investment income from the purchase of wealth management products	7,523,433.80	3,800,013.98
Total	7,523,433.80	3,055,676.40

### 34. Asset impairment losses

A breakdown of the asset impairment loss is shown below:

Item	Current Period	Previous Period
Bad debt provision	7,923,632.29	-5,358,031.18
Total	7,923,632.29	-5,358,031.18

### 35. Gains on Disposal of Assets

The breakdown of the gain on disposal of assets is shown below:

Item	Current Period	Previous Period
Total gain on disposal of non-current assets		-5,257.03
Where: Gains on Disposal of Fixed Assets		-5,257.03

Total		-5,257.03
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### 36. Non-operating expenses

The breakdown of non-operating expenses is shown below:

Item	Current Period	Previous Period
Late payment	237,520.82	2,762,031.28
Fines	1,200,000.00	3,800,000.00
Donation expenses		200,000.00
Total	1,437,520.82	6,762,031.28

### 37. Income tax expenses

The breakdown of income tax expense is shown below:

Item	Current Period	Previous Period
Current income tax expenses	13,257,967.69	19,614,422.33
Deferred income tax expenses	2,191,078.45	-1,237,131.18
Total	15,449,046.14	18,377,291.15

### 38. Items in cash flow statement

(1) Other cash received relating to operating activities

Item	Current Period	Previous Period
Current accounts	2,929,608,078.88	1,283,476,453.26
Interest income	10,170,981.94	13,119,950.42



Government subsidies	188,134,871.51	110,067,347.00
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Item	Current Period	Previous Period
Total	3,127,913,932.33	1,406,663,750.68

(2) Other cash payments relating to operating activities

Item	Current Period	Previous Period
Current accounts	4,453,780,234.75	3,701,457,421.80
Cash payment expenses	55,572,125.38	11,199,913.10
Handling fee expenses	798,190.72	1,294,095.36
Fine expenses	1,437,520.82	6,562,031.28
Total	4,511,588,071.67	3,720,513,461.54

(3) Cash paid relating to other investing activities

Item	Current Period	Previous Period
Cash and cash equivalents of subsidiaries disposed of	476,158,370.39	14,454,170.11
Total	476,158,370.39	14,454,170.11

(4) Cash received from other financing activities

Item	Current Period	Previous Period
Cash received from inter-business borrowings	200,000,000.00	806,000,000.00
Raised funds received from finance lease	1,070,000,000.05	539,000,000.00
Refund of finance deposit received and maturity of	1,156,001,000.00	720,620,000.00

term deposits		
Total	2,426,001,000.05	2,065,620,000.00

(5) Cash paid for other financing activities

Item	Current Period	Previous Period
Cash paid for repayment of inter-company borrowings	401,638,593.38	652,135,000.00
Debt servicing on finance leases	1,220,822,530.78	1,398,269,974.71
Handling fees paid on finance deposit and others	1,208,171,448.00	1,117,940,700.00
Underwriting fees paid for bond financing	39,020,000.00	52,161,795.00
Total	2,869,652,572.16	3,220,507,469.71

**39. Notes to Cash flow statement**

(1) The breakdown of the notes to the cash flow statement is shown below:

Item	Current Period	Previous Period
Net profit	210,412,005.99	151,231,050.25
Plus: Provision for asset impairment (reversal indicated by a "-")	-7,923,632.29	5,358,031.18
Depreciation of Fixed assets	175,396.70	255,878.61
Intangible asset amortization		
Amortization of long-term deferred expenses	3,125,000.00	
Loss on disposal of fixed assets,		5,257.03

intangible assets and other long-term assets		
Loss on retirement of fixed assets		

Item	Current Period	Previous Period
Loss on changes in fair value		
Financial expenses	20,700,465.25	5,757,418.39
Investment losses (with gains denoted by a "-")	-7,523,433.80	-3,055,676.40
Decrease in deferred income tax assets	2,191,078.45	-1,237,131.18
Increase in deferred income tax liabilities		
Decrease in inventories (with increase denoted by a "-")	-294,952,046.33	61,934,539.87
Decrease in operating receivables (with increase denoted by a "-")	-4,083,011,377.22	-3,166,540,867.22
Increase in operating payables	2,520,532,714.64	377,392,313.31
Other		
Net cash flows from operating activities	-1,636,273,828.61	-2,568,899,186.16
Item		
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Fixed assets leased-in under Finance		

Lease		
Item		
Closing cash balance	1,039,255,554.55	1,008,740,498.93
Less: Opening cash balance	1,008,740,498.93	601,334,939.61
Plus: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	30,515,055.62	407,405,559.32

(2) Components of cash and cash equivalents

Item	Current Period	Previous Period
I. Cash	1,039,255,554.55	1,008,740,498.93
Where: Cash on hand	81,558.67	71,676.63
Bank deposits readily available for payment	854,923,995.88	1,008,668,822.30
Other monetary funds readily available for payment	184,250,000.00	
II. Cash equivalents		
Where: Debt investments due within three months		
III. Closing balance of cash and cash equivalents	1,039,255,554.55	1,008,740,498.93

(3) Net cash received during the period from disposal of subsidiaries

There were no disposals of subsidiaries during the period.

**40. Assets with restricted ownership or right to use**

Item	Closing book value	Reasons for restrictions
Monetary Funds	1,205,000,001.00	Pledged Time Deposit and Bank Deposit
Inventories	835,013,740.22	Land, used as security for loans

Item	Closing book value	Reasons for restrictions
Other current assets	50,000,000.00	Pledged wealth management products
Total	2,090,013,741.22	

## IX. Commitments and Contingencies

### 1. Significant Commitments

#### (1) Capital Commitment

As at 31 December 2020, the Company had no asset commitments.

#### (2) Operating lease commitments

As at 31 December, 2020, the Company had no operating lease commitments.

#### (3) Unrecognised commitments in relation to investments in joint ventures

As at 31 December 2020, the Company had no unrecognised commitments in relation to its investments in joint ventures.

### 2. Contingencies

#### (1) Contingent liabilities arising from pending litigation and arbitration and their financial effects

As at 31 December 2020, there were no pending litigation and arbitration against the Company.

#### (2) Contingent liabilities arising from provision of guarantees for indebtedness to other entities and their financial effects (Unit: RMB 10,000)

Guaranteed Party	Guarantor	Lender	Start on	End on	Guaranteed amount
I. Within the Group					

Taixing Xinghong Township Construction and Comprehensive Development Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Everbright Xinglong Trust Co., Ltd.	2020-2-11	2021-2-11	46,900.00
Taixing Hongqiao Zhongjian Wastewater Treatment Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Guangzhou Yuexiu Financial Leasing Co., Ltd.	2018-10-19	2023-10-19	6,488.77
Taixing Hongqiao New Countryside Development Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Guangzhou Yuexiu Financial Leasing Co., Ltd.	2016-5-18	2021-5-18	1,684.58
Taixing Hongqiao New Countryside Development Co., Ltd.	Taixing Hongqiao Park Industrial	China Development Bank Co., Ltd. Jiangsu	2016-3-29	2028-3-28	7,080.00



	Development Co., Ltd.	Branch			
Taixing Hongqiao New Countryside Development Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	China Development Bank Co., Ltd. Jiangsu Branch	2016-6-30	2028^3-28	4,000.00
Taixing Hongqiao New Countryside Development Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Sinopharm Holdings (China) Financial Leasing Co., Ltd.	2020-11-19	2023-11-13	5,000.00
Taixing Hongqiao New Countryside Development Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Sinopharm Holdings (China) Financial Leasing Co., Ltd.	2020-11-19	2023-11-13	5,000.00
Taixing Hongqiao New Countryside	Taixing Hongqiao	Sinopharm Holdings	2020-11-19	2023-11-13	5,000.00

Development Co., Ltd.	Park Industrial Development Co., Ltd.	(China) Financial Leasing Co., Ltd.			
Taixing Hongqiao New Countryside Development Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Hang Feng Bank Co., Ltd. Yangzhou Branch	2020-11-27	2021-11-26	4,700.00
Taixing Hongyue Hydro Construction and Development Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Hang Feng Bank Co., Ltd. Yangzhou Branch	2020-11-27	2021-11-26	2,800.00
Taixing Hongqiao New Countryside Development Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	China Huarong Financial Leasing Co., Ltd	2016-8-19	2021-5-15	1,000.00

Taixing Hongqiao New Countryside Development Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	China Huarong Financial Leasing Co., Ltd	2016-8-19	2021-2-15	1,000.00
Taixing Hongqiao New Countryside Development Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	China Huarong Financial Leasing Co., Ltd	2016-8-19	2021-8-15	1,000.00

Taixing Hongqiao New Countryside Development Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Jiangnan Financial Leasing Co., Ltd	2020-5-7	2024-5-10	15,000.95
Taixing Hongqiao New Countryside Development Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Jiangnan Financial Leasing Co., Ltd	2017-8-16	2022-8-15	8,816.63
Taixing Hongqiao Zhongjian Wastewater Treatment Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Jiangsu Financial Leasing Co., Ltd.	2018-7-5	2023-7-4	3,000.00
Taixing Hongqiao New Countryside Development Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Jiangsu Taixing Rural Commercial Bank Co., Ltd.	2016-12-20	2024-12-7	3,530.00
Taixing Dingjifu Trade Co., Ltd.	Taixing Hongqiao	Jiangsu Taixing Rural	2020-9-16	2021-9-15	2,000.00

	Park Industrial Development Co., Ltd.	Commercial Bank Co., Ltd.			
Taixing Hongqiao Zhongjian Wastewater Treatment Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Jiangsu Wujiang Rural Commercial Bank Co., Ltd.	2020-11-25	2021-11-25	1,000.00
Taixing Hongqiao Zhongjian Wastewater Treatment Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Bank of Jiangsu Co., Ltd. Taizhou Branch	2019-1-4	2021-12-18	5,000.00
Taixing Hongyue Hydro Construction and Development Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Bank of Jiangsu Co., Ltd. Taizhou Branch	2020-12-22	2021-12-17	4,500.00
Taixing Dingjifu Trade Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Bank of Jiangsu Co., Ltd. Taizhou Branch	2020-4-23	2021-4-22	1,000.00

	Co., Ltd.				
Taixing Hongqiao Zhongjian Wastewater Treatment Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Bank of Communications Co., Ltd. Taizhou Branch	2020-5-19	2021-4-19	5,000.00
Taixing Xinghong Township Construction and Comprehensive Development Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Bank of Nanjing Co., Ltd. Taizhou Branch	2020-6-18	2021-6-17	6,000.00
Taixing Hongqiao New Countryside Development Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Bank of Nanjing Co., Ltd. Taizhou Branch	2020-8-28	2021-8-27	4,000.00
Taixing Hongqiao Zhongjian Wastewater Treatment Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Ping An Trust Co., Ltd.	2019-8-13	2021-8-13	39,800.00
Taixing Hongqiao	Taixing	Ping An Trust	2019-11-22	2021-8-13	20,000.00

Zhongjian Wastewater Treatment Co., Ltd.	Hongqiao Park Industrial Development Co., Ltd.	Co., Ltd.			
Taixing Hongqiao Zhongjian Wastewater Treatment Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Suyin Financial Leasing Co., Ltd	2018-4-18	2023-4-18	6,417.33
Taixing Hongqiao Zhongjian Wastewater Treatment Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Minmetals International Trust Co., Ltd.	2019-12-31	2021-12-31	20,000.00
Taixing Hongqiao New Countryside Development Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	China Construction Bank Corporation Taixing Sub-branch	2020-9-10	2027-11-30	18,700.00
Taixing Hongqiao New Countryside	Taixing Hongqiao	China Construction	2020-9-10	2027-11-30	3,800.00

Development Co., Ltd.	Park Industrial Development Co., Ltd.	Bank Corporation Taixing Sub-branch			
Taixing Hongqiao New Countryside Development Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	China Construction Bank Corporation Taixing Sub-branch	2020-6-19	2027-6-30	18,500.00
Taixing Hongqiao New Countryside Development Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	China Minsheng Banking Co., Ltd. Taizhou Branch	2020-12-1	2028-6-3	2,000.00
Taixing Hongqiao New Countryside Development Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	China Minsheng Banking Co., Ltd. Taizhou Branch	2020-6-3	2028-6-3	1,000.00
Taixing Hongqiao New Countryside	Taixing Hongqiao	Agricultural Development	2017-1-20	2024-9-6	8,000.00



Development Co., Ltd.	Park Industrial Development Co., Ltd.	Bank of China Taixing Sub-branch			
Taixing Hongqiao New Countryside Development Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Agricultural Development Bank of China Taixing Sub-branch	2017-1-12	2024-9-6	7,000.00
Taixing Hongqiao New Countryside Development Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Agricultural Development Bank of China Taixing Sub-branch	2017-2-9	2024-9-6	6,000.00
Taixing Hongqiao New Countryside Development Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Agricultural Development Bank of China Taixing Sub-branch	2017-4-27	2024-9-6	5,900.00
Taixing Hongqiao New Countryside Development Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Agricultural Development Bank of China Taixing	2017-1-24	2024-9-6	1,800.00

	Co., Ltd.	Sub-branch			
Taixing Hongqiao New Countryside Development Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Agricultural Development Bank of China Taixing Sub-branch	2017-2-14	2024-9-6	1,300.00

Taixing Hongqiao New Countryside Development Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Agricultural Bank of China	2017-1-3	2028-12-7	10,590.00
Taixing Hongqiao New Countryside Development Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Agricultural Bank of China	2016-12-13	2028-12-7	3,530.00
Taixing Dingjifu Trade Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	China Postal Savings Bank Co., Ltd. Taixing Branch	2020-12-30	2021-12-29	1,800.00
Taixing Xinghong Township Construction and Comprehensive	Taixing Hongqiao Park Industrial	China CITIC Bank Co., Ltd. Taixing Sub-branch	2018-10-26	2021-7-24	4,750.00

Development Co., Ltd.	Development Co., Ltd.				
Taixing Xinghong Township Construction and Comprehensive Development Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	China CITIC Bank Co., Ltd. Taixing Sub-branch	2018-4-28	2021-4-28	4,300.00
Taixing Xinghong Township Construction and Comprehensive Development Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	China CITIC Bank Co., Ltd. Taixing Sub-branch	2018-9-6	2021-7-24	4,250.00
Taixing Xinghong Township Construction and Comprehensive Development Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	China CITIC Bank Co., Ltd. Taixing Sub-branch	2018-7-31	2021-7-24	2,750.00
Taixing Xinghong Township	Taixing Hongqiao	China CITIC Bank Co., Ltd.	2018-7-27	2021-7-24	750.00

Construction and Comprehensive Development Co., Ltd.	Park Industrial Development Co., Ltd.	Taixing Sub-branch			
Taixing Xinghong Township Construction and Comprehensive Development Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	China CITIC Bank Co., Ltd. Taixing Sub-branch	2018-8-23	2021-2-23	750.00
Taixing Xinghong Township Construction and Comprehensive Development Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	China CITIC Bank Co., Ltd. Taixing Sub-branch	2018-8-22	2021-7-24	650.00
Taixing Hongqiao Zhongjian Wastewater Treatment Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Suzhou Rural Commercial Bank	2020.9.30	2021.9.29	1,000.00

Taixing Hongqiao Zhongjian Wastewater Treatment Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Yueke Lease	2018.6.12	2023.4.18	9,293.98
Taixing Hongqiao Zhongjian Wastewater Treatment Co., Ltd.	Taixing Hongqiao New Countryside Development Co., Ltd.	Chongqing Biyu Leasing	2018.7.20	2023.7.20	5,311.87
Taixing Hongqiao Zhongjian Wastewater Treatment Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Suzhou Trust Co., Ltd	2019-3-8	2021-6-8	17,931.00
Taixing Hongqiao Zhongjian Wastewater Treatment Co., Ltd.	Taixing Hongqiao Park Industrial	Suzhou Trust Co., Ltd	2019-4-29	2021-7-29	16,254.00

	Development Co., Ltd.				
Taixing Hongqiao Zhongjian Wastewater Treatment Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Suzhou Trust Co., Ltd	2019-4-17	2021-7-17	11,450.00
Taixing Xinghong Township Construction and Comprehensive Development Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Suzhou Trust Co., Ltd	2019-6-19	2022-9-19	9,894.00
Taixing Hongqiao Zhongjian Wastewater Treatment Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Suzhou Trust Co., Ltd	2019-6-19	2021-6-19	9,850.00
Taixing Hongqiao Zhongjian Wastewater	Taixing Hongqiao	Suzhou Trust Co., Ltd	2019-7-17	2021-7-17	8,192.00

Treatment Co., Ltd.	Park Industrial Development Co., Ltd.				
Taixing Hongqiao Zhongjian Wastewater Treatment Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Suzhou Trust Co., Ltd	2019-7-26	2021-7-26	1,885.00
Intra-group guarantee - Subtotal					435,900.11
II. Outside the Group					
Jiangsu Hongqiao Port Development Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Everbright Fortune International Leasing Co., Ltd.	2020-10-12	2023-10-12	5,000.00
Jiangsu Hongqiao Port Development Co., Ltd.	Taixing Hongqiao Park	Guiyang Guiyin Financial Leasing Co.,	2020-9-22	2023-9-22	9,056.90



	Industrial Development Co., Ltd.	Ltd.			
Jiangsu Yuanfeng Civil Works Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Hengfeng Bank Co., Ltd. Yangzhou Sub-branch	2020-1-19	2021-1-18	4,000.00
Taixing Hongqiao Ecological Park Construction and Development Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Hengfeng Bank Co., Ltd. Yangzhou Sub-branch	2020-1-16	2021-1-15	2,700.00
Jiangsu Jiangtian Agricultural Technology Development Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Hengfeng Bank Co., Ltd. Yangzhou Sub-branch	2020-12-31	2021-12-2	9,800.00

Taixing Chuangyuan Construction Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Hunan Caixin Trust Co., Ltd.	2019-7-1	2021-7-1	4,420.00
Taixing Chuangyuan Construction Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Hunan Caixin Trust Co., Ltd.	2019-6-3	2021-6-3	3,080.00
Taixing Chuangyuan Construction Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Hunan Caixin Trust Co., Ltd.	2019-4-26	2021-4-26	3,020.00
Taixing Chuangyuan Construction Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Hunan Caixin Trust Co., Ltd.	2019-6-14	2021-6-14	2,570.00
Taixing Chuangyuan Construction Co., Ltd.	Taixing Hongqiao	Hunan Caixin Trust Co., Ltd.	2019-5-17	2021-5-17	2,490.00

	Park Industrial Development Co., Ltd.				
Taixing Chuangyuan Construction Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Hunan Caixin Trust Co., Ltd.	2019-6-21	2021-6-21	2,370.00
Taixing Chuangyuan Construction Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Hunan Caixin Trust Co., Ltd.	2019-7-4	2021-7-4	1,850.00
Taixing Chengxing State-owned Assets Operation and Investment Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Hwabao Trust Co., Ltd.	2018-11-28	2021-11-28	4,190.00
Taixing Chengxing State-owned Assets Operation and Investment Co., Ltd.	Taixing Hongqiao Park Industrial Development	Hwabao Trust Co., Ltd.	2018-10-19	2021-10-19	1,740.00

	Co., Ltd.				
Taixing Chengxing State-owned Assets Operation and Investment Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Hwabao Trust Co., Ltd.	2018-11-16	2021-11-16	1,140.00
Taixing Chengxing State-owned Assets Operation and Investment Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Hwabao Trust Co., Ltd.	2018-12-6	2021-12-6	900.00
Taixing Chengxing State-owned Assets Operation and Investment Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Hwabao Trust Co., Ltd.	2018-10-19	2021-10-19	570.00
Jiangsu Hongyue Civil Work Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Jiangsu Taixing Rural Commercial Bank Co., Ltd.	2020-4-23	2023-2-27	2,900.00
Taixing Hongqiao	Taixing	Jiangsu Taixing	2020-3-10	2023-2-27	2,850.00

Ecological Park Construction and Development Co., Ltd.	Hongqiao Park Industrial Development Co., Ltd.	Rural Commercial Bank Co., Ltd.			
Jiangsu Jiangda Power Equipment Manufacturing Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Jiangsu Taixing Rural Commercial Bank Co., Ltd.	2020-8-5	2021-8-4	1,950.00
Taixing Hongfutai Industrial Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Bank of Jiangsu Co., Ltd. Taizhou Branch	2020-12-21	2021-12-17	5,400.00
Jiangsu Guanghui Eco-Tech Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Bank of Jiangsu Co., Ltd. Taizhou Branch	2020-3-13	2021-3-12	4,200.00
Taixing Hongbai Heavy Machinery Manufacturing Co., Ltd.	Taixing Hongqiao Park Industrial	Bank of Jiangsu Co., Ltd. Taizhou	2020-12-21	2021-12-17	3,900.00

	Development Co., Ltd.	Branch			
Jiangsu Hongyue Civil Work Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Bank of Jiangsu Co., Ltd. Taizhou Branch	2019-5-17	2021-5-14	3,800.00
Jiangsu Jiangtian Agricultural Technology Development Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Bank of Jiangsu Co., Ltd. Taizhou Branch	2020-12-22	2021-12-17	3,700.00
Jiangsu Shengzhong Machinery Manufacturing Equipment Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Bank of Jiangsu Co., Ltd. Taizhou Branch	2019-10-9	2021-10-7	3,500.00
Jiangsu Yuanfeng Civil Works Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Bank of Jiangsu Co., Ltd. Taizhou Branch	2019-3-8	2021-3-5	2,800.00

Taixing Chuangyuan Construction Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Shanghai Aijian Trust Co., Ltd.	2019-7-17	2021-5-31	8,330.00
Taixing Chuangyuan Construction Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Shanghai Aijian Trust Co., Ltd.	2019-6-14	2021-5-31	5,400.00
Taixing Chuangyuan Construction Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Shanghai Aijian Trust Co., Ltd.	2019-7-5	2021-5-31	4,510.00
Taixing Chuangyuan Construction Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Shanghai Aijian Trust Co., Ltd.	2019-5-31	2021-5-31	4,230.00
Taixing Chuangyuan Construction Co., Ltd.	Taixing Hongqiao	Shanghai Aijian Trust Co., Ltd.	2019-6-28	2021-5-31	4,000.00

	Park Industrial Development Co., Ltd.				
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Taixing Chuangyuan Construction Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Shanghai Aijian Trust Co., Ltd.	2019-6-21	2021-5-31	1,860.00
Taixing Chuangyuan Construction Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Shanghai Aijian Trust Co., Ltd.	2019-7-23	2021-5-31	1,670.00
Taixing Hongqiao Ecological Park Construction and Development Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Shanghai Pudong Development Bank Co., Ltd. Taixing Sub-branch	2020-6-5	2021-6-5	3,900.00
Jiangsu Shengzhong Machinery Manufacturing Equipment Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Shanghai Pudong Development Bank Co., Ltd. Taixing Sub-branch	2020-9-27	2021-9-27	2,800.00

Jiangsu Hongyue Civil Work Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Shanghai Pudong Development Bank Co., Ltd. Taixing Sub-branch	2020-12-18	2021-12-18	2,800.00
Taixing Jinyan Warehousing Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Suyin Financial Leasing Co., Ltd	2020-8-28	2025-8-28	9,555.82
Taixing Jinyan Warehousing Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Suyin Financial Leasing Co., Ltd	2020-8-28	2025-8-28	9,555.82
Taixing Jinyan Warehousing Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Suyin Financial Leasing Co., Ltd	2020-7-17	2023-7-17	8,307.82
Taixing Bingjiang New	Taixing	Suyin Financial	2020-7-1	2023-7-1	7,605.63

Rural Construction Development Co., Ltd.	Hongqiao Park Industrial Development Co., Ltd.	Leasing Co., Ltd			
Taixing Changjiang New Countryside Development Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Bank of Suzhou Co., Ltd. Taixing Sub-branch	2020-12-31	2028-12-29	20,000.00
Taixing Bingjiang Corridor Construction Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	China Everbright Bank Co., Ltd. Taizhou Branch	2020-12-31	2021-12-30	5,000.00
Taixing Bingjiang Corridor Construction Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	China Everbright Bank Co., Ltd. Taizhou Branch	2019-11-19	2023-11-17	3,375.00
Taixing Bingjiang Corridor Construction Co., Ltd.	Taixing Hongqiao Park Industrial	China Everbright Bank Co., Ltd.	2019-11-19	2023-11-17	3,375.00

	Development Co., Ltd.	Taizhou Branch			
Taixing Bingjiang Corridor Construction Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	China Construction Bank Corporation Taixing Sub-branch	2020-4-28	2027-11-27	8,000.00
Jiangsu Guanghui Eco-Tech Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	China Taixing Bank of China Fudeng Township Rural Bank Co., Ltd.	2020-11-30	2021-11-25	400.00
Jiangsu Yuanfeng Civil Works Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	China Taixing Bank of China Fudeng Township Rural Bank Co., Ltd.	2020-3-27	2021-3-26	400.00
Taixing Binjiang Sewage Treatment Co., Ltd.	Taixing Hongqiao Park Industrial Development	AVIC International Leasing Co., Ltd	2020-9-4	2024-9-4	18,750.00

	Co., Ltd.				
Taixing Chengxing State-owned Assets Operation and Investment Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	China Construction Investment Trust Co., Ltd.	2019-8-23	2021-9-23	15,970.00
Taixing Chengxing State-owned Assets Operation and Investment Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	China Construction Investment Trust Co., Ltd.	2019-8-30	2021-8-30	7,330.00
Taixing Chengxing State-owned Assets Operation and Investment Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	China Construction Investment Trust Co., Ltd.	2019-9-20	2021-9-20	5,410.00
Taixing Chengxing State-owned Assets Operation and Investment Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	China Construction Investment Trust Co., Ltd.	2019-9-27	2021-9-27	1,290.00
Taixing Chengxing	Taixing	Zhongrong	2019-5-17	2021-5-17	19,040.00

State-owned Assets Operation and Investment Co., Ltd.	Hongqiao Park Industrial Development Co., Ltd.	International Trust Co., Ltd			
Taixing Chengxing State-owned Assets Operation and Investment Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Zhongrong International Trust Co., Ltd	2019-4-30	2021-4-30	13,440.00
Taixing Chengxing State-owned Assets Operation and Investment Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Zhongrong International Trust Co., Ltd	2019-4-26	2021-4-26	13,380.00
Taixing Chengxing State-owned Assets Operation and Investment Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Zhongrong International Trust Co., Ltd	2019-5-8	2021-5-8	8,190.00
Taixing Chengxing State-owned Assets Operation and	Taixing Hongqiao Park Industrial	Zhongrong International Trust Co., Ltd	2019-5-29	2021-5-29	6,420.00

Investment Co., Ltd.	Development Co., Ltd.				
Taixing Chengxing State-owned Assets Operation and Investment Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Zhongrong International Trust Co., Ltd	2019-5-15	2021-5-15	5,970.00

Taixing Chengxing State-owned Assets Operation and Investment Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Zhongrong International Trust Co., Ltd	2019-5-22	2021-5-22	5,350.00
Taixing Chengxing State-owned Assets Operation and Investment Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Zhongrong International Trust Co., Ltd	2019-5-10	2021-5-10	5,230.00
Taixing Chengxing State-owned Assets Operation and Investment Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Zhongrong International Trust Co., Ltd	2019-5-24	2021-5-24	4,000.00
Taixing Chengxing State-owned Assets Operation and Investment Co., Ltd.	Taixing Hongqiao Park Industrial	Zhongrong International Trust Co., Ltd	2019-4-28	2021-4-28	3,960.00



	Development Co., Ltd.				
Taixing Chengxing State-owned Assets Operation and Investment Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Zhongrong International Trust Co., Ltd	2019-6-5	2021-6-5	3,110.00
Taixing Chengxing State-owned Assets Operation and Investment Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Zhongrong International Trust Co., Ltd	2019-5-31	2021-5-31	1,510.00
Taixing Chengxing State-owned Assets Operation and Investment Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Zhongrong International Trust Co., Ltd	2019-6-6	2021-6-6	400.00
Taixing Chengxing State-owned Assets	Taixing Hongqiao	CITIC Trust Co., Ltd.	2019-8-23	2021-8-23	25,000.00

Operation and Investment Co., Ltd.	Park Industrial Development Co., Ltd.				
Taixing Chengxing State-owned Assets Operation and Investment Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	CITIC Trust Co., Ltd.	2019-8-23	2022-8-23	200.00
Taixing Taitong Investment Development Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	China CITIC Bank Co., Ltd. Taixing Sub-branch	2020-5-19	2021-5-19	5,000.00
Taixing Chengxing State-owned Assets Operation and Investment Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Zijin Trust Co., Ltd.	2020-3-31	2022-3-31	20,000.00

Jiangsu Jiangtian Agricultural Technology Development Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Guangrui Lease	2017-6-7	2022-6-7	3,000.00
Jiangsu Jiangtian Agricultural Technology Development Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Guolian Trust	2019-12-1	2021-12-1	30,000.00
Jiangsu Jiangtian Agricultural Technology Development Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Suzhou Trust Co., Ltd	2019-5-10	2021-5-10	19,529.00
Jiangsu Jiangtian Agricultural Technology Development Co., Ltd.	Taixing Hongqiao Park Industrial	Suzhou Trust Co., Ltd	2019-6-5	2021-6-5	471.00

	Development Co., Ltd.				
Taixing Changjiang New Countryside Development Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Zheshang Jinhui Trust Co., Ltd.	2020-12-25	2022-12-25	6,950.00
Taixing Changjiang New Countryside Development Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Zheshang Jinhui Trust Co., Ltd.	2020-12-29	2022-12-29	4,860.00
Taixing Changjiang New Countryside Development Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Zheshang Jinhui Trust Co., Ltd.	2020-12-24	2021-12-24	2,330.00
Taixing Changjiang New Countryside	Taixing Hongqiao	Zheshang Jinhui Trust	2020-12-25	2022-6-25	1,350.00

Development Co., Ltd.	Park Industrial Development Co., Ltd.	Co., Ltd.			
Taixing Changjiang New Countryside Development Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Zheshang Jinhui Trust Co., Ltd.	2020-12-29	2022-6-29	1,180.00
Taixing Changjiang New Countryside Development Co., Ltd.	Taixing Hongqiao Park Industrial Development Co., Ltd.	Zheshang Jinhui Trust Co., Ltd.	2020-12-28	2021-12-28	1,000.00
Outside the Group Guarantees - Subtotal					468,591.99
Total					904,492.10

As at 31 December 2020, the Company had no other material contingencies to disclose other than the above ones.

X. Post Balance Sheet Date Events

On 19 March, 2021, the Company transferred the 40% equity of Jiangsu Zhongtai Youwei International Trade Group Co., Ltd. to Taixing Hongqiao Port Group Co., Ltd.

As at the date of approval of the financial statements, there were no other material post balance sheet events that affect the interpretation and understanding of these financial statements.

## XI. Related-party relations and transactions

### (1) Relationships with Connected Parties

#### 1. controlling shareholder and ultimate controlling party

Name of controlling shareholder and ultimate controlling party	Registration place	Registered capital	Shareholding (%)	Voting rights held (%)
Taixing Zhongxin Investment Group Co., Ltd.	Taixing	2,000,000,000.00	100.00	100.00

#### 2. Subsidiaries

For details of the Company's subsidiaries, please refer to Note VII(1) of this notes for information on the scope of consolidation.

#### 3. Joint ventures and associates

Investee name	Percentage of investment (%)	Closing balance	Opening balance
Taixing Port Group Co., Ltd.	35.06	500,000,000.00	500,000,000.00
Total		500,000,000.00	500,000,000.00

## XII. Other significant matters

None.

## XIII. Notes to main items of the company financial statements

### 1. Accounts receivable

#### (1) Accounts receivable

##### ① Accounts receivable disclosed by category

Categories	Closing balance				
	Book balance		Bad debt provision		Book value
	Amount	Percentage (%)	Amount	Provision ratio (%)	
Receivables with individually significant amounts and subject to separate provision					
Accounts receivable for which bad debt provision is made by groups of credit risk characteristics, where:	1,354,265,642.39	100.00	4,500.00		1,354,261,142.39
Group 1: Ageing analysis	90,000.00	0.01	4,500.00	5.00	85,500.00
Group 2: Other	1,354,175,642.39	99.99			1,354,175,642.39
Receivables with individually insignificant amounts but subject					



to separate					
provision					
Total	1,354,265,642.39	100.00	4,500.00		1,354,261,142.39

Continued

Categories	Opening balance				
	Book balance		Bad debt provision		Book value
	Amount	Percentage (%)	Amount	Provision ratio (%)	
Receivables with individually significant amounts and subject to separate provision					
Accounts receivable for which bad debt provision is made by groups of credit risk characteristics, where:					
Group 1: Ageing analysis	90,000.00	0.01			90,000.00
Group 2: Other	1,142,341,002.18	99.99			1,142,341,002.18
Receivables with individually insignificant					

amounts but subject to separate provision					
Total	1,142,431,002.18	100.00			1,142,431,002.18

② Other Group

Group Name	Closing balance			Opening balance		
	Accounts receivable	Bad debt provision	Provision ratio (%)	Accounts receivable	Bad debt provision	Provision ratio (%)
Transaction with governments	1,354,175,642.39			1,142,341,002.18		
Total	1,354,175,642.39			1,142,341,002.18		

③ Actual write-off of accounts receivable during the period

There were no actual write-off of accounts receivable during the period.

④ Top five accounts receivable balances at the end of the period grouped by defaulting party

Name of debtors	Closing balance of accounts receivable	Percentage to total closing balance of accounts receivable (%)	Closing balance of bad debt provision
Jiangsu Taixing Hongqiao Industrial Park Management	1,354,175,642.39	99.99	

Committee			
CRCC Port and Maritime Bureau Group Co., Ltd.	90,000.00	0.01	
Total	1,354,265,642.39	100.00	

⑤ Accounts receivable derecognised due to transfer of financial assets

As at 31 December 2020, the Company had no accounts receivable derecognised as a result of the transfer of financial assets.

⑦ Amount of assets or liabilities developed as accounts receivable have been transferred but the involvement continues

The amount of assets and liabilities developed as a result of the transfer of accounts receivable and continued involvement was RMB 0.00 yuan.

**2. Other receivables**

Item	Closing balance	Opening balance
Interest receivable		
Dividend receivable		
Other receivables	7,632,210,822.90	5,763,366,146.32
Total	7,632,210,822.90	5,763,366,146.32

(1) Other receivables

① Other receivables disclosed by categories

Categories	Closing balance				
	Book balance		Bad debt provision		Book value
	Amount	Percentage (%)	Amount	Provision ratio (%)	
Other receivables with individually significant amounts and subject to separate provision					
Other receivables for which bad debt provision is made by the group of credit risk characteristics	7,681,818,130.31	100.00	49,607,307.41	0.65	7,632,210,822.90

Group 1: Ageing analysis	464,023,153.16	6.04	49,607,307.41	10.69	414,415,845.75
Group 2: Other	7,217,794,977.15	93.96			7,217,794,977.15
Other receivables that are not individually significant but for which individual bad debt provision is made					
Total	7,681,818,130.31	100.00	49,607,307.41	0.65	7,632,210,822.90

Continued

Categories	Opening balance				
	Book balance		Bad debt provision		Book value
	Amount	Percentage (%)	Amount	Provision ratio (%)	
Other receivables with individually					

significant amounts and subject to separate provision					
Other receivables for which bad debt provision is made by the group of credit risk characteristics	5,822,042,533.92	100.00	58,676,387.60		5,763,366,146.32
Group 1: Ageing analysis	289,361,955.99	4.97	58,676,387.60	20.28	230,685,568.39
Group 2: Other	5,532,680,577.93	95.03			5,532,680,577.93
Other receivables that are not individually significant but for which					

individual bad debt provision is made					
Total	5,822,042,533.92	100.00	58,676,387.60		5,763,366,146.32

A. (3) Group 1, other receivables for which provision for bad debts is made under the ageing analysis method

Account age	Closing balance			Opening balance		
	Book balance	Bad debt provision	Provision ratio (%)	Book balance	Bad debt provision	Total proportion (%)
Less than 1 year	249,231,604.63			46,675,328.24	-	
1 to 2 years	44,004,328.24	2,200,216.41	5.00	25,668,109.83	1,283,405.49	5.00
2-3 years	19,145,375.48	1,914,537.55	10.00	38,562,866.34	3,856,286.63	10.00
More than 3 years	151,641,844.81	45,492,553.45	30.00	178,455,651.58	53,536,695.48	30.00
Total	464,023,153.1	49,607,307.4	10.69	289,361,955.9	58,676,387.6	20.28



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B. Other group

Group Name	Closing balance			Opening balance		
	Other receivables	Bad debt provision	Provision ratio (%)	Other receivables	Bad debt provision	Provision ratio (%)
Transaction with governments:	1,827,888,834.48			1,147,943,535.22		
Transactions with related parties:	5,331,641,753.84			4,309,853,426.88		
Security deposit and guarantee	58,264,388.83			74,883,615.83		
Total	7,217,794,977.15			5,532,680,577.93		

② Actual write-off of other receivables during the period

There were actually no other receivables written off during the period.

④ Top five other receivables balances at the end of the period grouped by defaulting party

Entity name	Nature of amount	Closing balance	Account age	Percentage of closing balance (%)	Closing balance of bad debt

					provision
Jiangsu Taixing Hongqiao Industrial Park Management Committee (District Finance Bureau)	Current accounts	1,867,190,373.07	Within 1 year / 1-2 years / 2-3 years	24.31	
Taixing Shuangyue Investment Co., Ltd.	Current accounts	1,460,287,516.37	Less than 1 year	19.01	
Taixing Hongqiao Industry Investment Development Co., Ltd.	Current accounts	886,269,217.59	Less than 1 year	11.54	
Taixing Changjiang New Countryside Development Co., Ltd.	Current accounts	720,412,542.07	Within one year/ 1 to 2 years	9.38	
Taixing Xiangfutai Trade Co., Ltd.	Current accounts	689,066,711.44	Within one year/ 1 to 2 years/2-3 years/over 5 years	8.97	
Total		5,623,226,360.54		73.21	

④ and receivables in relation to government subsidies

As at 31 December, 2020, the Company had no government subsidy-related receivables.

⑥ Other receivables derecognised due to transfer of financial assets

As at 31 December 2020, the Company had no other receivables derecognised as a result of the transfer of financial assets.

⑥ Amount of assets or liabilities developed as Other receivables have been transferred but the involvement continues

The amount of assets and liabilities developed as a result of the transfer of other receivables and continued involvement was RMB 0.00 yuan.

### 3. Long-term equity investments

(1) Long-term equity investments by category

Item	Closing balance			Opening balance		
	Book balance	Provisio n for impairm ent	Book value	Book balance	Provisio n for impairm ent	Book value
Investme nts in subsidiari es	2,245,000,00 0.00		2,245,000,00 0.00	2,055,277,92 5.86		2,055,277,92 5.86
Investme nts in	500,000,000. 00		500,000,000. 00	500,000,000. 00		500,000,000. 00

associate s						
Total	2,745,000,00		2,745,000,00	2,555,277,92		2,555,277,92
	0.00		0.00	5.86		5.86

(2) Breakdown of long-term equity investments

Investee	Shareholding (%)	Opening balance	Increase during the period	Decrease during the period	Closing balance	Provision for impairment this period	Closing balance of provision for impairment
Investments in subsidiaries:							
Jiangsu Jiangtian Agricultural Technology Development Co., Ltd.	100.00	768,777,925.86		768,777,925.86			
Taixing Hongqiao	100.00	180,000,000.00	20,000,000.00		200,000,000.00		

New Countryside Development Co., Ltd.						
Taixing Hongyue Hydro Construction and Development Co., Ltd.	100.00	100,000,000.00			100,000,000.00	
Taixing Hongqiao Zhongjian Wastewater Treatment Co., Ltd.	100.00	200,000,000.00			200,000,000.00	
Taixing	100.00	600,000,000			600,000,000	

Xinghong Township Construction and Comprehensive Development Co., Ltd.		.00			.00		
Taixing Runhong Financing Guarantee Co., Ltd.	100.00	100,000,000.00			100,000,000.00		
Taixing Dingjifu Industrial Development Co., Ltd.	100.00	100,000,000.00	900,000,000.00		1,000,000,000.00		
Taixing Xinlesheng	100.00	6,500,000.00	21,000,000.00	27,500,000.00			



Industrial Co., Ltd.							
Taixing Hongqiao Property Co., Ltd.	100.00		45,000,00 0.00		45,000,000. 00		
Subtotal		2,055,277,9 25.86	986,000,0 00.00	796,277,9 25.86	2,245,000,0 00.00		
Investment s in associates							
Jiangsu Hongqiao Port Developm ent Co., Ltd.	35.06	500,000,000 .00			500,000,000 .00		
Total		2,555,277,9 25.86	986,000,0 00.00	796,277,9 25.86	2,745,000,0 00.00		

#### 4. Operating revenue and cost

(1) Operating income and costs comprise:

Item	Current Period	Previous Period
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	Revenue	Cost	Income	Cost
Main businesses	536,243,560.31	450,924,181.38	475,537,130.51	396,280,942.09
Other businesses	2,884,172.79	1,822,916.67	621,341.50	
Total	539,127,733.10	452,747,098.05	476,158,472.01	396,280,942.09

(2) Business Category Breakdown:

Product Name	Current Period		Previous Period	
	Revenue	Cost	Income	Cost
I. Principal Activities	536,243,560.31	450,924,181.38	475,537,130.51	396,280,942.09
Project Construction	296,168,492.66	246,807,077.22	253,329,070.07	211,107,558.39
Resettlement Housing Development	185,294,416.39	154,412,013.66	222,208,060.44	185,173,383.70
Sale of Supplies	54,780,651.26	49,705,090.50		

Product Name	Current Period		Previous Period	
	Revenue	Cost	Income	Cost
II. Other businesses	2,884,172.79	1,822,916.67	621,341.50	
Property and Lease	2,884,172.79	1,822,916.67	621,341.50	
Total	539,127,733.10	452,747,098.05	476,158,472.01	396,280,942.09

#### 5. Investment income


Item	Current Period	Previous Period
Investment income earned on investments in wealth management products		3,800,000.00
Total		3,800,000.00

“Stamp: Taixing Hongqiao Park Industrial Development Co., Ltd.”

Taixing Hongqiao Park Industrial Development Co., Ltd.

Legal Representative: 

Financial Controller: 

Head of Accounting: 

**APPENDIX A — FORM OF IRREVOCABLE STANDBY LETTER OF CREDIT**

FM: BANK OF JIANGSU CO., LTD. TAIZHOU BRANCH (SWIFT: BOJSCNBNXXX)  
ADDRESS:  
NO.482 QINGNIAN SOUTH ROAD  
HAILING DISTRICT, TAIZHOU, JIANGSU  
CHINA

DATE: 22 JUNE 2021

TO BENEFICIARY: CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED (中國建設銀行(亞洲)股份有限公司) (THE “**TRUSTEE**”) IN ITS CAPACITY AS TRUSTEE FOR ITSELF AND ON BEHALF OF THE HOLDERS (THE “**BONDHOLDERS**”) OF THE U.S.\$55,000,000 2.1 PER CENT. CREDIT ENHANCED BONDS DUE 2022 (THE “**BONDS**”) TO BE ISSUED BY HONG RUN INTERNATIONAL COMPANY LIMITED 虹润国际有限公司 (THE “**ISSUER**”) AND GUARANTEED BY TAIXING HONGQIAO PARK INDUSTRIAL DEVELOPMENT CO., LTD. (泰兴市虹桥园工业开发有限公司) (THE “**GUARANTOR**”) AND TO BE CONSTITUTED BY A TRUST DEED DATED ON 22 JUNE 2021 (THE “**ISSUE DATE**”) AMONG THE ISSUER, THE GUARANTOR AND THE TRUSTEE (AS AMENDED AND/OR SUPPLEMENTED FROM TIME TO TIME, THE “**TRUST DEED**”).

DEAR SIRs,

RE: OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. [NUMBER]

AT THE REQUEST OF OUR CUSTOMER, THE ISSUER, WE, BANK OF JIANGSU CO., LTD. TAIZHOU 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 THE TERMS AND CONDITIONS OF THE BONDS APPENDED TO THE TRUST DEED (THE “**CONDITIONS**”) AND THE TRUST DEED. THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS MADE AVAILABLE BY US FOR PAYMENT AGAINST OUR RECEIPT OF A DEMAND SUBSTANTIALLY IN THE FORM SET OUT IN APPENDIX A-1 PRESENTED IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT (A “**DEMAND**”) STATING THAT (1) THE ISSUER HAS FAILED TO COMPLY WITH CONDITION 4(B) OF THE CONDITIONS (THE “**PRE-FUNDING CONDITION**”) IN RELATION TO PRE-FUNDING THE AMOUNT THAT IS REQUIRED TO BE PRE-FUNDED UNDER THE CONDITIONS AND/OR FAILED TO PROVIDE THE REQUIRED CONFIRMATIONS (AS DEFINED IN THE CONDITIONS) IN ACCORDANCE WITH THE PRE-FUNDING CONDITION OR (2) AN EVENT OF DEFAULT (AS DEFINED IN THE CONDITIONS) HAS OCCURRED AND THE BENEFICIARY, AS TRUSTEE FOR THE BONDHOLDERS, HAS GIVEN NOTICE TO THE ISSUER THAT THE BONDS ARE IMMEDIATELY DUE AND PAYABLE IN ACCORDANCE WITH THE CONDITIONS OR (3) THE ISSUER HAS FAILED TO PAY THE FEES, COSTS, EXPENSES AND OTHER AMOUNTS IT IS OBLIGED TO PAY UNDER THE CONDITIONS IN CONNECTION WITH THE BONDS, THE TRUST DEED, THE AGENCY AGREEMENT (AS DEFINED IN THE TRUST DEED) AND/OR ANY OTHER TRANSACTION DOCUMENTS RELATING TO THE BONDS WHEN DUE AND SUCH FAILURE HAS CONTINUED FOR A PERIOD OF SEVEN DAYS FROM THE DATE OF THE TRUSTEE DELIVERING ITS DEMAND THEREFOR TO THE ISSUER IN ACCORDANCE WITH THE CONDITIONS.

SUBJECT TO THE TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WE UNCONDITIONALLY AND IRREVOCABLY UNDERTAKE TO YOU THAT, ON AND AFTER THE ISSUE DATE AND FOLLOWING RECEIPT BY US OF A DEMAND BY 6:00 P.M. (HONG KONG TIME) ON A BUSINESS DAY, WE SHALL BY 10:00 A.M. (HONG KONG TIME) ON THE FOURTH BUSINESS DAY AFTER THE BUSINESS DAY ON WHICH WE RECEIVE SUCH DEMAND (OR IF SUCH DEMAND IS RECEIVED AFTER 6:00 P.M. (HONG KONG TIME) ON A BUSINESS DAY, THEN ON THE FIFTH BUSINESS DAY AFTER THE BUSINESS DAY ON WHICH WE RECEIVE SUCH DEMAND), 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 AND FOREIGN EXCHANGE MARKETS ARE OPEN FOR BUSINESS IN HONG KONG, BEIJING AND NEW YORK CITY.

OUR AGGREGATE LIABILITY UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE EXPRESSED AND PAYABLE IN U.S. DOLLARS AND SHALL NOT IN ANY CIRCUMSTANCES EXCEED U.S.\$56,577,500 (THE “**MAXIMUM LIMIT**”), AN AMOUNT REPRESENTING ONLY (I) THE AGGREGATE PRINCIPAL AMOUNT OF THE BONDS PLUS INTEREST PAYABLE FOR ONE INTEREST PERIOD (BEING SIX MONTHS) IN ACCORDANCE WITH THE CONDITIONS AND (II) U.S.\$1,000,000 BEING THE MAXIMUM AMOUNT PAYABLE UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT FOR ANY FEES, COSTS, EXPENSES, INDEMNITY PAYMENTS AND ALL OTHER AMOUNTS PAYABLE BY THE ISSUER UNDER OR IN CONNECTION WITH THE BONDS, THE TRUST DEED, THE AGENCY AGREEMENT AND/OR ANY OTHER TRANSACTION DOCUMENT RELATING TO THE BONDS.

SUBJECT TO THE TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, OUR OBLIGATION TO PAY TO YOU IS UNCONDITIONAL, IRREVOCABLE AND ABSOLUTE AND ANY DEMAND BY YOU UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE HONOURED WITHOUT ANY FURTHER ENQUIRY AS TO YOUR RIGHTS TO MAKE SUCH DEMAND.

THIS IRREVOCABLE STANDBY LETTER OF CREDIT TAKES EFFECT FROM THE DATE HEREOF AND SHALL REMAIN VALID AND IN FULL FORCE UNTIL 6:00 P.M. (HONG KONG TIME) ON 21 JULY 2022 (THE “**EXPIRY DATE**”) AND SHALL EXPIRE AT THE PLACE OF THE ISSUING BANK. AFTER THE EXPIRY DATE, OUR LIABILITY UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT WILL BE IMMEDIATELY DISCHARGED AND RELEASED EXCEPT FOR ANY DEMAND VALIDLY PRESENTED UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT BEFORE THE EXPIRY DATE THAT REMAINS UNPAID.

PAYMENT WILL BE EFFECTED AFTER OUR RECEIPT OF A DEMAND PRESENTED IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WHICH IS PRESENTED ON OR AFTER THE ISSUE DATE AND ON OR BEFORE 6:00 P.M. (HONG KONG TIME) ON THE EXPIRY DATE.

ANY DEMAND UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS TO BE PRESENTED BY WAY OF AN AUTHENTICATED SWIFT PRESENTED BY OR ON BEHALF OF YOU AS TRUSTEE FOR THE BONDHOLDERS TO US (SWIFT: BOJSCNBNXXX) ON OR BEFORE 6:00 P.M. (HONG KONG TIME) ON THE EXPIRY DATE WITHOUT THE NEED TO PHYSICALLY PRESENT AN ORIGINAL OF THAT DEMAND AT OUR COUNTER; PROVIDED THAT IN THE EVENT THAT THE SWIFT SYSTEM IS NOT AVAILABLE FOR ANY REASON, YOU (THE BENEFICIARY) MAY INSTEAD PRESENT A COPY OF THE DEMAND TO US VIA FACSIMILE TRANSMISSION AT (+86) 0523-86810072 AND SUCH DEMAND SHALL BE SIGNED BY YOU AS TRUSTEE FOR THE BONDHOLDERS AND ACCOMPANIED BY A COPY OF A LIST OF AUTHORISED SIGNATORIES OF THE TRUSTEE, FOLLOWED BY A STATEMENT VIA AUTHENTICATED SWIFT ON THE NEXT BUSINESS DAY ON WHICH THE SWIFT SYSTEM IS AVAILABLE STATING THAT THE LIST OF AUTHORISED SIGNATORIES PROVIDED IS VALID AND EFFECTIVE. IN THE CASE OF A PRESENTATION OF A DEMAND BY WAY OF FACSIMILE TRANSMISSION IN THE CIRCUMSTANCE STATED ABOVE, YOU SHALL ARRANGE FOR THE ORIGINAL DEMAND TO BE DELIVERED AS SOON AS REASONABLY PRACTICABLE THEREAFTER VIA COURIER AT OUR COUNTER AT OUR ADDRESS (AS SPECIFIED ABOVE) DURING OUR NORMAL BRANCH OPENING HOURS ON OR AFTER THE ISSUE DATE AND ON OR BEFORE 6:00 P.M. (HONG KONG TIME) ON THE EXPIRY DATE. FOR THE AVOIDANCE OF DOUBT, THE DEMAND SHALL BE RECEIVED FOR ALL PURPOSES OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT AND WE SHALL START PROCESSING THE DEMAND UPON RECEIPT OF THE DEMAND SENT TO US BY WAY OF FACSIMILE TRANSMISSION.

ONLY ONE DRAWING UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS PERMITTED.

ALL CHARGES ARE FOR THE ACCOUNT OF THE ISSUER AND, FOR THE AVOIDANCE OF DOUBT, ARE NOT FOR THE ACCOUNT OF THE BENEFICIARY.

NOTWITHSTANDING THE MAXIMUM LIMIT, ALL PAYMENTS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE MADE IN U.S. DOLLARS AND FOR VALUE ON THE DATE SPECIFIED IN THE DEMAND IN IMMEDIATELY AVAILABLE FUNDS WITHOUT ANY

DEDUCTION OR WITHHOLDING ON ACCOUNT OF TAX, SET-OFF, COUNTER-CLAIM OR OTHERWISE. IN THE EVENT THAT ANY DEDUCTION OR WITHHOLDING IS REQUIRED BY LAW, THE ISSUING BANK SHALL PAY SUCH ADDITIONAL AMOUNTS AS WILL RESULT IN RECEIPT BY THE TRUSTEE FOR THE BONDHOLDERS OF SUCH AMOUNTS AS WOULD HAVE BEEN RECEIVED BY IT HAD NO SUCH DEDUCTION OR WITHHOLDING BEEN SO REQUIRED BY LAW.

THE BENEFICIARY'S RIGHTS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT MAY BE TRANSFERRED OR RE-TRANSFERRED IN WHOLE OR IN PART TO ANY ADDITIONAL OR REPLACEMENT TRUSTEE APPOINTED AS CONTEMPLATED IN THE TRUST DEED IN RESPECT OF THE BONDS SUBJECT ONLY TO AT LEAST 15 DAYS' NOTICE HAVING BEEN GIVEN TO US BY OR ON BEHALF OF YOU AS TRUSTEE FOR THE BONDHOLDERS BY AUTHENTICATED SWIFT, OR IN THE EVENT THAT THE SWIFT SYSTEM IS NOT AVAILABLE FOR ANY REASON BY LETTER TO US AT OUR ADDRESS (AS SPECIFIED ABOVE). MULTIPLE TRANSFERS ARE PERMITTED, SUBJECT TO AS PROVIDED IN THIS PARAGRAPH.

OUR OBLIGATIONS AND LIABILITIES UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE INDEPENDENT. THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS NOT SUBJECT TO ANY CONTRACT, AGREEMENT, CONDITION OR QUALIFICATION. WE MAY NOT TRANSFER, ASSIGN OR NOVATE ANY OF OUR OBLIGATIONS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT.

NOTWITHSTANDING THE FOREGOING PROVISIONS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT AND ARTICLE 36 OF UCP600 (AS DEFINED BELOW), IN THE UNEXPECTED EVENT THAT WE ARE CLOSED WHEN YOU WISH TO PRESENT A DEMAND HEREUNDER ON THE DAY AND AT THE TIME A DEMAND IS ABLE TO BE PRESENTED IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WE AGREE THAT YOU CAN PRESENT THE DEMAND BY AUTHENTICATED SWIFT OR BY PRESENTING A COPY OF THE DEMAND VIA FACSIMILE TRANSMISSION AT (+86) 0523-86810072 FROM THE DATE OF OUR RESUMPTION OF OUR BUSINESS; PROVIDED THAT IF WE ARE CLOSED ON THE EXPIRY DATE, THE EXPIRY DATE SHALL BE AUTOMATICALLY EXTENDED BY, AND SUCH PRESENTATION SHALL BE MADE WITHIN, FIVE BUSINESS DAYS AFTER THE DATE ON WHICH WE NOTIFY YOU BY AUTHENTICATED SWIFT, OR IN THE EVENT THAT THE SWIFT SYSTEM IS NOT THEN AVAILABLE FOR ANY REASON VIA FACSIMILE TRANSMISSION (USING THE SWIFT ADDRESS OR, AS THE CASE MAY BE, THE FACSIMILE NUMBER SET OUT ABOVE FOR YOU AS BENEFICIARY) OF OUR RESUMPTION OF OUR BUSINESS. IN THE CASE OF A PRESENTATION OF A DEMAND BY WAY OF FACSIMILE TRANSMISSION IN THE CIRCUMSTANCE STATED ABOVE, YOU SHALL ARRANGE FOR THE ORIGINAL DEMAND TO BE DELIVERED AS SOON AS REASONABLY PRACTICABLE THEREAFTER VIA COURIER AT OUR COUNTER AT OUR ADDRESS (AS SPECIFIED ABOVE) DURING OUR NORMAL BRANCH OPENING HOURS. FOR THE AVOIDANCE OF DOUBT, THE DEMAND SHALL BE RECEIVED FOR ALL PURPOSES OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT AND WE SHALL START PROCESSING THE DEMAND SENT TO US UPON RECEIPT OF THE DEMAND BY WAY OF FACSIMILE TRANSMISSION. THE ABOVE UNEXPECTED EVENT ONLY REFERS TO THE CASE OF FORCE MAJEURE SPECIFIED IN ARTICLE 36 OF UCP 600.

ANY SETTLEMENT OR DISCHARGE BETWEEN US AS ISSUING BANK AND YOU AS TRUSTEE FOR THE BONDHOLDERS AND BENEFICIARY SHALL BE CONDITIONAL UPON NO PAYMENT TO YOU BY THE ISSUER OR ANY OTHER PERSON ON THE ISSUER'S BEHALF BEING AVOIDED (BY VIRTUE OF ANY LAWS OR REGULATIONS RELATING TO BANKRUPTCY, INSOLVENCY, RECEIVERSHIP, LIQUIDATION OR SIMILAR LAWS OF GENERAL APPLICATION FOR THE TIME BEING IN FORCE) AND, IN THE EVENT OF ANY SUCH PAYMENT BEING SO AVOIDED, YOU SHALL BE ENTITLED TO RECOVER THE AMOUNT BY WHICH SUCH PAYMENT IS SO AVOIDED FROM US SUBSEQUENTLY AS IF SUCH SETTLEMENT OR DISCHARGE HAD NOT OCCURRED.

EXCEPT TO THE EXTENT IT IS INCONSISTENT WITH THE EXPRESS TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS (2007 REVISION), INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 600 ("UCP600").

THIS IRREVOCABLE STANDBY LETTER OF CREDIT, AND ANY NON-CONTRACTUAL OBLIGATIONS ARISING OUT OF OR IN CONNECTION WITH IT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED IN ACCORDANCE WITH, ENGLISH LAW. NO PERSON SHALL HAVE ANY RIGHT TO ENFORCE ANY TERM OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT UNDER THE CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999. WE AGREE THAT (1) THE COURTS OF HONG KONG SHALL HAVE EXCLUSIVE JURISDICTION TO SETTLE ANY DISPUTE ARISING OUT OF OR IN CONNECTION WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT AND (2) THAT THE COURTS OF HONG KONG ARE THE MOST APPROPRIATE AND CONVENIENT COURTS TO SETTLE ANY DISPUTE AND, ACCORDINGLY, THAT WE WILL NOT ARGUE THAT ANY OTHER COURTS ARE MORE APPROPRIATE OR CONVENIENT. IN CASE OF ANY DISPUTE ARISING OUT OF OR IN CONNECTION WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WE AGREE THAT THE DOCUMENTS WHICH START ANY LEGAL ACTION OR PROCEEDINGS ARISING OUT OF OR IN CONNECTION WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT AND ANY OTHER DOCUMENTS REQUIRED TO BE SERVED IN RELATION TO SUCH ACTION OR PROCEEDINGS MAY BE SERVED ON US BY BEING DELIVERED TO US AT COGENCY GLOBAL (HK) LIMITED AT UNIT B, 1/F, LIPPO LEIGHTON TOWER, 103 LEIGHTON ROAD, CAUSEWAY BAY, HONG KONG WHOM WE HAVE APPOINTED AS OUR PROCESS AGENT. IF FOR ANY REASON WE CEASE TO HAVE SUCH ADDRESS IN HONG KONG, WE WILL PROMPTLY APPOINT A SUBSTITUTE PROCESS AGENT AND NOTIFY THE BENEFICIARY OF SUCH APPOINTMENT WITHIN 30 DAYS OF SUCH CESSATION. NOTHING HEREIN SHALL AFFECT THE RIGHT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

**APPENDIX A-1  
FORM OF DEMAND**

To: BANK OF JIANGSU CO., LTD. TAIZHOU BRANCH (SWIFT: BOJSCNBNXXX)  
  
NO.482 QINGNIAN SOUTH ROAD  
HAILING DISTRICT, TAIZHOU, JIANGSU  
CHINA

[DATE]

Dear Sirs

**RE: DEMAND UNDER THE IRREVOCABLE STANDBY LETTER OF CREDIT NO. [NUMBER] IN RESPECT OF THE U.S.\$55,000,000 2.1 PER CENT. CREDIT ENHANCED BONDS DUE 2022 (THE “BONDS”) ISSUED BY HONG RUN INTERNATIONAL COMPANY LIMITED 虹润国际有限公司 (THE “ISSUER”) AND GUARANTEED BY TAIXING HONGQIAO PARK INDUSTRIAL DEVELOPMENT CO., LTD. (泰兴市虹桥园工业开发有限公司) (THE “GUARANTOR”)**

The undersigned is a duly authorised person of China Construction Bank (Asia) Corporation Limited which is hereby making a demand on behalf of China Construction Bank (Asia) Corporation Limited as Trustee for itself and on behalf of the Bondholders (the “Beneficiary”) under your Irrevocable Standby Letter of Credit No. [NUMBER] (the “Irrevocable Standby Letter of Credit”). Capitalised terms used herein but not defined shall have the meanings given to them in the Irrevocable Standby Letter of Credit.

1. This Demand is made in connection with the following:
  - The Issuer has failed to comply with Condition 4(b) (the “Pre-Funding Condition”) in relation to pre-funding the amount that is required to be pre-funded under the Conditions and/or failed to provide the Required Confirmations (as defined in the Conditions) in accordance with the Pre-Funding Condition.
  - An Event of Default (as defined in the Conditions) has occurred and the Beneficiary, as Trustee for the Bondholders, has given notice to the Issuer that the Bonds are due and payable in accordance with the Conditions.
  - The Issuer has failed to pay the fees, costs, expenses, indemnity payments and other amounts it is obliged to pay under the Conditions, the Trust Deed, the Agency Agreement and/or any other transaction documents relating to the Bonds when due and such failure has continued for a period of seven days from the date of the Trustee delivering its demand therefor to the Issuer in accordance with the Conditions.
2. We hereby demand you to pay U.S.\$[AMOUNT] representing the aggregate of (i) interest accrued up to the date when the Bonds cease to bear interest pursuant to the Conditions, (ii) the principal amount of the outstanding Bonds and (iii) all fees, costs, expenses, indemnity payments and other amounts in connection with the Bonds the Trust Deed, the Agency Agreement and/or any other transaction documents relating to the Bonds which is due and now outstanding.
3. We hereby request you to pay the above amounts after you receive this Demand in accordance with the Irrevocable Standby Letter of Credit.
4. The proceeds of the drawing under this Demand are to be credited to the following account:

*[Insert account details]*

For and behalf of

\_\_\_\_\_  
China Construction Bank (Asia) Corporation Limited as Beneficiary

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_



**ISSUER**

**Hong Run International Company Limited**  
虹润国际有限公司  
Ritter House, Wickhams Cay II,  
PO Box 3170, Road Town, Tortola VD 1110,  
British Virgin Islands

**GUARANTOR**

**Taixing Hongqiao Park Industrial Development Co., Ltd.**  
(泰兴市虹桥园工业开发有限公司)  
Taixing Hongqiao Industrial Park  
Taixing City, Jiangsu Province  
PRC

**TRUSTEE**

**China Construction Bank (Asia) Corporation Limited**  
(中國建設銀行(亞洲)股份有限公司)  
20/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**  
(中國建設銀行(亞洲)股份有限公司)  
20/F, CCB Tower  
3 Connaught Road Central  
Central, Hong Kong

**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)  
20/F, CCB Tower  
3 Connaught Road Central  
Central, Hong Kong

**LEGAL ADVISERS TO THE PLACING AGENTS**

*as to English law*

**K&L Gates**  
44/F, Edinburgh Tower, The Landmark  
15 Queen's Road Central  
Central, Hong Kong

*as to PRC law*

**Jingtian & Gongcheng**  
34th Floor, Office Building 3, China Central Place,  
No. 77 Jianguo Road, Chaoyang District, Beijing

**LEGAL ADVISERS TO THE TRUSTEE**

*as to English law*

**K&L Gates**  
44/F, Edinburgh Tower, The Landmark  
15 Queen's Road Central  
Central, Hong Kong